

CITY OF SPRINGDALE, ARKANSAS

Annual Financial Report

Year Ended December 31, 2006

Prepared by the

CITY OF SPRINGDALE, ARKANSAS
FINANCE DEPARTMENT

CITY CLERK/TREASURER
Denise Pearce

ADMINISTRATION & FINANCIAL SERVICES DIRECTOR
Wyman D. Morgan, CPA

FINANCE DIRECTOR
Laura V. Favorite, CPA

CITY OF SPRINGDALE, ARKANSAS

Year Ended December 31, 2005

Table of Contents (continued)

Statement of Revenues, Expenses, and Changes in Net Assets - Budget and Actual - Municipal Airport Fund	65
Statement of Revenues, Expenses, and Changes in Net Assets - Budget and Actual - Aquatic Center Fund	66
Statement of Revenues, Expenses, and Changes in Net Assets - Budget and Actual - Parks Soccer Program Fund	67
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Bluff Cemetery Fund	68
Notes to Required Supplementary Information	69
Supplementary Information Section	
Nonmajor Governmental Funds	
Combining Balance Sheet	70
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	71
Nonmajor Proprietary Funds	
Combining Statement of Net Assets	72
Combining Statement of Revenues, Expenses, and Changes in Net Assets	73
Combining Statement of Cash Flows	74
Fiduciary Funds	
Combining Statement of Changes in Assets and Liabilities - Agency Funds	75
Other Required Report	
Independent Auditors' Report on Compliance with Arkansas Code Annotated Section 14-58-101	77
Single Audit Section	
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	79
Independent Auditors' Report on Compliance with Requirements Applicable to the Major Federal Awards Program and on Internal Control Over Compliance in Accordance with Office of Management and Budget Circular A-133	81
Schedule of Expenditures of Federal Awards	83
Schedule of Expenditures of State Awards	84
Notes to Schedules of Expenditures and Federal and State Awards	85
Schedule of Findings and Questioned Costs	86

City of Springdale, Arkansas

**List of Elected and Appointed Officials
December 31, 2006**

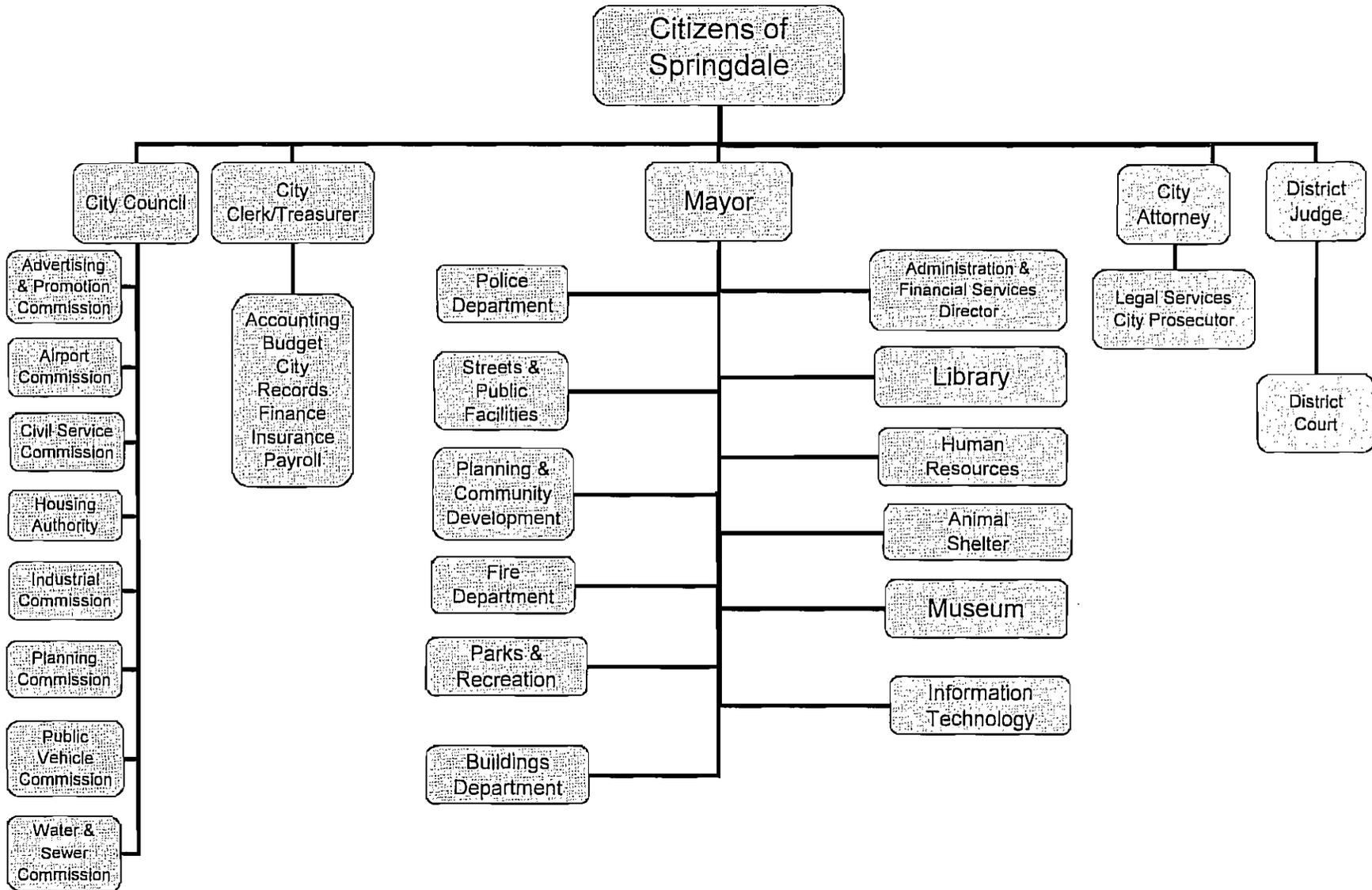
Elected Officials:

Mayor	Jerre M. Van Hoose
City Clerk/Treasurer	Denise Pearce
City Attorney	Jeff Harper
District Judge	Stanley W. Ludwig
Council Member – Ward 1	Billy Eden
Council Member – Ward 1	Kathy Jaycox
Council Member – Ward 2	Jeff Williams
Council Member – Ward 2	Ricky C. Evans
Council Member – Ward 3	Jeff Watson
Council Member – Ward 3	Ray Dotson
Council Member – Ward 4	Eric Ford
Council Member – Ward 4	Bobby Stout

Appointed Officials:

Administrative and Financial Services	Wyman D. Morgan
Animal Services	Herb Worley
Acting Building Official	Mike Chamlee
Finance	Laura Favorite
Fire Chief	Duane Atha
Human Resources	David Tritt
Information Technology	Mark Gutte
Library	Marcia Ransom
Museum	Allyn Lord
Parks and Recreation	Don Bohannan
Planning and Community Development	Patsy Christie
Police Chief	Kathy O'Kelley
Public Works	Sam Goade
Water and Wastewater	Rene Langston

City of Springdale, Arkansas Organizational Chart



FINANCIAL SECTION

Bart P. Allard, CPA, PA
J. Mark Lundy, CPA, PA

LUNDYALLARD
& COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Ellen Arnold, CPA
Melissa Bohannon, CPA
Patricia Brunner, CPA
John Dye, CPA
Patricia K. Mangold, CPA
Alta J. Wilson, EA

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Springdale, Arkansas
Springdale, Arkansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Springdale, Arkansas (the "City") as of December 31, 2006, and for the year then ended (except that the Springdale Water Utilities component unit is as of September 30, 2006, and for the year then ended), which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Springdale, Arkansas, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended (except that the Springdale Water Utilities component unit is as of September 30, 2006, and for the year then ended) in conformity with accounting principles generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2007, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and budgetary comparison information on pages 5 through 14 and 52 through 68, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Lundy Allard & Company, PLLC

Lundy Allard & Company, PLLC
Certified Public Accountants

May 28, 2007

City of Springdale, Arkansas

Management's Discussion and Analysis

For the Year Ended December 31, 2006

The following discussion and analysis of the City of Springdale's financial activities for the year ended December 31, 2006 is provided for the readers of the financial statements to consider in conjunction with all other information provided in this report.

Financial Highlights

- Total assets of the City of Springdale (the "City") exceeded total liabilities at the close of 2006 by \$161,250,019 (net assets). Of this amount, \$31,584,910 is considered unrestricted net assets. The unrestricted net assets of the City's governmental activities are \$31,106,182 and may be used to meet the obligations to citizens and creditors. The unrestricted net assets of the City's business-type activities have an unrestricted balance of \$478,728 that may be used to meet the on-going obligations of the City's municipal airport and aquatic center activities.
- The City's total net assets increased by \$36,232,333 in 2006. Net assets of the governmental activities increased by \$36,641,531 in 2006, which was a 31% increase over beginning net assets. Net assets of the business-type activities decreased by \$409,198 in 2006, which was a 5% decrease over beginning net assets.
- At the close of 2006, the City of Springdale's governmental funds reported a combined ending fund balance of \$154,783,997, which reflects an increase of \$68,381,980 from the prior year. The unreserved portion of the combined fund balance is \$144,238,587, which represents 93% of the total. The unreserved portion is available for use to support operations, funding for special projects and equipment replacement funding.
- At the end of 2006, the unreserved fund balance of the general fund was \$5,932,281 or 25% of total general fund expenditures. There was a decrease of \$1,404,309 in the total general fund balance for the year ended December 31, 2006.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Springdale's basic financial statements. These basic financial statements 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 other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation and sick 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, capital projects, community development, culture and recreation, economic development, public safety and public works. The business-type activities of the City include municipal airport, aquatic center, park's soccer program and city attorney restitution.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the Springdale Water Utilities, a legally separate *component unit* for which the City is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements are located on pages 15 and 16 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, propriety 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 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 funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains seventeen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and change in fund balances for the General Fund, Street Fund, Sales and Use Tax Fund, Street Improvement Construction Funds, Baseball Stadium Construction Fund and Debt Service Fund. Data from the remaining ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combing statements* elsewhere in this report.

The basic governmental fund financial statements are located on pages 17 through 20 of this report.

Proprietary funds – Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City maintains a single proprietary fund type, an enterprise fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 21 through 23 of this report.

Fiduciary funds – *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 24 and 25 of this report.

Notes to the basic financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements are located on pages 26 through 51 of this report.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City’s progress in funding its obligation to provide pension benefits to its employees and budgetary comparison schedules to demonstrate compliance with the annual budgets. *Required supplementary information* is located on pages 52 through 68 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining statements and schedules are located on pages 69 through 76 of this report.

Government – Wide Financial Analysis

City of Springdale Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 168,435,288	\$ 95,508,159	\$ 576,355	\$ 625,964	\$ 169,011,643	\$ 96,134,123
Capital assets	120,448,983	78,065,475	7,983,798	8,307,289	128,432,781	86,372,764
<i>Total assets</i>	<u>\$ 288,884,271</u>	<u>\$ 173,573,634</u>	<u>\$ 8,560,153</u>	<u>\$ 8,933,253</u>	<u>\$ 297,444,424</u>	<u>\$ 182,506,887</u>
Current liabilities	\$ 10,393,108	\$ 9,863,898	\$ 97,627	\$ 61,529	\$ 10,490,735	\$ 9,925,427
Other liabilities	125,703,670	47,563,774	-	-	125,703,670	47,563,774
<i>Total liabilities</i>	<u>\$ 136,096,778</u>	<u>\$ 57,427,672</u>	<u>\$ 97,627</u>	<u>\$ 61,529</u>	<u>\$ 136,194,405</u>	<u>\$ 57,489,201</u>
Invested in capital assets, net of related debt	\$ 87,810,069	\$ 67,398,177	\$ 7,983,798	\$ 8,307,289	\$ 95,793,867	\$ 75,705,466
Restricted	33,871,242	20,322,987	-	-	33,871,242	20,322,987
Unrestricted	31,106,182	28,424,798	478,728	564,435	31,584,910	28,989,233
<i>Total net assets</i>	<u>\$ 152,787,493</u>	<u>\$ 116,145,962</u>	<u>\$ 8,462,526</u>	<u>\$ 8,871,724</u>	<u>\$ 161,250,019</u>	<u>\$ 125,017,686</u>

\$128,432,781 of the City’s assets (43%) reflects its investments in capital assets (e.g. land, buildings, machinery, infrastructure and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending since capital assets themselves cannot be used to liquidate liabilities.

An additional portion of the City’s net assets (\$33,871,242 or 21%) represents resources that are subject to restrictions as to how they may be used. The remaining balance of unrestricted net assets (\$31,584,910 or 20%) may be used to meet the government’s on going obligations to citizens and creditors.

It is important to note that although the total spendable unrestricted net assets are \$31,584,910, the net assets of the City's business type activities (\$478,728) may not be used to fund governmental activities.

Governmental activities – Governmental activities increased the City's net assets by \$36,641,531. The main elements of this increase are:

- Changes in the fund balances of the three Construction Funds provided \$77,116,576 in additional net assets.
- An increase of \$74,351,099 in long-term debt partially offset the increase in net assets created by other items.

Sales taxes provided \$33,694,926 (47%) of the City's governmental revenue in 2006 while Ad valorem tax added \$4,571,925 (6%) and capital grants and contributions provided \$15,217,024 (21%).

Business-type activities – Business-type activities decreased the City's net assets by \$409,198.

Aquatic center revenues of \$192,963 provided 29% of total revenues while current year expenses of \$427,088 were 42% of total expenses. Aquatic center depreciation expense for 2006 was \$231,531.

The Municipal Airport revenues of \$276,821 provided 42% of total revenues for business-type activities for 2006.

City of Springdale Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
<i>Program revenues</i>						
Fees, fines and charges for services	\$ 4,668,191	\$ 4,638,761	\$ 616,545	\$ 641,067	\$ 5,284,736	\$ 5,279,828
Operating grants and contributions	6,603,501	5,808,430	4,667	5,600	6,608,168	5,814,030
Capital grants and contributions	15,217,024	7,365,692	23,472	1,036,888	15,240,496	8,402,578
Total program revenues	\$ 26,488,716	\$ 17,812,883	\$ 644,684	\$ 1,683,553	\$ 27,133,400	\$ 19,486,436
<i>General revenues</i>						
Sales tax	\$ 33,694,926	\$ 32,906,006	\$ -	\$ -	\$ 33,694,926	\$ 32,906,006
Ad valorem tax	4,571,925	4,263,518			4,571,925	4,263,518
Franchise tax	3,162,950	2,826,023			3,162,950	2,826,023
Hotel/motel tax	294,616	270,347			294,616	270,347
Investment earnings	4,086,421	2,201,364	16,504	10,747	4,102,925	2,212,111
Gain (loss) on sale of assets	21,418	55,222	(2,577)		18,841	55,222
Endowment contributions	138,528	191,137			138,528	191,137
Total general revenues	\$ 45,970,784	\$ 42,713,617	\$ 13,927	\$ 10,747	\$ 45,984,711	\$ 42,724,364
Total revenues	\$ 72,459,500	\$ 60,526,500	\$ 658,611	\$ 1,694,300	\$ 73,118,111	\$ 62,220,800
Expenses						
General government	\$ 3,498,715	\$ 4,140,464	\$ -	\$ -	\$ 3,498,715	\$ 4,140,464
Community development	1,389,026	1,706,228			1,389,026	1,706,228
Culture and recreation	4,176,905	3,669,762			4,176,905	3,669,762
Economic development	322,133	305,637			322,133	305,637
Public safety	17,668,579	15,736,454			17,668,579	15,736,454
Public works	6,682,330	4,593,593			6,682,330	4,593,593
Interest on long-term debt Issue costs & agent fees - long-term debt	1,715,597 409,399	1,875,310 96,797			1,715,597 409,399	1,875,310 96,797
Municipal airport			488,426	512,221	488,426	512,221
Aquatic center			427,088	433,438	427,088	433,438
Parks soccer program			104,451	76,736	104,451	76,736
City attorney restitution			4,844	6,844	4,844	6,844
Total expenses	\$ 35,862,684	\$ 32,124,245	\$ 1,024,809	\$ 1,029,239	\$ 36,887,493	\$ 33,153,484
Increase (decrease) in net assets						
before transfers	\$ 36,596,816	\$ 28,402,255	\$ (366,198)	\$ 665,061	\$ 36,230,618	\$ 29,067,316
Transfers	44,715	(18,680)	(43,000)	18,680	1,715	-
Increase (decrease) in net assets	\$ 36,641,531	\$ 28,383,575	\$ (409,198)	\$ 683,741	\$ 36,232,333	\$ 29,067,316
Net assets - January 1	116,145,962	87,762,387	8,871,724	8,187,983	125,017,686	95,950,370
Net assets - December 31	\$ 152,787,493	\$ 116,145,962	\$ 8,462,526	\$ 8,871,724	\$ 161,250,019	\$ 125,017,686

Financial Analysis of the Government's Funds

The City of Springdale uses fund accounting to ensure and demonstrate compliance with finance related requirements.

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

As of December 31, 2006, the City's governmental funds combined fund balance was \$154,783,997, which reflects an increase of \$68,381,980 from the prior year end. \$144,238,587 (93%) of the year end combined fund balance constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for capital projects, restricted by statute or for other purposes.

The General Fund is the chief operating fund of the City. As of December 31, 2006, the total fund balance of the general fund was \$6,651,219 of which \$5,932,281 (89%) was unreserved. This unreserved fund balance represents approximately 25% of the total general fund expenditures for the year ended December 31, 2006. \$722,460 of this unreserved fund balance was appropriated to meet 2007 projected general fund expenditures.

During the 2006 fiscal year, the fund balance of the general fund decreased by \$1,404,309. The general fund expenditures for the year exceeded revenues and was the primary reason for the decrease in the general fund balance.

The Sales and Use Tax Fund is a special revenue fund that is presented as a major fund and accounts for 7% of the total governmental fund balances. Revenues include a one percent (1%) local sales tax of which seventy-five percent (75%) is dedicated to capital improvement projects.

The Street Improvement Construction Funds provided 51% of the total governmental fund balances. Funds were provided for this fund by the issuance of \$60,000,000 of special revenue bonds during 2004 and \$45,000,000 during 2006.

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

At December 31, 2006 net assets of the Municipal Airport Fund were \$5,281,334 and net assets of the Aquatic Center Fund were \$3,031,947. These two funds account for 98% of the net assets total of all proprietary funds.

Budgetary Highlights

General fund budgeted revenue was \$21,273,100 and actual revenue received was \$21,594,320. The excess of \$321,220 over the projected budget was due to increased revenue from Ad valorem taxes. General fund expenditures of \$24,157,534 were 97% of the budgeted expenses of \$25,033,028.

The budget and actual comparison statements are located on pages 52 through 68.

Capital Assets

The City's investment in capital assets for governmental and business-type activities as of December 31, 2006 amounts to \$128,432,281. The increase for governmental activities was \$42,806,205 (55%). The City's investment, in business-type activity capital assets, decreased by \$323,491 (4%).

Additional information on the City's capital assets is located in Note 3 on pages 34 through 36 of this report.

City of Springdale Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land & easements	\$ 24,596,126	\$ 10,912,168	\$ 2,279,586	\$ 2,279,586	\$ 26,875,712	\$ 13,191,754
Land improvements	8,261,153	5,218,160	3,067,820	3,196,051	11,328,973	8,414,211
Buildings & improvements	13,424,643	11,971,117	2,330,005	2,512,373	15,754,648	14,483,490
Construction in progress	21,797,119	18,089,541	62,717	250	21,859,836	18,089,791
Infrastructure	44,669,108	24,920,505			44,669,108	24,920,505
Machinery & equipment	7,611,269	6,427,179	243,670	319,029	7,854,939	6,746,208
Intangibles	89,065	103,608			89,065	103,608
Total	\$ 120,448,483	\$ 77,642,278	\$ 7,983,798	\$ 8,307,289	\$ 128,432,281	\$ 85,949,567

Long-Term Debt

The City of Springdale held a special election on August 12, 2003 that authorized an additional one percent (1%) sales tax and the issuance of bonds in the maximum principal amount of \$105,000,000. These bonds were authorized for the acquisition and construction of new streets, roads and bridges or improvements to existing streets, roads and bridges. On June 22, 2004 the city council authorized the first bond series and in July of 2004, \$60,000,000 of bonds were issued. The additional one percent (1%) sales tax was dedicated to the retirement of these bonds.

The City of Springdale held a special election on July 11, 2006 that authorized a one percent (1%) sales tax and the issuance of bonds in the maximum principal amount of \$137,000,000. Of these bonds \$42,000,000 were authorized for the refunding of the 2004 bonds still outstanding, \$45,000,000 were authorized to complete the transportation projects started with the 2004 bond proceeds and \$50,000,000 of bonds are to provide for the construction of a baseball stadium. The sales tax rate for Springdale was not increased by this election. The one percent (1%) sales tax authorized in 2003 was replaced by the one percent (1%) sales tax authorized by this election.

The City issued bonds on September 18, 2001 to finance a portion of the costs of an expansion to the waste water treatment plant. Net water and sewer revenues are pledged for the payment of these bonds. The City retired \$1,900,000 of these bonds during the year leaving a balance at September 30, 2006 of \$6,165,000. The final principal payment on the 2001 bonds is scheduled for September 1, 2009. On June 27, 2006 the City Council authorized the issuance of an additional \$3,600,000 of Water and Sewer Revenue Bonds for additional improvements. These additional bonds were issued on August 10, 2006 and the final principal payment is scheduled for September 1, 2026.

Additional information on the City's long-term debt can be found in Note 4 located on pages 37 through 41 of this report.

Economic Factors and the Next Year's Budget

The unemployment rate of December 2006 for the Fayetteville-Springdale-Rogers MSA was 3.2% which compared favorably to the state's average unemployment rate of 5.1%. During 2006, total non-farm jobs for this MSA rose 10,000 to end the year at 208,100.

City one percent (1%) sales tax revenue received in 2006 for the Sales and Use Tax Fund increased by 2.4% when compared to sales tax revenue received in 2005. The collection of an additional one per cent sales tax for debt service was started in October of 2003. This additional tax provided \$12,347,458 in revenue during 2006.

The City Council adopted the 2007 budget on December 12, 2006 with General Fund projected revenues of \$26,370,390 and projected expenditures and transfers of \$28,241,730.

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Administration and Financial Services Director, 201 Spring Street, Springdale, Arkansas 72764.

General information relating to the City of Springdale, Arkansas can be found on the City's website, <http://www.springdaleark.org>.

**BASIC FINANCIAL
STATEMENTS**

City of Springdale, Arkansas
Statement of Net Assets
December 31, 2006

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business Type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 56,221,497	\$ 138,431	\$ 56,359,928	\$ 68,371
Investments	91,123,303	400,000	91,523,303	-
Accounts receivable (net of allowance for uncollectibles)	2,355,525	38,025	2,393,550	2,035,785
Intergovernmental receivables	8,605,050	-	8,605,050	-
Internal balances	101	(101)	-	-
Due from fiduciary funds	92,425	-	92,425	-
Inventories	-	-	-	354,068
Prepaid assets	1,641	-	1,641	67,121
Current restricted assets:				
Restricted cash and cash equivalents	4,444,761	-	4,444,761	4,478,018
Investments	-	-	0	24,330,617
Interest receivable	-	-	0	391,657
Intergovernmental receivables	1,990,608	-	1,990,608	-
Noncurrent assets:				
Capital assets:				
Land	24,596,126	2,279,586	26,875,712	3,603,976
Intangible assets	553,904	-	553,904	-
Improvements other than buildings	57,349,021	6,549,861	63,898,882	136,916,727
Buildings and system	18,877,855	4,494,251	23,372,106	69,314,817
Machinery and equipment	16,994,615	1,319,653	18,314,268	3,864,343
Construction in progress	21,797,619	62,717	21,860,336	1,545,850
Less accumulated depreciation	(19,720,157)	(6,722,270)	(26,442,427)	(59,217,236)
Assets held for resale	1,151,936	-	1,151,936	-
Unamortized bond/lease costs	1,778,455	-	1,778,455	92,421
Deferred loss on bond refunding	669,986	-	669,986	-
Total Assets	<u>288,884,271</u>	<u>8,560,153</u>	<u>297,444,424</u>	<u>187,846,535</u>
LIABILITIES				
Current liabilities:				
Accounts payable	5,043,381	58,754	5,102,135	60,478
Customer deposits	697,629	-	697,629	-
Deferred income	-	36,600	36,600	-
Accrued expenses	517,781	2,273	520,054	130,265
Due to fiduciary funds	45,624	-	45,624	-
Other liabilities	-	-	-	65,025
Current liabilities payable from restricted assets				
Bonds payable	2,660,000	-	2,660,000	2,030,000
Capital leases payable	42,084	-	42,084	-
Customer deposits	-	-	-	1,382,230
Accrued interest payable	1,386,609	-	1,386,609	15,041
Noncurrent liabilities:				
Bonds payable (net of unamortized premiums)	124,496,239	-	124,496,239	7,807,794
Capital leases payable	51,158	-	51,158	-
Compensated absences	1,156,273	-	1,156,273	-
Total Liabilities	<u>136,096,778</u>	<u>97,627</u>	<u>136,194,405</u>	<u>11,490,833</u>
NET ASSETS				
Invested in capital assets, net of related debt	87,810,069	7,983,798	95,793,867	146,175,642
Restricted for:				
Capital expenditures, net of related debt	31,481,660	-	31,481,660	-
Debt service	2,389,582	-	2,389,582	-
Other	-	-	-	25,773,021
Unrestricted	31,106,182	478,728	31,584,910	4,407,039
Total Net Assets	<u>\$ 152,787,493</u>	<u>\$ 8,462,526</u>	<u>\$ 161,250,019</u>	<u>\$ 176,355,702</u>

See accompanying notes to basic financial statements.

City of Springdale, Arkansas
Statement of Activities
Year Ended December 31, 2006

Functions/Programs	Program Revenues				Net [Expenses] Revenues and Changes in Net Assets			Component Unit
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental activities								
General government								
Administration	\$ 2,297,645	\$ 133,558	\$ 922,129	\$ -	\$ (1,241,958)	\$ -	\$ (1,241,958)	\$ -
City Attorney	562,965	21,701	-	-	(541,264)	-	(541,264)	-
District Court	600,457	128,786	64,547	-	(407,124)	-	(407,124)	-
Bluff Cemetery	37,648	40,925	-	-	3,277	-	3,277	-
Capital projects	-	-	-	417,221	417,221	-	417,221	-
Community development								
Planning and engineering	740,620	108,576	-	-	(632,044)	-	(632,044)	-
Community development and housing	648,406	-	648,986	-	580	-	580	-
Culture and recreation								
Parks and recreation	1,813,030	209,459	54,409	-	(1,549,162)	-	(1,549,162)	-
Public Library	1,818,251	91,904	789,958	-	(936,389)	-	(936,389)	-
Shiloh Museum	545,624	34,899	3,480	-	(507,245)	-	(507,245)	-
Economic development	322,133	716,146	-	-	394,013	-	394,013	-
Public safety								
Animal services	295,696	37,882	4,187	-	(253,627)	-	(253,627)	-
Building inspection and code enforcement	855,515	888,742	-	-	33,227	-	33,227	-
Fire	7,356,914	1,146,404	444,478	-	(5,766,032)	-	(5,766,032)	-
Police	9,160,454	1,007,537	853,390	29,895	(7,269,632)	-	(7,269,632)	-
Public works	6,882,330	101,672	2,817,937	14,769,908	11,007,187	-	11,007,187	-
Interest on long-term debt	1,715,597	-	-	-	(1,715,597)	-	(1,715,597)	-
Issue costs and fees - long-term debt	409,399	-	-	-	(409,399)	-	(409,399)	-
Total government activities	<u>35,862,684</u>	<u>4,668,191</u>	<u>6,603,501</u>	<u>15,217,024</u>	<u>(9,373,968)</u>	<u>-</u>	<u>(9,373,968)</u>	<u>-</u>
Business type activities								
Municipal airport	488,426	276,821	-	23,472	-	(188,133)	(188,133)	-
Aquatic center	427,088	192,963	-	-	-	(234,125)	(234,125)	-
Parks soccer program	104,451	100,496	4,667	-	-	712	712	-
City attorney restitution	4,844	48,265	-	-	-	41,421	41,421	-
Total business-type activities	<u>1,024,809</u>	<u>616,545</u>	<u>4,667</u>	<u>23,472</u>	<u>-</u>	<u>(380,125)</u>	<u>(380,125)</u>	<u>-</u>
Total primary government	<u>\$ 36,887,493</u>	<u>\$ 5,284,736</u>	<u>\$ 6,608,168</u>	<u>\$ 15,240,496</u>	<u>(9,373,968)</u>	<u>(380,125)</u>	<u>(9,754,093)</u>	<u>-</u>
Component unit:								
Springdale Water Utilities	\$ 18,906,382	\$ 25,087,551	\$ -	\$ 11,345,160	-	-	-	17,526,329
General revenues [expenses]:								
Sales tax					33,694,926	-	33,694,926	-
Ad valorem tax					4,571,925	-	4,571,925	-
Franchise tax					3,162,950	-	3,162,950	-
Hotel/motel tax					294,616	-	294,616	-
Investment earnings					4,086,421	16,504	4,102,925	1,168,324
Interest expenses and other charges					-	-	-	(296,759)
Gain [loss] on sale of assets					21,418	(2,577)	18,841	(42,381)
Endowment contributions					138,528	-	138,528	-
Transfers					44,715	(43,000)	1,715	-
Total general revenues and transfers					<u>46,015,499</u>	<u>(29,073)</u>	<u>45,986,426</u>	<u>829,184</u>
Change in net assets					36,641,531	(409,198)	36,232,333	18,355,513
Net assets beginning of year					116,145,962 *	8,871,724 *	125,017,686	158,000,189
Net assets end of year					<u>\$ 152,787,493</u>	<u>\$ 8,462,526</u>	<u>\$ 161,250,019</u>	<u>\$ 176,355,702</u>

See accompanying notes to basic financial statements.

City of Springdale, Arkansas
Balance Sheet
Governmental Funds
December 31, 2006

	General Fund	Street Fund	Sales and Use Tax	2004 Street Improvement Construction
ASSETS				
Cash and cash equivalents	\$ 2,032,823	\$ 320,153	\$ 2,358,547	\$ 2,837,028
Investments	4,745,000	200,000	7,100,000	33,187,685
Accounts receivable, net	1,525,598	12,792	59,833	-
Interest receivable	32,011	1,266	47,987	73,425
Intergovernmental receivable	5,599,466	1,001,485	1,990,608	-
Due from other funds	583,572	-	1,763,156	-
Assets held for resale	-	-	-	-
Other assets	1,641	-	-	-
Restricted assets:				
Cash and cash equivalents	-	-	-	-
Intergovernmental receivable	-	-	-	-
Total Assets	\$ 14,520,111	\$ 1,535,696	\$ 13,320,131	\$ 36,098,138
LIABILITIES				
Accounts payable	\$ 1,196,122	\$ 51,624	\$ 1,819,762	\$ 1,942,899
Salaries payable	409,080	40,282	-	-
Payable from restricted assets:				
Accrued interest	-	-	-	-
Due to other funds	1,808,517	-	500,258	-
Developer bonds payable	667,614	-	-	-
Other liabilities	-	15,188	13,828	-
Deferred revenue	3,787,559	726,435	-	-
Total Liabilities	7,868,892	833,529	2,333,848	1,942,899
FUND BALANCES				
Reserved for:				
Assets held for resale	-	-	-	-
Debt service	-	-	-	-
Cemetery perpetual care	-	-	-	-
Court automation	-	-	-	-
Endowments	-	-	-	-
Grant expenditures	10,992	-	-	-
Public safety expenditures	706,642	-	-	-
Park land	-	-	1,200,000	-
Designated for:				
Museum expenditures	1,304	-	-	-
Unreserved, reported in:				
General fund	5,932,281	-	-	-
Special revenue funds	-	702,167	-	-
Capital project funds	-	-	9,786,283	34,155,239
Permanent funds	-	-	-	-
Total Fund Balances	6,651,219	702,167	10,986,283	34,155,239
TOTAL LIABILITIES AND FUND BALANCES	\$ 14,520,111	\$ 1,535,696	\$ 13,320,131	\$ 36,098,138

See accompanying notes to basic financial statements.

2006 Street Improvement Construction	Baseball Stadium Construction	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 2,689,536	\$ 45,156,513	\$ -	\$ 826,897	\$ 56,221,497
41,767,031	-	-	4,123,587	91,123,303
548,952	-	-	35,902	1,634,125
-	-	-	17,759	721,400
-	-	-	13,491	8,605,050
-	-	-	68,437	2,415,165
-	-	-	1,151,936	1,151,936
-	-	-	500	2,141
-	-	4,444,761	-	4,444,761
-	-	1,990,608	-	1,990,608
<u>\$ 45,005,519</u>	<u>\$ 45,156,513</u>	<u>\$ 6,435,369</u>	<u>\$ 6,238,509</u>	<u>\$ 168,309,986</u>
\$ -	\$ -	\$ -	\$ 32,974	\$ 5,043,381
-	-	-	68,419	517,781
-	-	-	-	-
-	-	384,941	-	384,941
-	2,000	-	57,488	2,368,263
-	-	-	-	667,614
-	999	-	-	30,015
-	-	-	-	4,513,994
<u>-</u>	<u>2,999</u>	<u>384,941</u>	<u>158,881</u>	<u>13,525,989</u>
-	-	-	1,151,936	1,151,936
-	-	6,050,428	-	6,050,428
-	-	-	38,370	38,370
-	-	-	92,447	92,447
-	-	-	1,140,291	1,140,291
-	-	-	153,000	163,992
-	-	-	-	706,642
-	-	-	-	1,200,000
-	-	-	-	1,304
-	-	-	-	5,932,281
-	-	-	337,956	1,040,123
45,005,519	45,153,514	-	2,266,997	136,367,552
-	-	-	898,631	898,631
<u>45,005,519</u>	<u>45,153,514</u>	<u>6,050,428</u>	<u>6,079,628</u>	<u>154,783,997</u>
<u>\$ 45,005,519</u>	<u>\$ 45,156,513</u>	<u>\$ 6,435,369</u>	<u>\$ 6,238,509</u>	<u>\$ 168,309,986</u>

City of Springdale, Arkansas
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
December 31, 2006

Total fund balances – governmental funds	\$ 154,783,997
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	120,448,483
Some revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year end and are not considered available. On the accrual basis, those revenues are recognized regardless of when they are collected.	4,513,994
Accrued interest payable on bonds is not recorded in governmental funds until it is due and payable.	(1,001,668)
Some long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore are not reported in the funds.	(<u>125,957,313</u>)
Net assets of governmental funds	\$ <u><u>152,787,493</u></u>

See accompanying notes to basic financial statements.

City of Springdale, Arkansas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2006

	General Fund	Street Fund	Sales and Use Tax	2004 Street Improvement Construction
Revenues				
Taxes	\$ 15,693,695	\$ 646,748	\$ 12,347,458	\$ -
Fees and permits	983,269	2,525	-	-
Intergovernmental	2,201,621	2,817,937	-	-
Charges for goods and services	1,330,582	66,711	-	-
Fines and forfeitures	930,557	-	-	-
Investment earnings	209,789	3,059	523,405	1,967,791
Miscellaneous	244,807	32,436	-	-
Total Revenues	<u>21,594,320</u>	<u>3,569,416</u>	<u>12,870,863</u>	<u>1,967,791</u>
Expenditures				
Current:				
General government	2,687,084	-	-	-
Community development	724,728	-	-	-
Culture and recreation	1,799,323	-	-	-
Economic development	-	-	-	-
Public safety	16,742,985	-	-	-
Public works	-	3,785,325	-	-
Capital expenditures	2,203,414	331,047	10,605,277	15,006,262
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issue costs	-	-	-	-
Other fees	-	-	-	-
Agent fees	-	-	-	6,750
Total Expenditures	<u>24,157,534</u>	<u>4,116,372</u>	<u>10,605,277</u>	<u>15,013,012</u>
Excess [deficiency] of revenues over expenditures	(2,563,214)	(546,956)	2,265,586	(13,045,221)
Other Financing Sources [Uses]				
Transfers in	3,329,864	1,053,410	-	-
Transfers out	(2,201,773)	(46,279)	(3,286,864)	-
Contributed capital	-	-	414,457	2,764
Proceeds from issuance of bonds	-	-	-	-
Premium on bonds sold	-	-	-	-
Payment to refunded bond escrow	-	-	-	-
Proceeds from sale of capital assets	30,814	1,158	-	-
Insurance recovery-capital assets	-	43,712	-	-
Total Other Financing Sources [Uses]	<u>1,158,905</u>	<u>1,052,001</u>	<u>(2,872,407)</u>	<u>2,764</u>
Net Changes in Fund Balances	(1,404,309)	505,045	(606,821)	(13,042,457)
Fund Balance - Beginning of Year	<u>8,055,528</u>	<u>197,122</u>	<u>11,593,104</u>	<u>47,197,696</u>
Fund Balance - End of Year	\$ <u>6,651,219</u>	\$ <u>702,167</u>	\$ <u>10,986,283</u>	\$ <u>34,155,239</u>

See accompanying notes to basic financial statements.

2006 Street Improvement Construction	Baseball Stadium Construction	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 12,347,458	\$ 330,669	\$ 41,366,028
-	-	-	150,049	1,135,843
-	-	-	1,405,511	6,425,069
-	-	-	914,423	2,311,716
-	-	-	69,477	1,000,034
371,648	387,793	335,941	286,995	4,086,421
-	-	-	374,039	651,282
<u>371,648</u>	<u>387,793</u>	<u>12,683,399</u>	<u>3,531,163</u>	<u>56,976,393</u>
-	-	-	625,397	3,312,481
-	-	-	655,024	1,379,752
-	-	-	1,847,583	3,646,906
-	-	-	322,133	322,133
-	-	-	-	16,742,985
-	-	-	-	3,785,325
-	3,934,879	-	89,075	32,169,954
-	-	10,650,143	-	10,650,143
-	-	1,879,561	-	1,879,561
610,573	682,462	437,508	-	1,730,543
-	-	14,412	-	14,412
6,530	6,992	32,203	-	52,475
<u>617,103</u>	<u>4,624,333</u>	<u>13,013,827</u>	<u>3,539,212</u>	<u>75,686,670</u>
(245,455)	(4,236,540)	(330,428)	(8,049)	(18,710,277)
829,504	-	1,740,993	1,160,079	8,113,850
(1,694,715)	-	(829,504)	(10,000)	(8,069,135)
-	-	-	-	417,221
45,000,000	48,185,000	30,860,000	-	124,045,000
1,116,185	1,205,054	790,000	-	3,111,239
-	-	(40,603,002)	-	(40,603,002)
-	-	-	1,400	33,372
-	-	-	-	43,712
<u>45,250,974</u>	<u>49,390,054</u>	<u>(8,041,513)</u>	<u>1,151,479</u>	<u>87,092,257</u>
45,005,519	45,153,514	(8,371,941)	1,143,430	68,381,980
-	-	14,422,369	4,936,198	86,402,017
<u>\$ 45,005,519</u>	<u>\$ 45,153,514</u>	<u>\$ 6,050,428</u>	<u>\$ 6,079,628</u>	<u>\$ 154,783,997</u>

City of Springdale, Arkansas
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended December 31, 2006

Net change in fund balances – total governmental funds	\$ 68,381,980
Governmental funds report capital outlays as expenditures. However, for government-wide statements the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.	27,645,573
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to increase net assets.	14,737,435
Revenues that do not provide current financial resources, such as ad valorem taxes, are not reported as revenues for the funds, but are reported as revenues in the statement of activities	358,389
Expenses that do not require current financial resources, such as compensated absences and accrued interest payable, are not reported as expenditures in the funds, but are reported as expenses in the statement of activities	(130,747)
The issuance of long-term debt provides current financial resources to governmental funds but issuing debt increases long-term liabilities in the statement of net assets. The repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	(74,351,099)
Change in net assets of governmental activities	\$ <u>36,641,531</u>

See accompanying notes to basic financial statements.

City of Springdale, Arkansas
Statement of Net Assets
Proprietary Funds
December 31, 2006

	Enterprise Funds			Total Proprietary Funds
	Municipal Airport	Aquatic Center	Nonmajor Enterprise Funds	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 34,522	\$ 43,375	\$ 60,534	\$ 138,431
Investments	-	350,000	50,000	400,000
Accounts receivable	36,859	-	-	36,859
Accrued interest	-	845	321	1,166
Total current assets	<u>71,381</u>	<u>394,220</u>	<u>110,855</u>	<u>576,456</u>
Capital assets:				
Land	2,279,586	-	-	2,279,586
Improvements -non depreciable	756,986	224,122	-	981,108
Improvements other than buildings	5,279,975	267,402	21,376	5,568,753
Buildings and system	1,580,574	2,913,677	-	4,494,251
Machinery and equipment	493,381	783,731	42,541	1,319,653
Construction in progress	62,717	-	-	62,717
Less accumulated depreciation	(5,158,322)	(1,539,741)	(24,207)	(6,722,270)
Total capital assets (net of accumulated depreciation)	<u>5,294,897</u>	<u>2,649,191</u>	<u>39,710</u>	<u>7,983,798</u>
Total noncurrent assets	<u>5,294,897</u>	<u>2,649,191</u>	<u>39,710</u>	<u>7,983,798</u>
Total assets	\$ <u>5,366,278</u>	\$ <u>3,043,411</u>	\$ <u>150,565</u>	\$ <u>8,560,254</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 46,723	\$ 11,464	\$ 567	\$ 58,754
Salaries payable	1,621	-	652	2,273
Due to other funds	-	-	101	101
Deferred income	36,600	-	-	36,600
Total liabilities	<u>84,944</u>	<u>11,464</u>	<u>1,320</u>	<u>97,728</u>
NET ASSETS				
Invested in capital assets, net of related debt	5,294,897	2,649,191	39,710	7,983,798
Unrestricted (deficit)	(13,563)	<u>382,756</u>	<u>109,535</u>	<u>478,728</u>
Total net assets	<u>5,281,334</u>	<u>3,031,947</u>	<u>149,245</u>	<u>8,462,526</u>
Total liabilities and net assets	\$ <u>5,366,278</u>	\$ <u>3,043,411</u>	\$ <u>150,565</u>	\$ <u>8,560,254</u>

See accompanying notes to basic financial statements.

City of Springdale, Arkansas
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
Year Ended December 31, 2006

	Enterprise Funds			Total Proprietary Funds
	Municipal Airport	Aquatic Center	Nonmajor Enterprise Funds	
Operating Revenue				
Charges for services:				
Activity fees	\$ -	\$ 184,679	\$ 100,496	\$ 285,175
Concession	-	6,360	-	6,360
Rental fees	200,800	1,924	-	202,724
Fuel flowage fees	65,941	-	-	65,941
Other service fees	10,080	-	46,265	56,345
Total operating revenues	<u>276,821</u>	<u>192,963</u>	<u>146,761</u>	<u>616,545</u>
Operating Expenses				
Personnel	78,013	125,916	48,113	252,042
Maintenance	43,320	22,226	7,173	72,719
Supplies	57,208	42,501	35,594	135,303
Other	89,887	4,914	16,031	110,832
Depreciation	219,998	231,531	2,384	453,913
Total operating expenses	<u>488,426</u>	<u>427,088</u>	<u>109,295</u>	<u>1,024,809</u>
Operating income [loss]	<u>(211,605)</u>	<u>(234,125)</u>	<u>37,466</u>	<u>(408,264)</u>
Nonoperating Revenue				
[Expenses]				
Contributions	-	-	4,667	4,667
Gain (loss) on sale of assets	-	(2,577)	-	(2,577)
Investment earnings	407	15,160	937	16,504
Net nonoperating revenue	<u>407</u>	<u>12,583</u>	<u>5,604</u>	<u>18,594</u>
Income [loss] before capital contributions and transfers	<u>(211,198)</u>	<u>(221,542)</u>	<u>43,070</u>	<u>(389,670)</u>
Capital grants and contributions	23,472	-	-	23,472
Transfers out	-	-	(43,000)	(43,000)
Change in net assets	<u>(187,726)</u>	<u>(221,542)</u>	<u>70</u>	<u>(409,198)</u>
Total net assets beginning of year	<u>5,469,060 *</u>	<u>3,253,489</u>	<u>149,175</u>	<u>8,871,724</u>
Total net assets end of year	<u>\$ 5,281,334</u>	<u>\$ 3,031,947</u>	<u>\$ 149,245</u>	<u>\$ 8,462,526</u>

* as restated

See accompanying notes to basic financial statements.

City of Springdale, Arkansas
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2006

	Enterprise Funds			Total Proprietary Funds
	Municipal Airport	Aquatic Center	Nonmajor Enterprise Funds	
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 331,216	\$ 192,963	\$ 146,761	\$ 670,940
Payments to suppliers	(153,581)	(62,650)	(58,461)	(274,692)
Payments to employees	(77,789)	(126,032)	(47,885)	(251,706)
Net cash provided by operating activities	<u>99,846</u>	<u>4,281</u>	<u>40,415</u>	<u>144,542</u>
Cash Flows From Noncapital Financing Activities				
Contributions	-	-	4,667	4,667
Transfer to other funds	-	-	(43,000)	(43,000)
Receipt [payment] of interfund balances	-	-	39	39
Net cash used in noncapital financing activities	<u>-</u>	<u>-</u>	<u>(38,294)</u>	<u>(38,294)</u>
Cash Flows From Capital And Related Financing Activities				
Capital contributions	8,400	-	-	8,400
Capital grant receipts	15,072	-	-	15,072
Purchases of capital assets	(119,212)	(13,787)	-	(132,999)
Net cash used in capital and related financing activities	<u>(95,740)</u>	<u>(13,787)</u>	<u>-</u>	<u>(109,527)</u>
Cash Flows From Investing Activities				
Purchase of investments	-	(50,000)	(50,000)	(100,000)
Interest received	407	14,940	616	15,963
Net cash provided by [used in] investing activities	<u>407</u>	<u>(35,060)</u>	<u>(49,384)</u>	<u>(84,037)</u>
Net Increase [Decrease] in Cash and Cash Equivalents				
Cash and cash equivalents, January 1	30,009	87,941	107,797	225,747
Cash and cash equivalents, December 31	<u>\$ 34,522</u>	<u>\$ 43,375</u>	<u>\$ 60,534</u>	<u>\$ 138,431</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income [loss]	\$ (211,605)	\$ (234,125)	\$ 37,466	\$ (408,264)
Adjustments to reconcile operating income to net cash provided by [used in] operating activities				
Depreciation expense	219,998	231,531	2,384	453,913
Decrease in accounts receivable	62,795	-	-	62,795
Increase [decrease] in accounts payable	36,834	6,991	337	44,162
Increase [decrease] in salaries payable	224	(116)	228	336
Decrease in deferred revenue	(8,400)	-	-	(8,400)
Total adjustments	<u>311,451</u>	<u>238,406</u>	<u>2,949</u>	<u>552,806</u>
Net cash provided by operating activities	<u>\$ 99,846</u>	<u>\$ 4,281</u>	<u>\$ 40,415</u>	<u>\$ 144,542</u>
Noncash Capital Financing Activities				
Contribution of capital assets	\$ -	\$ -	\$ 11,345,160	\$ 11,345,160
Supplemental Cash Flow Information				
Cash paid during the year for interest expense	\$ -	\$ -	\$ 296,759	\$ 296,759

See accompanying notes to basic financial statements.

City of Springdale, Arkansas
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2006

	<u>Firemen's Relief and Pension Fund</u>	<u>Policemen's Pension and Relief Fund</u>	<u>Agency Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,003,686	\$ 390,286	\$ 958,220
Investments	10,458,135	9,642,575	-
Accounts receivable, net	427,597	422,453	1,077,308
Due from other funds	<u>19,707</u>	<u>28,368</u>	<u>155,306</u>
Total Assets	<u>11,909,125</u>	<u>10,483,682</u>	<u>2,190,834</u>
LIABILITIES			
Accounts payable	-	9,595	1,940,652
Due to other funds	<u>-</u>	<u>-</u>	<u>250,182</u>
Total Liabilities	<u>-</u>	<u>9,595</u>	<u>\$ 2,190,834</u>
NET ASSETS [LIABILITIES]			
Held in trust for pension benefits	\$ <u><u>11,909,125</u></u>	\$ <u><u>10,474,087</u></u>	

See accompanying notes to basic financial statements.

City of Springdale, Arkansas
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended December 31, 2006

	Firemen's Relief and Pension Fund	Policemen's Pension and Relief Fund	Municipal Court Retirement Fund
ADDITIONS			
Contributions			
Taxes	\$ 366,246	\$ 366,246	\$ -
Intergovernmental	102,492	195,754	-
Fines and court costs	-	113,260	6,490
Employer	15,264	1,816	-
Plan members	15,264	1,816	-
Miscellaneous	3,925	714	-
Total contributions	503,191	679,606	6,490
Investment income [loss]			
Investment earnings	783,454	813,808	-
Net increase in fair value of investments	523,469	53,079	-
Total investment earnings	1,306,923	866,887	-
Less investment expense	(62,163)	(95,342)	-
Net investment earnings	1,244,760	771,545	-
Total additions	1,747,951	1,451,151	6,490
DEDUCTIONS			
Benefits payments	1,252,720	938,109	-
Miscellaneous	755	6,431	-
Transfer to Special Court Cost Fund	-	-	1,716
Total deductions	1,253,475	944,540	1,716
Change in net assets	494,476	506,611	4,774
Total net assets beginning of year	11,414,649	9,967,476	(4,774)
Total net assets [liabilities] end of year	\$ 11,909,125	\$ 10,474,087	\$ -

See accompanying notes to basic financial statements.

City of Springdale, Arkansas

Notes to Basic Financial Statements December 31, 2006

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

The City of Springdale, Arkansas (City) was incorporated April 1, 1878, and is a municipal corporation operating under the authority of Arkansas state statute. The City operates under a mayor-council form of government and provides the following services as authorized by its charter: public safety (police, fire, animal control and building inspection), streets, health and social services, culture-recreation, public improvements, planning and zoning, general administrative services, and water and waste water services. Citizens elect the Mayor and eight city council members at large; however, the city council members must reside in the ward they represent. The Mayor and City Council are responsible for setting City policy.

The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) for states and local governments as defined by the Governmental Accounting Standards Board (GASB). GASB is the standard-setting body accepted in the United States for establishing governmental accounting and financial reporting principles. Proprietary funds and similar component units also apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The following is a summary of the significant accounting and reporting policies of the City.

Reporting Entity

The accompanying government-wide financial statements present the financial statements of the City of Springdale, Arkansas (Primary Government) and its component units. The component units are legally separate entities for which the City is considered to be financially accountable, based upon criteria of GASB Statement 14, *the Financial Reporting Entity*. Generally, entities for which the City appoints a voting majority of the board and the entity imposes a financial benefit or burden, must be included in the City's 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 as part of the City's reporting entity. These component units are further distinguished between *Blended Component Units*, presented as part of the primary government, and *Discretely Presented Component Units*, presented separately.

Those entities that meet the above established criteria for inclusion, as well as meet either of the following criteria (1) provide services entirely or almost entirely for the City, or (2) whose board is substantially the same as the City's board, are required to be included as part of the primary government's financial statements through "blended" presentation. Those entities that meet the above established criteria for inclusion, but do not either (1) provide services entirely or almost entirely for the City, or (2) have the same or substantially the same board as the City, are required to be presented "discretely" or in a separate column as part of the City's reporting entity, but not part of the primary government.

Blended Component Unit

Springdale Public Library Board Foundation – The members of the Board of Directors are those persons who are Trustees of the Springdale Public Library. The trustees are appointed by the Mayor, and approved by the City Council. The purpose of the Foundation is to support the Springdale Public Library and to support the Library's effort to serve the residents of the City and surrounding area in providing access to materials and information. Separate financial statements are not prepared for the Foundation.

City of Springdale, Arkansas

Notes to Basic Financial Statements December 31, 2006

Discretely Presented Component Unit

Springdale Water Utilities – The Springdale Water Utilities (Utilities) is governed by a five member Board of Commissioners, appointed by the remainder of the Water and Sewer Commissioners, and approved by the City Council. The Utilities receive no financial benefit from the City; however, the City has the power to impose its will on the Utilities. Rate changes and debt issuance must be approved by the City Council. The Utilities provide commercial and residential water services, as well as waste water treatment services, that primarily benefit the residents of Springdale. The fiscal year-end of the Utilities is September 30, therefore, all amounts reported in the financial statements are as of and for the year ended September 30, 2006. Financial statements of the Utilities can be obtained from the Utilities administrative office located at 526 Oak Avenue, Springdale, Arkansas 72764.

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.

Government-wide Financial Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its component units. Fiduciary activities are excluded from the government-wide statements because they cannot be used to support the City's own programs. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. These statements distinguish between governmental activities, which are generally financed through taxes, intergovernmental revenues and other nonexchange transactions, and business-type activities, which are financed in whole or part by fees charged to external parties. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly associated with a specific function or identifiable activity. 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, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and major enterprise funds, each displayed in a separate column. All other governmental and enterprise funds are aggregated and reported as nonmajor funds.

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 for those required to be accounted for in another fund.

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

City of Springdale, Arkansas

Notes to Basic Financial Statements December 31, 2006

The *Sales and Use Tax Fund* is a capital projects fund which accounts for resources from one-half of the City's two percent (2%) local sales and use tax. Revenues are expended for major capital projects, including City buildings, equipment, street expansion and reconstruction, bridges and related drainage projects. Twenty-five percent (25%) is used for General Fund operations and maintenance.

The 2004 *Street Improvement Construction Fund* is a capital projects fund which accounts for financial resources, provided from the sale of the City's Sales and Use Tax Bonds, Series 2004, utilized for major construction, renovation, expansion and improvement of the City's streets (see also Note 4).

The 2006 *Street Improvement Construction Fund* is a capital projects fund which accounts for financial resources, provided from the sale of the City's Sales and Use Tax Refunding and Improvement Bonds, Series 2006, utilized for major construction, renovation, expansion and improvement of the City's streets (see also Note 4).

The *Baseball Stadium Improvement Construction Fund* is a capital projects fund which accounts for financial resources, provided from the sale of the City's Sales and Use Tax Refunding and Improvement Bonds, Series 2006, utilized for land acquisition, land improvements and construction of a baseball stadium facility (see also Note 4).

The *Debt Service Fund* accounts for resources from one-half of the City's two percent (2%) local sales and use tax and payments made for long-term debt principal, interest and related costs of governmental funds debt (see also Note 4).

The City reports the following major proprietary funds:

The *Municipal Airport Fund* is an enterprise fund which accounts for the operations and maintenance of the City's municipal airport.

The *Aquatic Center Fund* is an enterprise fund which accounts for the operations and maintenance of the City's water park.

Additionally, the City reports the following fund types:

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

Capital Projects Fund - The Public Facilities Board capital projects fund is used to account for financial resources used for the development and maintenance of the City's industrial parks.

Enterprise Funds - Accounts for the Soccer Program Fund and the City Attorney Restitution Fund whose operations are financed primarily through user charges.

Pension Trust Funds - Accounts for assets held in trust for the Firemen's Relief and Pension Fund, the Policemen's Pension and Relief Fund, and the Municipal Court Retirement Fund. Plan trustees must act in accordance with the specific purposes and terms of these retirement plans.

Permanent Trust Funds - Accounts for assets held in trust for the operation and maintenance of Bluff Cemetery, and the Springdale Public Library Board Foundation. The City must act in accordance with the terms of specific bequests made to the Cemetery and the Foundation.

City of Springdale, Arkansas

Notes to Basic Financial Statements December 31, 2006

Agency Funds – Accounts for activities associated with collecting and disbursing fines, court costs, and monies seized as evidence for the District Court and Police Department, and for the collection and payment of the City's payroll liabilities.

Measurement Focus and Basis of Accounting

Government-wide, Proprietary and Fiduciary Funds

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

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

Nonexchange transactions, in which the City receives or gives value without directly giving or receiving equal value in exchange, include taxes, fines and forfeitures; grants, entitlements, and similar items; and contributions. Recognition standards are based upon the characteristics and classes of nonexchange transactions. Property taxes are recognized as revenues in the year for which they are levied. Franchise taxes, 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. Grants, entitlements, and contributions are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as deferred revenues. Grants and similar aid to other organizations are recognized as expenses as soon as recipients have met all eligibility requirements. Amounts paid before all eligibility requirements have been met are reported as prepaid items.

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

City of Springdale, Arkansas

Notes to Basic Financial Statements December 31, 2006

Cash and Cash Equivalents

Cash includes demand deposits, savings accounts, and cash on hand. In order to facilitate cash management, the operating cash of certain funds is pooled into a common bank account. For reporting purposes the City considers all investments with original maturities of ninety (90) days or less at the date of purchase as cash equivalents.

Investments and Investment Income

All investments are carried at fair value. Fair value is determined using quoted market prices. Income earned on investments is recorded in the funds in which the investments are recorded. Investment income includes interest, dividends, and the net change for the year in the fair value of investments carried at fair value.

Accounts Receivable

For the primary government, ambulance fees and property tax receivables are shown net of an allowance for uncollectibles. No allowance for uncollectibles has been established for customer accounts receivable for the Utilities as management estimates only immaterial amounts may prove to be uncollectible.

Inventories

The Utilities value inventory at the lower of cost or market using the historical average method of accounting. The costs of governmental fund type inventories are recorded as expenditures when purchased.

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the government-wide financial statements and the fund financial statements for proprietary funds. Purchased or constructed assets are valued at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of acquisition. The City has not reported all major infrastructure assets constructed or contributed between 1980 and 2003.

Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of five years. Exceptions are for infrastructure assets, which are defined as having a constructed cost of greater than \$25,000. Major outlays for capital assets and improvements are capitalized when completed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation expense is charged directly to the department/function based on the department that utilizes the related asset.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Ranges of estimated useful lives are as follows:

<u>Capital Assets</u>	<u>Years</u>
Land improvements	10 - 30
Buildings	20 - 40
Building improvements	7 - 30
Infrastructure	

City of Springdale, Arkansas

Notes to Basic Financial Statements December 31, 2006

Streets and bridges	15 - 50
Drainage	50
Water system	40
Meters and meter equipment	17
Sewer system and plant	20 - 50
Machinery and equipment	5 - 10

Compensated Absences

The City allows employees to accumulate earned but unused vacation and sick leave. Upon termination, any accumulated unused vacation will be paid to the employees. Accumulated but unused sick leave is paid to employees upon retirement, up to a maximum of 60 days, provided that the payment does not exceed three months salary.

For the Primary Government, compensated absences are accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The Utilities does not record a liability for compensated absences.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in governmental 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 and discounts are generally deferred and amortized over the life of the related debt using the effective interest method. For the City's component unit, the straight-line method is used. Long-term debt is reported net of the applicable debt premium or discount. Debt issuance costs are generally deferred and amortized over the life of the related debt using the straight-line method.

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

Net Assets/Fund Balance

Net 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.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from these estimates.

City of Springdale, Arkansas

**Notes to Basic Financial Statements
December 31, 2006**

Note 2 – Deposits and Investments

Deposits

State statutes authorize the City's funds to be deposited in demand deposits, savings, and certificates of deposit in banks located in the State of Arkansas. The bank balances and carrying amount of the City's deposits held as of December 31, 2006 (September 30, 2006 for Utilities), were as follows:

	<u>Primary Government</u>	<u>Discrete Component Unit</u>
Carrying value of deposits	\$ <u>21,231,023</u>	\$ <u>28,874,706</u>
Bank balance of deposits	\$ <u>22,828,749</u>	\$ <u>30,424,787</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law, which requires collateralization of all deposits in excess of the amount insured by the Federal Depository Insurance Corporation (FDIC). The City's component unit, *Springdale Public Library Board Foundation*, is not required to follow state law regarding collateralization of deposits, and does not have a deposit policy for custodial credit risk. The City's deposits, except as noted above, are collateralized at a minimum of 100% of the deposits fair value. The collateral is held by the Federal Reserve Bank, Arkansas Bankers' Bank, and First Tennessee Bank. The City's component unit, *Springdale Public Library Board Foundation*, had at December 31, 2006, \$99,994 in deposits exposed to custodial credit risk, as the deposits were uncollateralized. Also at December 31, 2006, the Springdale Public Facilities Board had \$645,000 in uncollateralized deposits. The bank sold the original collateral, but failed to pledge replacement securities. This was rectified upon notification by the Board. During June and July 2006, the City had approximately \$10,290,000 in deposits which were uncollateralized for approximately 45 days. The Trustee of the City's 2004 Series Bond funds had sold all of the money market funds invested in a U.S. Treasury money market account, and deposited the funds into the bank's own money market account. Upon notification of the Trustee by the City of its violation of collateralization requirement, the funds were immediately transferred to another U.S. Treasury money market fund.

The following schedule reconciles the reported amount of deposits as disclosed above to the government-wide statement of net assets and fiduciary statement of net assets:

	<u>Primary Government</u>	<u>Discrete Component Unit</u>
Reported amount of deposits	\$ 21,231,023	\$ 28,874,706
Cash on hand	1,755	2,300
Investments classified as cash equivalents	56,103,275	-
Deposits classified as investments	(<u>15,137,392</u>)	(<u>24,330,617</u>)
	\$ <u>62,198,661</u>	\$ <u>4,546,389</u>

City of Springdale, Arkansas

Notes to Basic Financial Statements December 31, 2006

As reported on the government-wide statement of net assets		
Cash and cash equivalents	\$ 56,359,928	\$ 68,371
Restricted cash and cash equivalents	<u>4,444,761</u>	<u>4,478,018</u>
	60,804,689	4,546,389
Cash and cash equivalents reported on the statement of fiduciary net assets		
	<u>1,393,972</u>	<u>-</u>
	<u>\$ 62,198,661</u>	<u>\$ 4,546,389</u>

Investments

As of December 31, 2006 (September 30, 2006 for Utilities) the City had the following investments:

Investment Type	Primary Government Fair Value	Discrete Component Unit Fair Value	Weighted Average Maturity (Years)
U.S. Treasury Bills	\$ 28,295,744	\$ -	0.29
U.S. Treasury Notes	46,658,972	-	0.78
Corporate bonds	19,969	-	1.88
Money market funds	54,904,501	-	N/A
Mutual funds	350,152	-	N/A
Investment pools	<u>1,061,074</u>	<u>-</u>	N/A
Total Investments	<u>\$ 131,290,412</u>	<u>\$ -</u>	

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy is to attempt to match investment maturities with cash flow requirements.

Credit Risk – The City minimized credit risk losses due to default of a security issuer or backer by limiting investments to the safest types of securities. The City's investments, except for funds held for the credit of the Construction Fund, the Bond Fund, the Debt Service Reserve, and the City's endowment and permanent funds, are securities issued by the U. S. Government. Funds held by the City's Trustee for the credit of the Construction Fund, the Bond Fund, and the Debt Service Reserve are invested in U. S. Government securities, time deposits or certificates of deposit which are insured by the FDIC, or collateralized by securities held by a third party in which the City has a perfected first security interest, and money market funds registered under the Federal Investment Company Act of 1940 and having a rating by Standard and Poor's of AAA-mG, AAA-m, or AA-m, and if rated by Moody's Investors Service rated AAA, AA1, or AA2. Credit risk for the City's pension, endowment and permanent funds is minimized by pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the City will do business; and diversifying the investment portfolio so that potential losses on individual securities were minimized.

The following schedule reconciles the reported amount of investments as disclosed above to the government-wide statement of net assets and fiduciary statement of net assets.

City of Springdale, Arkansas

Notes to Basic Financial Statements December 31, 2006

	Primary Government	Discrete Component Unit
Reported amount of investments	\$ 131,290,412	\$ -
Deposits classified as investments	15,137,392	24,330,617
Investments classified as cash equivalents	(54,904,501)	-
	<u>\$ 91,523,303</u>	<u>\$ 24,330,617</u>
	Primary Government	Discrete Component Unit
As reported on the government-wide statement of net assets		
Investments	\$ 91,523,303	\$ -
Restricted investments	-	24,330,617
	<u>91,523,303</u>	<u>24,330,617</u>
Investments reported on the statement of fiduciary net assets	<u>20,100,710</u>	-
	<u>\$ 111,624,013</u>	<u>\$ 24,330,617</u>

Note 3 – Capital Assets

A summary of changes in capital assets for the year ended December 31, 2006 (September 30, 2006 for Utilities) is presented below:

	Balance, Restated December 31, 2005	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2006
Governmental Activities				
Capital Assets, non-depreciable				
Land	\$ 4,096,816	\$ 7,805,597	\$ 3,072	\$ 11,899,341
Land - easements	6,815,352	5,881,433	-	12,696,785
Land improvements	3,197,262	2,778,282	-	5,975,544
Museum buildings	279,834	-	-	279,834
Construction in progress	18,089,541	26,614,208	22,906,630	21,797,119
Total capital assets, non-depreciable	<u>32,478,805</u>	<u>43,079,520</u>	<u>22,909,702</u>	<u>52,648,623</u>
Capital assets, depreciable				
Land improvements	3,317,194	424,112	15,705	3,725,601
Infrastructure	26,429,871	21,218,005	-	47,647,876
Buildings and improvements	16,636,676	1,961,345	-	18,598,021
Machinery and equipment	15,060,900	2,567,343	633,628	16,994,615
Intangibles	593,429	18,130	57,655	553,904
Total capital assets, depreciable	<u>62,038,070</u>	<u>26,188,935</u>	<u>706,988</u>	<u>87,520,017</u>

City of Springdale, Arkansas

**Notes to Basic Financial Statements
December 31, 2006**

Less accumulated depreciation				
Land improvements	1,296,296	159,401	15,705	1,439,992
Infrastructure	1,509,366	1,469,402	-	2,978,768
Buildings and improvements	4,945,393	507,819	-	5,453,212
Machinery and equipment	8,633,721	1,323,957	574,332	9,383,346
Intangibles	<u>489,821</u>	<u>32,673</u>	<u>57,655</u>	<u>464,839</u>
Total accumulated depreciation	<u>16,874,597</u>	<u>3,493,252</u>	<u>647,692</u>	<u>19,720,157</u>
Total governmental activities, net	\$ <u>77,642,278</u>	\$ <u>65,775,203</u>	\$ <u>22,968,998</u>	\$ <u>120,448,483</u>

<u>Business-type Activities</u>	<u>Balance, Restated December 31, 2005</u>	<u>Additions and Transfers, Net</u>	<u>Retirements and Transfers, Net</u>	<u>Balance December 31, 2006</u>
Capital Assets, non-depreciable				
Land	\$ 2,279,586	\$ -	\$ -	\$ 2,279,586
Land improvements	981,108	-	-	981,108
Construction in progress	<u>250</u>	<u>62,467</u>	<u>-</u>	<u>62,717</u>
Total capital assets, non-depreciable	<u>3,260,944</u>	<u>62,467</u>	<u>-</u>	<u>3,323,411</u>
Capital assets, depreciable				
Land improvements	5,526,507	42,246	-	5,568,753
Buildings and improvements	4,494,251	-	-	4,494,251
Machinery and equipment	<u>1,300,167</u>	<u>28,286</u>	<u>8,800</u>	<u>1,319,653</u>
Total capital assets, depreciable	<u>11,320,925</u>	<u>70,532</u>	<u>8,800</u>	<u>11,382,657</u>
Less accumulated depreciation				
Land improvements	3,311,564	170,477	-	3,482,041
Buildings and improvements	1,981,878	182,368	-	2,164,246
Machinery and equipment	<u>981,138</u>	<u>101,068</u>	<u>6,223</u>	<u>1,075,983</u>
Total accumulated depreciation	<u>6,274,580</u>	<u>453,913</u>	<u>6,223</u>	<u>6,722,270</u>
Total business-type activities, net	\$ <u>8,307,289</u>	\$ <u>(320,914)</u>	\$ <u>2,577</u>	\$ <u>7,983,798</u>

<u>Component Unit</u>	<u>Balance September 30, 2005</u>	<u>Additions and Transfers, Net</u>	<u>Retirements and Transfers, Net</u>	<u>Balance September 30, 2006</u>
Capital Assets, non-depreciable				
Land and easements	\$ 3,431,324	\$ 172,652	\$ -	\$ 3,603,976
Construction in progress	<u>36,427,666</u>	<u>6,900,658</u>	<u>41,782,474</u>	<u>1,545,850</u>
Total capital assets, non-depreciable	<u>39,858,990</u>	<u>7,073,310</u>	<u>41,782,474</u>	<u>5,149,826</u>
Capital assets, depreciable				
Buildings and improvements	5,379,511	-	-	5,379,511
Water and sewer systems	148,042,393	53,012,332	202,692	200,852,033
Machinery and equipment	<u>3,855,244</u>	<u>265,501</u>	<u>259,974</u>	<u>3,860,771</u>
Total capital assets, depreciable	<u>157,277,148</u>	<u>53,277,833</u>	<u>462,666</u>	<u>210,092,315</u>

City of Springdale, Arkansas

Notes to Basic Financial Statements December 31, 2006

Less accumulated depreciation				
Buildings and improvements	1,657,632	184,870	-	1,842,502
Water and sewer systems	50,190,121	4,702,839	121,615	54,771,345
Machinery and equipment	<u>2,613,214</u>	<u>247,445</u>	<u>257,270</u>	<u>2,603,389</u>
Total accumulated depreciation	<u>54,460,967</u>	<u>5,135,154</u>	<u>378,885</u>	<u>59,217,236</u>
 Total component unit activities, net	 \$ <u>142,675,171</u>	 \$ <u>55,215,989</u>	 \$ <u>41,866,255</u>	 \$ <u>156,024,905</u>

Depreciation expense was charged to functions/programs of the primary government and its component unit as follows:

Governmental Activities

General government	
Administration	\$ 155,196
City Attorney	2,770
District Court	1,708
Bluff Cemetery	7,249
Community Development	
Planning and engineering	12,718
Community development and housing	3,189
Culture and recreation	
Parks and recreation	346,705
Public Library	177,064
Shiloh Museum	35,811
Public Safety	
Animal services	10,625
Building and code enforcement	29,632
Fire	354,732
Police	382,053
Public Works	<u>1,973,800</u>
Total governmental activities	<u>3,493,252</u>

Business-type Activities

Municipal airport	219,998
Aquatic Center	231,531
Parks soccer program	2,384
City attorney restitution	<u>-</u>
Total business-type activities	<u>453,913</u>
Total depreciation expenses - primary government	<u>\$ 3,947,165</u>

Component Unit

Springdale Water Utilities	<u>\$ 5,135,154</u>
----------------------------	---------------------

City of Springdale, Arkansas

Notes to Basic Financial Statements December 31, 2006

Note 4 – Long-Term Liabilities

Changes in long-term liabilities for the year ended December 31, 2006 for the Primary Government were as follows:

	Balance, December 31, 2005	Increases	Decreases	Balance December 31, 2006	Due Within One Year
<u>Governmental Activities</u>					
Bonds payable:					
Sales and Use Tax Bonds	\$ 50,815,000	\$ 124,045,000	\$ 50,815,000	\$ 124,045,000	\$ 2,660,000
Add issuance premium	315,006	3,111,239	315,006	3,111,239	-
Bonds payable, net	<u>51,130,006</u>	<u>127,156,239</u>	<u>51,130,006</u>	<u>127,156,239</u>	<u>2,660,000</u>
Capital leases payable	133,385	-	40,143	93,242	42,084
Compensated absences	<u>1,025,526</u>	<u>194,629</u>	<u>63,882</u>	<u>1,156,273</u>	<u>-</u>
 Total	 <u>\$ 52,288,917</u>	 <u>\$ 127,350,868</u>	 <u>\$ 51,234,031</u>	 <u>\$ 128,405,754</u>	 <u>\$ 2,702,084</u>
<u>Business-type Activities</u>					
Compensated absences	<u>\$ 437</u>	<u>\$ 46</u>	<u>\$ -</u>	<u>\$ 483</u>	<u>\$ -</u>

Changes in long-term liabilities for the year ended September 30, 2006 for the City's discretely presented component unit were as follows:

	Balance September 30, 2005	Increases	Decreases	Balance September 30, 2006	Due Within One Year
<u>Springdale Water Utilities</u>					
Bonds payable					
Revenue bonds	\$ 8,065,000	\$ 3,600,000	\$ 1,900,000	\$ 9,765,000	\$ 2,030,000
Add issuance premiums	<u>97,782</u>	<u>-</u>	<u>24,958</u>	<u>72,794</u>	<u>-</u>
 Bonds payable, net	 <u>\$ 8,162,752</u>	 <u>\$ 3,600,000</u>	 <u>\$ 1,924,958</u>	 <u>\$ 9,837,794</u>	 <u>\$ 2,030,000</u>

Sales and Use Tax Bonds – Governmental Activities

On July 27, 2004, the City issued \$60,000,000 of City of Springdale, Arkansas Sales and Use Tax Bonds, Series 2004, dated July 1, 2004. The Bonds were issued to finance a portion of the costs of new streets, roads and bridges or improvements to existing streets, roads and bridges. The Series 2004 Bonds are not general obligations of the City, but are special obligations payable solely from collections of a 1% sales and use tax levied by the City beginning October 1, 2003. The issuance of the Bonds and the

City of Springdale, Arkansas

Notes to Basic Financial Statements December 31, 2006

pledging of the tax to the payment of principal and interest on the Bonds were approved at a special election held August 12, 2003, which authorized the issuance of up to \$105,000,000 in bonds. The interest rates on the bonds range from 3% to 4%, payable semiannually, and the maturity dates range from January 1, 2005 to January 1, 2016.

On October 26, 2006, the City issued \$124,045,000 in City of Springdale, Arkansas, Sales and Use Tax Refunding and Improvement Bonds, Series 2006, dated October 1, 2006. The interest rates on the bonds range from 4% to 5%, payable semiannually, and maturity dates range from January 1, 2007 to July 1, 2027. The Series 2006 Bonds are not general obligations of the City but are special obligations, secured by a first and prior pledge of collections of a 1% sales and use tax levied by the City under a City Ordinance adopted on May 23, 2006. The tax will replace the City's existing 1% sales and use tax levied in 2003 for the sole purpose of retiring bonds. The issuance of the Bonds and the pledging of the tax were approved at a special election held on July 11, 2006. The effective date of the new tax was the day following the date the existing tax expired, and will expire after the bonds have been paid or provision is made therefore in accordance with Arkansas statutes. The bond principal amount was allocated to three projects, as follows.

Of the bonds issued, \$30,860,000 were to advance refund the City's Sales and Use Tax Bonds, Series 2004. The net proceeds of the Series 2006 bonds, along with debt service funds from the Series 2004 Bonds, were deposited in an irrevocable trust with an escrow agent. These funds were used to purchase U.S. government securities to provide for all future debt service on the Series 2004 Bonds. As a result, the Series 2004 Bonds are considered defeased, and the City has removed the liability from its accounts. The outstanding principal of the defeased bonds was \$40,205,000 at December 31, 2006. The City's 1% sales and use tax levied in 2003 expired once the Series 2004 Bonds were defeased. The advance refunding increased total debt service payments over the next seven years by \$2,346,200, which represents an economic loss of \$69,929. The reacquisition price exceeded the carrying amount of the old debt by \$872,518. Of this amount, \$202,532 was written off in 2006, and the remaining amount of \$669,986 will be amortized over the life of the old debt using the effective interest method.

Of the bonds issued, \$45,000,000 were for the purpose of financing all or a portion of the costs of new streets, roads and bridges or improvements to existing streets, roads and bridges. These bonds replaced the remaining \$45,000,000 in Street Improvement Bonds authorized at the special election held August 12, 2003.

Of the bonds issued, \$48,185,000 were for the purpose of financing all or a portion of the costs of constructing a new baseball stadium, including land acquisition, parking, streets, sidewalks, professional fees, and other related costs. The baseball stadium is under contract with a minor league baseball team, which will lease the facility upon completion in March 2008.

The Bonds are subject to extraordinary redemption from proceeds of the Series 2006 Bonds not needed for the purposes intended and surplus tax receipts on any interest payment date, at least annually, in inverse order of maturity, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. The Bonds may be redeemed at the option of the City, from funds from any source, on and after July 1, 2013, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date.

The City is required to maintain a debt service reserve equal to one-half of the maximum annual debt service requirements on the Series 2006 Bonds as originally issued. The portion of the debt service reserve allocable to the refunding of the Series 2004 Bonds and the Baseball Stadium Improvements were funded with an insurance policy. The portion of the debt service reserve allocable to Street Improvements when issued was \$1,694,715. At December 31, 2006, the City held investments equal to \$1,709,842 in

City of Springdale, Arkansas

Notes to Basic Financial Statements December 31, 2006

the Debt Service Reserve Fund.

The Series 2006 Bonds were issued at a premium of \$3,111,239. This premium will be amortized over the life of the bonds using the effective interest method. The Series 2004 Bonds were issued at a premium of \$376,426, which was being amortized over the life of the bonds using the effective interest method. Bond premium amortization for 2006 was \$81,996.

Bond issue costs of \$1,778,455 were incurred in the issuance of the Series 2006 Bonds. These costs will be amortized over the life of the bonds using the straight line method. Costs of issuance of the Series 2004 Bond of \$878,980 were being amortized over the life of the bonds using the straight line method. Bond issue cost amortization for 2006 was \$88,440.

Debt service requirements of the Sales and Use Tax Refunding and Improvement Bonds, Series 2006 at December 31, 2006 were as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 2,660,000	\$ 4,157,362	\$ 6,817,362
2008	3,895,000	5,436,750	9,331,750
2009	4,050,000	5,280,950	9,330,950
2010	4,210,000	5,118,950	9,328,950
2011	4,385,000	4,950,000	9,335,000
2012 - 2016	24,680,000	21,593,150	46,273,150
2017 - 2021	31,425,000	15,136,800	46,561,800
2022 - 2026	39,765,000	6,924,130	46,689,130
2027	8,975,000	359,000	9,334,000
	<u>\$ 124,045,000</u>	<u>\$ 68,957,092</u>	<u>\$ 193,002,092</u>

The City of Springdale, Arkansas, Water and Sewer Revenue Bonds, Series 2001 were issued on September 18, 2001, in the amount of \$15,000,000 to finance a portion of the costs of an expansion to the City's waste water treatment plant, which is a part of the City's water and sewer system. These bonds were issued for a period of eight years with interest payable semi-annually on March 1 and September 1. Interest rates vary from 3.75% to 4.0% on these bonds based upon their maturity dates. Principal payments are due annually on September 1. Net water and sewer revenues are pledged for the payment of these bonds.

The bonds were issued at a premium of \$199,666, which is being amortized over the life of the bonds using the straight line method. Bond premium amortization for 2006 was \$24,958.

Bond issue costs of \$253,498 were incurred in the issuance of these bonds. These costs are being amortized over the life of the bonds using the straight line method. Bond issue cost amortization for 2006 was \$31,687.

The City of Springdale, Arkansas Water and Sewer Revenue Bonds, Series 2006, were issued August 10, 2006, in the amount of \$3,600,000. The purpose of the bonds was to finance a portion of the costs of improvements to the sewer facilities of the City. The interest rate on the bonds is 5%, interest and principal are payable semi-annually, and maturity dates range from March 1, 2007 to September 1, 2026. Revenues of the water and sewer system are pledged for the payment of these bonds.

City of Springdale, Arkansas

Notes to Basic Financial Statements December 31, 2006

Maturities for the revenue bonds payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 2,030,000	\$ 426,600	\$ 2,456,600
2008	2,095,000	344,225	2,439,225
2009	2,190,000	259,900	2,449,900
2010	65,000	171,500	236,500
2011	80,000	168,250	248,250
2012 - 2016	760,000	754,250	1,514,250
2017 - 2021	1,130,000	514,125	1,644,125
2022 - 2026	<u>1,415,000</u>	<u>198,250</u>	<u>1,613,250</u>
	<u>\$ 9,765,000</u>	<u>\$ 2,837,100</u>	<u>\$ 12,602,100</u>

Capital Leases

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

Assets acquired through capital leases and the future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2006 were as follows:

	<u>Primary Government</u>		<u>Discretely Presented Component Unit</u>
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	
Assets Acquired			
Machinery and equipment	\$ 210,848	\$ -	\$ -
Less accumulated depreciation	(<u>50,712</u>)	<u>-</u>	<u>-</u>
Total	<u>\$ 160,136</u>	<u>\$ -</u>	<u>\$ -</u>
Net Present Value of Lease Payments			
2007	\$ 46,280	\$ -	\$ -
2008	46,280	-	-
2009	<u>7,128</u>	<u>-</u>	<u>-</u>
Total minimum lease payments	99,688	-	-
Less interest	(<u>6,444</u>)	<u>-</u>	<u>-</u>
Present value of minimum lease payments	<u>\$ 93,244</u>	<u>\$ -</u>	<u>\$ -</u>

Applicability of Federal Arbitrage Regulations

Debt issuances of the City issued after the Tax Reform Act of 1986 are subject to the federal arbitrage regulations. These regulations require that all earnings from the investment of gross proceeds of a bond

City of Springdale, Arkansas

Notes to Basic Financial Statements December 31, 2006

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 issue. City management believes the City is in compliance with these rules and regulations.

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 City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds.

As of December 31, 2006, the aggregate principal amount payable on these bonds was \$177,875.

Note 5 – Individual Fund Disclosures

Interfund receivables and payables as of December 31, 2006 are as follows:

	Interfund Receivables	Interfund Payables
Primary Government		
Governmental Funds		
General	\$ 583,572	\$ 1,808,517
Sales and Use Tax	1,763,156	500,258
Baseball Stadium Improvement Construction	-	2,000
Springdale Public Library	43,725	-
District Court	24,712	13,763
Public Library Foundation Board	-	43,725
Total governmental funds	\$ 2,415,165	\$ 2,368,263
Proprietary Funds		
City Attorney Restitution	\$ -	\$ 101
Fiduciary Funds		
Firemen's Relief and Pension	\$ 19,707	\$ -
Policemen's Pension and Relief	28,368	-
Payroll Agency	-	1,000
Police Bond and Fine Agency	-	67,967
District Court Agency	67,842	168,766
Administration of Justice Agency	87,464	12,340
Police Evidence Agency	-	109
Total fiduciary funds	\$ 203,381	\$ 250,182
Total	\$ 2,618,546	\$ 2,618,546

City of Springdale, Arkansas

Notes to Basic Financial Statements December 31, 2006

Operating transfers in (out) for the year ended December 31, 2006 are as follows:

	Operating Transfers	
	In	Out
Primary Government		
Governmental Funds		
General	\$ 3,329,864	\$ 2,201,773
Street	1,053,410	46,279
Public Library	723,070	-
District Court	427,009	-
Community Development Block Grant	10,000	-
Home Investment Program	-	10,000
Sales and Use Tax	-	3,286,864
2006 Street Improvement Construction	829,504	1,694,715
Debt Service Fund	1,740,994	829,504
Total governmental funds	8,113,851	8,069,135
Proprietary Funds		
City Attorney Restitution	-	43,000
Fiduciary Funds		
Municipal Court Retirement	-	1,716
Total	\$ 8,113,851	\$ 8,113,851

Note 6 – Pension Plans

Substantially all of the City's employees receive retirement benefits. The City sponsors three single-employer defined benefit plans and two defined contribution plans. The City also contributes to the Local Police and Fire Retirement System (LOPFI), the Arkansas District Judges Retirement System (ADJRS), and the Arkansas Public Employees' Retirement System (APERS), which are statewide agent multiple-employer defined benefit pension plans. The assets of the Plans are maintained in legally separate trusts and each Plan's assets may be used only for the payment of benefits to the members of that plan or their beneficiaries in accordance with the terms of the Plan. Separate financial reports are not issued for each plan.

Summary of Significant Accounting Policies

Basis of Accounting

The City of Springdale's financial statements for its defined benefit plans are prepared using the accrual basis of accounting. Plan member and City contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of each Plan.

City of Springdale, Arkansas

Notes to Basic Financial Statements December 31, 2006

Method Used to Determine Fair Value of Investments

The fair value of investments is determined using quoted market prices as determined by the custodial agent.

Membership Information

Membership of each Plan consisted of the following at December 31, 2006:

	<u>Firemen's Fund</u>	<u>Policemen's Fund</u>	<u>Money Purchase</u>
Retirees and beneficiaries receiving benefits	44	35	
Active plan members	3		161
Members on Deferred Retirement Option Plan (DROP)	<u>2</u>	<u>1</u>	<u>N/A</u>
Total	<u><u>49</u></u>	<u><u>36</u></u>	<u><u>161</u></u>

Plan Descriptions and Funding Information

Firemen's Relief and Pension Fund

The Firemen's Relief and Pension Fund (Firemen's Fund) is a single-employer defined benefit pension plan administered by the City, established in accordance with legislation enacted by the Arkansas General Assembly. Plan assets are administered by a Board of Trustees consisting of the Mayor, City Clerk/Treasurer, and four active or retired firemen.

The Firemen's Fund 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 of the fire department. The Fund also provides benefits for surviving spouses and dependent children of deceased firemen. No benefits are vested to participants until normal retirement. At normal retirement, participants may elect to continue working and enter the DROP for up to five years. All firemen hired after January 1, 1983, participate in the Arkansas Local Police and Fire Retirement System created by Act 364 of 1981. Therefore, the Firemen's Fund is effectively closed to new members.

Contributions to the Firemen's Fund are set forth in Arkansas Code. The City's contribution to the Firemen's Fund consists of a one-half mill real and personal property tax collection and an insurance premium tax turnback collected by the State Insurance Commissioner. Additionally, the City contributes six percent of the firemen's salaries. Participants also contribute six percent of their salaries. Participant contributions are returned without interest if the participant terminates covered employment. Contribution provisions applicable to the Fund are established by Arkansas code and may not be less than six percent. Accounting and administrative services are performed by personnel of the City at no charge to the Fund. Total contributions to the Fund in 2006 were \$501,191. The City's share of contributions was \$487,927 and included \$366,246 in property taxes and \$102,492 in state insurance premium taxes.

Policemen's Pension and Relief Fund

The Policemen's Pension and Relief Fund (Policemen's Fund) is a single-employer defined benefit pension plan administered by the City, established in accordance with legislation enacted by the

City of Springdale, Arkansas

Notes to Basic Financial Statements December 31, 2006

Arkansas General Assembly. Plan assets are administered by a Board of Trustees consisting of the Mayor, City Clerk/Treasurer and four active or retired policemen.

The Policemen's Fund 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 of the police department. The Fund also provides benefits for surviving spouses and dependent children of deceased policemen. No benefits are vested to participants until normal retirement. At normal retirement, participants may elect to continue working and enter the DROP for up to five years. All policemen hired after January 1, 1983, participate in the Arkansas Local Police and Fire Retirement System created by Act 364 of 1981. Therefore, the Policemen's Fund is effectively closed to new members.

Contributions to the Policemen's Fund are set forth in Arkansas Code. The City's contribution to the Policemen's Fund consists of a one-half mill real and personal property tax collection, an insurance premium tax turnback collected by the State Insurance Commissioner, a \$3 assessment against each court case plus 10 percent of fines and forfeitures collected, and proceeds derived from the sale of confiscated goods. Additionally, the City contributes four percent of the policemen's salaries. Participants also contribute four percent of their salaries. Participant contributions are returned without interest if the participant terminates covered employment. Accounting and administrative services are performed by personnel of the City at no charge to the Fund. Total contributions to the Fund in 2006 were \$679,616. The City's share of contributions was \$677,790 and included \$366,246 in property taxes, \$195,754 in state insurance premium taxes, \$80,796 in fines and forfeitures, and \$32,464 in court costs.

	2005 Annual Pension Cost and Net Pension Obligation (Asset)	
	Firemen's Fund	Policemen's Fund
Annual required contributions	\$ 1,300,073	\$ 909,449
Interest on net pension obligation	76,096	(7,846)
Adjustment to annual required contribution	(271,311)	27,972
Annual pension cost	1,104,858	929,575
Contributions made	(545,964)	(658,968)
Increase (decrease) in net pension obligation	558,894	270,607
Net pension obligation (asset), beginning of year	1,268,271	(130,760)
Net pension obligation (asset), end of year	\$ 1,827,165	\$ 139,847

Three - Year Trend Information

	Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
Firemen's Fund	12/31/2003	\$ 1,041,436	70.8%	\$ 558,260
	12/31/2004	1,214,144	41.5%	1,268,271
	12/31/2005	1,104,858	49.4%	1,827,165
Policemen's Fund	12/31/2003	\$ 675,464	76.0%	\$ (543,234)
	12/31/2004	993,064	58.5%	(130,760)
	12/31/2005	929,575	70.9%	139,847

City of Springdale, Arkansas

Notes to Basic Financial Statements December 31, 2006

Actuarial valuations for the Policemen's and Firemen's Funds are only performed every other year; therefore, the annual pension cost, net pension obligation, and trend information for 2006 is not available.

Money Purchase Pension Plan

The Money Purchase Pension Plan (Money Purchase Plan) is a defined contribution plan, established on October 1, 1999 by City Ordinance No. 2933. The Money Purchase Plan is qualified under Section 401(a) of the Internal Revenue Code. Plan assets are held in trust and administered by the International City Management Association Retirement Corporation (ICMARC). 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. Plan benefits are based upon the total amount of money in an individual's account at retirement. The plan covers all non-uniformed City employees 18 years of age or older and who have 30 days service with the City. Employees contribute three percent of their salaries to the Plan, and the City contributes six percent. There are no voluntary contributions. For the year ended December 31, 2006 employer and employee contributions to the plan were \$340,740 and \$170,125, respectively.

An employee who meets the eligibility requirements may become a plan participant as of the first day of the plan year following completion of the eligibility requirement. Participants are vested 100% in their employee contributions and interest earned thereon. Participant's vested interest in the employer contributions and interest thereon is determined as follows: 20% vested after one year of participation, and additional 20% each year thereafter until the participant is vested 100% after five years of service. Notwithstanding the vesting schedule, a participant's right to his retained benefit is nonforfeitable and fully vested upon the attainment of his normal retirement age.

Participant's normal retirement age shall be 55, but no later than age 65. The plan also provides for disability and survivor benefits. Benefits are paid by the Trustee upon the direction of the Administrator under one or more options such as a single lump sum payment or an annuity.

Agent Multiple-Employer Defined Benefit Pension Plans

The *Local Police and Fire Retirement System* (LOPFI) is a statewide agent multiple-employer retirement program that 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. The authority to establish and amend benefit provisions is set forth in Arkansas state statutes, and is vested in the Arkansas Legislature with the concurrence of the Governor. 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 financial report that includes financial statements and required supplementary information of the Plan, which may be obtained by contacting the following:

Arkansas Local Police and Fire Retirement System
P.O. Drawer 34164
Little Rock, Arkansas 72203
501-682-1745

Contribution requirements are set forth in Arkansas state statute. Participating firemen are required to contribute six percent of the annual covered salary. Participating policemen are not required to make contributions to the Plan. The City is required to contribute at an actuarially determined rate, which for

City of Springdale, Arkansas

Notes to Basic Financial Statements December 31, 2006

2006 was 16.34% for paid firemen, \$67 per month for volunteer firemen, and 17.51% for paid policemen.

For 2006, the City's annual pension cost was \$613,558 for paid firemen, \$802 for volunteer firemen, and \$699,986 for paid policemen, which was equal to the required and actual contributions. The required contribution was determined as part of the December 31, 2003 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on present and future assets of 8.0% per year, compounded annually, (b) projected salary increase of 4.0% per year, compounded annually, attributable to wage inflation, (c) additional projected salary increases ranging from 0.0% to 5.1% per year, attributable to seniority/merit, (d) pre- and post- retirement mortality based on the 1983 Group Annuity Mortality table set forward one year for men and set forward one year for women, and (e) annual compounded post-retirement increases of 3.0% every other year. The actuarial value of assets was determined using techniques that smooth the short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability (and assets in excess of actuarial accrued liability) is being amortized over 30 years as a level percentage of projected payrolls on an open basis.

Three - Year Trend Information

	Year Ended	Annual Pension Cost (APG)	Percentage of APC Contributed	Net Pension Obligation (Asset)
LOPFI - Firemen	12/31/2003	\$ 168,445	100.0%	\$ -
	12/31/2004	342,199	100.0%	-
	12/31/2005	408,351	100.0%	-
LOPFI - Policemen	12/31/2003	350,248	100.0%	-
	12/31/2004	511,706	100.0%	-
	12/31/2005	515,221	100.0%	-

District Judges and Court Clerk's Retirement System

On January 1, 2005, the district judge became a member of the Arkansas District Judges Retirement System (ADJRS), a state administered defined benefit plan. Employer contributions for 2006 were 18% of covered payroll, and the judge's contribution rate was 5%. The annual pension cost and covered payroll for 2006 were \$15,927 and \$88,482, respectively. The judge's contribution for 2006 was \$4,424. There is one retired clerk receiving benefits from ADJRS.

On January 1, 2005, the district court clerk became a member of the Arkansas Public Employees' Retirement System (APERS), a state administered defined benefit plan. Employer contributions for 2006 were 12.54% of covered payroll, and the employee's contribution rate was 5%. The annual pension cost and covered payroll for 2006 were \$5,188 and \$41,370, respectively. The court clerk's contribution for 2006 was \$2,068.

Pension Plan – Discretely Presented Component Unit

Springdale Water Utilities (Utilities) adopted a defined contribution money purchase pension plan effective February 1, 1996. The plan is administered under a written Plan and Trust Agreement entered into by the trustee and the Utilities. The trustee and plan administrator, Arvest Trust Company, N.A., is responsible for the investment of the plan assets and administration of the plan.

City of Springdale, Arkansas

Notes to Basic Financial Statements

December 31, 2006

To participate in the plan, an employee must be age 20 ½, have completed six months of service, be a full time employee (at least 1,000 hours per year), and agree to contribute the mandatory 3.0% employee contribution. An employee who meets the above eligibility requirements may become a plan participant as of the first day of the plan year following completion of the eligibility requirements. Participants are vested 100% in their employee contributions and interest earned thereon. Participant's vested interest in the employer contributions and interest thereon is determined as follows: 20% vested after two years of participation, and additional 10% each year thereafter until the participant is vested 100% after 10 years of service.

Participants' normal retirement age shall be the later of age 65 or 10 years of participation. Participants may elect qualified early retirement at age 60 with 10 years of service. The plan also provides for disability and survivor benefits. Benefits are paid by the trustee upon the direction of the administrator under one or more options, such as a single lump sum payment or in equal installments over not more than a fifteen (15) year period.

Employee's contributions are three percent of base monthly compensation. Employees may voluntarily contribute additional amounts up to ten percent of base monthly compensation. The employer contributes six percent of the employee's base monthly compensation for each plan participant.

The Utilities accounts for its current employee contributions as pension costs in the year paid. For the year ended September 30, 2006, covered payroll was \$3,052,249, the Utilities' contribution was \$134,727, and employees' contributions were \$80,300.

Note 7 – Deferred Compensation Plans

The City offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. One plan is administered by International City Management Association Retirement Corporation (ICMARC), the other plan by Nationwide Retirement Solutions, Inc. All assets and income of the trusts 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 plans other than remitting employees' contributions to the trustees. Accordingly, the City has not presented the assets and liabilities from the plans in these basic financial statements. Deferred compensation investments are held by outside trustees. Plan investments are chosen by the individual (employee) participant and include mutual funds whose focus is on stocks, bonds, treasury securities, money market-type investments, or a combination of these.

The Plan, available to all full time City employees, permits them to defer until future years up to 25% of annual gross earnings not to exceed \$14,000. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Deferred Compensation Plan – Discretely Presented Component Unit

Employees of *Springdale Water Utilities* are eligible to participate in a deferred compensation plan adopted in January 1976, created in accordance with the Internal Revenue Code (IRC), and amended from time to time in compliance with IRC regulations. The assets are held by Jackson National Life and remain the property of the Utilities until paid to the employees, subject only to the claims of the Utilities' general creditors. The only contributions to the plan are employee elective deferrals.

Note 8 – Postretirement Health Care Benefits

Retiring employees are permitted to continue their coverage in the City's group health care benefits plan provided they pay the full cost of the coverage. The City collects the premiums from the retired employees and remits them to the plan administrator. As of December 31, 2006 there were 12 retired

City of Springdale, Arkansas

Notes to Basic Financial Statements December 31, 2006

City employees participating in the group health care plan. This postretirement benefit results in no direct cost to the City.

Discretely Presented Component Unit – Springdale Water Utilities does not offer post employment benefits and does not offer postretirement benefits other than pensions.

Note 9 – Risk Management

The City and its component units are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which they carry insurance. The City, however, under Arkansas State Statute, has tort immunity. The type of coverage and the liability limits vary with each entity. Coverage is provided both commercially and through the Arkansas Municipal League (AML), which is an association of local governments. AML provides the City with automobile, legal defense and worker's compensation. Fixed premiums are set annually by AML based on such factors as claims experience, employee class multipliers, and population. For risks related to vehicle accidents covered by AML, the City pays a \$1,000 deductible per incident. For legal risks covered by AML, the City pays no deductible; however, the City pays a \$2,000 fee to AML for each legal matter it handles. Coverage under these policies meets statutory liability limits and requirements, and the City's risk of loss is effectively transferred. Additionally, the City has instituted various safety programs to reduce losses. There have been no significant reductions in insurance coverage from 2005 to 2006.

Note 10 – Property Taxes

City property taxes are levied each October 1 on the assessed value listed as of January 1 for all real and personal property located in the City. The property tax is considered due the first Monday in January after the levy; however, the tax is not considered delinquent until October 11 of that year. As a result, the majority of the tax is not collected within the time frame necessary to finance the liabilities of the current period. Property taxes which remain delinquent for a period of three years are certified to the land commissioner where a lien is recorded and held on file. If property remains delinquent for a period of seven years, the property will be subsequently sold by the land commissioner. If proceeds from the sale are sufficient to cover all claims, the City will collect on the past due property taxes. Washington and Benton Counties are the collecting agents for the City, and remit collections to the City, net of a collection fee, on a monthly basis.

In the governmental funds, property taxes are measurable when levied even though not available. As a result, at December 31, 2006 property taxes receivable and related deferred revenues of \$4,513,994 have been recorded in the governmental funds. In the government-wide statement of net assets, delinquent taxes are recorded net of amounts considered uncollectible. The appraised value of taxable property upon which the property tax is levied is determined by the county assessor. The assessor estimates full market value and applies the statutory rate of 20 percent to arrive at assessed value.

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 government services, \$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 2006 to finance the above operations was \$0.57 per \$100 of assessed valuation on real and personal property, leaving a tax margin of \$0.13 per \$100 of assessed valuation on real and personal property. Approximately \$1,211,800 of additional taxes could be raised per year based on the current year's assessed value of \$634,357,566 for real property and \$297,798,229 for personal property before the limit is reached.

City of Springdale, Arkansas

Notes to Basic Financial Statements December 31, 2006

Note 11 – Sales Taxes

In October 1981, Washington County began assessing a 1% sales and use tax on retail sales in the county. Each city in Washington County receives a portion of the tax based upon population of the city. Currently, the City receives approximately 22.21% of the county tax. The tax is collected by the state, and remitted to the City, net of a collection fee. Taxes for this purpose remitted to the City totaled \$8,655,264 for 2006 and are included in the General Fund's tax revenues in the accompanying financial statements.

In July 1992, the City began assessing a 1% sales and use tax on retail sales in the City, upon approval of the tax by the City's voters. Revenues are used to fund capital improvement projects (75%) and general municipal operations and maintenance (25%). The tax is collected by the state, and remitted to the City, net of a 3% collection fee. Taxes for this purpose remitted to the City totaled \$12,347,458 for 2006, and are included in the Sales and Use Tax Fund's tax revenues in the accompanying financial statements.

In August 1998, Benton County began assessing a 1% sales and use tax on retail sales in the county. Each city in Benton County receives a portion of the tax based upon population of the city. Currently, the City receives approximately 1.31% of the county tax. The tax is collected by the state, and remitted to the City, net of a collection fee. Taxes for this purpose remitted to the City totaled \$377,750 for 2006 and are included in the General Fund's tax revenues in the accompanying financial statements.

In July 2006, City voters approved a 1% sales and use tax on retail sales in the City. Revenues from the tax are pledged for payment of the principal and interest on the City of Springdale, Arkansas Sales and Use Tax Refunding and Improvement Bonds, Series 2006 (see also Note 4). This tax replaced the additional 1% sales and use tax approved by City voters in August 2003, which was pledged for payment of the principal and interest on the Series 2004 Bonds. The City began assessing the original tax in October 2003. The tax is collected by the state, and remitted to the City, net of a 3% collection fee. Taxes for this purpose remitted to the City totaled \$12,347,458 for 2006, and are included in the Debt Service Fund's tax revenues in the accompanying financial statements. This tax will sunset upon retirement of all related debt.

Note 12 – Commitments and Contingencies

Litigation

The City, its agencies, and its employees are defendants in numerous legal proceedings, many of which normally occur in governmental operations. It is the opinion of the City's management and legal counsel that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position of the City. However, events could occur in the near term that would cause these estimates to change materially.

The City is a member of the Municipal League Defense Program, which provides coverage for legal defense, expenses, and damages in suits against City officials and employees and civil rights suits against the municipal government. The Program only pays judgments for actual damages (not punitive damages) imposed on municipal governments and employees. The maximum coverage of any one loss cannot exceed 25% of the Program's funded reserves at the time the lawsuit was filed or the judgment becomes final, or \$ 1 million, whichever is less.

The City is represented in all other actions by the City Attorney. The City appropriates funds as necessary to meet settlements and awards. The City accrues a liability when it is incurred and when the contingency is probable and reasonably estimable.

City of Springdale, Arkansas

Notes to Basic Financial Statements December 31, 2006

Contingencies

The City has received federal and state financial assistance 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 the terms and conditions specified in the grant agreements. In the opinion of City management such disallowed costs, if any, will not be significant.

Note 13 – Restatement of Prior Years

During the year ended December 31, 2006, the City discovered errors in previously reported capital assets. In governmental activities, payments to the Arkansas Highway and Transportation Department during 1998 and 1999 totaling \$893,431, related to a road construction project, were not recorded in construction in progress. Capital assets related to a building renovation project in 2005 in the amount of \$423,197 paid for through a CDBG grant were erroneously not recorded in 2005. There were also some fully depreciated assets added to capital assets. In the Airport fund, reported as a business activity, land improvements in the amount of \$660,799 were not recorded. As of December 31, 2005, capital assets have been restated from the balance previously reported to reflect the net increases of \$1,316,628 and \$660,799, respectively, as follows:

	Balance, As Reported December 31, 2005	Restatement	Balance, Restated December 31, 2005
Governmental Activities			
Capital assets, non-depreciable	\$ 31,585,374	\$ 893,431	\$ 32,478,805
Capital assets, depreciable	61,996,164	465,103	62,461,267
Less accumulated depreciation	<u>16,832,691</u>	<u>41,906</u>	<u>16,874,597</u>
Total governmental activities, net	<u>\$ 76,748,847</u>	<u>\$ 1,316,628</u>	<u>\$ 78,065,475</u>
Business-type Activities			
Capital assets, non-depreciable	\$ 3,260,944	\$ -	\$ 3,260,944
Capital assets, depreciable	10,660,126	660,799	11,320,925
Less accumulated depreciation	<u>6,274,580</u>	<u>-</u>	<u>6,274,580</u>
Total business-type activities, net	<u>\$ 7,646,490</u>	<u>\$ 660,799</u>	<u>\$ 8,307,289</u>

Note 14 – New GASB Standards

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

GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity*

City of Springdale, Arkansas

Notes to Basic Financial Statements December 31, 2006

Transfers of Assets and Future Revenues, in September 2006. This statement establishes criteria that governments will use to ascertain whether such proceeds received should be reported as revenue or as a liability. The City will be required to implement this statement for years beginning after December 15, 2006.

GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, in November 2006. This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of *existing* pollution by participating in activities such as site assessments and cleanups. The City will be required to implement this statement for years beginning after December 15, 2007.

REQUIRED SUPPLEMENTARY
INFORMATION

City of Springdale, Arkansas

Defined Benefit Pension Plans - Required Supplementary Information
 Schedule of Funding Progress
 Year Ended December 31, 2006

	Actuarial Valuation Date *	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
Firemen's Relief and Pension Fund	12/31/1995	7,627,291	8,014,759	387,468	95.2%	738,165	52.5%
	12/31/1997	10,099,646	10,973,116	873,470	92.0%	781,690	111.7%
	12/31/1999	11,945,698	12,692,061	746,363	94.1%	486,603	153.4%
	12/31/2001	12,103,885	16,971,518	4,867,633	71.3%	438,067	1111.2%
	12/31/2003	11,502,740	17,358,658	5,855,918	66.3%	139,793	4189.0%
	12/31/2005	11,414,649	16,907,308	5,492,659	67.5%	107,698	5100.1%
Policemen's Pension and Relief Fund	12/31/1995	6,738,055	8,388,928	1,650,873	80.3%	493,971	334.2%
	12/31/1997	7,950,901	9,181,117	1,230,216	86.6%	514,231	239.2%
	12/31/1999	9,276,276	10,368,517	1,092,241	89.5%	598,532	182.5%
	12/31/2001	9,099,818	11,651,301	2,551,483	78.1%	400,584	636.9%
	12/31/2003	8,945,332	12,948,344	4,003,012	69.1%	160,303	2497.1%
	12/31/2005	9,967,476	13,180,480	3,213,004	75.6%	0	N/A
Local Police and Fire Retirement System - Paid Firemen	12/31/2000	3,917,232	2,531,303	(1,385,929)	155.0%	1,949,115	(71.0%)
	12/31/2001	4,659,683	3,017,739	(1,641,944)	154.0%	2,170,942	(76.0%)
	12/31/2002	5,152,712	4,349,448	(803,264)	118.0%	2,443,634	(33.0%)
	12/31/2003	5,753,420	5,947,083	193,663	97.0%	2,722,712	7.0%
	12/31/2004	6,375,887	8,065,272	1,689,385	79.0%	3,062,336	55.0%
	12/31/2005	7,531,495	9,032,836	1,501,341	83.0%	3,342,774	45.0%
Local Police and Fire Retirement System - Volunteer Firemen	12/31/2000	11,008	6,996	(4,012)	157.0%	N/A	N/A
	12/31/2001	11,882	7,969	(3,913)	149.0%	N/A	N/A
	12/31/2002	10,919	14,420	3,501	76.0%	N/A	N/A
	12/31/2003	11,585	18,040	6,455	64.0%	N/A	N/A
	12/31/2004	10,865	19,855	8,990	55.0%	N/A	N/A
	12/31/2005	12,451	21,367	8,916	58.0%	N/A	N/A
Local Police and Fire Retirement System - Policemen	12/31/2000	2,818,541	2,134,036	(684,505)	132.0%	2,105,598	(33.0%)
	12/31/2001	3,422,420	2,826,985	(595,435)	121.0%	2,951,884	(20.0%)
	12/31/2002	3,948,027	4,373,121	425,094	90.0%	3,081,907	14.0%
	12/31/2003	4,589,343	5,474,276	884,933	84.0%	3,200,722	28.0%
	12/31/2004	5,199,753	7,400,359	2,200,606	70.0%	3,483,157	63.0%
	12/31/2005	5,706,520	8,608,058	2,901,538	66.0%	3,615,225	80.0%

Note: 12/31/1995 are at amortized cost value.

City of Springdale, Arkansas

**Defined Benefit Pension Plans - Required Supplementary Information
Schedule of Employer Contributions
Year Ended December 31, 2006**

	<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
Firemen's Relief and Pension Fund	12/31/1995	190,251	25.8%
	12/31/1997	397,784	50.9%
	12/31/1999	391,606	80.5%
	12/31/2001	932,036	34.4%
	12/31/2003	1,071,911	68.8%
	12/31/2005	1,300,073	42.0%
Policemen's Pension and Relief Fund	12/31/1995	308,593	62.5%
	12/31/1997	514,231	58.4%
	12/31/1999	387,575	64.8%
	12/31/2001	437,259	92.8%
	12/31/2003	590,851	86.9%
	12/31/2005	909,449	72.5%
Local Police and Fire Retirement System - Firemen	12/31/2000	225,588	100.0%
	12/31/2001	263,296	100.0%
	12/31/2002	150,506	100.0%
	12/31/2003	168,445	100.0%
	12/31/2004	342,199	100.0%
	12/31/2005	408,351	100.0%
Local Police and Fire Retirement System - Policemen	12/31/2000	294,527	100.0%
	12/31/2001	331,837	100.0%
	12/31/2002	338,161	100.0%
	12/31/2003	350,248	100.0%
	12/31/2004	511,706	100.0%
	12/31/2005	515,221	100.0%

City of Springdale, Arkansas
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Taxes				
Sales	\$ 9,506,000	\$ 9,506,000	\$ 9,000,010	\$ (505,990)
Ad valorem	3,139,000	3,139,000	3,530,735	391,735
Franchise	3,090,000	3,090,000	3,162,950	72,950
Fees and Permits				
Building permits	1,100,000	1,100,000	802,389	(297,611)
Occupation permits	113,000	113,000	118,965	5,965
Other	78,000	78,000	61,915	(16,085)
Intergovernmental				
Federal and state grants	53,000	53,000	71,144	18,144
State turnback-general	767,000	814,000	1,011,574	197,574
State turnback-insurance	665,000	665,000	576,695	(88,305)
County turnback	416,600	416,600	414,920	(1,680)
Other	74,000	74,000	127,288	53,288
Charge for services				
Ambulance fees	900,000	900,000	1,140,087	240,087
Other service fees	201,000	201,000	190,495	(10,505)
Fines and forfeitures				
	922,000	922,000	930,557	8,557
Miscellaneous				
	<u>193,000</u>	<u>201,500</u>	<u>454,596</u>	<u>253,096</u>
Total Revenues	<u>21,217,600</u>	<u>21,273,100</u>	<u>21,594,320</u>	<u>321,220</u>
Expenditures				
General Government				
Administration				
Personnel	1,083,340	1,083,340	1,059,118	24,222
Buildings and equipment	312,400	312,400	250,613	61,787
Supplies	141,000	141,000	159,338	(18,338)
Other	366,000	366,000	365,566	434
Economic development	304,400	304,400	304,460	(60)
Capital	44,000	44,000	118,254	(74,254)
Total Administration	<u>2,251,140</u>	<u>2,251,140</u>	<u>2,257,349</u>	<u>(6,209)</u>
City Attorney				
Personnel	525,570	525,570	503,513	22,057
Buildings and equipment	23,800	23,800	17,061	6,739
Supplies	12,400	12,400	12,799	(399)
Other	19,750	19,750	14,616	5,134
Capital	10,100	10,100	9,020	1,080
Total City Attorney	<u>591,620</u>	<u>591,620</u>	<u>557,009</u>	<u>34,611</u>
Total General Government	<u>2,842,760</u>	<u>2,842,760</u>	<u>2,814,358</u>	<u>28,402</u>

[continued]

City of Springdale, Arkansas
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Culture and Recreation				
Shiloh Museum				
Personnel	378,740	378,740	375,024	3,716
Buildings and equipment	28,300	28,300	29,385	(1,085)
Supplies	70,200	70,200	48,985	21,215
Other	13,800	13,800	18,865	(5,065)
Total Shiloh Museum	491,040	491,040	472,259	18,781
Parks and recreation				
Personnel	962,560	962,560	938,079	24,481
Buildings and equipment	139,200	139,200	155,980	(16,780)
Supplies	155,700	155,700	153,864	1,836
Other	79,750	79,750	79,141	609
Total Parks and Recreation	1,337,210	1,337,210	1,327,064	10,146
Total Culture and Recreation	1,828,250	1,828,250	1,799,323	28,927
Community Development				
Planning and community development				
Personnel	691,500	691,500	602,667	88,833
Buildings and equipment	31,000	31,000	20,880	10,120
Supplies	40,000	40,000	27,739	12,261
Other	106,860	106,860	73,442	33,418
Capital	20,000	20,000	18,936	1,064
Total Community Development	889,360	889,360	743,664	145,696
Public Safety				
Animal Services				
Personnel	233,850	233,850	236,907	(3,057)
Buildings and equipment	14,300	14,300	19,422	(5,122)
Supplies	25,900	25,900	24,199	1,701
Other	10,600	10,600	6,842	3,758
Total Animal Services	284,650	284,650	287,370	(2,720)
Building Inspection				
Personnel	707,300	707,300	681,422	25,878
Buildings and equipment	13,400	13,400	13,156	244
Supplies	63,000	61,774	53,585	8,189
Other	44,550	145,776	68,922	76,854
Total Building Inspection	828,250	928,250	817,085	111,165

[continued]

City of Springdale, Arkansas
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Police				
Personnel	8,150,090	7,723,440	7,636,739	86,701
Buildings and equipment	148,400	148,400	192,023	(43,623)
Supplies	372,400	372,400	354,337	18,063
Other	244,450	297,528	494,565	(197,037)
Capital	346,700	879,870	855,207	24,663
Total Police	<u>9,262,040</u>	<u>9,421,638</u>	<u>9,532,871</u>	<u>(111,233)</u>
Fire				
Personnel	6,649,620	6,641,525	6,169,546	471,979
Buildings and equipment	177,500	193,500	208,891	(15,391)
Supplies	347,000	347,000	375,521	(28,521)
Other	222,000	230,095	206,908	23,187
Capital	1,370,000	1,426,000	1,201,997	224,003
Total Fire	<u>8,766,120</u>	<u>8,838,120</u>	<u>8,162,863</u>	<u>675,257</u>
Total Public Safety	<u>19,141,060</u>	<u>19,472,658</u>	<u>18,800,189</u>	<u>672,469</u>
Total Expenditures	<u>24,701,430</u>	<u>25,033,028</u>	<u>24,157,534</u>	<u>875,494</u>
Excess Revenues over Expenditures	<u>(3,483,830)</u>	<u>(3,759,928)</u>	<u>(2,563,214)</u>	<u>1,196,714</u>
Other Financing Sources [Uses]				
Proceeds from sale of capital assets	-	-	30,814	30,814
Transfers in	3,493,000	3,493,000	3,329,864	(163,136)
Transfers out	(2,180,410)	(2,180,410)	(2,201,773)	(21,363)
Total Other Financing Sources [Uses]	<u>1,312,590</u>	<u>1,312,590</u>	<u>1,158,905</u>	<u>(153,685)</u>
Net Change in Fund Balance	<u>(2,171,240)</u>	<u>(2,447,338)</u>	<u>(1,404,309)</u>	<u>1,043,029</u>
Fund Balance Beginning of Year	<u>8,055,528</u>	<u>8,055,528</u>	<u>8,055,528</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 5,884,288</u>	<u>\$ 5,608,190</u>	<u>\$ 6,651,219</u>	<u>\$ 1,043,029</u> [concluded]

City of Springdale, Arkansas
Street Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes				
Ad valorem	\$ 570,000	\$ 570,000	\$ 646,748	\$ 76,748
Fees and Permits				
Street and curb cuts	2,750	2,750	1,715	(1,035)
Other	1,800	1,800	810	(990)
Intergovernmental				
State turnback-street	2,548,000	2,548,000	2,817,937	269,937
Charges for goods and services				
Street signs	12,000	12,000	23,823	11,823
Street and curb cut repairs	30,000	30,000	30,634	634
Other	3,000	3,000	12,254	9,254
Interest	1,500	1,500	3,059	1,559
Miscellaneous	7,500	7,500	32,436	24,936
Total revenues	<u>3,176,550</u>	<u>3,176,550</u>	<u>3,569,416</u>	<u>392,866</u>
Expenditures				
Public Works				
Street Fund				
Personnel	1,995,780	1,991,774	1,886,526	105,248
Buildings and equipment	173,700	173,700	154,173	19,527
Supplies	812,700	812,700	894,589	(81,889)
Other	883,500	887,506	850,037	37,469
Capital	318,000	318,000	331,047	(13,047)
Total Public Works	<u>4,183,680</u>	<u>4,183,680</u>	<u>4,116,372</u>	<u>67,308</u>
Excess Revenues over Expenditures	(1,007,130)	(1,007,130)	(546,956)	460,174
Other Financing Sources [Uses]				
Proceeds from sale of capital assets	-	-	1,158	1,158
Insurance recovery - capital assets	-	-	43,712	43,712
Transfers in	1,053,410	1,053,410	1,053,410	-
Transfers out	(46,280)	(46,280)	(46,279)	1
Total Other Financing Sources [Uses]	<u>1,007,130</u>	<u>1,007,130</u>	<u>1,052,001</u>	<u>44,871</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>505,045</u>	<u>505,045</u>
Fund Balance Beginning of Year	197,122	197,122	197,122	-
Fund Balance End of Year	<u>\$ 197,122</u>	<u>\$ 197,122</u>	<u>\$ 702,167</u>	<u>\$ 505,045</u>

City of Springdale, Arkansas
Sales and Use Tax Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variances Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Sales tax	\$ 13,000,000	\$ 13,000,000	\$ 12,347,458	\$ (652,542)
Investment earnings	<u>150,000</u>	<u>150,000</u>	<u>523,405</u>	<u>373,405</u>
Total Revenues	<u>13,150,000</u>	<u>13,150,000</u>	<u>12,870,863</u>	<u>(279,138)</u>
Expenditures				
Capital Projects				
Capital	<u>12,342,500</u>	<u>12,342,500</u>	<u>10,605,277</u>	<u>1,737,223</u>
Total Capital Projects	<u>12,342,500</u>	<u>12,342,500</u>	<u>10,605,277</u>	<u>1,737,223</u>
Excess Revenues over Expenditures	<u>807,500</u>	<u>807,500</u>	<u>2,265,586</u>	<u>1,458,086</u>
Other Financing Sources [Uses]				
Developers contributions	-	-	414,457	414,457
Transfers out	(3,450,000)	(3,450,000)	(3,286,864)	(163,136)
Total Other Financing Sources [Uses]	<u>(3,450,000)</u>	<u>(3,450,000)</u>	<u>(2,872,407)</u>	<u>577,593</u>
Net Change in Fund Balance	(2,642,500)	(2,642,500)	(606,821)	2,035,678
Fund Balance Beginning of Year	<u>11,593,104</u>	<u>11,593,104</u>	<u>11,593,104</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 8,950,604</u>	<u>\$ 8,950,604</u>	<u>\$ 10,986,283</u>	<u>\$ 2,035,678</u>

City of Springdale, Arkansas
2004 Street Improvement Bonds Construction Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variances Final Budget Positive (Negative)
	Original	Final		
Revenues				
Investment earnings	\$ <u>800,000</u>	\$ <u>800,000</u>	\$ <u>1,967,791</u>	\$ <u>1,167,791</u>
Total Revenues	<u>800,000</u>	<u>800,000</u>	<u>1,967,791</u>	<u>1,167,791</u>
Expenditures				
Capital Projects				
Capital	17,740,000	17,740,000	15,006,262	2,733,738
Debt service:				
Agent fees	<u>-</u>	<u>-</u>	<u>6,750</u>	<u>(6,750)</u>
Total Capital Projects	<u>17,740,000</u>	<u>17,740,000</u>	<u>15,013,012</u>	<u>2,726,988</u>
Excess Revenues over Expenditures	<u>(16,940,000)</u>	<u>(16,940,000)</u>	<u>(13,045,221)</u>	<u>3,894,779</u>
Other Financing Sources [Uses]				
Developers contributions	<u>-</u>	<u>-</u>	<u>2,764</u>	<u>2,764</u>
Total Other Financing Sources [Uses]	<u>-</u>	<u>-</u>	<u>2,764</u>	<u>2,764</u>
Net Change in Fund Balance	<u>(16,940,000)</u>	<u>(16,940,000)</u>	<u>(13,042,457)</u>	<u>3,897,543</u>
Fund Balance Beginning of Year	<u>47,197,696</u>	<u>47,197,696</u>	<u>47,197,696</u>	<u>-</u>
Fund Balance End of Year	<u>\$ <u>30,257,696</u></u>	<u>\$ <u>30,257,696</u></u>	<u>\$ <u>34,155,239</u></u>	<u>\$ <u>3,897,543</u></u>

City of Springdale, Arkansas
Debt Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Sales Tax	\$ 13,000,000	\$ 13,000,000	\$ 12,347,458	\$ (652,542)
Investment earnings	<u>0</u>	<u>0</u>	<u>335,941</u>	<u>335,941</u>
Total Revenues	<u>13,000,000</u>	<u>13,000,000</u>	<u>12,683,399</u>	<u>(316,601)</u>
Expenditures				
Debt Service				
Principal	10,990,600	10,990,600	10,650,143	340,457
Interest	1,944,400	1,944,400	1,879,561	64,839
Bond issue costs	-	-	437,508	(437,508)
Other fees	-	-	14,412	(14,412)
Agent fees	<u>-</u>	<u>-</u>	<u>32,203</u>	<u>(32,203)</u>
Total Debt Service	<u>12,935,000</u>	<u>12,935,000</u>	<u>13,013,827</u>	<u>(78,827)</u>
Excess Revenues over Expenditures	<u>65,000</u>	<u>65,000</u>	<u>(330,428)</u>	<u>(395,428)</u>
Other Financing Sources [Uses]				
Transfers in	46,280	46,280	1,740,993	1,694,713
Transfers out			(829,504)	(829,504)
Refunding bonds issued	-	-	30,860,000	30,860,000
Premium on bonds sold	-	-	790,000	790,000
Payment to refunded bond escrow	<u>-</u>	<u>-</u>	<u>(40,603,002)</u>	<u>(40,603,002)</u>
Total Other Financing Sources [Uses]	<u>46,280</u>	<u>46,280</u>	<u>(8,041,513)</u>	<u>(8,087,793)</u>
Net Change in Fund Balance	111,280	111,280	(8,371,941)	(8,483,221)
Fund Balance Beginning of Year	<u>14,422,369</u>	<u>14,422,369</u>	<u>14,422,369</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 14,533,649</u>	<u>\$ 14,533,649</u>	<u>\$ 6,050,428</u>	<u>\$ (8,483,221)</u>

City of Springdale, Arkansas
Public Library Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes				
Ad valorem	\$ 28,000	\$ 28,000	\$ 36,053	\$ 8,053
Intergovernmental				
State grants	-	7,300	7,500	200
County aid	675,000	698,075	696,438	(1,637)
Fines	55,000	55,000	69,477	14,477
Investment earnings	100	100	512	412
Miscellaneous	106,180	106,180	106,269	89
Total revenues	<u>864,280</u>	<u>894,655</u>	<u>916,249</u>	<u>21,594</u>
Expenditures				
Culture and recreation				
Public Library				
Personnel	989,130	989,130	1,001,182	(12,052)
Maintenance	80,300	85,000	87,060	(2,060)
Supplies	415,920	439,095	441,953	(2,858)
Other	53,500	53,500	51,476	2,024
Capital	48,500	51,000	50,894	106
Total Public Library	<u>1,587,350</u>	<u>1,617,725</u>	<u>1,632,565</u>	<u>(14,840)</u>
Excess Revenues over Expenditures	(723,070)	(723,070)	(716,316)	6,754
Other Financing Sources [Uses]				
Transfers in	723,070	723,070	723,070	-
Sale of capital assets	-	-	1,400	1,400
Total Other Financing Sources [Uses]	<u>723,070</u>	<u>723,070</u>	<u>724,470</u>	<u>1,400</u>
Net Change in Fund Balance	-	-	8,154	8,154
Fund Balance Beginning of Year	(12,966)	(12,966)	(12,966)	-
Fund Balance End of Year	<u>\$ (12,966)</u>	<u>\$ (12,966)</u>	<u>\$ (4,812)</u>	<u>\$ 8,154</u>

City of Springdale, Arkansas
Shiloh Museum Board Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fees and permits				
Fees and memberships	\$ 21,000	\$ 21,000	\$ 21,408	\$ 408
Charges for goods & services	7,200	7,200	9,801	2,601
Investment earnings	300	300	93,151	92,851
Miscellaneous	<u>17,100</u>	<u>17,100</u>	<u>144,498</u>	<u>127,398</u>
Total revenues	<u>45,600</u>	<u>45,600</u>	<u>268,858</u>	<u>223,258</u>
Expenditures				
Culture and recreation				
Shiloh Museum				
Personnel	2,500	2,500	841	1,659
Maintenance	1,200	1,200	1,684	(484)
Supplies	5,250	5,250	3,083	2,167
Other	27,000	27,000	23,642	3,358
Capital	<u>9,650</u>	<u>9,650</u>	<u>6,465</u>	<u>3,185</u>
Total Shiloh Museum	<u>45,600</u>	<u>45,600</u>	<u>35,715</u>	<u>9,885</u>
Net Change in Fund Balance	-	-	233,143	233,143
Fund Balance Beginning of Year	<u>784,413</u>	<u>784,413</u>	<u>784,413</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 784,413</u>	<u>\$ 784,413</u>	<u>\$ 1,017,556</u>	<u>\$ 233,143</u>

City of Springdale, Arkansas
District Court Costs Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variances Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fees and Permits				
Filing fees	\$ 86,000	\$ 86,000	\$ 95,048	\$ 9,048
Installment plan fees	28,000	28,000	33,593	5,593
Intergovernmental				
County aid	83,420	83,420	64,547	(18,873)
Investment earnings	2,000	2,000	4,448	2,448
Miscellaneous	-	-	145	145
Total revenues	<u>199,420</u>	<u>199,420</u>	<u>197,781</u>	<u>(1,639)</u>
Expenditures				
General Government				
Court Costs				
Personnel	558,450	558,450	564,537	(6,087)
Maintenance	3,000	3,000	2,173	827
Supplies	22,800	22,800	17,083	5,717
Other	14,000	14,000	11,205	2,795
Capital	5,100	5,100	4,411	689
Total Court Costs	<u>603,350</u>	<u>603,350</u>	<u>599,409</u>	<u>3,941</u>
Excess Revenues over Expenditures	(403,930)	(403,930)	(401,628)	2,302
Other Financing Sources				
Transfers in	403,930	403,930	427,009	23,079
Net Change in Fund Balance	-	-	25,381	25,381
Fund Balance Beginning of Year	<u>80,428</u>	<u>80,428</u>	<u>80,428</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 80,428</u>	<u>\$ 80,428</u>	<u>\$ 105,809</u>	<u>\$ 25,381</u>

City of Springdale, Arkansas
Parks Activity Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variances
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues				
Charges for services				
Activity fees	\$ 160,000	\$ 160,000	\$ 148,976	\$ (11,024)
Investment earnings	500	500	760	260
Miscellaneous	<u>14,500</u>	<u>14,500</u>	<u>23,742</u>	<u>9,242</u>
Total revenues	<u>175,000</u>	<u>175,000</u>	<u>173,478</u>	<u>(1,522)</u>
Expenditures				
Culture and recreation				
Parks Activity				
Personnel	98,350	98,350	108,003	(9,653)
Supplies	10,000	10,000	20,727	(10,727)
Other	13,200	15,244	14,425	819
Capital	<u>17,500</u>	<u>17,500</u>	<u>27,305</u>	<u>(9,805)</u>
Total Parks Activity	<u>139,050</u>	<u>141,094</u>	<u>170,460</u>	<u>(29,366)</u>
Excess Revenues over Expenditures	35,950	33,906	3,018	(30,888)
Fund Balance Beginning of Year	<u>99,283</u>	<u>99,283</u>	<u>99,283</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 135,233</u>	<u>\$ 133,189</u>	<u>\$ 102,301</u>	<u>\$ (30,888)</u>

City of Springdale, Arkansas
Municipal Airport Fund
Statement of Revenues, Expenses, and Changes in Net Assets-Budget and Actual
Year Ended December 31, 2006

	Budgeted Amounts		Actual GAAP Basis	Adjustments to Budget Basis	Actual Budget Basis	Variances Final Budget Positive (Negative)
	Original	Final				
Operating Revenues						
Charge for services						
Rental fees	\$ 200,920	\$ 200,920	\$ 200,800	\$ -	\$ 200,800	\$ (120)
Fuel flowage fees	81,500	81,500	65,941	-	65,941	(15,559)
Other service fees	10,800	10,800	10,080	-	10,080	(720)
Total operating revenues	<u>293,220</u>	<u>293,220</u>	<u>276,821</u>	<u>-</u>	<u>276,821</u>	<u>(16,399)</u>
Expenditures						
Personnel	88,410	88,410	78,013	-	78,013	10,397
Maintenance	46,850	46,850	43,320	-	43,320	3,530
Supplies	49,800	49,800	57,208	-	57,208	(7,408)
Other	103,900	103,900	89,887	-	89,887	14,013
Depreciation expense	-	-	219,998	(219,998)	-	-
Total operating expense	<u>288,960</u>	<u>288,960</u>	<u>488,426</u>	<u>(219,998)</u>	<u>268,428</u>	<u>20,532</u>
Operating Income [loss]	<u>4,260</u>	<u>4,260</u>	<u>(211,605)</u>	<u>219,998</u>	<u>8,393</u>	<u>4,133</u>
Nonoperating Revenue [Expenses]						
Interest income	-	-	407	-	407	407
Capital expenses	(12,660)	(12,660)	-	(119,212)	(119,212)	(106,552)
Net Nonoperating Revenue [Expense]	<u>(12,660)</u>	<u>(12,660)</u>	<u>407</u>	<u>(119,212)</u>	<u>(118,805)</u>	<u>(106,145)</u>
Income [loss] before capital contributions and transfers	<u>(8,400)</u>	<u>(8,400)</u>	<u>(211,198)</u>	<u>100,786</u>	<u>(110,412)</u>	<u>(102,012)</u>
Capital grants and contributions	8,400	8,400	23,472	-	23,472	15,072
Change in net assets	<u>-</u>	<u>-</u>	<u>(187,726)</u>	<u>100,786</u>	<u>(86,940)</u>	<u>(86,940)</u>
Total net assets beginning of year	5,469,060 *	5,469,060 *	5,469,060 *	5,469,060 *	5,469,060 *	-
Total net assets end of year	<u>\$ 5,469,060</u>	<u>\$ 5,469,060</u>	<u>\$ 5,281,334</u>	<u>\$ 5,569,846</u>	<u>\$ 5,382,120</u>	<u>\$ (86,940)</u>

* as restated

City of Springdale, Arkansas
Aquatic Center Fund
Statement of Revenues, Expenses, and Changes in Net Assets-Budget and Actual
Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Adjustments to Budget Basis</u>	<u>Actual Budget Basis</u>	<u>Variances Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>				
Operating Revenues						
Charge for services						
Activity Fees	\$ 215,000	\$ 215,000	\$ 184,679	\$ -	\$ 184,679	\$ (30,321)
Concessions	6,000	6,000	6,360	-	6,360	360
Rental fees	1,500	1,500	1,924	-	1,924	424
Total operating revenues	<u>222,500</u>	<u>222,500</u>	<u>192,963</u>	<u>-</u>	<u>192,963</u>	<u>(29,537)</u>
Expenditures						
Personnel	136,160	136,160	125,916	-	125,916	10,244
Maintenance	28,000	28,000	22,226	-	22,226	5,774
Supplies	40,200	40,200	42,501	-	42,501	(2,301)
Other	4,100	4,100	4,914	-	4,914	(814)
Depreciation expense	-	-	231,531	(231,531)	-	-
Total operating expense	<u>208,460</u>	<u>208,460</u>	<u>427,088</u>	<u>(231,531)</u>	<u>195,557</u>	<u>12,903</u>
Operating Income [loss]	<u>14,040</u>	<u>14,040</u>	<u>(234,125)</u>	<u>231,531</u>	<u>(2,594)</u>	<u>(16,634)</u>
Nonoperating Revenue [Expense]						
Interest income	4,500	4,500	15,160	-	15,160	10,660
Loss on disposal of assets	-	-	(2,577)	-	(2,577)	(2,577)
Capital expenses	(10,000)	(10,000)	-	(13,788)	(13,788)	(3,788)
Net Nonoperating Revenue [Expense]	<u>(5,500)</u>	<u>(5,500)</u>	<u>12,583</u>	<u>(13,788)</u>	<u>(1,205)</u>	<u>4,295</u>
Change in net assets	8,540	8,540	(221,542)	217,743	(3,799)	(12,339)
Total net assets beginning of year	<u>3,253,489</u>	<u>3,253,489</u>	<u>3,253,489</u>	<u>3,253,489</u>	<u>3,253,489</u>	<u>-</u>
Total net assets end of year	<u>\$ 3,262,029</u>	<u>\$ 3,262,029</u>	<u>\$ 3,031,947</u>	<u>\$ 3,471,232</u>	<u>\$ 3,249,690</u>	<u>\$ (12,339)</u>

**City of Springdale, Arkansas
Parks Soccer Program Fund
Statement of Revenues, Expenses, and Changes in Net Assets-Budget and Actual
Year Ended December 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Adjustments to Budget Basis</u>	<u>Actual Budget Basis</u>	<u>Variances Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>				
Operating Revenues						
Charge for services						
Activity fees	\$ 85,000	\$ 85,000	\$ 100,496	\$ -	\$ 100,496	\$ 15,496
Total operating revenues	<u>85,000</u>	<u>85,000</u>	<u>100,496</u>	<u>-</u>	<u>100,496</u>	<u>15,496</u>
Expenditures						
Personnel	37,620	37,620	48,113	-	48,113	(10,493)
Maintenance	4,000	4,000	7,173	-	7,173	(3,173)
Supplies	5,000	5,000	30,750	-	30,750	(25,750)
Other	12,500	12,500	16,031	-	16,031	(3,531)
Depreciation	-	-	2,384	(2,384)	-	-
Total operating expense	<u>59,120</u>	<u>59,120</u>	<u>104,451</u>	<u>(2,384)</u>	<u>102,067</u>	<u>(42,947)</u>
Operating Income [loss]	<u>25,880</u>	<u>25,880</u>	<u>(3,955)</u>	<u>2,384</u>	<u>(1,571)</u>	<u>(27,451)</u>
Nonoperating Revenue [Expenses]						
Interest income	500	500	937	-	937	437
Contributions	<u>5,600</u>	<u>5,600</u>	<u>4,667</u>	<u>-</u>	<u>4,667</u>	<u>(933)</u>
Net Nonoperating Revenue [Expenses]	<u>6,100</u>	<u>6,100</u>	<u>5,604</u>	<u>-</u>	<u>5,604</u>	<u>(496)</u>
Change in net assets	31,980	31,980	1,649	2,384	4,033	(27,947)
Total net assets beginning of year	<u>132,157</u>	<u>132,157</u>	<u>132,157</u>	<u>132,157</u>	<u>132,157</u>	<u>-</u>
Total net assets end of year	<u>\$ 164,137</u>	<u>\$ 164,137</u>	<u>\$ 133,806</u>	<u>\$ 134,541</u>	<u>\$ 136,190</u>	<u>\$ (27,947)</u>

City of Springdale, Arkansas
Bluff Cemetery Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variances Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for goods				
Cemetery lots	\$ 27,000	\$ 27,000	\$ 40,925	\$ 13,925
Investment earnings	<u>11,000</u>	<u>11,000</u>	<u>22,059</u>	<u>11,059</u>
Total revenues	<u>38,000</u>	<u>38,000</u>	<u>62,984</u>	<u>24,984</u>
Expenditures				
General Government				
Cemetery				
Personnel	23,520	23,520	27,079	(3,559)
Maintenance	8,100	8,100	2,417	5,683
Supplies	1,200	1,200	41	1,159
Other	1,200	1,200	862	338
Capital	15,000	15,000	-	15,000
Total Bluff Cemetery	<u>49,020</u>	<u>49,020</u>	<u>30,399</u>	<u>18,621</u>
Net Change in Fund Balance	(11,020)	(11,020)	32,585	43,605
Fund Balance Beginning of Year	<u>551,658</u>	<u>551,658</u>	<u>551,658</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 540,638</u>	<u>\$ 540,638</u>	<u>\$ 584,243</u>	<u>\$ 43,605</u>

City of Springdale, Arkansas

Notes to Required Supplementary Information December 31, 2006

Stewardship, Compliance and Accountability

Budgetary Information

Arkansas state statute requires the City to prepare and submit an annual budget to the City Council, which must be legally enacted through passage of a City resolution by February 1 of each year. The City Council has enacted a budget ordinance which requires the budget process to begin by August 1 of each year. The Mayor must deliver a draft budget to the Council by October 15, and the Council must pass the budget by December 10 of each year. Annual budgets are prepared on the modified accrual basis for revenues and expenditures for the General Fund, special revenue funds, capital project funds, proprietary funds, the debt service fund and Bluff Cemetery. The Council does not adopt budgets for the following funds: Community Development Block Grant Program Fund (CDBG), Home Investment Partnership Fund (Home), Advertising and Promotion Fund (A & P), Public Facilities Board Fund, and the City Attorney Hot Check Fund. The Community Development Block Grant Committee adopts an annual budget for CDBG and Home grant funds awarded, and the Advertising and Promotion Committee adopts an annual budget for the A & P Fund. All appropriations lapse at year end. The annual budget is used as a revenue and expenditure control tool by the City Council and City management.

The appropriated budget is prepared by fund, function and department/division. The legal level of control is the department level. Expenditures not originally budgeted must be approved by the City Council. If significant, the budget will generally be amended. The Council made several supplementary appropriations during the year; however, none were material to any fund.

Excess of Expenditures Over Appropriations

For the year ended December 31, 2006, expenditures exceeded appropriations in the Debt Service Fund by \$78,827, in the Public Library Fund by \$14,840, in the Parks Activity Fund by \$29,366, and in the Parks Soccer Program Fund by \$42,947. These overexpenditures were funded by greater than anticipated revenue in the case of the Public Library Fund and the Parks Soccer Program Fund, and available fund balance in the Parks Activity Fund. The overexpenditures in the Debt Service Fund were related to and funded by the advance refunding and issuance of additional revenue bonds. The Council did not make any supplementary appropriations related to the Series 2006 Bonds.

Deficit Fund Balance

The Public Library Fund had a deficit fund balance of \$4,812 as of December 31, 2006. The fund will finance this deficit through current operations in 2007. The Community Development Block Grant Fund had a deficit fund balance of \$3,272 as of December 31, 2006. This was due to accrued liabilities at year end for which requests for reimbursement had not yet been submitted, and was reimbursed with grant revenues in January 2007.

SUPPLEMENTARY
INFORMATION

City of Springdale, Arkansas
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2006

	Special Revenue Funds				
	Public Library	Shiloh Museum Board	Advertising and Promotion	District Court Costs	Parks Activity
ASSETS					
Cash and cash equivalents	\$ 25,315	\$ 80,360	\$ 68,441	\$ 92,845	\$ 109,260
Investments	-	938,797	65,000	-	-
Accounts receivable	-	-	17,904	13,491	-
Due from other funds	43,725	-	-	24,712	-
Assets held for resale	-	-	-	-	-
Other assets	-	-	-	-	-
Total Assets	<u>\$ 69,040</u>	<u>\$ 1,019,157</u>	<u>\$ 151,345</u>	<u>\$ 131,048</u>	<u>\$ 109,260</u>
LIABILITIES					
Accounts payable	\$ 23,409	\$ 1,601	\$ 1,615	\$ 521	\$ 1,705
Salaries payable	50,443	-	-	10,955	5,254
Due to other funds	-	-	-	13,763	-
Total Liabilities	<u>73,852</u>	<u>1,601</u>	<u>1,615</u>	<u>25,239</u>	<u>6,959</u>
FUND BALANCES					
Reserved for:					
Assets held for resale	-	-	-	-	-
Cemetery perpetual care	-	-	-	-	-
Court automation	-	-	-	92,447	-
Endowments	-	938,797	-	-	-
Grant expenditures	-	-	-	-	-
Unreserved (deficit)	(4,812)	78,759	149,730	13,362	102,301
Total Fund Balances	<u>(4,812)</u>	<u>1,017,556</u>	<u>149,730</u>	<u>105,809</u>	<u>102,301</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 69,040</u>	<u>\$ 1,019,157</u>	<u>\$ 151,345</u>	<u>\$ 131,048</u>	<u>\$ 109,260</u>

		Capitol Projects	Permanent Funds		
Community Development Block Grant	Home Investment Program	Public Facilities Board	Bluff Cemetery	Public Library Board Foundation	Total Nonmajor Governmental Funds
\$ 1,075	\$ 835	\$ 126,003	\$ 111,684	\$ 211,079	\$ 826,897
-	-	2,125,009	454,949	539,832	4,123,587
-	1,053	15,485	19,153	66	67,152
-	-	-	-	-	68,437
-	-	1,151,936	-	-	1,151,936
-	-	500	-	-	500
<u>\$ 1,075</u>	<u>\$ 1,888</u>	<u>\$ 3,418,933</u>	<u>\$ 585,786</u>	<u>\$ 750,977</u>	<u>\$ 6,238,509</u>
\$ 2,890	\$ -	\$ -	\$ 1,233	\$ -	\$ 32,974
1,457	-	-	310	-	68,419
-	-	-	-	43,725	57,488
<u>4,347</u>	<u>-</u>	<u>-</u>	<u>1,543</u>	<u>43,725</u>	<u>158,881</u>
-	-	1,151,936	-	-	1,151,936
-	-	-	38,370	-	38,370
-	-	-	-	-	92,447
-	-	-	-	201,494	1,140,291
-	-	-	-	153,000	153,000
(3,272)	1,888	2,266,997	545,873	352,758	3,503,584
<u>(3,272)</u>	<u>1,888</u>	<u>3,418,933</u>	<u>584,243</u>	<u>707,252</u>	<u>6,079,628</u>
<u>\$ 1,075</u>	<u>\$ 1,888</u>	<u>\$ 3,418,933</u>	<u>\$ 585,786</u>	<u>\$ 750,977</u>	<u>\$ 6,238,509</u>

City of Springdale, Arkansas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2006

	<u>Special Revenue Funds</u>				
	<u>Public Library</u>	<u>Shiloh Museum Board</u>	<u>Advertising and Promotion</u>	<u>District Court Costs</u>	<u>Parks Activity</u>
Revenues					
Taxes	\$ 36,053	\$ -	\$ 294,616	\$ -	\$ -
Fees and permits	-	21,408	-	128,641	-
Charges for goods and services	-	9,801	-	-	148,976
Intergovernmental	703,938	-	-	64,547	-
Fines and forfeitures	69,477	-	-	-	-
Investment earnings	512	93,151	3,531	4,448	760
Miscellaneous	106,269	144,498	-	145	23,742
Total Revenues	<u>916,249</u>	<u>268,858</u>	<u>298,147</u>	<u>197,781</u>	<u>173,478</u>
Expenditures					
Current					
General government	-	-	-	594,998	-
Community development	-	-	-	-	-
Culture and recreation	1,581,671	29,250	-	-	143,155
Economic development	-	-	274,281	-	-
Capital expenditures	50,894	6,465	-	4,411	27,305
Total Expenditures	<u>1,632,565</u>	<u>35,715</u>	<u>274,281</u>	<u>599,409</u>	<u>170,460</u>
Excess [deficiency] of revenues over expenditures	(716,316)	<u>233,143</u>	<u>23,866</u>	(401,628)	<u>3,018</u>
Other Financing Sources [Uses]					
Proceeds from sale of capital assets	1,400	-	-	-	-
Transfers in	723,070	-	-	427,009	-
Transfers out	-	-	-	-	-
Total Other Financing Sources [Uses]	<u>724,470</u>	<u>-</u>	<u>-</u>	<u>427,009</u>	<u>-</u>
Net Changes in Fund Balances	8,154	233,143	23,866	25,381	3,018
Fund Balance Beginning of Year	(12,966)	<u>784,413</u>	<u>125,864</u>	<u>80,428</u>	<u>99,283</u>
Fund Balance End of Year	\$ (<u>4,812</u>)	\$ <u>1,017,556</u>	\$ <u>149,730</u>	\$ <u>105,809</u>	\$ <u>102,301</u>

		Capital Projects	Permanent Funds		Total Nonmajor Governmental Funds
Community Development Block Grant	Home Investment Program	Public Facilities Board	Bluff Cemetery	Public Library Board Foundation	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 330,669
-	-	-	-	-	150,049
-	-	714,721	40,925	-	914,423
637,026	-	-	-	-	1,405,511
-	-	-	-	-	69,477
-	422	73,639	22,059	88,473	286,995
3,096	8,864	1,425	-	86,000	374,039
<u>640,122</u>	<u>9,286</u>	<u>789,785</u>	<u>62,984</u>	<u>174,473</u>	<u>3,531,163</u>
-	-	-	30,399	-	625,397
655,024	-	-	-	-	655,024
-	-	-	-	93,507	1,847,583
-	-	47,852	-	-	322,133
-	-	-	-	-	89,075
<u>655,024</u>	<u>-</u>	<u>47,852</u>	<u>30,399</u>	<u>93,507</u>	<u>3,539,212</u>
(14,902)	9,286	741,933	32,585	80,966	(8,049)
-	-	-	-	-	1,400
10,000	-	-	-	-	1,160,079
<u>-</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>
<u>10,000</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,151,479</u>
(4,902)	(714)	741,933	32,585	80,966	1,143,430
<u>1,630</u>	<u>2,602</u>	<u>2,677,000</u>	<u>551,658</u>	<u>626,286</u>	<u>4,936,198</u>
\$ (<u>3,272</u>)	\$ <u>1,888</u>	\$ <u>3,418,933</u>	\$ <u>584,243</u>	\$ <u>707,252</u>	\$ <u>6,079,628</u>

City of Springdale, Arkansas
Combining Statement of Net Assets
Nonmajor Proprietary Funds
December 31, 2006

	Parks Soccer Program	City Attorney Restitution	Total Nonmajor Proprietary Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 44,994	\$ 15,540	\$ 60,534
Investments	50,000	-	50,000
Accrued interest	321	-	321
Total current assets	95,315	15,540	110,855
Capital assets:			
Land improvements	21,376	-	21,376
Machinery and equipment	23,070	19,471	42,541
Less accumulated depreciation	(4,736)	(19,471)	(24,207)
Total capital assets (net of accumulated depreciation)	39,710	-	39,710
Total assets	\$ 135,025	\$ 15,540	\$ 150,565
LIABILITIES			
Current liabilities			
Accounts payable	\$ 567	\$ -	\$ 567
Salaries payable	652	-	652
Due to other funds	-	101	101
Total liabilities	1,219	101	1,320
NET ASSETS			
Invested in capital assets, net of related debt	39,710	-	39,710
Unrestricted	94,096	15,439	109,535
Total net assets	133,806	15,439	149,245
Total liabilities and net assets	\$ 135,025	\$ 15,540	\$ 150,565

City of Springdale, Arkansas
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Nonmajor Proprietary Funds
Year Ended December 31, 2006

	<u>Parks Soccer Program</u>	<u>City Attorney Restitution</u>	<u>Total Nonmajor Proprietary Funds</u>
Operating Revenue			
Charges for services			
Activity fees	\$ 100,496	\$ -	\$ 100,496
Other service fees	<u>-</u>	<u>46,265</u>	<u>46,265</u>
Total operating revenues	<u>100,496</u>	<u>46,265</u>	<u>146,761</u>
Operating Expenses			
Personnel	48,113	-	48,113
Maintenance	7,173	-	7,173
Supplies	30,750	4,844	35,594
Other	16,031	-	16,031
Depreciation	<u>2,384</u>	<u>-</u>	<u>2,384</u>
Total operating expenses	<u>104,451</u>	<u>4,844</u>	<u>109,295</u>
Operating income [loss]	<u>(3,955)</u>	<u>41,421</u>	<u>37,466</u>
Nonoperating Revenue			
Contributions	4,667	-	4,667
Investment earnings	<u>937</u>	<u>-</u>	<u>937</u>
Total nonoperating revenue	<u>5,604</u>	<u>-</u>	<u>5,604</u>
Income before transfers	1,649	41,421	43,070
Transfers out	<u>-</u>	<u>(43,000)</u>	<u>(43,000)</u>
Change in net assets	1,649	<u>(1,579)</u>	70
Total net assets beginning of year	<u>132,157</u>	<u>17,018</u>	<u>149,175</u>
Total net assets end of year	<u>\$ 133,806</u>	<u>\$ 15,439</u>	<u>\$ 149,245</u>

City of Springdale, Arkansas
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
Year Ended December 31, 2006

	<u>Parks Soccer Program</u>	<u>City Attorney Restitution</u>	<u>Total Nonmajor Enterprise Funds</u>
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 100,496	\$ 46,265	\$ 146,761
Payments to suppliers	(53,617)	(4,844)	(58,461)
Payments to employees	(47,885)	-	(47,885)
Net cash provided by [used in] operating activities	<u>(1,006)</u>	<u>41,421</u>	<u>40,415</u>
Cash Flows From Noncapital Financing Activities			
Contributions	4,667	-	4,667
Transfer to other funds	-	(43,000)	(43,000)
Receipt [payment] of interfund balances	-	39	39
Net cash provided by [used in] noncapital financing activities	<u>4,667</u>	<u>(42,961)</u>	<u>(38,294)</u>
Cash Flows From Investing Activities			
Purchase of investments	(50,000)	-	(50,000)
Interest received	616	-	616
Net cash used in investing activities	<u>(49,384)</u>	<u>-</u>	<u>(49,384)</u>
Net Decrease in Cash and Cash Equivalents	(45,723)	(1,540)	(47,263)
Cash and cash equivalents, January 1	<u>90,717</u>	<u>17,080</u>	<u>107,797</u>
Cash and cash equivalents, December 31	\$ <u><u>44,994</u></u>	\$ <u><u>15,540</u></u>	\$ <u><u>60,534</u></u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income [loss]	\$ (3,955)	\$ 41,421	\$ 37,466
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	2,384	-	2,384
Increase in accounts payable	337	-	337
Increase in salaries payable	228	-	228
Total adjustments	<u>2,949</u>	<u>-</u>	<u>2,949</u>
Net cash provided by [used in] operating activities	\$ (1,006)	\$ 41,421	\$ 40,415

City of Springdale, Arkansas
Agency Funds
Combining Statement of Changes in Assets and Liabilities
Year Ended December 31, 2006

	Balance 01/01/2006	Additions	Deletions	Balance 12/31/2006
POLICE BOND AND FINE FUND				
Assets				
Cash	\$ 84,064	\$ 387	\$ 9,387	\$ 75,064
Total Assets	84,064	387	9,387	75,064
Liabilities				
Due to other funds	76,967	387	9,387	67,967
Due to others	7,097	-	-	7,097
Total Liabilities	\$ 84,064	\$ 387	\$ 9,387	\$ 75,064
 DISTRICT COURT FUND				
Assets				
Cash	\$ 486,840	\$ 2,573,726	\$ 2,601,817	\$ 458,749
Accounts receivable	946,590	2,517,708	2,386,990	1,077,308
Due from other funds	83,991	67,842	83,991	67,842
Total Assets	1,517,421	5,159,276	5,072,798	1,603,899
Liabilities				
Due to other funds	174,665	89,168	95,067	168,766
Due to others	1,342,756	2,958,333	2,865,956	1,435,133
Total Liabilities	\$ 1,517,421	\$ 3,047,501	\$ 2,961,023	\$ 1,603,899
 PAYROLL FUND				
Assets				
Cash	\$ 11,099	\$ 10,024,025	\$ 9,656,583	\$ 378,541
Total Assets	11,099	10,024,025	9,656,583	378,541
Liabilities				
Due to other funds	-	1,000	-	1,000
Accounts payable	11,099	8,303,558	7,937,116	377,541
Total Liabilities	\$ 11,099	\$ 8,304,558	\$ 7,937,116	\$ 378,541

City of Springdale, Arkansas
Agency Funds
Combining Statement of Changes in Assets and Liabilities
Year Ended December 31, 2006

	Balance 01/01/2006	Additions	Deletions	Balance 12/31/2006
POLICE EVIDENCE FUND				
Assets				
Cash	\$ 39,188	\$ 28,633	\$ 21,955	\$ 45,866
Total Assets	39,188	28,633	21,955	45,866
Liabilities				
Due to other funds	931	243	1,065	109
Accounts payable	38,257	27,481	19,981	45,757
Total Liabilities	\$ 39,188	\$ 27,724	\$ 21,046	\$ 45,866
 ADMINISTRATION OF JUSTICE FUND				
Assets				
Cash	\$ -	\$ 1,237,292	\$ 1,237,292	\$ -
Due from other funds	93,852	87,464	93,852	87,464
Total Assets	93,852	1,324,756	1,331,144	87,464
Liabilities				
Due to other funds	12,039	94,153	93,852	12,340
Accounts payable	81,813	1,205,399	1,212,088	75,124
Total Liabilities	\$ 93,852	\$ 1,299,552	\$ 1,305,940	\$ 87,464
 ALL AGENCY FUNDS				
Assets				
Cash	\$ 621,191	\$ 13,864,063	\$ 13,527,034	\$ 958,220
Due from other funds	177,843	155,306	177,843	155,306
Accounts receivable	946,590	2,517,708	2,386,990	1,077,308
Total Assets	1,745,624	16,537,077	16,091,867	2,190,834
Liabilities				
Due to other funds	264,602	184,951	199,371	250,182
Accounts payable	1,481,022	12,494,771	12,035,141	1,940,652
Total Liabilities	\$ 1,745,624	\$ 12,679,722	\$ 12,234,512	\$ 2,190,834

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
ARKANSAS CODE ANNOTATED SECTION 14-58-101**

Bart P. Allard, CPA, PA
J. Mark Lundy, CPA, PA

LUNDYALLARD
& COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Ellen Arnold, CPA
Melissa Bohannon, CPA
Patricia Brunner, CPA
John Dye, CPA
Patricia K. Mangold, CPA
Alta J. Wilson, EA

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
ARKANSAS CODE ANNOTATED SECTION 14-58-101**

To the Honorable Mayor and City Council
City of Springdale, Arkansas
Springdale, Arkansas

We have examined management's assertions that the City of Springdale, Arkansas (the "City") complied with the requirements of Arkansas Code Annotated Section 14-58-101 and the following Arkansas statutes during the year ended December 31, 2006.

1. Municipal Accounting Law, Act 159 of 1973, Act 616 of 1979 and Act 308 of 1977 (Arkansas Statutes 19-5301 – 19-5317);
2. Municipal Courts, Police Courts, City Courts and Justice of the Peace Courts Accounting Law of 1977, Act 332 of 1977, Acts 677 and 776 of 1985, Act 904 of 1991 and Act 1256 of 1995 (Arkansas Statutes 22-1101 – 22-1108);
3. Municipal Court and Police Department Uniform Filing Fees and Court Costs, Act 1341 of 1997;
4. Bonding of Municipal Officers and Employees, Act 338 of 1955, Act 677 of 1975, Act 940 of 1977 and Act 1014 of 1987 (Arkansas Statutes 13-412 – 13-412.3) (Replaced by Act 5 of 1985);
5. Improvement Contracts over \$10,000, Act 159 of 1949, Act 183 of 1957, Act 477 of 1961, Act 370 of 1977, Act 266 of 1981, Act 871 of 1983, Acts 758 and 759 of 1987, Act 936 of 1989, Act 728 of 1991, Act 645 of 1993 and Act 1319 of 1995 (Arkansas Statutes 14-611 – 14-614);
6. Budgets, Purchases over \$2,000; Payments of Claims, Etc., Act 28 of 1959, Act 154 of 1979, Acts 344 and 926 of 1981, Act 745 of 1985 and Act 812 of 1995 (Arkansas Statutes 19-4421 – 19-4430);
7. Investment of Public Funds, Act 273 of 1943, Act 106 of 1973, Act 402 of 1995, Act 800 of 1997 and Act 1341 of 2000 (Arkansas Statutes 13-901 – 13-904); and

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

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

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

In our opinion, except as discussed in the following paragraphs, the City of Springdale, Arkansas complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2006.

Arkansas statute number 16-10-207, subsection (4)(C) requires that the police department issue receipts in the name of the violator regardless of who paid the bond or fine or who collected the bond or fine. We noted certain receipts which did not indicate the name of the violator.

Arkansas statute number 16-10-209, subsection (6)(A) requires that the court clerk, on a quarterly basis, on or before the fifteenth day of the month following the end of the calendar quarter, reconcile the individual tickets in the completed ticket books to the individual tickets as reflected in the arrest reports. The courts are currently behind in the performance of these reconciliations by approximately four calendar quarters.

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

Lundy Allard & Company, PLLC

Lundy Allard & Company, PLLC
Certified Public Accountants

May 28, 2007

**INDEPENDENT AUDITORS' 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***

Bart P. Allard, CPA, PA
J. Mark Lundy, CPA, PA

LUNDYALLARD
& COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Ellen Arnold, CPA
Melissa Bohannon, CPA
Patricia Brunner, CPA
John Dye, CPA
Patricia K. Mangold, CPA
Alta J. Wilson, EA

**INDEPENDENT AUDITORS' 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***

To the Honorable Mayor and City Council
City of Springdale, Arkansas
Springdale, Arkansas

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Springdale, Arkansas as of and for the year ended December 31, 2006, which collectively comprise its basic financial statements and have issued our report dated May 28, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated May 28, 2007.

This report is intended solely for the information and use of the governing body, management and federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

Lundy Allard & Company, PLLC

Lundy Allard & Company, PLLC
Certified Public Accountants

May 28, 2007

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL AWARDS PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Bart P. Allard, CPA, PA
J. Mark Lundy, CPA, PA

LUNDYALLARD
& COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Ellen Arnold, CPA
Melissa Bohannon, CPA
Patricia Brunner, CPA
John Dye, CPA
Patricia K. Mangold, CPA
Alta J. Wilson, EA

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL AWARDS PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

To the Honorable Mayor and City Council
City of Springdale, Arkansas
Springdale, Arkansas

Compliance

We have audited the compliance of the City of Springdale, Arkansas (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2006. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Springdale, Arkansas complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2006.

Internal Control Over Compliance

The management of the City of Springdale, Arkansas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal

control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended solely for the information and use of the governing body, management and federal award agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified agencies.

Lundy Allard & Company, PLLC

Lundy Allard & Company, PLLC
Certified Public Accountants

May 28, 2007

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**CITY OF SPRINGDALE, ARKANSAS
SPRINGDALE, ARKANSAS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Grantors Number	Pass-Through Federal Expenditures
U.S. Department of Housing and Urban Development			
Community Development Block Grant	14.218	N/A	\$ 634,527
U.S. Department of Transportation			
Passed through Arkansas State Police:			
Selective Traffic Enforcement Project	20.600	OP-2006-03-02-32	20,187
Selective Traffic Enforcement Project	20.600	OP-2007-03-02-24	6,936
Total U.S. Department of Transportation			<u>27,123</u>
U.S. Department of Justice Office of Justice Program			
Local Law Enforcement Block Grant	16.592	2004-LBBX-1483	3,339
Local Law Enforcement Block Grant	16.592	2003-LBBX-1582	16,687
Bulletproof Vest Partnership Program	16.607	N/A	5,220
Drug Enforcement Administration	N/A	N/A	8,682
Total U.S. Department of Justice			<u>33,928</u>
U.S. Department of Homeland Security			
Emergency Preparedness & Response Directorate's Assistance to Firefighters Grant Program	97.044	EMW-2004-FG-03518	17,258
U.S. Department of Justice Local, County and State Law			
Enforcement Agency Customs	N/A	N/A	2,019
Total Expenditures of Federal Awards			<u>\$ 714,855</u>

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
AND OTHER ASSISTANCE**

**CITY OF SPRINGDALE, ARKANSAS
 SPRINGDALE, ARKANSAS**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS AND OTHER ASSISTANCE
 FOR THE YEAR ENDED DECEMBER 31, 2006**

<u>State Awards</u>	<u>Grantors Number</u>	<u>State Expenditures</u>
Arkansas State Police		
Child Passenger Protection Fund	OP-2006-03-02-32	\$ 5,490
Child Passenger Protection Fund	OP-2007-03-02-24	6,893
Total Arkansas State Police		<u>12,383</u>
Arkansas for Drug Free Youth ABC Compliance Testing		
	N/A	<u>31</u>
Arkansas State Library PAC HUG Awards		
	Gates PAC-53	<u>7,200</u>
Arkansas Department of Arts & Humanities		
Brian Kinder	07W-0026969	100
Toucan Jam	N/A	<u>200</u>
Total Arkansas Department of Arts & Humanities		<u>300</u>
Arkansas Department of Aeronautics State Airport Aid Grant (fence & gate)		
	2275-06	<u>15,072</u>
State of Arkansas - Passed through the Area Agency on Aging Elderly Taxi Program - Cigarette Tax		
	N/A	<u>4,185</u>
Total Expenditures of State Awards		<u>\$ 39,171</u>
Other Assistance		
	<u>Grantors Number</u>	<u>Other Expenditures</u>
DLEP - Passed through the City of Fayetteville, Arkansas	N/A	<u>\$ 19,757</u>

City of Springdale, Arkansas

Notes to Schedules of Expenditures of Federal and State Awards December 31, 2006

Scope of Audit Pursuant to OMB Circular A-133

All federal and state financial award programs of the City of Springdale, Arkansas (the City), are included in the scope of the OMB Circular A-133 audit (the Single Audit). For purposes of this schedule, awards include those received from other agencies, the original source of which was a federal agency.

Summary of Significant Accounting Policies

Basis of Accounting and Accounting Policies

The City's grant funds are accounted for on the modified accrual (governmental and special revenue) and the accrual (enterprise) bases of accounting. Under the modified accrual basis, grant revenues are recognized when eligibility requirements are met, and expenditures are recorded when authorized program costs are incurred. For the accrual basis, grant revenues are recorded when earned, and expenses are recorded at the time the liabilities are incurred.

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

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

Subrecipients

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

Program Title	CFDA Number	Subrecipient	Amount
Community Development Block Grant	14.218	Bread of Life	\$24,000
		Community Clinic	6,682
		Rebuilding Together	<u>25,000</u>
			<u>\$55,682</u>

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF SPRINGDALE, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006

Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the general purpose financial statements of the City of Springdale, Arkansas.
2. No reportable conditions were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the City of Springdale, Arkansas were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award program.
5. The auditors' report on compliance for the major federal award program for the City of Springdale, Arkansas expresses an unqualified opinion on the major federal program.
6. Audit findings relative to the major federal award program for the City of Springdale, Arkansas are reported in this schedule.
7. The program tested as a major program included:

CDBG Program

CFDA No. 14.218

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of Springdale, Arkansas was determined to be a low-risk auditee.

Findings Required to be Reported by *Government Auditing Standards*

No matters are reportable.

Findings Required to be Reported by OMB Circular A-133

No matters are reportable.

Summary of Prior Audit Findings, Year Ended December 31, 2005

No matters are reportable.