

CITY OF SPRINGDALE, ARKANSAS

December 31, 2011

**Financial Statements
And
Supplementary Information**

With

Independent Auditor's Report

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List of Elected and Appointed Officials

December 31, 2011

Elected Officials:

Mayor	Doug Sprouse
City Clerk/Treasurer	Denise Pearce
City Attorney	Jeff Harper
District Judge	Ernest Cate
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	Brad Bruns
Council Member – Ward 3	Jeff Watson
Council Member – Ward 4	Eric Ford
Council Member – Ward 4	Bobby Stout

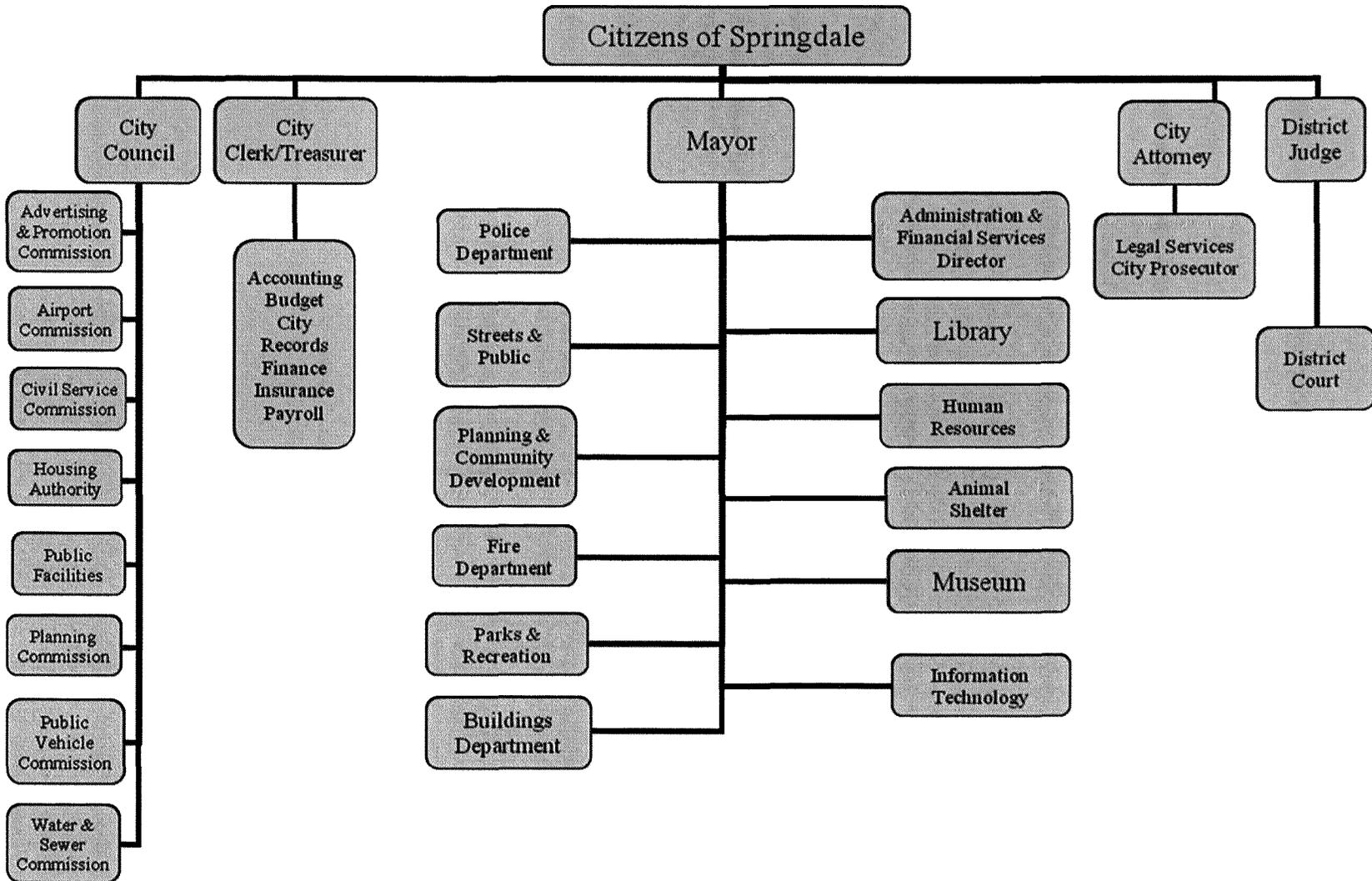
Appointed Officials:

Administrative and Financial Services	Wyman D. Morgan
Acting Animal Services Manager	Teresa Johnson
Chief Building Official	Mike Chamlee
Finance	Laura Favorite
Acting Fire Chief	Kevin McDonald
Human Resources	Loyd Price
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, 2011



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, the business-type activities, the aggregate 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, 2011, 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 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, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Springdale, Arkansas as of December 31, 2011, and the respective changes in financial position, and, where applicable, cash flows 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 September 27, 2012, 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 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, pension plan schedules and budgetary comparison information on pages 5 through 14 and 72 through 78 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 combining and individual nonmajor fund financial statements and budgetary comparison information on pages 79 through 96, 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 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
September 27, 2012

Management's Discussion and Analysis**December 31, 2011**

The following narrative overview and analysis of the City of Springdale's (the "City") financial activities for the year ended December 31, 2011 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 exceeded total liabilities at the close of 2011 by \$226,874,919 (net assets). Of this amount, \$173,616,085 is invested in capital assets, net of related debt, \$20,654,193 is restricted for capital expenditures, debt service, unspendable endowment funds, and other purposes, and \$32,604,641 is considered unrestricted. The unrestricted net assets of the City's governmental activities are \$32,009,414 and may be used to meet the obligations to citizens and creditors. The City's business-type activities have unrestricted net assets of \$595,227.
- In 2011, the City's total net assets increased by \$3,162,328. Net assets of the governmental activities increased by \$3,167,688 in 2011, compared to a net decrease of \$643,272 in 2010. Net assets of the business-type activities decreased by \$5,360 in 2011, compared to a net increase of \$119,349 in 2010.
- At the close of 2011, the City's governmental funds reported a combined ending fund balance of \$52,640,502, which reflects an increase of \$6,569,838 from the prior year, mainly due to an accumulation of funds in the Sales and Use Tax Fund for a major street project. The restricted portion of the fund balances is \$22,899,083; \$3,328,532 of which is considered unspendable, and \$19,570,551 that is restricted for capital expenditures, debt service and other purposes. The remaining fund balance is classified as \$16,019,444 committed for capital projects, assigned of \$7,247,909 and unassigned of \$6,474,066
- At the end of 2011, the unassigned fund balance of the General Fund was \$6,474,066, which represents 12% of the total and is 23% of total general fund expenditures. There was an increase of \$1,893,433 in the total general fund balance for 2011, compared to \$475,489 increase in 2010. The unassigned portion is available for use to support operations, funding for special projects and equipment replacement funding.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

Management's Discussion and Analysis (cont.)**December 31, 2011**

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

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

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

The government-wide financial statements are located on pages 15 and 16 of this report.

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Management's Discussion and Analysis (cont.)**December 31, 2011**

The City maintains fifteen 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, the 2006 Street Improvement Construction Fund and Debt Service Fund. Data from the remaining 10 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 17 through 20 of this report.

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

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

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

The basic fiduciary fund financial statements can be found on pages 24 and 25 of this report.

Notes to the basic financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements are located on pages 26 through 71 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 72 through 78 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 79 through 96 of this report.

Management's Discussion and Analysis (cont.)

December 31, 2011

Government-Wide Financial Analysis

	City of Springdale, Arkansas					
	Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 61,703,705	\$ 55,441,737	\$ 709,902	\$ 683,572	\$ 62,413,607	\$ 56,125,309
Capital assets	<u>266,542,552</u>	<u>274,744,256</u>	<u>7,387,609</u>	<u>7,353,176</u>	<u>273,930,161</u>	<u>282,097,432</u>
Total assets	<u>328,246,257</u>	<u>330,185,993</u>	<u>8,097,511</u>	<u>8,036,748</u>	<u>336,343,768</u>	<u>338,222,741</u>
Current liabilities	8,838,615	9,123,123	103,816	38,128	8,942,431	9,161,251
Other liabilities	<u>100,515,559</u>	<u>105,338,475</u>	<u>10,859</u>	<u>10,424</u>	<u>100,526,418</u>	<u>105,348,899</u>
Total liabilities	<u>109,354,174</u>	<u>114,461,598</u>	<u>114,675</u>	<u>48,552</u>	<u>109,468,849</u>	<u>114,510,150</u>
Net assets						
Invested in capital assets, net of related debt	166,228,476	169,515,368	7,387,609	7,353,176	173,616,085	176,868,544
Restricted	20,654,193	17,853,884	-	6,110	20,654,193	17,859,994
Unrestricted	<u>32,009,414</u>	<u>28,355,143</u>	<u>595,227</u>	<u>628,910</u>	<u>32,604,641</u>	<u>28,984,053</u>
Total net assets	<u>\$ 218,892,083</u>	<u>\$ 215,724,395</u>	<u>\$ 7,982,836</u>	<u>\$ 7,988,196</u>	<u>\$ 226,874,919</u>	<u>\$ 223,712,591</u>

Of the City's net assets, \$173,616,085 (77%) 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 (\$20,654,193 or 9%) represents resources that are subject to restrictions as to how they may be used. Of the total restricted net assets, \$9,690,416 is restricted for capital projects, \$6,555,436 is restricted for debt service and \$4,408,341 is restricted for other purposes. The balance of unrestricted net assets (\$32,604,641 or 14%) 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 \$32,604,641, the net assets of the City's business-type activities of \$595,227 may not be used to fund governmental activities.

The City's net assets increased by \$3,162,328 during 2011. Total revenues increased by 10% between years. Sales tax revenue on a government-wide basis increased by 10%. Revenues generated by fees, fines and charges for services increased by 12% due primarily to increased building permits and inspection fees, as well as a refund of excess reserve funds from housing bonds paid off during 2011.

Governmental activities – Governmental activities increased the City's net assets by \$3,167,688. The main elements of this increase are:

- Total revenues for 2011 increased by \$5,248,367. This was offset by the increase in total expenditures between years of \$1,562,116.

Management's Discussion and Analysis (cont.)

December 31, 2011

- Depreciation expense exceeded capital expenditures by \$8,048,587.
- Sales tax revenue allocated for governmental purposes reflects a 10% increase between years. The City's share of the county sales tax, accounted for in the General Fund, increased by 20%, primarily due to the City's increase share of revenue due to the 2010 census. The total county sales tax increase for 2011 was 2.7%. The City's sales tax that is allocated for capital projects and accounted for in the Sales and Use Tax Fund increased 5.3% in 2011 over 2010, as did the City sales tax allocated for debt service for the Sales and Use Tax Bonds, Series 2006.

Sales taxes provided \$30,465,830 (55%) of the City's governmental revenue in 2011 while operating grants and contributions added \$8,430,990 (15%) and ad valorem taxes provided \$5,369,490 (10%).

Business-type activities – Business-type activities decreased the City's net assets by \$5,360.

Aquatic Center revenues of \$204,324 provided 18% of total revenues of business-type activities, while current year expenses of \$355,855 were 30% of total expenses. Aquatic Center depreciation expense for 2011 was \$147,879.

The Municipal Airport revenues of \$753,148 provided 65% of total revenues for business-type activities for 2011, while current year expenses of \$601,470 were 51% of total expenses. Municipal Airport depreciation expense for 2011 was \$254,485.

City of Springdale, Arkansas
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues						
Fees, fines and charges for services	\$ 4,676,815	\$ 4,183,420	\$ 750,872	\$ 717,501	\$ 5,427,687	\$ 4,900,921
Operating grants and contributions	8,430,990	8,246,638	500	3,049	8,431,490	8,249,687
Capital grants and contributions	<u>1,592,432</u>	<u>761,687</u>	<u>399,574</u>	<u>475,907</u>	<u>1,992,006</u>	<u>1,237,594</u>
Total program revenues	<u>14,700,237</u>	<u>13,191,745</u>	<u>1,150,946</u>	<u>1,196,457</u>	<u>15,851,183</u>	<u>14,388,202</u>
General revenues						
Sales tax	30,465,830	27,713,936	25,949	18,680	30,491,779	27,732,616
Ad valorem tax	5,369,490	5,322,878	-	-	5,369,490	5,322,878
Franchise tax	3,479,072	3,384,667	-	-	3,479,072	3,384,667
Hotel/motel tax	236,289	193,197	-	-	236,289	193,197
Investment earnings	792,525	638,164	7,130	9,687	799,655	647,851
Gain (loss) on sale/disposal of assets	61,259	(289,552)	-	-	61,259	(289,552)
Loss on bond refunding	(32,288)	(32,288)	-	-	(32,288)	(32,288)
Insurance recoveries	<u>326,010</u>	<u>-</u>	<u>13,489</u>	<u>-</u>	<u>339,499</u>	<u>-</u>
Total general revenues	<u>40,698,187</u>	<u>36,931,002</u>	<u>46,568</u>	<u>28,367</u>	<u>40,744,755</u>	<u>36,959,369</u>
Total revenues	<u>55,398,424</u>	<u>50,122,747</u>	<u>1,197,514</u>	<u>1,224,824</u>	<u>56,595,938</u>	<u>51,347,571</u>

Management's Discussion and Analysis (cont.)

December 31, 2011

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Expenses						
General government	\$ 4,434,487	\$ 4,203,086	\$ -	\$ -	\$ 4,434,487	\$ 4,203,086
Community development	1,354,794	1,368,863	-	-	1,354,794	1,368,863
Culture and recreation	5,979,969	6,025,971	-	-	5,979,969	6,025,971
Economic development	214,092	210,060	-	-	214,092	210,060
Public safety	22,539,423	21,309,750	-	-	22,539,423	21,309,750
Public works	13,159,721	12,876,139	-	-	13,159,721	12,876,139
Interest on long-term debt	4,451,061	4,632,838	-	-	4,451,061	4,632,838
Issue costs and agent fees - long-term debt	112,189	105,688	-	-	112,189	105,688
Municipal airport	-	-	601,470	579,808	601,470	579,808
Aquatic center	-	-	355,855	353,870	355,855	353,870
Parks soccer program	-	-	103,492	104,821	103,492	104,821
Sanitation	-	-	125,444	99,554	125,444	99,554
City attorney restitution	-	-	1,613	1,046	1,613	1,046
Total expenses	<u>52,245,736</u>	<u>50,732,395</u>	<u>1,187,874</u>	<u>1,139,099</u>	<u>53,433,610</u>	<u>51,871,494</u>
Increase (decrease) in net assets before transfers	3,152,688	(609,648)	9,640	85,725	3,162,328	(523,923)
Transfers	<u>15,000</u>	<u>(33,624)</u>	<u>(15,000)</u>	<u>33,624</u>	<u>-</u>	<u>-</u>
Changes in net assets	<u>3,167,688</u>	<u>(643,272)</u>	<u>(5,360)</u>	<u>119,349</u>	<u>3,162,328</u>	<u>(523,923)</u>
Net assets - January 1	<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>
Net assets - December 31	<u>\$ 218,892,083</u>	<u>\$ 215,724,395</u>	<u>\$ 7,982,836</u>	<u>\$ 7,988,196</u>	<u>\$ 226,874,919</u>	<u>\$ 223,712,591</u>

Financial Analysis of the Government's Funds

The City 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, unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2011, the City's governmental funds combined fund balance was \$52,640,502, which reflects an increase of \$6,569,838 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. \$6,474,066 (12%) of the year end combined fund balance constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is assigned, committed, restricted or nonspendable 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, 2011**

The General Fund is the chief operating fund of the City. As of December 31, 2011, the total fund balance of the general fund was \$7,293,296, of which \$6,474,066 (89%) was unassigned. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balances and total fund balances to total fund expenditures, including transfers out. Unassigned fund balance represents approximately 22% of the total General Fund expenditures for 2011, including transfers out, while total fund balance represents 25% of that same amount.

During the 2011 fiscal year, the fund balance of the general fund increased by \$1,893,433. The 2012 adopted budget anticipates a slight decrease in the unassigned general fund balance by the end of the year. Key factors in the 2011 increase are as follows:

- Total revenues for 2011 increased by \$2,753,971 or 10%, due to the increase in county sales taxes (\$1,724,278 or 20%), increase in charges for goods and services (\$251,938 or 15%) and an increase in insurance recoveries (\$372,306 or 1338%).
- Total expenditures for 2011, including transfers, increased by \$1,237,068 or 4%, primarily due to the increase in personnel costs (\$1,019,112 or 5%).

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 at December 31, 2011. Revenues include a one percent (1%) local sales tax of which seventy-five percent (75%) has been in the past dedicated to capital improvement projects. The 2010 adopted budget reduced the funds dedicated for capital improvement projects to 50% of the sales tax and the funding level has remained the same through the 2012 budget. The fund balance increased by \$3,439,035 between 2010 and 2011.

The Debt Service Fund provided 17% of the total governmental fund balances at December 31, 2011. Revenues for this fund are derived from a one percent (1%) local sales tax and are used to retire bonds from the \$124,045,000 Series 2006 bond issue and pay related expenses including interest. At December 31, 2011 there was \$100,210,000 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, 2011, net assets of the Municipal Airport Fund were \$5,534,565 and net assets of the Aquatic Center Fund were \$2,140,577. These two funds account for 96% of the net assets total of all proprietary funds. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

Budgetary Highlights

The final amended General Fund budgeted revenues were \$23,111,770 and actual revenue received was \$25,321,222. The excess of \$2,209,452 over the budget was due primarily to the increase in county sales taxes (\$1,165,116) as a result of the City's increased share of county taxes, utility franchise taxes (\$369,072), state turnback (\$426,114) and other miscellaneous revenue (\$284,946). These increases were offset in part by decreases in ad valorem taxes of \$182,517 and police fines of \$178,593.

Management's Discussion and Analysis (cont.)**December 31, 2011**

General fund actual expenditures of \$27,853,268 were 102.2% of the final amended budgeted expenditures of \$27,260,770. Actual expenditures were higher due to: public safety expenditures exceeding the appropriated budget by \$825,169; general government expenditures being \$77,947 higher than budget; and culture and recreation expenditures being \$55,948 higher than budget. These increases were offset by planning and community development actual expenditures being \$366,566 less than budget.

The Street Fund budgeted revenues were \$4,089,500 and the actual revenue received was \$4,274,066. The excess of \$184,566 was primarily due to state turnback of \$104,518 and miscellaneous revenue of \$88,215. These increases were offset in part by a decrease in ad valorem taxes of \$67,910. Street Fund actual expenditures of \$4,380,441 were 95% of the final amended budgeted expenditures of \$4,611,490.

The budget and actual comparison schedules are located on pages 74 through 77 and 86 through 96.

Capital Assets

The City's investments in capital assets for governmental and business-type activities as of December 31, 2011 amount to \$273,930,161, net of accumulated depreciation. The decrease in capital assets related to governmental activities was \$8,201,704 (3%). The City's capital assets related to business-type activities increased by \$34,433 (0.5%).

Major capital asset events during 2011 included the following:

- Infrastructure additions totaled \$7,472,430. The completion of Wagon Wheel Road West was the final stage of the City's East-West Corridors construction projects.
- Land, easements and land improvements additions were \$1,096,766.
- Buildings and other improvements additions were \$648,897.
- Vehicles and equipment additions were \$1,708,294.
- Depreciation expense totaled \$12,076,158.

Additional information on the City's capital assets is located in Note 4 on pages 42 through 44 of this report.

Management's Discussion and Analysis (cont.)

December 31, 2011

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land and easements	\$ 49,191,377	\$ 48,356,470	\$ 2,788,631	\$ 2,788,631	\$ 51,980,008	\$ 51,145,101
Land improvements	7,273,367	7,391,629	2,122,146	2,347,549	9,395,513	9,739,178
Buildings and improvements	45,765,121	47,005,181	1,861,861	2,011,224	47,626,982	49,016,405
Construction in progress	6,036,488	13,314,427	419,278	13,892	6,455,766	13,328,319
Infrastructure	145,298,974	144,628,375	-	-	145,298,974	144,628,375
Machinery and equipment	12,829,310	13,850,326	195,693	191,880	13,025,003	14,042,206
Intangibles	147,915	197,848	-	-	147,915	197,848
Total	\$ 266,542,552	\$ 274,744,256	\$ 7,387,609	\$ 7,353,176	\$ 273,930,161	\$ 282,097,432

Long-Term Debt

The City held a special election on July 11, 2006 that authorized a one percent (1%) sales tax and the issuance of bonds in the maximum principal amount of \$137,000,000. Of these bonds, \$42,000,000 were authorized for the refunding of the 2004 bonds still outstanding, \$45,000,000 were authorized to complete the transportation projects started with the 2004 bond proceeds and \$50,000,000 of bonds were to provide for the construction of a baseball stadium. The sales tax rate for the City was not increased by this election. The one percent (1%) sales tax authorized in 2003 was replaced by the one percent (1%) sales tax authorized by the 2006 election. The City retired \$4,805,000 of these bonds during the year leaving a balance of \$100,210,000 at December 31, 2011.

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 \$80,000 of these bonds during the year leaving a balance of \$3,305,000 at September 30, 2011.

Additional information on the City's long-term debt can be found in Note 5 located on pages 45 through 48 of this report.

Economic Factors and the Next Year's Budget

The unemployment rate for December 2011 for the Fayetteville-Springdale-Rogers MSA was 5.6%, which compared favorably to the state's average unemployment rate of 7.7%. During 2011, total nonfarm jobs for this MSA increased by 2,100 to end the year at 205,100.

City one percent (1%) sales tax revenue received in 2011 for the Sales and Use Tax Fund increased by 5.4% when compared to sales tax revenue received in 2010. The collection of an additional one percent (1%) sales tax for debt service was started in October 2003. This additional tax provided \$10,110,771 in revenue during 2011.

The City Council adopted the 2012 budget on December 13, 2011, with General Fund projected revenues of \$29,697,350 and projected expenditures and transfers of \$30,149,340.

Management's Discussion and Analysis (cont.)

December 31, 2011

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, 2011

	Primary Government			Discrete Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 8,672,058	\$ 279,350	\$ 8,951,408	\$ 1,397,401
Investments	25,694,948	277,680	25,972,628	38,672,818
Accounts receivable, net of allowance for uncollectibles	1,249,777	56,376	1,306,153	3,792,476
Intergovernmental receivables	9,844,941	344,409	10,189,350	-
Internal balances	248,138	(248,138)	-	-
Due from fiduciary funds	84,893	225	85,118	-
Inventories	-	-	-	570,475
Prepaid assets	1,191	-	1,191	54,443
Assets held for resale	2,168,740	-	2,168,740	-
Unamortized bond/lease costs	1,355,013	-	1,355,013	11,562
Deferred loss on bond refunding	508,546	-	508,546	-
Restricted assets				
Cash and cash equivalents	9,042,844	-	9,042,844	54,251
Investments	1,125,881	-	1,125,881	1,537,896
Interest receivable	3,447	-	3,447	-
Intergovernmental receivables	1,703,288	-	1,703,288	-
Capital assets				
Nondepreciable	55,732,792	3,207,909	58,940,701	8,880,533
Depreciable, net of accumulated depreciation	210,809,760	4,179,700	214,989,460	185,320,698
Total assets	328,246,257	8,097,511	336,343,768	240,292,553
Liabilities				
Accounts payable and accrued expenses	1,607,565	93,749	1,701,314	648,792
Due to fiduciary funds	5,323	-	5,323	-
Accrued interest payable	2,294,875	-	2,294,875	14,021
Current portion of long-term debt	4,475,000	-	4,475,000	95,000
Customer deposits	404,212	-	404,212	1,546,355
Deferred revenue	51,640	10,067	61,707	-
Noncurrent liabilities				
Due within one year	40,420	-	40,420	-
Due in more than one year	100,475,139	10,859	100,485,998	3,210,000
Total liabilities	109,354,174	114,675	109,468,849	5,514,168
Net assets				
Invested in capital assets, net of related debt	166,228,476	7,387,609	173,616,085	190,893,772
Restricted for				
Expendable				
Capital expenditures, net of related debt	9,690,416	-	9,690,416	-
Debt service	6,555,436	-	6,555,436	45,792
Other	4,408,341	-	4,408,341	-
Unrestricted	32,009,414	595,227	32,604,641	43,838,821
Total net assets	\$ 218,892,083	\$ 7,982,836	\$ 226,874,919	\$ 234,778,385

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

Statement of Activities
For the Year Ended December 31, 2011

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			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government								
Administration	\$ 2,927,558	\$ 420,028	\$ 1,190,202	\$ -	\$ (1,317,328)	\$ -	\$ (1,317,328)	\$ -
City attorney	631,593	23,936	-	-	(607,657)	-	(607,657)	-
District court	831,083	153,537	82,718	-	(594,828)	-	(594,828)	-
Bluff cemetery	44,253	30,000	-	-	(14,253)	-	(14,253)	-
Capital projects	-	-	-	799,184	799,184	-	799,184	-
Community development								
Planning and engineering	742,582	24,190	-	-	(718,392)	-	(718,392)	-
Community development and housing	612,212	260,045	367,213	-	15,046	-	15,046	-
Culture and recreation								
Parks and recreation	3,529,149	536,845	37,752	236,940	(2,717,612)	-	(2,717,612)	-
Public library	1,816,753	100,340	1,111,653	-	(604,760)	-	(604,760)	-
Shiloh museum	634,067	44,184	118,472	32,408	(439,003)	-	(439,003)	-
Economic development	214,092	2,008	-	-	(212,084)	-	(212,084)	-
Public safety								
Animal services	576,632	68,100	60,642	5,900	(441,990)	-	(441,990)	-
Building inspection and code enforcement	797,676	397,467	3,036	-	(397,173)	-	(397,173)	-
Fire	9,455,668	1,548,688	991,872	-	(6,915,108)	-	(6,915,108)	-
Police	11,709,447	995,312	1,101,073	50,000	(9,563,062)	-	(9,563,062)	-
Public works	13,159,721	72,135	3,366,357	468,000	(9,253,229)	-	(9,253,229)	-
Debt service								
Interest on long-term debt	4,451,061	-	-	-	(4,451,061)	-	(4,451,061)	-
Issue costs and fees - long-term debt	112,189	-	-	-	(112,189)	-	(112,189)	-
Total government activities	<u>52,245,736</u>	<u>4,676,815</u>	<u>8,430,990</u>	<u>1,592,432</u>	<u>(37,545,499)</u>	<u>-</u>	<u>(37,545,499)</u>	<u>-</u>
Business-type activities								
Municipal airport	601,470	314,032	-	399,574	-	112,136	112,136	-
Aquatic center	355,855	198,490	-	-	-	(157,365)	(157,365)	-
Parks soccer program	103,492	100,924	500	-	-	(2,068)	(2,068)	-
Sanitation	125,444	109,876	-	-	-	(15,568)	(15,568)	-
City attorney restitution	1,613	27,550	-	-	-	25,937	25,937	-
Total business-type activities	<u>1,187,874</u>	<u>750,872</u>	<u>500</u>	<u>399,574</u>	<u>-</u>	<u>(36,928)</u>	<u>(36,928)</u>	<u>-</u>
Total primary government	<u>\$ 53,433,610</u>	<u>\$ 5,427,687</u>	<u>\$ 8,431,490</u>	<u>\$ 1,992,006</u>	<u>(37,545,499)</u>	<u>(36,928)</u>	<u>(37,582,427)</u>	<u>-</u>
Component unit								
Springdale water utilities	<u>\$ 24,246,418</u>	<u>\$ 28,791,135</u>	<u>\$ -</u>	<u>\$ 1,937,330</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,482,047</u>
General revenues and transfers								
Sales tax					30,465,830	25,949	30,491,779	-
Ad valorem tax					5,369,490	-	5,369,490	-
Franchise tax					3,479,072	-	3,479,072	-
Hotel/motel tax					236,289	-	236,289	-
Investment earnings					792,525	7,130	799,655	364,173
Interest expenses and other charges					-	-	-	(165,562)
Gain on sale of assets					61,259	-	61,259	5,032
Loss on bond refunding					(32,288)	-	(32,288)	-
Insurance recoveries					326,010	13,489	339,499	-
Transfers					15,000	(15,000)	-	-
Total general revenues and transfers					<u>40,713,187</u>	<u>31,568</u>	<u>40,744,755</u>	<u>203,643</u>
Changes in net assets					3,167,688	(5,360)	3,162,328	6,685,690
Net assets - beginning of year, as restated					<u>215,724,395</u>	<u>7,988,196</u>	<u>223,712,591</u>	<u>228,092,695</u>
Net assets - end of year					<u>\$ 218,892,083</u>	<u>\$ 7,982,836</u>	<u>\$ 226,874,919</u>	<u>\$ 234,778,385</u>

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

Balance Sheet – Governmental Funds

December 31, 2011

Assets	General Fund	Street Fund	Sales and Use Tax Fund	2006 Street Improvement Bonds Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 3,611,224	\$ 774,628	\$ 3,368,610	\$ -	\$ -	\$ 917,596	\$ 8,672,058
Investments	952,922	363,599	21,370,655	-	-	3,007,772	25,694,948
Accounts receivable, net	1,097,100	20,310	-	-	-	30,341	1,147,751
Interest receivable	2,358	1,056	91,940	-	-	6,672	102,026
Intergovernmental receivables, net	6,687,270	1,183,907	1,952,203	-	-	21,561	9,844,941
Due from other funds	1,167,567	11,786	460,580	-	-	20,600	1,660,533
Assets held for resale	-	-	-	-	-	2,168,740	2,168,740
Other assets	-	-	-	-	-	1,191	1,191
Restricted assets							
Cash and cash equivalents	-	-	-	1,897,392	7,144,356	1,096	9,042,844
Investments	-	-	-	-	-	1,125,881	1,125,881
Interest receivable	-	-	-	780	2,667	-	3,447
Intergovernmental receivables, net	-	-	-	-	1,703,288	-	1,703,288
Total assets	\$ 13,518,441	\$ 2,355,286	\$ 27,243,988	\$ 1,898,172	\$ 8,850,311	\$ 7,301,450	\$ 61,167,648
Liabilities and Fund Balance							
Liabilities							
Accounts payable	\$ 316,948	\$ 45,140	\$ 328,785	\$ -	\$ -	\$ 46,426	\$ 737,299
Salaries payable	782,904	68,769	-	-	-	59,013	910,686
Due to other funds	457,341	-	866,534	8,069	-	881	1,332,825
Developer bonds payable	384,743	-	-	-	-	-	384,743
Other liabilities	1,281	18,188	-	-	-	-	19,469
Deferred revenue	4,281,928	808,556	-	-	-	51,640	5,142,124
Total liabilities	6,225,145	940,653	1,195,319	8,069	-	157,960	8,527,146
Fund balances							
Nonspendable							
Assets held for resale	-	-	-	-	-	2,168,740	2,168,740
Cemetery perpetual care	-	-	-	-	-	32,720	32,720
Endowments	-	-	-	-	-	1,125,881	1,125,881
Prepaid items	-	-	-	-	-	1,191	1,191
Restricted							
Court automation	-	-	-	-	-	280,017	280,017
Debt service	-	-	-	-	8,850,311	-	8,850,311
Grants	-	-	49,985	-	-	-	49,985
Public safety expenditures	770,392	-	-	-	-	-	770,392
Recreation and culture	29,400	-	-	-	-	-	29,400
Capital projects	-	-	7,699,247	1,890,103	-	1,096	9,590,446
Committed	-	-	16,019,444	-	-	-	16,019,444
Assigned							
General fund	19,438	-	-	-	-	-	19,438
Special revenue funds	-	1,414,633	-	-	-	1,430,050	2,844,683
Capital project funds	-	-	2,279,993	-	-	1,112,802	3,392,795
Permanent funds	-	-	-	-	-	990,993	990,993
Unassigned	6,474,066	-	-	-	-	-	6,474,066
Total fund balances	7,293,296	1,414,633	26,048,669	1,890,103	8,850,311	7,143,490	52,640,502
Total liabilities and fund balances	\$ 13,518,441	\$ 2,355,286	\$ 27,243,988	\$ 1,898,172	\$ 8,850,311	\$ 7,301,450	\$ 61,167,648

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, 2011

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

Total fund balances - governmental funds	\$ 52,640,502
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	266,542,552
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.	5,090,484
Some assets related to long-term debt are deferred and, therefore, are not reported in the funds.	1,863,559
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>(107,245,014)</u>
Net assets of governmental activities	<u>\$ 218,892,083</u>

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, 2011

	General Fund	Street Fund	Sales and Use Tax Fund	2006 Street Improvement Bonds Construction Fund
Revenues				
Taxes	\$ 18,183,671	\$ 821,090	\$ 10,095,943	\$ -
Fees and permits	600,482	4,180	-	-
Intergovernmental	3,278,323	3,290,433	779,184	-
Charges for goods and services	1,946,943	50,665	-	-
Fines and forfeitures	797,407	-	-	-
Investment earnings	20,576	14,483	685,333	11,361
Miscellaneous	493,820	93,215	-	-
Total revenues	<u>25,321,222</u>	<u>4,274,066</u>	<u>11,560,460</u>	<u>11,361</u>
Expenditures				
Current				
General government	3,245,931	-	-	-
Community development	735,894	-	-	-
Culture and recreation	1,970,668	-	-	-
Economic development	-	-	-	-
Public safety	21,510,370	-	-	-
Public works	-	3,997,874	-	-
Capital expenditures	390,405	382,567	2,940,392	17,532
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Other fees	-	-	-	-
Agent fees	-	-	-	-
Total expenditures	<u>27,853,268</u>	<u>4,380,441</u>	<u>2,940,392</u>	<u>17,532</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,532,046)</u>	<u>(106,375)</u>	<u>8,620,068</u>	<u>(6,171)</u>
Other financing sources (uses)				
Transfers in	5,262,972	382,000	46,939	-
Transfers out	(1,288,490)	-	(5,247,972)	(46,939)
Contributed capital	-	-	20,000	-
Proceeds from sale of capital assets	50,869	-	-	-
Insurance recovery - capital assets	400,128	13,761	-	-
Total other financing sources (uses)	<u>4,425,479</u>	<u>395,761</u>	<u>(5,181,033)</u>	<u>(46,939)</u>
Net changes in fund balances	1,893,433	289,386	3,439,035	(53,110)
Fund balances - beginning of year, as restated	<u>5,399,863</u>	<u>1,125,247</u>	<u>22,609,634</u>	<u>1,943,213</u>
Fund balances - end of year	<u>\$ 7,293,296</u>	<u>\$ 1,414,633</u>	<u>\$ 26,048,669</u>	<u>\$ 1,890,103</u>

Debt Service <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
\$ 10,110,771	\$ 289,201	\$ 39,500,676
-	174,779	779,441
-	1,532,626	8,880,566
-	361,413	2,359,021
-	71,443	868,850
27,841	32,931	792,525
-	436,576	1,023,611
<u>10,138,612</u>	<u>2,898,969</u>	<u>54,204,690</u>
-	703,255	3,949,186
-	623,351	1,359,245
-	1,821,927	3,792,595
-	214,092	214,092
-	-	21,510,370
-	-	3,997,874
-	51,530	3,782,426
4,805,000	-	4,805,000
4,773,950	-	4,773,950
9,500	-	9,500
18,000	-	18,000
<u>9,606,450</u>	<u>3,414,155</u>	<u>48,212,238</u>
<u>532,162</u>	<u>(515,186)</u>	<u>5,992,452</u>
-	906,490	6,598,401
-	-	(6,583,401)
-	-	20,000
-	-	50,869
-	77,628	491,517
-	<u>984,118</u>	<u>577,386</u>
532,162	468,932	6,569,838
<u>8,318,149</u>	<u>6,674,558</u>	<u>46,070,664</u>
<u>\$ 8,850,311</u>	<u>\$ 7,143,490</u>	<u>\$ 52,640,502</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, 2011

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

Net changes in fund balances - total governmental funds	\$ 6,569,838
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 depreciation expense exceeds capital outlays in the current period.	(8,046,587)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net assets.	(155,117)
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.	50,005
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.	(261,363)
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.	<u>5,010,912</u>
Changes in net assets of governmental activities	<u>\$ 3,167,688</u>

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

Statement of Net Assets – Proprietary Funds

December 31, 2011

Assets	Enterprise Funds			Total Proprietary Funds
	Municipal Airport Fund	Aquatic Center Fund	Nonmajor Enterprise Funds	
Current assets				
Cash and cash equivalents	\$ 3,516	\$ 105,250	\$ 170,584	\$ 279,350
Investments	-	277,680	-	277,680
Accounts receivable, net	372,098	-	23,420	395,518
Accrued interest	-	467	-	467
Due from other funds	-	-	225	225
Total current assets	<u>375,614</u>	<u>383,397</u>	<u>194,229</u>	<u>953,240</u>
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	2,857,962	-	4,724,726
Machinery and equipment	527,557	785,439	199,865	1,512,861
Construction in progress	419,278	-	-	419,278
Less accumulated depreciation	<u>(6,905,745)</u>	<u>(2,376,674)</u>	<u>(94,760)</u>	<u>(9,377,179)</u>
Total capital assets, net of accumulated depreciation	<u>5,502,877</u>	<u>1,758,251</u>	<u>126,481</u>	<u>7,387,609</u>
Total noncurrent assets	<u>5,507,677</u>	<u>1,758,251</u>	<u>126,481</u>	<u>7,392,409</u>
Total assets	<u>\$ 5,883,291</u>	<u>\$ 2,141,648</u>	<u>\$ 320,710</u>	<u>\$ 8,345,649</u>
<u>Liabilities and Net Assets</u>				
Current liabilities				
Accounts payable	\$ 84,907	\$ 734	\$ 1,650	\$ 87,291
Salaries payable	2,214	337	3,907	6,458
Due to other funds	245,000	-	3,138	248,138
Deferred revenue	<u>10,067</u>	<u>-</u>	<u>-</u>	<u>10,067</u>
Total current liabilities	<u>342,188</u>	<u>1,071</u>	<u>8,695</u>	<u>351,954</u>
Noncurrent liabilities				
Compensated absences	1,738	-	4,321	6,059
Deferred revenue	<u>4,800</u>	<u>-</u>	<u>-</u>	<u>4,800</u>
Total noncurrent liabilities	<u>6,538</u>	<u>-</u>	<u>4,321</u>	<u>10,859</u>
Total liabilities	<u>348,726</u>	<u>1,071</u>	<u>13,016</u>	<u>362,813</u>
Net assets				
Invested in capital assets, net of related debt	5,502,877	1,758,251	126,481	7,387,609
Unrestricted	<u>31,688</u>	<u>382,326</u>	<u>181,213</u>	<u>595,227</u>
Total net assets	<u>5,534,565</u>	<u>2,140,577</u>	<u>307,694</u>	<u>7,982,836</u>
Total liabilities and net assets	<u>\$ 5,883,291</u>	<u>\$ 2,141,648</u>	<u>\$ 320,710</u>	<u>\$ 8,345,649</u>

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, 2011

	Enterprise Funds			Total Proprietary Funds
	Municipal Airport Fund	Aquatic Center Fund	Nonmajor Enterprise Funds	
Operating revenues				
Charges for services				
Activity fees	\$ -	\$ 191,985	\$ 100,924	\$ 292,909
Concession	-	4,438	-	4,438
Fuel flowage fees	41,189	-	-	41,189
Other service fees	-	-	137,426	137,426
Rental fees	250,363	2,067	-	252,430
Other revenue	22,480	-	-	22,480
Total operating revenues	<u>314,032</u>	<u>198,490</u>	<u>238,350</u>	<u>750,872</u>
Operating expenses				
Personnel	62,831	125,699	161,097	349,627
Maintenance	68,163	22,865	11,674	102,702
Supplies	48,693	54,629	36,995	140,317
Other	167,298	4,783	2,966	175,047
Depreciation	254,485	147,879	17,817	420,181
Total operating expenses	<u>601,470</u>	<u>355,855</u>	<u>230,549</u>	<u>1,187,874</u>
Operating income (loss)	<u>(287,438)</u>	<u>(157,365)</u>	<u>7,801</u>	<u>(437,002)</u>
Nonoperating revenues				
Contributions	-	-	500	500
Insurance recoveries	13,489	-	-	13,489
Investment earnings	104	5,834	1,192	7,130
Sales taxes	25,949	-	-	25,949
Total nonoperating revenues	<u>39,542</u>	<u>5,834</u>	<u>1,692</u>	<u>47,068</u>
Income (loss) before capital contributions and transfers	(247,896)	(151,531)	9,493	(389,934)
Capital grants and contributions	399,574	-	-	399,574
Operating transfers out	-	-	(15,000)	(15,000)
Changes in net assets	151,678	(151,531)	(5,507)	(5,360)
Net assets - beginning of year	<u>5,382,887</u>	<u>2,292,108</u>	<u>313,201</u>	<u>7,988,196</u>
Net assets - end of year	<u>\$ 5,534,565</u>	<u>\$ 2,140,577</u>	<u>\$ 307,694</u>	<u>\$ 7,982,836</u>

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

Statement of Cash Flows – Proprietary Funds

For the Year Ended December 31, 2011

	Enterprise Funds			Total Proprietary Funds
	Municipal Airport Fund	Aquatic Center Fund	Nonmajor Enterprise Funds	
Cash flows from operating activities				
Receipts from customers and users	\$ 434,683	\$ 198,490	\$ 236,094	\$ 869,267
Miscellaneous revenues	-	-	376	376
Payments to suppliers	(220,272)	(79,897)	(50,744)	(350,913)
Payments to employees	(64,022)	(125,677)	(158,728)	(348,427)
Net cash provided (used) by operating activities	150,389	(7,084)	26,998	170,303
Cash flows from noncapital financing activities				
Sales taxes	26,928	-	-	26,928
Contributions	-	-	500	500
Transfers to other funds	-	-	(15,000)	(15,000)
Payments of interfund balances	(91,686)	-	(70)	(91,756)
Net cash used by noncapital financing activities	(64,758)	-	(14,570)	(79,328)
Cash flows from capital and related financing activities				
Capital contributions	950	-	-	950
Insurance recoveries	13,489	-	-	13,489
Capital grant receipts	335,209	-	-	335,209
Purchases of capital assets	(432,332)	(4,282)	(14,900)	(451,514)
Net cash used by capital and related financing activities	(82,684)	(4,282)	(14,900)	(101,866)
Cash flows from investing activities				
Proceeds from maturities of investments	-	300,000	-	300,000
Purchases of investments	-	(225,000)	-	(225,000)
Interest received	104	4,967	1,192	6,263
Net cash provided by investing activities	104	79,967	1,192	81,263
Net increase (decrease) in cash and cash equivalents	3,051	68,601	(1,280)	70,372
Cash and cash equivalents - beginning of year	465	36,649	171,864	208,978
Cash and cash equivalents - end of year	\$ 3,516	\$ 105,250	\$ 170,584	\$ 279,350
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (287,438)	\$ (157,365)	\$ 7,801	\$ (437,002)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	254,485	147,879	17,817	420,181
Changes in operating assets and liabilities				
Accounts receivable	116,771	-	(1,880)	114,891
Other assets	2,310	2,580	1,220	6,110
Accounts payable	61,572	(200)	(329)	61,043
Salaries payable	(97)	22	840	765
Compensated absences	(1,094)	-	1,529	435
Deferred revenue	3,880	-	-	3,880
Net cash provided (used) by operating activities	\$ 150,389	\$ (7,084)	\$ 26,998	\$ 170,303
Supplementary disclosure of noncash capital financing activities				
Change in fair value of investments	\$ -	\$ 907	\$ -	\$ 907
Acquisition of capital assets - trade-in allowance	-	-	(3,100)	(3,100)

Statement of Fiduciary Net Assets – Fiduciary Funds

December 31, 2011

	<u>Firemen's Relief and Pension Fund</u>	<u>Policemen's Pension and Relief Fund</u>	<u>Agency Funds</u>
Assets			
Cash and cash equivalents	\$ 1,294,077	\$ 388,224	\$ 881,510
Investments	6,876,517	7,185,668	-
Accounts receivable, net	499,921	494,950	1,627,520
Due from other funds	-	7,149	80,183
Total assets	<u>8,670,515</u>	<u>8,075,991</u>	<u>2,589,213</u>
Liabilities			
Accounts payable	183	-	2,422,086
Due to other funds	-	-	167,127
Total liabilities	<u>183</u>	<u>-</u>	<u>2,589,213</u>
Net assets			
Held in trust for pension benefits	<u>\$ 8,670,332</u>	<u>\$ 8,075,991</u>	<u>\$ -</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, 2011

	<u>Firemen's Relief and Pension Fund</u>	<u>Policemen's Pension and Relief Fund</u>
Additions		
Contributions		
Taxes	\$ 474,055	\$ 474,055
Intergovernmental	84,831	151,604
Fines and court costs	-	105,626
Employer	7,723	-
Plan members	7,723	-
Total contributions	<u>574,332</u>	<u>731,285</u>
Investment earnings		
Investment earnings	551,266	424,253
Net decrease in fair value of investments	<u>(733,158)</u>	<u>(367,061)</u>
Total investment earnings	(181,892)	57,192
Less investment expenses	<u>(106,894)</u>	<u>(74,499)</u>
Net investment earnings (losses)	<u>(288,786)</u>	<u>(17,307)</u>
Total additions	<u>285,546</u>	<u>713,978</u>
Deductions		
Benefits payments	1,140,062	1,215,190
Miscellaneous	<u>23</u>	<u>6,500</u>
Total deductions	<u>1,140,085</u>	<u>1,221,690</u>
Changes in fiduciary net assets	(854,539)	(507,712)
Fiduciary net assets - beginning of year	<u>9,524,871</u>	<u>8,583,703</u>
Fiduciary net assets - end of year	<u>\$ 8,670,332</u>	<u>\$ 8,075,991</u>

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

Notes to Financial Statements

December 31, 2011

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”) applicable to government units. The Governmental Accounting Standards Board (“GASB”) is the standard-setting body accepted in the United States for establishing governmental accounting and financial reporting principles. Enterprise funds and similar component units also apply 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 because of the significance of their operational or financial relationships with the City. Those entities in which 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, are also being 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 unit* or *Discretely Presented Component unit* 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, 2011

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, 2011. 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, 2011, the City implemented the following new financial and accounting reporting standard issued by GASB:

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, and by clarifying the existing governmental fund type definitions. The new definition of a special revenue fund requires that a substantial portion of the inflows be derived from restricted or committed revenue sources. Based on this definition the Parks Activity Fund, previously a special revenue fund, no longer meets the requirements of a special revenue fund and for reporting purposes is included in the General Fund.

Notes to Financial Statements

December 31, 2011

1. Summary of Significant Accounting Policies (cont.)

Beginning fund balances in the fund financial statements have been restated as follows:

	General <u>Fund</u>	Parks <u>Activity Fund</u>
Fund balance at December 31, 2010	\$ 5,268,254	\$ 131,609
GASB Statement No. 54 adjustment	<u>131,609</u>	<u>(131,609)</u>
Fund balance at December 31, 2010, as restated	<u>\$ 5,399,863</u>	<u>\$ -</u>

The implementation of GASB Statement No. 54 had no effect on the government-wide financial statements.

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

Government-wide Financial Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its component units. Fiduciary activities are excluded from the government-wide statements because they cannot be used to support the City's own programs.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. These statements distinguish between governmental activities, which are generally financed through taxes, intergovernmental revenues and other nonexchange transactions, and business-type activities, which are financed in whole or part by fees charged to external parties. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity 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.

Notes to Financial Statements

December 31, 2011

1. Summary of Significant Accounting Policies (cont.)*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%) of the tax revenue is used for General Fund operations and maintenance.

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.

Notes to Financial Statements

December 31, 2011

1. Summary of Significant Accounting Policies (cont.)

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, 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.

- 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.

Notes to Financial Statements**December 31, 2011****1. Summary of Significant Accounting Policies (cont.)***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 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.

Notes to Financial Statements

December 31, 2011

1. Summary of Significant Accounting Policies (cont.)

- 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, 2011, 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 Endeavor Foundation (“Endeavor”), 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.

- 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, 2011 to be materially collectible; therefore, no allowance has been established.

Included in the Commission’s accounts receivable are unbilled receivables of approximately \$1,565,000 at September 30, 2011, 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.

Notes to Financial Statements

December 31, 2011

1. Summary of Significant Accounting Policies (cont.)

- 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 assets are classified as restricted on the statement of net assets because their use is subject to external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

The balance of the restricted assets accounts in the primary government as of December 31, 2011 is as follows:

Cash and cash equivalents	\$ 9,042,844
Investments	1,125,881
Sales and use taxes receivable	1,703,288
Interest receivable	<u>3,447</u>
Total restricted assets - governmental activities	<u>\$ 11,875,460</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, 2011 is as follows:

Cash	
Lowell Sewer Expansion Fund	\$ 19,469
Series 2006 Bond Fund	34,782
Certificates of deposit	
Customer deposits	<u>1,537,896</u>
Total restricted assets - component unit	<u>\$ 1,592,147</u>

- 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.

Notes to Financial Statements

December 31, 2011

1. Summary of Significant Accounting Policies (cont.)

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 - 12

- 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.
- 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.

Notes to Financial Statements

December 31, 2011

1. Summary of Significant Accounting Policies (cont.)

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 are 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.

Governmental fund balances are classified in five components. Nonspendable fund balances are not in a spendable form, or are required to remain intact. Restricted fund balances may be spent only for the specific purpose stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers. Committed fund balances may be used only for the specific purposes determined by resolution or ordinance of the City Council. Commitments may be changed by issuance of a resolution or ordinance. Assigned fund balances are intended to be used by the City for specific purposes as determined by management. In governmental funds, other than the General Fund, assigned fund balances represent the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. Unassigned fund balance is the residual classification for the General Fund and includes all amounts not contained in other classifications.

Notes to Financial Statements

December 31, 2011

1. Summary of Significant Accounting Policies (cont.)

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

For projects funded by tax-exempt debt proceeds and other resources, the debt proceeds are used first.

- u. **Long-lived assets** – GASB Statement No. 42, “Accounting for Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries,” requires the City to review capital assets for impairment. GASB Statement No. 42 defines impairment as a significant unexpected decline in the service utility of a capital asset. GASB Statement No. 42 applies to proprietary fund and government-wide fund financial statements and does not apply to governmental funds. During the year ended December 31, 2011, the City recorded impairment charges of approximately \$134,000 for the assets that were removed from service due to storm damage that occurred during the year. In addition, the City received insurance proceeds of approximately \$165,000, which resulted in a net gain of approximately \$31,000.
- v. **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 unit (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. At December 31, 2011, none of the City’s bank balances were exposed to custodial credit risk. Also, at September 30, 2011, none of the Commission’s bank balances were exposed to 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.

Notes to Financial Statements

December 31, 2011

2. Deposits and Investments (cont.)

The bank balances and carrying amount of the City's deposits held as of December 31, 2011 (September 30, 2011 for the Commission) were as follows:

	<u>Primary Government</u>	<u>Discrete Component Unit</u>
Carrying value of deposits	<u>\$ 15,246,337</u>	<u>\$ 41,660,766</u>
Bank balance of deposits	<u>\$ 16,061,698</u>	<u>\$ 42,611,705</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 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.

Notes to Financial Statements

December 31, 2011

2. Deposits and Investments (cont.)

At December 31, 2011, 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	\$ 3,562,204	\$ 347,326	\$ 2,501,159	\$ 713,719	\$ -
U.S. agencies obligations	17,911,654	-	9,449,964	8,461,690	-
Certificates of deposit	5,209,326	4,943,373	265,953	-	-
Corporate bonds	2,545,497	145,940	1,221,444	583,773	594,340
Money market funds	<u>10,519,402</u>	<u>10,519,402</u>	<u>-</u>	<u>-</u>	<u>-</u>
	39,748,083	<u>\$ 15,956,041</u>	<u>\$ 13,438,520</u>	<u>\$ 9,759,182</u>	<u>\$ 594,340</u>
Common stock	9,544,061				
Mutual funds	1,096,429				
Investment pools	1,190,743				
Other	<u>100,780</u>				
Total investments	<u>\$ 51,680,096</u>				

- 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.

Notes to Financial Statements

December 31, 2011

2. Deposits and Investments (cont.)

- 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.

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:

	<u>Primary Government</u>	<u>Discrete Component Unit</u>
Reported amount of deposits	\$ 15,246,337	\$ 41,660,766
Cash on hand	1,650	1,600
Investments classified as cash equivalents	10,519,402	-
Deposits classified as investments	<u>(5,209,326)</u>	<u>(40,210,714)</u>
	<u>\$ 20,558,063</u>	<u>\$ 1,451,652</u>
As reported on the government-wide statement of net assets		
Cash and cash equivalents	\$ 8,951,408	\$ 1,397,401
Restricted cash and cash equivalents	<u>9,042,844</u>	<u>54,251</u>
	17,994,252	1,451,652
Cash and cash equivalents reported on the statement of fiduciary net assets	<u>2,563,811</u>	<u>-</u>
	<u>\$ 20,558,063</u>	<u>\$ 1,451,652</u>

Notes to Financial Statements

December 31, 2011

2. Deposits and Investments (cont.)

	Primary Government	Discrete Component Unit
Reported amount of investments	\$ 51,680,096	\$ -
Deposits classified as investments	5,209,326	40,210,714
Investments classified as cash equivalents	<u>(10,519,402)</u>	<u>-</u>
	<u>\$ 46,370,020</u>	<u>\$ 40,210,714</u>
As reported on the government-wide statement of net assets		
Investments	\$ 25,972,628	\$ -
Restricted investments	1,125,881	-
Deposits classified as investments	5,209,326	38,672,818
Deposits classified as restricted investments	<u>-</u>	<u>1,537,896</u>
	32,307,835	40,210,714
Investments reported on the statement of fiduciary net assets	<u>14,062,185</u>	<u>-</u>
	<u>\$ 46,370,020</u>	<u>\$ 40,210,714</u>

Notes to Financial Statements

December 31, 2011

3. Receivables

Receivables for the year ended December 31, 2011 for the City’s General Fund, Street Fund, Capital Projects Funds in the aggregate, Debt Service Fund, and Nonmajor Governmental Funds in the aggregate, Proprietary and Fiduciary Funds, including the applicable allowances for uncollectible accounts, are as follows:

<u>Governmental</u>	<u>General Fund</u>	<u>Street Fund</u>	<u>Capital Projects Funds</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Receivables						
Accounts	\$ 3,283,062	\$ 19,501	\$ -	\$ -	\$ 30,341	\$ 3,332,904
Property taxes	4,865,709	918,842	-	-	-	5,784,551
Sales taxes	1,812,478	-	1,700,793	-	-	3,513,271
Franchise taxes	681,401	-	-	-	-	681,401
Grants	51,961	16,915	251,410	-	-	320,286
Intergovernmental	251,117	303,934	-	-	21,561	576,612
Interest	2,358	1,056	91,940	-	6,672	102,026
Other	23,637	809	-	-	-	24,446
Restricted receivables						
Interest	-	-	780	2,667	-	3,447
Intergovernmental	-	-	-	1,703,288	-	1,703,288
Gross receivables	<u>10,971,723</u>	<u>1,261,057</u>	<u>2,044,923</u>	<u>1,705,955</u>	<u>58,574</u>	<u>16,042,232</u>
Less allowance for uncollectibles	<u>(3,184,995)</u>	<u>(55,784)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,240,779)</u>
Net total receivables	<u>\$ 7,786,728</u>	<u>\$ 1,205,273</u>	<u>\$ 2,044,923</u>	<u>\$ 1,705,955</u>	<u>\$ 58,574</u>	<u>\$ 12,801,453</u>
	<u>Proprietary</u>	<u>Municipal Airport Fund</u>	<u>Other Proprietary Funds</u>	<u>Total</u>		
Receivables						
Accounts	\$ 44,579	\$ 23,420	\$ 67,999			
Grants	344,409	-	344,409			
Interest	-	467	467			
Special assessments	<u>9,850</u>	<u>-</u>	<u>9,850</u>			
Gross receivables	<u>398,838</u>	<u>23,887</u>	<u>422,725</u>			
Less allowance for uncollectibles	<u>(21,940)</u>	<u>-</u>	<u>(21,940)</u>			
Net total receivables	<u>\$ 376,898</u>	<u>\$ 23,887</u>	<u>\$ 400,785</u>			
	<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	\$ 514,440	\$ 514,440	\$ 1,028,880			
Interest	<u>19,916</u>	<u>14,945</u>	<u>34,861</u>			
Gross receivables	<u>534,356</u>	<u>529,385</u>	<u>1,063,741</u>			
Less allowance for uncollectibles	<u>(34,435)</u>	<u>(34,435)</u>	<u>(68,870)</u>			
Net total receivables	<u>\$ 499,921</u>	<u>\$ 494,950</u>	<u>\$ 994,871</u>			

Notes to Financial Statements

December 31, 2011

4. Capital Assets

A summary of changes in capital assets for the year ended December 31, 2011 (September 30, 2011 for the Commission) is presented below:

<u>Governmental Activities</u>	Balance December 31, 2010	Additions and <u>Transfers, net</u>	Retirements and <u>Transfers, net</u>	Balance December 31, 2011
Capital assets, nondepreciable				
Land	\$ 25,364,011	\$ 404,914	\$ 2,000	\$ 25,766,925
Easements	22,992,459	435,073	3,080	23,424,452
Museum buildings	475,319	29,608	-	504,927
Construction in progress	13,314,427	2,990,732	10,268,671	6,036,488
Total capital assets, nondepreciable	<u>62,146,216</u>	<u>3,860,327</u>	<u>10,273,751</u>	<u>55,732,792</u>
Capital assets, depreciable				
Land improvements	10,572,454	256,779	21,100	10,808,133
Infrastructure	186,857,281	7,472,430	-	194,329,711
Buildings and improvements	57,241,403	615,007	216,046	57,640,364
Machinery and equipment	29,834,903	1,738,602	649,062	30,924,443
Intangibles	937,967	31,881	9,130	960,718
Total capital assets, depreciable	<u>285,444,008</u>	<u>10,114,699</u>	<u>895,338</u>	<u>294,663,369</u>
Less accumulated depreciation				
Land improvements	3,180,825	367,941	14,000	3,534,766
Infrastructure	42,228,906	6,801,831	-	49,030,737
Buildings and improvements	10,711,541	1,736,333	67,704	12,380,170
Machinery and equipment	15,984,577	2,668,058	557,502	18,095,133
Intangibles	740,119	81,814	9,130	812,803
Total accumulated depreciation	<u>72,845,968</u>	<u>11,655,977</u>	<u>648,336</u>	<u>83,853,609</u>
Total governmental activities, net	<u>\$ 274,744,256</u>	<u>\$ 2,319,049</u>	<u>\$ 10,520,753</u>	<u>\$ 266,542,552</u>

Notes to Financial Statements

December 31, 2011

4. Capital Assets (cont.)

<u>Business-type Activities</u>	Balance December 31, 2010	Additions and <u>Transfers, net</u>	Retirements and <u>Transfers, net</u>	Balance December 31, 2011
Capital assets, nondepreciable				
Land	\$ 2,788,631	\$ -	\$ -	\$ 2,788,631
Construction in progress	<u>13,892</u>	<u>405,386</u>	<u>-</u>	<u>419,278</u>
Total capital assets, nondepreciable	<u>2,802,523</u>	<u>405,386</u>	<u>-</u>	<u>3,207,909</u>
Capital assets, depreciable				
Land improvements	7,319,292	-	-	7,319,292
Buildings and improvements	4,720,444	4,282	-	4,724,726
Machinery and equipment	<u>1,467,915</u>	<u>44,946</u>	<u>-</u>	<u>1,512,861</u>
Total capital assets, depreciable	<u>13,507,651</u>	<u>49,228</u>	<u>-</u>	<u>13,556,879</u>
Less accumulated depreciation				
Land improvements	4,971,743	225,403	-	5,197,146
Buildings and improvements	2,709,220	153,645	-	2,862,865
Machinery and equipment	<u>1,276,035</u>	<u>41,133</u>	<u>-</u>	<u>1,317,168</u>
Total accumulated depreciation	<u>8,956,998</u>	<u>420,181</u>	<u>-</u>	<u>9,377,179</u>
Total business-type activities, net	<u>\$ 7,353,176</u>	<u>\$ 34,433</u>	<u>\$ -</u>	<u>\$ 7,387,609</u>
<u>Discrete Component Unit</u>	Balance September 30, 2010	Additions and <u>Transfers, net</u>	Retirements and <u>Transfers, net</u>	Balance September 30, 2011
Capital assets, nondepreciable				
Land	\$ 2,115,141	\$ 961,880	\$ -	\$ 3,077,021
Easements	2,502,619	49,296	-	2,551,915
Construction in progress	<u>8,629,409</u>	<u>5,803,497</u>	<u>11,181,309</u>	<u>3,251,597</u>
Total capital assets, nondepreciable	<u>13,247,169</u>	<u>6,814,673</u>	<u>11,181,309</u>	<u>8,880,533</u>
Capital assets, depreciable				
Buildings and improvements	5,406,071	202,991	-	5,609,062
Water and sewer systems	254,409,429	12,018,680	-	266,428,109
Machinery and equipment	<u>4,267,382</u>	<u>164,141</u>	<u>63,173</u>	<u>4,368,350</u>
Total capital assets, depreciable	<u>264,082,882</u>	<u>12,385,812</u>	<u>63,173</u>	<u>276,405,521</u>
Less accumulated depreciation				
Buildings and improvements	2,550,353	182,496	-	2,732,849
Water and sewer systems	78,273,767	6,503,016	-	84,776,783
Machinery and equipment	<u>3,390,869</u>	<u>247,320</u>	<u>62,998</u>	<u>3,575,191</u>
Total accumulated depreciation	<u>84,214,989</u>	<u>6,932,832</u>	<u>62,998</u>	<u>91,084,823</u>
Total component unit activities, net	<u>\$ 193,115,062</u>	<u>\$ 12,267,653</u>	<u>\$ 11,181,484</u>	<u>\$ 194,201,231</u>

Notes to Financial Statements

December 31, 2011

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	\$ 195,117
City attorney	2,473
District court	3,726
Bluff cemetery	7,249
Community development	
Planning and engineering	5,727
Community development and housing	3,641
Culture and recreation	
Parks and recreation	1,938,804
Public library	165,547
Shiloh museum	47,498
Public safety	
Animal services	19,109
Building and code enforcement	26,872
Fire	453,637
Police	537,992
Public works	8,248,585
Total governmental activities	<u>11,655,977</u>
Business-type activities	
Municipal airport	254,485
Aquatic center	147,879
Parks soccer program	6,327
Sanitation	11,490
Total business-type activities	<u>420,181</u>
Total depreciation expenses - primary government	<u>\$ 12,076,158</u>
Component unit	
City of Springdale, Arkansas Water and Sewer Commission	<u>\$ 6,932,832</u>

Notes to Financial Statements

December 31, 2011

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended December 31, 2011 for the primary government were as follows:

<u>Governmental Activities</u>	Balance December 31, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2011</u>	<u>Due Within One Year</u>
Bonds payable					
Sales and use tax bonds	\$ 105,015,000	\$ -	\$ 4,805,000	\$ 100,210,000	\$ 4,475,000
Add issuance premium	<u>2,194,424</u>	<u>-</u>	<u>226,789</u>	<u>1,967,635</u>	<u>-</u>
Bonds payable, net	<u>107,209,424</u>	<u>-</u>	<u>5,031,789</u>	<u>102,177,635</u>	<u>4,475,000</u>
Other long-term debt					
Compensated absences	1,613,082	136,455	196,660	1,552,877	40,420
OPEB liabilities	<u>900,969</u>	<u>359,078</u>	<u>-</u>	<u>1,260,047</u>	<u>-</u>
Total other long-term debt	<u>2,514,051</u>	<u>495,533</u>	<u>196,660</u>	<u>2,812,924</u>	<u>40,420</u>
Total	<u>\$ 109,723,475</u>	<u>\$ 495,533</u>	<u>\$ 5,228,449</u>	<u>\$ 104,990,559</u>	<u>\$ 4,515,420</u>
<u>Business-type Activities</u>					
Other long-term debt					
Deferred revenue	\$ 4,800	\$ -	\$ -	\$ 4,800	\$ -
Compensated absences	<u>5,624</u>	<u>435</u>	<u>-</u>	<u>6,059</u>	<u>-</u>
Total other long-term debt	<u>\$ 10,424</u>	<u>\$ 435</u>	<u>\$ -</u>	<u>\$ 10,859</u>	<u>\$ -</u>

Changes in long-term liabilities for the year ended September 30, 2011 for the City's discretely presented component unit were as follows:

<u>City of Springdale, Arkansas Water and Sewer Commission</u>	Balance September 30, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance September 30, <u>2011</u>	<u>Due Within One Year</u>
Bonds payable					
Revenue bonds, Series 2006	\$ 3,385,000	\$ -	\$ 80,000	\$ 3,305,000	\$ 95,000

Notes to Financial Statements

December 31, 2011

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 2011 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 2011, the City used surplus tax receipts to call and redeem \$420,000 in bonds.

Notes to Financial Statements

December 31, 2011

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, 2011, the City held investments equal to \$1,695,410 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 \$226,789 for 2011.

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 \$84,689 for 2011.

Debt service requirements of the Sales and Use Tax Refunding and Improvement Bonds, Series 2006 at December 31, 2011 were as follows:

<u>Primary Government</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 4,475,000	\$ 4,589,750
2013	4,700,000	4,369,200
2014	4,920,000	4,148,600
2015	5,165,000	3,906,300
2016	5,420,000	3,652,300
2017 - 2021	31,425,000	14,209,800
2022 - 2026	39,765,000	5,997,130
2027	4,340,000	173,600
	<u>\$ 100,210,000</u>	<u>\$ 41,046,680</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, 2011

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 2011.

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>		
2012	\$ 95,000	\$ 164,000
2013	110,000	159,125
2014	175,000	152,750
2015	185,000	143,875
2016	195,000	134,500
2017 - 2021	1,130,000	514,125
2022 - 2026	<u>1,415,000</u>	<u>198,250</u>
	<u>\$ 3,305,000</u>	<u>\$ 1,466,625</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, 2011.

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, 2011.

Notes to Financial Statements

December 31, 2011

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 site development and construction of a new hangar, which will be reimbursed once state grant revenues are received for the project. The General Fund and Sales and Use Tax Fund 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, 2011 are as follows:

<u>Primary Government</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds		
General	\$ 1,167,567	\$ 457,341
Street	11,786	-
Sales and use tax	460,580	866,534
2006 street improvement construction	-	8,069
Springdale public library	-	388
District court	20,212	493
Public Library Foundation Board	388	-
Total governmental funds	<u>1,660,533</u>	<u>1,332,825</u>
Proprietary funds		
Municipal airport	-	245,000
City attorney restitution	225	38
Soccer program	-	3,100
Total proprietary funds	<u>225</u>	<u>248,138</u>
Fiduciary funds		
Policemen's pension and relief	7,149	-
Payroll agency	-	5,000
Police bond and fine agency	-	12,618
District court agency	12,537	134,450
Administration of justice agency	67,646	14,221
Police evidence agency	-	838
Total fiduciary funds	<u>87,332</u>	<u>167,127</u>
Total	<u>\$ 1,748,090</u>	<u>\$ 1,748,090</u>

Notes to Financial Statements

December 31, 2011

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, 2011 are as follows:

<u>Primary Government</u>	<u>Operating Transfers</u>	
	<u>In</u>	<u>Out</u>
Governmental funds		
General	\$ 5,262,972	\$ 1,288,490
Street	382,000	-
Sales and use tax	46,939	5,247,972
2006 street improvement construction	-	46,939
Public library	437,360	-
District court	469,130	-
Total governmental funds	6,598,401	6,583,401
Proprietary funds		
City attorney restitution	-	15,000
Total	<u>\$ 6,598,401</u>	<u>\$ 6,598,401</u>

7. Pension Plans

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

*Summary of Significant Accounting Policies***Basis of Accounting**

The City'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.

Notes to Financial Statements

December 31, 2011

7. Pension Plans (cont.)**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, 2011, 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	36	-
Active plan members	-	-	158
Members on Deferred Retirement Option Plan ("DROP")	<u>2</u>	<u>-</u>	<u>N/A</u>
Total	<u>47</u>	<u>36</u>	<u>158</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.

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.

Notes to Financial Statements**December 31, 2011****7. Pension Plans (cont.)**

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 2011 were \$574,332. The City's share of contributions was \$566,609 and included \$474,055 in property taxes, \$84,831 in state insurance premium taxes and employer contribution match of \$7,723.

As of December 31, 2010, the most recent actuarial valuation date, the FRPF was 52.2% funded. The actuarial accrued liability for benefits was \$18,349,773 and the actuarial value of assets was \$9,570,815, resulting in an actuarial unfunded accrued liability of \$8,775,958. The covered payroll (annual payroll of active employees covered by the plan) was \$128,724, and the ratio of the unfunded actuarial liability to annual covered payroll was 6820.0%.

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.

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 \$731,285 in 2011. The City's share of contributions was \$731,285 and included \$474,055 in property taxes, \$151,604 in state insurance premium taxes, and \$105,626 in fines and court costs.

Notes to Financial Statements

December 31, 2011

7. Pension Plans (cont.)

As of December 31, 2010, the most recent actuarial valuation date, the PPRF was 47.7% funded. The actuarial accrued liability for benefits was \$17,981,358 and the actuarial value of assets was \$8,583,703, resulting in an actuarial unfunded accrued liability of \$9,397,655. 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 2011 were determined as a part of actuarial studies as of December 31, 2010, 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	12/31/2008	\$ 523,721	102.3%	\$ 2,559,360
	12/31/2009	846,552	71.0%	2,805,101
	12/31/2010	1,593,828	32.4%	3,882,570
Policemen's Pension and Relief Fund	12/31/2008	\$ 940,176	72.7%	\$ 364,670
	12/31/2009	1,625,126	46.9%	1,227,999
	12/31/2010	2,029,938	32.1%	2,606,063

Notes to Financial Statements

December 31, 2011

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 2010 actuarial reports.

	<u>2010 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	\$ 2,086,054	\$ 2,245,422
Interest on net pension obligation	140,255	61,400
Adjustment to annual required contribution	<u>(632,481)</u>	<u>(276,884)</u>
Annual pension cost	1,593,828	2,029,938
Contributions made	<u>(516,359)</u>	<u>(651,874)</u>
Increase in net pension obligation	1,077,469	1,378,064
Net pension obligation - beginning of year	<u>2,805,101</u>	<u>1,227,999</u>
Net pension obligation - end of year	<u>\$ 3,882,570</u>	<u>\$ 2,606,063</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, 2011, employer and employee contributions to the plan were \$440,831 and \$220,417, respectively.

Notes to Financial Statements

December 31, 2011

8. Retirement Plans (cont.)

An employee who meets the eligibility requirements may become a plan participant as of the first day of the pay period following thirty (30) days of employment. Participants are vested 100% in their employee contributions and interest earned thereon. Participants' 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.

Participants' 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 2011 was 17.86% for paid firemen and 19.05% for paid policemen. At December 31, 2011, there were 109 active paid firemen and 119 active paid policemen, and covered payroll was \$5,047,350 and \$5,143,165, respectively.

As of December 31, 2010, the most recent actuarial valuation date, the firemen's portion of the fund was 71% funded. The actuarial accrued liability for benefits was \$19,921,400 and the actuarial value of assets was \$14,239,891, resulting in an actuarial unfunded accrued liability of \$5,681,509. The covered payroll (annual payroll of active employees covered by the plan) was \$4,940,984 and the ratio of the unfunded actuarial liability to annual covered payroll was 115%.

As of December 31, 2010, the most recent actuarial valuation date, the policemen's portion of the fund was 50% funded. The actuarial accrued liability for benefits was \$14,601,650 and the actuarial value of assets was \$7,274,052, resulting in an actuarial unfunded accrued liability of \$7,327,598. The covered payroll (annual payroll of active employees covered by the plan) was \$4,838,591 and the ratio of the unfunded actuarial liability to annual covered payroll was 151%.

Notes to Financial Statements

December 31, 2011

8. Retirement Plans (cont.)

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.

For 2011, the City's annual pension cost was \$912,673 for paid firemen and \$985,075 for paid policemen, which was equal to the required and actual contributions. The required contribution was determined as part of the December 31, 2009 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, 2009 was 30 years.

Three-Year Trend Information

	<u>Year Ended</u>	<u>APC</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
LOPFI - Firemen	12/31/2008	\$ 795,387	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%	-

Notes to Financial Statements

December 31, 2011

8. Retirement Plans (cont.)*District Judges and Court Clerk's Retirement System*

On January 1, 2005, the district judge became a member of the Arkansas District Judges Retirement System ("ADJRS"), a state administered defined benefit plan. Effective July 1, 2007, all powers, duties and plan liabilities of ADJRS were transferred to APERS by Act 177 of 2007. ADJRS at that time became a closed system. District judges entering the system after July 1, 2007 are treated as APERS employees. The City's ADJRS annual pension cost and covered payroll for 2011 were \$988 and \$4,231, respectively. Employee contributions for 2011 were \$212. There is one retired judge and one retired clerk receiving benefits from ADJRS.

The district court judge and clerk are members of APERS, a state administered defined benefit plan. Employer contributions for 2011 were 12.46% of covered payroll for January through June and 13.47% of covered payroll from July through December; the employee contribution rate was 5%. The annual pension cost and covered payroll for 2011 were \$19,371 and \$149,167, respectively. Employee contributions for 2011 were \$7,459.

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.

Notes to Financial Statements

December 31, 2011

8. Retirement Plans (cont.)

The Commission accounts for its current employee contributions as pension costs in the year paid. For the year ended September 30, 2011, the Commission's total payroll, covered payroll and contributions were as follows:

Total payroll	\$	3,928,932
Covered payroll	\$	3,614,192
Employer contributions		
Amount	\$	177,742
Percentage of covered payroll		4.92%
Employee contributions		
Amount	\$	104,685
Percentage of covered payroll		2.90%

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 plans, available to all full-time City employees, permit 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.

Notes to Financial Statements

December 31, 2011

10. Other Postemployment Benefits (“OPEB”)*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, 2011, the date of the actuarial valuation, the plan has 16 active participants who pay monthly premiums between \$351 for single coverage to \$1,013 for family coverage.

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	\$ 430,666
Interest on net OPEB obligation	40,544
Adjustment to annual required contribution	<u>(33,615)</u>
Annual OPEB cost	437,595
Total annual employer contribution (PAYGO cost)	<u>(78,517)</u>
Increase in net OPEB obligation	359,078
Net OPEB obligation - beginning of year	<u>900,969</u>
Net OPEB obligation - end of year	<u>\$ 1,260,047</u>

Notes to Financial Statements

December 31, 2011

10. Other Postemployment Benefits ("OPEB") (cont.)

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	\$ 292,906
Amortization of UAAL	119,215
Interest cost	<u>18,545</u>
Annual required contribution	<u>\$ 430,666</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>
12/31/2009	\$ 352,587	19.3%	\$ 565,704
12/31/2010	407,299	17.7%	900,969
12/31/2011	437,595	17.9%	1,260,047

Funded Status and Funding Progress

As of January 1, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$3,339,065 and the actuarial value of assets was zero, resulting in an UAAL of \$3,339,065. The covered payroll was \$18,172,210 and the ratio of the UAAL to the covered payroll was 18.4%.

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.

Notes to Financial Statements

December 31, 2011

10. **Other Postemployment Benefits (“OPEB”)** (cont.)*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, 2011 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 8.5% for 2012, 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, 2011.

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 unit are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which they carry insurance. The City, however, under Arkansas state statute, has tort immunity. The type of coverage and the liability limits vary with each entity.

Coverage is provided both commercially and through the Arkansas Municipal League (“AML”), which is an association of local governments. AML provides the City with automobile, legal defense and 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 2010 to 2011, nor have settlement amounts exceeded insurance coverage for each of the past three years.

Notes to Financial Statements**December 31, 2011****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, 2011 property taxes receivable and related deferred revenues of \$5,090,484 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 2011 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 \$6,122,309 of additional taxes could be raised per year based on the current year's assessed value of \$750,331,213 for real property and \$221,463,882 for personal property before the limit is reached.

Notes to Financial Statements**December 31, 2011****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. Effective December 1, 2004, the tax rate increased to 1.25%. Currently, the City receives approximately 25.09% 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 \$9,395,057 for 2011 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 \$10,095,943 for 2011, 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 2.74% 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 \$864,059 for 2011 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 \$10,110,771 for 2011 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 the City and Washington County totaled \$14,828 and \$11,121, respectively, and are included as nonoperating revenue for the Municipal Airport Fund in the accompanying financial statements.

Notes to Financial Statements

December 31, 2011

14. Commitments and Contingencies*Construction Commitments*

Outstanding commitments at December 31, 2011 under authorized contracts for capital projects of governmental funds are as follows:

<u>Primary Government</u>	Expenditures Incurred to December 31, <u>2011</u>	Remaining Commitments at December 31, <u>2011</u>
Governmental activities		
Capital projects		
Streets and drainage projects	\$ 3,781,915	\$ 6,826,101
Recreation	146,747	3,253
Buildings	<u>26,348</u>	<u>28,652</u>
Total commitments	<u>\$ 3,955,010</u>	<u>\$ 6,858,006</u>

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.

Notes to Financial Statements**December 31, 2011****14. Commitments and Contingencies (cont.)***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.

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

Notes to Financial Statements

December 31, 2011

15. **Endowments (cont.)***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, 2011.

Return Objectives and Risk Parameters

The City's endowments are held by Endeavor who has been granted variance power. These endowments are subject to the investment policies of Endeavor. Endeavor 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 of certificates of deposit while assuming a moderate level of investment risk. Endeavor expects its endowment funds, over time, to provide an average rate of return of approximately 2.3% to 5.0% annually. Actual returns in any given year may vary from this amount.

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 Endeavor and the City Council.

Spending Policy and How the Investment Objectives Relate to Spending Policy

In accordance with the fund agreement with Endeavor, the City is subject to the spending policy of Endeavor. Distributions in excess of the amount dictated by the application of Endeavor's spending policy may be made to the City in any year as determined by the Board of Directors of Endeavor provided one of the following conditions are met: (1) the distribution is for the purpose 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, 2011

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, 2011:

*Balance Sheet*Assets

Current assets	\$ 44,487,613
Restricted assets	1,592,147
Capital assets, net of accumulated depreciation	194,201,231
Noncurrent assets	<u>11,562</u>
Total assets	<u>\$ 240,292,553</u>

Liabilities

Current liabilities	\$ 757,813
Noncurrent liabilities	<u>4,756,355</u>
Total liabilities	<u>\$ 5,514,168</u>

Net Assets

Invested in capital assets, net of related debt	\$ 190,893,772
Restricted	45,792
Unrestricted	<u>43,838,821</u>
Total net assets	<u>\$ 234,778,385</u>

Notes to Financial Statements

December 31, 2011

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			Net (Expenses)
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	Revenues and Changes in Net Assets
Water	\$ 12,377,390	\$ 14,578,983	\$ -	\$ 1,243,646	\$ 3,445,239
Sewer	9,150,042	11,385,894	-	693,684	2,929,536
Sanitation	2,718,986	2,826,258	-	-	107,272
Total business-type activities	<u>\$ 24,246,418</u>	<u>\$ 28,791,135</u>	<u>\$ -</u>	<u>\$ 1,937,330</u>	<u>6,482,047</u>
General revenues (expenses)					
Investment earnings					364,173
Interest expenses and other charges					(165,562)
Gain on sale of assets					5,032
Total general revenues					<u>203,643</u>
Changes in net assets					6,685,690
Net assets - beginning of year					<u>228,092,695</u>
Net assets - end of year					<u>\$ 234,778,385</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. 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.

Notes to Financial Statements

December 31, 2011

17. New GASB Pronouncements (cont.)

GASB Statement No. 59, "Financial Instruments Omnibus." This statement supersedes GASB Statement No. 31, "2a7-Like External Investment Pools," paragraph 12 and amends this statement's paragraph 22; this statement supersedes GASB Statement No. 53, "Contracts that Include Nonperformance Penalties," paragraph 16, and amends this statement's paragraphs 13, 17, and 64c(5)(a); this statement amends GASB Statement No. 4, "Guarantees of the Indebtedness of Others," paragraph 9; this statement amends GASB Statements No. 25 and No. 43, "Unallocated Insurance Contracts," paragraphs 24 and 44 and paragraphs 22 and 46, respectively; this statement amends GASB Statement No. 40, "Interest Rate Risk Disclosures for Debt Investment Pools," paragraph 15 to update and improve the accounting and financial reporting requirements of these pronouncements that address financial instruments. 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 unit 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 issued December 2010 will be effective for the City for the year ending December 31, 2012. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This statement also supersedes GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," thereby eliminating the election provided in paragraph 7 of that statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. The City has not yet determined the potential impact, if any, this statement could have on its financial statements.

Notes to Financial Statements**December 31, 2011****17. New GASB Pronouncements (cont.)**

GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." This statement is effective for periods beginning after December 15, 2011. It provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). This statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. GASB Statement No. 63 also amends certain provisions of GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets. The City has not yet determined the potential impact, if any; this statement could have on its financial statements.

GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions (an amendment of GASB Statement No. 53)." This statement is effective for periods beginning after June 15, 2011. It clarifies that when certain conditions are met, the use of hedge accounting should not be terminated. Those conditions are: (a) the collectibility of swap payments is considered to be probable, (b) the replacement of the counterparty or credit support provider meets the criteria of an assignment or in-substance assignment as described in this statement, and (c) the counterparty or counterparty credit support provider (and not the government) has committed the act of default or termination event. When all of these conditions exist, the GASB believes that the hedging relationship continues and hedge accounting should continue to be applied. The City has not yet determined the potential impact, if any, this statement could have on its financial statements.

GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities." This statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The provisions of GASB Statement No. 65 are effective for periods beginning after December 15, 2012, and would be applied on a prospective basis. The City has not yet determined the potential impact, if any, this statement could have on its financial statements.

GASB Statement No. 66, "Technical Corrections – 2012." This statement enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. GASB Statement No. 66 amends both GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," and GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." The provisions of GASB Statement No. 66 are effective for periods beginning after December 15, 2012, and would be applied on a prospective basis. The City has not yet determined the potential impact, if any, this statement could have on its financial statements.

Notes to Financial Statements

December 31, 2011

18. Subsequent Events

Subsequent to December 31, 2011, the City received approval from the majority of electors voting to issue sales and use tax bonds in the amount of \$71,000,000 for the purpose of financing the cost of capital improvements. The bond proceeds are to be allocated as follows:

- Bonds in the amount of \$45,000,000 to finance all or a portion of the costs of new, and improvements to existing, streets, roads and bridges.
- Bonds in the amount of \$17,000,000 to finance all or a portion of the costs of park and recreational facilities.
- Bonds in the amount of \$9,000,000 to finance all or a portion of the costs of equipment, apparatus and new, or improvements to existing, facilities for the City's Fire Department.

The City evaluated the events and transactions subsequent to its December 31, 2011 balance sheet date and determined there were no significant events to report through September 27, 2012, 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, 2011

	Actuarial Valuation Date	Actuarial Value of Assets (a)
Firemen's Relief and Pension Fund	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
	12/31/2010	9,570,815
Policemen's Pension and Relief Fund	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
	12/31/2010	8,583,703
Local Police and Fire Retirement System - Paid Firemen	12/31/2006	9,272,909
	12/31/2007	11,360,705
	12/31/2008	12,049,911
	12/31/2009	12,821,925
	12/31/2010	14,239,891
Local Police and Fire Retirement System - Paid Policemen	12/31/2006	6,140,075
	12/31/2007	7,257,780
	12/31/2008	7,182,654
	12/31/2009	6,689,322
	12/31/2010	7,274,052
Other Postemployment Benefit Plan Healthcare Plan	c 1/1/2008	N/A
	1/1/2009	N/A
	1/1/2010	N/A
	1/1/2011	N/A

- a. For this valuation, in consultation with the Pension Review Board, the assumptions were changed to a 7% discount rate and 83GAM mortality.
- b. Includes changes in assumptions to 5% discount rate and 83GAM mortality.
- c. 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)
\$ 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%	N/A	N/A
18,480,675	9,251,804	49.9%	N/A	N/A
18,349,773	8,778,958	52.2%	N/A	N/A
13,180,480	3,213,004	75.6%	N/A	N/A
14,966,866	4,372,545	70.8%	N/A	N/A
14,835,889	7,670,861	48.3%	N/A	N/A
18,223,504	9,958,611	45.4%	N/A	N/A
17,981,358	9,397,655	47.7%	N/A	N/A
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%
19,921,400	5,681,509	71.0%	4,940,984	115.0%
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%
14,601,650	7,327,598	50.0%	4,838,591	151.0%
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%
3,339,065	3,339,065	0.0%	18,172,210	18.4%

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

For the Year Ended December 31, 2011

	<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
Firemen's Relief and Pension Fund	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%
	12/31/2011	1,979,439	29.0%
Policemen's Pension and Relief Fund	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	45.4%
	12/31/2010	2,245,422	27.4%
	12/31/2011	2,118,940	34.5%
Local Police and Fire Retirement System - Firemen	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%
	12/31/2011	912,673	100.0%
Local Police and Fire Retirement System - Policemen	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%
	12/31/2011	985,075	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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Taxes				
Sales	\$ 9,094,000	\$ 9,094,000	\$ 10,259,116	\$ 1,165,116
Ad valorem	4,628,000	4,628,000	4,445,483	(182,517)
Franchise	3,110,000	3,110,000	3,479,072	369,072
Fees and permits				
Building permits	225,000	225,000	322,958	97,958
Occupation permits	132,500	132,500	133,450	950
Other	170,250	170,250	144,074	(26,176)
Intergovernmental				
Federal and state grants	466,500	466,500	383,204	(83,296)
State turnback	1,289,150	1,289,150	1,488,076	198,926
State turnback - insurance	340,000	340,000	567,188	227,188
County turnback	231,480	231,480	233,963	2,483
Other	445,020	460,940	605,892	144,952
Charges for services				
Ambulance fees	1,350,000	1,350,000	1,433,126	83,126
Other service fees	408,500	408,500	513,817	105,317
Fines and forfeitures	976,000	976,000	797,407	(178,593)
Miscellaneous	221,700	229,450	514,396	284,946
Total revenues	<u>23,088,100</u>	<u>23,111,770</u>	<u>25,321,222</u>	<u>2,209,452</u>
Expenditures				
General government				
Administration				
Personnel	1,255,580	1,255,580	1,225,427	30,153
Buildings and equipment	393,800	393,800	394,913	(1,113)
Supplies	138,500	138,500	153,285	(14,785)
Other	344,870	344,870	467,667	(122,797)
Economic development	360,280	360,280	366,235	(5,955)
Capital	-	-	8,056	(8,056)
Total administration expenditures	<u>2,493,030</u>	<u>2,493,030</u>	<u>2,615,583</u>	<u>(122,553)</u>
City attorney				
Personnel	636,030	636,030	604,665	31,365
Buildings and equipment	16,100	16,100	12,781	3,319
Supplies	11,000	11,000	8,414	2,586
Other	19,880	19,880	12,544	7,336
Total city attorney expenditures	<u>683,010</u>	<u>683,010</u>	<u>638,404</u>	<u>44,606</u>
Total general government expenditures	<u>3,176,040</u>	<u>3,176,040</u>	<u>3,253,987</u>	<u>(77,947)</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Expenditures (cont.)				
Culture and recreation				
Shiloh museum				
Personnel	\$ 461,250	\$ 461,250	\$ 471,320	\$ (10,070)
Buildings and equipment	20,650	20,650	25,825	(5,175)
Supplies	46,600	46,600	48,774	(2,174)
Other	11,400	11,400	20,736	(9,336)
Total Shiloh museum expenditures	<u>539,900</u>	<u>539,900</u>	<u>566,655</u>	<u>(26,755)</u>
Parks and recreation				
Personnel	986,600	986,600	934,278	52,322
Buildings and equipment	170,500	177,000	186,196	(9,196)
Supplies	197,800	197,800	197,483	317
Other	81,000	81,000	86,056	(5,056)
Capital	-	6,500	74,080	(67,580)
Total parks and recreation expenditures	<u>1,435,900</u>	<u>1,448,900</u>	<u>1,478,093</u>	<u>(29,193)</u>
Total culture and recreation expenditures	<u>1,975,800</u>	<u>1,988,800</u>	<u>2,044,748</u>	<u>(55,948)</u>
Community development				
Planning and community development				
Personnel	653,960	653,960	629,302	24,658
Buildings and equipment	14,000	14,000	11,350	2,650
Supplies	27,000	27,000	15,306	11,694
Other	407,500	407,500	79,936	327,564
Total community development expenditures	<u>1,102,460</u>	<u>1,102,460</u>	<u>735,894</u>	<u>366,566</u>
Public safety				
Animal services				
Personnel	379,120	379,120	393,088	(13,968)
Buildings and equipment	34,500	41,500	36,830	4,670
Supplies	61,000	61,000	68,253	(7,253)
Other	41,800	41,800	58,723	(16,923)
Total animal services expenditures	<u>516,420</u>	<u>523,420</u>	<u>556,894</u>	<u>(33,474)</u>
Building inspection				
Personnel	677,210	677,210	667,377	9,833
Buildings and equipment	12,000	12,000	11,126	874
Supplies	45,000	45,000	41,523	3,477
Other	55,200	55,200	47,315	7,885
Total building inspection expenditures	<u>789,410</u>	<u>789,410</u>	<u>767,341</u>	<u>22,069</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Expenditures (cont.)				
Public safety (cont.)				
Police				
Personnel	\$ 9,591,940	\$ 9,582,240	\$ 9,612,964	\$ (30,724)
Buildings and equipment	236,600	354,020	368,703	(14,683)
Supplies	405,450	405,450	471,791	(66,341)
Other	290,000	335,000	639,845	(304,845)
Capital	-	31,700	62,302	(30,602)
Total police expenditures	<u>10,523,990</u>	<u>10,708,410</u>	<u>11,155,605</u>	<u>(447,195)</u>
Fire				
Personnel	7,678,730	7,678,730	8,029,182	(350,452)
Buildings and equipment	212,000	212,000	348,167	(136,167)
Supplies	414,500	414,500	501,394	(86,894)
Other	206,000	206,000	214,089	(8,089)
Capital	425,000	461,000	245,967	215,033
Total fire expenditures	<u>8,936,230</u>	<u>8,972,230</u>	<u>9,338,799</u>	<u>(366,569)</u>
Total public safety expenditures	<u>20,766,050</u>	<u>20,993,470</u>	<u>21,818,639</u>	<u>(825,169)</u>
Total expenditures	<u>27,020,350</u>	<u>27,260,770</u>	<u>27,853,268</u>	<u>(592,498)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,932,250)</u>	<u>(4,149,000)</u>	<u>(2,532,046)</u>	<u>1,616,954</u>
Other financing sources (uses)				
Transfers in	4,925,500	4,925,500	5,262,972	337,472
Transfers out	(1,250,720)	(1,299,220)	(1,288,490)	10,730
Proceeds from sale of capital assets	-	26,230	50,869	24,639
Insurance recoveries - capital assets	-	95,940	400,128	304,188
Total other financing sources	<u>3,674,780</u>	<u>3,748,450</u>	<u>4,425,479</u>	<u>677,029</u>
Net changes in fund balance	(257,470)	(400,550)	1,893,433	2,293,983
Fund balance - beginning of year	<u>5,399,863</u>	<u>5,399,863</u>	<u>5,399,863</u>	<u>-</u>
Fund balance - end of year	<u>\$ 5,142,393</u>	<u>\$ 4,999,313</u>	<u>\$ 7,293,296</u>	<u>\$ 2,293,983</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Ad valorem	\$ 889,000	\$ 889,000	\$ 821,090	\$ (67,910)
Fees and permits	2,000	2,000	4,180	2,180
Intergovernmental				
Federal and state grants	-	-	16,915	16,915
State turnback - street	3,169,000	3,169,000	3,273,518	104,518
Charges for goods and services				
Street signs	2,000	2,000	583	(1,417)
Street and curb cut repairs	12,000	12,000	38,042	26,042
Other	500	500	12,040	11,540
Interest	10,000	10,000	14,483	4,483
Miscellaneous	5,000	5,000	93,215	88,215
Total revenues	<u>4,089,500</u>	<u>4,089,500</u>	<u>4,274,066</u>	<u>184,566</u>
Expenditures				
Street fund				
Personnel	2,037,590	2,037,590	2,055,547	(17,957)
Buildings and equipment	152,850	152,850	149,038	3,812
Supplies	1,056,100	1,056,100	790,355	265,745
Other	838,800	855,800	1,002,934	(147,134)
Capital	425,000	509,150	382,567	126,583
Total street fund expenditures	<u>4,510,340</u>	<u>4,611,490</u>	<u>4,380,441</u>	<u>231,049</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(420,840)</u>	<u>(521,990)</u>	<u>(106,375)</u>	<u>415,615</u>
Other financing sources (uses)				
Transfers in	365,890	365,890	382,000	16,110
Insurance recoveries - capital assets	-	-	13,761	13,761
Total other financing sources	<u>365,890</u>	<u>365,890</u>	<u>395,761</u>	<u>29,871</u>
Net changes in fund balance	(54,950)	(156,100)	289,386	445,486
Fund balance - beginning of year	<u>1,125,247</u>	<u>1,125,247</u>	<u>1,125,247</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,070,297</u>	<u>\$ 969,147</u>	<u>\$ 1,414,633</u>	<u>\$ 445,486</u>

See accompanying notes to the basic financial statements.

Notes to Required Supplementary Information**For the Year Ended December 31, 2011****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.

The original budgets of the General and Street Funds were amended during 2011. The schedule of revenues, expenditures and changes in fund balance – budget and actual for these two funds present the original and revised budget amounts in comparison to the actual amounts of revenues and expenditures for the current year.

See accompanying notes to the basic financial statements.

CITY OF SPRINGDALE, ARKANSAS

**Nonmajor Governmental Funds –
Combining Balance Sheet**

December 31, 2011

<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>
Cash and cash equivalents	\$ 82,804	\$ 82,038	\$ 72,240	\$ 78,365
Investments	-	48,340	65,000	205,880
Accounts receivable, net	-	-	15,951	-
Interest receivable	-	-	33	892
Intergovernmental receivables, net	2,604	-	-	18,957
Due from other funds	-	-	-	20,212
Assets held for resale	-	-	-	-
Other assets	1,191	-	-	-
Restricted assets				
Cash and cash equivalents	-	-	-	-
Investments	-	1,025,881	-	-
Total assets	<u>\$ 86,599</u>	<u>\$ 1,156,259</u>	<u>\$ 153,224</u>	<u>\$ 324,306</u>
<u>Liabilities and Fund Balance</u>				
Liabilities				
Accounts payable	\$ 29,334	\$ 1,855	\$ 2,226	\$ 1,241
Salaries payable	33,759	83	-	21,583
Due to other funds	388	-	-	493
Deferred revenue	-	-	-	-
Total liabilities	<u>63,481</u>	<u>1,938</u>	<u>2,226</u>	<u>23,317</u>
Fund balances				
Nonspendable	1,191	1,025,881	-	-
Restricted for				
Court automation	-	-	-	280,017
Other purposes	-	-	-	-
Assigned	21,927	128,440	150,998	20,972
Total fund balances	<u>23,118</u>	<u>1,154,321</u>	<u>150,998</u>	<u>300,989</u>
Total liabilities and fund balances	<u>\$ 86,599</u>	<u>\$ 1,156,259</u>	<u>\$ 153,224</u>	<u>\$ 324,306</u>

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	
\$ 80,776	\$ 19,357	\$ -	\$ 74,847	\$ 72,448	\$ 354,721	\$ 917,596
1,068,362	-	-	1,037,870	565,798	16,522	3,007,772
-	-	-	-	14,390	-	30,341
5,048	-	-	85	614	-	6,672
-	-	-	-	-	-	21,561
-	-	-	-	-	388	20,600
-	-	-	2,168,740	-	-	2,168,740
-	-	-	-	-	-	1,191
-	-	1,096	-	-	-	1,096
-	-	-	-	-	100,000	1,125,881
<u>\$ 1,154,186</u>	<u>\$ 19,357</u>	<u>\$ 1,096</u>	<u>\$ 3,281,542</u>	<u>\$ 653,250</u>	<u>\$ 471,631</u>	<u>\$ 7,301,450</u>
\$ 1,475	\$ 9,959	\$ -	\$ -	\$ 336	\$ -	\$ 46,426
-	2,756	-	-	832	-	59,013
-	-	-	-	-	-	881
51,640	-	-	-	-	-	51,640
<u>53,115</u>	<u>12,715</u>	<u>-</u>	<u>-</u>	<u>1,168</u>	<u>-</u>	<u>157,960</u>
-	-	-	2,168,740	32,720	100,000	3,328,532
-	-	-	-	-	-	280,017
-	-	1,096	-	-	-	1,096
1,101,071	6,642	-	1,112,802	619,362	371,631	3,533,845
<u>1,101,071</u>	<u>6,642</u>	<u>1,096</u>	<u>3,281,542</u>	<u>652,082</u>	<u>471,631</u>	<u>7,143,490</u>
<u>\$ 1,154,186</u>	<u>\$ 19,357</u>	<u>\$ 1,096</u>	<u>\$ 3,281,542</u>	<u>\$ 653,250</u>	<u>\$ 471,631</u>	<u>\$ 7,301,450</u>

See accompanying notes to the basic financial statements.

CITY OF SPRINGDALE, ARKANSAS

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

For the Year Ended December 31, 2011

	Special Revenue Funds			
	Public Library Fund	Shiloh Museum Board Fund	Advertising and Promotion Fund	District Court Costs Fund
Revenues				
Taxes	\$ 52,912	\$ -	\$ 236,289	\$ -
Fees and permits	-	21,254	-	153,525
Intergovernmental	1,090,938	-	-	82,718
Charges for goods and services	-	13,705	-	-
Fines and forfeitures	71,443	-	-	-
Investment earnings	180	(16,893)	850	8,400
Miscellaneous	28,897	116,656	-	12
Total revenues	<u>1,244,370</u>	<u>134,722</u>	<u>237,139</u>	<u>244,655</u>
Expenditures				
Current				
General government	-	-	-	666,251
Community development	-	-	-	-
Culture and recreation	1,648,818	40,796	-	-
Economic development	-	-	195,548	-
Capital expenditures	8,514	-	-	14,235
Total expenditures	<u>1,657,332</u>	<u>40,796</u>	<u>195,548</u>	<u>680,486</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(412,962)</u>	<u>93,926</u>	<u>41,591</u>	<u>(435,831)</u>
Other financing sources (uses)				
Transfers in	437,360	-	-	469,130
Insurance recoveries	1,240	-	-	-
Total other financing sources	<u>438,600</u>	<u>-</u>	<u>-</u>	<u>469,130</u>
Net changes in fund balances	25,638	93,926	41,591	33,299
Fund balances (deficit) - beginning of year	<u>(2,520)</u>	<u>1,060,395</u>	<u>109,407</u>	<u>267,690</u>
Fund balances - end of year	<u>\$ 23,118</u>	<u>\$ 1,154,321</u>	<u>\$ 150,998</u>	<u>\$ 300,989</u>

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	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 289,201
-	-	-	-	-	-	174,779
-	358,970	-	-	-	-	1,532,626
317,708	-	-	-	30,000	-	361,413
-	-	-	-	-	-	71,443
23,308	-	73	8,767	9,054	(808)	32,931
-	268,288	-	2,008	-	20,715	436,576
<u>341,016</u>	<u>627,258</u>	<u>73</u>	<u>10,775</u>	<u>39,054</u>	<u>19,907</u>	<u>2,898,969</u>
-	-	-	-	37,004	-	703,255
-	623,351	-	-	-	-	623,351
125,598	-	-	-	-	6,715	1,821,927
-	-	-	18,544	-	-	214,092
-	-	28,781	-	-	-	51,530
<u>125,598</u>	<u>623,351</u>	<u>28,781</u>	<u>18,544</u>	<u>37,004</u>	<u>6,715</u>	<u>3,414,155</u>
<u>215,418</u>	<u>3,907</u>	<u>(28,708)</u>	<u>(7,769)</u>	<u>2,050</u>	<u>13,192</u>	<u>(515,186)</u>
-	-	-	-	-	-	906,490
76,388	-	-	-	-	-	77,628
<u>76,388</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>984,118</u>
291,806	3,907	(28,708)	(7,769)	2,050	13,192	468,932
<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>6,674,558</u>
<u>\$ 1,101,071</u>	<u>\$ 6,642</u>	<u>\$ 1,096</u>	<u>\$ 3,281,542</u>	<u>\$ 652,082</u>	<u>\$ 471,631</u>	<u>\$ 7,143,490</u>

See accompanying notes to the basic financial statements.

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

December 31, 2011

<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	\$ 72,331	\$ 19,562	\$ 78,691	\$ 170,584
Accounts receivable	-	-	23,420	23,420
Due from other funds	-	225	-	225
Total current assets	<u>72,331</u>	<u>19,787</u>	<u>102,111</u>	<u>194,229</u>
Capital assets				
Land and improvements	21,376	-	-	21,376
Machinery and equipment	65,495	19,471	114,899	199,865
Less accumulated depreciation	<u>(27,754)</u>	<u>(19,471)</u>	<u>(47,535)</u>	<u>(94,760)</u>
Total capital assets, net of accumulated depreciation	<u>59,117</u>	<u>-</u>	<u>67,364</u>	<u>126,481</u>
Total assets	<u>\$ 131,448</u>	<u>\$ 19,787</u>	<u>\$ 169,475</u>	<u>\$ 320,710</u>
<u>Liabilities and Net Assets</u>				
Current liabilities				
Accounts payable	\$ -	\$ -	\$ 1,650	\$ 1,650
Salaries payable	670	-	3,237	3,907
Due to other funds	<u>3,100</u>	<u>38</u>	<u>-</u>	<u>3,138</u>
Total current liabilities	<u>3,770</u>	<u>38</u>	<u>4,887</u>	<u>8,695</u>
Noncurrent liabilities				
Compensated absences	<u>-</u>	<u>-</u>	<u>4,321</u>	<u>4,321</u>
Total liabilities	<u>3,770</u>	<u>38</u>	<u>9,208</u>	<u>13,016</u>
Net assets				
Invested in capital assets, net of related debt	59,117	-	67,364	126,481
Unrestricted	<u>68,561</u>	<u>19,749</u>	<u>92,903</u>	<u>181,213</u>
Total net assets	<u>127,678</u>	<u>19,749</u>	<u>160,267</u>	<u>307,694</u>
Total liabilities and net assets	<u>\$ 131,448</u>	<u>\$ 19,787</u>	<u>\$ 169,475</u>	<u>\$ 320,710</u>

See accompanying notes to the basic financial statements.

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

For the Year Ended December 31, 2011

	Enterprise Funds			Total Nonmajor Proprietary Funds
	Parks Soccer Program Fund	City Attorney Restitution Fund	Sanitation Fund	
Operating revenues				
Charges for services				
Activity fees	\$ 100,924	\$ -	\$ -	\$ 100,924
Other service fees	-	27,550	109,876	137,426
Total operating revenues	100,924	27,550	109,876	238,350
Operating expenses				
Personnel	62,261	-	98,836	161,097
Maintenance	11,674	-	-	11,674
Supplies	21,924	1,528	13,543	36,995
Other	1,306	85	1,575	2,966
Depreciation	6,327	-	11,490	17,817
Total operating expenses	103,492	1,613	125,444	230,549
Operating income (loss)	(2,568)	25,937	(15,568)	7,801
Nonoperating revenue (expense)				
Contributions	500	-	-	500
Investment earnings	600	-	592	1,192
Total nonoperating revenue	1,100	-	592	1,692
Income before transfers	(1,468)	25,937	(14,976)	9,493
Transfers out	-	(15,000)	-	(15,000)
Changes in net assets	(1,468)	10,937	(14,976)	(5,507)
Net assets - beginning of year	129,146	8,812	175,243	313,201
Net assets - end of year	\$ 127,678	\$ 19,749	\$ 160,267	\$ 307,694

See accompanying notes to the basic financial statements.

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

For the Year Ended December 31, 2011

	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	\$ 100,924	\$ 27,550	\$ 107,620	\$ 236,094
Miscellaneous revenues	-	-	376	376
Payments to suppliers	(35,284)	(1,613)	(13,847)	(50,744)
Payments to employees	(61,591)	-	(97,137)	(158,728)
Net cash provided by operating activities	<u>4,049</u>	<u>25,937</u>	<u>(2,988)</u>	<u>26,998</u>
Cash flows from noncapital financing activities				
Contributions	500	-	-	500
Transfers from other funds	-	(15,000)	-	(15,000)
Receipt of interfund balances	-	(70)	-	(70)
Net cash provided (used) by noncapital financing activities	<u>500</u>	<u>(15,070)</u>	<u>-</u>	<u>(14,570)</u>
Cash flows from capital financing activities				
Purchases of capital assets	(14,900)	-	-	(14,900)
Net cash used by capital financing activities	<u>(14,900)</u>	<u>-</u>	<u>-</u>	<u>(14,900)</u>
Cash flows from investing activities				
Interest received	600	-	592	1,192
Net cash provided by investing activities	<u>600</u>	<u>-</u>	<u>592</u>	<u>1,192</u>
Net increase (decrease) in cash and cash equivalents	(9,751)	10,867	(2,396)	(1,280)
Cash and cash equivalents - beginning of year	<u>82,082</u>	<u>8,695</u>	<u>81,087</u>	<u>171,864</u>
Cash and cash equivalents - end of year	<u>\$ 72,331</u>	<u>\$ 19,562</u>	<u>\$ 78,691</u>	<u>\$ 170,584</u>
Reconciliation of operating income to net cash provided (used) by operating activities				
Operating income (loss)	\$ (2,568)	\$ 25,937	\$ (15,568)	\$ 7,801
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	6,327	-	11,490	17,817
Changes in operating assets and liabilities				
Accounts receivable	-	-	(1,880)	(1,880)
Other assets	210	-	1,010	1,220
Accounts payable	(590)	-	261	(329)
Salaries payable	670	-	170	840
Compensated absences	-	-	1,529	1,529
Net cash provided (used) by operating activities	<u>\$ 4,049</u>	<u>\$ 25,937</u>	<u>\$ (2,988)</u>	<u>\$ 26,998</u>
<u>Supplementary disclosure of noncash activities</u>				
Acquisition of capital assets, trade-in allowance	\$ (3,100)	\$ -	\$ -	\$ (3,100)

See accompanying notes to the basic financial statements.

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

For the Year Ended December 31, 2011

	Balance January 1, <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2011</u>
Police Bond and Fine Fund				
Assets				
Cash	\$ 67,292	\$ 191	\$ 48,143	\$ 19,340
Liabilities				
Due to other funds	\$ 60,570	\$ 191	\$ 48,143	\$ 12,618
Accounts payable	6,722	-	-	6,722
Total liabilities	<u>\$ 67,292</u>	<u>\$ 191</u>	<u>\$ 48,143</u>	<u>\$ 19,340</u>
District Court Fund				
Assets				
Cash	\$ 492,361	\$ 2,491,604	\$ 2,488,639	\$ 495,326
Accounts receivable	1,434,755	2,637,981	2,445,216	1,627,520
Due from other funds	59,878	813	48,154	12,537
Total assets	<u>\$ 1,986,994</u>	<u>\$ 5,130,398</u>	<u>\$ 4,982,009</u>	<u>\$ 2,135,383</u>
Liabilities				
Due to other funds	\$ 148,083	\$ 131,751	\$ 145,384	\$ 134,450
Accounts payable	1,838,911	2,014,103	1,852,081	2,000,933
Total liabilities	<u>\$ 1,986,994</u>	<u>\$ 2,145,854</u>	<u>\$ 1,997,465</u>	<u>\$ 2,135,383</u>
Payroll Fund				
Assets				
Cash	\$ 289,250	\$ 12,217,645	\$ 12,199,019	\$ 307,876
Liabilities				
Due to other funds	\$ 5,000	\$ -	\$ -	\$ 5,000
Accounts payable	284,250	11,605,766	11,587,140	302,876
Total liabilities	<u>\$ 289,250</u>	<u>\$ 11,605,766</u>	<u>\$ 11,587,140</u>	<u>\$ 307,876</u>

See accompanying notes to the basic financial statements.

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

For the Year Ended December 31, 2011

	Balance January 1, <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2011</u>
Police Evidence Fund				
Assets				
Cash	\$ 58,555	\$ 363	\$ -	\$ 58,918
Liabilities				
Due to other funds	\$ 388	\$ 450	\$ -	\$ 838
Accounts payable	<u>58,167</u>	<u>-</u>	<u>87</u>	<u>58,080</u>
Total liabilities	<u>\$ 58,555</u>	<u>\$ 450</u>	<u>\$ 87</u>	<u>\$ 58,918</u>
Administration of Justice Fund				
Assets				
Cash	\$ -	\$ 1,011,321	\$ 1,011,271	\$ 50
Due from other funds	<u>70,642</u>	<u>1,008,325</u>	<u>1,011,321</u>	<u>67,646</u>
Total assets	<u>\$ 70,642</u>	<u>\$ 2,019,646</u>	<u>\$ 2,022,592</u>	<u>\$ 67,696</u>
Liabilities				
Due to other funds	\$ 13,983	\$ 170,652	\$ 170,414	\$ 14,221
Accounts payable	<u>56,659</u>	<u>840,856</u>	<u>844,040</u>	<u>53,475</u>
Total liabilities	<u>\$ 70,642</u>	<u>\$ 1,011,508</u>	<u>\$ 1,014,454</u>	<u>\$ 67,696</u>
All Agency Funds				
Assets				
Cash	\$ 907,458	\$ 15,721,124	\$ 15,747,072	\$ 881,510
Accounts receivable	1,434,755	2,637,981	2,445,216	1,627,520
Due from other funds	<u>130,520</u>	<u>1,009,138</u>	<u>1,059,475</u>	<u>80,183</u>
Total assets	<u>\$ 2,472,733</u>	<u>\$ 19,368,243</u>	<u>\$ 19,251,763</u>	<u>\$ 2,589,213</u>
Liabilities				
Due to other funds	\$ 228,024	\$ 303,044	\$ 363,941	\$ 167,127
Accounts payable	<u>2,244,709</u>	<u>14,460,725</u>	<u>14,283,348</u>	<u>2,422,086</u>
Total liabilities	<u>\$ 2,472,733</u>	<u>\$ 14,763,769</u>	<u>\$ 14,647,289</u>	<u>\$ 2,589,213</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Sales	\$ 9,421,000	\$ 9,421,000	\$ 10,095,943	\$ 674,943
Intergovernmental	-	-	779,184	779,184
Investment earnings	<u>200,000</u>	<u>200,000</u>	<u>685,333</u>	<u>485,333</u>
Total revenues	<u>9,621,000</u>	<u>9,621,000</u>	<u>11,560,460</u>	<u>1,939,460</u>
Expenditures				
Capital projects				
Capital	<u>6,199,600</u>	<u>6,199,600</u>	<u>2,940,392</u>	<u>3,259,208</u>
Excess of revenues over expenditures	<u>3,421,400</u>	<u>3,421,400</u>	<u>8,620,068</u>	<u>5,198,668</u>
Other financing sources (uses)				
Transfers in	-	-	46,939	46,939
Transfers out	(6,227,200)	(6,227,200)	(5,247,972)	979,228
Developer contributions	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>
Total other financing sources (uses)	<u>(6,227,200)</u>	<u>(6,227,200)</u>	<u>(5,181,033)</u>	<u>1,046,167</u>
Net changes in fund balance	(2,805,800)	(2,805,800)	3,439,035	6,244,835
Fund balance - beginning of year	<u>22,609,634</u>	<u>22,609,634</u>	<u>22,609,634</u>	<u>-</u>
Fund balance - end of year	<u>\$ 19,803,834</u>	<u>\$ 19,803,834</u>	<u>\$ 26,048,669</u>	<u>\$ 6,244,835</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Sales	\$ 9,430,000	\$ 9,430,000	\$ 10,110,771	\$ 680,771
Investment earnings	10,000	10,000	27,841	17,841
Total revenues	9,440,000	9,440,000	10,138,612	698,612
Expenditures				
Debt service				
Principal	4,385,000	4,385,000	4,805,000	(420,000)
Interest	4,781,950	4,781,950	4,773,950	8,000
Other fees	-	-	9,500	(9,500)
Agent fees	18,000	18,000	18,000	-
Total debt service expenditures	9,184,950	9,184,950	9,606,450	(421,500)
Net changes in fund balance	255,050	255,050	532,162	277,112
Fund balance - beginning of year	8,318,149	8,318,149	8,318,149	-
Fund balance - end of year	\$ 8,573,199	\$ 8,573,199	\$ 8,850,311	\$ 277,112

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Ad valorem	\$ 30,000	\$ 30,000	\$ 52,912	\$ 22,912
Intergovernmental				
Federal grants	-	-	750	750
State grants	-	-	489	489
County aid	1,079,900	1,089,700	1,089,699	(1)
Fines	70,000	70,000	71,443	1,443
Investment earnings	500	500	180	(320)
Miscellaneous	27,500	27,500	28,897	1,397
Total revenues	<u>1,207,900</u>	<u>1,217,700</u>	<u>1,244,370</u>	<u>26,670</u>
Expenditures				
Culture and recreation				
Public library				
Personnel	1,024,180	1,024,180	1,000,778	23,402
Maintenance	126,200	174,700	171,620	3,080
Supplies	420,970	430,770	426,321	4,449
Other	52,250	52,250	50,099	2,151
Capital	-	-	8,514	(8,514)
Total public library expenditures	<u>1,623,600</u>	<u>1,681,900</u>	<u>1,657,332</u>	<u>24,568</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(415,700)</u>	<u>(464,200)</u>	<u>(412,962)</u>	<u>51,238</u>
Other financing sources (uses)				
Transfers in	415,700	464,200	437,360	(26,840)
Insurance recoveries	-	-	1,240	1,240
Total other financing sources (uses)	<u>415,700</u>	<u>464,200</u>	<u>438,600</u>	<u>(25,600)</u>
Net changes in fund balance	-	-	25,638	25,638
Fund balance (deficit) - beginning of year	<u>(2,520)</u>	<u>(2,520)</u>	<u>(2,520)</u>	<u>-</u>
Fund balance - end of year	<u>\$ (2,520)</u>	<u>\$ (2,520)</u>	<u>\$ 23,118</u>	<u>\$ 25,638</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Fees and permits				
Fees and memberships	\$ 22,000	\$ 22,000	\$ 21,254	\$ (746)
Charges for goods and services	4,000	4,000	13,705	9,705
Investment earnings	400	400	(16,893)	(17,293)
Miscellaneous	<u>6,800</u>	<u>6,800</u>	<u>116,656</u>	<u>109,856</u>
Total revenues	<u>33,200</u>	<u>33,200</u>	<u>134,722</u>	<u>101,522</u>
Expenditures				
Culture and recreation				
Shiloh museum				
Personnel	8,750	8,750	3,314	5,436
Maintenance	600	600	7,292	(6,692)
Supplies	4,950	4,950	2,717	2,233
Other	13,900	13,900	27,473	(13,573)
Capital	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total Shiloh museum expenditures	<u>33,200</u>	<u>33,200</u>	<u>40,796</u>	<u>(7,596)</u>
Net change in fund balance	-	-	93,926	93,926
Fund balance - beginning of year	<u>1,060,395</u>	<u>1,060,395</u>	<u>1,060,395</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,060,395</u>	<u>\$ 1,060,395</u>	<u>\$ 1,154,321</u>	<u>\$ 93,926</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fees and permits				
Filing fees	\$ 115,000	\$ 115,000	\$ 114,488	\$ (512)
Installment plan fees	39,500	39,500	39,037	(463)
Intergovernmental				
County aid	84,490	84,490	82,718	(1,772)
Investment earnings	3,400	3,400	8,400	5,000
Miscellaneous	-	-	12	12
Total revenues	242,390	242,390	244,655	2,265
Expenditures				
General government				
Court costs				
Personnel	635,470	639,955	633,357	6,598
Maintenance	3,250	3,250	4,781	(1,531)
Supplies	20,800	22,050	18,220	3,830
Other	12,500	12,500	9,893	2,607
Capital	-	15,100	14,235	865
Total court costs expenditures	672,020	692,855	680,486	12,369
Excess (deficiency) of revenues over (under) expenditures	(429,630)	(450,465)	(435,831)	14,634
Other financing sources				
Transfers in	469,130	469,130	469,130	-
Net changes in fund balance	39,500	18,665	33,299	14,634
Fund balance - beginning of year	267,690	267,690	267,690	-
Fund balance - end of year	\$ 307,190	\$ 286,355	\$ 300,989	\$ 14,634

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Rent	\$ 310,000	\$ 310,000	\$ 317,708	\$ 7,708
Investment earnings	15,500	15,500	23,308	7,808
Total revenues	<u>325,500</u>	<u>325,500</u>	<u>341,016</u>	<u>15,516</u>
Expenditures				
Culture and recreation				
Arvest Ball Park				
Maintenance	2,500	2,500	86,104	(83,604)
Other	<u>36,300</u>	<u>36,300</u>	<u>39,494</u>	<u>(3,194)</u>
Total Arvest Ball Park expenditures	<u>38,800</u>	<u>38,800</u>	<u>125,598</u>	<u>(86,798)</u>
Excess (deficiency) of revenues over (under) expenditures	286,700	286,700	215,418	(71,282)
Other financing sources				
Insurance recoveries	<u>-</u>	<u>-</u>	<u>76,388</u>	<u>76,388</u>
Net change in fund balance	286,700	286,700	291,806	5,106
Fund balance - beginning of year	<u>809,265</u>	<u>809,265</u>	<u>809,265</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,095,965</u>	<u>\$ 1,095,965</u>	<u>\$ 1,101,071</u>	<u>\$ 5,106</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 – Municipal Airport Fund**

For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
Operating revenues		
Rental fees	\$ 257,250	\$ 257,250
Fuel flowage fees	30,000	30,000
Other service fees	11,360	11,360
Miscellaneous	-	-
Total operating revenues	<u>298,610</u>	<u>298,610</u>
Operating expenses		
Personnel	67,220	67,130
Maintenance	50,700	50,700
Supplies	56,640	56,640
Other	98,450	98,450
Depreciation	-	-
Total operating expenses	<u>273,010</u>	<u>272,920</u>
Operating income (loss)	<u>25,600</u>	<u>25,690</u>
Nonoperating revenues (expenditures)		
Sales taxes	16,050	16,050
Interest income	500	500
Insurance recoveries	-	-
Capital expenditures	-	-
Net nonoperating revenues (expenditures)	<u>16,550</u>	<u>16,550</u>
Income (loss) before capital contributions and transfers	42,150	42,240
Capital grants and contributions	<u>4,800</u>	<u>4,800</u>
Changes in net assets	46,950	47,040
Net assets - beginning of year	<u>5,382,887</u>	<u>5,382,887</u>
Net assets - end of year	<u>\$ 5,429,837</u>	<u>\$ 5,429,927</u>

Actual GAAP Basis	Adjustments to Budget Basis	Actual Budget Basis	Variance with Final Budget Positive (Negative)
\$ 250,363	\$ -	\$ 250,363	\$ (6,887)
41,189	-	41,189	11,189
22,098	-	22,098	10,738
382	-	382	382
<u>314,032</u>	<u>-</u>	<u>314,032</u>	<u>15,422</u>
62,831	-	62,831	4,299
68,163	-	68,163	(17,463)
48,693	-	48,693	7,947
167,298	-	167,298	(68,848)
254,485	(254,485)	-	-
<u>601,470</u>	<u>(254,485)</u>	<u>346,985</u>	<u>(74,065)</u>
<u>(287,438)</u>	<u>254,485</u>	<u>(32,953)</u>	<u>(58,643)</u>
25,949	-	25,949	9,899
104	-	104	(396)
13,489	-	13,489	13,489
-	(432,332)	(432,332)	(432,332)
<u>39,542</u>	<u>(432,332)</u>	<u>(392,790)</u>	<u>(409,340)</u>
(247,896)	(177,847)	(425,743)	(467,983)
<u>399,574</u>	<u>-</u>	<u>399,574</u>	<u>394,774</u>
151,678	(177,847)	(26,169)	(73,209)
<u>5,382,887</u>	<u>-</u>	<u>5,382,887</u>	<u>-</u>
<u>\$ 5,534,565</u>	<u>\$ (177,847)</u>	<u>\$ 5,356,718</u>	<u>\$ (73,209)</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, 2011

	Budgeted Amounts	
	Original	Final
Operating revenues		
Charges for goods and services		
Activity fees	\$ 185,000	\$ 185,000
Concessions	5,000	5,000
Rental fees	700	700
Other service fees	300	300
Total operating revenues	191,000	191,000
 Operating expenses		
Personnel	130,130	130,130
Maintenance	62,500	62,500
Supplies	45,000	45,000
Other	4,700	4,700
Depreciation	-	-
Total operating expenses	242,330	242,330
 Operating income (loss)	(51,330)	(51,330)
 Nonoperating revenues (expenditures)		
Interest income	5,000	5,000
Capital expenditures	(36,000)	(36,000)
Net nonoperating revenues (expenditures)	(31,000)	(31,000)
 Changes in net assets	(82,330)	(82,330)
 Net assets - beginning of year	2,292,108	2,292,108
 Net assets - end of year	\$ 2,209,778	\$ 2,209,778

<u>Actual GAAP Basis</u>	<u>Adjustments to Budget Basis</u>	<u>Actual Budget Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
\$ 191,985	\$ -	\$ 191,985	\$ 6,985
4,438	-	4,438	(562)
2,067	-	2,067	1,367
-	-	-	(300)
<u>198,490</u>	<u>-</u>	<u>198,490</u>	<u>7,490</u>
125,699	-	125,699	4,431
22,865	-	22,865	39,635
54,629	-	54,629	(9,629)
4,783	-	4,783	(83)
147,879	(147,879)	-	-
<u>355,855</u>	<u>(147,879)</u>	<u>207,976</u>	<u>34,354</u>
<u>(157,365)</u>	<u>147,879</u>	<u>(9,486)</u>	<u>41,844</u>
5,834	-	5,834	834
-	(4,282)	(4,282)	31,718
<u>5,834</u>	<u>(4,282)</u>	<u>1,552</u>	<u>32,552</u>
(151,531)	143,597	(7,934)	74,396
<u>2,292,108</u>	<u>-</u>	<u>2,292,108</u>	<u>-</u>
<u>\$ 2,140,577</u>	<u>\$ 143,597</u>	<u>\$ 2,284,174</u>	<u>\$ 74,396</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, 2011

	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
Operating revenues		
Charges for goods and services		
Activity fees	\$ 100,000	\$ 100,000
 Operating expenses		
Personnel	62,050	62,050
Maintenance	6,500	6,500
Supplies	22,200	22,200
Other	8,500	8,500
Depreciation	-	-
Total operating expenses	<u>99,250</u>	<u>99,250</u>
 Operating income (loss)	<u>750</u>	<u>750</u>
 Nonoperating revenues (expenditures)		
Contributions	1,000	1,000
Interest income	500	500
Capital expenditures	<u>(15,000)</u>	<u>(15,000)</u>
Net nonoperating revenues (expenditures)	<u>(13,500)</u>	<u>(13,500)</u>
 Changes in net assets	(12,750)	(12,750)
 Net assets - beginning of year	<u>129,146</u>	<u>129,146</u>
 Net assets - end of year	<u>\$ 116,396</u>	<u>\$ 116,396</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>
\$ 100,924	\$ -	\$ 100,924	\$ 924
62,261	-	62,261	(211)
11,674	-	11,674	(5,174)
21,924	-	21,924	276
1,306	-	1,306	7,194
<u>6,327</u>	<u>(6,327)</u>	<u>-</u>	<u>-</u>
<u>103,492</u>	<u>(6,327)</u>	<u>97,165</u>	<u>2,085</u>
<u>(2,568)</u>	<u>6,327</u>	<u>3,759</u>	<u>3,009</u>
500	-	500	(500)
600	-	600	100
<u>-</u>	<u>(18,000)</u>	<u>(18,000)</u>	<u>(3,000)</u>
<u>1,100</u>	<u>(18,000)</u>	<u>(16,900)</u>	<u>(3,400)</u>
(1,468)	(11,673)	(13,141)	(391)
<u>129,146</u>	<u>-</u>	<u>129,146</u>	<u>-</u>
<u>\$ 127,678</u>	<u>\$ (11,673)</u>	<u>\$ 116,005</u>	<u>\$ (391)</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, 2011

	Budgeted Amounts	
	Original	Final
Operating revenues		
Charges for goods and services		
Bulky waste fees	\$ 105,000	\$ 105,000
Miscellaneous	-	-
Total charges for goods and services	<u>105,000</u>	<u>105,000</u>
Operating expenses		
Personnel	90,930	90,930
Maintenance	1,000	1,000
Supplies	16,600	16,600
Other	2,010	2,010
Depreciation	-	-
Total operating expenses	<u>110,540</u>	<u>110,540</u>
Operating income (loss)	(5,540)	(5,540)
Nonoperating revenues		
Interest income	<u>500</u>	<u>500</u>
Changes in net assets	(5,040)	(5,040)
Net assets - beginning of year	<u>175,243</u>	<u>175,243</u>
Net assets - end of year	<u>\$ 170,203</u>	<u>\$ 170,203</u>

<u>Actual GAAP Basis</u>	<u>Adjustments to Budget Basis</u>	<u>Actual Budget Basis</u>	Variance with Final Budget Positive (Negative)
\$ 109,500	\$ -	\$ 109,500	\$ 4,500
376	-	376	376
<u>109,876</u>	<u>-</u>	<u>109,876</u>	<u>4,876</u>
98,836	-	98,836	(7,906)
-	-	-	1,000
13,543	-	13,543	3,057
1,575	-	1,575	435
11,490	(11,490)	-	-
<u>125,444</u>	<u>(11,490)</u>	<u>113,954</u>	<u>(3,414)</u>
(15,568)	11,490	(4,078)	1,462
592	-	592	92
(14,976)	11,490	(3,486)	1,554
<u>175,243</u>	<u>-</u>	<u>175,243</u>	<u>-</u>
<u>\$ 160,267</u>	<u>\$ 11,490</u>	<u>\$ 171,757</u>	<u>\$ 1,554</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services				
Cemetery lots	\$ 25,000	\$ 25,000	\$ 30,000	\$ 5,000
Investment earnings	<u>8,500</u>	<u>8,500</u>	<u>9,054</u>	<u>554</u>
Total revenues	<u>33,500</u>	<u>33,500</u>	<u>39,054</u>	<u>5,554</u>
Expenditures				
General government				
Cemetery				
Personnel	31,280	31,280	32,514	(1,234)
Maintenance	8,100	8,100	2,726	5,374
Supplies	600	600	-	600
Other	2,150	2,150	1,764	386
Capital	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Total cemetery expenditures	<u>57,130</u>	<u>57,130</u>	<u>37,004</u>	<u>20,126</u>
Net changes in fund balance	(23,630)	(23,630)	2,050	25,680
Fund balance - beginning of year	<u>650,032</u>	<u>650,032</u>	<u>650,032</u>	<u>-</u>
Fund balance - end of year	<u>\$ 626,402</u>	<u>\$ 626,402</u>	<u>\$ 652,082</u>	<u>\$ 25,680</u>

See accompanying notes to the basic financial statements.

**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, the aggregate 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, 2011, which collectively comprise its basic financial statements, and have issued our report thereon dated September 27, 2012. 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

Management of the City is responsible for establishing and maintaining effective 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 September 27, 2012.

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
September 27, 2012

**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, 2011. 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, 2011.

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
September 27, 2012

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2011

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grantors Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development			
Community Development Block Grant	14.218	B-11-MC-05-002	\$ 308,640
Community Development Block Grant	14.218	B-10-MC-05-002	<u>50,330</u>
			<u>358,970</u>
U.S. Department of Transportation			
Passed through Arkansas State Police			
Selective Traffic Enforcement Project			
State & Community Highway Safety	20.600	OP-2011-03-02-30	12,057
Alcohol Traffic Safety & Drunk Driving Incentive Grant	20.601	K8-2011-08-06-30	7,868
State & Community Highway Safety	20.600	OP-2012-03-02-26	4,740
Overtime - Selective Enforcement	20.600	SE-2012-13-01-26	186
Alcohol Traffic Safety & Drunk Driving Incentive Grant	20.601	K8-2012-08-08-26	1,724
Passed through Arkansas Highway and Transportation Department			
Johnson Road Improvements - Hwy 412 to Interstate 540	20.205	040272	218,038
Federal Aviation Administration			
Airport Master Plan	20.106	AIP 3-05 0059-015-2010	<u>47,495</u>
			<u>292,108</u>
U.S. Department of Homeland Security			
Emergency Preparedness & Response			
Directorate's Assistance to Firefighters Grant Program	97.044	EMW-2004-FG 03518	43,344
Federal Emergency Management Agency			
Passed through Arkansas Department of Emergency Management			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1975-DR-AR	<u>46,797</u>
			<u>90,141</u>
U.S. Department of Justice			
Office of Justice Programs' Bureau of Justice Assistance			
Bulletproof Vest Partnership Program	16.607		1,236
Drug Enforcement Administration Task Force	16.738		14,510
Passed through the City of Fayetteville, Arkansas			
Edward Byrne Memorial Justice Assistance Grant Program			
2010 Justice Assistance - Local Solicitation	16.738		41,342
Edward Byrne Memorial Justice Assistance Grant	16.738	J-10-014	12,962
Edward Byrne Memorial Justice Assistance Grant	16.738	J-11-014	15,554

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, 2011

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grantors Number</u>	<u>Federal Expenditures</u>
U.S. Department of Justice (cont.)			
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	16.727	2008-AH-FX-0002 IG08-08-01	\$ 24,669
Underage Alcohol Enforcement Compliance Checks	16.727	2010-AH-FX-0067- AR10-10-03	12,220
Passed through the Federal Bureau of Investigation			
Joint Terrorism Task Force of Arkansas	16.580	N/A	6,021
Passed through the Arkansas State Police			
Internet Crimes Against Children Task Force	16.543	201-MC-CX-K009	<u>9,994</u>
			<u>138,508</u>
U.S. Department of Energy			
National Energy Technology Laboratory			
Energy Efficiency & Conservation Block Grant	81.128	DE-FOA-0000013	<u>511,146</u>
Office of National Drug Control Policy			
Passed through Washington County, Arkansas			
High-Intensity Drug Trafficking Program	95.001	N/A	29,415
Passed through U.S. Marshal Service - Western District of Arkansas	95.001	N/A	<u>2,698</u>
			<u>32,113</u>
Total expenditures of federal awards			<u>\$ 1,422,986</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, 2011

<u>State Awards</u>	<u>Grantor Number</u>	<u>State Expenditures</u>
Arkansas State Police		
Child Passenger Protection Fund	OP-2012-03-02-26	\$ <u>2,000</u>
Arkansas Department of Aeronautics		
State Airport Aid Grant (Powell Hangar Site Development)	3023-11	138,439
State Airport Aid Grant (Powell Hangar Construction)	3022-11	200,195
State Airport Aid Grant (Terminal Building Windows)	2958-11	6,100
State Airport Aid Grant (Airport Master Plan)	3079-12	<u>5,672</u>
		<u>350,406</u>
Arkansas Agriculture Department		
Arkansas Forestry Commission Grant	U&CF-08-DG	<u>7,876</u>
Arkansas Economic Development Commission		
Economic Infrastructure Fund Grant ("AERT")	EIF 200715	<u>70,000</u>
Arkansas Department of Emergency Management		
Disaster Grants - Public Assistance	1975-DR-AR	<u>5,126</u>
Arkansas Department of Finance & Administration		
Computer Incentive	WSCA CY11	<u>54</u>
Arkansas Department of Health		
Professional Services Medical Transportation	4600021031	<u>64,518</u>
Department of Arkansas Heritage		
Arkansas Heritage Month - Collaborative Project Support	FY12-21-204	9,000
Arkansas Historic Preservation Program	11 ACWSC3-07	1,180
Arts on Tour	FY12-417-209	110
Arts on Tour	FY12-509-209	<u>200</u>
		<u>10,490</u>
City of Fayetteville		
Drug Law Enforcement Program	J-10-014	2,621
Drug Law Enforcement Program	J-11-014	<u>3,146</u>
		<u>5,767</u>
Total expenditures of state awards		<u>\$ 516,237</u>
Other Assistance		
	<u>Grantor Number</u>	<u>Other Expenditures</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, 2011****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, 2011

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 or material weaknesses 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. There are no audit findings that are required to be reported in accordance with Section 501(a) of OMB Circular A-133 reported on this schedule.
7. The programs tested as major programs included:
 - Energy Efficiency and Conservation Block Grant CFDA No. 81.128
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 Board of Directors
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, 2011.

- (a) Arkansas Municipal Accounting Law of 1973, § 14-59-101 et seq.;
- (b) Arkansas District Courts and City Courts Accounting Law, § 16-10-201 et seq.;
- (c) Improvement contracts, §§ 22-9-202 – 22-9-204;
- (d) Budgets, purchases and payments of claims, etc., § 14-58201 et seq. and 14-58-301 et seq.;
- (e) Investment of public funds, § 19-1-501 et seq.; and
- (f) Deposit of public funds, §§ 19-8-101 – 19-8-107.

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 of Springdale, Arkansas complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2011.

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
September 27, 2012