

# **CITY OF SPRINGDALE, ARKANSAS**

## **Annual Financial Report**

**Year Ended December 31, 2007**

Prepared by the

CITY OF SPRINGDALE, ARKANSAS  
FINANCE DEPARTMENT

CITY CLERK/TREASURER  
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# CITY OF SPRINGDALE, ARKANSAS

Year Ended December 31, 2007

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Year Ended December 31, 2007

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**INTRODUCTORY SECTION  
(UNAUDITED)**

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## City of Springdale, Arkansas

### List of Elected and Appointed Officials December 31, 2007

#### **Elected Officials:**

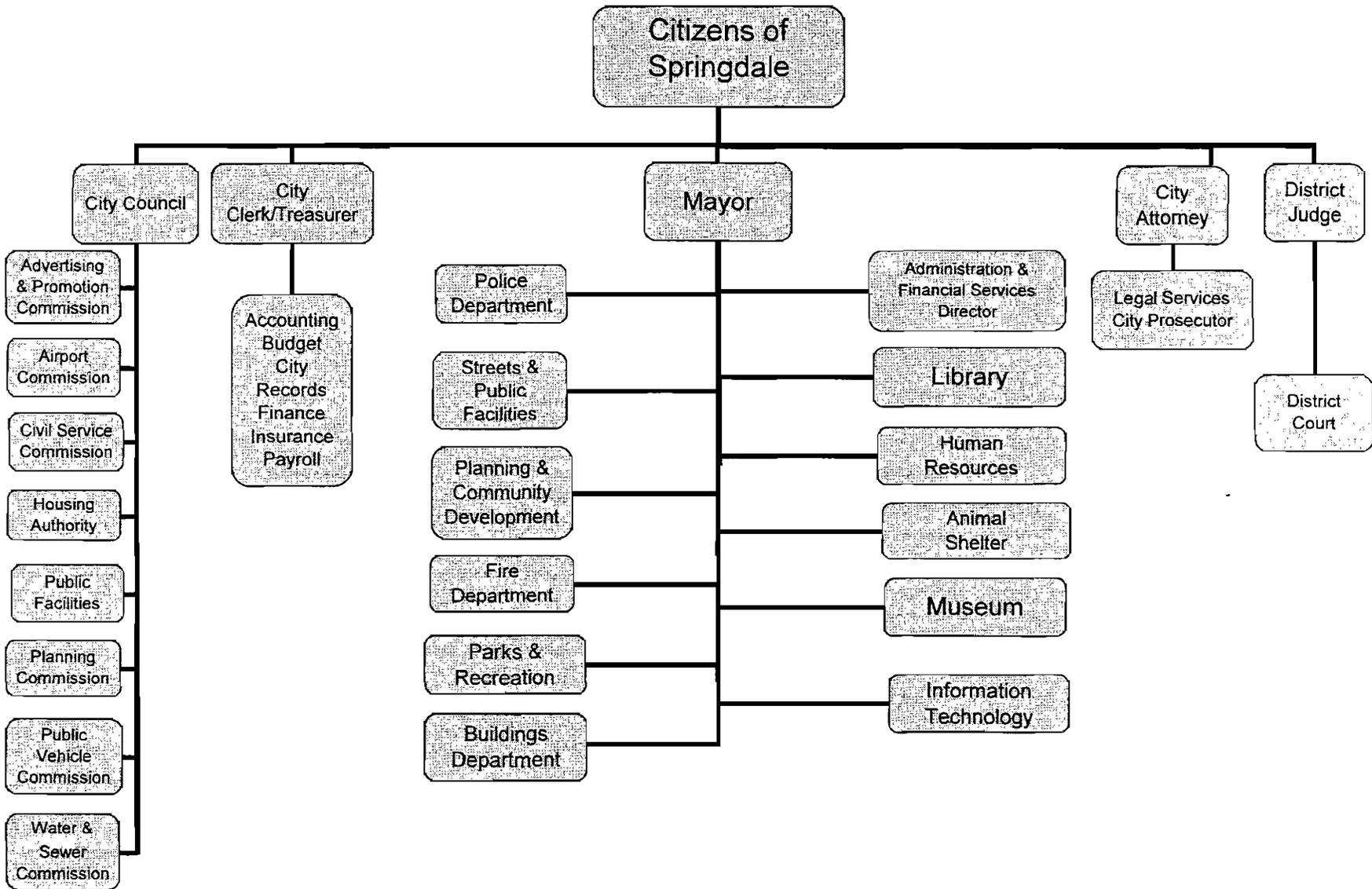
Mayor	Jerre M. Van Hoose
City Clerk/Treasurer	Denise Pearce
City Attorney	Jeff Harper
District Judge	Stanley W. Ludwig
Council Member – Ward 1	Jim Reed
Council Member – Ward 1	Kathy Jaycox
Council Member – Ward 2	Mike Overton
Council Member – Ward 2	Ricky C. Evans
Council Member – Ward 3	Jeff Watson
Council Member – Ward 3	Jesse Core
Council Member – Ward 4	Eric Ford
Council Member – Ward 4	Bobby Stout

#### **Appointed Officials:**

Administrative and Financial Services	Wyman D. Morgan
Animal Services	Lindsey Droste
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

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

# LUNDYALLARD

& COMPANY, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

Ellen Arnold, CPA  
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Patricia K. Mangold, CPA  
Drew A. Van Winkle, 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, 2007, and for the year then ended (except that the Springdale Water Utilities component unit is as of September 30, 2007, 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, 2007, 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, 2007, 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, 2008, 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 54 through 57 and 66 through 79, 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

September 5, 2008

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## City of Springdale, Arkansas

### Management's Discussion and Analysis

The following discussion and analysis of the City of Springdale's financial activities for the year ended December 31, 2007 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 exceeded total liabilities at the close of 2007 by \$220,606,388 (net assets). Of this amount, \$36,316,649 is considered unrestricted net assets. The unrestricted net assets of the City's governmental activities are \$36,208,635 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 \$108,014 that may be used to meet the on-going obligations of the City's Municipal Airport, Aquatic Center activities and other non-major proprietary funds.
- The City's total net assets increased by \$16,057,943 in 2007. Net assets of the governmental activities increased by \$15,885,817 in 2007, which was an 8% increase over beginning net assets. Net assets of the business-type activities increased by \$172,126 in 2007, which was a 2% increase over beginning net assets.
- At the close of 2007, the City of Springdale's governmental funds reported a combined ending fund balance of \$95,867,470, which reflects an decrease of \$59,179,319 from the prior year. The unreserved portion of the combined fund balance is \$81,538,272, which represents 85% 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 2007, the unreserved fund balance of the General Fund was \$4,955,970 or 19% of total General Fund expenditures. There was a decrease of \$1,174,593 in the total General Fund balance for the year ended December 31, 2007.

### 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 the Municipal Airport, Aquatic Center, Park's Soccer program, Sanitation, 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 12 and 13 of this report.

### **Fund Financial Statements**

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

**Governmental funds** – *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on 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, 2004 and 2006 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 14 through 17 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. Information is presented separately in the financial statements for the Municipal Airport Fund and the Aquatic Center Fund, and in the aggregate for the non-major proprietary funds. Individual fund data for each of these non-major proprietary funds is provided in the form of *combing statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 18 through 20 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 21 and 22 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 23 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 statements for the City's General and Street Funds to demonstrate compliance with the annual budgets. *Required supplementary information* is located on pages 52 through 58 of this report.

The combining statements referred to earlier in connection with non-major governmental and proprietary funds are presented immediately following the required supplementary information. Combining statements are located on pages 59 through 63 of this report. The combining statement of changes in assets and liabilities of the City's Agency Funds can be found on pages 64 and 65 of this report. Budgetary comparison schedules for the City's other major, non-major, proprietary funds and Bluff Cemetery can be found on pages 66 through 80 of this report.

## Government – Wide Financial Analysis

### City of Springdale Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$118,411,088	\$ 168,698,080	\$ 219,279	\$ 576,355	\$118,630,367	\$169,274,435
Capital assets	237,293,783	164,197,277	7,813,978	7,271,138	245,107,761	171,468,415
<i>Total assets</i>	<u>\$355,704,871</u>	<u>\$ 332,895,357</u>	<u>\$ 9,033,257</u>	<u>\$ 7,847,493</u>	<u>\$363,738,128</u>	<u>\$340,742,850</u>
Current liabilities	\$ 21,871,192	\$ 10,393,108	\$ 92,065	\$ 97,627	\$ 21,963,257	\$ 10,490,735
Long term liabilities	121,149,283	125,703,670	19,200	-	121,168,483	125,703,670
<i>Total liabilities</i>	<u>\$143,020,475</u>	<u>\$136,096,778</u>	<u>\$ 111,265</u>	<u>\$ 97,627</u>	<u>\$143,131,740</u>	<u>\$136,194,405</u>
Invested in capital assets, net of related debt	\$131,946,499	\$ 131,558,363	\$ 7,813,978	\$ 7,271,138	\$139,760,477	\$138,829,501
Restricted	44,529,262	33,871,242	-	-	44,529,262	33,871,242
Unrestricted	36,208,635	31,368,974	108,014	478,728	36,316,649	31,847,702
<i>Total net assets</i>	<u>\$212,684,396</u>	<u>\$ 196,798,579</u>	<u>\$ 7,921,992</u>	<u>\$ 7,749,866</u>	<u>\$220,606,388</u>	<u>\$204,548,445</u>

Of the City's assets, \$245,107,761 (67%) 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 (\$44,529,262 or 20%) represents resources that are subject to restrictions as to how they may be used. The balance of unrestricted net assets (\$36,316,649 or 16%) may be used to meet the government's ongoing obligations to citizens and creditors.

It is important to note that although the total spendable unrestricted net assets are \$36,316,649, the net assets of the City's business type activities (\$108,014) may not be used to fund governmental activities.

**Governmental activities** – Governmental activities increased the City's net assets by \$15,885,817. The main elements of this increase are:

- Expenditures for capital outlays exceeded depreciation expense by \$71,660,390 and was the most significant cause for the increase in the City's net assets.
- The increase in the City's net assets was partially offset by a decrease in the fund balances of the three construction funds of \$66,105,698.

Sales taxes provided \$31,413,013 (52%) of the City's governmental revenue in 2007 while operating grants and contribution added \$7,403,511 (12%) and investment earnings provided \$6,596,979 (11%).

**Business-type activities** – Business-type activities increased the City's net assets by \$172,126.

Aquatic Center revenues of \$169,043 provided 27% of total revenues of business-type activities while current year expenses of \$380,835 were 37% of total expenses. Aquatic Center depreciation expense for 2007 was \$208,989.

The Municipal Airport revenues of \$278,229 provided 49% of total revenues for business-type activities for 2007 while current year expenses of \$495,332 were 49% of total expenses. The Municipal Airport depreciation expense for 2007 was \$207,143.

### City of Springdale Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues</b>						
<i>Program revenues</i>						
Fees, fines and charges for services	\$ 4,070,806	\$ 4,668,191	\$ 620,484	\$ 616,545	\$ 4,691,290	\$ 5,284,736
Operating grants and contributions	7,403,511	6,603,501	9,988	4,667	7,413,499	6,608,168
Capital grants and contributions	<u>2,078,813</u>	<u>15,217,024</u>	<u>485,565</u>	<u>23,472</u>	<u>2,564,378</u>	<u>15,240,496</u>
Total program revenues	<u>\$ 13,553,130</u>	<u>\$ 26,488,716</u>	<u>\$ 1,116,037</u>	<u>\$ 644,684</u>	<u>\$ 14,669,167</u>	<u>\$ 27,133,400</u>
<i>General revenues</i>						
Sales tax	\$ 31,413,013	\$ 33,694,926	\$ -	\$ -	\$ 31,413,013	\$ 33,694,926
Ad valorem tax	5,531,397	4,834,717	-	-	5,531,397	4,834,717
Franchise tax	3,057,960	3,162,950	-	-	3,057,960	3,162,950
Hotel/motel tax	279,917	294,616	-	-	279,917	294,616
Investment earnings	6,596,979	4,086,421	22,082	16,504	6,619,061	4,102,925
Gain (loss) on sale of assets	62,521	21,418	92	(2,577)	62,613	18,841
Loss on bond refunding	(32,288)	-	-	-	(32,288)	-

Endowment contributions	7,021	138,528	-	-	7,021	138,528
Total general revenues	\$ 46,916,520	\$ 46,233,576	\$ 22,174	\$ 13,927	\$ 46,938,694	\$ 46,247,503
<b>Total revenues</b>	<b>\$ 60,469,650</b>	<b>\$ 72,722,292</b>	<b>\$ 1,138,211</b>	<b>\$ 658,611</b>	<b>\$ 61,607,861</b>	<b>\$ 73,380,903</b>
<b>Expenses</b>						
General government	\$ 3,957,526	\$ 3,498,715	\$ -	\$ -	\$ 3,957,526	\$ 3,498,715
Community development	1,383,311	1,389,026	-	-	1,383,311	1,389,026
Culture and recreation	4,432,718	4,176,905	-	-	4,432,718	4,176,905
Economic development	336,626	322,133	-	-	336,626	322,133
Public safety	19,996,434	17,668,579	-	-	19,996,434	17,668,579
Public works	8,836,763	6,682,330	-	-	8,836,763	6,682,330
Interest on long-term debt	5,290,655	1,715,597	-	-	5,290,655	1,715,597
Issue costs & agent fees - long-term debt	303,688	409,399	-	-	303,688	409,399
Municipal airport	-	-	485,332	488,426	495,332	488,426
Aquatic center	-	-	380,835	427,088	380,835	427,088
Parks soccer program	-	-	89,795	104,451	89,795	104,451
Sanitation	-	-	43,146	-	43,146	-
City attorney restitution	-	-	3,089	4,844	3,089	4,844
<b>Total expenses</b>	<b>\$ 44,344,721</b>	<b>\$ 35,862,684</b>	<b>\$ 1,012,197</b>	<b>\$ 1,024,809</b>	<b>\$ 45,549,918</b>	<b>\$ 36,887,493</b>
Increase (decrease) in net assets before transfers	\$ 16,124,929	\$ 36,859,608	\$ 126,014	\$ (366,198)	\$ 16,057,943	\$ 36,493,410
Transfers	(46,112)	44,715	46,112	(43,000)	-	1,715
Increase (decrease) in net assets	\$ 16,078,817	\$ 36,904,323	\$ 172,126	\$ (409,198)	\$ 16,057,943	\$ 36,495,125
<b>Net assets - January 1</b>	<b>196,798,579</b>	<b>159,894,256</b>	<b>7,749,866</b>	<b>8,159,064</b>	<b>204,548,445</b>	<b>168,053,320</b>
<b>Net assets - December 31</b>	<b>\$ 212,884,396</b>	<b>\$196,798,579</b>	<b>\$ 7,921,992</b>	<b>\$ 7,749,866</b>	<b>\$220,606,388</b>	<b>\$204,548,445</b>

### 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, 2007, the City's governmental funds combined fund balance was \$95,867,470 which reflects a decrease of \$59,179,319 from the prior year end. \$81,538,272 (95%) 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, 2007, the total fund balance of the General Fund was \$5,712,995 of which \$4,955,970 (87%) was unreserved. This

unreserved fund balance represents approximately 19% of the total General Fund expenditures for the year ended December 31, 2007. \$2,622,593 of this unreserved fund balance was appropriated to meet 2008 projected General Fund expenditures.

During the 2007 fiscal year, the fund balance of the General Fund decreased by \$1,174,593. A general increase in expenses exceeding the increase in revenues is the primary reason for the reduction in the fund balance of the General Fund.

The Sales and Use Tax Fund is a special revenue fund that is presented as a major fund and accounts for 16% 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 48% of the total governmental fund balances. Funds were provided for these funds 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, 2007 net assets of the Municipal Airport Fund were \$4,860,895 and net assets of the Aquatic Center Fund were \$2,797,739. These two funds account for 97% of the net assets total of all proprietary funds.

### Budgetary Highlights

General Fund budgeted revenues were \$22,660,890 and actual revenues received were \$22,569,288. The short fall of \$113,602 over the projected budget was due to decreased revenue from sales taxes. General Fund expenditures of \$25,619,847 were 96% of the budgeted expenses of \$26,700,835.

The budget and actual comparison schedules are located on pages 54 through 56.

### Capital Assets

The City's investment in capital assets for governmental and business-type activities as of December 31, 2007 amounts to \$245,107,761. The increase for governmental activities was \$73,096,506 (45%). The City's investment, in business-type activity capital assets, increased by \$542,839 (7%).

Additional information on the City's capital assets is located in Note 4 on pages 33 through 35 of this report.

### City of Springdale Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land & easements	\$ 42,422,176	\$ 36,328,834	\$ 2,279,586	\$ 2,279,586	\$ 44,701,762	\$ 38,608,420
Land improvements	3,103,651	2,709,414	2,272,556	2,355,161	5,376,207	5,064,575
Buildings & improvements	14,429,238	13,772,424	2,472,551	2,330,005	16,901,789	16,102,429
Construction in progress	78,418,630	21,797,619	473,064	62,717	78,891,694	21,860,336
Infrastructure	88,896,651	81,836,841	-	-	88,896,651	81,836,841
Machinery & equipment	9,772,163	7,663,080	316,221	243,670	10,088,384	7,906,750
Intangibles	251,274	89,065	-	-	251,274	89,065
<b>Total</b>	<b>\$237,293,783</b>	<b>\$164,197,277</b>	<b>\$ 7,813,978</b>	<b>\$ 7,271,139</b>	<b>\$ 245,107,761</b>	<b>\$171,468,416</b>

## **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 were 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. 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 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 \$2,030,000 of these bonds during the year leaving a balance at September 30, 2006 of \$4,135,000. 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 5 located on pages 35 through 39 of this report.

## **Economic Factors and the Next Year's Budget**

The unemployment rate of December 2007 for the Fayetteville-Springdale-Rogers MSA was 4.0% which compared favorably to the state's average unemployment rate of 5.5%. During 2007, total non-farm jobs for this MSA rose 1,900 to end the year at 210,000.

The City's one percent (1%) sales tax revenue received in 2007 for the Sales and Use Tax Fund decreased by 7.9% when compared to sales tax revenue received in 2006. The collection of an additional one per cent sales tax for debt service was started in October of 2003. This additional tax provided \$11,366,121 in revenue during 2007.

The City Council adopted the 2008 budget on December 17, 2007 with General Fund projected revenues of \$24,844,410 and projected expenditures and transfers of \$27,890,503.

## **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 requests 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>.

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**City of Springdale, Arkansas**  
**Statement of Net Assets**  
**December 31, 2007**

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business Type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 31,547,842	\$ 169,058	\$ 31,716,900	\$ 115,546
Investments	61,306,769	350,000	61,656,769	-
Accounts receivable, net of allowance for uncollectibles	2,501,427	99,245	2,600,672	2,215,075
Intergovernmental receivables	9,446,119	-	9,446,119	-
Internal balances	418,224	( 418,224 )	-	-
Due from fiduciary funds	90,149	-	90,149	-
Inventories	-	-	-	420,589
Prepaid assets	-	-	-	72,893
Assets held for resale	1,140,668	-	1,140,668	-
Other assets	-	-	-	3,572
Unamortized bond/lease costs	1,693,767	-	1,693,767	87,296
Deferred loss on bond refunding	637,698	-	637,698	-
Accounts receivable, due in more than one year	-	19,200	19,200	-
Restricted assets:				
Cash and cash equivalents	7,867,797	-	7,867,797	2,716,158
Investments	-	-	-	29,224,297
Interest receivable	-	-	-	889,825
Intergovernmental receivables	1,760,628	-	1,760,628	-
Capital assets:				
Nondepreciable	121,120,640	2,752,650	123,873,290	12,003,893
Depreciable, net of accumulated depreciation	116,173,143	5,061,328	121,234,471	154,752,449
<b>Total Assets</b>	<b><u>355,704,871</u></b>	<b><u>8,033,257</u></b>	<b><u>363,738,128</u></b>	<b><u>202,501,593</u></b>
<b>LIABILITIES</b>				
Bank overdraft	47,504	-	47,504	-
Accounts payable	14,089,725	79,118	14,168,843	739,196
Customer deposits	514,176	-	514,176	1,426,059
Due to fiduciary funds	36,439	-	36,439	-
Other liabilities	539,411	3,947	543,358	507,884
Accrued interest payable	2,704,816	-	2,704,816	15,541
Noncurrent liabilities:				
Due within one year	3,939,121	9,000	3,948,121	2,095,000
Due in more than one year	121,149,283	19,200	121,168,483	5,687,836
<b>Total Liabilities</b>	<b><u>143,020,475</u></b>	<b><u>111,265</u></b>	<b><u>143,131,740</u></b>	<b><u>10,471,516</u></b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	131,946,499	7,813,978	139,760,477	158,973,506
Restricted for:				
Capital expenditures, net of related debt	41,693,653	-	41,693,653	-
Debt service	2,835,609	-	2,835,609	-
Other	-	-	-	31,475,976
Unrestricted	36,208,635	108,014	36,316,649	1,580,595
<b>Total Net Assets</b>	<b><u>\$ 212,684,396</u></b>	<b><u>\$ 7,921,992</u></b>	<b><u>\$ 220,606,388</u></b>	<b><u>\$ 192,030,077</u></b>

See accompanying notes to basic financial statements.

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City of Springdale, Arkansas  
Statement of Activities  
Year Ended December 31, 2007

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		
<b>Primary government:</b>								
Governmental activities								
General government								
Administration	\$ 2,606,738	\$ 256,900	\$ 1,508,855	\$ -	\$ ( 840,983 )	\$ -	\$ ( 840,983 )	\$ -
City Attorney	659,547	22,866	-	-	( 636,681 )	-	( 636,681 )	-
District Court	648,449	143,721	73,952	-	( 430,776 )	-	( 430,776 )	-
Bluff Cemetery	42,792	49,625	-	-	6,833	-	6,833	-
Capital projects	-	21,500	-	527,362	548,862	-	548,862	-
Community development								
Planning and engineering	821,934	62,855	-	-	( 759,079 )	-	( 759,079 )	-
Community development and housing	561,377	45,178	525,112	-	8,913	-	8,913	-
Culture and recreation								
Parks and recreation	2,045,446	218,811	45,584	61,000	( 1,720,051 )	-	( 1,720,051 )	-
Public Library	1,815,790	91,003	852,308	-	( 872,479 )	-	( 872,479 )	-
Shiloh Museum	571,482	35,966	7,215	-	( 528,301 )	-	( 528,301 )	-
Economic development	336,626	147,727	-	-	( 188,899 )	-	( 188,899 )	-
Public safety								
Animal services	345,969	46,240	6,624	-	( 293,105 )	-	( 293,105 )	-
Building inspection and code enforcement	900,291	736,235	-	-	( 164,056 )	-	( 164,056 )	-
Fire	8,598,073	1,118,463	676,228	-	( 6,803,382 )	-	( 6,803,382 )	-
Police	10,152,101	1,007,753	745,576	-	( 8,398,772 )	-	( 8,398,772 )	-
Public works	8,836,763	65,963	2,962,057	1,490,451	( 4,318,292 )	-	( 4,318,292 )	-
Debt service								
Interest on long-term debt	5,290,655	-	-	-	( 5,290,655 )	-	( 5,290,655 )	-
Issue costs and fees - long-term debt	303,688	-	-	-	( 303,688 )	-	( 303,688 )	-
Total government activities	<u>44,537,721</u>	<u>4,070,806</u>	<u>7,403,511</u>	<u>2,078,813</u>	<u>( 30,984,591 )</u>	<u>-</u>	<u>( 30,984,591 )</u>	<u>-</u>
Business type activities								
Municipal airport	495,332	278,229	-	384,565	-	167,462	167,462	-
Aquatic center	380,835	169,043	3,455	-	-	( 208,337 )	( 208,337 )	-
Parks soccer program	89,795	81,253	6,533	-	-	( 2,009 )	( 2,009 )	-
Sanitation	43,146	52,321	-	101,000	-	110,175	110,175	-
City attorney restitution	3,089	39,638	-	-	-	36,549	36,549	-
Total business-type activities	<u>1,012,197</u>	<u>620,484</u>	<u>9,988</u>	<u>485,565</u>	<u>-</u>	<u>103,840</u>	<u>103,840</u>	<u>-</u>
Total primary government	<u>\$ 45,549,918</u>	<u>\$ 4,691,290</u>	<u>\$ 7,413,499</u>	<u>\$ 2,564,378</u>	<u>( 30,984,591 )</u>	<u>103,840</u>	<u>( 30,880,751 )</u>	<u>-</u>
<b>Component unit:</b>								
Springdale Water Utilities	<u>\$ 19,413,891</u>	<u>\$ 24,839,740</u>	<u>\$ -</u>	<u>\$ 8,757,551</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,183,400</u>
General revenues [expenses]:								
Sales tax					31,413,013	-	31,413,013	-
Ad valorem tax					5,531,397	-	5,531,397	-
Franchise tax					3,057,960	-	3,057,960	-
Hotel/motel tax					279,917	-	279,917	-
Investment earnings					6,596,979	22,082	6,619,061	1,723,613
Interest expenses and other charges					-	-	-	( 401,642 )
Gain [loss] on sale of assets					62,521	92	62,613	( 169,004 )
Loss on bond refunding					( 32,288 )	-	( 32,288 )	-
Endowment contributions					7,021	-	7,021	-
Transfers					( 46,112 )	46,112	( - )	-
Total general revenues and transfers					<u>46,870,408</u>	<u>68,286</u>	<u>46,938,694</u>	<u>1,490,975</u>
Change in net assets					15,885,817	172,126	16,057,943	15,674,375
Net assets beginning of year					<u>196,798,579</u>	<u>7,749,866</u>	<u>204,548,445</u>	<u>176,355,702</u>
Net assets end of year					<u>\$ 212,684,396</u>	<u>\$ 7,921,992</u>	<u>\$ 220,606,388</u>	<u>\$ 192,030,077</u>

See accompanying notes to basic financial statements.

\* As restated

**City of Springdale, Arkansas**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2007**

	General Fund	Street Fund	Sales and Use Tax	2004 Street Improvement Construction
<b>Assets</b>				
Cash and cash equivalents	\$ 1,521,199	\$ 375,034	\$ 6,366,566	\$ 2,138,198
Investments	1,200,000	100,000	7,350,000	-
Accounts receivable, net	1,916,920	6,635	-	7,865
Interest receivable	9,793	536	44,800	-
Intergovernmental receivables	6,459,902	1,105,862	1,760,628	-
Due from other funds	929,687	1,175	722,099	-
Assets held for resale	-	-	-	-
Other assets	-	-	-	-
Restricted assets:				
Cash and cash equivalents	-	-	-	-
Intergovernmental receivables	-	-	-	-
<b>Total Assets</b>	<b>\$ <u>12,037,501</u></b>	<b>\$ <u>1,589,242</u></b>	<b>\$ <u>16,244,093</u></b>	<b>\$ <u>2,146,063</u></b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Bank overdraft	\$ -	\$ -	\$ -	\$ -
Accounts payable	430,096	97,258	551,959	1,491,485
Salaries payable	460,779	42,922	-	-
Due to other funds	758,273	-	444,975	-
Developer bonds payable	501,288	-	-	-
Other liabilities	-	12,888	-	-
Deferred revenue	4,174,070	811,328	-	-
<b>Total Liabilities</b>	<b><u>6,324,506</u></b>	<b><u>964,396</u></b>	<b><u>996,934</u></b>	<b><u>1,491,485</u></b>
<b>Fund Balances:</b>				
<b>Reserved:</b>				
Assets held for resale	-	-	-	-
Debt service	-	-	-	-
Cemetery perpetual care	-	-	-	-
Court automation	-	-	-	-
Endowments	-	-	-	-
Grant expenditures	10,992	-	-	-
Public safety expenditures	701,030	-	-	-
Parks	30,338	-	1,400,000	-
<b>Unreserved:</b>				
<b>Designated for:</b>				
Museum expenditures	1,378	-	-	-
Police benevolent expenditures	13,287	-	-	-
Parks	-	298	-	-
<b>Undesignated, reported in:</b>				
General fund	4,955,970	-	-	-
Special revenue funds	-	624,548	-	-
Capital project funds	-	-	13,847,159	654,578
Permanent funds	-	-	-	-
<b>Total Fund Balances</b>	<b><u>5,712,995</u></b>	<b><u>624,846</u></b>	<b><u>15,247,159</u></b>	<b><u>654,578</u></b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ <u>12,037,501</u></b>	<b>\$ <u>1,589,242</u></b>	<b>\$ <u>16,244,093</u></b>	<b>\$ <u>2,146,063</u></b>

See accompanying notes to basic financial statements.

<u>2006 Street Improvement Construction</u>	<u>Baseball Stadium Construction</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 12,774,461	\$ 7,666,611	\$ -	\$ 705,773	\$ 31,547,842
35,141,280	12,930,348	-	4,585,141	61,306,769
-	-	-	32,246	1,963,666
376,056	84,751	-	21,825	537,761
-	-	-	119,727	9,446,119
-	-	-	54,775	1,707,736
-	-	-	1,140,668	1,140,668
-	-	-	500	500
-	-	7,867,797	-	7,867,797
-	-	1,760,628	-	1,760,628
<u>\$ 48,291,797</u>	<u>\$ 20,681,710</u>	<u>\$ 9,628,425</u>	<u>\$ 6,660,655</u>	<u>\$ 117,279,486</u>
\$ -	\$ -	\$ -	\$ 47,504	\$ 47,504
2,976,556	8,442,955	-	99,416	14,089,725
-	-	-	35,710	539,411
-	-	-	32,554	1,235,802
-	-	-	-	501,288
-	-	-	-	12,888
-	-	-	-	4,985,398
<u>2,976,556</u>	<u>8,442,955</u>	<u>-</u>	<u>215,184</u>	<u>21,412,016</u>
-	-	-	1,140,668	1,140,668
-	-	9,628,425	-	9,628,425
-	-	-	39,932	39,932
-	-	-	117,690	117,690
-	-	-	1,143,822	1,143,822
-	-	-	101,338	112,330
-	-	-	-	701,030
-	-	-	-	1,430,338
-	-	-	-	1,378
-	-	-	-	13,287
-	-	-	-	298
-	-	-	-	4,955,970
-	-	-	349,979	974,527
45,315,241	12,238,755	-	2,514,047	74,569,780
-	-	-	1,037,995	1,037,995
<u>45,315,241</u>	<u>12,238,755</u>	<u>9,628,425</u>	<u>6,445,471</u>	<u>95,867,470</u>
<u>\$ 48,291,797</u>	<u>\$ 20,681,710</u>	<u>\$ 9,628,425</u>	<u>\$ 6,660,655</u>	<u>\$ 117,279,486</u>

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**City of Springdale, Arkansas**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Assets**  
**December 31, 2007**

Total fund balances – governmental funds	\$ 95,867,470
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	237,293,283
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.	4,985,398
Accrued interest payable on bonds is not recorded in governmental funds until it is due and payable.	( 2,704,816 )
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>122,756,939</u> )
Net assets of governmental funds	\$ <u><u>212,684,396</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, 2007**

	General Fund	Street Fund	Sales and Use Tax	2004 Street Improvement Construction
<b>Revenues</b>				
Taxes	\$ 16,005,540	\$ 768,526	\$ 11,366,121	\$ -
Fees and permits	843,218	1,935	-	-
Intergovernmental	2,863,074	2,953,610	-	-
Charges for goods and services	1,281,591	48,428	-	-
Fines and forfeitures	924,173	-	-	-
Investment earnings	197,762	15,743	533,132	969,894
Miscellaneous	453,930	62,658	8,000	-
Total Revenues	<u>22,569,288</u>	<u>3,850,900</u>	<u>11,907,253</u>	<u>969,894</u>
<b>Expenditures</b>				
Current:				
General government	3,088,151	-	-	-
Community development	805,278	-	-	-
Culture and recreation	1,907,283	-	-	-
Economic development	-	-	-	-
Public safety	18,996,502	-	-	-
Public works	-	4,109,927	-	-
Capital expenditures	822,633	552,539	4,444,171	34,485,915
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other fees	-	-	-	-
Agent fees	-	-	-	-
Total Expenditures	<u>25,619,847</u>	<u>4,662,466</u>	<u>4,444,171</u>	<u>34,485,915</u>
<b>Excess [Deficiency] of Revenues Over Expenditures</b>	<u>( 3,050,559 )</u>	<u>( 811,566 )</u>	<u>7,463,082</u>	<u>( 33,516,021 )</u>
<b>Other Financing Sources [Uses]</b>				
Transfers in	3,446,790	686,206	-	-
Transfers out	( 1,606,585 )	( 46,279 )	( 3,714,208 )	-
Contributed capital	-	-	512,002	15,360
Proceeds from sale of capital assets	4,150	24,125	-	-
Insurance recovery-capital assets	31,611	43,770	-	-
Total Other Financing Sources [Uses]	<u>1,875,966</u>	<u>707,822</u>	<u>( 3,202,206 )</u>	<u>15,360</u>
Net Changes in Fund Balances	( 1,174,593 )	( 103,744 )	4,260,876	( 33,500,661 )
Fund balances - beginning of year	<u>6,887,588 *</u>	<u>728,590 *</u>	<u>10,986,283</u>	<u>34,155,239</u>
Fund Balances - End of Year	<u>\$ 5,712,995</u>	<u>\$ 624,846</u>	<u>\$ 15,247,159</u>	<u>\$ 654,578</u>

\* as restated

See accompanying notes to basic financial statements.

2006 Street Improvement Construction	Baseball Stadium Construction	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 11,366,121	\$ 304,575	\$ 39,810,883
-	-	-	164,898	1,010,051
-	-	-	1,434,293	7,250,977
-	-	-	342,008	1,672,027
-	-	-	67,046	991,219
2,421,067	1,924,298	235,508	299,575	6,596,979
-	13,500	-	206,822	744,910
<u>2,421,067</u>	<u>1,937,798</u>	<u>11,601,629</u>	<u>2,819,217</u>	<u>58,077,046</u>
-	-	-	679,494	3,767,645
-	-	-	568,642	1,373,920
-	-	-	1,916,566	3,823,849
-	-	-	336,626	336,626
-	-	-	-	18,996,502
-	-	-	-	4,109,927
2,976,556	34,852,557	-	93,731	78,228,102
-	-	3,402,084	-	3,402,084
-	-	3,776,616	-	3,776,616
-	-	6,500	-	6,500
-	-	19,500	-	19,500
<u>2,976,556</u>	<u>34,852,557</u>	<u>7,204,700</u>	<u>3,595,059</u>	<u>117,841,271</u>
( 555,489 )	( 32,914,759 )	4,396,929	( 775,842 )	( 59,764,225 )
865,211	-	46,279	1,141,685	6,186,171
-	-	( 865,211 )	-	( 6,232,283 )
-	-	-	-	527,362
-	-	-	-	28,275
-	-	-	-	75,381
<u>865,211</u>	<u>-</u>	<u>( 818,932 )</u>	<u>1,141,685</u>	<u>584,906</u>
309,722	( 32,914,759 )	3,577,997	365,843	( 59,179,319 )
<u>45,005,519</u>	<u>45,153,514</u>	<u>6,050,428</u>	<u>6,079,628</u>	<u>155,046,789</u>
\$ <u>45,315,241</u>	\$ <u>12,238,755</u>	\$ <u>9,628,425</u>	\$ <u>6,445,471</u>	\$ <u>95,867,470</u>

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**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, 2007**

Net change in fund balances – total governmental funds \$ ( 59,179,319 )

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. 71,660,390

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to increase net assets. 1,436,116

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. 471,404

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. ( 1,904,858 )

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. 3,402,084

Change in net assets of governmental activities \$ 15,885,817

**City of Springdale, Arkansas**  
**Statement of Net Assets**  
**Proprietary Funds**  
**December 31, 2007**

	<b>Enterprise Funds</b>			Total Proprietary Funds
	Municipal Airport	Aquatic Center	Nonmajor Enterprise Funds	
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 1,179	\$ 107,121	\$ 60,758	\$ 169,058
Investments	-	300,000	50,000	350,000
Accounts receivable	81,528	-	16,555	98,083
Accrued interest	-	897	265	1,162
Total current assets	<u>82,707</u>	<u>408,018</u>	<u>127,578</u>	<u>618,303</u>
Noncurrent assets:				
Accounts receivable	19,200	-	-	19,200
Capital assets:				
Land	2,279,586	-	-	2,279,586
Improvements other than buildings	6,134,867	491,524	21,376	6,647,767
Buildings and system	1,870,699	2,913,677	-	4,784,376
Machinery and equipment	538,363	784,637	154,041	1,477,041
Construction in progress	473,064	-	-	473,064
Less accumulated depreciation	( 6,026,112 )	( 1,789,578 )	( 32,166 )	( 7,847,856 )
Total capital assets, net of accumulated depreciation	<u>5,270,467</u>	<u>2,400,260</u>	<u>143,251</u>	<u>7,813,978</u>
Total noncurrent assets	<u>5,289,667</u>	<u>2,400,260</u>	<u>143,251</u>	<u>7,833,178</u>
<b>Total Assets</b>	<b>\$ <u>5,372,374</u></b>	<b>\$ <u>2,808,278</u></b>	<b>\$ <u>270,829</u></b>	<b>\$ <u>8,451,481</u></b>
<b>Liabilities and Net Assets</b>				
Liabilities				
Current liabilities:				
Accounts payable	\$ 63,533	\$ 10,539	\$ 5,046	\$ 79,118
Salaries payable	1,946	-	2,001	3,947
Due to other funds	417,800	-	424	418,224
Deferred revenue	9,000	-	-	9,000
Total current liabilities	<u>492,279</u>	<u>10,539</u>	<u>7,471</u>	<u>510,289</u>
Noncurrent liabilities:				
Deferred revenue	19,200	-	-	19,200
Total noncurrent liabilities	<u>19,200</u>	<u>-</u>	<u>-</u>	<u>19,200</u>
<b>Total Liabilities</b>	<b><u>511,479</u></b>	<b><u>10,539</u></b>	<b><u>7,471</u></b>	<b><u>529,489</u></b>
Net Assets				
Invested in capital assets, net of related debt	5,270,467	2,400,260	143,251	7,813,978
Unrestricted [deficit]	( 409,572 )	397,479	120,107	108,014
<b>Total Net Assets</b>	<b><u>4,860,895</u></b>	<b><u>2,797,739</u></b>	<b><u>263,358</u></b>	<b><u>7,921,992</u></b>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>5,372,374</u></b>	<b>\$ <u>2,808,278</u></b>	<b>\$ <u>270,829</u></b>	<b>\$ <u>8,451,481</u></b>

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, 2007**

	<b>Enterprise Funds</b>			Total Proprietary Funds
	Municipal Airport	Aquatic Center	Nonmajor Enterprise Funds	
<b>Operating Revenues</b>				
Charges for services:				
Activity fees	\$ -	\$ 164,143	\$ 81,253	\$ 245,396
Concession	-	2,430	-	2,430
Rental fees	213,966	1,605	-	215,571
Fuel flowage fees	52,617	-	-	52,617
Other service fees	11,646	865	91,959	104,470
Total Operating Revenues	<u>278,229</u>	<u>169,043</u>	<u>173,212</u>	<u>620,484</u>
<b>Operating Expenses</b>				
Personnel	89,724	102,166	80,120	272,010
Maintenance	41,888	30,259	6,185	78,332
Supplies	55,161	35,541	29,056	119,758
Other	101,416	3,880	12,710	118,006
Depreciation	207,143	208,989	7,959	424,091
Total Operating Expenses	<u>495,332</u>	<u>380,835</u>	<u>136,030</u>	<u>1,012,197</u>
Operating Income [Loss]	( 217,103 )	( 211,792 )	37,182	( 391,713 )
<b>Nonoperating Revenues</b>				
<b>[Expenses]</b>				
Contributions	-	3,455	6,533	9,988
Gain [loss] on sale of assets	-	92	-	92
Investment earnings	-	18,684	3,398	22,082
Net Nonoperating Revenues	<u>-</u>	<u>22,231</u>	<u>9,931</u>	<u>32,162</u>
<b>[Expenses]</b>				
Income [Loss] Before Capital Contributions and Transfers	( 217,103 )	( 189,561 )	47,113	( 359,551 )
Capital grants and contributions	384,565	-	101,000	485,565
Transfers in	80,112	-	-	80,112
Transfers out	-	-	( 34,000 )	( 34,000 )
Change in Net Assets	247,574	( 189,561 )	114,113	172,126
Total Net Assets Beginning of Year *	<u>4,613,321</u>	<u>2,987,300</u>	<u>149,245</u>	<u>7,749,866</u>
Total Net Assets End of Year	<u>\$ 4,860,895</u>	<u>\$ 2,797,739</u>	<u>\$ 263,358</u>	<u>\$ 7,921,992</u>

\* As restated

See accompanying notes to basic financial statements.

**City of Springdale, Arkansas**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended December 31, 2007**

	<b>Enterprise Funds</b>			Total Proprietary Funds
	Municipal Airport	Aquatic Center	Nonmajor Enterprise Funds	
<b>Cash Flows From Operating Activities</b>				
Receipts from customers and users	\$ 205,960	\$ 169,043	\$ 156,657	\$ 531,660
Payments to suppliers	( 181,655 )	( 70,605 )	( 43,472 )	( 295,732 )
Payments to employees	( 89,399 )	( 102,166 )	( 78,771 )	( 270,336 )
Net cash provided by [used in] operating activities	<u>( 65,094 )</u>	<u>( 3,728 )</u>	<u>34,414</u>	<u>( 34,408 )</u>
<b>Cash Flows From Noncapital Financing Activities</b>				
Contributions	-	3,455	6,533	9,988
Transfer to other funds	-	-	( 34,000 )	( 34,000 )
Receipt [payment] of interfund balances	417,800	-	323	418,123
Net cash provided by [used in] noncapital financing activities	<u>417,800</u>	<u>3,455</u>	<u>( 27,144 )</u>	<u>394,111</u>
<b>Cash Flows From Capital and Related Financing Activities</b>				
Capital contributions	8,400	-	-	8,400
Transfer from other funds	80,112	-	-	80,112
Capital grant receipts	376,165	-	-	376,165
Purchases of capital assets	( 850,726 )	( 4,613 )	( 10,500 )	( 865,839 )
Net cash used in capital and related financing activities	<u>( 386,049 )</u>	<u>( 4,613 )</u>	<u>( 10,500 )</u>	<u>( 401,162 )</u>
<b>Cash Flows From Investing Activities</b>				
Proceeds from maturities of investments	-	500,000	150,000	650,000
Purchase of investments	-	( 450,000 )	( 150,000 )	( 600,000 )
Interest received	-	18,632	3,454	22,086
Net cash provided by [used in] investing activities	<u>-</u>	<u>68,632</u>	<u>3,454</u>	<u>72,086</u>
Net Increase [Decrease] in Cash and Cash Equivalents	( 33,343 )	63,746	224	30,627
Cash and cash equivalents, January 1	34,522	43,375	60,534	138,431
Cash and Cash Equivalents, December 31	<u>\$ 1,179</u>	<u>\$ 107,121</u>	<u>\$ 60,758</u>	<u>\$ 169,058</u>
<b>Reconciliation of Operating Income [Loss] to Net Cash Provided By [Used In] Operating Activities</b>				
Operating income [loss]	\$ ( 217,103 )	\$ ( 211,792 )	\$ 37,182	\$ ( 391,713 )
Adjustments to reconcile operating income to net cash provided by [used in] operating activities				
Depreciation expense	207,143	208,989	7,959	424,091
[Increase] decrease in accounts receivable	( 63,869 )	-	( 16,555 )	( 80,424 )
Increase [decrease] in accounts payable	16,810	( 925 )	4,479	20,364
Increase [decrease] in salaries payable	325	-	1,349	1,674
Decrease in deferred revenue	( 8,400 )	-	-	( 8,400 )
Total adjustments	<u>152,009</u>	<u>208,064</u>	<u>( 2,768 )</u>	<u>357,305</u>
Net Cash Provided By [Used In] Operating Activities	<u>\$ ( 65,094 )</u>	<u>\$ ( 3,728 )</u>	<u>\$ 34,414</u>	<u>\$ ( 34,408 )</u>
<b>Noncash Capital Financing Activities</b>				
Acquisition of capital asset - trade-in allowance	\$ -	\$ ( 1,000 )	\$ -	\$ ( 1,000 )
Proceeds from sale of capital asset - trade-in allowance	\$ -	\$ 1,000	\$ -	\$ 1,000
Contribution of capital assets	\$ -	\$ -	\$ 101,000	\$ 101,000

See accompanying notes to basic financial statements.

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**City of Springdale, Arkansas**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**December 31, 2007**

	<u>Firemen's Relief and Pension Fund</u>	<u>Policemen's Pension and Relief Fund</u>	<u>Agency Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 951,471	\$ 526,286	\$ 1,004,125
Investments	9,717,297	9,550,065	-
Accounts receivable, net	509,628	494,556	1,172,538
Due from other funds	<u>14,998</u>	<u>23,414</u>	<u>142,646</u>
<b>Total Assets</b>	<u>11,193,394</u>	<u>10,594,321</u>	<u>2,319,309</u>
<b>Liabilities</b>			
Accounts payable	133	-	2,084,541
Due to other funds	<u>-</u>	<u>-</u>	<u>234,768</u>
<b>Total Liabilities</b>	<u>133</u>	<u>-</u>	\$ <u>2,319,309</u>
<b>Net Assets</b>			
Held in trust for pension benefits	\$ <u>11,193,261</u>	\$ <u>10,594,321</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, 2007

	<u>Firemen's Relief and Pension Fund</u>	<u>Policemen's Pension and Relief Fund</u>
<b>Additions</b>		
Contributions		
Taxes	\$ 505,938	\$ 506,538
Intergovernmental	99,715	196,133
Fines and court costs	-	114,033
Employer	8,047	350
Plan members	8,047	350
Miscellaneous	-	314
Total Contributions	<u>621,747</u>	<u>817,718</u>
Investment income [loss]		
Investment earnings	783,566	1,788,343
Net increase [decrease] in fair value of investments	( 352,878 )	( 1,069,832 )
Total investment earnings	430,688	718,511
Less investment expenses	( 69,617 )	( 97,598 )
Net investment earnings	<u>361,071</u>	<u>620,913</u>
Total Additions	<u>982,818</u>	<u>1,438,631</u>
<b>Deductions</b>		
Benefits payments	1,698,682	1,316,597
Miscellaneous	-	1,800
Total Deductions	<u>1,698,682</u>	<u>1,318,397</u>
Change in Net Assets	( 715,864 )	120,234
Total net assets beginning of year	<u>11,909,125</u>	<u>10,474,087</u>
Total Net Assets End of Year	<u>\$ 11,193,261</u>	<u>\$ 10,594,321</u>

See accompanying notes to basic financial statements.

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# City of Springdale, Arkansas

## Notes to Basic Financial Statements December 31, 2007

### 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, bulky waste disposal, 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, 2007

### 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, 2007. 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, 2007

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.

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, the Sanitation Fund, and the City Attorney Restitution Fund whose operations are financed primarily through user charges. Beginning July, 1, 2007, the City implemented a bulky waste pickup service to provide citizens a way to dispose of large items which are not picked up with the regular trash removal service. This operation is being accounted for in the Sanitation Fund.

*Pension Trust Funds* - Accounts for assets held in trust for the Firemen's Relief and Pension Fund and the Policemen's Pension and Relief 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, 2007

*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.

### ***Budgets and Budgetary Accounting***

Annual budgets are prepared on a basis consistent with generally accepted accounting principals, except for the City's proprietary funds. Proprietary fund budgets differ from GAAP in that capital acquisitions are recorded as expenditures as opposed to assets, and depreciation expense is not budgeted. The budgets

# City of Springdale, Arkansas

## Notes to Basic Financial Statements December 31, 2007

are used as a management control device during the year for the following funds: General Fund, Street Fund, Springdale Public Library, Shiloh Museum Board Fund, District Court Costs Fund, Parks Activity Fund, Capital Projects and Debt Service Funds, except for the Public Facilities Board Fund, the City's proprietary funds, and the Bluff Cemetery Fund. Budgets are also adopted by the City Council for specific capital projects, which are carried forward until completed. All annual appropriations lapse at year end.

All budget amounts included in these financial statements and the accompanying supplementary information reflect the original budgets and the final amended budgets (which have been adjusted for legally authorized revisions during the year). During the year ended December 31, 2007, the City Council adopted several supplemental appropriations.

### ***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.

### ***Restricted Assets***

Certain cash and investments are classified as restricted on the statement of net assets because their use is limited by bond covenants. The Primary Government had restricted assets of \$7,867,797 as of December 31, 2007. The *Springdale Water Utilities* had restricted assets of \$32,830,280 as of September 30, 2007.

### ***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.

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 three 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

# City of Springdale, Arkansas

## Notes to Basic Financial Statements December 31, 2007

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

### ***Collections***

Collections of historical artifacts and treasures meet the definition of a capital asset and normally should be reported in the financial statements. However, the requirement of capitalization is waived for collections that meet certain criteria. The City's Shiloh Museum of Ozark History has collections of historical artifacts and photographs that are not capitalized as they meet all of the waiver requirements, which are: (1) the collections are held solely for public exhibition, (2) the collections are protected, preserved and cared for, and (3) should any items be sold, the proceeds are used only to acquire other items for the collections. The Museum has six buildings of historical significance which have been capitalized, but are not being depreciated, as these buildings are part of the Museum's exhibits, and are therefore being preserved and cared for.

### ***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

# City of Springdale, Arkansas

## Notes to Basic Financial Statements December 31, 2007

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

In the fund financial statements, the City records reserves to indicate the portion of fund balance that is legally segregated for a specific use. Designations of fund balance represent amounts designated by management that are not legally binding.

### **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.

## **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. Certificates of deposit may also be invested in eligible banks located in the United States. The bank balances and carrying amount of the City's deposits held as of December 31, 2007 (September 30, 2007 for Utilities), were as follows:

	<u>Primary Government</u>	<u>Discrete Component Unit</u>
Carrying value of deposits	\$ <u>22,470,804</u>	\$ <u>32,053,701</u>
Bank balance of deposits	\$ <u>25,345,156</u>	\$ <u>33,808,583</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 Deposit Insurance Corporation (FDIC). The collateral is held by the Federal Reserve Bank, Arkansas Bankers' Bank, and First Tennessee Bank. The City's component unit,

## City of Springdale, Arkansas

### Notes to Basic Financial Statements December 31, 2007

*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. At December 31, 2007, the City's General Fund had \$385,779 in deposits exposed to custodial credit risk, as the deposits were uncollateralized. Also at December 31, 2007, the City's Sales and Use Tax Fund had \$667,595 in uncollateralized deposits, and the Springdale Public Facilities Board had \$19,330 in uncollateralized deposits.

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:

	<b>Primary Government</b>	<b>Discrete Component Unit</b>
Reported amount of deposits	\$ 22,470,804	\$ 32,053,701
Cash on hand	1,625	2,300
Investments classified as cash equivalents	31,644,081	-
Deposits classified as investments	( 12,097,435 )	( 29,224,297 )
	<b>\$ 42,019,075</b>	<b>\$ 2,831,704</b>
As reported on the government-wide statement of net assets		
Cash and cash equivalents	\$ 31,716,900	\$ 115,546
Restricted cash and cash equivalents	7,867,797	2,716,158
Bank overdraft	( 47,504 )	-
	39,537,193	2,831,704
Cash and cash equivalents reported on the statement of fiduciary net assets	2,481,882	-
	<b>\$ 42,019,075</b>	<b>\$ 2,831,704</b>

#### **Investments**

Arkansas State statutes authorize the City to invest funds in obligations of 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 authorized to 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. The City's other trust funds and endowment funds are governed by the prudent investor rule; investments are made as a prudent person should be expected to make, with discretion and intelligence, to produce reasonable income, preserve capital and in general, avoid speculative investments.

As of December 31, 2007 (September 30, 2007 for Utilities) the City had the following investments:

## City of Springdale, Arkansas

### Notes to Basic Financial Statements December 31, 2007

<u>Investment Type</u>	<u>Primary Government Fair Value</u>	<u>Discrete Component Unit Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Treasury Bills	\$ 7,621,223	\$ -	0.11
U.S. Treasury Notes	40,450,405	-	0.41
Corporate bonds	10,232	-	1.88
Money market funds	30,370,114	-	N/A
Mutual funds	483,705	-	N/A
Investment pools	<u>1,140,614</u>	<u>-</u>	N/A
Total Investments	<u>\$ 80,076,293</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. 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.

	<u>Primary Government</u>	<u>Discrete Component Unit</u>
Reported amount of investments	\$ 80,076,293	\$ -
Deposits classified as investments	11,950,590	29,224,297
Investments classified as cash equivalents	( <u>30,370,114</u> )	<u>-</u>
	<u>\$ 61,656,769</u>	<u>\$ 29,224,297</u>
As reported on the government-wide statement of net assets		
Investments	\$ 61,656,769	\$ -
Restricted investments	<u>-</u>	<u>29,224,297</u>
	61,656,769	29,224,297
Investments reported on the statement		
Of fiduciary net assets	<u>19,267,362</u>	<u>-</u>
	<u>\$ 80,924,131</u>	<u>\$ 29,224,297</u>

**City of Springdale, Arkansas**

**Notes to Basic Financial Statements  
December 31, 2007**

**Note 3 – Receivables**

Receivables as of the year ended December 31, 2007 for the City's General Fund, Street Fund, Capital Projects Funds in the aggregate, Debt Service Fund, and nonmajor governmental funds in the aggregate, proprietary and fiduciary funds, including the applicable allowances for uncollectible accounts, are as follows:

<u>Governmental</u>	<u>General Fund</u>	<u>Street Fund</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Receivables						
Accounts	\$ 1,679,787	\$ 2,315	\$	\$	\$ 16,300	\$ 1,698,402
Property taxes	4,946,456	962,168				5,908,624
Sales taxes	1,492,268		1,760,628	1,760,628		5,013,524
Franchise taxes	571,730					571,730
Grants	101,951					101,951
Intergovernmental	258,054	209,479			119,727	587,260
Other	97,462	4,320	7,865		15,946	125,593
Gross receivables	9,147,708	1,178,282	1,768,493	1,760,628	151,973	14,007,084
Less: Allowance for uncollectibles	( 770,886 )	( 65,785 )				( 836,671 )
Net total receivables	<u>\$ 8,376,822</u>	<u>\$ 1,112,497</u>	<u>\$ 1,768,493</u>	<u>\$ 1,760,628</u>	<u>\$ 151,973</u>	<u>\$ 13,170,413</u>
<u>Proprietary</u>	<u>Municipal Airport</u>	<u>Other Proprietary</u>	<u>Total</u>			
Receivables						
Accounts	\$ 5,203	\$ 16,555	\$ 21,758			
Grants	67,325		67,325			
Special assessments	28,200		28,200			
Gross receivables	<u>\$ 100,728</u>	<u>\$ 16,555</u>	<u>\$ 117,283</u>			
<u>Fiduciary</u>	<u>Fire Pension</u>	<u>Police Pension</u>	<u>Total</u>			
Receivables						
Property taxes	\$ 536,430	\$ 536,684	\$ 1,073,114			
Interest	37,163	21,558	58,721			
Gross receivables	573,593	558,242	1,131,835			
Less: Allowance for uncollectibles	( 63,965 )	( 63,686 )	( 127,651 )			
Net total receivables	<u>\$ 509,628</u>	<u>\$ 494,556</u>	<u>\$ 1,004,184</u>			

## City of Springdale, Arkansas

### Notes to Basic Financial Statements December 31, 2007

#### Note 4 – Capital Assets

A summary of changes in capital assets for the year ended December 31, 2007 (September 30, 2007 for Utilities) is presented below:

<b>Governmental Activities</b>	<b>Balance, Restated December 31, 2006</b>	<b>Additions and Transfers, Net</b>	<b>Retirements and Transfers, Net</b>	<b>Balance December 31, 2007</b>
<b>Capital Assets, non-depreciable</b>				
Land	\$ 23,632,049	\$ 1,057,692	\$ -	\$ 24,689,741
Easements	12,696,785	5,035,650	-	17,732,435
Museum buildings	279,834	-	-	279,834
Construction in progress	<u>21,797,619</u>	<u>76,690,691</u>	<u>20,069,680</u>	<u>78,418,630</u>
Total capital assets, non-depreciable	<u>58,406,287</u>	<u>82,784,033</u>	<u>20,069,680</u>	<u>121,120,640</u>
<b>Capital assets, depreciable</b>				
Land improvements	4,648,018	622,438	-	5,270,456
Infrastructure	103,167,226	10,986,524	-	114,153,750
Buildings and improvements	19,167,619	1,206,693	3,789	20,370,523
Machinery and equipment	17,117,500	3,730,236	406,695	20,441,041
Intangibles	<u>553,904</u>	<u>214,725</u>	-	<u>768,629</u>
Total capital assets, depreciable	<u>144,654,267</u>	<u>16,760,616</u>	<u>410,484</u>	<u>161,004,399</u>
<b>Less accumulated depreciation</b>				
Land improvements	1,938,604	228,201	-	2,166,805
Infrastructure	21,330,385	3,926,714	-	25,257,099
Buildings and improvements	5,675,029	549,879	3,789	6,221,119
Machinery and equipment	9,454,420	1,597,018	382,560	10,668,878
Intangibles	<u>464,839</u>	<u>52,516</u>	-	<u>517,355</u>
Total accumulated depreciation	<u>38,863,277</u>	<u>6,354,328</u>	<u>386,349</u>	<u>44,831,256</u>
Total governmental activities, net	<u>\$ 164,197,277</u>	<u>\$ 93,190,321</u>	<u>\$ 20,093,815</u>	<u>\$ 237,293,783</u>
<b>Business-type Activities</b>				
<b>Capital Assets, non-depreciable</b>				
Land	\$ 2,279,586	\$ -	\$ -	\$ 2,279,586
Construction in progress	<u>62,717</u>	<u>495,572</u>	<u>85,225</u>	<u>473,064</u>
Total capital assets, non-depreciable	<u>2,342,303</u>	<u>495,572</u>	<u>85,225</u>	<u>2,752,650</u>
<b>Capital assets, depreciable</b>				
Land improvements	6,542,495	105,272	-	6,647,767
Buildings and improvements	4,494,251	290,125	-	4,784,376
Machinery and equipment	<u>1,319,653</u>	<u>162,094</u>	<u>4,706</u>	<u>1,477,041</u>
Total capital assets, depreciable	<u>12,356,399</u>	<u>557,491</u>	<u>4,706</u>	<u>12,909,184</u>

**City of Springdale, Arkansas**

**Notes to Basic Financial Statements  
December 31, 2007**

<b>Business-type Activities</b>	<b>Balance, Restated December 31, 2006</b>	<b>Additions and Transfers, Net</b>	<b>Retirements and Transfers, Net</b>	<b>Balance December 31, 2007</b>
Less accumulated depreciation				
Land improvements	4,187,334	187,877	-	4,375,211
Buildings and improvements	2,164,246	147,579	-	2,311,825
Machinery and equipment	1,075,983	88,635	3,798	1,160,820
Total accumulated depreciation	<u>7,427,563</u>	<u>424,091</u>	<u>3,798</u>	<u>7,847,856</u>
Total business-type activities, net	\$ <u>7,271,139</u>	\$ <u>628,972</u>	\$ <u>86,133</u>	\$ <u>7,813,978</u>

<b>Component Unit</b>	<b>Balance September 30, 2006</b>	<b>Additions and Transfers, Net</b>	<b>Retirements and Transfers, Net</b>	<b>Balance September 30, 2007</b>
Capital Assets, non-depreciable				
Land	\$ 2,069,752	\$ 92,609	\$ 47,220	\$ 2,115,141
Easements	1,534,224	250,878	-	1,785,102
Construction in progress	1,545,850	7,035,845	478,045	8,103,650
Total capital assets, non-depreciable	<u>5,149,826</u>	<u>7,379,332</u>	<u>525,265</u>	<u>12,003,893</u>
Capital assets, depreciable				
Buildings and improvements	5,379,511	-	31,769	5,347,742
Water and sewer systems	200,852,033	9,600,417	250	210,452,200
Machinery and equipment	3,860,771	207,705	137,603	3,930,873
Total capital assets, depreciable	<u>210,092,315</u>	<u>9,808,122</u>	<u>169,622</u>	<u>219,730,815</u>
Less accumulated depreciation				
Buildings and improvements	1,842,502	182,736	17,273	2,007,965
Water and sewer systems	54,771,345	5,446,241	250	60,217,336
Machinery and equipment	2,603,389	281,414	131,738	2,753,065
Total accumulated depreciation	<u>59,217,236</u>	<u>5,910,391</u>	<u>149,261</u>	<u>64,978,366</u>
Total component unit activities, net	\$ <u>156,024,905</u>	\$ <u>11,277,063</u>	\$ <u>545,626</u>	\$ <u>166,756,342</u>

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

**Governmental Activities**

General government

Administration	\$ 177,207
City Attorney	2,473
District Court	3,215
Bluff Cemetery	7,249

## City of Springdale, Arkansas

### Notes to Basic Financial Statements December 31, 2007

Community Development	
Planning and engineering	13,374
Community development and housing	3,436
Culture and recreation	
Parks and recreation	505,399
Public Library	152,600
Shiloh Museum	36,002
Public Safety	
Animal services	11,124
Building and code enforcement	30,622
Fire	392,632
Police	446,373
Public Works	<u>4,572,622</u>
Total governmental activities	<u>6,354,328</u>
<b>Business-type Activities</b>	
Municipal airport	207,143
Aquatic Center	208,989
Parks soccer program	2,909
Sanitation	<u>5,050</u>
Total business-type activities	<u>424,091</u>
Total depreciation expenses - primary government	<u>\$ 6,778,419</u>
<b>Component Unit</b>	
Springdale Water Utilities	<u>\$ 5,910,391</u>

#### Note 5 – Long-Term Liabilities

Changes in long-term liabilities for the year ended December 31, 2007 for the Primary Government were as follows:

Governmental Activities	Balance, December 31, 2006	Increases	Decreases	Balance December 31, 2007	Due Within One Year
Bonds payable:					
Sales and Use Tax Bonds	\$ 124,045,000	\$ -	\$ 3,360,000	\$ 120,685,000	\$ 3,895,000
Add issuance premium	<u>3,111,239</u>	<u>-</u>	<u>189,109</u>	<u>2,922,130</u>	<u>-</u>
Bonds payable, net	<u>127,156,239</u>	<u>-</u>	<u>3,549,109</u>	<u>123,607,130</u>	<u>3,895,000</u>
Capital leases payable	93,242	-	42,084	51,158	44,121
Yield reduction payment payable	-	193,000	-	193,000	-
Compensated absences	<u>1,156,273</u>	<u>1,135,263</u>	<u>1,054,420</u>	<u>1,237,116</u>	<u>-</u>
Total	<u>\$ 128,405,754</u>	<u>\$ 1,328,263</u>	<u>\$ 4,645,613</u>	<u>\$ 125,088,404</u>	<u>\$ 3,939,121</u>

**City of Springdale, Arkansas**

**Notes to Basic Financial Statements  
December 31, 2007**

<b>Business-type Activities</b>	<b>Balance, December 31, 2006</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31, 2007</b>	<b>Due Within One Year</b>
Compensated absences	\$ <u>483</u>	\$ <u>3,449</u>	\$ <u>2,833</u>	\$ <u>1,099</u>	\$ <u>-</u>

Changes in long-term liabilities for the year ended September 30, 2007 for the City's discretely presented component unit were as follows:

<b>Springdale Water Utilities</b>	<b>Balance September 30, 2006</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance September 30, 2007</b>	<b>Due Within One Year</b>
Bonds payable					
Revenue bonds	\$ 9,765,000	\$ -	\$ 2,030,000	\$ 7,735,000	\$ 2,095,000
Add issuance premiums	<u>72,794</u>	<u>-</u>	<u>24,958</u>	<u>47,836</u>	<u>-</u>
Bonds payable, net	\$ <u>9,837,794</u>	\$ <u>-</u>	\$ <u>2,054,958</u>	\$ <u>7,782,836</u>	\$ <u>2,095,000</u>

**Sales and Use Tax Bonds – Governmental Activities**

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 replaced the City's existing 1% sales and use tax levied in 2003 for the sole purpose of retiring the 2004 Series 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 October 25, 2006, 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.

Bonds in the amount of \$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 payments on the Series 2004 Bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. The outstanding principal of the defeased bonds was \$29,010,000 at December 31, 2007. The reacquisition price exceeded the carrying amount of the old debt by \$872,518, resulting in a loss on the bond refunding. Of this amount, \$202,532 was written off in 2006, and the remaining amount of \$669,986 was deferred, and is being amortized over the life of the old debt using the effective interest method. Amortization for 2007 of the deferred loss on bond refunding was \$32,288.

Bonds in the amount of \$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.

## City of Springdale, Arkansas

### Notes to Basic Financial Statements December 31, 2007

Bonds in the amount of \$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, 2007, the City held investments equal to \$1,738,009 in the Debt Service Reserve Fund.

The Series 2006 Bonds were issued at a premium of \$3,111,239. This premium is being amortized over the life of the bonds using the effective interest method. Bond premium amortization for 2007 was \$189,109.

Bond issue costs of \$1,778,455 were incurred in the issuance of the Series 2006 Bonds. These costs are being amortized over the life of the bonds using the straight line method. Bond issue cost amortization for 2007 was \$84,688.

Debt service requirements of the Sales and Use Tax Refunding and Improvement Bonds, Series 2006 at December 31, 2007 were as follows:

<u>Primary Government</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 3,895,000	\$ 5,408,750	\$ 9,303,750
2009	4,050,000	5,252,950	9,302,950
2010	4,210,000	5,090,950	9,300,950
2011	4,385,000	4,922,550	9,307,550
2012	4,475,000	4,747,150	9,222,150
2013 – 2017	25,880,000	20,265,350	46,145,350
2018 – 2022	33,015,000	13,481,350	46,496,350
2023 – 2027	40,775,000	5,071,230	45,846,230
	<u>\$ 120,685,000</u>	<u>\$ 64,240,280</u>	<u>\$ 184,925,280</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

## City of Springdale, Arkansas

### Notes to Basic Financial Statements December 31, 2007

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 2007 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 2007 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.

Bond issue costs of \$30,000 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 2007 was \$3,438.

Maturities for the revenue bonds payable are as follows:

<u>Component Unit</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	95,000	164,000	259,000
2013 - 2017	870,000	714,875	1,584,875
2018 - 2022	1,185,000	457,000	1,642,000
2023 - 2026	1,155,000	130,750	1,285,750
	<u>\$ 7,735,000</u>	<u>\$ 2,410,500</u>	<u>\$ 10,145,500</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, 2007 were as follows:

**City of Springdale, Arkansas**

**Notes to Basic Financial Statements  
December 31, 2007**

	Primary Government		Discretely Presented Component Unit
	Governmental Activities	Business Type Activities	
<b>Assets Acquired</b>			
Machinery and equipment	\$ 210,848	\$ -	\$ -
Less accumulated depreciation	( 73,797 )	-	-
Total	\$ 137,051	\$ -	\$ -
 <b>Net Present Value of Lease Payments</b>			
2008	\$ 46,280	-	-
2009	7,128	-	-
Total minimum lease payments	53,408	-	-
Less interest	( 2,250 )	-	-
Present value of minimum lease payments	\$ 51,158	\$ -	\$ -

**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 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.

Based upon interim calculations, the City has no arbitrage liability as of December 31, 2007. However, a "yield reduction payment" of approximately \$193,000 does exist because the yield on the construction fund investments materially exceeded the yield on the Series 2004 bonds. This liability is included in the Debt Service Fund as other long-term liabilities. No payment is required for arbitrage rebates or yield reduction rebates until after the July 27, 2009 final calculation date.

**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, 2007, the aggregate principal amount payable on these bonds was \$62,635.

**Note 6 – Individual Fund Disclosures**

Interfund receivables and payables result from transactions between various funds within the City. Outstanding balances are mainly as a result of the time lag between the dates that interfund revenues are

## City of Springdale, Arkansas

### Notes to Basic Financial Statements December 31, 2007

collected, goods and services are provided or reimbursable expenditures occur, and payments are made between funds. The Airport Fund has an interfund operating cash loan from the General Fund related to land expenditures which will be reimbursed once federal grant revenues are received for the project. The General Fund and Sales and Use Tax Funds have interfund receivables and payables primarily related to city sales taxes collected which are transferred to the General Fund for operations and maintenance.

Interfund receivables and payables as of December 31, 2007 are as follows:

	<b>Interfund Receivables</b>	<b>Interfund Payables</b>
<b>Primary Government</b>		
Governmental Funds		
General	\$ 929,687	\$ 758,273
Street	1,175	-
Sales and Use Tax	722,099	444,975
Springdale Public Library	32,289	-
District Court	22,486	265
Public Library Foundation Board	-	32,289
Total governmental funds	\$ 1,707,736	\$ 1,235,802
Proprietary Funds		
Municipal Airport	\$ -	\$ 417,800
Sanitation Fund	-	191
City Attorney Restitution	-	233
Total proprietary funds	\$ -	\$ 418,224
Fiduciary Funds		
Firemen's Relief and Pension	\$ 14,998	\$ -
Policemen's Pension and Relief	23,414	-
Payroll Agency	-	3,000
Police Bond and Fine Agency	-	63,711
District Court Agency	63,228	155,341
Administration of Justice Agency	79,003	12,716
Police Evidence Agency	415	-
Total fiduciary funds	\$ 181,058	\$ 234,768
Total	\$ 1,888,794	\$ 1,888,794

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**City of Springdale, Arkansas**

**Notes to Basic Financial Statements  
December 31, 2007**

Operating transfers in (out) for the year ended December 31, 2007 are as follows:

	<u>Operating Transfers</u>	
	<u>In</u>	<u>Out</u>
<b>Primary Government</b>		
Governmental Funds		
General	\$ 3,446,790	\$ 1,606,585
Street	686,206	46,279
Public Library	681,200	-
District Court	460,485	-
Sales and Use Tax	-	3,714,208
2006 Street Improvement Construction	865,211	-
Debt Service Fund	46,279	865,211
Total governmental funds	<u>6,186,171</u>	<u>6,232,283</u>
Proprietary Funds		
Airport	80,112	-
City Attorney Restitution	-	34,000
Total proprietary funds	<u>80,112</u>	<u>34,000</u>
Total	<u>\$ 6,266,283</u>	<u>\$ 6,266,283</u>

**Note 7 – 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.

*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.

# City of Springdale, Arkansas

## Notes to Basic Financial Statements December 31, 2007

### **Membership Information**

Membership of each Plan consisted of the following at December 31, 2007:

	Firemen's Fund	Policemen's Fund	Money Purchase
Retirees and beneficiaries receiving benefits	46	36	
Active plan members	3	-	165
Members on Deferred Retirement Option Plan (DROP)	-	-	N/A
Total	49	36	165

### **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 2007 were \$621,747. The City's share of contributions was \$613,700 and included \$505,938 in property taxes and \$99,715 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 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

## City of Springdale, Arkansas

### Notes to Basic Financial Statements December 31, 2007

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 2007 were \$817,718. The City's share of contributions was \$817,368 and included \$506,538 in property taxes, \$196,133 in state insurance premium taxes, \$80,590 in fines and forfeitures, and \$33,443 in court costs.

	<b>2005 Annual Pension Cost and Net Pension Obligation (Asset)</b>	
	<b>Firemen's Fund</b>	<b>Policemen's Fund</b>
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**

	<b>Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation (Asset)</b>
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

Actuarial valuations for the Policemen's and Firemen's Funds are only performed every other year, and the 2007 valuation is not yet complete. Therefore, the annual pension cost, net pension obligation, and trend information for 2006 and 2007 is not available.

## City of Springdale, Arkansas

### Notes to Basic Financial Statements December 31, 2007

#### 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, 2007 employer and employee contributions to the plan were \$370,010 and \$185,255, 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 2007 was 17.34% for paid firemen, \$800 annually for volunteer firemen, and 18.34% for paid policemen.

## City of Springdale, Arkansas

### Notes to Basic Financial Statements December 31, 2007

For 2007, the City's annual pension cost was \$775,600 for paid firemen, \$800 for volunteer firemen, and \$812,527 for paid policemen, which was equal to the required and actual contributions. The required contribution was determined as part of the December 31, 2005 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 as a level percentage of projected payrolls on an open basis. The amortization period as of December 31, 2005 was 30 years.

#### **Three - Year Trend Information**

	<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
LOPFI - Firemen	12/31/2005	\$ 408,351	100.0%	\$ -
	12/31/2006	613,558	100.0%	-
	12/31/2007	775,600	100.0%	-
LOPFI - Policemen	12/31/2005	\$ 515,221	100.0%	\$ -
	12/31/2006	699,986	100.0%	-
	12/31/2007	812,527	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 2007 were 18% of covered payroll, and the judge's contribution rate was 5%. The annual pension cost and covered payroll for 2007 were \$16,827 and \$93,480, respectively. The judge's contribution for 2007 was \$4,674. 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 2007 were 12.54% of covered payroll, and the employee's contribution rate was 5%. The annual pension cost and covered payroll for 2007 were \$5,443 and \$43,403, respectively. The court clerk's contribution for 2007 was \$2,207.

#### **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, 2007

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, 2007, covered payroll was \$3,251,606, the Utilities' contribution was \$145,913, and employees' contributions were \$84,032.

#### **Note 8 – 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.

## City of Springdale, Arkansas

### Notes to Basic Financial Statements December 31, 2007

#### Note 9 – 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, 2007 there were 12 retired 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 10 – 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 2006 to 2007.

#### Note 11 – 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, 2007 property taxes receivable and related deferred revenues of \$4,985,398 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, \$0.50 per \$100 of assessed valuation on real and personal property for the payment of principal and interest on long-term debt, \$0.10 per \$100 of assessed valuation on real and personal property for the police pension funds, and \$0.10 per \$100 of assessed valuation on real and personal property for the fire pension funds. The combined tax rate

## City of Springdale, Arkansas

### Notes to Basic Financial Statements December 31, 2007

levied by the City in 2007 to finance the above operations was \$0.56 per \$100 of assessed valuation on real and personal property, leaving a tax margin of \$0.64 per \$100 of assessed valuation on real and personal property. Approximately \$6,239,152 of additional taxes could be raised per year based on the current year's assessed value of \$738,038,369 for real property and \$236,829,062 for personal property before the limit is reached.

#### **Note 12 – 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 \$8,292,497 for 2007 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 \$11,366,121 for 2007, 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 1.30% 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 \$388,274 for 2007 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 5). 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 \$11,366,121 for 2007, 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 13 – Commitments and Contingencies**

##### ***Construction Commitments***

Outstanding commitments at December 31, 2007 under authorized contracts for capital projects of governmental and proprietary funds are as follows:

## City of Springdale, Arkansas

### Notes to Basic Financial Statements December 31, 2007

	<u>Expenditures Incurred to December 31, 2007</u>	<u>Remaining Commitments at December 31, 2007</u>
<b>Primary Government</b>		
Governmental activities		
Capital Projects		
Streets	\$ 32,014,030	\$ 37,217,426
Baseball stadium	<u>30,447,437</u>	<u>8,199,445</u>
Total commitments for governmental activities	<u>62,461,467</u>	<u>45,416,871</u>
Business-type activities		
Airport		
Taxiway lighting	<u>22,344</u>	<u>15,206</u>
Total commitments for business-type activities	<u>22,344</u>	<u>15,206</u>
Total commitments - primary government	<u>\$ 62,483,811</u>	<u>\$ 45,432,077</u>

#### ***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.

#### ***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.

## City of Springdale, Arkansas

### Notes to Basic Financial Statements December 31, 2007

#### Note 14 – Restatement of Prior Years

As allowed under GASB 34, the City had deferred recording of infrastructure assets acquired prior to 2004. In 2007, the City added the remaining infrastructure acquired from 1980 through 2003, including the value of land under city streets. Following the implementation of GASB 34 in 2004, the City continued to expand and refine its capital assets records. As a result, during 2007 the City reclassified its non-depreciable land improvements to depreciable assets. Assets not meeting the capitalization definitions and thresholds were removed from the schedule of capital assets. Capital assets have been restated from the balance previously reported to reflect the net increase of \$43,748,294 for governmental activities and the net decrease of \$712,660 for business-type activities, as follows:

<b>Governmental Activities</b>	<b>Balance, As Reported December 31, 2006</b>	<b>Restatement</b>	<b>Balance, Restated December 31, 2006</b>
Capital assets, non-depreciable	\$ 52,649,123	\$ 5,757,164	\$ 58,406,287
Capital assets, depreciable	87,520,017	57,134,250	144,654,267
Less accumulated depreciation	<u>19,720,157</u>	<u>19,143,120</u>	<u>38,863,277</u>
<b>Total governmental activities, net</b>	<b>\$ <u>120,448,983</u></b>	<b>\$ <u>43,748,294</u></b>	<b>\$ <u>164,197,277</u></b>
<b>Business-type Activities</b>			
Capital assets, non-depreciable	\$ 3,323,411	\$ ( 981,108 )	\$ 2,342,303
Capital assets, depreciable	11,382,657	973,742	12,356,399
Less accumulated depreciation	<u>6,722,269</u>	<u>705,294</u>	<u>7,427,563</u>
<b>Total business-type activities, net</b>	<b>\$ <u>7,983,799</u></b>	<b>\$ ( <u>712,660</u> )</b>	<b>\$ <u>7,271,139</u></b>

The following prior period adjustments were also made to the financial statements during 2007:

For the General and Street Funds, it was determined that the allowance for doubtful accounts for property taxes had been overstated; therefore the respective unrestricted fund balances were increased by \$236,369 and \$26,423.

#### Note 15 – New GASB Standards

Effective January 1, 2007, the City implemented the following new financial and accounting reporting standard issued by GASB:

GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity 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 adoption of this statement had no financial impact on the City during the current year.

Other financial and accounting reporting standards which have been issued by GASB, but are not yet required to be implemented by the City are as follows:

## City of Springdale, Arkansas

### Notes to Basic Financial Statements December 31, 2007

GASB 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, 2007. City management has not determined the impact these statements will have on its financial statements.

GASB 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. City management has not determined the impact this statement will have on its financial statements.

GASB Statement No. 50, *Pension Disclosures*. This statement establishes and modifies requirements related to financial reporting by pension plans by employers that provide defined benefit and defined contribution pensions. The statement is an amendment of statements No. 25 and No. 27. This statement becomes effective for financial statements for periods beginning after June 15, 2007. City management has not determined the impact this statement will have on its financial statements.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes standards of accounting and financial reporting for intangible assets for all state and local governments. This statement becomes effective for financial statements for periods beginning after June 15, 2009. City management has not determined the impact this statement will have on its financial statements.

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. This statement becomes effective for financial statements for periods beginning after June 15, 2008. City management has not determined the impact this statement will have on its financial statements.

#### **Note 16 – Subsequent Events**

During 2007, the City was a defendant in two lawsuits involving the condemnation of land to acquire rights-of-way for the Southern and Central Corridors. In March 2008, a trial was held regarding land owned by Triple T Cold Storage. The jury awarded Triple T Cold Storage \$2,000,000 in damages, \$602,000 for the appraised value of the land, plus interest. On March 28, 2008, the City paid \$1,890,420, the balance of the judgment plus accrued interest, to settle this lawsuit. In June 2008, a trial was held regarding land owned by Kent Dobbs. The jury awarded Mr. Dobbs \$854,292. On June 13, 2008, the City paid \$706,645, the balance of the judgment plus accrued interest, to settle this lawsuit.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**City of Springdale, Arkansas**

**Defined Benefit Pension Plans - Required Supplementary Information  
Schedule of Funding Progress  
Year Ended December 31, 2007**

	Actuarial Valuation Date *	Actuarial Value of Assets (a)	Actuarial 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	12/31/2002	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%
	12/31/2006	9,272,909	10,835,111	1,562,202	86.0%	3,920,500	40.0%
	12/31/2007	11,360,705	12,951,230	1,590,525	88.0%	4,491,735	35.0%
Local Police and Fire Retirement System - Volunteer Firemen	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
	12/31/2006	N/A	N/A	N/A	N/A	N/A	N/A
	12/31/2007	N/A	N/A	N/A	N/A	N/A	N/A
Local Police and Fire Retirement System - Policemen	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%
	12/31/2006	6,140,075	9,298,333	3,158,258	66.0%	3,993,676	79.0%
	12/31/2007	7,257,780	10,650,082	3,392,302	68.0%	4,538,522	75.0%

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, 2007**

	<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	12/31/2002	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%
	12/31/2006	613,558	100.0%
	12/31/2007	775,600	100.0%
Local Police and Fire Retirement System - Policemen	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%
	12/31/2006	699,986	100.0%
	12/31/2007	812,527	100.0%

**City of Springdale, Arkansas**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Year Ended December 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes:				
Sales	\$ 9,657,200	\$ 9,657,200	\$ 8,680,771	\$ ( 976,429 )
Ad valorem	3,823,000	3,823,000	4,266,809	443,809
Franchise	3,129,000	3,129,000	3,057,960	( 71,040 )
Fees and permits:				
Building permits	1,200,000	1,200,000	663,443	( 536,557 )
Occupation permits	83,000	83,000	86,415	3,415
Other	115,800	137,800	93,360	( 44,440 )
Intergovernmental:				
Federal and state grants	162,950	162,950	294,088	131,138
State turnback-general	968,100	968,100	1,508,855	540,755
State turnback-insurance	570,000	570,000	551,926	( 18,074 )
County turnback	491,110	491,110	306,319	( 184,791 )
Other	111,230	111,230	201,886	90,656
Charges for services:				
Ambulance fees	910,000	910,000	1,108,077	198,077
Other service fees	216,500	216,500	173,514	( 42,986 )
Fines and forfeitures	950,000	950,000	924,173	( 25,827 )
Miscellaneous	273,000	273,000	651,692	378,692
<b>Total Revenues</b>	<u>22,660,890</u>	<u>22,682,890</u>	<u>22,569,288</u>	<u>( 113,602 )</u>
<b>Expenditures</b>				
General Government:				
Administration				
Personnel	1,143,570	1,143,570	1,167,167	( 23,597 )
Buildings and equipment	380,750	380,750	421,322	( 40,572 )
Supplies	148,000	148,000	133,498	14,502
Other	377,920	377,920	341,314	36,606
Economic development	366,030	366,030	369,536	( 3,506 )
Capital	213,960	246,435	42,426	204,009
<b>Total Administration Expenditures</b>	<u>2,630,230</u>	<u>2,662,705</u>	<u>2,475,263</u>	<u>187,442</u>
City Attorney				
Personnel	612,790	612,790	600,978	11,812
Buildings and equipment	23,800	23,800	21,698	2,102
Supplies	13,400	13,400	13,571	( 171 )
Other	21,450	21,450	19,067	2,383
<b>Total City Attorney Expenditures</b>	<u>671,440</u>	<u>671,440</u>	<u>655,314</u>	<u>16,126</u>
<b>Total General Government Expenditures</b>	<u>3,301,670</u>	<u>3,334,145</u>	<u>3,130,577</u>	<u>203,568</u>

[continued]

**City of Springdale, Arkansas**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Year Ended December 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Culture and Recreation:</b>				
Shiloh Museum				
Personnel	416,000	416,000	392,350	23,650
Buildings and equipment	35,800	35,800	31,138	4,662
Supplies	57,500	57,500	57,322	178
Other	16,400	16,400	16,360	40
Total Shiloh Museum Expenditures	<u>525,700</u>	<u>525,700</u>	<u>497,170</u>	<u>28,530</u>
Parks and Recreation				
Personnel	1,036,020	1,036,020	979,755	56,265
Buildings and equipment	167,400	167,400	184,078	( 16,678 )
Supplies	174,200	174,200	164,414	9,786
Other	85,900	85,900	81,866	4,034
Capital	-	-	40,662	( 40,662 )
Total Parks and Recreation Expenditures	<u>1,463,520</u>	<u>1,463,520</u>	<u>1,450,775</u>	<u>12,745</u>
Total Culture and Recreation Expenditures	<u>1,989,220</u>	<u>1,989,220</u>	<u>1,947,945</u>	<u>41,275</u>
<b>Community Development:</b>				
Planning and Community Development				
Personnel	726,370	726,370	675,213	51,157
Buildings and equipment	31,000	31,000	18,581	12,419
Supplies	40,000	40,000	24,894	15,106
Other	108,470	108,470	86,590	21,880
Total Community Development Expenditures	<u>905,840</u>	<u>905,840</u>	<u>805,278</u>	<u>100,562</u>
<b>Public Safety:</b>				
Animal Services				
Personnel	253,000	253,000	256,884	( 3,884 )
Buildings and equipment	34,600	34,600	26,613	7,987
Supplies	28,600	28,600	33,281	( 4,681 )
Other	9,650	9,650	8,653	997
Capital	53,250	53,250	49,880	3,370
Total Animal Services Expenditures	<u>379,100</u>	<u>379,100</u>	<u>375,311</u>	<u>3,789</u>
Building Inspection				
Personnel	815,130	815,130	731,277	83,853
Buildings and equipment	20,600	20,600	10,913	9,687
Supplies	67,840	67,840	50,194	17,646
Other	80,000	80,000	69,379	10,621
Capital	60,000	60,000	45,228	14,772
Total Building Inspection Expenditures	<u>1,043,570</u>	<u>1,043,570</u>	<u>906,991</u>	<u>136,579</u>

[continued]

**City of Springdale, Arkansas**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Year Ended December 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Police				
Personnel	9,018,650	9,018,650	8,567,141	451,509
Buildings and equipment	159,900	159,900	208,343	( 48,443 )
Supplies	405,400	405,400	379,200	26,200
Other	327,000	327,000	486,292	( 159,292 )
Capital	446,310	463,560	467,857	( 4,297 )
Total Police Expenditures	<u>10,357,260</u>	<u>10,374,510</u>	<u>10,108,833</u>	<u>265,677</u>
Fire				
Personnel	7,365,450	7,365,450	7,314,221	51,229
Buildings and equipment	203,000	203,000	227,166	( 24,166 )
Supplies	386,000	386,000	381,275	4,725
Other	237,500	237,500	245,670	( 8,170 )
Capital	482,500	482,500	176,580	305,920
Total Fire Expenditures	<u>8,674,450</u>	<u>8,674,450</u>	<u>8,344,912</u>	<u>329,538</u>
Total Public Safety Expenditures	<u>20,454,380</u>	<u>20,471,630</u>	<u>19,736,047</u>	<u>735,583</u>
Total Expenditures	<u>26,651,110</u>	<u>26,700,835</u>	<u>25,619,847</u>	<u>1,080,988</u>
Excess [Deficiency] of Revenues Over Expenditures	( 3,990,220 )	( 4,017,945 )	( 3,050,559 )	<u>967,386</u>
<b>Other Financing Sources [Uses]</b>				
Transfers in	4,508,930	4,541,405	3,446,790	( 1,094,615 )
Transfers out	( 1,590,620 )	( 1,590,620 )	( 1,606,585 )	( 15,965 )
Proceeds from sale of capital assets	2,000	2,000	4,150	2,150
Insurance recoveries-capital assets	-	-	31,611	31,611
Total Other Financing Sources [Uses]	<u>2,920,310</u>	<u>2,952,785</u>	<u>1,875,966</u>	<u>( 1,076,819 )</u>
Net Change in Fund Balance	( 1,069,910 )	( 1,065,160 )	( 1,174,593 )	( 109,433 )
Fund balance beginning of year	<u>6,887,588 *</u>	<u>6,887,588 *</u>	<u>6,887,588 *</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 5,817,678</u>	<u>\$ 5,822,428</u>	<u>\$ 5,712,995</u>	<u>\$ ( 109,433 )</u> [concluded]

\* as restated

**City of Springdale, Arkansas**  
**Street Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Year Ended December 31, 2007**

	Budgeted Amounts		Actual Amounts	Variances Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes:				
Ad valorem	\$ 672,000	\$ 672,000	\$ 768,526	\$ 96,526
Fees and permits:				
Street and curb cuts	1,700	1,700	1,475	( 225 )
Other	500	500	460	( 40 )
Intergovernmental:				
State turnback-street	2,935,600	2,935,600	2,953,610	18,010
Charges for goods and services:				
Street signs	15,000	15,000	28,072	13,072
Street and curb cut repairs	25,000	25,000	19,637	( 5,363 )
Other	3,100	3,100	719	( 2,381 )
Interest	1,000	1,000	15,743	14,743
Miscellaneous	10,000	56,600	62,658	6,058
<b>Total Revenues</b>	<u>3,663,900</u>	<u>3,710,500</u>	<u>3,850,900</u>	<u>140,400</u>
<b>Expenditures</b>				
Public Works:				
Street Fund				
Personnel	2,086,730	2,086,730	1,980,036	106,694
Buildings and equipment	173,700	173,700	166,466	7,234
Supplies	977,700	1,024,300	1,136,512	( 112,212 )
Other	795,000	795,000	826,913	( 31,913 )
Capital	673,750	673,750	552,539	121,211
<b>Total Public Works Expenditures</b>	<u>4,706,880</u>	<u>4,753,480</u>	<u>4,662,466</u>	<u>91,014</u>
Excess [Deficiency] of Revenues Over Expenditures	( 1,042,980 )	( 1,042,980 )	( 811,566 )	231,414
<b>Other Financing Sources [Uses]</b>				
Transfers in	690,900	690,900	686,206	( 4,694 )
Transfers out	( 46,280 )	( 46,280 )	( 46,279 )	1
Proceeds from sale of capital assets	-	-	24,125	24,125
Insurance recoveries - capital assets	-	-	43,770	43,770
<b>Total Other Financing Sources [Uses]</b>	<u>644,620</u>	<u>644,620</u>	<u>707,822</u>	<u>63,202</u>
<b>Net Change in Fund Balance</b>	<u>( 398,360 )</u>	<u>( 398,360 )</u>	<u>( 103,744 )</u>	<u>294,616</u>
Fund balance beginning of year	728,590 *	728,590 *	728,590 *	-
<b>Fund Balance End of Year</b>	<u>\$ 330,230</u>	<u>\$ 330,230</u>	<u>\$ 624,846</u>	<u>\$ 294,616</u>

\* as restated

## City of Springdale, Arkansas

### Notes to Required Supplementary Information December 31, 2007

#### **Stewardship, Compliance and Accountability**

##### ***Budgetary Information***

The City follows these procedures as set out by City Ordinance in establishing the budgetary data reflected in the financial statements:

During July, public hearings are conducted which allow for taxpayer comments.

On or before August 1, staff projects revenue available for the following year.

On or before September 1, the Mayor projects funds available for each division/department.

On or before September 15, division /department heads deliver proposed detailed budget to the Mayor for review. City Council sets the dates for work sessions in October and November to review and make budget changes.

On or before October 15 the Mayor delivers the proposed budget to the City Council.

During October and November, the City Council conducts special work sessions to review the budget with each division/department head.

On or before December 10, the City Council legally enacts a budget through passage of a resolution. State law requires the adoption of the annual budget on or before February 1 of each year.

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**SUPPLEMENTARY  
INFORMATION**

**City of Springdale, Arkansas**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2007**

**Special Revenue Funds**

	Public Library	Shiloh Museum Board	Advertising and Promotion	District Court Costs	Parks Activity
<b>Assets</b>					
Cash and cash equivalents	\$ 62,575	\$ 103,578	\$ 60,512	\$ 118,764	\$ 46,310
Investments	-	1,012,174	65,000	-	-
Accounts receivable	-	-	16,239	-	-
Intergovernmental receivables	-	-	-	20,430	-
Due from other funds	32,289	-	-	22,486	-
Assets held for resale	-	-	-	-	-
Other assets	-	-	-	-	-
<b>Total Assets</b>	<b>\$ <u>94,864</u></b>	<b>\$ <u>1,115,752</u></b>	<b>\$ <u>141,751</u></b>	<b>\$ <u>161,680</u></b>	<b>\$ <u>46,310</u></b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	36,610	435	9,291	689	198
Salaries payable	19,987	-	-	12,699	647
Due to other funds	-	-	-	265	-
<b>Total Liabilities</b>	<b><u>56,597</u></b>	<b><u>435</u></b>	<b><u>9,291</u></b>	<b><u>13,653</u></b>	<b><u>845</u></b>
<b>Fund Balances:</b>					
<b>Reserved:</b>					
Assets held for resale	-	-	-	-	-
Cemetery perpetual care	-	-	-	-	-
Court automation	-	-	-	117,690	-
Endowments	-	1,012,174	-	-	-
Grant expenditures	-	-	-	-	-
<b>Unreserved:</b>					
Undesignated (deficit)	38,267	103,143	132,460	30,337	45,465
<b>Total Fund Balances</b>	<b><u>38,267</u></b>	<b><u>1,115,317</u></b>	<b><u>132,460</u></b>	<b><u>148,027</u></b>	<b><u>45,465</u></b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ <u>94,864</u></b>	<b>\$ <u>1,115,752</u></b>	<b>\$ <u>141,751</u></b>	<b>\$ <u>161,680</u></b>	<b>\$ <u>46,310</u></b>

		<b>Capitol Projects</b>	<b>Permanent Funds</b>		Total Nonmajor Governmental Funds
Community Development Block Grant	Home Investment Program	Public Facilities Board	Bluff Cemetery	Public Library Board Foundation	
\$ -	\$ 1,931	\$ 132,014	\$ 73,813	\$ 106,276	\$ 705,773
-	-	2,365,556	530,266	612,145	4,585,141
-	-	15,977	21,855	-	54,071
99,297	-	-	-	-	119,727
-	-	-	-	-	54,775
-	-	1,140,668	-	-	1,140,668
-	-	500	-	-	500
<u>\$ 99,297</u>	<u>\$ 1,931</u>	<u>\$ 3,654,715</u>	<u>\$ 625,934</u>	<u>\$ 718,421</u>	<u>\$ 6,660,655</u>
\$ 47,504	\$ -	\$ -	\$ -	\$ -	\$ 47,504
51,642	-	-	340	211	99,416
1,775	-	-	602	-	35,710
-	-	-	-	32,289	32,554
<u>100,921</u>	<u>-</u>	<u>-</u>	<u>942</u>	<u>32,500</u>	<u>215,184</u>
-	-	1,140,668	-	-	1,140,668
-	-	-	39,932	-	39,932
-	-	-	-	-	117,690
-	-	-	-	154,606	1,166,780
-	-	-	-	78,380	78,380
( 1,624 )	1,931	2,514,047	585,060	452,935	3,902,021
<u>( 1,624 )</u>	<u>1,931</u>	<u>3,654,715</u>	<u>624,992</u>	<u>685,921</u>	<u>6,445,471</u>
<u>\$ 99,297</u>	<u>\$ 1,931</u>	<u>\$ 3,654,715</u>	<u>\$ 625,934</u>	<u>\$ 718,421</u>	<u>\$ 6,660,655</u>

**City of Springdale, Arkansas**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2007**

	<b>Special Revenue Funds</b>				
	Public Library	Shiloh Museum Board	Advertising and Promotion	District Court Costs	Parks Activity
<b>Revenues</b>					
Taxes	\$ 24,658	\$ -	\$ 279,917	\$ -	\$ -
Fees and permits	-	21,404	-	143,494	-
Intergovernmental	832,497	-	-	73,952	-
Charges for goods and services	-	7,950	-	-	138,333
Fines and forfeitures	69,778	-	-	-	-
Investment earnings	924	82,869	4,233	12,771	1,390
Miscellaneous	99,288	20,698	1,627	227	19,993
Total Revenues	<u>1,027,145</u>	<u>132,921</u>	<u>285,777</u>	<u>230,444</u>	<u>159,716</u>
<b>Expenditures</b>					
Current:					
General government	-	-	-	643,951	-
Community development	-	-	-	-	-
Culture and recreation	1,659,237	35,160	-	-	133,610
Economic development	-	-	303,047	-	-
Capital expenditures	6,029	-	-	4,760	82,942
Total Expenditures	<u>1,665,266</u>	<u>35,160</u>	<u>303,047</u>	<u>648,711</u>	<u>216,552</u>
Excess [Deficiency] of Revenues Over Expenditures	( 638,121 )	97,761	( 17,270 )	( 418,267 )	( 56,836 )
<b>Other Financing Sources [Uses]</b>					
Transfers in	681,200	-	-	460,485	-
Total Other Financing Sources [Uses]	<u>681,200</u>	<u>-</u>	<u>-</u>	<u>460,485</u>	<u>-</u>
Net Changes in Fund Balances	43,079	97,761	( 17,270 )	42,218	( 56,836 )
Fund Balance Beginning of Year	( 4,812 )	1,017,556	149,730	105,809	102,301
Fund Balance End of Year	<u>\$ 38,267</u>	<u>\$ 1,115,317</u>	<u>\$ 132,460</u>	<u>\$ 148,027</u>	<u>\$ 45,465</u>

		<b>Capital Projects</b>	<b>Permanent Funds</b>		Total Nonmajor Governmental Funds
Community Development Block Grant	Home Investment Program	Public Facilities Board	Bluff Cemetery	Public Library Board Foundation	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 304,575
-	-	-	-	-	164,898
525,112	-	-	-	-	1,431,561
-	-	146,100	49,625	-	342,008
-	-	-	-	-	69,778
-	43	123,261	26,667	47,417	299,575
45,178	-	-	-	19,811	206,822
<u>570,290</u>	<u>43</u>	<u>269,361</u>	<u>76,292</u>	<u>67,228</u>	<u>2,819,217</u>
-	-	-	35,543	-	679,494
568,642	-	-	-	-	568,642
-	-	-	-	88,559	1,916,566
-	-	33,579	-	-	336,626
-	-	-	-	-	93,731
<u>568,642</u>	<u>-</u>	<u>33,579</u>	<u>35,543</u>	<u>88,559</u>	<u>3,595,059</u>
<u>1,648</u>	<u>43</u>	<u>235,782</u>	<u>40,749</u>	<u>( 21,331 )</u>	<u>( 775,842 )</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,141,685</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,141,685</u>
1,648	43	235,782	40,749	( 21,331 )	365,843
( 3,272 )	1,888	3,418,933	584,243	707,252	6,079,628
<u>\$ ( 1,624 )</u>	<u>\$ 1,931</u>	<u>\$ 3,654,715</u>	<u>\$ 624,992</u>	<u>\$ 685,921</u>	<u>\$ 6,445,471</u>

**City of Springdale, Arkansas**  
**Combining Statement of Net Assets**  
**Nonmajor Proprietary Funds**  
**December 31, 2007**

	<u>Enterprise Funds</u>			Total Nonmajor Proprietary Funds
	Parks Soccer Program	City Attorney Restitution	Sanitation	
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 42,537	\$ 18,221	\$ -	\$ 60,758
Investments	50,000	-	-	50,000
Accrued interest	265	-	-	265
Accounts receivable	-	-	16,555	16,555
Total current assets	<u>92,802</u>	<u>18,221</u>	<u>16,555</u>	<u>127,578</u>
Capital assets:				
Land improvements	21,376	-	-	21,376
Machinery and equipment	33,570	19,471	101,000	154,041
Less accumulated depreciation	( 7,645 )	( 19,471 )	( 5,050 )	( 32,166 )
Total capital assets, net of accumulated depreciation	<u>47,301</u>	<u>-</u>	<u>95,950</u>	<u>143,251</u>
Total Assets	<u>\$ 140,103</u>	<u>\$ 18,221</u>	<u>\$ 112,505</u>	<u>\$ 270,829</u>
<b>Liabilities and Net Assets</b>				
Liabilities				
Current liabilities:				
Accounts payable	\$ 4,225	\$ -	\$ 821	\$ 5,046
Salaries payable	683	-	1,318	2,001
Due to other funds	-	233	191	424
Total current liabilities	<u>4,908</u>	<u>233</u>	<u>2,330</u>	<u>7,471</u>
Net Assets				
Invested in capital assets, net of related debt	47,301	-	95,950	143,251
Unrestricted	<u>87,894</u>	<u>17,988</u>	<u>14,225</u>	<u>120,107</u>
Total Net Assets	<u>135,195</u>	<u>17,988</u>	<u>110,175</u>	<u>263,358</u>
Total Liabilities and Net Assets	<u>\$ 140,103</u>	<u>\$ 18,221</u>	<u>\$ 112,505</u>	<u>\$ 270,829</u>

**City of Springdale, Arkansas**  
**Combining Statement of Revenues, Expenses, and Changes in Net Assets**  
**Nonmajor Proprietary Funds**  
**Year Ended December 31, 2007**

	<b>Enterprise Funds</b>			Total Nonmajor Proprietary Funds
	Parks Soccer Program	City Attorney Restitution	Sanitation	
<b>Operating Revenues</b>				
Charges for services:				
Activity fees	\$ 81,253	\$ -	\$ -	\$ 81,253
Other service fees	-	39,638	52,321	91,959
Total Operating Revenues	<u>81,253</u>	<u>39,638</u>	<u>52,321</u>	<u>173,212</u>
<b>Operating Expenses</b>				
Personnel	48,308	-	31,812	80,120
Maintenance	6,162	-	23	6,185
Supplies	24,039	3,089	1,928	29,056
Other	8,377	-	4,333	12,710
Depreciation	2,909	-	5,050	7,959
Total Operating Expenses	<u>89,795</u>	<u>3,089</u>	<u>43,146</u>	<u>136,030</u>
Operating Income [Loss]	( 8,542 )	36,549	9,175	37,182
<b>Nonoperating Revenues</b>				
Contributions	6,533	-	-	6,533
Investment earnings	3,398	-	-	3,398
Net Nonoperating Revenues	<u>9,931</u>	<u>-</u>	<u>-</u>	<u>9,931</u>
Income Before Capital Contributions and Transfers	<u>1,389</u>	<u>36,549</u>	<u>9,175</u>	<u>47,113</u>
Capital contributions	-	-	101,000	101,000
Transfers out	-	( 34,000 )	-	( 34,000 )
Change in Net Assets	1,389	2,549	110,175	114,113
Total Net Assets Beginning of Year	<u>133,806</u>	<u>15,439</u>	<u>-</u>	<u>149,245</u>
Total Net Assets End of Year	<u>\$ 135,195</u>	<u>\$ 17,988</u>	<u>\$ 110,175</u>	<u>\$ 263,358</u>

**City of Springdale, Arkansas**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Funds**  
**Year Ended December 31, 2007**

	<u>Enterprise Funds</u>			Total Nonmajor Enterprise Funds
	<u>Parks Soccer Program</u>	<u>City Attorney Restitution</u>	<u>Sanitation</u>	
<b>Cash Flows From Operating Activities</b>				
Receipts from customers and users	\$ 81,253	\$ 39,638	\$ 35,766	\$ 156,657
Payments to suppliers	( 34,920 )	( 3,089 )	( 5,463 )	( 43,472 )
Payments to employees	( 48,277 )	-	( 30,494 )	( 78,771 )
Net cash provided by [used in] operating activities	<u>( 1,944 )</u>	<u>36,549</u>	<u>( 191 )</u>	<u>34,414</u>
<b>Cash Flows From Noncapital Financing Activities</b>				
Contributions	6,533	-	-	6,533
Transfer to other funds	-	( 34,000 )	-	( 34,000 )
Receipt [payment] of interfund balances	-	132	191	323
Net cash provided by [used in] noncapital financing activities	<u>6,533</u>	<u>( 33,868 )</u>	<u>191</u>	<u>( 27,144 )</u>
<b>Cash Flows From Capital and Related Financing Activities</b>				
Purchases of capital assets	( 10,500 )	-	-	( 10,500 )
Net cash provided by [used in] capital and related financing activities	<u>( 10,500 )</u>	<u>-</u>	<u>-</u>	<u>( 10,500 )</u>
<b>Cash Flows From Investing Activities</b>				
Proceeds from maturities of investments	150,000	-	-	150,000
Purchase of investments	( 150,000 )	-	-	( 150,000 )
Interest received	3,454	-	-	3,454
Net cash provided by [used in] investing activities	<u>3,454</u>	<u>-</u>	<u>-</u>	<u>3,454</u>
Net Increase [Decrease] in Cash and Cash Equivalents	( 2,457 )	2,681	-	224
Cash and cash equivalents, January 1	44,994	15,540	-	60,534
Cash and Cash Equivalents, December 31	<u>\$ 42,537</u>	<u>\$ 18,221</u>	<u>\$ -</u>	<u>\$ 60,758</u>
<b>Reconciliation of Operating Income [Loss] to Net Cash Provided By [Used In] Operating Activities</b>				
Operating income [loss]	\$ ( 8,542 )	\$ 36,549	\$ 9,175	\$ 37,182
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	2,909	-	5,050	7,959
[Increase] in accounts receivable	-	-	( 16,555 )	( 16,555 )
Increase in accounts payable	3,658	-	821	4,479
Increase in salaries payable	31	-	1,318	1,349
Total adjustments	<u>6,598</u>	<u>-</u>	<u>( 9,366 )</u>	<u>( 2,768 )</u>
Net Cash Provided By [Used In] Operating Activities	<u>\$ ( 1,944 )</u>	<u>\$ 36,549</u>	<u>\$ ( 191 )</u>	<u>\$ 34,414</u>
<b>Noncash capital financing activities:</b>				
Contribution of capital assets	\$ -	\$ -	\$ 101,000	\$ 101,000

**City of Springdale, Arkansas**  
**Agency Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
**Year Ended December 31, 2007**

	Balance 01/01/2007	Additions	Deletions	Balance 12/31/2007
<b>POLICE BOND AND FINE FUND</b>				
<b>Assets</b>				
Cash	\$ 75,064	\$ 360	\$ 4,991	\$ 70,433
Total Assets	75,064	360	4,991	70,433
<b>Liabilities</b>				
Due to other funds	67,967	360	4,616	63,711
Due to others	7,097	-	375	6,722
Total Liabilities	\$ 75,064	\$ 360	\$ 4,991	\$ 70,433
 <b>DISTRICT COURT FUND</b>				
<b>Assets</b>				
Cash	\$ 458,749	\$ 2,486,343	\$ 2,487,992	\$ 457,100
Accounts receivable	1,077,308	2,436,076	2,340,846	1,172,538
Due from other funds	67,842	2	4,616	63,228
Total Assets	1,603,899	4,922,421	4,833,454	1,692,866
<b>Liabilities</b>				
Due to other funds	168,766	155,341	168,766	155,341
Due to others	1,435,133	2,436,076	2,333,684	1,537,525
Total Liabilities	\$ 1,603,899	\$ 2,591,417	\$ 2,502,450	\$ 1,692,866
 <b>PAYROLL FUND</b>				
<b>Assets</b>				
Cash	\$ 378,541	\$ 11,328,604	\$ 11,278,606	\$ 428,539
Total Assets	378,541	11,328,604	11,278,606	428,539
<b>Liabilities</b>				
Due to other funds	1,000	2,000	-	3,000
Accounts payable	377,541	12,091,030	12,043,032	425,539
Total Liabilities	\$ 378,541	\$ 12,093,030	\$ 12,043,032	\$ 428,539

**City of Springdale, Arkansas**  
**Agency Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
**Year Ended December 31, 2007**

	Balance 01/01/2007	Additions	Deletions	Balance 12/31/2007
<b>POLICE EVIDENCE FUND</b>				
<b>Assets</b>				
Cash	\$ 45,866	\$ 4,065	\$ 1,878	\$ 48,053
Due from other funds	-	415	-	415
Total Assets	45,866	4,480	1,878	48,468
<b>Liabilities</b>				
Due to other funds	109	237	346	-
Accounts payable	45,757	4,589	1,878	48,468
Total Liabilities	\$ 45,866	\$ 4,826	\$ 2,224	\$ 48,468
 <b>ADMINISTRATION OF JUSTICE FUND</b>				
<b>Assets</b>				
Cash	\$ -	\$ 1,182,461	\$ 1,182,461	\$ -
Due from other funds	87,464	79,003	87,464	79,003
Total Assets	87,464	1,261,464	1,269,925	79,003
<b>Liabilities</b>				
Due to other funds	12,340	12,716	12,340	12,716
Accounts payable	75,124	1,035,030	1,043,867	66,287
Total Liabilities	\$ 87,464	\$ 1,047,746	\$ 1,056,207	\$ 79,003
 <b>ALL AGENCY FUNDS</b>				
<b>Assets</b>				
Cash	\$ 958,220	\$ 15,001,833	\$ 14,955,928	\$ 1,004,125
Due from other funds	155,306	79,420	92,080	142,646
Accounts receivable	1,077,308	2,436,076	2,340,846	1,172,538
Total Assets	2,190,834	17,517,329	17,388,854	2,319,309
<b>Liabilities</b>				
Due to other funds	250,182	170,654	186,068	234,768
Accounts payable	1,940,652	15,566,725	15,422,836	2,084,541
Total Liabilities	\$ 2,190,834	\$ 15,737,379	\$ 15,608,904	\$ 2,319,309

**City of Springdale, Arkansas**  
**Sales and Use Tax Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Year Ended December 31, 2007**

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final		Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes:				
Sales	\$ 13,894,000	\$ 13,894,000	\$ 11,366,121	\$ ( 2,527,879 )
Investment earnings	500,000	500,000	533,132	33,132
Miscellaneous	-	-	8,000	8,000
<b>Total Revenues</b>	<u>14,394,000</u>	<u>14,394,000</u>	<u>11,907,253</u>	<u>( 2,486,747 )</u>
<b>Expenditures</b>				
Capital Projects:				
Capital	15,400,000	15,400,000	4,444,171	10,955,829
<b>Total Capital Projects Expenditures</b>	<u>15,400,000</u>	<u>15,400,000</u>	<u>4,444,171</u>	<u>10,955,829</u>
Excess [Deficiency] of Revenues Over Expenditures	( 1,006,000 )	( 1,006,000 )	7,463,082	8,469,082
<b>Other Financing Sources [Uses]</b>				
Transfers out	( 4,711,930 )	( 4,744,405 )	( 3,714,208 )	1,030,197
Developers contributions	-	-	512,002	512,002
<b>Total Other Financing Sources [Uses]</b>	<u>( 4,711,930 )</u>	<u>( 4,744,405 )</u>	<u>( 3,202,206 )</u>	<u>1,542,199</u>
<b>Net Change in Fund Balance</b>	( 5,717,930 )	( 5,750,405 )	4,260,876	10,011,281
Fund balance beginning of year	10,986,283	10,986,283	10,986,283	-
<b>Fund Balance End of Year</b>	<u>\$ 5,268,353</u>	<u>\$ 5,235,878</u>	<u>\$ 15,247,159</u>	<u>\$ 10,011,281</u>

**City of Springdale, Arkansas**  
**2004 Street Improvement Bonds Construction Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Year Ended December 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variances
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Revenues</b>				
Investment earnings	\$ <u>800,000</u>	\$ <u>800,000</u>	\$ <u>969,894</u>	\$ <u>169,894</u>
Total Revenues	<u>800,000</u>	<u>800,000</u>	<u>969,894</u>	<u>169,894</u>
<b>Expenditures</b>				
Capital Projects:				
Capital	<u>37,900,000</u>	<u>37,900,000</u>	<u>34,485,915</u>	<u>3,414,085</u>
Total Capital Projects Expenditures	<u>37,900,000</u>	<u>37,900,000</u>	<u>34,485,915</u>	<u>3,414,085</u>
Excess [Deficiency] of Revenues Over Expenditures	( <u>37,100,000</u> )	( <u>37,100,000</u> )	( <u>33,516,021</u> )	<u>3,583,979</u>
<b>Other Financing Sources [Uses]</b>				
Developers contributions	<u>-</u>	<u>-</u>	<u>15,360</u>	<u>15,360</u>
Total Other Financing Sources [Uses]	<u>-</u>	<u>-</u>	<u>15,360</u>	<u>15,360</u>
Net Change in Fund Balance	( <u>37,100,000</u> )	( <u>37,100,000</u> )	( <u>33,500,661</u> )	3,599,339
Fund balance beginning of year	<u>34,155,239</u>	<u>34,155,239</u>	<u>34,155,239</u>	<u>-</u>
Fund Balance End of Year	\$ ( <u>2,944,761</u> )	\$ ( <u>2,944,761</u> )	\$ <u>654,578</u>	\$ <u>3,599,339</u>

**City of Springdale, Arkansas**  
**2006 Street Improvement Bonds Construction Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Year Ended December 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variances
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Revenues</b>				
Investment earnings	\$ <u>1,700,000</u>	\$ <u>1,700,000</u>	\$ <u>2,421,067</u>	\$ <u>721,067</u>
Total Revenues	<u>1,700,000</u>	<u>1,700,000</u>	<u>2,421,067</u>	<u>721,067</u>
<b>Expenditures</b>				
Capital Projects:				
Capital	<u>1,300,000</u>	<u>1,300,000</u>	<u>2,976,556</u>	( <u>1,676,556</u> )
Total Capital Projects Expenditures	<u>1,300,000</u>	<u>1,300,000</u>	<u>2,976,556</u>	( <u>1,676,556</u> )
Excess [Deficiency] of Revenues Over Expenditures	<u>400,000</u>	<u>400,000</u>	( <u>555,489</u> )	( <u>955,489</u> )
<b>Other Financing Sources [Uses]</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>865,211</u>	<u>865,211</u>
Total Other Financing Sources [Uses]	<u>-</u>	<u>-</u>	<u>865,211</u>	<u>865,211</u>
Net Change in Fund Balance	400,000	400,000	309,722	( 90,278 )
Fund balance beginning of year	<u>45,005,519</u>	<u>45,005,519</u>	<u>45,005,519</u>	<u>-</u>
Fund Balance End of Year	\$ <u><u>45,405,519</u></u>	\$ <u><u>45,405,519</u></u>	\$ <u><u>45,315,241</u></u>	\$ ( <u><u>90,278</u></u> )

**City of Springdale, Arkansas**  
**Baseball Stadium Construction Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Year Ended December 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variances
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Revenues</b>				
Investment earnings	\$ 1,000,000	\$ 1,000,000	\$ 1,924,298	\$ 924,298
Miscellaneous	<u>-</u>	<u>-</u>	<u>13,500</u>	<u>13,500</u>
Total Revenues	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,937,798</u>	<u>937,798</u>
<b>Expenditures</b>				
Capital Projects:				
Capital	<u>30,000,000</u>	<u>30,000,000</u>	<u>34,852,557</u>	<u>( 4,852,557 )</u>
Total Capital Projects Expenditures	<u>30,000,000</u>	<u>30,000,000</u>	<u>34,852,557</u>	<u>( 4,852,557 )</u>
Excess [Deficiency] of Revenues Over Expenditures	<u>( 29,000,000 )</u>	<u>( 29,000,000 )</u>	<u>( 32,914,759 )</u>	<u>( 3,914,759 )</u>
Net Change in Fund Balance	<u>( 29,000,000 )</u>	<u>( 29,000,000 )</u>	<u>( 32,914,759 )</u>	<u>( 3,914,759 )</u>
Fund balance beginning of year	<u>45,153,514</u>	<u>45,153,514</u>	<u>45,153,514</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 16,153,514</u>	<u>\$ 16,153,514</u>	<u>\$ 12,238,755</u>	<u>\$ ( 3,914,759 )</u>

**City of Springdale, Arkansas**  
**Debt Service Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Year Ended December 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes:				
Sales	\$ 13,894,000	\$ 13,894,000	\$ 11,366,121	\$ ( 2,527,879 )
Investment earnings	<u>250,000</u>	<u>250,000</u>	<u>235,508</u>	<u>( 14,492 )</u>
Total Revenues	<u>14,144,000</u>	<u>14,144,000</u>	<u>11,601,629</u>	<u>( 2,542,371 )</u>
<b>Expenditures</b>				
Debt Service:				
Principal	3,747,740	3,747,740	3,402,084	345,656
Interest	4,161,560	4,161,560	3,776,616	384,944
Other fees	-	-	6,500	( 6,500 )
Agent fees	<u>18,000</u>	<u>18,000</u>	<u>19,500</u>	<u>( 1,500 )</u>
Total Debt Service Expenditures	<u>7,927,300</u>	<u>7,927,300</u>	<u>7,204,700</u>	<u>722,600</u>
Excess [Deficiency] of Revenues Over Expenditures	<u>6,216,700</u>	<u>6,216,700</u>	<u>4,396,929</u>	<u>( 1,819,771 )</u>
<b>Other Financing Sources [Uses]</b>				
Transfers in	46,280	46,280	46,279	( 1 )
Transfers out	<u>-</u>	<u>-</u>	<u>( 865,211 )</u>	<u>( 865,211 )</u>
Total Other Financing Sources [Uses]	<u>46,280</u>	<u>46,280</u>	<u>( 818,932 )</u>	<u>( 865,212 )</u>
Net Change in Fund Balance	6,262,980	6,262,980	3,577,997	( 2,684,983 )
Fund balance beginning of year	<u>6,050,428</u>	<u>6,050,428</u>	<u>6,050,428</u>	<u>-</u>
Fund Balance End of Year	\$ <u><u>12,313,408</u></u>	\$ <u><u>12,313,408</u></u>	\$ <u><u>9,628,425</u></u>	\$ ( <u><u>2,684,983</u></u> )

**City of Springdale, Arkansas**  
**Public Library Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Year Ended December 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variances
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes:				
Ad valorem	\$ 32,000	\$ 32,000	\$ 24,658	\$ ( 7,342 )
Intergovernmental:				
State grants	-	-	280	280
County aid	846,600	846,600	832,217	( 14,383 )
Fines	60,000	60,000	69,778	9,778
Investment earnings	100	100	924	824
Miscellaneous	<u>113,000</u>	<u>113,000</u>	<u>99,288</u>	<u>( 13,712 )</u>
Total revenues	<u>1,051,700</u>	<u>1,051,700</u>	<u>1,027,145</u>	<u>( 24,555 )</u>
<b>Expenditures</b>				
Culture and recreation:				
Public Library				
Personnel	1,059,160	1,059,160	993,965	65,195
Maintenance	131,640	131,640	142,572	( 10,932 )
Supplies	466,350	466,350	463,292	3,058
Other	69,750	69,750	59,408	10,342
Capital	<u>17,000</u>	<u>17,000</u>	<u>6,029</u>	<u>10,971</u>
Total Public Library	<u>1,743,900</u>	<u>1,743,900</u>	<u>1,665,266</u>	<u>78,634</u>
Excess [Deficiency] of Revenues Over Expenditures	( 692,200 )	( 692,200 )	( 638,121 )	54,079
<b>Other Financing Sources [Uses]</b>				
Transfers in	<u>692,200</u>	<u>692,200</u>	<u>681,200</u>	<u>( 11,000 )</u>
Total Other Financing Sources [Uses]	<u>692,200</u>	<u>692,200</u>	<u>681,200</u>	<u>( 11,000 )</u>
Net Change in Fund Balance	-	-	43,079	43,079
Fund Balance Beginning of Year	( 4,812 )	( 4,812 )	( 4,812 )	-
Fund Balance End of Year	<u>\$ ( 4,812 )</u>	<u>\$ ( 4,812 )</u>	<u>\$ 38,267</u>	<u>\$ 43,079</u>

**City of Springdale, Arkansas**  
**Shiloh Museum Board Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Year Ended December 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variances
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Revenues</b>				
Fees and permits:				
Fees and memberships	\$ 20,000	\$ 20,000	\$ 21,404	\$ 1,404
Charges for goods and services	6,700	6,700	7,950	1,250
Investment earnings	80	80	82,869	82,789
Miscellaneous	<u>7,500</u>	<u>7,500</u>	<u>20,698</u>	<u>13,198</u>
Total revenues	<u>34,280</u>	<u>34,280</u>	<u>132,921</u>	<u>98,641</u>
<b>Expenditures</b>				
Culture and recreation:				
Shiloh Museum				
Personnel	900	900	-	900
Maintenance	1,800	1,800	1,935	( 135 )
Supplies	4,900	4,900	4,073	827
Other	21,180	21,180	29,152	( 7,972 )
Capital	<u>5,500</u>	<u>5,500</u>	<u>-</u>	<u>5,500</u>
Total Shiloh Museum	<u>34,280</u>	<u>34,280</u>	<u>35,160</u>	<u>( 880 )</u>
Net Change in Fund Balance	-	-	97,761	97,761
Fund Balance Beginning of Year	<u>1,017,556</u>	<u>1,017,556</u>	<u>1,017,556</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 1,017,556</u>	<u>\$ 1,017,556</u>	<u>\$ 1,115,317</u>	<u>\$ 97,761</u>

**City of Springdale, Arkansas**  
**District Court Costs Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Year Ended December 31, 2007**

	Budgeted Amounts		Actual Amounts	Variances Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Fees and permits:				
Filing fees	\$ 97,000	\$ 97,000	\$ 104,422	\$ 7,422
Installment plan fees	31,500	31,500	39,072	7,572
Intergovernmental:				
County aid	73,240	73,240	73,952	712
Investment earnings	1,500	1,500	12,771	11,271
Miscellaneous	150	150	227	77
Total revenues	<u>203,390</u>	<u>203,390</u>	<u>230,444</u>	<u>27,054</u>
<b>Expenditures</b>				
General government:				
Court Costs				
Personnel	606,310	606,310	603,984	2,326
Maintenance	8,860	8,860	9,275	( 415 )
Supplies	22,800	22,800	15,748	7,052
Other	16,100	16,100	14,944	1,156
Capital	35,500	56,855	4,760	52,095
Total Court Costs	<u>689,570</u>	<u>710,925</u>	<u>648,711</u>	<u>62,214</u>
Excess [Deficiency] of Revenues Over Expenditures	( 486,180 )	( 507,535 )	( 418,267 )	89,268
<b>Other Financing Sources</b>				
Transfers in	<u>444,520</u>	<u>444,520</u>	<u>460,485</u>	<u>15,965</u>
Net Change in Fund Balance	( 41,660 )	( 63,015 )	42,218	105,233
Fund Balance Beginning of Year	<u>105,809</u>	<u>105,809</u>	<u>105,809</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 64,149</u>	<u>\$ 42,794</u>	<u>\$ 148,027</u>	<u>\$ 105,233</u>

**City of Springdale, Arkansas**  
**Parks Activity Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Year Ended December 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variances
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Revenues</b>				
Charges for services:				
Activity fees	\$ 160,000	\$ 160,000	\$ 138,333	\$ ( 21,667 )
Investment earnings	500	500	1,390	890
Miscellaneous	<u>15,000</u>	<u>15,000</u>	<u>19,993</u>	<u>4,993</u>
Total revenues	<u>175,500</u>	<u>175,500</u>	<u>159,716</u>	<u>( 15,784 )</u>
<b>Expenditures</b>				
Culture and recreation:				
Parks Activity				
Personnel	93,250	93,250	111,925	( 18,675 )
Maintenance	-	-	4,684	( 4,684 )
Supplies	15,000	15,000	12,593	2,407
Other	18,200	18,200	4,408	13,792
Capital	<u>65,000</u>	<u>65,000</u>	<u>82,942</u>	<u>( 17,942 )</u>
Total Parks Activity	<u>191,450</u>	<u>191,450</u>	<u>216,552</u>	<u>( 25,102 )</u>
Net Change in Fund Balance	( 15,950 )	( 15,950 )	( 56,836 )	( 40,886 )
Fund Balance Beginning of Year	<u>102,301</u>	<u>102,301</u>	<u>102,301</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 86,351</u>	<u>\$ 86,351</u>	<u>\$ 45,465</u>	<u>\$ ( 40,886 )</u>

**City of Springdale, Arkansas**  
**Municipal Airport Fund**  
**Schedule of Revenues, Expenses/Expenditures, and Changes in Net Assets-Budget and Actual**  
**Year Ended December 31, 2007**

	Budgeted Amounts		Actual GAAP Basis	Adjustments to Budget Basis	Actual Budget Basis	Variances Final Budget Positive (Negative)
	Original	Final				
<b>Operating Revenues</b>						
Charges for services:						
Rental fees	\$ 206,720	\$ 206,720	\$ 213,966	\$ -	\$ 213,966	\$ 7,246
Fuel flowage fees	66,000	66,000	52,617	-	52,617	( 13,383 )
Other service fees	10,800	10,800	11,646	-	11,646	846
Total Operating Revenues	<u>283,520</u>	<u>283,520</u>	<u>278,229</u>	<u>-</u>	<u>278,229</u>	<u>( 5,291 )</u>
<b>Operating Expenses</b>						
Personnel	95,630	95,630	89,724	-	89,724	5,906
Maintenance	51,750	51,750	41,888	-	41,888	9,862
Supplies	66,500	66,500	55,161	-	55,161	11,339
Other	93,650	93,650	101,416	-	101,416	( 7,766 )
Depreciation expense	-	-	207,143	( 207,143 )	-	-
Total Operating Expenses	<u>307,530</u>	<u>307,530</u>	<u>495,332</u>	<u>( 207,143 )</u>	<u>288,189</u>	<u>19,341</u>
Operating Income [Loss]	<u>( 24,010 )</u>	<u>( 24,010 )</u>	<u>( 217,103 )</u>	<u>207,143</u>	<u>( 9,960 )</u>	<u>14,050</u>
<b>Nonoperating Revenues [Expenditures]</b>						
Capital expenditures	-	-	-	( 850,725 )	( 850,725 )	( 850,725 )
Net Nonoperating Revenues [Expenditures]	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 850,725 )</u>	<u>( 850,725 )</u>	<u>( 850,725 )</u>
Income [Loss] Before Capital Contributions and Transfers	<u>( 24,010 )</u>	<u>( 24,010 )</u>	<u>( 217,103 )</u>	<u>( 643,582 )</u>	<u>( 860,685 )</u>	<u>( 836,675 )</u>
Capital grants and contributions	8,400	8,400	384,565	-	384,565	376,165
Transfers in	-	-	80,112	-	80,112	80,112
Change in Net Assets	<u>( 15,610 )</u>	<u>( 15,610 )</u>	<u>247,574</u>	<u>( 643,582 )</u>	<u>( 396,008 )</u>	<u>( 380,398 )</u>
Total Net Assets Beginning of Year *	<u>4,613,321</u>	<u>4,613,321</u>	<u>4,613,321</u>	<u>4,613,321</u>	<u>4,613,321</u>	<u>-</u>
Total Net Assets End of Year	<u>\$ 4,597,711</u>	<u>\$ 4,597,711</u>	<u>\$ 4,860,895</u>	<u>\$ 3,969,739</u>	<u>\$ 4,217,313</u>	<u>\$ ( 380,398 )</u>

**City of Springdale, Arkansas**  
**Aquatic Center Fund**  
**Schedule of Revenues, Expenses/Expenditures, and Changes in Net Assets-Budget and Actual**  
**Year Ended December 31, 2007**

	<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>				
<b>Operating Revenues</b>						
Charges for services:						
Activity fees	\$ 215,000	\$ 215,000	\$ 164,143	\$ -	\$ 164,143	\$ ( 50,857 )
Concessions	6,000	6,000	2,430	-	2,430	( 3,570 )
Rental fees	1,600	1,600	1,605	-	1,605	5
Other service fees	-	-	865	-	865	865
	<u>222,600</u>	<u>222,600</u>	<u>169,043</u>	<u>-</u>	<u>169,043</u>	<u>( 53,557 )</u>
Total Operating Revenues						
<b>Operating Expenses</b>						
Personnel	115,440	115,440	102,166	-	102,166	13,274
Maintenance	28,000	28,000	30,259	-	30,259	( 2,259 )
Supplies	46,300	46,300	35,541	-	35,541	10,759
Other	5,400	5,400	3,880	-	3,880	1,520
Depreciation expense	-	-	208,989	( 208,989 )	-	-
	<u>195,140</u>	<u>195,140</u>	<u>380,835</u>	<u>( 208,989 )</u>	<u>171,846</u>	<u>23,294</u>
Total Operating Expenses						
Operating Income [Loss]	<u>27,460</u>	<u>27,460</u>	<u>( 211,792 )</u>	<u>208,989</u>	<u>( 2,803 )</u>	<u>( 30,263 )</u>
<b>Nonoperating Revenues [Expenditures]</b>						
Contributions	-	-	3,455	-	3,455	3,455
Gain on disposal of assets	-	-	92	-	92	92
Interest income	15,000	15,000	18,684	-	18,684	3,684
Capital expenditures	( 40,000 )	( 40,000 )	-	( 5,613 )	( 5,613 )	34,387
	<u>( 25,000 )</u>	<u>( 25,000 )</u>	<u>22,231</u>	<u>( 5,613 )</u>	<u>16,618</u>	<u>41,618</u>
Net Nonoperating Revenues [Expenditures]						
Change in Net Assets	2,460	2,460	( 189,561 )	203,376	13,815	11,355
Total Net Assets Beginning of Year *	<u>2,987,300</u>	<u>2,987,300</u>	<u>2,987,300</u>	<u>2,987,300</u>	<u>2,987,300</u>	<u>-</u>
Total Net Assets End of Year	<u>\$ 2,989,760</u>	<u>\$ 2,989,760</u>	<u>\$ 2,797,739</u>	<u>\$ 3,190,676</u>	<u>\$ 3,001,115</u>	<u>\$ 11,355</u>

**City of Springdale, Arkansas**  
**Parks Soccer Program Fund**  
**Schedule of Revenues, Expenses/Expenditures, and Changes in Net Assets-Budget and Actual**  
**Year Ended December 31, 2007**

	<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>				
<b>Operating Revenues</b>						
Charges for services:						
Activity fees	\$ 95,000	\$ 95,000	\$ 81,253	\$ -	\$ 81,253	\$ ( 13,747 )
<b>Total Operating Revenues</b>	<u>95,000</u>	<u>95,000</u>	<u>81,253</u>	<u>-</u>	<u>81,253</u>	<u>( 13,747 )</u>
<b>Operating Expenses</b>						
Personnel	40,960	40,960	48,308	-	48,308	( 7,348 )
Maintenance	7,000	7,000	6,162	-	6,162	838
Supplies	20,200	20,200	24,039	-	24,039	( 3,839 )
Other	15,500	15,500	8,377	-	8,377	7,123
Depreciation	-	-	2,909	( 2,909 )	-	-
<b>Total Operating Expenses</b>	<u>83,660</u>	<u>83,660</u>	<u>89,795</u>	<u>( 2,909 )</u>	<u>86,886</u>	<u>( 3,226 )</u>
Operating Income [Loss]	<u>11,340</u>	<u>11,340</u>	<u>( 8,542 )</u>	<u>2,909</u>	<u>( 5,633 )</u>	<u>( 16,973 )</u>
<b>Nonoperating Revenues [Expenditures]</b>						
Contributions	5,600	5,600	6,533	-	6,533	933
Interest income	500	500	3,398	-	3,398	2,898
Capital expenditures	( 11,000 )	( 11,000 )	-	( 10,500 )	( 10,500 )	500
Net Nonoperating Revenues [Expenditures]	<u>( 4,900 )</u>	<u>( 4,900 )</u>	<u>9,931</u>	<u>( 10,500 )</u>	<u>( 569 )</u>	<u>4,331</u>
Change in Net Assets	6,440	6,440	1,389	( 7,591 )	( 6,202 )	( 12,642 )
Total Net Assets Beginning of Year	<u>133,806</u>	<u>133,806</u>	<u>133,806</u>	<u>133,806</u>	<u>133,806</u>	<u>-</u>
Total Net Assets End of Year	\$ <u>140,246</u>	\$ <u>140,246</u>	\$ <u>135,195</u>	\$ <u>126,215</u>	\$ <u>127,604</u>	\$ <u>( 12,642 )</u>

**City of Springdale, Arkansas**  
**Sanitation Fund**  
**Schedule of Revenues, Expenses/Expenditures, and Changes in Net Assets-Budget and Actual**  
**Year Ended December 31, 2007**

	Budgeted Amounts		Actual GAAP Basis	Adjustments to Budget Basis	Actual Budget Basis	Variances Final Budget Positive (Negative)
	Original	Final				
<b>Operating Revenues</b>						
Charges for services:						
Bulky waste fees	\$ 54,000	\$ 54,000	\$ 52,321	\$ -	\$ 52,321	\$ ( 1,679 )
Total Operating Revenues	<u>54,000</u>	<u>54,000</u>	<u>52,321</u>	<u>-</u>	<u>52,321</u>	<u>( 1,679 )</u>
<b>Operating Expenses</b>						
Personnel	33,320	33,320	31,812	-	31,812	1,508
Maintenance	1,000	1,000	23	-	23	977
Supplies	6,500	6,500	1,928	-	1,928	4,572
Other	2,500	2,500	4,333	-	4,333	( 1,833 )
Depreciation	<u>-</u>	<u>-</u>	<u>5,050</u>	<u>( 5,050 )</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>43,320</u>	<u>43,320</u>	<u>43,146</u>	<u>( 5,050 )</u>	<u>38,096</u>	<u>5,224</u>
Operating Income [Loss]	<u>10,680</u>	<u>10,680</u>	<u>9,175</u>	<u>5,050</u>	<u>14,225</u>	<u>3,545</u>
<b>Nonoperating Revenues [Expenditures]</b>						
Capital expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 101,000 )</u>	<u>( 101,000 )</u>	<u>( 101,000 )</u>
Net Nonoperating Revenue [Expenditures]	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 101,000 )</u>	<u>( 101,000 )</u>	<u>( 101,000 )</u>
Income [Loss] Before Capital Contributions	<u>10,680</u>	<u>10,680</u>	<u>9,175</u>	<u>( 95,950 )</u>	<u>( 86,775 )</u>	<u>( 97,455 )</u>
Capital contributions	<u>-</u>	<u>-</u>	<u>101,000</u>	<u>-</u>	<u>101,000</u>	<u>101,000</u>
Change in Net Assets	10,680	10,680	110,175	( 95,950 )	14,225	3,545
Total Net Assets Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Assets End of Year	<u>\$ 10,680</u>	<u>\$ 10,680</u>	<u>\$ 110,175</u>	<u>\$ ( 95,950 )</u>	<u>\$ 14,225</u>	<u>\$ 3,545</u>

**City of Springdale, Arkansas**  
**Bluff Cemetery Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Year Ended December 31, 2007**

	<u>Budgeted Amounts</u>		Actual Amounts	Variances
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Revenues</b>				
Charges for goods:				
Cemetery lots	\$ 40,000	\$ 40,000	\$ 49,625	\$ 9,625
Investment earnings	<u>23,520</u>	<u>23,520</u>	<u>26,667</u>	<u>3,147</u>
Total revenues	<u>63,520</u>	<u>63,520</u>	<u>76,292</u>	<u>12,772</u>
<b>Expenditures</b>				
General government:				
Cemetery				
Personnel	23,520	23,520	30,750	( 7,230 )
Maintenance	8,100	8,100	3,139	4,961
Supplies	1,200	1,200	122	1,078
Other	1,200	1,200	1,532	( 332 )
Capital	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Total Bluff Cemetery	<u>49,020</u>	<u>49,020</u>	<u>35,543</u>	<u>13,477</u>
Net Change in Fund Balance	14,500	14,500	40,749	26,249
Fund Balance Beginning of Year	<u>584,243</u>	<u>584,243</u>	<u>584,243</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 598,743</u>	<u>\$ 598,743</u>	<u>\$ 624,992</u>	<u>\$ 26,249</u>

## City of Springdale, Arkansas

### Notes to Supplementary Information December 31, 2007

#### **Stewardship, Compliance and Accountability**

##### ***Excess of Expenditures Over Appropriations***

For the year ended December 31, 2007, expenditures exceeded appropriations in the 2006 Street Improvement Construction Fund by \$1,676,556, and in the Baseball Stadium Fund by \$4,852,557. In addition, expenditures exceeded appropriations in the Shiloh Museum Board Fund by \$880, in the Parks Activity Fund by \$25,102, and the Parks Soccer Program Fund by \$3,226. These overexpenditures were funded by available fund balances. The Council did not make any supplementary appropriations related to these expenditures.

##### ***Deficit Fund Balance***

The Community Development Block Grant Fund had a deficit fund balance of \$1,624 as of December 31, 2007. 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.

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

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

# LUNDYALLARD

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH ARKANSAS STATE REQUIREMENTS

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, 2007.

1. Municipal Accounting Law of 1973, §14-59-101 et seq, (Arkansas Statutes 19-5301 – 19-5317);
2. Arkansas District Courts and City Courts Accounting Law, §16-10-201 et seq, (Arkansas Statutes 22-1101 – 22-1108);
3. Improvement contracts, §§22-9-202 – 22-9-204 (Arkansas Statutes 14-611 – 14-614);
4. Budgets, purchases, and payments of claims, etc., § 14-58-201 et seq and 14-58-301 et seq (Arkansas Statutes 19-4421 – 19-4430);
5. Investment of public funds, §19-1-501 et seq, (Arkansas Statutes 13-901 – 13-904); and
6. Deposit of public funds, §§19-8-101 – 19-8-107, (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, the City of Springdale, Arkansas complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2007.

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

September 5, 2008

INDEPENDENT AUDITOR'S 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*

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## **INDEPENDENT AUDITOR'S 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, City Council and Management  
of the City of Springdale, Arkansas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Springdale, Arkansas, as of and for the year ended December 31, 2007, which collectively comprise the City of Springdale, Arkansas' basic financial statements and have issued our report thereon dated September 5, 2008. 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 of Springdale, Arkansas' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Springdale, Arkansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Springdale, Arkansas' internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. (2007-1 through 2007-4)

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that 2007-2 through 2007-4 are considered material weaknesses.

### Compliance and Other Matters

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

City of Springdale, Arkansas' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Springdale, Arkansas' responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Honorable Mayor, City Council and management, and others within the organization, 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

September 5, 2008

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**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**

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**LUNDYALLARD**  
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**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, 2007. 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, 2007.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Springdale, Arkansas' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities 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

September 5, 2008

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Grantors Number</b>	<b>Pass-Through Federal Expenditures</b>
<b>U.S. Department of Housing and Urban Development</b>			
Community Development Block Grant	14.218	B-07-MC-05-002	\$ 525,112
<b>U.S. Department of Transportation</b>			
Passed through Arkansas State Police:			
Selective Traffic Enforcement Project	20.600	OP-2007-03-02-24	28,158
Selective Traffic Enforcement Project	20.600	OP-2008-03-02-32	11,527
Total U.S. Department of Transportation			<u>39,685</u>
<b>U.S. Department of Homeland Security</b>			
Emergency Preparedness & Response			
Directorate's Assistance to Firefighters Grant Program	97.044	EMW-2004-FG- 03518	216,453
<b>U.S. Department of Treasury Local, County and State Law</b>			
Enforcement Agency Customs	N/A	N/A	2,580
Drug Enforcement Administration	N/A	N/A	4,664
			<u>7,244</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 788,494</u>

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

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

**SCHEDULE OF EXPENDITURES OF STATE AWARDS AND OTHER ASSISTANCE  
 FOR THE YEAR ENDED DECEMBER 31, 2007**

<b>State Awards</b>	<b>Grantors Number</b>	<b>State Expenditures</b>
<b>Arkansas State Police</b>		
Child Passenger Protection Fund	OP-2007-03-02-24	\$ 1,107
Child Passenger Protection Fund	OP-2008-03-02-32	10,000
Total Arkansas State Police		<u>11,107</u>
<b>Arkansas Fire Prevention Commission</b>		
	N/A	<u>1,500</u>
<b>Arkansas Department of Arts &amp; Humanities</b>		
Library Grant	08W-0021785	180
Library Grant - Spanish	N/A	100
Total Arkansas Department of Arts & Humanities		<u>280</u>
<b>Arkansas Department of Aeronautics</b>		
State Airport Aid Grant (site work and apron)	2343-06	58,840
State Airport Aid Grant (6 bay hanger)	2342-06	250,000
State Airport Aid Grant (equipment and taxi lighting)	2499-07	67,325
		<u>376,165</u>
<b>State of Arkansas - Passed through the Area Agency on Aging Elderly Taxi Program - Cigarette Tax</b>		
	N/A	<u>4,185</u>
<b>Total Expenditures of State Awards</b>		<u>\$ 393,237</u>
<b>Other Assistance</b>		
	<b>Grantors Number</b>	<b>Other Expenditures</b>
Justice Assistance Grant - passed	N/A	\$ 19,050
DLEP - Passed through the City of Fayetteville, Arkansas	N/A	<u>28,929</u>
		<u>\$ 47,979</u>

**City of Springdale, Arkansas**

**Notes to Schedules of Expenditures of Federal and State Awards  
December 31, 2007**

**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:

<b>Program Title</b>	<b>CFDA Number</b>	<b>Subrecipient</b>	<b>Amount</b>
Community Development Block Grant	14.218	Bread of Life	\$ 30,000
		EOA Housing	10,000
		Community Clinic	37,244
		Senior Center	2,208
		Rebuilding Together	<u>30,000</u>
			<u>\$109,452</u>

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**CITY OF SPRINGDALE, ARKANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**Summary of Audit Results**

1. The independent auditors' report expresses an unqualified opinion on the general purpose financial statements of the City of Springdale, Arkansas.
2. The independent auditors' report on internal control over financial reporting described:
  - a. Significant deficiency noted that are not considered to be a material weakness: 2007-1
  - b. Significant deficiencies noted considered material weaknesses: 2007-2, 2007-3 and 2007-4
3. No instances of noncompliance material to the financial statements of the City of Springdale, Arkansas were disclosed during the audit.
4. The independent auditors' report on internal control noted no significant deficiencies or material weakness during the audit of the major federal award program.
5. The independent 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. The audit disclosed no findings required to be reported by OMB Circular A-133.
7. The program tested as a major program included:

CDBG

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**

Significant Deficiencies:

2007-1:

We noted that in the Hot Check Fund, that personal money of the clerk was used to make change for collections. We also noted that deposits were not taken to the bank in a timely manner and in some cases were taken only every few weeks.

Recommendation:

We recommend that a petty cash account be set up for the Hot Check Fund so that personal monies are not used to make change for collections. We also recommend that deposits are taken to the bank on a daily basis.

Views of Responsible Officials and Planned Corrective Actions:

The City Attorney Hot Check Fund has set up a cash drawer for making change. The clerk in the City Attorney's office will now make weekly deposits, unless she has over \$1,000. If she receives \$1,000 or more, she will make a deposit.

Material Weaknesses:

2007-2:

We noted that the City is under collateralized on its monies held in financial institutions in two separate banks. Total under collateralization as of 12/31/07 is \$1,072,704.

Recommendation:

We recommend that the City receive monthly collateralization reports from banks. This will allow the City to make changes in a timely manner.

Views of Responsible Officials and Planned Corrective Actions:

Further review by City staff noted that December was the only month the City had uncollateralized deposits. This situation was corrected in January. The primary cause of the uncollateralized deposits in December was large sales tax deposits which are received at the end of each month. In addition, the Sales and Use Tax Fund's expenditures were not as great as cash flow projections estimated they would be for December 2007. The City Clerk/Treasurer has contacted both banks regarding this issue. The City has requested that one person be responsible at each bank to ensure that all the City's deposits in our checking accounts are collateralized at all times. Both banks are now aware that large deposits (in excess of \$1,000,000) are received the last week of each month. The City has also requested monthly collateralization reports, which include the market value of the securities pledged, in order to more closely monitor the City's collateralized deposits.

2007-3:

We noted a prior period adjustment was made in the General Fund to correct prior year revenue from the collection of ambulance fees.

Recommendation:

We recommend that management implement measures to review pertinent financial information on a timely basis.

Views of Responsible Officials and Planned Corrective Actions:

Management has discussed this issue with the clerk responsible for billing ambulance fees. The ambulance clerk was on vacation during the first week of 2006, so a different person ran the year end accounts receivable and other reports. This person did not specify the correct parameters for the reports, which resulted in a year end adjustment that was incorrect. For 2007, the correct parameters were used for the year end reports, so the prior year adjustment had to be reversed. The ambulance software has been upgraded so that year end reports will be consistent from year to year. This should take care of this issue.

2007-4:

We noted that the Sales and Use Tax, Baseball Stadium Construction and 2006 Street Improvements Funds all required material adjustments to accounts payable. Total adjustment to accounts payable and retainage for the three funds totaled \$592,302.

Recommendation:

We recommend that management implement measures to review pertinent financial information on a timely basis.

Views of Responsible Officials and Planned Corrective Actions:

Management does not agree that this is a significant deficiency. The City's cut off date for posting accounts payable for the year is the end of January of the following year. Material invoices received after January 31st are recorded as a prior year payable using an adjusting journal entry. The invoices in question were not received until the latter part of February. The City does not believe this is a problem, and will continue to record accounts payable in this manner. Additionally, management does not agree that the amounts were material for these funds. The City was in the construction phases of three major east-west corridors, a baseball stadium, as well as other large street improvement projects. From November 2007 through January 2008, the three funds mentioned averaged \$10,000,000 in monthly expenditures. The City does not believe that a \$200,000 invoice is material in relation to the monthly expenditures during that time period.

**Findings Required to be Reported by OMB Circular A-133**

No matters are reportable.

**Summary of Prior Audit Findings, Year Ended December 31, 2006**

No matters are reportable.