

**CITY OF SPRINGDALE, ARKANSAS**

**December 31, 2010**

**Financial Statements  
And  
Supplementary Information**

**With**

**Independent Auditor's Report**

**Notes to Financial Statements****December 31, 2010****7. Pension Plans (cont.)**

The FRPF provides retirement benefits for firemen who have completed 20 years of service. Disability benefits are available to firemen who become permanently disabled, unless the disability is the direct result of gainful employment performed outside of the fire department. The FRPF 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 FRPF is effectively closed to new members.

Contributions to the FRPF are set forth in Arkansas Code. The City's contribution to the FRPF 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 (6%) of the firemen's salaries. Participants also contribute six percent (6%) of their salaries. Participant contributions are returned without interest if the participant terminates covered employment. Contribution provisions applicable to the FRPF are established by Arkansas code and may not be less than six percent (6%). Accounting and administrative services are performed by personnel of the City at no charge to the FRPF. Total contributions to the FRPF in 2010 were \$540,963. The City's share of contributions was \$516,359 and included \$466,303 in property taxes, \$42,344 in state insurance premium taxes and employer contribution match of \$7,712.

As of December 31, 2009, the most recent actuarial valuation date, the FRPF was 49.9% funded. The actuarial accrued liability for benefits was \$18,480,675 and the actuarial value of assets was \$9,228,871, resulting in an actuarial unfunded accrued liability of \$9,251,804. The covered payroll (annual payroll of active employees covered by the plan) was \$119,739, and the ratio of the unfunded actuarial liability to annual covered payroll was 7726.7%.

**Policemen's Pension and Relief Fund**

The PPRF 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 PPRF provides retirement benefits for policemen who have completed 20 years of service. Disability benefits are available to policemen who become permanently disabled, unless the disability is the direct result of gainful employment performed outside of the police department. The PPRF 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 PPRF is effectively closed to new members.

## Notes to Financial Statements

December 31, 2010

7. Pension Plans (cont.)

Contributions to the PPRF are set forth in Arkansas Code. The City's contribution to the PPRF 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 (10%) of fines and forfeitures collected, and proceeds derived from the sale of confiscated goods. Employer and employee contributions are no longer required as there are no active employees. 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 PPRF. Total contributions to the PPRF were \$689,972 in 2010. The City's share of contributions was \$616,294 and included \$466,303 in property taxes \$76,939 in state insurance premium taxes, and \$73,053 in fines and forfeitures.

As of December 31, 2009, the most recent actuarial valuation date, the PPRF was 45.4% funded. The actuarial accrued liability for benefits was \$18,223,504 and the actuarial value of assets was \$8,264,893, resulting in an actuarial unfunded accrued liability of \$9,958,611. The PPRF has no covered payroll as there are no active employees.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions*

The annual required contributions to the Plans for 2010 were determined as a part of actuarial studies as of December 31, 2009, using the entry age normal actuarial cost method. The actuarial assumptions included (a) 5% investment rate of return, (b) projected salary increases ranging from 4% to 8% per year, and (c) postretirement benefit increases of 0%. Items (a) and (b) included an inflation component of 4%. The actuarial value of assets was determined using the market value of investments.

**Three-Year Trend Information**

	<u>Year Ended</u>	Annual Pension Cost ("APC")	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
Firemen's Relief and Pension Fund	12/31/2007	\$ 860,502	66.1%	\$ 2,571,311
	12/31/2008	523,721	102.3%	2,559,360
	12/31/2009	846,552	71.0%	2,805,101
Policemen's Pension and Relief Fund	12/31/2007	\$ 660,596	110.0%	\$ 107,831
	12/31/2008	940,176	72.7%	364,670
	12/31/2009	1,625,126	46.9%	1,227,999

## Notes to Financial Statements

December 31, 2010

7. **Pension Plans (cont.)**

Actuarial valuations for the FRPF and PPRF are performed biannually. Listed below are the City's projected annual pension cost and the net pension obligation from the 2009 actuarial reports.

	<u>2009 Annual Pension Cost and Net Pension Obligation</u>	
	<u>Firemen's Relief and Pension Fund</u>	<u>Policemen's Pension and Relief Fund</u>
Annual required contribution	\$ 1,227,736	\$ 1,679,439
Interest on net pension obligation	179,155	25,527
Adjustment to annual required contribution	<u>(560,340)</u>	<u>(79,840)</u>
Annual pension cost	846,551	1,625,126
Contributions made	<u>(600,811)</u>	<u>(761,796)</u>
Increase in net pension obligation	245,740	863,330
Net pension obligation - beginning of year	<u>2,559,360</u>	<u>364,670</u>
Net pension obligation - end of year	<u>\$ 2,805,100</u>	<u>\$ 1,228,000</u>

8. **Retirement Plans***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 ("IRC"). 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 nonuniformed City employees 18 years of age or older and who have 30 days service with the City. Employees contribute 3% of their salaries to the plan, and the City contributes 6%. There are no voluntary contributions. For the year ended December 31, 2010, employer and employee contributions to the plan were \$394,426 and \$197,214, 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.

**Notes to Financial Statements****December 31, 2010****8. Retirement Plans (cont.)**

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 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. The 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. The LOPFI issues a publicly available financial report that includes financial statements and required supplementary information of the Plan, which may be obtained from the Arkansas Local Police and Fire Retirement System, P.O. Drawer 34164, Little Rock, Arkansas 72203.

Contribution requirements are set forth in Arkansas state statute. Participating firemen are required to contribute eight and one-half percent (8.5%) of annual covered salary. Participating policemen are required to contribute two and one-half percent (2.5%) of annual covered salary. The City is required to contribute at an actuarially determined rate, which for 2010 was 16.86% for paid firemen and 18.21% for paid policemen. At December 31, 2010, there were 108 active paid firemen and 116 active paid policemen, and covered payroll was \$4,943,744 and \$4,844,815, respectively.

As of December 31, 2009, the most recent actuarial valuation date, the firemen's portion of the fund was 75% funded. The actuarial accrued liability for benefits was \$17,081,282 and the actuarial value of assets was \$12,821,925, resulting in an actuarial unfunded accrued liability of \$4,259,357. The covered payroll (annual payroll of active employees covered by the plan) was \$4,565,618 and the ratio of the unfunded actuarial liability to annual covered payroll was 93%.

As of December 31, 2009, the most recent actuarial valuation date, the policemen's portion of the fund was 52% funded. The actuarial accrued liability for benefits was \$12,894,227 and the actuarial value of assets was \$6,689,322, resulting in an actuarial unfunded accrued liability of \$6,204,905. The covered payroll (annual payroll of active employees covered by the plan) was \$4,671,124 and the ratio of the unfunded actuarial liability to annual covered payroll was 133%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

## Notes to Financial Statements

December 31, 2010

8. Retirement Plans (cont.)

For 2010, the City's annual pension cost was \$833,515 for paid firemen and \$822,240 for paid policemen, which was equal to the required and actual contributions. The required contribution was determined as part of the December 31, 2007 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 6.0% per year, attributable to seniority/merit, (d) pre- and post- retirement mortality based on the RP-2000 Combined Projected to 2007 Group Annuity Mortality table, set forward two years for men, and (e) annual compounded post-retirement increases of 3.0% per 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, 2007 was 30 years.

**Three-Year Trend Information**

	<u>Year Ended</u>	<u>APC</u>	Percentage of APC <u>Contributed</u>	<u>Net Pension Obligation</u>
LOPFI - Firemen	12/31/2008	\$ 795,405	100.0%	\$ -
	12/31/2009	778,297	100.0%	-
	12/31/2010	833,515	100.0%	-
LOPFI - Policemen	12/31/2008	\$ 873,948	100.0%	\$ -
	12/31/2009	854,582	100.0%	-
	12/31/2010	882,240	100.0%	-

*District Judges and Court Clerk's Retirement System*

On January 1, 2005, the district judge became a member of the ADJRS, a state administered defined benefit plan. Employer contributions for 2010 were 16.0% of covered payroll for January through June, and 23.35% of covered payroll from July through December; the judge's contribution rate was 5%. The annual pension cost and covered payroll were \$21,642 and \$110,000, respectively, for 2010. The judge's contribution was \$5,500 for 2010. There is one retired clerk receiving benefits from ADJRS.

On January 1, 2005, the district court clerk became a member of the APERS, a state administered defined benefit plan. Employer contributions for 2010 were 11.0% of covered payroll for January through June, and 12.46% of covered payroll from July through December; the court clerk's contribution rate was 5%. The annual pension cost and covered payroll were \$5,334 and \$45,474, respectively, for 2010. The court clerk's contribution was \$2,274 for 2010.

## Notes to Financial Statements

December 31, 2010

8. Retirement Plans (cont.)*Pension Plan – Discretely Presented Component Unit*

The Commission 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 Commission. The trustee and plan administrator, Arvest Trust Company, N.A., is responsible for the investment of the plan assets and administration of the plan.

To participate in the plan, an employee must be age 20½, 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 employer contributions and interest thereon is determined as follows: 20% vested after two years of participation and an additional 10% each year thereafter until the participant is vested 100% after 10 years of service.

Participant's normal retirement age shall be the latter 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 15-year period.

Employee contributions are three percent (3%) of base monthly compensation. Employees may voluntarily contribute additional amounts up to ten percent (10%) of base monthly compensation. The employer contributes six percent (6%) of the employee's base monthly compensation for each plan participant.

The Commission accounts for its current employee contributions as pension costs in the year paid. For the year ended September 30, 2010, the Commission's total payroll, covered payroll and contributions were as follows:

Total payroll	\$ 3,838,777
Covered payroll	\$ 3,630,410
Employer contributions	
Amount	\$ 175,501
Percentage of covered payroll	4.83%
Employee contributions	
Amount	\$ 100,587
Percentage of covered payroll	2.77%

**Notes to Financial Statements****December 31, 2010****9. 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 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 \$16,500. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

*Deferred Compensation Plan – Discretely Presented Component Unit*

Employees of the Commission are eligible to participate in a deferred compensation plan adopted in January 1976, created in accordance with the 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 Commission until paid to the employees, subject only to the claims of the Commission's general creditors. The Commission makes no contributions to this plan. The only contributions to the plan are employee elective deferrals.

**10. Other Postemployment Benefits***Plan Description*

The City sponsors and administers an informal single-employer defined benefit healthcare plan. Arkansas statute provides that any municipal city official or employee vested in any of the City's retirement plans with 20 years of service and attains 55 years of age may continue to participate in the City's healthcare plan after retirement. The State of Arkansas has the authority to establish and amend the requirements of the statute. The City does not issue stand alone financial statements of the plan; however, all required information is presented in this report.

*Funding Policy*

The contribution requirements of plan members are established by the City Council and may be amended as needed. Plan members pay the entire cost of monthly insurance premiums at the same rate charged to active employees and receive a benefit from the blended premium rate from all of the employees participating in the City's health insurance plans. The cost of retiree healthcare benefits is financed on a pay-as-you-go basis, and is recorded as an expense in the applicable fund as liabilities are incurred. As of January 1, 2010, the date of the actuarial valuation, the plan has 10 active participants who pay monthly premiums between \$335 for single coverage to \$677 for retiree/spouse coverage.

## Notes to Financial Statements

December 31, 2010

10. Other Postemployment Benefits (cont.)*Annual OPEB Cost and net OPEB Obligation*

The City's annual OPEB expense is calculated based on the annual required contribution ("ARC") of the employer, and amount actuarially determined in accordance with the parameters of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities ("UAAL") over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

ARC	\$ 402,948
Interest on net OPEB obligation	25,457
Adjustment to annual required contribution	<u>(21,106)</u>
Annual OPEB cost	407,299
Total annual employer contribution (PAYGO cost)	<u>(72,034)</u>
Increase in net OPEB obligation	335,265
Net OPEB obligation - beginning of year	<u>565,704</u>
 Net OPEB obligation - end of year	 <u>\$ 900,969</u>

The net OPEB obligation is recorded in the government-wide statement of net assets as noncurrent liabilities due in more than one year for governmental activities.

The components of the ARC calculation reflecting a 30-year amortization period is as follows:

Normal cost	\$ 278,958
Amortization of UAAL	106,638
Interest cost	<u>17,352</u>
 Annual required contribution	 <u>\$ 402,948</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2008	\$ 346,273	18.8%	\$ 281,160
12/31/2009	352,587	19.3%	565,704
12/31/2010	407,299	17.7%	900,969

## Notes to Financial Statements

December 31, 2010

10. **Other Postemployment Benefits (cont.)***Funded Status and Funding Progress*

As of January 1, 2010, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$2,986,785 and the actuarial value of assets was zero, resulting in an UAAL of \$2,986,785. The covered payroll was \$17,473,279 and the ratio of the UAAL to the covered payroll was 17.1%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2010 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5% investment rate of return based upon funding the plan in the future and an annual healthcare cost trend rate of 9% for 2011, reduced by decrements to an ultimate rate of 5.0% in 2019. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The amortization period was 30 years at December 31, 2010.

*Discretely Presented Component Unit*

The Commission does not offer postemployment benefits and does not offer postretirement benefits other than pensions.

11. **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.

**Notes to Financial Statements****December 31, 2010****11. Risk Management (cont.)**

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 workers’ 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 \$3,000 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 2009 to 2010, nor have settlement amounts exceeded insurance coverage for each of the past three years.

**12. 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, 2010 property taxes receivable and related deferred revenues of \$5,040,479 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% 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 levied by the City in 2010 to finance the above operations was \$0.57 per \$100 of assessed valuation on real and personal property, leaving a tax margin of \$0.63 per \$100 of assessed valuation on real and personal property. Approximately \$6,062,000 of additional taxes could be raised per year based on the current year’s assessed value of \$745,234,059 for real property and \$216,974,462 for personal property before the limit is reached.

## Notes to Financial Statements

December 31, 2010

13. 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 \$8,086,274 for 2010 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 (50%) and general municipal operations and maintenance (50%). 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 \$9,584,213 for 2010, 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 \$448,564 for 2010 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's 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 \$9,594,885 for 2010 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.

In April 2009, the Arkansas General Assembly passed Act 840 of 2009 regarding the disposition of city and county sales taxes on aviation fuel. Act 840 stated that money collected that is derived from a tax on aviation fuel that is not dedicated to a specific purpose shall be transmitted to the publically owned airport where the aviation fuel was sold. Therefore, beginning in July 2009, taxes collected on aviation fuel by the state are remitted to the City's Municipal Airport, net of a 3% collection fee. Taxes for this purpose remitted to the City's Municipal Airport for City and Washington County totaled \$10,672 and \$8,008, respectively, and are included as nonoperating revenue for the Municipal Airport Fund in the accompanying financial statements.

## Notes to Financial Statements

December 31, 2010

14. Commitments and Contingencies*Construction Commitments*

Outstanding commitments at December 31, 2010 under authorized contracts for capital projects of governmental funds are as follows:

	Expenditures Incurred to December 31, <u>2010</u>	Remaining Commitments at December 31, <u>2010</u>
<u>Primary Government</u>		
Governmental activities		
Capital projects		
Streets	\$ 2,374,842	\$ 4,127,828

These commitments will be funded through unspent bond proceeds, City sales and use taxes and intergovernmental participations.

*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.

**Notes to Financial Statements****December 31, 2010****15. Endowments**

The City's endowments consist of two individual funds established to provide current income and long-term protection for the operations of the City's SMBF and PLBFF. Its endowments represent donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the City Council to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The management of the City has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the City classifies as nonexpendable restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in nonexpendable restricted net assets is classified as unrestricted net assets until those amounts are appropriated for expenditure by the City in a manner consistent with the standard of prudence prescribed by the SPMIFA. There was no net appreciation of the endowments classified as available for expenditure.

In accordance with the SPMIFA, the City considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the City and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the City
- (7) The investment policies of the City

*Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the SPMIFA requires the City to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of December 31, 2010.

*Return Objectives and Risk Parameters*

The City's endowments are held by the NACF who has been granted variance power. These endowments are subject to the investment policies of the NACF. The NACF has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results certificates of deposit while assuming a moderate level of investment risk. The NACF expects its endowment funds, over time, to provide an average rate of return of approximately 7.3% to 8.8% annually. Actual returns in any given year may vary from this amount.

## Notes to Financial Statements

December 31, 2010

15. **Endowments** (cont.)*Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, the City relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The City targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints as managed by the NACF and the City Council.

*Spending Policy and How the Investment Objectives Relate to Spending Policy*

In accordance with the fund agreement with the NACF, the City is subject to the spending policy of the NACF. Distributions in excess of the amount dictated by the application of the NACF's spending policy may be made to the City in any year as determined by the Board of Directors of the NACF provided one of the following conditions are met: (1) the distribution is for the purposes of enabling the City to acquire or renovate a capital asset or (2) the City is faced with unexpected financial needs that are not likely to recur and the distribution will enable the City to meet those needs.

## Notes to Financial Statements

December 31, 2010

16. Condensed Financial Statements – Discretely Presented Component Unit

The following presents condensed financial statements for the City's discretely presented component unit as of and for the year ended September 30, 2010:

*Balance Sheet*Assets

Current assets	\$ 4,597,044
Restricted assets	35,874,219
Capital assets, net of accumulated depreciation	193,115,062
Noncurrent assets	<u>15,312</u>
Total assets	<u>\$ 233,601,637</u>

Liabilities

Current liabilities	\$ 2,203,942
Noncurrent liabilities	<u>3,305,000</u>
Total liabilities	<u>\$ 5,508,942</u>

Net Assets

Invested in capital assets, net of related debt	\$ 189,728,696
Restricted	36,723,355
Unrestricted	<u>1,640,644</u>
Total net assets	<u>\$ 228,092,695</u>

## Notes to Financial Statements

December 31, 2010

16. Condensed Financial Statements – Discretely Presented Component Unit (cont.)*Statement of Activities*

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</u>
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Water	\$ 11,849,691	\$ 14,263,053	\$ -	\$ 1,107,286	\$ 3,520,648
Sewer	<u>8,991,360</u>	<u>11,023,723</u>	<u>-</u>	<u>1,127,980</u>	<u>3,160,343</u>
Total business-type activities	<u>\$ 20,841,051</u>	<u>\$ 25,286,776</u>	<u>\$ -</u>	<u>\$ 2,235,266</u>	<u>6,680,991</u>
	General revenues (expenses)				
	Investment earnings				237,681
	Interest expenses and other charges				(171,500)
	Gain (loss) on sale of assets				<u>(1,639)</u>
	Total general revenues				<u>64,542</u>
	Changes in net assets				6,745,533
	Net assets - beginning of year				<u>221,347,162</u>
	Net assets - end of year				<u>\$ 228,092,695</u>

17. New GASB Pronouncements

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:

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement becomes effective for financial statements for periods beginning after June 15, 2010. City management has not determined the impact this statement will have on its financial statements.

## Notes to Financial Statements

December 31, 2010

17. New GASB Pronouncements (cont.)

GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans." This statement amends GASB Statement No. 45 to permit an agent employer that has an individual-employer OPEB plan with fewer than 100 plan members to use the alternative measurement method, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates. This statement also amends GASB statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans," regarding the requirement of obtaining an actuarial valuation to allow the use of the alternative measurement method for eligible plans. This statement becomes effective for financial statements for periods beginning after June 15, 2011. City management has not determined the impact, if any, this statement will have on its financial statements.

GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements." This statement establishes accounting and financial reporting standards for service concession arrangements, which are a type of public-private or public-public partnership. This statement becomes effective for financial statements for periods beginning after December 15, 2011. City management has not determined the impact this statement will have on its financial statements.

GASB Statement No. 61, "The Financial Reporting Entity: Omnibus." This statement modifies existing requirements under GASB Statement No. 14, "The Financial Reporting Entity," and the related financial reporting requirements of GASB Statement No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments," for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosures. This statement becomes effective for financial statements for periods beginning after June 15, 2012. City management has not determined the impact this statement will have on its financial statements.

GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This statement establishes accounting and financial reporting standards for the financial statements of state and local governments. This statement becomes effective for financial statements for periods beginning after December 15, 2011. City management has not determined the impact this statement will have on its financial statements.

## Notes to Financial Statements

December 31, 2010

18. **Beginning Balances Restated**

The beginning fund balance of the General Fund was restated for a correction of an error in reporting of the ambulance receivables in the prior year.

The government-wide and fund financial statements were restated as follows:

	Government-wide Statements Governmental <u>Activities</u>	Fund Financial Statements General <u>Fund Financial</u>
Net assets/fund balance as of December 31, 2009, as previously reported	\$ 218,004,697	\$ 6,429,795
Restatement of ambulance receivables	<u>(1,637,030)</u>	<u>(1,637,030)</u>
Net assets/fund balance as of January 1, 2010, as restated	<u>\$ 216,367,667</u>	<u>\$ 4,792,765</u>

19. **Subsequent Events Evaluation Date**

The City evaluated the events and transactions subsequent to its December 31, 2010 balance sheet date and determined there were no significant events to report through August 16, 2011, which is the date the City issued its financial statements.

**CITY OF SPRINGDALE, ARKANSAS**

**Schedule of Funding Progress –  
Pension and OPEB Plans**

**For the Year Ended December 31, 2010**

	Actuarial Valuation Date	Actuarial Value of Assets (a)
Firemen's Relief and Pension Fund	12/31/2003	\$ 11,502,740
	12/31/2005	11,414,649
	a 12/31/2007	11,193,261
	12/31/2008	8,308,514
	b 12/31/2009	9,228,871
	c 12/31/2009	9,228,871
Policemen's Pension and Relief Fund	12/31/2003	8,945,332
	12/31/2005	9,967,476
	a 12/31/2007	10,594,321
	12/31/2008	7,165,028
	b 12/31/2009	8,264,893
	c 12/31/2009	8,264,893
Local Police and Fire Retirement System - Paid Firemen	12/31/2005	7,531,495
	12/31/2006	9,272,909
	12/31/2007	11,360,705
	12/31/2008	12,049,911
	12/31/2009	12,821,925
	Local Police and Fire Retirement System - Volunteer Firemen	12/31/2005
12/31/2006		N/A
12/31/2007		N/A
12/31/2008		N/A
12/31/2009		N/A
Local Police and Fire Retirement System - Policemen		12/31/2005
	12/31/2006	6,140,075
	12/31/2007	7,257,780
	12/31/2008	7,182,654
	12/31/2009	6,689,322
	Other Postemployment Benefit Plan Healthcare Plan	d 1/1/2008
1/1/2009		-
1/1/2010		-

- a. For this valuation, in consultation with the Pension Review Board, the assumptions were changed to a 7% discount rate and 83GAM mortality.
- b. These are the results at the assumptions used in previous valuations, 6% discount, 71GAM mortality.
- c. Includes changes in assumptions to 5% discount rate and 83GAM mortality.
- d. First year of implementation.

Actuarial Accrued Liability ("AAL") - Entry Age (b)	Unfunded Accrued Liability ("UAL") (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
\$ 17,358,658	\$ 5,855,918	66.3%	\$ 139,793	4189.0%
16,907,308	5,492,659	67.5%	107,698	5100.1%
15,320,987	4,127,726	73.1%	119,739	3447.3%
13,912,477	5,603,963	59.7%	119,739	4680.2%
15,085,644	5,856,772	61.3%	119,739	4891.3%
18,480,675	9,251,804	49.9%	119,739	7726.7%
12,948,344	4,003,012	69.1%	160,303	2497.1%
13,180,480	3,213,004	75.6%	-	N/A
14,966,866	4,372,545	70.8%	-	N/A
14,835,889	7,670,861	48.3%	-	N/A
14,694,648	6,429,755	56.2%	-	N/A
18,223,504	9,958,611	45.4%	-	N/A
9,032,836	1,501,341	83.0%	3,342,774	45.0%
10,835,111	1,562,202	86.0%	3,920,500	40.0%
12,951,230	1,590,525	88.0%	4,491,735	35.0%
15,220,147	3,170,236	79.0%	4,175,696	76.0%
17,081,282	4,259,357	75.0%	4,565,618	93.0%
21,367	8,916	58.0%	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
8,608,058	2,901,538	66.0%	3,615,225	80.0%
9,298,333	3,158,258	66.0%	3,993,676	79.0%
10,650,082	3,392,302	68.0%	4,538,522	75.0%
12,824,238	5,641,584	56.0%	4,755,734	119.0%
12,894,227	6,204,905	52.0%	4,671,124	133.0%
2,459,277	2,459,277	0.0%	15,623,447	15.7%
2,620,006	2,620,006	0.0%	16,248,385	16.1%
2,986,785	2,986,785	0.0%	17,473,279	17.1%

See accompanying notes to the basic financial statements.

**Schedule of Employer Contributions –  
Defined Benefit Pension Plans**

**For the Year Ended December 31, 2010**

	<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
Firemen's Relief and Pension Fund	12/31/2005	\$ 1,300,073	38.8%
	12/31/2006	1,211,428	39.4%
	12/31/2007	1,211,428	47.0%
	12/31/2008	932,398	57.5%
	12/31/2009	1,227,736	48.9%
	12/31/2010	2,086,054	24.8%
Policemen's Pension and Relief Fund	12/31/2005	909,449	72.5%
	12/31/2006	687,331	91.9%
	12/31/2007	687,331	105.7%
	12/31/2008	957,314	71.4%
	12/31/2009	1,679,439	45.2%
	12/31/2010	2,245,422	27.4%
Local Police and Fire Retirement System - Firemen	12/31/2005	408,351	100.0%
	12/31/2006	613,558	100.0%
	12/31/2007	775,600	100.0%
	12/31/2008	795,387	100.0%
	12/31/2009	778,297	100.0%
	12/31/2010	833,515	100.0%
Local Police and Fire Retirement System - Policemen	12/31/2005	515,221	100.0%
	12/31/2006	699,986	100.0%
	12/31/2007	812,527	100.0%
	12/31/2008	873,948	100.0%
	12/31/2009	854,582	100.0%
	12/31/2010	882,240	100.0%

See accompanying notes to the basic financial statements.

**Statement of Revenues, Expenditures and Changes in Fund Balance –  
Budget and Actual – General Fund**

**For the Year Ended December 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Taxes				
Sales	\$ 8,500,000	\$ 8,500,000	\$ 8,534,838	\$ 34,838
Ad valorem	4,852,000	4,852,000	4,739,102	(112,898)
Franchise	3,050,000	3,050,000	3,384,667	334,667
Fees and permits				
Building permits	300,000	300,000	218,554	(81,446)
Occupation permits	168,000	168,000	128,462	(39,538)
Other	280,000	280,000	154,224	(125,776)
Intergovernmental				
Federal and state grants	286,370	499,710	592,506	92,796
State turnback	1,044,250	1,066,220	1,330,254	264,034
State turnback - insurance	515,000	515,000	354,401	(160,599)
County turnback	349,600	349,600	336,632	(12,968)
Other	328,800	404,150	460,724	56,574
Charges for services				
Ambulance fees	1,350,000	1,350,000	1,433,126	83,126
Other service fees	237,500	237,500	268,188	30,688
Fines and forfeitures	950,000	950,000	916,948	(33,052)
Miscellaneous	197,250	197,250	298,762	101,512
Total revenues	<u>22,408,770</u>	<u>22,719,430</u>	<u>23,151,388</u>	<u>431,958</u>
Expenditures				
General government				
Administration				
Personnel	1,218,260	1,218,260	1,226,652	(8,392)
Buildings and equipment	361,040	361,040	358,305	2,735
Supplies	145,100	145,100	141,015	4,085
Other	332,070	613,260	591,978	21,282
Economic development	310,280	310,280	310,015	265
Capital	-	-	95,706	(95,706)
Total administration expenditures	<u>2,366,750</u>	<u>2,647,940</u>	<u>2,723,671</u>	<u>(75,731)</u>
City attorney				
Personnel	635,910	635,910	621,479	14,431
Buildings and equipment	14,000	14,000	11,900	2,100
Supplies	11,900	11,900	7,008	4,892
Other	19,380	19,380	13,479	5,901
Total city attorney expenditures	<u>681,190</u>	<u>681,190</u>	<u>653,866</u>	<u>27,324</u>
Total general government expenditures	<u>3,047,940</u>	<u>3,329,130</u>	<u>3,377,537</u>	<u>(48,407)</u>

See accompanying notes to the basic financial statements.

**Statement of Revenues, Expenditures and Changes in Fund Balance –  
Budget and Actual – General Fund (cont.)**

**For the Year Ended December 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
Expenditures (cont.)				
Culture and recreation				
Shiloh museum				
Personnel	\$ 435,280	\$ 453,805	\$ 447,145	\$ 6,660
Buildings and equipment	24,100	21,300	19,801	1,499
Supplies	49,900	44,500	45,890	(1,390)
Other	11,700	11,500	13,169	(1,669)
Total Shiloh museum expenditures	<u>520,980</u>	<u>531,105</u>	<u>526,005</u>	<u>5,100</u>
Parks and recreation				
Personnel	872,100	872,100	854,166	17,934
Buildings and equipment	164,700	164,700	168,278	(3,578)
Supplies	198,700	198,700	178,917	19,783
Other	75,640	75,640	75,159	481
Total parks and recreation expenditures	<u>1,311,140</u>	<u>1,311,140</u>	<u>1,276,520</u>	<u>34,620</u>
Total culture and recreation expenditures	<u>1,832,120</u>	<u>1,842,245</u>	<u>1,802,525</u>	<u>39,720</u>
Community development				
Planning and community development				
Personnel	658,520	658,520	640,173	18,347
Buildings and equipment	19,000	19,000	11,660	7,340
Supplies	27,000	27,000	17,138	9,862
Other	98,800	98,800	83,918	14,882
Total community development expenditures	<u>803,320</u>	<u>803,320</u>	<u>752,889</u>	<u>50,431</u>
Public safety				
Animal services				
Personnel	243,440	243,440	252,605	(9,165)
Buildings and equipment	34,500	34,500	25,901	8,599
Supplies	58,500	58,500	51,423	7,077
Other	31,300	31,300	41,900	(10,600)
Capital	-	13,375	22,464	(9,089)
Total animal services expenditures	<u>367,740</u>	<u>381,115</u>	<u>394,293</u>	<u>(13,178)</u>
Building inspection				
Personnel	673,810	673,810	636,167	37,643
Buildings and equipment	12,000	12,000	10,365	1,635
Supplies	45,000	45,000	39,580	5,420
Other	60,400	60,400	59,375	1,025
Total building inspection expenditures	<u>791,210</u>	<u>791,210</u>	<u>745,487</u>	<u>45,723</u>

See accompanying notes to the basic financial statements.

**Statement of Revenues, Expenditures and Changes in Fund Balance –  
Budget and Actual – General Fund (cont.)**

**For the Year Ended December 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Expenditures (cont.)				
Public safety (cont.)				
Police				
Personnel	\$ 9,408,060	\$ 9,438,610	\$ 9,142,728	\$ 295,882
Buildings and equipment	246,750	218,500	277,549	(59,049)
Supplies	435,450	452,190	396,107	56,083
Other	294,000	317,500	629,425	(311,925)
Capital	230,860	445,060	496,369	(51,309)
Total police expenditures	<u>10,615,120</u>	<u>10,871,860</u>	<u>10,942,178</u>	<u>(70,318)</u>
Fire				
Personnel	7,527,810	7,527,810	7,642,250	(114,440)
Buildings and equipment	192,500	192,500	217,408	(24,908)
Supplies	391,500	391,500	373,580	17,920
Other	201,000	201,000	188,494	12,506
Capital	235,000	235,000	255,821	(20,821)
Total fire expenditures	<u>8,547,810</u>	<u>8,547,810</u>	<u>8,677,553</u>	<u>(129,743)</u>
Total public safety expenditures	<u>20,321,880</u>	<u>20,591,995</u>	<u>20,759,511</u>	<u>(167,516)</u>
Total expenditures	<u>26,005,260</u>	<u>26,566,690</u>	<u>26,692,462</u>	<u>(125,772)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,596,490)</u>	<u>(3,847,260)</u>	<u>(3,541,074)</u>	<u>306,186</u>
Other financing sources (uses)				
Transfers in	4,896,570	4,920,190	5,043,606	123,416
Transfers out	(1,200,280)	(1,222,250)	(1,103,130)	119,120
Proceeds from sale of capital assets	-	43,390	48,266	4,876
Insurance recoveries - capital assets	-	8,160	27,821	19,661
Total other financing sources	<u>3,696,290</u>	<u>3,749,490</u>	<u>4,016,563</u>	<u>267,073</u>
Net changes in fund balance	99,800	(97,770)	475,489	573,259
Fund balance - beginning of year, as restated	<u>4,792,765</u>	<u>4,792,765</u>	<u>4,792,765</u>	<u>-</u>
Fund balance - end of year	<u>\$ 4,892,565</u>	<u>\$ 4,694,995</u>	<u>\$ 5,268,254</u>	<u>\$ 573,259</u>

See accompanying notes to the basic financial statements.

**Statement of Revenues, Expenditures and Changes in Fund Balance –  
Budget and Actual – Street Fund**

**For the Year Ended December 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Taxes				
Ad valorem	\$ 920,000	\$ 920,000	\$ 878,694	\$ (41,306)
Fees and permits				
Street and curb cuts	2,700	2,700	1,770	(930)
Intergovernmental				
Federal and state grants	-	-	14,747	14,747
State turnback - street	2,935,000	2,935,000	3,153,689	218,689
Charges for goods and services				
Street signs	25,000	25,000	4,847	(20,153)
Street and curb cut repairs	12,000	12,000	13,221	1,221
Other	2,000	2,000	2,707	707
Interest	2,000	2,000	23,383	21,383
Miscellaneous	4,000	4,000	44,167	40,167
Total revenues	<u>3,902,700</u>	<u>3,902,700</u>	<u>4,137,225</u>	<u>234,525</u>
Expenditures				
Street fund				
Personnel	2,050,920	2,050,920	2,037,370	13,550
Buildings and equipment	151,850	151,850	126,189	25,661
Supplies	1,025,700	1,025,700	686,123	339,577
Other	872,800	872,800	1,040,368	(167,568)
Capital	425,000	425,000	350,486	74,514
Total street fund expenditures	<u>4,526,270</u>	<u>4,526,270</u>	<u>4,240,536</u>	<u>285,734</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(623,570)</u>	<u>(623,570)</u>	<u>(103,311)</u>	<u>520,259</u>
Other financing sources (uses)				
Transfers in	351,730	351,730	353,320	1,590
Insurance recoveries - capital assets	-	-	2,978	2,978
Total other financing sources	<u>351,730</u>	<u>351,730</u>	<u>356,298</u>	<u>4,568</u>
Net changes in fund balance	(271,840)	(271,840)	252,987	524,827
Fund balance - beginning of year	<u>872,260</u>	<u>872,260</u>	<u>872,260</u>	<u>-</u>
Fund balance - end of year	<u>\$ 600,420</u>	<u>\$ 600,420</u>	<u>\$ 1,125,247</u>	<u>\$ 524,827</u>

See accompanying notes to the basic financial statements.

**Notes to Required Supplementary Information****For the Year Ended December 31, 2010****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. The 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.

**CITY OF SPRINGDALE, ARKANSAS**

**Combining Balance Sheet –  
Nonmajor Governmental Funds**

**December 31, 2010**

<u>Assets</u>	<u>Special Revenue Funds</u>				
	<u>Public Library Fund</u>	<u>Shiloh Museum Board Fund</u>	<u>Advertising and Promotion Fund</u>	<u>District Court Costs Fund</u>	<u>Parks Activity Fund</u>
Cash and cash equivalents	\$ 30,581	\$ 109,931	\$ 46,400	\$ 143,760	\$ 139,575
Investments	-	950,662	65,000	103,546	-
Accounts receivable, net	-	-	10,379	-	-
Interest receivable	-	-	71	794	-
Intergovernmental receivables, net	-	-	-	22,479	-
Due from other funds	24,410	-	-	16,089	-
Assets held for resale	-	-	-	-	-
Other assets	2,781	-	-	1,360	1,180
<b>Total assets</b>	<b><u>\$ 57,772</u></b>	<b><u>\$ 1,060,593</u></b>	<b><u>\$ 121,850</u></b>	<b><u>\$ 288,028</u></b>	<b><u>\$ 140,755</u></b>
 <u>Liabilities and Fund Balance</u>					
<b>Liabilities</b>					
Accounts payable	\$ 30,247	\$ 198	\$ 12,443	\$ 1,104	\$ 8,084
Salaries payable	30,045	-	-	18,914	1,062
Due to other funds	-	-	-	320	-
Deferred revenue	-	-	-	-	-
<b>Total liabilities</b>	<b><u>60,292</u></b>	<b><u>198</u></b>	<b><u>12,443</u></b>	<b><u>20,338</u></b>	<b><u>9,146</u></b>
 <b>Fund balances</b>					
<b>Reserved</b>					
Assets held for resale	-	-	-	-	-
Cemetery perpetual care	-	-	-	-	-
Court automation	-	-	-	240,519	-
Endowments	-	950,662	-	-	-
Grant expenditures	-	-	-	-	-
<b>Unreserved</b>					
<b>Designated for</b>					
Library materials	-	-	-	-	-
Undesignated	(2,520)	109,733	109,407	27,171	131,609
<b>Total fund balances</b>	<b><u>(2,520)</u></b>	<b><u>1,060,395</u></b>	<b><u>109,407</u></b>	<b><u>267,690</u></b>	<b><u>131,609</u></b>
 <b>Total liabilities and fund balances</b>	 <b><u>\$ 57,772</u></b>	 <b><u>\$ 1,060,593</u></b>	 <b><u>\$ 121,850</u></b>	 <b><u>\$ 288,028</u></b>	 <b><u>\$ 140,755</u></b>

Arvest Ballpark Fund	Community Development Block Grant Fund	Capital Projects Fund		Permanent Funds		Total Nonmajor Governmental Funds
		Baseball Stadium Construction Fund	Public Facilities Board Fund	Bluff Cemetery Fund	Public Library Board Foundation Fund	
\$ 51,487	\$ 6,078	\$ 42,917	\$ 219,704	\$ 109,348	\$ 364,244	\$ 1,264,025
806,426	-	-	903,272	525,657	118,605	3,473,168
-	-	-	-	14,840	-	25,219
1,242	-	-	961	774	-	3,842
-	-	-	-	-	-	22,479
-	-	-	-	-	-	40,499
-	-	-	2,168,740	-	-	2,168,740
-	710	-	-	490	-	6,521
<u>\$ 859,155</u>	<u>\$ 6,788</u>	<u>\$ 42,917</u>	<u>\$ 3,292,677</u>	<u>\$ 651,109</u>	<u>\$ 482,849</u>	<u>\$ 7,004,493</u>
\$ -	\$ 1,506	\$ 13,113	\$ 3,366	\$ 336	\$ -	\$ 70,397
-	2,547	-	-	741	-	53,309
-	-	-	-	-	24,410	24,730
49,890	-	-	-	-	-	49,890
<u>49,890</u>	<u>4,053</u>	<u>13,113</u>	<u>3,366</u>	<u>1,077</u>	<u>24,410</u>	<u>198,326</u>
-	-	-	2,168,740	-	-	2,168,740
-	-	-	-	44,348	-	44,348
-	-	-	-	-	-	240,519
-	-	-	-	-	118,605	1,069,267
-	-	-	-	-	-	-
-	-	-	-	-	11,280	11,280
809,265	2,735	29,804	1,120,571	605,684	328,554	3,272,013
<u>809,265</u>	<u>2,735</u>	<u>29,804</u>	<u>3,289,311</u>	<u>650,032</u>	<u>458,439</u>	<u>6,806,167</u>
<u>\$ 859,155</u>	<u>\$ 6,788</u>	<u>\$ 42,917</u>	<u>\$ 3,292,677</u>	<u>\$ 651,109</u>	<u>\$ 482,849</u>	<u>\$ 7,004,493</u>

See accompanying notes to the basic financial statements.

**CITY OF SPRINGDALE, ARKANSAS**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances –  
Nonmajor Governmental Funds**

**For the Year Ended December 31, 2010**

	Special Revenue Funds				
	Public Library Fund	Shiloh Museum Board Fund	Advertising and Promotion Fund	District Court Costs Fund	Parks Activity Fund
<b>Revenues</b>					
Taxes	\$ 48,880	\$ -	\$ 193,197	\$ -	\$ -
Fees and permits	-	19,518	-	153,289	-
Intergovernmental	1,100,692	2,172	-	83,518	-
Charges for goods and services	-	14,618	-	-	136,510
Fines and forfeitures	70,618	-	-	-	-
Investment earnings	1,221	8,290	1,270	13,160	1,645
Miscellaneous	72,942	22,942	-	-	14,806
<b>Total revenues</b>	<u>1,294,353</u>	<u>67,540</u>	<u>194,467</u>	<u>249,967</u>	<u>152,961</u>
<b>Expenditures</b>					
Current					
General government	-	-	-	651,533	-
Community development	-	-	-	-	-
Culture and recreation	1,627,745	41,589	-	-	101,014
Economic development	-	-	184,935	-	-
Public Works	-	-	-	-	-
Capital expenditures	6,378	-	-	-	8,084
<b>Total expenditures</b>	<u>1,634,123</u>	<u>41,589</u>	<u>184,935</u>	<u>651,533</u>	<u>109,098</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(339,770)</u>	<u>25,951</u>	<u>9,532</u>	<u>(401,566)</u>	<u>43,863</u>
<b>Other financing sources (uses)</b>					
Transfers in	334,000	-	-	405,500	-
Transfers out	-	(10,240)	-	-	-
Insurance Recoveries	-	1,375	-	-	-
<b>Total other financing sources (uses)</b>	<u>334,000</u>	<u>(8,865)</u>	<u>-</u>	<u>405,500</u>	<u>-</u>
Net changes in fund balances	(5,770)	17,086	9,532	3,934	43,863
Fund balances - beginning of year, as restated	<u>3,250</u>	<u>1,043,309</u>	<u>99,875</u>	<u>263,756</u>	<u>87,746</u>
Fund balances - end of year	<u>\$ (2,520)</u>	<u>\$ 1,060,395</u>	<u>\$ 109,407</u>	<u>\$ 267,690</u>	<u>\$ 131,609</u>

Arvest Ballpark Fund	Community Development Block Grant Fund	2009 Ice Storm Fund	Capital Projects Fund		Permanent Funds		Total Nonmajor Governmental Funds
			Baseball Stadium Construction Fund	Public Facilities Board Fund	Bluff Cemetery Fund	Public Library Board Foundation Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 242,077
-	-	-	-	-	-	-	172,807
-	597,598	144,456	-	-	-	-	1,928,436
310,003	-	-	-	-	27,050	-	488,181
-	-	-	-	-	-	-	70,618
23,115	-	-	412	12,640	10,584	6,348	78,685
-	9,584	-	-	-	-	29,059	149,333
<u>333,118</u>	<u>607,182</u>	<u>144,456</u>	<u>412</u>	<u>12,640</u>	<u>37,634</u>	<u>35,407</u>	<u>3,130,137</u>
-	-	-	-	-	33,888	-	685,421
-	606,344	-	-	-	-	-	606,344
42,970	-	-	57,157	-	-	52,322	1,922,797
-	-	-	-	25,125	-	-	210,060
-	-	125,197	-	-	-	-	125,197
-	4,400	-	18,167	32,100	-	-	69,129
<u>42,970</u>	<u>610,744</u>	<u>125,197</u>	<u>75,324</u>	<u>57,225</u>	<u>33,888</u>	<u>52,322</u>	<u>3,618,948</u>
<u>290,148</u>	<u>(3,562)</u>	<u>19,259</u>	<u>(74,912)</u>	<u>(44,585)</u>	<u>3,746</u>	<u>(16,915)</u>	<u>(488,811)</u>
-	-	-	-	-	-	-	739,500
-	-	(19,259)	-	-	-	-	(29,499)
1,328	-	-	-	-	-	-	2,703
<u>1,328</u>	<u>-</u>	<u>(19,259)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>712,704</u>
291,476	(3,562)	-	(74,912)	(44,585)	3,746	(16,915)	223,893
<u>517,789</u>	<u>6,297</u>	<u>-</u>	<u>104,716</u>	<u>3,333,896</u>	<u>646,286</u>	<u>475,354</u>	<u>6,582,274</u>
<u>\$ 809,265</u>	<u>\$ 2,735</u>	<u>\$ -</u>	<u>\$ 29,804</u>	<u>\$ 3,289,311</u>	<u>\$ 650,032</u>	<u>\$ 458,439</u>	<u>\$ 6,806,167</u>

See accompanying notes to the basic financial statements.

**Combining Statement of Net Assets –  
Nonmajor Proprietary Funds**

**December 31, 2010**

<u>Assets</u>	<u>Enterprise Funds</u>			<u>Total Nonmajor Proprietary Funds</u>
	<u>Parks Soccer Program Fund</u>	<u>City Attorney Restitution Fund</u>	<u>Sanitation Fund</u>	
Current assets				
Cash and cash equivalents	\$ 82,082	\$ 8,695	\$ 81,087	\$ 171,864
Accounts receivable	-	-	21,540	21,540
Due from other funds	-	150	-	150
Other assets	210	-	1,010	1,220
Total current assets	<u>82,292</u>	<u>8,845</u>	<u>103,637</u>	<u>194,774</u>
Capital assets				
Land and improvements	21,376	-	-	21,376
Machinery and equipment	47,495	19,471	114,899	181,865
Less accumulated depreciation	<u>(21,427)</u>	<u>(19,471)</u>	<u>(36,045)</u>	<u>(76,943)</u>
Total capital assets, net of accumulated depreciation	<u>47,444</u>	<u>-</u>	<u>78,854</u>	<u>126,298</u>
Total assets	<u>\$ 129,736</u>	<u>\$ 8,845</u>	<u>\$ 182,491</u>	<u>\$ 321,072</u>
 <u>Liabilities and Net Assets</u>				
Current liabilities				
Accounts payable	\$ 590	\$ -	\$ 1,389	\$ 1,979
Salaries payable	-	-	3,067	3,067
Due to other funds	<u>-</u>	<u>33</u>	<u>-</u>	<u>33</u>
Total current liabilities	590	33	4,456	5,079
Noncurrent liabilities				
Compensated absences	<u>-</u>	<u>-</u>	<u>2,792</u>	<u>2,792</u>
Total liabilities	<u>590</u>	<u>33</u>	<u>7,248</u>	<u>7,871</u>
Net assets				
Invested in capital assets, net of related debt	47,444	-	78,854	126,298
Unrestricted	<u>81,702</u>	<u>8,812</u>	<u>96,389</u>	<u>186,903</u>
Total net assets	<u>129,146</u>	<u>8,812</u>	<u>175,243</u>	<u>313,201</u>
Total liabilities and net assets	<u>\$ 129,736</u>	<u>\$ 8,845</u>	<u>\$ 182,491</u>	<u>\$ 321,072</u>

See accompanying notes to the basic financial statements.

**Combining Statement of Revenues, Expenses and Changes in Net Assets –  
Nonmajor Proprietary Funds**

**For the Year Ended December 31, 2010**

	Enterprise Funds			Total Nonmajor Proprietary Funds
	Parks Soccer Program Fund	City Attorney Restitution Fund	Sanitation Fund	
Operating revenues				
Charges for services				
Activity fees	\$ 109,702	\$ -	\$ -	\$ 109,702
Other service fees	-	23,078	106,722	129,800
Total operating revenues	109,702	23,078	106,722	239,502
Operating expenses				
Personnel	71,700	-	73,331	145,031
Maintenance	1,331	-	1,995	3,326
Supplies	23,547	1,046	11,568	36,161
Other	3,417	-	1,865	5,282
Depreciation	4,826	-	10,795	15,621
Total operating expenses	104,821	1,046	99,554	205,421
Operating income	4,881	22,032	7,168	34,081
Nonoperating revenue (expense)				
Contributions	2,880	-	-	2,880
Miscellaneous income	-	-	1,070	1,070
Investment earnings	1,054	-	1,016	2,070
Total nonoperating revenue	3,934	-	2,086	6,020
Income before transfers	8,815	22,032	9,254	40,101
Transfers in	-	-	10,310	10,310
Transfers out	-	(22,000)	-	(22,000)
Changes in net assets	8,815	32	19,564	28,411
Net assets - beginning of year	120,331	8,780	155,679	284,790
Net assets - end of year	\$ 129,146	\$ 8,812	\$ 175,243	\$ 313,201

See accompanying notes to the basic financial statements.

**Combining Statement of Cash Flows –  
Nonmajor Proprietary Funds**

**For the Year Ended December 31, 2010**

	Enterprise Funds			Total Nonmajor Proprietary Funds
	Parks Soccer Program Fund	City Attorney Restitution Fund	Sanitation Fund	
Cash flows from operating activities				
Receipts from customers and users	\$ 109,702	\$ 23,078	\$ 104,573	\$ 237,353
Payments to suppliers	(27,921)	(1,046)	(16,923)	(45,890)
Payments to employees	(73,544)	-	(70,502)	(144,046)
Net cash provided by operating activities	<u>8,237</u>	<u>22,032</u>	<u>17,148</u>	<u>47,417</u>
Cash flows from noncapital financing activities				
Contributions	2,880	-	-	2,880
Insurance recoveries	-	-	1,070	1,070
Transfers from other funds	-	-	10,310	10,310
Transfers to other funds	-	(22,000)	-	(22,000)
Receipt of interfund balances	-	(162)	-	(162)
Net cash provided (used) by noncapital financing activities	<u>2,880</u>	<u>(22,162)</u>	<u>11,380</u>	<u>(7,902)</u>
Cash flows from capital financing activities				
Purchases of capital assets	-	-	(13,899)	(13,899)
Net cash used by capital financing activities	<u>-</u>	<u>-</u>	<u>(13,899)</u>	<u>(13,899)</u>
Cash flows from investing activities				
Interest received	1,054	-	1,016	2,070
Net cash provided by investing activities	<u>1,054</u>	<u>-</u>	<u>1,016</u>	<u>2,070</u>
Net increase (decrease) in cash and cash equivalents	12,171	(130)	15,645	27,686
Cash and cash equivalents - beginning of year	<u>69,911</u>	<u>8,825</u>	<u>65,442</u>	<u>144,178</u>
Cash and cash equivalents - end of year	<u>\$ 82,082</u>	<u>\$ 8,695</u>	<u>\$ 81,087</u>	<u>\$ 171,864</u>
Reconciliation of operating income to net cash provided by operating activities	\$ 4,881	\$ 22,032	\$ 7,168	\$ 34,081
Operating income				
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	4,826	-	10,795	15,621
Changes in operating assets and liabilities				
Accounts receivable	-	-	(2,149)	(2,149)
Accounts payable	584	-	(485)	99
Other assets	(210)	-	(1,010)	(1,220)
Salaries payable	(1,027)	-	1,280	253
Compensated absences	(817)	-	1,549	732
Net cash provided by operating activities	<u>\$ 8,237</u>	<u>\$ 22,032</u>	<u>\$ 17,148</u>	<u>\$ 47,417</u>

See accompanying notes to the basic financial statements.

**Combining Statement of Changes in Assets and Liabilities –  
Agency Funds**

**For the Year Ended December 31, 2010**

	Balance January 1, <u>2010</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2010</u>
<b>Police Bond and Fine Fund</b>				
Assets				
Cash	\$ 66,957	\$ 335	\$ -	\$ 67,292
Liabilities				
Due to other funds	\$ 60,235	\$ 335	\$ -	\$ 60,570
Accounts payable	6,722	-	-	6,722
Total liabilities	\$ 66,957	\$ 335	\$ -	\$ 67,292
<b>District Court Fund</b>				
Assets				
Cash	\$ 527,003	\$ 2,681,054	\$ 2,715,696	\$ 492,361
Accounts receivable	1,358,851	2,695,267	2,619,363	1,434,755
Due from other funds	59,937	142	201	59,878
Total assets	\$ 1,945,791	\$ 5,376,463	\$ 5,335,260	\$ 1,986,994
Liabilities				
Due to other funds	\$ 198,635	\$ 149,898	\$ 200,450	\$ 148,083
Accounts payable	1,747,156	2,215,616	2,123,861	1,838,911
Total liabilities	\$ 1,945,791	\$ 2,365,514	\$ 2,324,311	\$ 1,986,994
<b>Payroll Fund</b>				
Assets				
Cash	\$ 318,176	\$ 11,264,473	\$ 11,293,399	\$ 289,250
Liabilities				
Due to other funds	\$ 3,000	\$ 2,000	\$ -	\$ 5,000
Accounts payable	315,176	12,375,944	12,406,870	284,250
Total liabilities	\$ 318,176	\$ 12,377,944	\$ 12,406,870	\$ 289,250

See accompanying notes to the basic financial statements.

**Combining Statement of Changes in Assets and Liabilities –  
Agency Funds (cont.)**

**For the Year Ended December 31, 2010**

	Balance January 1, <u>2010</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2010</u>
<b>Police Evidence Fund</b>				
Assets				
Cash	\$ 54,900	\$ 3,655	\$ -	\$ 58,555
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 54,900</u>	<u>\$ 3,655</u>	<u>\$ -</u>	<u>\$ 58,555</u>
Liabilities				
Due to other funds	\$ 102	\$ 286	\$ -	\$ 388
Accounts payable	<u>54,798</u>	<u>3,369</u>	<u>-</u>	<u>58,167</u>
Total liabilities	<u>\$ 54,900</u>	<u>\$ 3,655</u>	<u>\$ -</u>	<u>\$ 58,555</u>
<b>Administration of Justice Fund</b>				
Assets				
Cash	\$ -	\$ 1,098,311	\$ 1,098,311	\$ -
Due from other funds	<u>86,595</u>	<u>1,071,387</u>	<u>1,087,340</u>	<u>70,642</u>
Total assets	<u>\$ 86,595</u>	<u>\$ 2,169,698</u>	<u>\$ 2,185,651</u>	<u>\$ 70,642</u>
Liabilities				
Due to other funds	\$ 13,537	\$ 167,800	\$ 167,354	\$ 13,983
Accounts payable	<u>73,058</u>	<u>903,587</u>	<u>919,986</u>	<u>56,659</u>
Total liabilities	<u>\$ 86,595</u>	<u>\$ 1,071,387</u>	<u>\$ 1,087,340</u>	<u>\$ 70,642</u>
<b>All Agency Funds</b>				
Assets				
Cash	\$ 967,036	\$ 15,047,828	\$ 15,107,406	\$ 907,458
Accounts receivable	1,358,851	2,695,267	2,619,363	1,434,755
Due from other funds	<u>146,532</u>	<u>1,071,529</u>	<u>1,087,541</u>	<u>130,520</u>
Total assets	<u>\$ 2,472,419</u>	<u>\$ 18,814,624</u>	<u>\$ 18,814,310</u>	<u>\$ 2,472,733</u>
Liabilities				
Due to other funds	\$ 275,509	\$ 320,319	\$ 367,804	\$ 228,024
Accounts payable	<u>2,196,910</u>	<u>15,498,516</u>	<u>15,450,717</u>	<u>2,244,709</u>
Total liabilities	<u>\$ 2,472,419</u>	<u>\$ 15,818,835</u>	<u>\$ 15,818,521</u>	<u>\$ 2,472,733</u>

See accompanying notes to the basic financial statements.

**Schedule of Revenues, Expenditures and Changes in Fund Balance –  
Budget and Actual – Sales and Use Tax Fund**

**For the Year Ended December 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>		<u>Final Budget Positive</u>
Revenues				
Taxes				
Sales	\$ 9,192,200	\$ 9,218,950	\$ 9,584,213	\$ 365,263
Intergovernmental	-	-	388,915	388,915
Investment earnings	300,000	300,000	476,398	176,398
Total revenues	<u>9,492,200</u>	<u>9,518,950</u>	<u>10,449,526</u>	<u>930,576</u>
Expenditures				
Capital projects				
Capital	<u>3,169,890</u>	<u>3,169,890</u>	<u>2,594,655</u>	<u>575,235</u>
Excess of revenues over expenditures	<u>6,322,310</u>	<u>6,349,060</u>	<u>7,854,871</u>	<u>1,505,811</u>
Other financing sources (uses)				
Transfers in	-	-	104,800	104,800
Transfers out	(6,876,600)	(6,863,225)	(5,037,421)	1,825,804
Developer contributions	-	-	8,255	8,255
Total other financing sources (uses)	<u>(6,876,600)</u>	<u>(6,863,225)</u>	<u>(4,924,366)</u>	<u>1,938,859</u>
Net changes in fund balance	(554,290)	(514,165)	2,930,505	3,444,670
Fund balance - beginning of year	<u>19,679,129</u>	<u>19,679,129</u>	<u>19,679,129</u>	<u>-</u>
Fund balance - end of year	<u>\$ 19,124,839</u>	<u>\$ 19,164,964</u>	<u>\$ 22,609,634</u>	<u>\$ 3,444,670</u>

See accompanying notes to the basic financial statements.

**Schedule of Revenues, Expenditures and Changes in Fund Balance –  
Budget and Actual – Debt Service Fund**

**For the Year Ended December 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Sales	\$ 9,192,200	\$ 9,192,200	\$ 9,594,885	\$ 402,685
Investment earnings	3,000	3,000	22,423	19,423
Total revenues	9,195,200	9,195,200	9,617,308	422,108
Expenditures				
Debt service				
Principal	4,210,000	4,210,000	4,765,000	(555,000)
Interest	4,972,550	4,972,550	4,962,950	9,600
Other fees	-	-	3,000	(3,000)
Agent fees	18,000	18,000	18,000	-
Total debt service expenditures	9,200,550	9,200,550	9,748,950	(548,400)
Net changes in fund balance	(5,350)	(5,350)	(131,642)	(126,292)
Fund balance - beginning of year	8,449,791	8,449,791	8,449,791	-
Fund balance - end of year	\$ 8,444,441	\$ 8,444,441	\$ 8,318,149	\$ (126,292)

See accompanying notes to the basic financial statements.

**Schedule of Revenues, Expenditures and Changes in Fund Balance –  
Budget and Actual – Public Library Fund**

**For the Year Ended December 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Ad valorem	\$ 30,000	\$ 30,000	\$ 48,880	\$ 18,880
Intergovernmental				
State grants	-	-	1,495	1,495
County aid	1,079,560	1,079,560	1,099,197	19,637
Fines	70,000	70,000	70,618	618
Investment earnings	500	500	1,221	721
Miscellaneous	74,500	74,500	72,942	(1,558)
Total revenues	<u>1,254,560</u>	<u>1,254,560</u>	<u>1,294,353</u>	<u>39,793</u>
Expenditures				
Culture and recreation				
Public library				
Personnel	1,013,070	1,013,070	992,216	20,854
Maintenance	128,020	128,020	144,526	(16,506)
Supplies	438,810	438,810	435,810	3,000
Other	60,050	60,050	55,193	4,857
Capital	7,030	7,030	6,378	652
Total public library expenditures	<u>1,646,980</u>	<u>1,646,980</u>	<u>1,634,123</u>	<u>12,857</u>
Excess (deficiency) of revenues over (under) expenditures	(392,420)	(392,420)	(339,770)	52,650
Other financing sources (uses)				
Transfers in	<u>392,420</u>	<u>392,420</u>	<u>334,000</u>	<u>(58,420)</u>
Net changes in fund balance	-	-	(5,770)	(5,770)
Fund balance - beginning of year	<u>3,250</u>	<u>3,250</u>	<u>3,250</u>	<u>-</u>
Fund balance - end of year	<u>\$ 3,250</u>	<u>\$ 3,250</u>	<u>\$ (2,520)</u>	<u>\$ (5,770)</u>

See accompanying notes to the basic financial statements.

**Schedule of Revenues, Expenditures and Changes in Fund Balance –  
Budget and Actual – Shiloh Museum Board Fund**

**For the Year Ended December 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental				
Federal and state grants	\$ -	\$ -	\$ 2,172	\$ 2,172
Fees and permits				
Fees and memberships	22,000	22,000	19,518	(2,482)
Charges for goods and services	6,000	6,000	14,618	8,618
Investment earnings	200	200	8,290	8,090
Miscellaneous	8,500	8,500	22,942	14,442
Total revenues	<u>36,700</u>	<u>36,700</u>	<u>67,540</u>	<u>30,840</u>
Expenditures				
Culture and recreation				
Shiloh museum				
Maintenance	3,000	3,000	4,004	(1,004)
Supplies	5,300	5,300	3,855	1,445
Other	21,900	21,900	33,730	(11,830)
Capital	3,600	3,600	-	3,600
Total Shiloh museum expenditures	<u>33,800</u>	<u>33,800</u>	<u>41,589</u>	<u>(7,789)</u>
Excess of revenues over expenditures	<u>2,900</u>	<u>2,900</u>	<u>25,951</u>	<u>23,051</u>
Other financing sources (uses)				
Transfers out	-	(10,245)	(10,240)	5
Insurance recoveries	-	-	1,375	1,375
Total other financing sources (uses)	<u>-</u>	<u>(10,245)</u>	<u>(8,865)</u>	<u>1,380</u>
Net change in fund balance	2,900	(7,345)	17,086	24,431
Fund balance - beginning of year	<u>1,043,309</u>	<u>1,043,309</u>	<u>1,043,309</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,046,209</u>	<u>\$ 1,035,964</u>	<u>\$ 1,060,395</u>	<u>\$ 24,431</u>

See accompanying notes to the basic financial statements.

**Schedule of Revenues, Expenditures and Changes in Fund Balance –  
Budget and Actual – District Court Costs Fund**

**For the Year Ended December 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Fees and permits				
Filing fees	\$ 110,000	\$ 110,000	\$ 116,527	\$ 6,527
Installment plan fees	38,500	38,500	36,762	(1,738)
Intergovernmental				
County aid	83,700	83,700	83,518	(182)
Investment earnings	<u>1,000</u>	<u>1,000</u>	<u>13,160</u>	<u>12,160</u>
Total revenues	<u>233,200</u>	<u>233,200</u>	<u>249,967</u>	<u>16,767</u>
Expenditures				
General government				
Court costs				
Personnel	622,210	622,210	621,142	1,068
Maintenance	3,250	3,250	4,521	(1,271)
Supplies	20,800	20,800	16,191	4,609
Other	<u>11,600</u>	<u>11,600</u>	<u>9,679</u>	<u>1,921</u>
Total court costs expenditures	<u>657,860</u>	<u>657,860</u>	<u>651,533</u>	<u>6,327</u>
Excess (deficiency) of revenues over (under) expenditures	(424,660)	(424,660)	(401,566)	23,094
Other financing sources				
Transfers in	<u>463,160</u>	<u>463,160</u>	<u>405,500</u>	<u>(57,660)</u>
Net changes in fund balance	38,500	38,500	3,934	(34,566)
Fund balance - beginning of year	<u>263,756</u>	<u>263,756</u>	<u>263,756</u>	<u>-</u>
Fund balance - end of year	<u>\$ 302,256</u>	<u>\$ 302,256</u>	<u>\$ 267,690</u>	<u>\$ (34,566)</u>

See accompanying notes to the basic financial statements.

**Schedule of Revenues, Expenditures and Changes in Fund Balance –  
Budget and Actual – Parks Activity Fund**

**For the Year Ended December 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services				
Activity fees	\$ 130,000	\$ 130,000	\$ 136,510	\$ 6,510
Investment earnings	250	250	1,645	1,395
Miscellaneous	18,000	18,000	14,806	(3,194)
Total revenues	<u>148,250</u>	<u>148,250</u>	<u>152,961</u>	<u>4,711</u>
Expenditures				
Culture and recreation				
Parks activity				
Personnel	119,550	111,450	85,126	26,324
Maintenance	300	300	-	300
Supplies	10,000	10,000	8,341	1,659
Other	9,200	9,200	7,547	1,653
Capital	-	8,100	8,084	16
Total parks activity expenditures	<u>139,050</u>	<u>139,050</u>	<u>109,098</u>	<u>29,952</u>
Net changes in fund balance	9,200	9,200	43,863	34,663
Fund balance - beginning of year	<u>87,746</u>	<u>87,746</u>	<u>87,746</u>	<u>-</u>
Fund balance - end of year	<u>\$ 96,946</u>	<u>\$ 96,946</u>	<u>\$ 131,609</u>	<u>\$ 34,663</u>

See accompanying notes to the basic financial statements.

**Schedule of Revenues, Expenditures and Changes in Fund Balance –  
Budget and Actual – Arvest Ball Park Fund**

**For the Year Ended December 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Rent	\$ 310,000	\$ 310,000	\$ 310,003	\$ 3
Investment earnings	9,000	9,000	23,115	14,115
Total revenues	319,000	319,000	333,118	14,118
Expenditures				
Culture and recreation				
Arvest Ball Park				
Maintenance	1,000	1,000	6,672	(5,672)
Other	35,000	35,000	36,298	(1,298)
Total Arvest Ball Park expenditures	36,000	36,000	42,970	(6,970)
Excess of revenues over expenditures	283,000	283,000	290,148	7,148
Other financing sources				
Insurance recoveries	-	-	1,328	1,328
Net change in fund balance	283,000	283,000	291,476	8,476
Fund balance - beginning of year	517,789	517,789	517,789	-
Fund balance - end of year	\$ 800,789	\$ 800,789	\$ 809,265	\$ 8,476

See accompanying notes to the basic financial statements.

**CITY OF SPRINGDALE, ARKANSAS**

**Schedule of Revenues, Expenses/Expenditures and Changes in Net Assets –  
Budget and Actual – Municipal Airport Fund**

**For the Year Ended December 31, 2010**

	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
Operating revenues		
Rental fees	\$ 251,350	\$ 251,350
Fuel flowage fees	30,000	30,000
Other service fees	10,990	10,990
Miscellaneous	<u>-</u>	<u>-</u>
Total operating revenues	<u>292,340</u>	<u>292,340</u>
 Operating expenses		
Personnel	68,900	68,900
Maintenance	51,000	51,000
Supplies	57,250	57,250
Other	108,190	108,190
Depreciation	<u>-</u>	<u>-</u>
Total operating expenses	<u>285,340</u>	<u>285,340</u>
 Operating income (loss)	<u>7,000</u>	<u>7,000</u>
 Nonoperating revenues (expenditures)		
Sales taxes	1,700	1,700
Interest income	-	-
Capital expenditures	<u>-</u>	<u>-</u>
Net nonoperating revenues (expenditures)	<u>1,700</u>	<u>1,700</u>
 Income (loss) before capital contributions and transfers	8,700	8,700
 Capital grants and contributions	7,800	7,800
Transfers in	<u>-</u>	<u>-</u>
 Changes in net assets	16,500	16,500
 Net assets - beginning of year	<u>5,136,249</u>	<u>5,136,249</u>
 Net assets - end of year	<u>\$ 5,152,749</u>	<u>\$ 5,152,749</u>

Actual GAAP Basis	Adjustments to Budget Basis	Actual Budget Basis	Variance with Final Budget Positive (Negative)
\$ 237,182	\$ -	\$ 237,182	\$ (14,168)
36,151	-	36,151	6,151
12,645	-	12,645	1,655
241	-	241	241
<u>286,219</u>	<u>-</u>	<u>286,219</u>	<u>(6,121)</u>
60,472	-	60,472	8,428
52,439	-	52,439	(1,439)
48,878	-	48,878	8,372
180,687	-	180,687	(72,497)
237,332	(237,332)	-	-
<u>579,808</u>	<u>(237,332)</u>	<u>342,476</u>	<u>(57,136)</u>
<u>(293,589)</u>	<u>237,332</u>	<u>(56,257)</u>	<u>(63,257)</u>
18,680	-	18,680	16,980
326	-	326	326
-	(457,992)	(457,992)	(457,992)
<u>19,006</u>	<u>(457,992)</u>	<u>(438,986)</u>	<u>(440,686)</u>
(274,583)	(220,660)	(495,243)	(503,943)
475,907	-	475,907	468,107
45,314	-	45,314	45,314
246,638	(220,660)	25,978	9,478
<u>5,136,249</u>	<u>5,136,249</u>	<u>5,136,249</u>	<u>-</u>
<u>\$ 5,382,887</u>	<u>\$ 4,915,589</u>	<u>\$ 5,162,227</u>	<u>\$ 9,478</u>

See accompanying notes to the basic financial statements.

**CITY OF SPRINGDALE, ARKANSAS**

**Schedule of Revenues, Expenses/Expenditures and Changes in Net Assets –  
Budget and Actual – Aquatic Center Fund**

**For the Year Ended December 31, 2010**

	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
Operating revenues		
Charges for goods and services		
Activity fees	\$ 180,000	\$ 180,000
Concessions	6,000	6,000
Rental fees	1,500	1,500
Other service fees	500	500
Total operating revenues	<u>188,000</u>	<u>188,000</u>
 Operating expenses		
Personnel	132,600	132,600
Maintenance	67,500	67,500
Supplies	41,500	41,500
Other	4,700	4,700
Depreciation	-	-
Total operating expenses	<u>246,300</u>	<u>246,300</u>
 Operating income (loss)	<u>(58,300)</u>	<u>(58,300)</u>
 Nonoperating revenues (expenditures)		
Interest income	5,000	5,000
Contributions	-	-
Capital expenditures	<u>(36,000)</u>	<u>(36,000)</u>
Net nonoperating revenues (expenditures)	<u>(31,000)</u>	<u>(31,000)</u>
 Changes in net assets	(89,300)	(89,300)
 Net assets - beginning of year	<u>2,447,808</u>	<u>2,447,808</u>
 Net assets - end of year	<u>\$ 2,358,508</u>	<u>\$ 2,358,508</u>

<u>Actual</u> <u>GAAP Basis</u>	<u>Adjustments to</u> <u>Budget Basis</u>	<u>Actual</u> <u>Budget Basis</u>	Variance with Final Budget Positive (Negative)
\$ 185,315	\$ -	\$ 185,315	\$ 5,315
4,833	-	4,833	(1,167)
562	-	562	(938)
-	-	-	(500)
<u>190,710</u>	<u>-</u>	<u>190,710</u>	<u>2,710</u>
134,324	-	134,324	(1,724)
15,642	-	15,642	51,858
49,900	-	49,900	(8,400)
2,637	-	2,637	2,063
<u>151,367</u>	<u>(151,367)</u>	<u>-</u>	<u>-</u>
<u>353,870</u>	<u>(151,367)</u>	<u>202,503</u>	<u>43,797</u>
<u>(163,160)</u>	<u>151,367</u>	<u>(11,793)</u>	<u>46,507</u>
7,291	-	7,291	2,291
169	-	169	169
<u>-</u>	<u>(4,040)</u>	<u>(4,040)</u>	<u>31,960</u>
<u>7,460</u>	<u>(4,040)</u>	<u>3,420</u>	<u>34,420</u>
(155,700)	147,327	(8,373)	80,927
<u>2,447,808</u>	<u>2,447,808</u>	<u>2,447,808</u>	<u>-</u>
<u>\$ 2,292,108</u>	<u>\$ 2,595,135</u>	<u>\$ 2,439,435</u>	<u>\$ 80,927</u>

See accompanying notes to the basic financial statements.

CITY OF SPRINGDALE, ARKANSAS

Schedule of Revenues, Expenses/Expenditures and Changes in Net Assets –  
Budget and Actual – Parks Soccer Program Fund

For the Year Ended December 31, 2010

	Budgeted Amounts	
	<u>Original</u>	<u>Final</u>
Operating revenues		
Charges for goods and services		
Activity fees	<u>\$ 95,000</u>	<u>\$ 95,000</u>
Operating expenses		
Personnel	73,870	73,870
Maintenance	6,500	6,500
Supplies	22,200	22,200
Other	9,500	9,500
Depreciation	-	-
Total operating expenses	<u>112,070</u>	<u>112,070</u>
Operating income (loss)	<u>(17,070)</u>	<u>(17,070)</u>
Nonoperating revenues (expenditures)		
Contributions	4,700	4,700
Interest income	-	-
Capital expenditures	-	-
Net nonoperating revenues (expenditures)	<u>4,700</u>	<u>4,700</u>
Changes in net assets	(12,370)	(12,370)
Net assets - beginning of year	<u>120,331</u>	<u>120,331</u>
Net assets - end of year	<u>\$ 107,961</u>	<u>\$ 107,961</u>

<u>Actual GAAP Basis</u>	<u>Adjustments to Budget Basis</u>	<u>Actual Budget Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
\$ 109,702	\$ -	\$ 109,702	\$ 14,702
71,700	-	71,700	2,170
1,331	-	1,331	5,169
23,547	-	23,547	(1,347)
3,417	-	3,417	6,083
4,826	(4,826)	-	-
<u>104,821</u>	<u>(4,826)</u>	<u>99,995</u>	<u>12,075</u>
<u>4,881</u>	<u>4,826</u>	<u>9,707</u>	<u>26,777</u>
2,880	-	2,880	(1,820)
1,054	-	1,054	1,054
-	-	-	-
<u>3,934</u>	<u>-</u>	<u>3,934</u>	<u>(766)</u>
8,815	4,826	13,641	26,011
<u>120,331</u>	<u>120,331</u>	<u>120,331</u>	<u>-</u>
<u>\$ 129,146</u>	<u>\$ 125,157</u>	<u>\$ 133,972</u>	<u>\$ 26,011</u>

See accompanying notes to the basic financial statements.

**CITY OF SPRINGDALE, ARKANSAS**

**Schedule of Revenues, Expenses/Expenditures and Changes in Net Assets –  
Budget and Actual – Sanitation Fund**

**For the Year Ended December 31, 2010**

	Budgeted Amounts	
	Original	Final
Operating revenues		
Charges for goods and services		
Bulky waste fees	\$ 104,000	\$ 104,000
Operating expenses		
Personnel	62,750	77,970
Maintenance	1,000	1,000
Supplies	11,100	15,850
Other	2,010	4,010
Depreciation	-	-
Total operating expenses	76,860	98,830
Operating income	27,140	5,170
Nonoperating revenues (expenditures)		
Interest income	250	250
Insurance recoveries	-	-
Miscellaneous income	-	-
Net nonoperating revenues (expenditures)	250	250
Income (loss) before transfers	27,390	5,420
Transfers in	-	21,970
Changes in net assets	27,390	27,390
Net assets - beginning of year	155,679	155,679
Net assets - end of year	\$ 183,069	\$ 183,069

<u>Actual GAAP Basis</u>	<u>Adjustments to Budget Basis</u>	<u>Actual Budget Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
\$ 106,722	\$ -	\$ 106,722	\$ 2,722
73,331	-	73,331	4,639
1,995	-	1,995	(995)
11,568	-	11,568	4,282
1,865	-	1,865	2,145
<u>10,795</u>	<u>(10,795)</u>	<u>-</u>	<u>-</u>
<u>99,554</u>	<u>(10,795)</u>	<u>88,759</u>	<u>10,071</u>
<u>7,168</u>	<u>10,795</u>	<u>17,963</u>	<u>12,793</u>
1,016	-	1,016	766
1,070	-	1,070	1,070
<u>-</u>	<u>(13,899)</u>	<u>(13,899)</u>	<u>(13,899)</u>
<u>2,086</u>	<u>(13,899)</u>	<u>(11,813)</u>	<u>(12,063)</u>
9,254	(3,104)	6,150	730
<u>10,310</u>	<u>-</u>	<u>-</u>	<u>-</u>
19,564	(3,104)	6,150	730
<u>155,679</u>	<u>155,679</u>	<u>155,679</u>	<u>-</u>
<u>\$ 175,243</u>	<u>\$ 152,575</u>	<u>\$ 161,829</u>	<u>\$ 730</u>

See accompanying notes to the basic financial statements.

**Schedule of Revenues, Expenditures and Changes in Fund Balance –  
Budget and Actual – Bluff Cemetery Fund**

**For the Year Ended December 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services				
Cemetery lots	\$ 33,400	\$ 33,400	\$ 27,050	\$ (6,350)
Investment earnings	<u>14,100</u>	<u>14,100</u>	<u>10,584</u>	<u>(3,516)</u>
Total revenues	<u>47,500</u>	<u>47,500</u>	<u>37,634</u>	<u>(9,866)</u>
Expenditures				
General government				
Cemetery				
Personnel	30,770	30,770	30,929	(159)
Maintenance	8,100	8,100	1,535	6,565
Supplies	600	600	-	600
Other	1,200	1,200	1,424	(224)
Capital	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Total cemetery expenditures	<u>55,670</u>	<u>55,670</u>	<u>33,888</u>	<u>21,782</u>
Net changes in fund balance	(8,170)	(8,170)	3,746	11,916
Fund balance - beginning of year	<u>646,286</u>	<u>646,286</u>	<u>646,286</u>	<u>-</u>
Fund balance - end of year	<u>\$ 638,116</u>	<u>\$ 638,116</u>	<u>\$ 650,032</u>	<u>\$ 11,916</u>

See accompanying notes to the basic financial statements.

**Notes to Supplementary Information****December 31, 2010****Stewardship, Compliance and Accountability***Excess of Expenditures Over Appropriations*

For the year ended December 31, 2010, expenditures exceeded appropriations in the General Fund by \$125,772 and in the Debt Service Fund by \$548,400. In addition, expenditures exceeded appropriations in the Shiloh Museum Board Fund by \$7,789, in the Arvest Ball Park Fund by \$6,970 and in the Municipal Airport Fund by \$57,136. These overexpenditures were funded primarily with fund balances, except for the Municipal Airport, which was primarily funded by state grants for capital improvements. The City Council did not make any supplementary appropriations related to these expenditures.

**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***

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

We have audited the financial statements of the governmental activities, the business-type activities, discretely presented component unit, each major fund and the aggregate remaining fund information, as listed in the accompanying table of contents, of the City of Springdale, Arkansas (the “City”), as of and for the year ended December 31, 2010, which collectively comprise its basic financial statements, and have issued our report thereon dated August 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City’s internal control over financial reporting 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’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

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

**Compliance and Other Matters**

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

We noted certain matters that we reported to management of the City, in a separate letter dated August 16, 2011.

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

***FROST, PLLC***

Certified Public Accountants

Little Rock, Arkansas  
August 16, 2011

**Independent Auditor's Report on Compliance With  
Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control  
Over Compliance in Accordance With OMB Circular A-133**

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

**Compliance**

We have audited the City of Springdale, Arkansas (the "City"), compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the 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 Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

### Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 the Honorable Mayor, City Council, management 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.

*FROST, PLLC*

Certified Public Accountants

Little Rock, Arkansas  
August 16, 2011

## Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2010

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grantors Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Housing and Urban Development</b>			
Community Development Block Grant	14.218	B-09-MC-05-002	\$ 63,893
Community Development Block Grant	14.218	B-10-MC-05-002	<u>533,705</u>
			<u>597,598</u>
<b>U.S. Department of Transportation</b>			
Passed through Arkansas State Police			
Selective Traffic Enforcement Project			
State & Community Highway Safety	20.600	OP-2011-03-02-30	9,065
Alcohol Traffic Safety & Drunk Driving Incentive Grant	20.601	K8-2011-08-06-30	1,612
Occupant Protection Incentive Grant	20.602	K2-2011-14-02-30	848
State & Community Highway Safety	20.600	OP-2010-03-02-34	15,783
Overtime - Selective Enforcement	20.600	K2-2010-14-02-34	8,000
Alcohol Traffic Safety & Drunk Driving Incentive Grant	20.601	K8-2010-08-08-34	<u>11,093</u>
			<u>46,401</u>
Passed through Arkansas Highway and Transportation Department			
Johnson Road Improvements - Hwy 412 to Interstate 540	20.205	040272	<u>388,915</u>
			<u>435,316</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	71,713
Federal Emergency Management Agency			
Passed through Arkansas Department of Emergency Management			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-1819-AR	<u>125,196</u>
			<u>196,909</u>
<b>U.S. Department of Justice</b>			
Office of Justice Programs' Bureau of Justice Assistance			
Bulletproof Vest Partnership Program	16.607		18,119
Passed through the City of Fayetteville, Arkansas			
Edward Byrne Memorial Justice Assistance Grant Program			
2009 Justice Assistance - Recovery Solicitation	16.738		8,828
2008 Justice Assistance - Local Solicitation	16.738		39,201

See accompanying notes to the basic financial statements and to the schedules of expenditures of federal and state awards.

## Schedule of Expenditures of Federal Awards (cont.)

For the Year Ended December 31, 2010

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grantors Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Justice (cont.)</b>			
Office of Justice Programs' Bureau of Justice Assistance (cont.)			
Passed through Benton County, Arkansas Sheriff's Office			
Targeting Violent Crime Initiative	16.738	2007-DD-BX-0618	\$ 2,361
Office of Juvenile Justice and Delinquency Prevention			
Passed through the Arkansas Department of Finance and Administration			
Office of Intergovernmental Services			
Underage Alcohol Enforcement Compliance Checks		2008-AH-FX-0002 IG08-08-01	5,778
Underage Alcohol Enforcement Compliance Checks		2007-AH-FX-0030- DZ07-07-06	<u>3,573</u>
			<u>77,860</u>
<b>U.S. Department of Energy</b>			
<b>National Energy Technology Laboratory</b>			
Energy Efficiency & Conservation Block Grant	81.128	DE-FOA-0000013	1,044
<b>U.S. Department of Transportation</b>			
Federal Aviation Administration			
Airport Master Plan		AIP 3-05 0059-015-2010	60,282
<b>Federal Bureau of Investigation</b>			
Joint Terrorism Task Force of Arkansas	N/A	N/A	5,075
U.S. Marshal Service - Western District of Arkansas	N/A	N/A	50,123
Drug Enforcement Administration Task Force	N/A	N/A	<u>7,191</u>
			<u>123,715</u>
Total expenditures of federal awards			<u>\$ 1,431,398</u>

See accompanying notes to the basic financial statements and to the schedules of expenditures of federal and state awards.

## Schedule of Expenditures of State Awards

For the Year Ended December 31, 2010

<u>State Awards</u>	<u>Grantor Number</u>	<u>State Expenditures</u>
<b>Arkansas State Police</b>		
Child Passenger Protection Fund	OP-2010-03-02-34	\$ 3,000
Internet Crimes Against Children	ICAC07-027	<u>3,651</u>
		<u>6,651</u>
<b>Arkansas Department of Aeronautics</b>		
State Airport Aid Grant (gate/fencing)	2871-10	34,286
State Airport Aid Grant (connector taxiway/holding apron)	2845-10	<u>373,538</u>
		<u>407,824</u>
<b>Arkansas Agriculture Department</b>		
Arkansas Forestry Commission Grant - Ice Storm Grant	U&CF-IS-09-13	2,877
Arkansas Forestry Commission Grant - Ice Storm Grant	U&CF-IS-09-13	<u>14,747</u>
		<u>17,624</u>
<b>Arkansas Economic Development Commission</b>		
Economic Infrastructure Fund Grant (AERT)	EIF 200715	73,340
Economic Infrastructure Fund Grant (Nanomech)	EIF 200716	<u>140,000</u>
		<u>213,340</u>
<b>Arkansas Department of Education</b>		
ADE Grant	GIF 09-46	<u>955</u>
<b>Arkansas Department of Health</b>		
Trauma EMS Start Up Grant	4600019185	<u>43,957</u>
<b>Arkansas Humanities Council</b>		
Sacred Harp Singing in the Ozarks DVD grant	SHG-09-016	<u>2,172</u>
<b>Department of Arkansas Heritage</b>		
Arts on Tour - Brian and Terri Kinder	FY11-408-209	140
Arts on Tour - Tommy Terrific's Wacky Magic	FY11-409-209	100
Arts on Tour	FY11-522-209	<u>300</u>
		<u>540</u>
Total expenditures of state awards		<u>\$ 693,063</u>

See accompanying notes to the basic financial statements and to the schedules of expenditures of federal and state awards.

## Schedule of Expenditures of State Awards (cont.)

For the Year Ended December 31, 2010

<u>Other Assistance</u>	<u>Grantor Number</u>	<u>Other Expenditures</u>
4th Judicial District Drug Task Force Passed through City of Fayetteville	N/A	\$ <u>32,454</u>
High-Intensity Drug Trafficking Area Program Passed through Washington County, Arkansas	N/A	\$ <u>29,863</u>
Elderly Taxi Program - Cigarette Tax Passed through Area Agency on Aging	N/A	\$ <u>4,185</u>

See accompanying notes to the basic financial statements and to the schedules of expenditures of federal and state awards.

**Notes to Schedules of Expenditures of Federal and State Awards****For the Year Ended December 31, 2010****Scope of Audit Pursuant to U.S. Office of Management and Budget (“OMB”) Circular A-133**

All federal financial award programs of the City of Springdale, Arkansas (the “City”), are included in the scope of the OMB Circular A-133 audit (“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 Governmental Auditing Standards Board.

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

*Subrecipients*

The City provided no federal awards to subrecipients.

**Schedule of Findings and Questioned Costs**

**For the Year Ended December 31, 2010**

**Summary of Audit Results**

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the City of Springdale, Arkansas.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the City of Springdale, Arkansas, were disclosed during the audit.
4. No significant deficiencies or material weaknesses were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for the City of Springdale, Arkansas, expresses an unqualified opinion on all major federal award programs.
6. Audit findings relative to the major federal award programs for the City of Springdale, Arkansas, are reported in this schedule.
7. The programs tested as major programs included:
  - CDBG – Community Development Block Grant. 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 – Financial Statement Audit**

None

**Findings and Questioned Costs – Major Federal Award Programs Audit**

None

**Independent Auditor's Report on Compliance With Certain State Acts**

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 Act 15 of 1985 and the following Arkansas statutes during the year ended December 31, 2010.

- (a) Municipal Accounting Law, Act 159 of 1973, Act 616 of 1979 and Act 308 of 1977. (Arkansas Statutes 19-5301 – 19-5317);
- (b) Municipal Courts, Police Courts, City Courts and Justice of the Peace Courts Accounting Law of 1977, Act 332 of 1977, Acts 677 and 776 of 1985, Act 904 of 1991 and Act 1256 of 1996. (Arkansas Statutes 22-1101 – 22-1108);
- (c) Municipal Court and Police Department Uniform Filing Fees and Court Cost, Act 1341 of 1997;
- (d) Bonding of Municipal Officers and Employees, Act 338 of 1955, Act 677 of 1975, Act 940 of 1977 and Act 1014 of 1987. ((Arkansas Statutes 13-412 – 13-412.3) (Replaced by Act 5 of 1985);
- (e) Improvement Contracts Over \$10,000, Act 159 of 1949, Act 183 of 1957, Act 477 of 1961, Act 370 of 1977, Act 266 of 1981, Act 871 of 1983, Acts 758 and 759 of 1987, Act 936 of 1989, Act 728 of 1991, Act 645 of 1993 and Act 1319 of 1995. (Arkansas Statutes 14-611 – 14-614);
- (f) Budgets, Purchases Over \$2,000; Payments of Claims, Etc., Act 28 of 1959, Act 154 of 1979, Acts 344 and 926 of 1981, Act 745 of 1985 and Act 812 of 1995. (Arkansas Statutes 19-4421 – 19-4430);
- (g) Investment of Public Funds, Act 273 of 1943, Act 106 of 1973, Act 402 of 1995, Act 800 of 1997 and Act 1341 of 2000. (Arkansas Statutes 13-901 – 13-904); and
- (h) Deposit of Public Funds, Act 21 of 1935, Acts 57 and 62 of 1945, Act 122 of 1947, Act 18 of 1964, Acts 89 and 107 of 1973, Act 250 of 1987, Act 459 of 1991 and Acts 232 and 700 of 1995. (Arkansas Statutes 13-801 – 13-805).

Management is responsible for the City's compliance with these requirements. Our responsibility is to express an opinion on the City's compliance based 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 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 complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2010.

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

*FROST, PLLC*

Certified Public Accountants

Little Rock, Arkansas  
August 16, 2011

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List of Elected and Appointed Officials

December 31, 2010

**Elected Officials:**

Mayor	Doug Sprouse
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

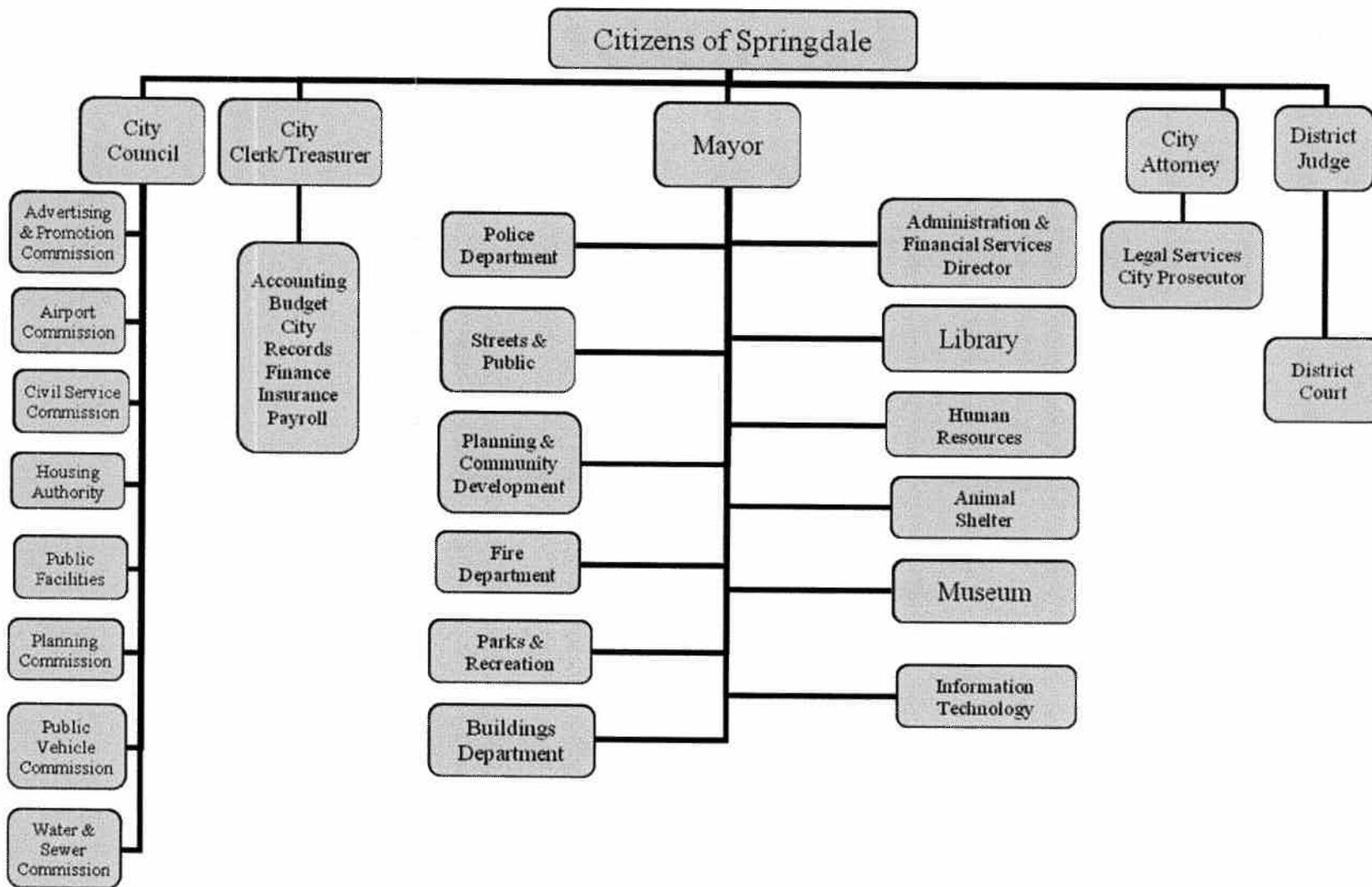
**Appointed Officials:**

Administrative and Financial Services	Wyman D. Morgan
Animal Services	Brett Harris
Chief 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	Rick McWhorter
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

December 31, 2010



### **Independent Auditor's Report**

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Springdale, Arkansas, as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express our 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, business-type activities, discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Springdale, Arkansas, as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

Accounting principles generally accepted in the United States of America require the management's discussion and analysis and budgetary comparison information on pages 5 through 13 and 69 through 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and budgetary comparison information on pages 81 through 93, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and individual nonmajor fund budgetary comparison information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**FROST, PLLC**

Certified Public Accountants

Little Rock, Arkansas  
August 16, 2011

**Management's Discussion and Analysis****December 31, 2010**

The following narrative overview and analysis of the City of Springdale's financial activities for the year ended December 31, 2010 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 2010 by \$223,712,591 (net assets). Of this amount, \$8,278,230 is considered unrestricted net assets. The unrestricted net assets of the City's governmental activities are \$7,643,210 and may be used to meet the obligations to citizens and creditors. The unrestricted net assets of the City's business-type activities have a balance of \$635,020 that may be used to meet the ongoing obligations of the City's municipal airport, aquatic center activities and other nonmajor proprietary funds.
- In 2010, the City's total net assets decreased by \$523,923. Net assets of the governmental activities decreased by \$643,272 in 2010, which was a 0.3% decrease over beginning net assets. Net assets of the business-type activities increased by \$119,349 in 2010, which was a 1.5% increase over beginning net assets.
- At the close of 2010, the City of Springdale's governmental funds reported a combined ending fund balance of \$46,070,664, which reflects an increase of \$981,992 from the prior year, mainly due to an accumulation of funds in the Sales and Use Tax Fund for a major street project. The unreserved and undesignated portion of the combined fund balance is \$17,144,759, which represents 37% 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 2010, the unreserved fund balance of the general fund was \$4,504,835 or 17% of total general fund expenditures. There was an increase of \$475,489 in the total general fund balance for the year ended December 31, 2010.

**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.

**Management's Discussion and Analysis (cont.)****December 31, 2010****Government-Wide Financial Statements**

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (*business-type activities*). The governmental activities of the City include general government, capital projects, community development, culture and recreation, economic development, public safety and public works. The business-type activities of the City include municipal airport, aquatic center, park's soccer program and city attorney restitution.

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

The government-wide financial statements are located on pages 14 and 15 of this report.

**Fund Financial Statements**

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

**Governmental funds** – *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term *inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

**Management's Discussion and Analysis (cont.)****December 31, 2010**

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, 2006 Street Improvement Construction Fund and Debt Service Fund. Data from the remaining 12 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements are located on pages 16 through 19 of this report.

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

The basic proprietary fund financial statements can be found on pages 20 through 22 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 23 through 24 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 25 through 66 of this report.

**Other information** – In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees and budgetary comparison schedules to demonstrate compliance with the annual budgets. *Required supplementary information* is located on pages 67 through 73 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining statements and schedules are located on pages 74 through 93 of this report.

## Management's Discussion and Analysis (cont.)

December 31, 2010

## Government-Wide Financial Analysis

City of Springdale, Arkansas  
Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 55,441,737	\$ 55,550,551	\$ 683,572	\$ 632,713	\$ 56,125,309	\$ 56,183,264
Capital assets	274,744,256	280,502,891	7,353,176	7,281,564	282,097,432	287,784,455
Total assets	<u>330,185,993</u>	<u>336,053,442</u>	<u>8,036,748</u>	<u>7,914,277</u>	<u>338,222,741</u>	<u>343,967,719</u>
Current liabilities	9,123,123	9,665,529	38,128	29,843	9,161,251	9,695,372
Other liabilities	105,338,475	110,020,246	10,424	15,587	105,348,899	110,035,833
Total liabilities	<u>114,461,598</u>	<u>119,685,775</u>	<u>48,552</u>	<u>45,430</u>	<u>114,510,150</u>	<u>119,731,205</u>
Net assets						
Invested in capital assets, net of related debt	169,515,368	171,336,523	7,353,176	7,281,564	176,868,544	178,618,087
Restricted	38,565,817	38,093,008	-	-	38,565,817	38,093,008
Unrestricted	<u>7,643,210</u>	<u>6,938,136</u>	<u>635,020</u>	<u>587,283</u>	<u>8,278,230</u>	<u>7,525,419</u>
Total net assets	<u>\$ 215,724,395</u>	<u>\$ 216,367,667</u>	<u>\$ 7,988,196</u>	<u>\$ 7,868,847</u>	<u>\$ 223,712,591</u>	<u>\$ 224,236,514</u>

Of the City's net assets, \$176,868,544 (79%) 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 (\$38,565,817 or 17%) represents resources that are subject to restrictions as to how they may be used. The balance of unrestricted net assets (\$8,278,230 or 4%) 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 \$8,278,230, the net assets of the City's business-type activities, of \$635,020, may not be used to fund governmental activities.

**Governmental activities** – Governmental activities decreased the City's net assets by \$643,272. The main elements of this decrease are:

- Depreciation expense exceeded net capital expenditures by \$5,378,698. Capital expenditures for 2010 were \$6,227,978.
- The decrease in the City's net assets was partially offset by repayment of long-term debt and related liabilities for a total \$4,978,136.

Sales taxes provided \$27,713,936 (55%) of the City's governmental revenue in 2010 while operating grants and contributions added \$8,246,638 (16%) and ad valorem taxes provided \$5,322,878 (11%).

## Management's Discussion and Analysis (cont.)

December 31, 2010

**Business-type activities** – Business-type activities increased the City's net assets by \$119,349.

The Municipal Airport revenues of \$762,126 provided 62% of total revenues for business-type activities for 2010, while current year expenses of \$579,808 were 51% of total expenses. Municipal Airport depreciation expenses for 2010 were \$237,332.

Aquatic center revenues of \$198,170 provided 16% of total revenues of business-type activities, while current year expenses of \$353,870 were 31% of total expenses. Aquatic center depreciation expense for 2010 was \$151,367.

**City of Springdale, Arkansas**  
**Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues						
Fees, fines and charges for services	\$ 4,183,420	\$ 4,129,985	\$ 717,501	\$ 708,328	\$ 4,900,921	\$ 4,838,313
Operating grants and contributions	8,246,638	11,881,741	3,049	5,176	8,249,687	11,886,917
Capital grants and contributions	<u>761,687</u>	<u>1,353,747</u>	<u>475,907</u>	<u>651,857</u>	<u>1,237,594</u>	<u>2,005,604</u>
Total program revenues	<u>13,191,745</u>	<u>17,365,473</u>	<u>1,196,457</u>	<u>1,365,361</u>	<u>14,388,202</u>	<u>18,730,834</u>
General revenues						
Sales tax	27,713,936	28,045,005	18,680	7,360	27,732,616	28,052,365
Ad valorem tax	5,322,878	5,834,305	-	-	5,322,878	5,834,305
Franchise tax	3,384,667	3,092,147	-	-	3,384,667	3,092,147
Hotel/motel tax	193,197	210,254	-	-	193,197	210,254
Investment earnings	638,164	653,241	9,687	9,787	647,851	663,028
Gain (loss) on sale/disposal of assets	(289,552)	29,036	-	-	(289,552)	29,036
Loss on bond refunding	(32,288)	(32,288)	-	-	(32,288)	(32,288)
Endowment contributions	-	6,152	-	-	-	6,152
Total general revenues	<u>36,931,002</u>	<u>37,837,852</u>	<u>28,367</u>	<u>17,147</u>	<u>36,959,369</u>	<u>37,854,999</u>
Total revenues	<u>50,122,747</u>	<u>55,203,325</u>	<u>1,224,824</u>	<u>1,382,508</u>	<u>51,347,571</u>	<u>56,585,833</u>

## Management's Discussion and Analysis (cont.)

December 31, 2010

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Expenses						
General government	\$ 4,203,086	\$ 3,913,732	\$ -	\$ -	\$ 4,203,086	\$ 3,913,732
Community government	1,368,863	1,482,591	-	-	1,368,863	1,482,591
Culture and recreation	6,025,971	5,955,477	-	-	6,025,971	5,955,477
Economic development	210,060	250,367	-	-	210,060	250,367
Public safety	21,309,750	20,637,264	-	-	21,309,750	20,637,264
Public works	12,876,139	21,124,522	-	-	12,876,139	21,124,522
Interest on long-term debt	4,632,838	4,812,485	-	-	4,632,838	4,812,485
Issue costs and agent fees - long-term debt	105,688	105,985	-	-	105,688	105,985
Municipal airport	-	-	579,808	496,013	579,808	496,013
Aquatic center	-	-	353,870	368,651	353,870	368,651
Parks soccer program	-	-	104,821	106,754	104,821	106,754
Sanitation	-	-	99,554	80,138	99,554	80,138
City attorney restitution	-	-	1,046	850	1,046	850
Total expenses	<u>50,732,395</u>	<u>58,282,423</u>	<u>1,139,099</u>	<u>1,052,406</u>	<u>51,871,494</u>	<u>59,334,829</u>
Increase (decrease) in net assets before transfers	(609,648)	(3,079,098)	85,725	330,102	(523,923)	(2,748,996)
Transfers	<u>(33,624)</u>	<u>(2,468)</u>	<u>33,624</u>	<u>2,468</u>	<u>-</u>	<u>-</u>
Changes in net assets	(643,272)	(3,081,566)	119,349	332,570	(523,923)	(2,748,996)
Net assets - January 1	<u>216,367,667</u>	<u>219,449,233</u>	<u>7,868,847</u>	<u>7,536,277</u>	<u>224,236,514</u>	<u>226,985,510</u>
Net assets - December 31	<u>\$ 215,724,395</u>	<u>\$ 216,367,667</u>	<u>\$ 7,988,196</u>	<u>\$ 7,868,847</u>	<u>\$ 223,712,591</u>	<u>\$ 224,236,514</u>

## 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 2010, the City's governmental funds combined fund balance was \$46,070,664, which reflects an increase of \$981,992 from the prior year end. The increase is due primarily to the accumulation of funds in the Sales and Use Tax Fund for a large street improvement project. \$17,144,759 (37%) of the year end combined fund balance constitutes unreserved and undesignated 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.

**Management's Discussion and Analysis (cont.)****December 31, 2010**

The General Fund is the chief operating fund of the City. As of December 31, 2010, the total fund balance of the general fund was \$5,268,254 of which \$4,462,802 (85%) was unreserved and undesignated. This unreserved fund balance represents approximately 17% of the total general fund expenditures for the year ended December 31, 2010.

During the 2010 fiscal year, the fund balance of the general fund increased by \$475,489. A moderate increase in several revenue sources was the primary reason for the increase in the fund balance of the general fund. The 2011 adopted budget anticipates a slight decrease in the unreserved general fund balance by the end of the year.

The Sales and Use Tax Fund is a capital projects fund that is presented as a major fund and accounts for 49% of the total governmental fund balances. Revenues include a one percent (1%) local sales and use tax of which seventy-five percent (75%) has been in the past dedicated to capital improvement projects. The 2010 and 2011 adopted budgets reduced the funds dedicated for capital improvement projects to 50% of the sales and use tax.

The Debt Service Fund provided 18% of the total governmental fund balances at December 31, 2010. Revenues for this fund are derived from a one percent (1%) local sales and use tax and are used to retire bonds from the \$124,045,000 Series 2006 bond issue and to pay related expenses, including interest. At December 31, 2010, there was \$105,015,000 of bonds outstanding.

**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, 2010, net assets of the Municipal Airport Fund were \$5,382,887 and net assets of the Aquatic Center Fund were \$2,292,108. These two funds account for 96% of the net assets total of all proprietary funds.

**Budgetary Highlights**

General fund budgeted revenues were \$22,719,430 and actual revenue received was \$23,151,388. The excess of \$431,958 over the projected budget was primarily due to an increase in state turnback received and an increase in revenue from utility franchise taxes. General fund actual expenditures of \$26,692,462 were 100.5% of the budgeted expenses of \$26,566,690.

The budget and actual comparison schedules are located on pages 69 through 72.

**Capital Assets**

The City's investment in capital assets for governmental and business-type activities as of December 31, 2010 amounts to \$282,097,432. The decrease for governmental activities was \$5,758,635 (2%). The City's investment in capital assets related to business-type activities increased by \$71,612 (0.9%).

Additional information on the City's capital assets is located in Note 4 on pages 39 through 41 of this report.

**Management's Discussion and Analysis (cont.)****December 31, 2010****City of Springdale, Arkansas  
Capital Assets, Net of Accumulated Depreciation**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land and easements	\$ 48,356,470	\$ 48,261,400	\$ 2,788,631	\$ 2,788,631	\$ 51,145,101	\$ 51,050,031
Land improvements	7,391,629	7,784,465	2,347,549	2,104,626	9,739,178	9,889,091
Buildings and improvements	47,005,181	48,503,395	2,011,224	2,164,868	49,016,405	50,668,263
Construction in progress	13,314,427	10,822,579	13,892	13,892	13,328,319	10,836,471
Infrastructure	144,628,375	149,307,575	-	-	144,628,375	149,307,575
Machinery and equipment	13,850,326	15,629,693	191,880	209,547	14,042,206	15,839,240
Intangibles	197,848	193,784	-	-	197,848	193,784
Total	<u>\$ 274,744,256</u>	<u>\$ 280,502,891</u>	<u>\$ 7,353,176</u>	<u>\$ 7,281,564</u>	<u>\$ 282,097,432</u>	<u>\$ 287,784,455</u>

**Long-Term Debt**

The City of Springdale held a special election on August 12, 2003 that resulted in the authorization of an additional one percent (1%) sales and use tax and the issuance of bonds in the maximum principal amount of \$105,000,000. These bonds were authorized for the right-of-way 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 in bonds was issued. The additional one percent (1%) sales and use 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 and use 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 and use tax rate for Springdale was not increased by this election. The one percent (1%) sales and use tax authorized in 2003 was replaced by the one percent (1%) sales and use tax authorized by this election. The City retired \$4,765,000 of these bonds during the year leaving a balance at December 31, 2010 of \$105,015,000.

On June 27, 2006, the City Council authorized the issuance of \$3,600,000 of Water and Sewer Revenue Bonds for sewer facility improvements. These additional bonds were issued on August 10, 2006, and the final principal payment is scheduled for September 1, 2026. The City retired \$65,000 of these bonds during the year leaving a balance at September 30, 2010 of \$3,385,000.

Additional information on the City's long-term debt can be found in Note 5 located on pages 42 through 45 of this report.

**Management's Discussion and Analysis (cont.)****December 31, 2010****Economic Factors and the Next Year's Budget**

The unemployment rate of December 2010 for the Fayetteville-Springdale-Rogers MSA was 6.2%, which compared favorably to the state's average unemployment rate of 7.9%. During 2010, total nonfarm jobs for this MSA declined by 2,200 to end the year at 198,400.

City one percent (1%) sales and use tax revenue received in 2010 for the Sales and Use Tax Fund decreased by 2.6% when compared to sales tax revenue received in 2009. The collection of an additional one percent sales and use tax for debt service was started in October of 2003. This additional tax provided \$9,594,885 in revenue during 2010.

The City Council adopted the 2011 budget on December 14, 2010 with General Fund projected revenues of \$27,865,100 and projected expenditures and transfers of \$28,110,340.

**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.springdalear.gov>.

## Statement of Net Assets

December 31, 2010

Assets	Primary Government			Discrete Component Unit
	Governmental Activities	Business-type Activities	Total	
Cash and cash equivalents	\$ 7,257,119	\$ 208,978	\$ 7,466,097	\$ 269,136
Investments	21,575,915	351,773	21,927,688	-
Accounts receivable, net of allowance for uncollectibles	1,144,010	448,480	1,592,490	3,810,424
Intergovernmental receivables	9,520,542	-	9,520,542	-
Internal balances	337,116	(336,719)	397	-
Due from fiduciary funds	94,665	150	94,815	-
Inventories	-	-	-	444,526
Prepaid assets	517,160	6,110	523,270	72,958
Assets held for resale	2,168,740	-	2,168,740	-
Unamortized bond/lease costs	1,439,702	-	1,439,702	15,312
Deferred loss on bond refunding	540,834	-	540,834	-
Accounts receivable, due in more than one year	-	4,800	4,800	-
Restricted assets				
Cash and cash equivalents	9,287,183	-	9,287,183	46,171
Investments	-	-	-	35,518,223
Interest receivable	-	-	-	309,825
Intergovernmental receivables	1,558,751	-	1,558,751	-
Capital assets				
Nondepreciable	62,146,216	2,802,523	64,948,739	13,247,164
Depreciable, net of accumulated depreciation	<u>212,598,040</u>	<u>4,550,653</u>	<u>217,148,693</u>	<u>179,867,898</u>
Total assets	<u>\$ 330,185,993</u>	<u>\$ 8,036,748</u>	<u>\$ 338,222,741</u>	<u>\$ 233,601,637</u>
<u>Liabilities and Net Assets</u>				
Liabilities				
Accounts payable and accrued expenses	\$ 2,036,756	\$ 31,941	\$ 2,068,697	\$ 598,892
Due to fiduciary funds	5,594	-	5,594	-
Accrued interest payable	2,390,975	-	2,390,975	16,678
Current portion of long-term debt	4,385,000	-	4,385,000	80,000
Customer deposits	254,908	-	254,908	1,508,372
Deferred revenue	49,890	6,187	56,077	-
Noncurrent liabilities				
Due within one year	2,910	-	2,910	-
Due in more than one year	<u>105,335,565</u>	<u>10,424</u>	<u>105,345,989</u>	<u>3,305,000</u>
Total liabilities	<u>114,461,598</u>	<u>48,552</u>	<u>114,510,150</u>	<u>5,508,942</u>
Net assets				
Invested in capital assets, net of related debt	169,515,368	7,353,176	176,868,544	189,728,696
Restricted for				
Expendable				
Capital projects	27,871,962	-	27,871,962	36,723,355
Debt service	5,927,174	-	5,927,174	-
Other	3,697,414	-	3,697,414	-
Nonexpendable	1,069,267	-	1,069,267	-
Unrestricted	<u>7,643,210</u>	<u>635,020</u>	<u>8,278,230</u>	<u>1,640,644</u>
Total net assets	<u>\$ 215,724,395</u>	<u>\$ 7,988,196</u>	<u>\$ 223,712,591</u>	<u>\$ 228,092,695</u>

The accompanying notes are an integral part of these financial statements.

Statement of Activities

For the Year Ended December 31, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			Component Unit
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government								
Governmental activities								
General government								
Administration	\$ 2,847,121	\$ 259,971	\$ 1,261,509	\$ -	\$ (1,325,641)	\$ -	\$ (1,325,641)	\$ -
City attorney	660,184	24,309	-	-	(635,875)	-	(635,875)	-
District court	654,644	153,289	83,518	-	(417,837)	-	(417,837)	-
Bluff cemetery	41,137	27,050	-	-	(14,087)	-	(14,087)	-
Capital projects	-	-	98	397,170	397,268	-	397,268	-
Community development								
Planning and engineering	771,908	20,228	-	1,044	(750,636)	-	(750,636)	-
Community development and housing	596,955	-	607,182	-	10,227	-	10,227	-
Culture and recreation								
Parks and recreation	3,572,258	539,243	25,093	-	(3,007,922)	-	(3,007,922)	-
Public library	1,830,916	98,432	1,129,751	-	(602,733)	-	(602,733)	-
Shiloh museum	622,797	46,558	17,194	-	(559,045)	-	(559,045)	-
Economic development	210,060	-	-	-	(210,060)	-	(210,060)	-
Public safety								
Animal services	393,246	73,312	9,214	7,965	(302,755)	-	(302,755)	-
Building inspection and code enforcement	779,925	296,534	-	-	(483,391)	-	(483,391)	-
Fire	8,969,350	1,443,969	599,404	-	(6,925,977)	-	(6,925,977)	-
Police	11,167,229	1,145,461	1,186,157	43,055	(8,792,556)	-	(8,792,556)	-
Public works	12,876,139	55,064	3,327,518	312,453	(9,181,104)	-	(9,181,104)	-
Debt service								
Interest on long-term debt	4,632,838	-	-	-	(4,632,838)	-	(4,632,838)	-
Issue costs and fees - long-term debt	105,688	-	-	-	(105,688)	-	(105,688)	-
Total government activities	<u>50,732,395</u>	<u>4,183,420</u>	<u>8,246,638</u>	<u>761,687</u>	<u>(37,540,650)</u>	<u>-</u>	<u>(37,540,650)</u>	<u>-</u>
Business-type activities								
Municipal airport	579,808	286,219	-	475,907	-	182,318	182,318	-
Aquatic center	353,870	190,710	169	-	-	(162,991)	(162,991)	-
Parks soccer program	104,821	109,702	2,880	-	-	7,761	7,761	-
Sanitation	99,554	107,792	-	-	-	8,238	8,238	-
City attorney restitution	1,046	23,078	-	-	-	22,032	22,032	-
Total business-type activities	<u>1,139,099</u>	<u>717,501</u>	<u>3,049</u>	<u>475,907</u>	<u>-</u>	<u>57,358</u>	<u>57,358</u>	<u>-</u>
Total primary government	<u>\$ 51,871,494</u>	<u>\$ 4,900,921</u>	<u>\$ 8,249,687</u>	<u>\$ 1,237,594</u>	<u>(37,540,650)</u>	<u>57,358</u>	<u>(37,483,292)</u>	<u>-</u>
Component unit								
Springdale water utilities	<u>\$ 20,841,051</u>	<u>\$ 25,286,776</u>	<u>\$ -</u>	<u>\$ 2,235,266</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,680,991</u>
General revenues and transfers								
Sales tax					27,713,936	18,680	27,732,616	-
Ad valorem tax					5,322,878	-	5,322,878	-
Franchise tax					3,384,667	-	3,384,667	-
Hotel/motel tax					193,197	-	193,197	-
Investment earnings					638,164	9,687	647,851	237,681
Interest expenses and other charges					-	-	-	(171,500)
Loss on sale of assets					(289,552)	-	(289,552)	(1,639)
Loss on bond refunding					(32,288)	-	(32,288)	-
Transfers					(33,624)	33,624	-	-
Total general revenues and transfers					<u>36,897,378</u>	<u>61,991</u>	<u>36,959,369</u>	<u>64,542</u>
Changes in net assets					(643,272)	119,349	(523,923)	6,745,533
Net assets - beginning of year, as restated					<u>216,367,667</u>	<u>7,868,847</u>	<u>224,236,514</u>	<u>221,347,162</u>
Net assets - end of year					<u>\$ 215,724,395</u>	<u>\$ 7,988,196</u>	<u>\$ 223,712,591</u>	<u>\$ 228,092,695</u>

The accompanying notes are an integral part of these financial statements.

## Balance Sheet – Governmental Funds

December 31, 2010

Assets	General Fund	Street Fund	Sales and Use Tax Fund	2006 Street	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
				Improvement Bonds Construction Fund			
Cash and cash equivalents	\$ 1,967,384	\$ 375,990	\$ 3,649,720	\$ -	\$ -	\$ 1,264,025	\$ 7,257,119
Investments	200,000	460,888	17,441,859	-	-	3,473,168	21,575,915
Accounts receivable, net	1,036,913	2,343	5,000	-	-	25,219	1,069,475
Interest receivable	530	1,189	68,974	-	-	3,842	74,535
Intergovernmental receivables, net	6,606,904	1,135,807	1,755,352	-	-	22,479	9,520,542
Due from other funds	1,239,132	10,329	800,996	-	-	40,499	2,090,956
Assets held for resale	-	-	-	-	-	2,168,740	2,168,740
Other assets	446,479	64,160	-	-	-	6,521	517,160
Restricted assets							
Cash and cash equivalents	-	-	-	2,527,785	6,759,398	-	9,287,183
Intergovernmental receivables, net	-	-	-	-	1,558,751	-	1,558,751
<b>Total assets</b>	<b>\$ 11,497,342</b>	<b>\$ 2,050,706</b>	<b>\$ 23,721,901</b>	<b>\$ 2,527,785</b>	<b>\$ 8,318,149</b>	<b>\$ 7,004,493</b>	<b>\$ 55,120,376</b>
<b>Liabilities and Fund Balance</b>							
<b>Liabilities</b>							
Accounts payable	\$ 254,872	\$ 42,643	\$ 278,101	\$ 577,001	\$ -	\$ 70,397	\$ 1,223,014
Salaries payable	698,661	64,682	-	-	-	53,309	816,652
Due to other funds	798,302	-	834,166	7,571	-	24,730	1,664,769
Developer bonds payable	237,268	-	-	-	-	-	237,268
Other liabilities	614	17,026	-	-	-	-	17,640
Deferred revenue	4,239,371	801,108	-	-	-	49,890	5,090,369
<b>Total liabilities</b>	<b>6,229,088</b>	<b>925,459</b>	<b>1,112,267</b>	<b>584,572</b>	<b>-</b>	<b>198,326</b>	<b>9,049,712</b>
<b>Fund balances</b>							
<b>Reserved</b>							
<b>Expendable</b>							
Assets held for resale	-	-	-	-	-	2,168,740	2,168,740
Debt service	-	-	-	-	8,318,149	-	8,318,149
Cemetery perpetual care	-	-	-	-	-	44,348	44,348
Court automation	-	-	-	-	-	240,519	240,519
Grant expenditures	-	-	-	-	-	-	-
Public safety expenditures	763,419	-	-	-	-	-	763,419
Capital projects	-	-	14,324,937	1,943,213	-	-	16,268,150
Nonexpendable - endowments	-	-	-	-	-	1,069,267	1,069,267
<b>Unreserved</b>							
<b>Designated for</b>							
Benevolent funds	17,833	-	-	-	-	-	17,833
Recreation and culture	24,200	-	-	-	-	11,280	35,480
<b>Undesignated, reported in</b>							
General fund	4,462,802	-	-	-	-	-	4,462,802
Special revenue funds	-	1,125,247	-	-	-	1,187,400	2,312,647
Capital project funds	-	-	8,284,697	-	-	1,150,375	9,435,072
Permanent funds	-	-	-	-	-	934,238	934,238
<b>Total fund balances</b>	<b>5,268,254</b>	<b>1,125,247</b>	<b>22,609,634</b>	<b>1,943,213</b>	<b>8,318,149</b>	<b>6,806,167</b>	<b>46,070,664</b>
<b>Total liabilities and fund balances</b>	<b>\$ 11,497,342</b>	<b>\$ 2,050,706</b>	<b>\$ 23,721,901</b>	<b>\$ 2,527,785</b>	<b>\$ 8,318,149</b>	<b>\$ 7,004,493</b>	<b>\$ 55,120,376</b>

The accompanying notes are an integral part of these financial statements.

**Reconciliation of the Balance Sheet of  
Governmental Funds to the Statement of Net Assets**

**December 31, 2010**

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

Total fund balances - governmental funds	\$ 46,070,664
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Amounts reported for governmental activities in the statement of activities are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	274,744,256
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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.	5,040,479
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Some assets related to long-term debt are deferred and, therefore, are not reported in the funds.	1,980,536
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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>(112,111,540)</u>
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Net assets of governmental activities	<u>\$ 215,724,395</u>
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The accompanying notes are an integral part of these financial statements.

**CITY OF SPRINGDALE, ARKANSAS**

**Statement of Revenues, Expenditures and  
Changes in Fund Balances – Governmental Funds**

**For the Year Ended December 31, 2010**

	General Fund	Street Fund	Sales and Use Tax Fund	2006 Street Improvement Bonds Construction Fund
<b>Revenues</b>				
Taxes	\$ 16,658,607	\$ 878,694	\$ 9,584,213	\$ -
Fees and permits	501,240	1,770	-	-
Intergovernmental	3,074,517	3,168,436	388,915	-
Charges for goods and services	1,701,314	20,775	-	-
Fines and forfeitures	916,948	-	-	-
Investment earnings	21,481	23,383	476,398	15,794
Miscellaneous	<u>277,281</u>	<u>44,167</u>	<u>-</u>	<u>98</u>
Total revenues	<u>23,151,388</u>	<u>4,137,225</u>	<u>10,449,526</u>	<u>15,892</u>
<b>Expenditures</b>				
Current				
General government	3,281,831	-	-	-
Community development	752,889	-	-	11,316
Culture and recreation	1,802,525	-	-	-
Economic development	-	-	-	-
Public safety	19,984,857	-	-	-
Public works	-	3,890,050	-	-
Capital expenditures	870,360	350,486	2,594,655	2,711,135
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Yield reduction payment	-	-	-	-
Other fees	-	-	-	-
Agent fees	-	-	-	-
Total expenditures	<u>26,692,462</u>	<u>4,240,536</u>	<u>2,594,655</u>	<u>2,722,451</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,541,074)</u>	<u>(103,311)</u>	<u>7,854,871</u>	<u>(2,706,559)</u>
<b>Other financing sources (uses)</b>				
Transfers in	5,043,606	353,320	104,800	-
Transfers out	(1,103,130)	-	(5,037,421)	(104,800)
Contributed capital	-	-	8,255	-
Repayment of contributed capital	-	-	-	-
Proceeds from sale of capital assets	48,266	-	-	42,119
Insurance recovery - capital assets	<u>27,821</u>	<u>2,978</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>4,016,563</u>	<u>356,298</u>	<u>(4,924,366)</u>	<u>(62,681)</u>
Net changes in fund balances	475,489	252,987	2,930,505	(2,769,240)
Fund balances - beginning of year, as restated	<u>4,792,765</u>	<u>872,260</u>	<u>19,679,129</u>	<u>4,712,453</u>
Fund balances - end of year	<u>\$ 5,268,254</u>	<u>\$ 1,125,247</u>	<u>\$ 22,609,634</u>	<u>\$ 1,943,213</u>

Debt Service <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
\$ 9,594,885	\$ 242,077	\$ 36,958,476
-	172,807	675,817
-	1,928,436	8,560,304
-	488,181	2,210,270
-	70,618	987,566
22,423	78,685	638,164
-	<u>149,333</u>	<u>470,879</u>
<u>9,617,308</u>	<u>3,130,137</u>	<u>50,501,476</u>
-	685,421	3,967,252
-	606,344	1,370,549
-	1,922,797	3,725,322
-	210,060	210,060
-	-	19,984,857
-	125,197	4,015,247
-	69,129	6,595,765
4,765,000	-	4,765,000
4,962,950	-	4,962,950
-	-	-
3,000	-	3,000
<u>18,000</u>	<u>-</u>	<u>18,000</u>
<u>9,748,950</u>	<u>3,618,948</u>	<u>49,618,002</u>
<u>(131,642)</u>	<u>(488,811)</u>	<u>883,474</u>
-	739,500	6,241,226
-	(29,499)	(6,274,850)
-	-	8,255
-	-	-
-	-	90,385
-	<u>2,703</u>	<u>33,502</u>
<u>-</u>	<u>712,704</u>	<u>98,518</u>
(131,642)	223,893	981,992
<u>8,449,791</u>	<u>6,582,274</u>	<u>45,088,672</u>
<u>\$ 8,318,149</u>	<u>\$ 6,806,167</u>	<u>\$ 46,070,664</u>

The accompanying notes are an integral part of these financial statements.

**Reconciliation of the Statement of Revenues,  
Expenditures and Changes in Fund Balances of  
Governmental Funds to the Statement of Activities**

**For the Year Ended December 31, 2010**

Reconciliation of the changes in fund balances - total governmental funds to the changes in net assets of governmental activities:

Net changes in fund balances - total governmental funds \$ 981,992

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

Government 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. (5,378,698)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to increase net assets. (379,937)

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. This is the change in the amount of deferred ad valorem taxes reported in the governmental fund statements. (343,798)

Expenses that do not require current financial resources, such as compensated absences, other postemployment benefits ("OPEB") liabilities and accrued interest payable, are not reported as expenditures in the funds, but are reported as expenses in the statement of activities. (500,967)

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. Also, governmental funds report the effect of issuance costs and other similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 4,978,136

Changes in net assets of governmental activities \$ (643,272)

The accompanying notes are an integral part of these financial statements.

## Statement of Net Assets – Proprietary Funds

December 31, 2010

<u>Assets</u>	Enterprise Funds			Total Proprietary Funds
	Municipal Airport Fund	Aquatic Center Fund	Nonmajor Enterprise Funds	
Current assets				
Cash and cash equivalents	\$ 465	\$ 36,649	\$ 171,864	\$ 208,978
Investments	-	351,773	-	351,773
Accounts receivable, net	426,433	-	21,540	447,973
Accrued interest	-	507	-	507
Due from other funds	45,314	-	150	45,464
Other assets	2,310	2,580	1,220	6,110
Total current assets	474,522	391,509	194,774	1,060,805
Noncurrent assets				
Accounts receivable	4,800	-	-	4,800
Capital assets				
Land	2,788,631	-	-	2,788,631
Improvements other than buildings	6,806,392	491,524	21,376	7,319,292
Buildings and system	1,866,764	2,853,680	-	4,720,444
Machinery and equipment	500,611	785,439	181,865	1,467,915
Construction in progress	13,892	-	-	13,892
Less accumulated depreciation	(6,651,260)	(2,228,795)	(76,943)	(8,956,998)
Total capital assets, net of accumulated depreciation	5,325,030	1,901,848	126,298	7,353,176
Total noncurrent assets	5,329,830	1,901,848	126,298	7,357,976
Total assets	\$ 5,804,352	\$ 2,293,357	\$ 321,072	\$ 8,418,781
<u>Liabilities and Net Assets</u>				
Current liabilities				
Accounts payable	\$ 23,335	\$ 934	\$ 1,979	\$ 26,248
Salaries payable	2,311	315	3,067	5,693
Due to other funds	382,000	-	33	382,033
Deferred revenue	6,187	-	-	6,187
Total current liabilities	413,833	1,249	5,079	420,161
Noncurrent liabilities				
Compensated absences	2,832	-	2,792	5,624
Deferred revenue	4,800	-	-	4,800
Total noncurrent liabilities	7,632	-	2,792	10,424
Total liabilities	421,465	1,249	7,871	430,585
Net assets				
Invested in capital assets, net of related debt	5,325,030	1,901,848	126,298	7,353,176
Unrestricted	57,857	390,260	186,903	635,020
Total net assets	5,382,887	2,292,108	313,201	7,988,196
Total liabilities and net assets	\$ 5,804,352	\$ 2,293,357	\$ 321,072	\$ 8,418,781

The accompanying notes are an integral part of these financial statements.

**Statement of Revenues, Expenditures and  
Changes in Net Assets – Proprietary Funds**

**For the Year Ended December 31, 2010**

	Enterprise Funds			Total Proprietary Funds
	Municipal Airport Fund	Aquatic Center Fund	Nonmajor Enterprise Funds	
Operating revenues				
Charges for services				
Activity fees	\$ -	\$ 185,315	\$ 109,702	\$ 295,017
Concession	-	4,833	-	4,833
Fuel flowage fees	36,151	-	-	36,151
Other service fees	-	-	129,800	129,800
Rental fees	237,182	562	-	237,744
Other revenue	12,886	-	-	12,886
Total operating revenues	286,219	190,710	239,502	716,431
Operating expenses				
Personnel	60,472	134,324	145,031	339,827
Maintenance	52,439	15,642	3,326	71,407
Supplies	48,878	49,900	36,161	134,939
Other	180,687	2,637	5,282	188,606
Depreciation	237,332	151,367	15,621	404,320
Total operating expenses	579,808	353,870	205,421	1,139,099
Operating income (loss)	(293,589)	(163,160)	34,081	(422,668)
Nonoperating revenues				
Contributions	-	169	2,880	3,049
Gain on sale of assets	-	-	-	-
Insurance recoveries	-	-	1,070	1,070
Investment earnings	326	7,291	2,070	9,687
Sales taxes	18,680	-	-	18,680
Miscellaneous revenue	-	-	-	-
Total nonoperating revenues	19,006	7,460	6,020	32,486
Income (loss) before capital contributions and transfers	(274,583)	(155,700)	40,101	(390,182)
Capital grants and contributions	475,907	-	-	475,907
Capital transfers in	45,314	-	-	45,314
Operating transfers in	-	-	10,310	10,310
Operating transfers out	-	-	(22,000)	(22,000)
Changes in net assets	246,638	(155,700)	28,411	119,349
Net assets - beginning of year	5,136,249	2,447,808	284,790	7,868,847
Net assets - end of year	\$ 5,382,887	\$ 2,292,108	\$ 313,201	\$ 7,988,196

The accompanying notes are an integral part of these financial statements.

## Statement of Cash Flows – Proprietary Funds

For the Year Ended December 31, 2010

	Enterprise Funds			Total Proprietary Funds
	Municipal Airport Fund	Aquatic Center Fund	Nonmajor Enterprise Funds	
Cash flows from operating activities				
Receipts from customers and users	\$ 300,218	\$ 190,710	\$ 237,353	\$ 728,281
Payments to suppliers	(276,453)	(71,343)	(45,890)	(393,686)
Payments to employees	(58,272)	(134,392)	(144,046)	(336,710)
Net cash provided (used) by operating activities	<u>(34,507)</u>	<u>(15,025)</u>	<u>47,417</u>	<u>(2,115)</u>
Cash flows from noncapital financing activities				
Sales taxes	18,013	-	-	18,013
Contributions	-	169	2,880	3,049
Insurance recoveries	-	-	1,070	1,070
Transfers from other funds	-	-	10,310	10,310
Transfers to other funds	-	-	(22,000)	(22,000)
Receipt (payment) of interfund balances	<u>221,686</u>	<u>-</u>	<u>(162)</u>	<u>221,524</u>
Net cash provided (used) by noncapital financing activities	<u>239,699</u>	<u>169</u>	<u>(7,902)</u>	<u>231,966</u>
Cash flows from capital and related financing activities				
Capital contributions	7,800	-	-	7,800
Transfers from other funds	45,314	-	-	45,314
Capital grant receipts	195,554	-	-	195,554
Purchases of capital assets	(457,993)	(4,040)	(13,899)	(475,932)
Net cash used by capital and related financing activities	<u>(209,325)</u>	<u>(4,040)</u>	<u>(13,899)</u>	<u>(227,264)</u>
Cash flows from investing activities				
Proceeds from maturities of investments	-	600,000	-	600,000
Purchases of investments	-	(600,000)	-	(600,000)
Interest received	<u>326</u>	<u>5,249</u>	<u>2,070</u>	<u>7,645</u>
Net cash provided by investing activities	<u>326</u>	<u>5,249</u>	<u>2,070</u>	<u>7,645</u>
Net increase (decrease) in cash and cash equivalents	(3,807)	(13,647)	27,686	10,232
Cash and cash equivalents - beginning of year	<u>4,272</u>	<u>50,296</u>	<u>144,178</u>	<u>198,746</u>
Cash and cash equivalents - end of year	<u>\$ 465</u>	<u>\$ 36,649</u>	<u>\$ 171,864</u>	<u>\$ 208,978</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (293,589)	\$ (163,160)	\$ 34,081	\$ (422,668)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	237,332	151,367	15,621	404,320
Changes in operating assets and liabilities				
Accounts receivable	21,370	-	(2,149)	19,221
Accounts payable	7,861	(584)	99	7,376
Salaries payable	295	(68)	253	480
Compensated absences	1,905	-	732	2,637
Deferred revenue	(7,371)	-	-	(7,371)
Other assets	(2,310)	(2,580)	(1,220)	(6,110)
Net cash provided (used) by operating activities	<u>\$ (34,507)</u>	<u>\$ (15,025)</u>	<u>\$ 47,417</u>	<u>\$ (2,115)</u>

The accompanying notes are an integral part of these financial statements.

## Statement of Fiduciary Net Assets – Fiduciary Funds

December 31, 2010

<u>Assets</u>	<u>Firemen's Relief and Pension Fund</u>	<u>Policemen's Pension and Relief Fund</u>	<u>Agency Funds</u>
Cash and cash equivalents	\$ 638,823	\$ 365,175	\$ 907,458
Investments	8,377,473	7,708,102	-
Accounts receivable, net	511,985	505,775	1,434,755
Due from other funds	<u>-</u>	<u>8,283</u>	<u>130,520</u>
Total assets	<u>\$ 9,528,281</u>	<u>\$ 8,587,335</u>	<u>\$ 2,472,733</u>
 <u>Liabilities and Net Assets</u>  			
Liabilities			
Accounts payable	\$ 3,410	\$ 3,632	\$ 2,244,709
Due to other funds	<u>-</u>	<u>-</u>	<u>228,024</u>
Total liabilities	<u>3,410</u>	<u>3,632</u>	<u>2,472,733</u>
Net assets			
Held in trust for pension benefits	<u>9,524,871</u>	<u>8,583,703</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 9,528,281</u>	<u>\$ 8,587,335</u>	<u>\$ 2,472,733</u>

The accompanying notes are an integral part of these financial statements.

**Statement of Changes in Fiduciary Net Assets –  
Fiduciary Funds**

**For the Year Ended December 31, 2010**

	<u>Firemen's Relief and Pension Fund</u>	<u>Policemen's Pension and Relief Fund</u>
Additions		
Contributions		
Taxes	\$ 449,121	\$ 449,121
Intergovernmental	59,236	115,038
Fines and court costs	-	108,631
Employer	7,712	-
Plan members	7,712	-
Total contributions	<u>523,781</u>	<u>672,790</u>
Investment income		
Investment earnings	390,861	636,226
Net increase in fair value of investments	<u>601,396</u>	<u>273,184</u>
Total investment earnings	992,257	909,410
Less investment expenses	<u>(103,973)</u>	<u>(70,827)</u>
Net investment earnings	<u>888,284</u>	<u>838,583</u>
Total additions	<u>1,412,065</u>	<u>1,511,373</u>
Deductions		
Benefits payments	1,133,006	1,209,481
Miscellaneous	<u>241</u>	<u>264</u>
Total deductions	<u>1,133,247</u>	<u>1,209,745</u>
Changes in fiduciary net assets	278,818	301,628
Fiduciary net assets - beginning of year	<u>9,246,053</u>	<u>8,282,075</u>
Fiduciary net assets - end of year	<u>\$ 9,524,871</u>	<u>\$ 8,583,703</u>

The accompanying notes are an integral part of these financial statements.

## Notes to Financial Statements

December 31, 2010

1. Summary of Significant Accounting Policies

- a. **Nature of operations** – The City of Springdale, Arkansas (the “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 the Financial Accounting Standards Board (“FASB”) pronouncements and the 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.

- b. **Reporting entity** – These financial statements present the City (Primary Government) and its component units. The component units are legally separate entities, but are included in the City’s reporting entity based upon criteria set forth in Section 2100 of GASB’s *Codification of Governmental Accounting and Financial Reporting Standards*. 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. Entities for which the City is accountable, because it appoints a voting majority of the board but is not financially accountable, are related organizations and would be disclosed in these notes. All entities that are not included as *Blended Component Units* or *Discretely Presented Component Units* as noted in Notes 1.c. and 1.d. below are excluded from the City’s financial reporting entity.

## Notes to Financial Statements

December 31, 2010

1. Summary of Significant Accounting Policies (cont.)

- c. **Blended component unit – governmental** – The Springdale Public Library Board Foundation (the “Foundation”) is a legally separate, tax-exempt component unit of the City. 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 its 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.
- d. **Discretely presented component unit – business-type** – The City of Springdale, Arkansas, Water and Sewer Commission (the “Commission”) 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 Commission receives no financial benefit from the City; however, the City has the power to impose its will on the Commission. Rate changes and debt issuance must be approved by the City Council. The Commission provides 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 Commission is September 30, therefore, all amounts reported in the financial statements are as of and for the year ended September 30, 2010. Financial statements of the Commission can be obtained from the Commission’s administrative office located at 526 Oak Avenue, Springdale, Arkansas 72764. See Note 16 of these notes for condensed financial statements.
- e. **Related organizations** – The City’s Mayor and Council are also responsible for appointing members of the boards or commissions of other organizations, but the City’s accountability for those organizations does not extend beyond making the appointments and, therefore, are not included in the City’s financial statements. These related organizations are as follows: the Housing Authority of the City of Springdale and the Shiloh Historic District Planning Commission.
- f. **Change in accounting principles** – Effective January 1, 2010, the City implemented the following new financial and accounting reporting standard issued by GASB:

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. The adoption of this statement had no financial impact on the City during the current year.

GASB Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments.” This statement establishes accounting and financial reporting requirements for derivative instruments entered into by state and local governments. The adoption of this statement had no financial impact on the City during the current year.

- g. **Basis of presentation** – The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements.

## Notes to Financial Statements

December 31, 2010

1. Summary of Significant Accounting Policies (cont.)*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 is 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.

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. Fifty percent (50%) is used for General Fund operations and maintenance.

## Notes to Financial Statements

December 31, 2010

1. Summary of Significant Accounting Policies (cont.)

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 5).

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 5).

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. The City's other nonmajor special revenue funds are the Springdale Public Library, Shiloh Museum Board Fund ("SMBF"), Advertising and Promotion Fund, District Court Costs Fund, Parks Activity Fund, Arvest Ball Park Fund and the Community Development Block Grant ("CDBG") Fund.

**Capital Projects Fund** – 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 5). 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.

**Pension Trust Funds** – Accounts for assets held in trust for the Firemen's Relief and Pension Fund (the "FRPF") and the Policemen's Pension and Relief Fund (the "PPRF"). 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 (the "Cemetery") and the Foundation. The City must act in accordance with the terms of specific bequests made to the Cemetery and the Foundation.

**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.

## Notes to Financial Statements

December 31, 2010

1. Summary of Significant Accounting Policies (cont.)

- h. **Measurement focus and basis of accounting** – The measurement focus establishes the basis of accounting. The basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, the presentation of expense versus expenditures, the recording of capital assets, the recognition of depreciation and the recording of long-term liabilities. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements and the governmental fund financial statements.

*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.

*Governmental Fund Financial Statements*

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included in the statement of net assets. 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

## Notes to Financial Statements

December 31, 2010

1. Summary of Significant Accounting Policies (cont.)

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.

- i. **Budgets and budgetary accounting** – Annual budgets are prepared on a basis consistent with GAAP, except for the City’s proprietary funds. Proprietary funds budgets differ from GAAP in that capital acquisitions are recorded as expenditures as opposed to assets, and depreciation expense is not budgeted. The budgets are used as a management control device during the year for the following funds: General Fund, Street Fund, Springdale Public Library, SMBF Board Fund, District Court Costs Fund, Parks Activity Fund, Sales and Use Tax Fund, Debt Service Fund, the City’s proprietary funds, except for City Attorney Hot Check Fund and 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, 2010, the City Council adopted several supplemental appropriations.

- j. **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.
- k. **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, realized gains and losses, and the net change for the year in the fair value of investments carried at fair value.

The SMBF and the Public Library Board Foundation Fund (“PLBFF”) have invested funds with the Northwest Arkansas Community Foundation (“NACF”), which pools funds from many nonprofit organizations together in order to maximize the returns on investments. The current fair value of the pooled investments, along with investment income and realized losses, are allocated to the participants in the pool based on their ownership interest.

## Notes to Financial Statements

December 31, 2010

1. Summary of Significant Accounting Policies (cont.)

- l. **Accounts receivable** – For primary government, ambulance fees and property tax receivables are shown net of an allowance for uncollectibles. The Commission estimates accounts receivable at September 30, 2010 to be materially collectible; therefore, no allowance has been established.

Included in the Commission's accounts receivable are unbilled receivables of approximately \$1,812,000 at September 30, 2010, which represent revenues earned in the current period, but not billed to the customer until future dates, usually within one month.

- m. **Inventories** – Inventories, consisting primarily of waterline and sewer materials, are valued 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.
- n. **Prepaid items** – Prepaid balances are for payments made by the City in the current year to provide for goods or services occurring in the subsequent year.
- o. **Restricted assets** – Certain proceeds of the City's sales and use tax bonds, as well as resources set aside for their repayment, are classified as restricted assets on the statement of net assets because they are maintained in separate bank accounts and their use is limited by bond covenants.

The balance of the restricted assets accounts in the primary government as of December 31, 2010 is as follows:

Cash and cash equivalents	\$ 9,287,183
Sales and use taxes receivable	<u>1,558,751</u>
Total restricted assets - governmental activities	<u>\$ 10,845,934</u>

The Commission has funds maintained in separate bank accounts to comply with debt instrument requirements, which are restricted for use for maintenance activities and payments of principal and interest. Also, the Commission has designated certain funds to be maintained for construction activity and water meter deposits.

The balance of the Commission's restricted assets as of September 30, 2010 is as follows:

Cash	
Lowell Sewer Expansion Fund	\$ 13,032
Series 2006 Bond Fund	33,139
Certificates of deposit	
Customer deposits	1,501,339
Water construction	19,089,244
Sewer construction	14,927,640
Interest receivable	<u>309,825</u>
Total restricted assets - component unit	<u>\$ 35,874,219</u>

## Notes to Financial Statements

December 31, 2010

1. Summary of Significant Accounting Policies (cont.)

- p. **Capital assets** – Capital assets, which include property, plant and equipment and infrastructure assets acquired or constructed since 1980, 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 five years. Exceptions are for infrastructure assets, which are defined as having a constructed cost of greater than \$25,000. Major outlays for capital assets and improvements are capitalized when completed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

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

- q. **Collections** – Collections of historical artifacts and treasures meet the definition of a capital asset 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 (the "Museum") has collections of historical artifacts and photographs that are not capitalized as they meet all of the waiver requirements, which are: (1) the collections which 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 cared for and preserved.

## Notes to Financial Statements

December 31, 2010

1. Summary of Significant Accounting Policies (cont.)

- r. **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 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 Commission does not record a liability for compensated absences.

- s. **Long-term obligations** – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in governmental activities and component units. These amounts are also reported as liabilities in the fund financial statements for proprietary funds. In governmental funds, long-term liabilities are only recorded to the extent that they are due and payable. Debt premiums and discounts are generally deferred and amortized over the life of the related debt using the effective interest method. For the City's component unit, the straight-line method is used which is not materially different from the interest method. 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.

- t. **Net assets/fund balance** – Government-wide and proprietary fund net assets are classified in three components. Net assets invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation, and reduced by the outstanding balances of any debt attributable to the acquisition, construction or improvement of these assets. Restricted net assets consist of net assets that must be used for a particular purpose as specified by creditors, grantors or contributors external to the City, or by laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation. Included in this category are assets restricted for capital expenditures, net of related debt, and amounts deposited with bond trustees as required by bond indentures. Unrestricted net assets are remaining assets less remaining liabilities that do not meet the above definitions.

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 the fund balance that is legally segregated for a specific use. Designations of the fund balance represent amounts designated by management that are not legally binding.

## Notes to Financial Statements

December 31, 2010

1. Summary of Significant Accounting Policies (cont.)

- u. **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.

2. Deposits and Investments*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 and its component units' (except as noted below) deposit policies for custodial credit risk require 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"). These deposits are required to be collateralized with bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the State of Arkansas. The collateral is held by the Federal Reserve Bank, Arkansas Bankers Bank and First Tennessee Bank. The City's component unit, the Foundation, is not required to follow state law regarding collateralization of deposits and does not have a deposit policy for custodial credit risk.

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, 2010 (September 30, 2010 for the Commission) were as follows:

	Primary Government	Discrete Component Unit
Carrying value of deposits	<u>\$ 17,043,674</u>	<u>\$ 35,831,930</u>
Bank balance of deposits	<u>\$ 17,590,835</u>	<u>\$ 37,925,640</u>

*Investments*

The City's investment policy states that the City may invest operating and capital improvement funds in instruments and securities authorized by Arkansas state statutes. Permissible investments include U.S. Treasury and agency obligations, or other obligations secured by the U.S. Government; obligations issued by the Arkansas State Board of Education; prerefunded municipal bonds; federal funds maturing in less than one year; demand, savings or time deposits of any depository institution chartered in the United States; warrants of political subdivisions of the State of

## Notes to Financial Statements

December 31, 2010

2. Deposits and Investments (cont.)

Arkansas; repurchase agreements; money market funds; corporate debt obligations; and revenue bonds of any state, municipality or political subdivision of the United States. Funds held by the City's Trustee for the credit of the Construction Funds, the Bond Fund and the Debt Service Reserve are authorized to be 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 local pension funds are managed by professional investment managers, and are authorized to invest in obligations of the U.S. Treasury, U.S. agencies and instrumentalities, commercial paper, international and corporate stocks, bonds and mutual funds. Plan asset investments must adhere to Arkansas laws, specifically Arkansas Code 24-11-410, and be made in accordance with the prudent investor rule. Investment objectives are to earn the highest possible rate of return, consistent with prudent levels of risk, and to protect fund assets while ensuring systematic and adequate funding of plan distributions and benefits to participants and their beneficiaries.

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.

At December 31, 2010, primary government had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities in Years			
		Less than 1	1 - 5	6 - 10	More than 10
U.S. Treasury notes and bonds	\$ 6,987,475	\$ 199,023	\$ 2,405,704	\$ 4,365,665	\$ 17,083
U.S. agencies obligations	6,429,372	-	3,933,102	2,417,413	78,857
Certificates of deposit	8,474,009	8,226,602	247,407	-	-
Corporate bonds	2,671,298	207,248	1,259,816	467,833	736,401
Money market funds	<u>10,093,421</u>	<u>10,093,421</u>	<u>-</u>	<u>-</u>	<u>-</u>
	34,655,575	<u>\$ 18,726,294</u>	<u>\$ 7,846,029</u>	<u>\$ 7,250,911</u>	<u>\$ 832,341</u>
Common stock	11,292,669				
Mutual funds	977,722				
Investment pools	1,069,267				
Other	<u>111,451</u>				
Total investments	<u>\$ 48,106,684</u>				

## Notes to Financial Statements

December 31, 2010

2. Deposits and Investments (cont.)

- a. **Interest rate risk** – Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City’s policy is to hold all investments to maturity.

The pension funds investment policies address interest rate risk by managing asset allocation. The FRPF policy allows for a maximum investment in equities of 50% and the balance in fixed income (including cash equivalents) and other investments. Within the above allocation, the cash and cash equivalents range is from 5% - 25%, fixed income investments range 15% - 75%, equities 25% - 60%, and other investments 0% - 10%. The PPRF allocation policy is for equities to range from 40% - 65% of total assets, fixed income investments range from 30% - 50%, and cash and cash equivalents range from 0% - 5%.

- b. **Credit risk** – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. As described earlier in this section, the City’s investment policy follows Arkansas law which limits the types of investments that can be made by the City. The City’s investment policy does not allow for investment in derivative products, common stock or long-term bonds used for speculation.

The FRPF policy is that common stock must carry an investment grade of medium or A or better; and fixed income securities must be investment grade or better. The PPRF policy is for plan assets to be invested in investment grade bonds rated BBB or better; no less than 85% of corporate bonds and commercial paper investments be A rated or higher; and no more than 15% of securities may be invested in corporate bonds with a rating of BAA or less.

- c. **Custodial credit risk** – Custodial credit risk is the risk that in the event of the failure of the counterparty the City will not be able to recover the value of its investment or collateral securities that are the possession of an outside party. While the City’s investment policy does not directly address custodial credit risk, all investments held by the City or by an agent of the City are in the City’s name. Investment managers for the pension trust funds must be a registered investment advisor with the Arkansas Securities Department and/or the Securities and Exchange Commission (“SEC”).
- d. **Concentration of credit risk** – The City places no limit on the amount that may be invested in any one issuer. The FRPF policy limits investment in equities in any one company or affiliated group of companies to no more than 5% of the fund’s total assets. No more than 3% may be invested in any one debt issue, excluding U.S. Treasury or U.S. government agency debt securities. The PPRF policy is that securities of any one company or government agency should not exceed 15% of the total fund and no more than 30% of the total fund should be invested in any one industry.

## Notes to Financial Statements

December 31, 2010

2. Deposits and Investments (cont.)

The following schedule reconciles the carrying amount of deposits and investments to the government-wide statement of net assets and fiduciary statement of net assets:

	Primary Government	Discrete Component Unit
Reported amount of deposits	\$ 17,043,674	\$ 35,831,930
Cash on hand	1,650	1,600
Investments classified as cash equivalents	10,093,421	-
Deposits classified as investments	<u>(8,474,009)</u>	<u>(35,518,223)</u>
	<u>\$ 18,664,736</u>	<u>\$ 315,307</u>
As reported on the government-wide statement of net assets		
Cash and cash equivalents	\$ 7,466,097	\$ 269,136
Restricted cash and cash equivalents	<u>9,287,183</u>	<u>46,171</u>
	16,753,280	315,307
Cash and cash equivalents reported on the statement of fiduciary net assets	<u>1,911,456</u>	<u>-</u>
	<u>\$ 18,664,736</u>	<u>\$ 315,307</u>
Reported amount of investments	\$ 48,106,684	\$ -
Deposits classified as investments	8,474,009	35,518,223
Investments classified as cash equivalents	<u>(10,093,421)</u>	<u>-</u>
	<u>\$ 46,487,272</u>	<u>\$ 35,518,223</u>
As reported on the government-wide statement of net assets		
Investments	\$ 21,927,688	\$ -
Restricted investments	<u>8,474,009</u>	<u>35,518,223</u>
	30,401,697	35,518,223
Investments reported on the statement of fiduciary net assets	<u>16,085,575</u>	<u>-</u>
	<u>\$ 46,487,272</u>	<u>\$ 35,518,223</u>

## Notes to Financial Statements

December 31, 2010

3. Receivables

Receivables for the year ended December 31, 2010 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>Sales and Use Tax Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Receivables						
Accounts	\$ 2,865,993	\$ 714	\$ 5,000	\$ -	\$ 25,219	\$ 2,896,926
Property taxes	5,038,950	951,820	-	-	-	5,990,770
Sales taxes	1,606,427	-	1,556,816	-	-	3,163,243
Franchise taxes	678,779	-	-	-	-	678,779
Grants	41,405	-	198,536	-	-	239,941
Intergovernmental	236,957	243,840	-	-	22,479	503,276
Interest	530	1,189	68,974	-	3,842	74,535
Other	22,141	1,629	-	-	-	23,770
Restricted receivables						
Intergovernmental	-	-	-	1,558,751	-	1,558,751
Gross receivables	10,491,182	1,199,192	1,829,326	1,558,751	51,540	15,129,991
Less allowance for uncollectibles	(2,846,835)	(59,853)	-	-	-	(2,906,688)
Net total receivables	\$ 7,644,347	\$ 1,139,339	\$ 1,829,326	\$ 1,558,751	\$ 51,540	\$ 12,223,303

<u>Proprietary</u>	<u>Municipal Airport Fund</u>	<u>Other Proprietary Funds</u>	<u>Total</u>
Receivables			
Accounts	\$ 33,238	\$ 21,540	\$ 54,778
Grants	407,825	-	407,825
Interest	-	507	507
Special assessments	4,800	-	4,800
Gross receivables	445,863	22,047	467,910
Less allowance for uncollectibles	(14,630)	-	(14,630)
Net total receivables	\$ 431,233	\$ 22,047	\$ 453,280

<u>Fiduciary</u>	<u>Firemen's Relief and Pension Fund</u>	<u>Policemen's Pension and Relief Fund</u>	<u>Total</u>
Receivables			
Property taxes	\$ 524,823	\$ 524,823	\$ 1,049,646
Interest	23,275	17,065	40,340
Gross receivables	548,098	541,888	1,089,986
Less allowance for uncollectibles	(36,113)	(36,113)	(72,226)
Net total receivables	\$ 511,985	\$ 505,775	\$ 1,017,760

## Notes to Financial Statements

December 31, 2010

4. Capital Assets

A summary of changes in capital assets for the year ended December 31, 2010 (September 30, 2010 for the Commission) is presented below:

<u>Governmental Activities</u>	Balance December 31, 2009	Additions and Transfers, net	Retirements and Transfers, net	Balance December 31, 2010
Capital assets, nondepreciable				
Land	\$ 25,335,091	\$ 239,985	\$ 211,065	\$ 25,364,011
Easements	22,926,309	66,150	-	22,992,459
Museum buildings	475,319	-	-	475,319
Construction in progress	<u>10,822,579</u>	<u>5,318,902</u>	<u>2,827,054</u>	<u>13,314,427</u>
Total capital assets, nondepreciable	<u>59,559,298</u>	<u>5,625,037</u>	<u>3,038,119</u>	<u>62,146,216</u>
Capital assets, depreciable				
Land improvements	10,567,400	5,054	-	10,572,454
Infrastructure	184,878,802	1,978,479	-	186,857,281
Buildings and improvements	57,025,320	246,097	30,014	57,241,403
Machinery and equipment	29,604,490	1,119,017	888,604	29,834,903
Intangibles	<u>856,619</u>	<u>81,348</u>	<u>-</u>	<u>937,967</u>
Total capital assets, depreciable	<u>282,932,631</u>	<u>3,429,995</u>	<u>918,618</u>	<u>285,444,008</u>
Less accumulated depreciation				
Land improvements	2,782,935	397,890	-	3,180,825
Infrastructure	35,571,227	6,657,679	-	42,228,906
Buildings and improvements	8,997,244	1,729,804	15,507	10,711,541
Machinery and equipment	13,974,797	2,729,805	720,025	15,984,577
Intangibles	<u>662,835</u>	<u>77,284</u>	<u>-</u>	<u>740,119</u>
Total accumulated depreciation	<u>61,989,038</u>	<u>11,592,462</u>	<u>735,532</u>	<u>72,845,968</u>
Total governmental activities, net	<u>\$ 280,502,891</u>	<u>\$ (2,537,430)</u>	<u>\$ 3,221,205</u>	<u>\$ 274,744,256</u>

## Notes to Financial Statements

December 31, 2010

4. Capital Assets (cont.)

Business-type Activities	Balance December 31, 2009	Additions and Transfers, net	Retirements and Transfers, net	Balance December 31, 2010
Capital assets, nondepreciable				
Land	\$ 2,788,631	\$ -	\$ -	\$ 2,788,631
Construction in progress	13,892	-	-	13,892
Total capital assets, nondepreciable	<u>2,802,523</u>	<u>-</u>	<u>-</u>	<u>2,802,523</u>
Capital assets, depreciable				
Land improvements	6,866,153	453,139	-	7,319,292
Buildings and improvements	4,720,444	-	-	4,720,444
Machinery and equipment	1,445,122	22,793	-	1,467,915
Total capital assets, depreciable	<u>13,031,719</u>	<u>475,932</u>	<u>-</u>	<u>13,507,651</u>
Less accumulated depreciation				
Land improvements	4,761,527	210,216	-	4,971,743
Buildings and improvements	2,555,576	153,644	-	2,709,220
Machinery and equipment	1,235,575	40,460	-	1,276,035
Total accumulated depreciation	<u>8,552,678</u>	<u>404,320</u>	<u>-</u>	<u>8,956,998</u>
Total business-type activities, net	<u>\$ 7,281,564</u>	<u>\$ 71,612</u>	<u>\$ -</u>	<u>\$ 7,353,176</u>

Business-type Activities Component Unit	Balance September 30, 2009	Additions and Transfers, net	Retirements and Transfers, net	Balance September 30, 2010
Capital assets, nondepreciable				
Land	\$ 2,115,141	\$ -	\$ -	\$ 2,115,141
Easements	2,493,554	9,065	-	2,502,619
Construction in progress	9,421,744	6,605,407	7,397,747	8,629,404
Total capital assets, nondepreciable	<u>14,030,439</u>	<u>6,614,472</u>	<u>7,397,747</u>	<u>13,247,164</u>
Capital assets, depreciable				
Buildings and improvements	5,406,071	-	-	5,406,071
Water and sewer systems	244,537,589	9,871,840	-	254,409,429
Machinery and equipment	4,216,699	59,529	8,844	4,267,384
Total capital assets, depreciable	<u>254,160,359</u>	<u>9,931,369</u>	<u>8,844</u>	<u>264,082,884</u>
Less accumulated depreciation				
Buildings and improvements	2,371,247	179,103	-	2,550,350
Water and sewer systems	72,015,445	6,258,322	-	78,273,767
Machinery and equipment	3,122,510	274,969	6,610	3,390,869
Total accumulated depreciation	<u>77,509,202</u>	<u>6,712,394</u>	<u>6,610</u>	<u>84,214,986</u>
Total component unit activities, net	<u>\$ 190,681,596</u>	<u>\$ 9,833,447</u>	<u>\$ 7,399,981</u>	<u>\$ 193,115,062</u>

## Notes to Financial Statements

December 31, 2010

4. Capital Assets (cont.)

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

Governmental activities	
General government	
Administration	\$ 186,906
City attorney	2,473
District court	3,680
Bluff cemetery	7,249
Community development	
Planning and engineering	8,889
Community development and housing	3,906
Culture and recreation	
Parks and recreation	1,979,445
Public library	188,253
Shiloh museum	47,877
Public safety	
Animal services	17,297
Building and code enforcement	31,743
Fire	438,474
Police	551,520
Public works	<u>8,124,750</u>
Total governmental activities	<u>11,592,462</u>
Business-type activities	
Municipal airport	237,332
Aquatic center	151,367
Parks soccer program	4,826
Sanitation	<u>10,795</u>
Total business-type activities	<u>404,320</u>
Total depreciation expenses - primary government	<u>\$ 11,996,782</u>
Component unit	
City of Springdale, Arkansas, Water and Sewer Commission	<u>\$ 6,712,394</u>

## Notes to Financial Statements

December 31, 2010

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended December 31, 2010 for the primary government were as follows:

<u>Governmental Activities</u>	Balance December 31, 2009	Increases	Decreases	Balance December 31, 2010	Due Within One Year
Bonds payable					
Sales and use tax bonds	\$ 109,780,000	\$ -	\$ 4,765,000	\$ 105,015,000	\$ 4,385,000
Add issuance premium	<u>2,429,236</u>	<u>-</u>	<u>234,812</u>	<u>2,194,424</u>	<u>-</u>
Bonds payable, net	<u>112,209,236</u>	<u>-</u>	<u>4,999,812</u>	<u>107,209,424</u>	<u>4,385,000</u>
Other long-term debt					
Compensated absences	1,455,306	249,776	92,000	1,613,082	2,910
OPEB liabilities	<u>565,704</u>	<u>335,265</u>	<u>-</u>	<u>900,969</u>	<u>-</u>
Total other long-term debt	<u>2,021,010</u>	<u>585,041</u>	<u>92,000</u>	<u>2,514,051</u>	<u>2,910</u>
Total	<u>\$ 114,230,246</u>	<u>\$ 585,041</u>	<u>\$ 5,091,812</u>	<u>\$ 109,723,475</u>	<u>\$ 4,387,910</u>
<u>Business-type Activities</u>					
Other long-term debt					
Deferred revenue	\$ 12,600	\$ -	\$ 7,800	\$ 4,800	\$ -
Compensated absences	<u>2,987</u>	<u>2,637</u>	<u>-</u>	<u>5,624</u>	<u>-</u>
Total other long-term debt	<u>\$ 15,587</u>	<u>\$ 2,637</u>	<u>\$ 7,800</u>	<u>\$ 10,424</u>	<u>\$ -</u>

Changes in long-term liabilities for the year ended September 30, 2010 for the City's discretely presented component unit were as follows:

City of Springdale, Arkansas, Water and Sewer Commission	Balance September 30, 2009	Increases	Decreases	Balance September 30, 2010	Due Within One Year
Bonds payable					
Revenue bonds, Series 2006	\$ 3,450,000	\$ -	\$ 65,000	\$ 3,385,000	\$ 80,000

## Notes to Financial Statements

December 31, 2010

5. Long-Term Liabilities (cont.)*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 Series 2004 defeased bonds were paid off in 2010. 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 straight line method. Amortization for 2010 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.

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 was completed in April 2008 and is leased to a minor league baseball team.

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. During 2010, the City used surplus tax receipts to call and redeem \$555,000 in bonds.

## Notes to Financial Statements

December 31, 2010

5. Long-Term Liabilities (cont.)

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, 2010, the City held investments equal to \$1,696,369 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 was \$234,811 for 2010.

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 was \$84,688 for 2010.

Debt service requirements of the Sales and Use Tax Refunding and Improvement Bonds, Series 2006 at December 31, 2010 were as follows:

<u>Primary Government</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 4,385,000	\$ 4,781,950
2012	4,475,000	4,606,550
2013	4,700,000	4,386,000
2014	4,920,000	4,165,400
2015	5,165,000	3,923,100
2016 - 2020	29,920,000	15,713,350
2021 - 2025	38,060,000	7,790,765
2026 - 2027	<u>13,390,000</u>	<u>730,315</u>
	<u>\$ 105,015,000</u>	<u>\$ 46,097,430</u>

*Water and Sewer Revenue Bonds – Business-Type Component Unit***Series 2006**

The City of Springdale, Arkansas, Water and Sewer Commission 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 semiannually, 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.

## Notes to Financial Statements

December 31, 2010

5. Long-Term Liabilities (cont.)

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 was \$3,750 for 2010.

Maturities of revenue bonds payable for the City's business-type component unit for subsequent years are as follows:

Component Unit	<u>Principal</u>	<u>Interest</u>
<u>City of Springdale, Arkansas, Water and Sewer Commission</u>		
2011	\$ 80,000	\$ 168,250
2012	95,000	164,000
2013	110,000	159,125
2014	175,000	152,750
2015	185,000	143,875
2016 - 2020	1,075,000	568,625
2021 - 2025	1,370,000	267,875
2026	<u>295,000</u>	<u>10,375</u>
	<u>\$ 3,385,000</u>	<u>\$ 1,634,875</u>

*Applicability of Federal Arbitrage Regulations*

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

The City has no arbitrage liability as of December 31, 2010.

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

The City has no outstanding conduit debt obligations as of December 31, 2010.

## Notes to Financial Statements

December 31, 2010

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 collected, goods and services are provided or reimbursable expenditures occur, and payments are made between funds.

The Municipal Airport Fund has an interfund operating cash loan from the General Fund related to the connector taxiway and holding apron project 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, 2010 are as follows:

<u>Primary Government</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds		
General	\$ 1,239,132	\$ 798,302
Street	10,329	-
Sales and use tax	800,996	834,166
2006 street improvement construction	-	7,571
Springdale public library	24,410	-
District court	16,089	320
Public Library Foundation Board	-	24,410
Total governmental funds	<u>2,090,956</u>	<u>1,664,769</u>
Proprietary funds		
Municipal airport	45,314	382,000
City attorney restitution	150	33
Total proprietary funds	<u>45,464</u>	<u>382,033</u>
Fiduciary funds		
Policemen's pension and relief	8,283	-
Payroll agency	-	5,000
Police bond and fine agency	-	60,570
District court agency	59,878	148,083
Administration of justice agency	70,642	13,983
Police evidence agency	-	388
Total fiduciary funds	<u>138,803</u>	<u>228,024</u>
Total	<u>\$ 2,275,223</u>	<u>\$ 2,274,826</u>

## Notes to Financial Statements

December 31, 2010

6. Individual Fund Disclosures (cont.)

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.

Operating transfers in (out) for the year ended December 31, 2010 are as follows:

<u>Primary Government</u>	<u>Operating Transfers</u>	
	<u>In</u>	<u>Out</u>
Governmental funds		
General	\$ 5,043,606	\$ 1,103,130
Street	353,320	-
Sales and use tax	104,800	5,037,421
2009 Ice Storm	-	19,259
2006 street improvement construction	-	104,800
Public library	334,000	-
Shiloh Museum Board	-	10,240
District court	405,500	-
Total governmental funds	<u>6,241,226</u>	<u>6,274,850</u>
Proprietary funds		
Municipal Airport	45,314	-
City attorney restitution	-	22,000
Sanitation	10,310	-
Total proprietary funds	<u>55,624</u>	<u>22,000</u>
Total	<u>\$ 6,296,850</u>	<u>\$ 6,296,850</u>

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.

## Notes to Financial Statements

December 31, 2010

7. Pension Plans (cont.)*Summary of Significant Accounting Policies***Basis of Accounting**

The City'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.

*Membership Information*

At December 31, 2010, membership of each plan consisted of the following:

	Firemen's Relief and Pension <u>Fund</u>	Policemen's Pension and Relief <u>Fund</u>	Money Purchase Pension <u>Plan</u>
Retirees and beneficiaries receiving benefits	45	38	-
Active plan members	-	-	201
Members on Deferred Retirement Option Plan ("DROP")	<u>2</u>	<u>-</u>	<u>N/A</u>
Total	<u>47</u>	<u>38</u>	<u>201</u>

*Plan Descriptions and Funding Information***Firemen's Relief and Pension Fund**

The FRPF 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.