

**CITY OF SPRINGDALE, ARKANSAS**

**December 31, 2009**

**Financial Statements  
And  
Supplemental Schedules**

**With**

**Independent Auditors' Report**

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CITY OF SPRINGDALE, ARKANSAS

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List of Elected and Appointed Officials

December 31, 2009

**Elected Officials:**

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

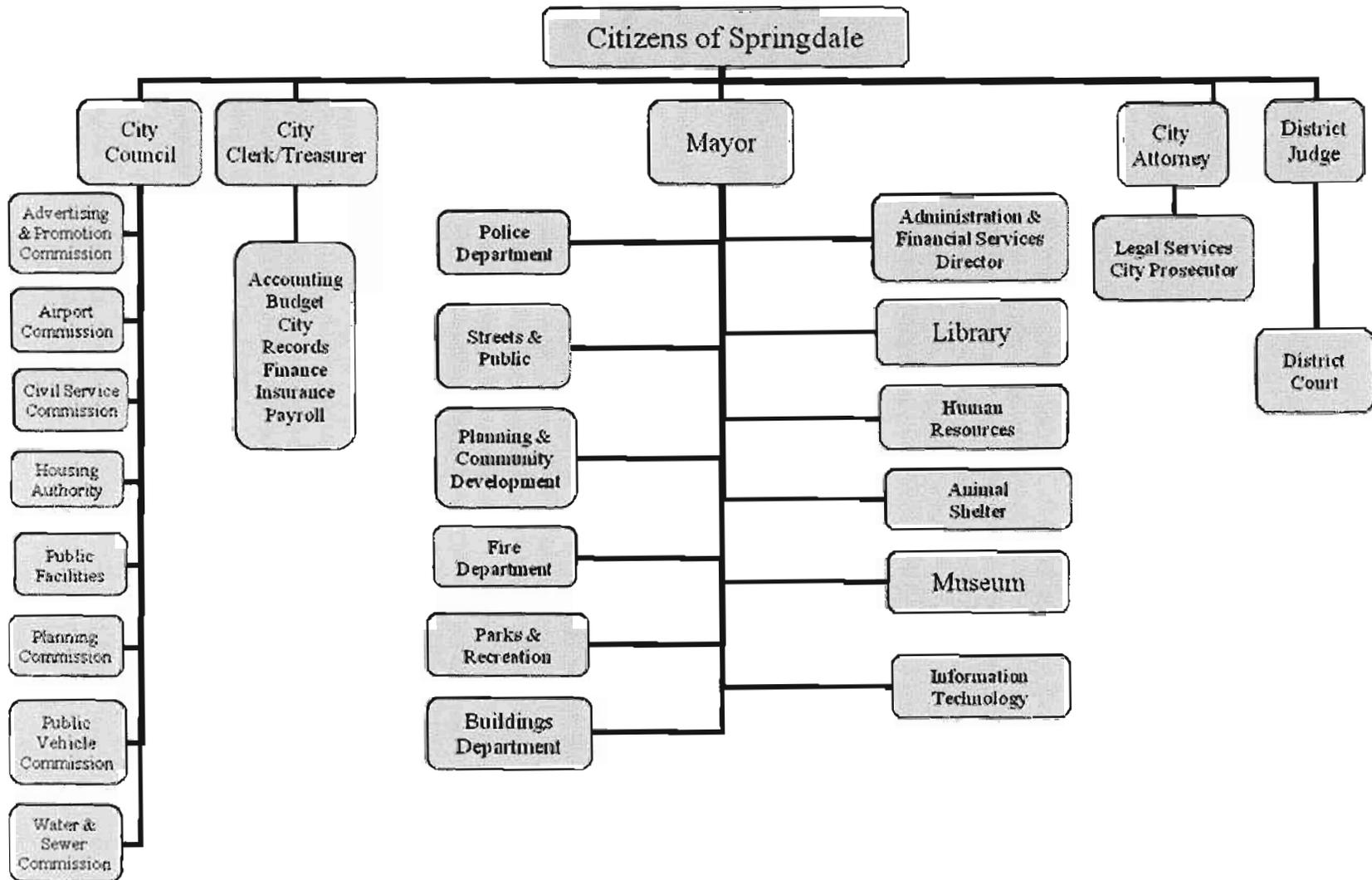
**Appointed Officials:**

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

CITY OF SPRINGDALE, ARKANSAS

Organizational Chart

December 31, 2009



### Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Springdale, Arkansas, as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express our opinions on these financial statements based on our audit. We audited the financial statements of the City of Springdale, Arkansas Water and Sewer Commission as of and for the year ended September 30, 2009, which represents 100% of the assets and revenues of the discrete component unit columns.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require the management's discussion and analysis and budgetary comparison information on pages 5 through 14 and 84 through 98 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*Frazier Frost, LLP*

Certified Public Accountants

Little Rock, Arkansas  
September 17, 2010

**Management's Discussion and Analysis****December 31, 2009**

The following narrative overview and analysis of the City of Springdale's financial activities for the year ended December 31, 2009 is provided for the readers of the financial statements to consider in conjunction with all other information provided in this report.

**Financial Highlights**

- Total assets of the City of Springdale exceeded total liabilities at the close of 2009 by \$225,873,544 (net assets). Of this amount, \$9,162,449 is considered unrestricted net assets. The unrestricted net assets of the City's governmental activities are \$8,575,166 and may be used to meet the obligations to citizens and creditors. The unrestricted net assets of the City's business-type activities have an unrestricted balance of \$587,283 that may be used to meet the ongoing obligations of the City's municipal airport, aquatic center activities and other nonmajor proprietary funds.
- The City's total net assets decreased by \$2,411,726 in 2009. Net assets of the governmental activities decreased by \$2,744,296 in 2009, which was a 1% decrease over beginning net assets. Net assets of the business-type activities increased by \$332,570 in 2009, which was a 4% increase over beginning net assets.
- At the close of 2009, the City of Springdale's governmental funds reported a combined ending fund balance of \$46,725,702, which reflects a decrease of \$8,969,018 from the prior year, mainly due to capital expenditures from funds received from the sale of bonds. The unreserved portion of the combined fund balance is \$18,637,583, which represents 40% of the total. The unreserved portion is available for use to support operations, funding for special projects and equipment replacement funding.
- At the end of 2009, the unreserved fund balance of the General Fund was \$5,817,239 or 23% of total General Fund expenditures. There was an increase of \$2,791,410 in the total General Fund balance for the year ended December 31, 2009.
- The City's business-type component unit reported net assets of \$221,347,162 as of September 30, 2009, and an \$11,644,218 increase over fiscal 2008, mainly due to water and sewer construction improvement projects.

**Overview of the Financial Statements**

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

**Management's Discussion and Analysis (cont.)****December 31, 2009****Government-Wide Financial Statements**

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

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

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

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

- City of Springdale, Arkansas Water and Sewer Commission
- Springdale Public Library Board Foundation

Financial information for the City of Springdale, Arkansas Water and Sewer Commission is reported as a discrete *component unit* 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, proprietary funds and fiduciary funds.

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

December 31, 2009

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

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

The City maintains 18 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balance for the General Fund, Street Fund, Sales and Use Tax Fund, 2009 Ice Storm Fund, Street Improvement Bonds Construction Funds, Baseball Stadium Construction Fund and Debt Service Fund that are considered major funds. 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 proprietary funds financial statements provide separate information for the Municipal Airport Fund and the Aquatic Center Fund, both of which are considered major funds of the City. Data from the remaining proprietary funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor proprietary funds is provided in the form of *combining statements* elsewhere in this report.

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.

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

December 31, 2009

**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 69 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 and other postemployment benefits to its employees, and budgetary comparison schedules to demonstrate compliance with the annual budgets. *Required supplementary information* is located on pages 70 through 76 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 77 through 98 of this report.

## Government – Wide Financial Analysis

City of Springdale, Arkansas  
Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 57,187,581	\$ 71,012,600	\$ 632,713	\$ 153,272	\$ 57,820,294	\$ 71,165,872
Capital assets	280,502,891	279,473,991	7,281,564	7,483,738	287,784,455	286,957,729
Total assets	337,690,472	350,486,591	7,914,277	7,637,010	345,604,749	358,123,601
Current liabilities	9,665,529	14,323,276	29,843	76,485	9,695,372	14,399,761
Other liabilities	110,020,246	115,479,435	15,587	24,248	110,035,833	115,503,683
Total liabilities	119,685,775	129,802,711	45,430	100,733	119,731,205	129,903,444
Net assets						
Invested in capital assets, net of related debt	171,336,523	176,604,057	7,281,564	7,483,738	178,618,087	184,087,795
Restricted	38,093,008	38,169,540	-	-	38,093,008	38,169,540
Unrestricted	8,575,166	5,910,283	587,283	52,539	9,162,449	5,962,822
Total net assets	\$ 218,004,697	\$ 220,683,880	\$ 7,868,847	\$ 7,536,277	\$ 225,873,544	\$ 228,220,157

Of the City's net assets, \$178,618,087 (79%) reflects its investments in capital assets (e.g. land, buildings, machinery, infrastructure and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending since capital assets themselves cannot be used to liquidate liabilities.

An additional portion of the City's net assets (\$38,093,008 or 17%) represents resources that are subject to restrictions as to how they may be used. The balance of unrestricted net assets (\$9,162,449 or 4%) may be used to meet the government's ongoing obligations to citizens and creditors.

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

December 31, 2009

At the end of 2009, the City is able to report positive balances in unrestricted net assets for the government as a whole and for its separate governmental and business-type activities. This was also the case for the prior year.

It is important to note that although the total spendable unrestricted net assets are \$9,162,449, the net assets of the City's business-type activities (\$587,283) may not be used to fund governmental activities.

During 2009, the City's net assets decreased by \$2,411,726. Total revenues decreased by 2.2% between years. Program revenues increased 4.8% due primarily to a rate increase for ambulance fees. General revenues decreased 5.4% between years due primarily to a decrease in investment earnings. Sales tax revenue on a government-wide basis declined by 4.6%.

City of Springdale, Arkansas  
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues						
Program revenues						
Fees, fines and charges for services	\$ 4,467,255	\$ 4,155,235	\$ 708,328	\$ 728,417	\$ 5,175,583	\$ 4,883,652
Operating grants and contributions	11,881,741	7,288,482	5,176	5,610	11,886,917	7,294,092
Capital grants and contributions	1,353,747	5,988,263	651,857	31,823	2,005,604	6,020,086
Total program revenues	17,702,743	17,431,980	1,365,361	765,850	19,068,104	18,197,830
General revenues						
Sales tax	28,045,005	29,402,814	7,360	-	28,052,365	29,402,814
Ad valorem tax	5,834,305	5,560,351	-	-	5,834,305	5,560,351
Franchise tax	3,092,147	3,350,352	-	-	3,092,147	3,350,352
Hotel/motel tax	210,254	252,695	-	-	210,254	252,695
Investment earnings	653,241	1,404,074	9,787	15,896	663,028	1,419,970
Gain on sale of assets	29,036	75,081	-	1,300	29,036	76,381
Loss on bond refunding	(32,288)	(32,288)	-	-	(32,288)	(32,288)
Endowment contributions	6,152	-	-	-	6,152	-
Total general revenues	37,837,852	40,013,079	17,147	17,196	37,854,999	40,030,275
Total revenues	55,540,595	57,445,059	1,382,508	783,046	56,923,103	58,228,105

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

December 31, 2009

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Expenses						
General government	\$ 3,913,732	\$ 3,857,154	\$ -	\$ -	\$ 3,913,732	\$ 3,857,154
Community government	1,482,591	1,257,744	-	-	1,482,591	1,257,744
Culture and recreation	5,955,477	6,459,180	-	-	5,955,477	6,459,180
Economic development	250,367	311,714	-	-	250,367	311,714
Public safety	20,637,264	21,435,410	-	-	20,637,264	21,435,410
Public works	21,124,522	10,747,419	-	-	21,124,522	10,747,419
Interest on long-term debt	4,812,485	5,019,531	-	-	4,812,485	5,019,531
Issue costs and agent fees - long-term debt	105,985	121,889	-	-	105,985	121,889
Municipal airport	-	-	496,013	518,104	496,013	518,104
Aquatic center	-	-	368,651	405,578	368,651	405,578
Parks soccer program	-	-	106,754	124,139	106,754	124,139
Sanitation	-	-	80,138	83,577	80,138	83,577
City attorney restitution	-	-	850	3,363	850	3,363
Total expenses	<u>58,282,423</u>	<u>49,210,041</u>	<u>1,052,406</u>	<u>1,134,761</u>	<u>59,334,829</u>	<u>50,344,802</u>
Increase (decrease) in net assets before transfers	(2,741,828)	8,235,018	330,102	(351,715)	(2,411,726)	7,883,303
Transfers	<u>(2,468)</u>	<u>34,000</u>	<u>2,468</u>	<u>(34,000)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	(2,744,296)	8,269,018	332,570	(385,715)	(2,411,726)	7,883,303
Net assets - January 1	<u>220,748,993</u>	<u>212,479,975</u>	<u>7,536,277</u>	<u>7,921,992</u>	<u>228,285,270</u>	<u>220,401,967</u>
Net assets - December 31	<u>\$ 218,004,697</u>	<u>\$ 220,748,993</u>	<u>\$ 7,868,847</u>	<u>\$ 7,536,277</u>	<u>\$ 225,873,544</u>	<u>\$ 228,285,270</u>

**Governmental activities** – Governmental activities decreased the City's net assets by \$2,744,296. The main elements of this decrease are:

- Expenses totaling \$6,012,662 for water and sewer improvements provided by the City's capital projects funds. These were contributed to the City of Springdale, Arkansas Water and Sewer Commission.
- The decrease in the City's net assets was partially offset by a decrease in the long-term liabilities and related items totaling \$5,534,519.

Sales taxes provided \$28,045,005 (50%) of the City's governmental revenue in 2009 while operating grants and contributions added \$11,886,917 (21%) and ad valorem taxes provided \$5,834,305 (10%).

The City's share of county sales tax, accounted for in the General Fund, decreased by 4.5% in 2009. City sales tax revenue allocated for capital projects and accounted for in the Sales and Use Tax Fund declined by 4.7%, as did the City sales tax allocated for redemption of the Series 2006 Sales and Use Tax Refunding and Improvement Bonds, Series 2006.

**Management's Discussion and Analysis (cont.)****December 31, 2009**

Operating grants and contributions increased by \$4,592,825 (63%) due to federal and state disaster relief grants. Capital grants and contributions decreased by \$4,014,482 (67%) primarily due to the decline in subdivision construction activity.

Ad valorem taxes increased by 4.9% in 2009 primarily due to increased property values.

The expenses reported for 2009 increased \$9,072,382 over 2008, due to water and sewer improvements, which were expensed, and expenses related to the January 2009 ice storm cleanup.

**Business-type activities** – Business-type activities increased the City's net assets by \$332,570. The increase was due primarily to capital grants received by the Municipal Airport; \$492,466 for reimbursement of land acquisition expenses and \$135,271 for runway rehabilitation.

The Municipal Airport rental and other service revenues of \$283,968 provided 40% of total fees and charges for services for business-type activities for 2009 while current year expenses of \$496,013 were 47% of total expenses. Airport depreciation expense was \$221,784 for 2009.

Aquatic center revenues of \$200,840 provided 28% of total fees and charges for services of business-type activities while current year expenses of \$368,651 were 35% of total expenses. Aquatic center depreciation expense was \$168,058 for 2009.

Current year expenses for business-type activities were 76% of current revenues.

**Financial Analysis of the Government's Funds**

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

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

As of December 21, 2009, the City's governmental funds combined fund balance was \$46,725,702, which reflects a decrease of \$8,969,018 from the prior year end. The reduction is due primarily to the expenditure of bond proceeds for capital projects totaling \$12,017,105. \$18,637,583 (40%) of the year end combined fund balance constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for capital projects, restricted by statute or for other purposes.

The General Fund is the chief operating fund of the City. As of December 31, 2009, the total fund balance of the general fund was \$6,429,795 of which \$5,775,127 (90%) was unreserved and undesignated. This unreserved fund balance represents approximately 22% of the total general fund expenditures for the year ended December 31, 2009.

**Management's Discussion and Analysis (cont.)****December 31, 2009**

During the 2009 fiscal year, the fund balance of the general fund increased by \$2,791,410. A general decrease in expenses and an increase in revenue is the primary reason for the increase in the fund balance of the general fund. The 2010 adopted budget anticipates no increase or decrease in the unreserved general fund balance by the end of the year.

The Sales and Use Tax Fund is a special revenue fund that is presented as a major fund and accounts for 42% of the total governmental fund balances. 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.

The Street Improvement Construction Funds provided 10% of the total governmental fund balances at December 31, 2009. Funds were provided for these funds by the issuance of \$60,000,000 of special revenue bonds during 2004 and \$45,000,000 during 2006

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

At December 31, 2009, net assets of the Municipal Airport Fund were \$5,136,249 and net assets of the Aquatic Center Fund were \$2,447,808. These two funds account for 96% of the net assets total of all proprietary funds.

**Budgetary Highlights**

General Fund budgeted revenue was \$22,030,030 and actual revenue received was \$22,870,487. The excess of \$840,457 over the projected budget was due to an increase in ad valorem taxes collected and an increase in revenue from ambulance fees. General Fund actual expenditures of \$25,706,983 were 96% of the budgeted expenses of \$26,888,670.

The budget and actual comparison schedules for the General and Street Funds are located on pages 72 through 75. The budget and actual comparison schedules for other budgeted funds are located on pages 84 through 97.

**Capital Assets**

The City's investment in capital assets for governmental and business-type activities as of December 31, 2009 amounts to \$287,784,455. The increase for governmental activities was \$1,028,900 (0.4%). The City's investment in capital assets related to business-type activities decreased by \$202,174 (3%).

Major capital asset events during 2009 included the following:

- Completion of Wagon Wheel Rd. East improvements, part of the City's east-west northern corridor.
- Completion of Huntsville Ave improvements from 71B to Old Missouri Rd. and from Emma Ave. to Highway 412, part of the City's east-west central corridor.

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

December 31, 2009

- Completion of the Don Tyson Parkway from Turner St. to Highway 265, part of the City's east-west southern corridor.
- Completion of Butterfield Coach Rd. improvements from Don Tyson Parkway to Electric Ave.
- Completion of Har-Ber Ave. improvements from 48<sup>th</sup> St. to Brush Creek.

Additional information on the City's capital assets is located in Note 5 on pages 42 through 44 of this report.

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

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land and easements	\$ 48,261,400	\$ 47,684,358	\$ 2,788,631	\$ 2,767,944	\$ 51,050,031	\$ 50,452,302
Land improvements	7,784,465	6,639,659	2,104,626	2,130,757	9,889,091	8,770,416
Buildings and improvements	48,503,395	49,934,337	2,164,868	2,318,513	50,668,263	52,252,850
Construction in progress	10,822,579	59,863,411	13,892	10,214	10,836,471	59,873,625
Infrastructure	149,307,575	101,684,779	-	-	149,307,575	101,684,779
Machinery and equipment	15,629,693	13,460,338	209,547	256,310	15,839,240	13,716,648
Intangibles	193,784	207,109	-	-	193,784	207,109
Total	<u>\$ 280,502,891</u>	<u>\$ 279,473,991</u>	<u>\$ 7,281,564</u>	<u>\$ 7,483,738</u>	<u>\$ 287,784,455</u>	<u>\$ 286,957,729</u>

**Long-Term Debt**

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

The City of Springdale held a special election on July 11, 2006 that authorized a one percent (1%) sales tax and the issuance of bonds in the maximum principal amount of \$137,000,000. Of these bonds \$42,000,000 were authorized for the refunding of the 2004 bonds still outstanding, \$45,000,000 were authorized to complete the transportation projects started with the 2004 bond proceeds and \$50,000,000 of bonds were to provide for the construction of a baseball stadium. The sales tax rate for Springdale was not increased by this election. The one percent (1%) sales tax authorized in 2003 was replaced by the one percent (1%) sales tax authorized by this election. The City retired \$5,095,000 of these bonds during the year leaving a balance of \$109,780,000 at December 31, 2009.

**Management's Discussion and Analysis (cont.)****December 31, 2009**

The City issued bonds on September 18, 2001 to finance a portion of the costs of an expansion to the waste water treatment plant. Net water and sewer revenues are pledged for the payment of these bonds. The City retired the remaining balance of \$2,135,000 of these bonds during the year. On June 27, 2006, the City Council authorized the issuance of an additional \$3,600,000 of Water and Sewer Revenue Bonds for additional improvements. These additional bonds were issued on August 10, 2006 and the final principal payment is scheduled for September 1, 2026. The City retired \$55,000 of these bonds during the year leaving a balance of \$3,450,000 at September 30, 2009.

Additional information on the City's long-term debt can be found in Note 6 located on pages 45 through 49 of this report.

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

The unemployment rate of December 2009 for the Fayetteville-Springdale-Rogers Metropolitan Statistical Area ("MSA") was 5.7%, which compared favorably to the state's average unemployment rate of 7.7%. During 2009, total nonfarm jobs for this MSA declined by 800 to end the year at 206,100.

City one percent (1%) sales tax revenue received in 2009 for the Sales and Use Tax Fund decreased by 4.7% when compared to sales tax revenue received in 2008. The collection of an additional one percent (1%) sales tax for debt service was started in October of 2003. This additional tax provided \$9,859,170 in revenue during 2009.

The City Council adopted the 2010 budget on November 24, 2009 with General Fund projected revenues and transfers of \$27,305,340 and projected expenditures and transfers of \$27,206,540.

**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, 2009

<u>Assets</u>	<u>Primary Government</u>			<u>Discrete Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
Cash and cash equivalents	\$ 7,621,834	\$ 198,746	\$ 7,820,580	\$ 86,539
Investments	17,670,179	349,797	18,019,976	-
Accounts receivable, net of allowance for uncollectibles	2,627,241	195,615	2,822,856	3,407,670
Intergovernmental receivables	11,318,842	-	11,318,842	-
Internal balances	201,391	(115,045)	86,346	-
Due from fiduciary funds	127,270	-	127,270	-
Inventories	-	-	-	419,030
Prepaid assets	42,651	-	42,651	72,958
Assets held for resale	1,119,593	-	1,119,593	-
Unamortized bond/lease costs	1,524,390	-	1,524,390	19,062
Deferred loss on bond refunding	573,122	-	573,122	-
Accounts receivable, due in more than one year	-	3,600	3,600	-
Restricted assets				
Cash and cash equivalents	12,715,453	-	12,715,453	348,387
Investments	-	-	-	30,892,613
Interest receivable	-	-	-	889,825
Intergovernmental receivables	1,645,615	-	1,645,615	-
Capital assets	-	-	-	-
Nondepreciable	59,559,298	2,802,523	62,361,821	14,030,439
Depreciable, net of accumulated depreciation	220,943,593	4,479,041	225,422,634	176,651,157
Total assets	<u>\$ 337,690,472</u>	<u>\$ 7,914,277</u>	<u>\$ 345,604,749</u>	<u>\$ 226,817,680</u>
<u>Liabilities and Net Assets</u>				
Liabilities				
Accounts payable and accrued expenses	\$ 2,677,098	\$ 24,085	\$ 2,701,183	\$ 530,037
Due to fiduciary funds	7,223	-	7,223	-
Accrued interest payable	2,486,275	-	2,486,275	16,631
Current portion of long-term debt	4,210,000	-	4,210,000	65,000
Customer deposits	233,656	-	233,656	1,473,850
Deferred revenue	51,277	5,758	57,035	-
Noncurrent liabilities				
Due within one year	10,836	9,000	19,836	-
Due in more than one year	110,009,410	6,587	110,015,997	3,385,000
Total liabilities	<u>119,685,775</u>	<u>45,430</u>	<u>119,731,205</u>	<u>5,470,518</u>
Net assets				
Invested in capital assets, net of related debt	171,336,523	7,281,564	178,618,087	187,234,027
Restricted for				
Capital projects	26,988,234	-	26,988,234	-
Debt service	5,963,516	-	5,963,516	-
Other	5,141,258	-	5,141,258	32,099,829
Unrestricted	8,575,166	587,283	9,162,449	2,013,306
Total net assets	<u>\$ 218,004,697</u>	<u>\$ 7,868,847</u>	<u>\$ 225,873,544</u>	<u>\$ 221,347,162</u>

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

**Statement of Activities**  
**For the Year Ended December 31, 2009**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			Component Unit
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government								
Governmental activities								
General government								
Administration	\$ 2,583,577	\$ 200,270	\$ 1,177,521	\$ -	\$ (1,205,786)	\$ -	\$ (1,205,786)	\$ -
City attorney	666,292	24,332	-	-	(641,960)	-	(641,960)	-
District court	626,493	147,602	78,766	-	(400,125)	-	(400,125)	-
Bluff cemetery	37,370	33,475	500	-	(3,395)	-	(3,395)	-
Capital projects	-	-	50	629,396	629,446	-	629,446	-
Community development								
Planning and engineering	743,457	25,442	-	-	(718,015)	-	(718,015)	-
Community development and housing	739,134	75,000	697,704	-	33,570	-	33,570	-
Culture and recreation								
Parks and recreation	3,636,273	535,521	54,346	77,101	(2,969,305)	-	(2,969,305)	-
Public library	1,716,001	99,201	1,125,836	-	(490,964)	-	(490,964)	-
Shiloh museum	603,203	45,748	5,377	11,300	(540,778)	-	(540,778)	-
Economic development	250,367	-	-	-	(250,367)	-	(250,367)	-
Public safety								
Animal services	336,811	60,313	10,191	-	(266,307)	-	(266,307)	-
Building inspection and code enforcement	759,752	321,515	-	-	(438,237)	-	(438,237)	-
Fire	8,693,294	1,648,277	656,231	-	(6,388,786)	-	(6,388,786)	-
Police	10,847,407	1,140,141	1,229,524	-	(8,477,742)	-	(8,477,742)	-
Public works	21,124,522	110,418	6,845,695	635,950	(13,532,459)	-	(13,532,459)	-
Debt service								
Interest on long-term debt	4,812,485	-	-	-	(4,812,485)	-	(4,812,485)	-
Issue costs and fees - long-term debt	105,985	-	-	-	(105,985)	-	(105,985)	-
Total government activities	<u>\$ 58,282,423</u>	<u>\$ 4,467,255</u>	<u>\$ 11,881,741</u>	<u>\$ 1,353,747</u>	<u>(40,579,680)</u>	<u>-</u>	<u>(40,579,680)</u>	<u>-</u>
Business-type activities								
Municipal airport	496,013	283,968	-	651,857	-	439,812	439,812	-
Aquatic center	368,651	200,840	-	-	-	(167,811)	(167,811)	-
Parks soccer program	106,754	95,514	5,176	-	-	(6,064)	(6,064)	-
Sanitation	80,138	105,196	-	-	-	25,058	25,058	-
City attorney restitution	850	22,810	-	-	-	21,960	21,960	-
Total business-type activities	<u>1,052,406</u>	<u>708,328</u>	<u>5,176</u>	<u>651,857</u>	<u>-</u>	<u>312,955</u>	<u>312,955</u>	<u>-</u>
Total primary government	<u>\$ 59,334,829</u>	<u>\$ 5,175,583</u>	<u>\$ 11,886,917</u>	<u>\$ 2,005,604</u>	<u>(40,579,680)</u>	<u>312,955</u>	<u>(40,266,725)</u>	<u>-</u>
Component unit								
Springdale water utilities	<u>\$ 20,680,572</u>	<u>\$ 24,457,823</u>	<u>\$ 75,487</u>	<u>\$ 6,369,745</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,222,483</u>
General revenues and transfers								
Sales tax					28,045,005	7,360	28,052,365	-
Ad valorem tax					5,834,305	-	5,834,305	-
Franchise tax					3,092,147	-	3,092,147	-
Hotel/motel tax					210,254	-	210,254	-
Investment earnings					653,241	9,787	663,028	1,652,259
Interest expenses and other charges					-	-	-	(237,022)
Gain on sale of assets					29,036	-	29,036	6,498
Loss on bond refunding					(32,288)	-	(32,288)	-
Endowment contributions					6,152	-	6,152	-
Transfers					(2,468)	2,468	-	-
Total general revenues and transfers					<u>37,835,384</u>	<u>19,615</u>	<u>37,854,999</u>	<u>1,421,735</u>
Changes in net assets					(2,744,296)	332,570	(2,411,726)	11,644,218
Net assets - beginning of year					<u>220,748,993</u>	<u>7,536,277</u>	<u>228,285,270</u>	<u>209,702,944</u>
Net assets - end of year					<u>\$ 218,004,697</u>	<u>\$ 7,868,847</u>	<u>\$ 225,873,544</u>	<u>\$ 221,347,162</u>

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

**CITY OF SPRINGDALE, ARKANSAS**

**Balance Sheet – Governmental Funds**

**December 31, 2009**

<u>Assets</u>	<u>General Fund</u>	<u>Street Fund</u>	<u>Sales and Use Tax Fund</u>	<u>2009 Ice Storm Fund</u>
Cash and cash equivalents	\$ 1,485,169	\$ 173,865	\$ 4,153,426	\$ -
Investments	400,000	449,045	13,070,039	-
Accounts receivable, net	2,554,043	3,218	-	-
Interest receivable	1,468	1,091	34,840	-
Intergovernmental receivables, net	7,056,590	1,222,845	1,665,409	1,351,212
Due from other funds	1,934,299	9,491	1,369,625	-
Assets held for resale	-	-	-	-
Other assets	42,651	-	-	-
Restricted assets				
Cash and cash equivalents	-	-	-	-
Intergovernmental receivables, net	-	-	-	-
<b>Total assets</b>	<b><u>\$ 13,474,220</u></b>	<b><u>\$ 1,859,555</u></b>	<b><u>\$ 20,293,339</u></b>	<b><u>\$ 1,351,212</u></b>
 <u>Liabilities and Fund Balance</u>				
<b>Liabilities</b>				
Accounts payable	\$ 313,980	\$ 51,732	\$ 193,704	\$ 35,631
Salaries payable	604,087	58,291	-	-
Due to other funds	1,374,861	-	420,506	1,315,581
Developer bonds payable	217,268	-	-	-
Other liabilities	5,037	22,187	-	-
Deferred revenue	4,529,192	855,085	-	-
<b>Total liabilities</b>	<b><u>7,044,425</u></b>	<b><u>987,295</u></b>	<b><u>614,210</u></b>	<b><u>1,351,212</u></b>
<b>Fund balances</b>				
<b>Reserved</b>				
Assets held for resale	-	-	-	-
Debt service	-	-	-	-
Cemetery perpetual care	-	-	-	-
Court automation	-	-	-	-
Endowments	-	-	-	-
Grant expenditures	-	-	-	-
Public safety expenditures	509,160	-	-	-
Capital projects	103,396	-	11,800,000	-
<b>Unreserved</b>				
Designated for				
Benevolent funds	22,712	-	-	-
Recreation and culture	19,400	-	-	-
Undesignated, reported in				
General fund	5,775,127	-	-	-
Special revenue funds	-	872,260	-	-
Capital project funds	-	-	7,879,129	-
Permanent funds	-	-	-	-
<b>Total fund balances</b>	<b><u>6,429,795</u></b>	<b><u>872,260</u></b>	<b><u>19,679,129</u></b>	<b><u>-</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 13,474,220</u></b>	<b><u>\$ 1,859,555</u></b>	<b><u>\$ 20,293,339</u></b>	<b><u>\$ 1,351,212</u></b>

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

2004 Street Improvement Bonds Construction Fund	2006 Street Improvement Bonds Construction Fund	Baseball Stadium Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 1,809,374	\$ 7,621,834
-	-	-	-	3,751,095	17,670,179
-	-	-	-	26,139	2,583,400
-	-	-	-	6,442	43,841
-	-	-	-	22,786	11,318,842
-	86,346	-	-	45,874	3,445,635
-	-	-	-	1,119,593	1,119,593
-	-	-	-	-	42,651
-	5,805,464	105,813	6,804,176	-	12,715,453
-	-	-	1,645,615	-	1,645,615
<u>\$ -</u>	<u>\$ 5,891,810</u>	<u>\$ 105,813</u>	<u>\$ 8,449,791</u>	<u>\$ 6,781,303</u>	<u>\$ 58,207,043</u>
\$ -	\$ 1,177,749	\$ 1,029	\$ -	\$ 192,284	\$ 1,966,109
-	-	-	-	48,611	710,989
-	1,608	68	-	11,573	3,124,197
-	-	-	-	-	217,268
-	-	-	-	-	27,224
-	-	-	-	51,277	5,435,554
-	1,179,357	1,097	-	303,745	11,481,341
-	-	-	-	1,119,593	1,119,593
-	-	-	8,449,791	-	8,449,791
-	-	-	-	43,244	43,244
-	-	-	-	196,979	196,979
-	-	-	-	1,035,298	1,035,298
-	-	-	-	13,489	13,489
-	-	-	-	-	509,160
-	4,712,453	104,716	-	-	16,720,565
-	-	-	-	-	22,712
-	-	-	-	10,583	29,983
-	-	-	-	-	5,775,127
-	-	-	-	898,740	1,771,000
-	-	-	-	2,214,303	10,093,432
-	-	-	-	945,329	945,329
-	4,712,453	104,716	8,449,791	6,477,558	46,725,702
<u>\$ -</u>	<u>\$ 5,891,810</u>	<u>\$ 105,813</u>	<u>\$ 8,449,791</u>	<u>\$ 6,781,303</u>	<u>\$ 58,207,043</u>

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, 2009**

Total fund balances - governmental funds	\$ 46,725,702
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	280,502,891
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.	5,384,277
Some assets related to long-term debt are deferred and, therefore, are not reported in the funds.	2,097,512
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>(116,705,685)</u>
Net assets of governmental funds	<u>\$ 218,004,697</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, 2009**

	<u>General Fund</u>	<u>Street Fund</u>	<u>Sales and Use Tax Fund</u>	<u>2009 Ice Storm Fund</u>
<b>Revenues</b>				
Taxes	\$ 16,299,654	\$ 927,177	\$ 9,859,170	\$ -
Fees and permits	429,134	1,820	-	-
Intergovernmental	2,925,732	2,985,492	789,932	3,921,513
Charges for goods and services	1,852,828	103,831	-	-
Fines and forfeitures	967,599	-	-	-
Investment earnings	39,721	8,684	257,547	-
Miscellaneous	<u>355,819</u>	<u>4,767</u>	<u>50</u>	<u>-</u>
Total revenues	<u>22,870,487</u>	<u>4,031,771</u>	<u>10,906,699</u>	<u>3,921,513</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	2,955,143	-	-	43,843
Community development	731,968	-	-	-
Culture and recreation	1,787,616	-	-	-
Economic development	-	-	-	-
Public safety	19,230,702	-	-	25,520
Public works	-	3,823,513	-	4,047,279
Capital expenditures	1,001,554	202,046	3,535,110	-
<b>Debt service</b>				
Principal	-	-	-	-
Interest	-	-	-	-
Yield reduction payment	-	-	-	-
Other fees	-	-	-	-
Agent fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>25,706,983</u>	<u>4,025,559</u>	<u>3,535,110</u>	<u>4,116,642</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,836,496)</u>	<u>6,212</u>	<u>7,371,589</u>	<u>(195,129)</u>
<b>Other financing sources (uses)</b>				
Transfers in	6,868,663	342,650	-	195,129
Transfers out	(1,323,949)	(7,128)	(7,270,960)	-
Contributed capital	-	-	322,746	-
Repayment of contributed capital	-	-	-	-
Proceeds from sale of capital assets	29,033	-	-	-
Insurance recovery - capital assts	<u>54,159</u>	<u>9,697</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>5,627,906</u>	<u>345,219</u>	<u>(6,948,214)</u>	<u>195,129</u>
Net changes in fund balances	2,791,410	351,431	423,375	-
Fund balances - beginning of year, as restated	<u>3,638,385</u>	<u>520,829</u>	<u>19,255,754</u>	<u>-</u>
Fund balances - end of year	<u>\$ 6,429,795</u>	<u>\$ 872,260</u>	<u>\$ 19,679,129</u>	<u>\$ -</u>

2004 Street Improvement Bonds Construction Fund	2006 Street Improvement Bonds Construction Fund	Baseball Stadium Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 9,863,376	\$ 253,044	\$ 37,202,421
-	-	-	-	169,544	600,498
-	-	-	-	1,782,845	12,405,514
-	-	-	-	489,247	2,445,906
-	-	-	-	69,716	1,037,315
82	7,206	285	4,852	334,864	653,241
-	-	-	-	319,948	680,584
<u>82</u>	<u>7,206</u>	<u>285</u>	<u>9,868,228</u>	<u>3,419,208</u>	<u>55,025,479</u>
-	-	-	-	649,377	3,648,363
-	-	-	-	750,027	1,481,995
-	-	-	-	1,770,891	3,558,507
-	-	-	-	250,367	250,367
-	-	-	-	-	19,256,222
-	-	-	-	-	7,870,792
-	11,566,553	242,255	-	825,346	17,372,864
-	-	-	5,102,036	-	5,102,036
-	-	-	5,156,942	-	5,156,942
205,397	-	-	-	-	205,397
2,900	-	-	-	-	2,900
-	-	-	18,000	-	18,000
<u>208,297</u>	<u>11,566,553</u>	<u>242,255</u>	<u>10,276,978</u>	<u>4,246,008</u>	<u>63,924,385</u>
<u>(208,215)</u>	<u>(11,559,347)</u>	<u>(241,970)</u>	<u>(408,750)</u>	<u>(826,800)</u>	<u>(8,898,906)</u>
-	412,883	-	7,128	786,170	8,612,623
(13,054)	-	-	-	-	(8,615,091)
-	38,200	-	-	-	360,946
-	-	(521,482)	-	-	(521,482)
-	3	-	-	-	29,036
-	-	-	-	-	63,856
<u>(13,054)</u>	<u>451,086</u>	<u>(521,482)</u>	<u>7,128</u>	<u>786,170</u>	<u>(70,112)</u>
(221,269)	(11,108,261)	(763,452)	(401,622)	(40,630)	(8,969,018)
<u>221,269</u>	<u>15,820,714</u>	<u>868,168</u>	<u>8,851,413</u>	<u>6,518,188</u>	<u>55,694,720</u>
<u>\$ -</u>	<u>\$ 4,712,453</u>	<u>\$ 104,716</u>	<u>\$ 8,449,791</u>	<u>\$ 6,477,558</u>	<u>\$ 46,725,702</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**

**December 31, 2009**

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

Net changes in fund balances - total governmental funds \$ (8,969,018)

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

Government funds report capital outlays as expenditures. However, for government-wide statements the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period. 315,849

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to increase net assets. 713,051

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. (20,710)

Expenses that do not require current financial resources, such as compensated absences, OPEB liabilities and accrued interest payable, are not reported as expenditures in the funds, but are reported as expenses in the statement of activities. (317,987)

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. 5,534,519

Changes in net assets of governmental activities \$ (2,744,296)

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

## Statement of Net Assets – Proprietary Funds

December 31, 2009

Assets	Enterprise Funds			Total Proprietary Funds
	Municipal Airport Fund	Aquatic Center Fund	Nonmajor Enterprise Funds	
Current assets				
Cash and cash equivalents	\$ 4,272	\$ 50,296	\$ 144,178	\$ 198,746
Investments	-	349,797	-	349,797
Accounts receivable	175,783	-	19,391	195,174
Accrued interest	-	441	-	441
Total current assets	<u>180,055</u>	<u>400,534</u>	<u>163,569</u>	<u>744,158</u>
Noncurrent assets				
Accounts receivable	<u>3,600</u>	<u>-</u>	<u>-</u>	<u>3,600</u>
Capital assets				
Land	2,788,631	-	-	2,788,631
Improvements other than buildings	6,353,253	491,524	21,376	6,866,153
Buildings and system	1,866,764	2,853,680	-	4,720,444
Machinery and equipment	495,757	781,399	167,966	1,445,122
Construction in progress	13,892	-	-	13,892
Less accumulated depreciation	<u>(6,413,928)</u>	<u>(2,077,428)</u>	<u>(61,322)</u>	<u>(8,552,678)</u>
Total capital assets, net of accumulated depreciation	<u>5,104,369</u>	<u>2,049,175</u>	<u>128,020</u>	<u>7,281,564</u>
Total noncurrent assets	<u>5,107,969</u>	<u>2,049,175</u>	<u>128,020</u>	<u>7,285,164</u>
Total assets	<u>\$ 5,288,024</u>	<u>\$ 2,449,709</u>	<u>\$ 291,589</u>	<u>\$ 8,029,322</u>
<u>Liabilities and Net Assets</u>				
Current liabilities				
Accounts payable	\$ 15,474	\$ 1,518	\$ 1,880	\$ 18,872
Salaries payable	2,016	383	2,814	5,213
Due to other funds	115,000	-	45	115,045
Deferred revenue	14,758	-	-	14,758
Total current liabilities	<u>147,248</u>	<u>1,901</u>	<u>4,739</u>	<u>153,888</u>
Noncurrent liabilities				
Compensated absences	927	-	2,060	2,987
Deferred revenue	<u>3,600</u>	<u>-</u>	<u>-</u>	<u>3,600</u>
Total noncurrent liabilities	<u>4,527</u>	<u>-</u>	<u>2,060</u>	<u>6,587</u>
Total liabilities	<u>151,775</u>	<u>1,901</u>	<u>6,799</u>	<u>160,475</u>
Net assets				
Invested in capital assets, net of related debt	5,104,369	2,049,175	128,020	7,281,564
Unrestricted	<u>31,880</u>	<u>398,633</u>	<u>156,770</u>	<u>587,283</u>
Total net assets	<u>5,136,249</u>	<u>2,447,808</u>	<u>284,790</u>	<u>7,868,847</u>
Total liabilities and net assets	<u>\$ 5,288,024</u>	<u>\$ 2,449,709</u>	<u>\$ 291,589</u>	<u>\$ 8,029,322</u>

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

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

**For the Year Ended December 31, 2009**

	Enterprise Funds			Total Proprietary Funds
	Municipal Airport Fund	Aquatic Center Fund	Nonmajor Enterprise Funds	
Operating revenues				
Charges for services				
Activity fees	\$ -	\$ 191,793	\$ 95,514	\$ 287,307
Concession	-	5,623	-	5,623
Fuel flowage fees	33,187	-	-	33,187
Other service fees	-	-	127,810	127,810
Rental fees	239,862	1,437	-	241,299
Other revenue	10,919	1,987	-	12,906
Total operating revenues	<u>283,968</u>	<u>200,840</u>	<u>223,324</u>	<u>708,132</u>
Operating expenses				
Personnel	59,540	130,721	131,657	321,918
Maintenance	55,016	28,317	12,174	95,507
Supplies	50,903	37,689	25,473	114,065
Other	108,770	3,866	3,512	116,148
Depreciation	221,784	168,058	14,926	404,768
Total operating expenses	<u>496,013</u>	<u>368,651</u>	<u>187,742</u>	<u>1,052,406</u>
Operating income (loss)	<u>(212,045)</u>	<u>(167,811)</u>	<u>35,582</u>	<u>(344,274)</u>
Nonoperating revenues				
Contributions	7,360	-	-	7,360
Gain on sale of assets	-	-	5,176	5,176
Investment earnings	19	8,073	1,695	9,787
Miscellaneous revenue	-	-	196	196
Total nonoperating revenues	<u>7,379</u>	<u>8,073</u>	<u>7,067</u>	<u>22,519</u>
Income (loss) before capital contributions and transfers	(204,666)	(159,738)	42,649	(321,755)
Capital grants and contributions	651,857	-	-	651,857
Capital transfers in	25,468	-	-	25,468
Operating transfers out	-	-	(23,000)	(23,000)
Changes in net assets	472,659	(159,738)	19,649	332,570
Net assets - beginning of year	<u>4,663,590</u>	<u>2,607,546</u>	<u>265,141</u>	<u>7,536,277</u>
Net assets - end of year	<u>\$ 5,136,249</u>	<u>\$ 2,447,808</u>	<u>\$ 284,790</u>	<u>\$ 7,868,847</u>

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

## Statement of Cash Flows – Proprietary Funds

For the Year Ended December 31, 2009

	Enterprise Funds			Total Proprietary Funds
	Municipal Airport Fund	Aquatic Center Fund	Nonmajor Enterprise Funds	
Cash flows from operating activities				
Receipts from customers and users	\$ 258,849	\$ 200,840	\$ 221,878	\$ 681,567
Payments to suppliers	(257,672)	(70,661)	(40,552)	(368,885)
Payments to employees	(60,654)	(130,338)	(131,425)	(322,417)
Net cash provided (used) by operating activities	(59,477)	(159)	49,901	(9,735)
Cash flows from noncapital financing activities				
Sales taxes	4,641	-	-	4,641
Contributions	-	-	5,176	5,176
Transfers to other funds	-	-	(23,000)	(23,000)
Receipt (payment) of interfund balances	(396,800)	-	45	(396,755)
Net cash provided (used) by noncapital financing activities	(392,159)	-	(17,779)	(409,938)
Cash flows from capital and related financing activities				
Capital contributions	7,800	-	-	7,800
Transfers from other funds	25,468	-	-	25,468
Capital grant receipts	508,786	-	-	508,786
Purchases of capital assets	(199,619)	(2,975)	-	(202,594)
Net cash provided (used) by capital and related financing activities	342,435	(2,975)	-	339,460
Cash flows from investing activities				
Proceeds from maturities of investments	-	750,000	-	750,000
Purchases of investments	-	(799,938)	-	(799,938)
Interest received	19	8,085	1,695	9,799
Net cash provided (used) by investing activities	19	(41,853)	1,695	(40,139)
Net increase (decrease) in cash and cash equivalents	(109,182)	(44,987)	33,817	(120,352)
Cash and cash equivalents - beginning of year	113,454	95,283	110,361	319,098
Cash and cash equivalents - end of year	\$ 4,272	\$ 50,296	\$ 144,178	\$ 198,746
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (212,045)	\$ (167,811)	\$ 35,582	\$ (344,274)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Miscellaneous income	-	-	196	196
Depreciation	221,784	168,058	14,926	404,768
Changes in operating assets and liabilities				
Accounts receivable	(13,480)	-	(1,642)	(15,122)
Accounts payable	(42,983)	(789)	607	(43,165)
Salaries payable	(344)	383	323	362
Compensated absences	(770)	-	(91)	(861)
Deferred revenue	(11,639)	-	-	(11,639)
Net cash provided (used) by operating activities	\$ (59,477)	\$ (159)	\$ 49,901	\$ (9,735)

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

## Statement of Fiduciary Net Assets – Fiduciary Funds

December 31, 2009

<u>Assets</u>	<u>Firemen's Relief and Pension Fund</u>	<u>Policemen's Pension and Relief Fund</u>	<u>Agency Funds</u>
Cash and cash equivalents	\$ 882,587	\$ 412,606	\$ 967,036
Investments	7,795,884	7,298,954	-
Accounts receivable, net	568,417	560,911	1,358,851
Due from other funds	<u>-</u>	<u>9,604</u>	<u>146,532</u>
Total assets	<u>\$ 9,246,888</u>	<u>\$ 8,282,075</u>	<u>\$ 2,472,419</u>
 <u>Liabilities and Net Assets</u> 			
Liabilities			
Accounts payable	\$ 161	\$ -	\$ 2,196,910
Due to other funds	<u>674</u>	<u>-</u>	<u>275,509</u>
Total liabilities	<u>835</u>	<u>-</u>	<u>2,472,419</u>
Net assets			
Held in trust for pension benefits	<u>9,246,053</u>	<u>8,282,075</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 9,246,888</u>	<u>\$ 8,282,075</u>	<u>\$ 2,472,419</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, 2009**

	<u>Firemen's Relief and Pension Fund</u>	<u>Policemen's Pension and Relief Fund</u>
Additions		
Contributions		
Taxes	\$ 512,330	\$ 512,330
Intergovernmental	63,029	172,782
Fines and court costs	-	118,927
Employer	7,356	-
Plan members	7,356	-
Miscellaneous	-	399
Total contributions	<u>590,071</u>	<u>804,438</u>
Investment income (loss)		
Investment earnings (loss)	(202,261)	(840,305)
Net increase in fair value of investments	<u>1,701,712</u>	<u>2,378,834</u>
Total investment earnings	1,499,451	1,538,529
Less investment expenses	<u>(71,286)</u>	<u>(63,970)</u>
Net investment earnings	<u>1,428,165</u>	<u>1,474,559</u>
Total additions	2,018,236	2,278,997
Deductions		
Benefits payments	<u>1,135,750</u>	<u>1,216,494</u>
Changes in net assets	882,486	1,062,503
Net assets - beginning of year	<u>8,363,567</u>	<u>7,219,572</u>
Net assets - end of year	<u>\$ 9,246,053</u>	<u>\$ 8,282,075</u>

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

## Notes to Financial Statements

December 31, 2009

1. Summary of Significant Accounting Policies

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

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

- b. **Reporting entity** – As required by GAAP, 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, based upon criteria of GASB Statement No. 14, “The Financial Reporting Entity,” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units.” Generally, entities for which the City appoints a voting majority of the board and the entity imposes a financial benefit or burden, must be included in the City’s reporting entity. Additionally, those entities that the nature and significance of their relationship with the City is such that exclusion from the City’s financial reporting entity would render the City’s financial statements incomplete or misleading, should also be included as part of the City’s reporting entity. These component units are further distinguished between *Blended Component Units*, presented as part of the primary government, and *Discretely Presented Component Units*, presented separately.

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

## Notes to Financial Statements

December 31, 2009

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, 2009. Financial statements of the Commission can be obtained from the Commission’s administrative office located at 526 Oak Avenue, Springdale, Arkansas 72764. See Note 15 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. 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, 2009, the City implemented the following new financial and accounting reporting standard issued by GASB:

GASB Statement No. 52, “Land and Other Real Estate Held as Investments by Endowments.” This statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. The adoption of this statement had no financial impact on the City during the current year.

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

*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.

## Notes to Financial Statements

December 31, 2009

i. Summary of Significant Accounting Policies (cont.)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. These statements distinguish between governmental activities, which are generally financed through taxes, intergovernmental revenues and other nonexchange transactions, and business-type activities, which are financed in whole or part by fees charged to external parties. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenues. Direct expenses are those that are clearly associated with a specific function or identifiable activity. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or identifiable activity, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or identifiable activity. All other revenues are reported as general revenues.

*Fund Financial Statements*

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and major enterprise funds, each displayed in a separate column. All other governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

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

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

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

The **2009 Ice Storm Fund** is a special revenue fund used to account for grants received from federal and state agencies for disaster relief and recovery expenditures (see Note 2).

## Notes to Financial Statements

December 31, 2009

1. Summary of Significant Accounting Policies (cont.)

The **2004 Street Improvement Construction Fund** is a capital projects fund which accounts for financial resources, provided from the sale of the City's Sales and Use Tax Bonds, Series 2004, utilized for major construction, renovation, expansion and improvement of the City's streets. The remaining funds were spent during 2009 and this fund was closed.

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 6).

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 6).

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 6).

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

**Special Revenue Funds** – The special revenue funds are used to account for the proceeds of specific revenue sources, other than capital projects, that are legally restricted to expenditures for specified purposes. The City's other nonmajor special revenue funds are the Springdale Public Library, Shiloh Museum Board Fund, Advertising and Promotion Fund, District Court Costs Fund, Parks Activity Fund, Arvest Ball Park Fund and the Community Development Block Grant ("CDBG") Fund.

**Capital Projects Fund** – The 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.

## Notes to Financial Statements

December 31, 2009

1. Summary of Significant Accounting Policies (cont.)

**Pension Trust Funds** – Accounts for assets held in trust for the Firemen’s Relief and Pension Fund (“Firemen’s Fund”) and the Policemen’s Pension and Relief Fund (“Policemen’s Fund”). Plan trustees must act in accordance with the specific purposes and terms of these retirement plans.

**Permanent Trust Funds** – Accounts for assets held in trust for the operation and maintenance of Bluff Cemetery (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.

*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

## Notes to Financial Statements

December 31, 2009

1. Summary of Significant Accounting Policies (cont.)

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.

- i. **Budgets and budgetary accounting** – Annual budgets are prepared on a basis consistent with generally accepted accounting principles, 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, Shiloh Museum Board Fund, District Court Costs Fund, Parks Activity Fund, Capital Projects Funds, except for the 2004 Street Improvement Construction and Public Facilities Board Funds, the Debt Service Fund, the City's proprietary funds, except for the City Attorney Hot Check Fund and the Bluff Cemetery Fund. Budgets are also adopted by the City Council for specific capital projects, which are carried forward until completed. All annual appropriations lapse at year end.

All budget amounts included in these financial statements and the accompanying supplementary information reflect the original budgets and the final amended budgets (which have been adjusted for legally authorized revisions during the year). During the year ended December 31, 2009, 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.

## Notes to Financial Statements

December 31, 2009

1. Summary of Significant Accounting Policies (cont.)

- 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 and the net change for the year in the fair value of investments carried at fair value.
- l. **Accounts receivable** – For the primary government, ambulance fees and property tax receivables are shown net of an allowance for uncollectibles. The Commission estimates the accounts receivable at September 30, 2009 to be materially collectible; therefore, no allowance has been established.

Included in the Commission's accounts receivable are unbilled receivables of approximately \$1,560,000 at September 30, 2009, which represent revenues earned in the current period, but not billed to the customer until future dates, usually within one month.

- m. **Inventories** – Inventories, consisting primarily of waterline and sewer materials, are valued at the lower of cost or market using the historical average method of accounting. The costs of governmental fund type inventories are recorded as expenditures when purchased.
- n. **Restricted assets** – Certain proceeds of the City's sales and use tax bonds, as well as resources set aside for their repayment, are classified as restricted assets on the statement of net assets because they are maintained in separate bank accounts and their use is limited by bond covenants.

The balance of the restricted assets accounts in the primary government as of December 31, 2009 is as follows:

Cash and cash equivalents	\$ 12,715,453
Sales and use taxes receivable	<u>1,645,615</u>
Total restricted assets - governmental activities	<u>\$ 14,361,068</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.

## Notes to Financial Statements

December 31, 2009

1. Summary of Significant Accounting Policies (cont.)

The balance of the Commission's restricted assets as of September 30, 2009 is as follows:

Cash - Lowell Construction Fund	\$ 307,601
Cash - Lowell Sewer Expansion Fund	9,790
Cash - Series 2006 Bond Fund	30,996
Certificates of deposit - customer deposits	1,473,409
Certificates of deposit - water construction	17,578,060
Certificates of deposit - sewer construction	11,841,144
Interest receivable	<u>889,825</u>
 Total restricted assets - component unit	 <u>\$ 32,130,825</u>

- o. **Capital assets** – Capital assets, which include property, plant and equipment and infrastructure assets acquired or constructed since 1980, are reported in the government-wide financial statements and the fund financial statements for proprietary funds. Purchased or constructed assets are valued at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of acquisition.

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

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

## Notes to Financial Statements

December 31, 2009

1. Summary of Significant Accounting Policies (cont.)

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

<u>Capital Assets</u>	<u>Years</u>
Land improvements	10 - 30
Buildings	20 - 40
Building improvements	7 - 30
Infrastructure	
Streets and bridges	15 - 50
Drainage	50
Water system	40
Meters and meter equipment	17
Sewer system and plant	20 - 50
Vehicles	5 - 20
Machinery and equipment	5 - 10

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

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

## Notes to Financial Statements

December 31, 2009

1. Summary of Significant Accounting Policies (cont.)

- r. **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.

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

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

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

- t. **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.

**Notes to Financial Statements****December 31, 2009****2. Natural Disaster**

On January 27, 2009, Northwest Arkansas was hit by a major ice storm, resulting in significant damage to area trees and utility lines. The City sustained major damage to trees on City owned property and minor damage to some City buildings. A federal disaster declaration allowed the City to apply for grant funds from the Federal Emergency Management Agency ("FEMA") and the Arkansas Department of Emergency Management ("ADEM"). The City incurred relief and cleanup costs from the storm of approximately \$4,100,000 and has received reimbursement grants totaling approximately \$3,900,000. Removal and disposal of vegetative debris from City streets and property resulted in the most significant storm related expenditures, which totaled approximately \$4,000,000. The City also received a \$57,116 grant from the Arkansas Forestry Commission to replace trees on City property destroyed by the ice storm. The Commission incurred storm related expenditures totaling \$100,650 and has received reimbursement from FEMA in the amount of \$75,487. The Commission also expects to receive an additional reimbursement from ADEM in the amount of \$12,500.

**3. Deposits and Investments***Deposits*

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City and its component units' (except as noted below) deposit policies for custodial credit risk require compliance with the provisions of state law, which requires collateralization of all deposits in excess of the amount insured by the Federal Deposit Insurance Corporation ("FDIC"). These deposits are required to be collateralized with bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the State of Arkansas. The collateral is held by the Federal Reserve Bank, Arkansas Bankers' Bank and First Tennessee Bank. The City's component unit, *the Foundation*, is not required to follow state law regarding collateralization of deposits and does not have a deposit policy for custodial credit risk. At December 31, 2009 (September 30, 2009 for the Commission), the Springdale Public Facilities Board had \$557,404 in deposits exposed to custodial credit risk, as the deposits were uninsured and uncollateralized.

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, 2009

3. Deposits and Investments (cont.)

The bank balances and carrying amount of the City's deposits held as of December 31, 2009 (September 30, 2009 for the Commission) were as follows:

	<u>Primary Government</u>	<u>Discrete Component Unit</u>
Carrying value of deposits	<u>\$ 20,197,872</u>	<u>\$ 31,325,939</u>
Bank balance of deposits	<u>\$ 22,864,242</u>	<u>\$ 34,107,673</u>

*Investments*

Arkansas state statutes authorize the City to invest funds in obligations of the U. S. Government. Funds held by the City's trustee for the credit of the Construction 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 insuring 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, 2009

3. Deposits and Investments (cont.)

At December 31, 2009, the 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	\$ 4,433,529	\$ 10,119	\$ 4,268,521	\$ 113,220	\$ 41,669
U.S. agencies obligations	2,659,983	-	1,867,718	-	792,265
Corporate bonds	3,069,859	72,578	1,343,451	468,399	1,185,431
Money market funds	<u>13,776,424</u>	<u>13,776,424</u>	<u>-</u>	<u>-</u>	<u>-</u>
	\$ 23,939,795	\$ <u>13,859,121</u>	\$ <u>7,479,690</u>	\$ <u>581,619</u>	\$ <u>2,019,365</u>
Common stock	10,370,380				
Mutual funds	252,095				
Investment pools	1,040,442				
Other	<u>110,867</u>				
Total investments	<u>\$ 35,713,579</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 Firemen's Fund 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 Policemen's Fund 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, Arkansas law limits the types of investments that can be made by the City. The City's investment policy, except for investment of bond proceeds as noted above, does not impose limitations beyond those of the State of Arkansas.

The Firemen's Fund 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 Policemen's Fund 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, 2009

3. 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 Firemen's Fund's 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 Policemen's Fund's 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:

	Primary <u>Government</u>	Discrete Component <u>Unit</u>
Reported amount of deposits	\$ 20,197,872	\$ 31,325,939
Cash on hand	1,625	1,600
Investments classified as cash equivalents	13,776,424	-
Deposits classified as investments	<u>(11,177,659)</u>	<u>(30,892,613)</u>
	<u>\$ 22,798,262</u>	<u>\$ 434,926</u>
As reported on the government-wide statement of net assets		
Cash and cash equivalents	\$ 7,820,580	\$ 86,539
Restricted cash and cash equivalents	<u>12,715,453</u>	<u>348,387</u>
	20,536,033	434,926
Cash and cash equivalents reported on the statement of fiduciary net assets	<u>2,262,229</u>	<u>-</u>
	<u>\$ 22,798,262</u>	<u>\$ 434,926</u>

## Notes to Financial Statements

December 31, 2009

3. Deposits and Investments (cont.)

	Primary Government	Discrete Component Unit
Reported amount of investments	\$ 35,713,579	\$ -
Deposits classified as investments	11,177,659	30,892,613
Investments classified as cash equivalents	<u>(13,776,424)</u>	<u>-</u>
	<u>\$ 33,114,814</u>	<u>\$ 30,892,613</u>
As reported on the government-wide statement of net assets		
Investments	\$ 18,019,976	\$ -
Restricted investments	-	30,892,613
Investments reported on the statement of fiduciary net assets	<u>15,094,838</u>	<u>-</u>
	<u>\$ 33,114,814</u>	<u>\$ 30,892,613</u>

## Notes to Financial Statements

December 31, 2009

4. Receivables

Receivables as of the year ended December 31, 2009 for the City's General Fund, Street Fund, 2009 Ice Storm 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>2009 Ice Storm</u>	<u>Capital Projects</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Receivables							
Accounts	\$ 2,427,422	\$ 3,218	\$ -	\$ -	\$ -	\$ 26,139	\$ 2,456,779
Property taxes	5,472,682	1,034,969	-	-	-	-	6,507,651
Sales taxes	1,425,960	-	-	1,644,062	-	-	3,070,022
Franchise taxes	619,581	-	-	-	-	-	619,581
Grants	228,278	15,310	1,351,212	21,347	-	-	1,616,147
Intergovernmental	303,911	243,312	-	-	-	22,786	570,009
Interest	1,468	1,091	-	35,098	-	6,184	43,841
Other	25,010	-	-	-	-	-	25,010
Restricted receivables							
Intergovernmental	-	-	-	-	1,645,615	-	1,645,615
Gross receivables	10,504,312	1,297,900	1,351,212	1,700,507	1,645,615	55,109	16,554,655
Less allowance for uncollectibles	(892,211)	(70,746)	-	-	-	-	(962,957)
Net total receivables	<u>\$ 9,612,101</u>	<u>\$ 1,227,154</u>	<u>\$ 1,351,212</u>	<u>\$ 1,700,507</u>	<u>\$ 1,645,615</u>	<u>\$ 55,109</u>	<u>\$ 15,591,698</u>
<u>Proprietary</u>	<u>Municipal Airport Fund</u>	<u>Other Proprietary Funds</u>	<u>Total</u>				
Receivables							
Accounts	\$ 166,783	\$ 19,391	\$ 186,174				
Interest	-	441	441				
Special assessments	12,600	-	12,600				
Gross receivables	<u>\$ 179,383</u>	<u>\$ 19,832</u>	<u>\$ 199,215</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	\$ 584,513	\$ 584,513	\$ 1,169,026				
Interest	23,877	16,371	40,248				
Gross receivables	<u>608,390</u>	<u>600,884</u>	<u>1,209,274</u>				
Less allowance for uncollectibles	<u>(39,973)</u>	<u>(39,973)</u>	<u>(79,946)</u>				
Net total receivables	<u>\$ 568,417</u>	<u>\$ 560,911</u>	<u>\$ 1,129,328</u>				

## Notes to Financial Statements

December 31, 2009

5. Capital Assets

A summary of changes in capital assets for the year ended December 31, 2009 (September 30, 2009 for the Commission) is presented below:

<u>Governmental Activities</u>	Balance December 31, <u>2008</u>	Additions and <u>Transfers, net</u>	Retirements and <u>Transfers, net</u>	Balance December 31, <u>2009</u>
Capital assets, nondepreciable				
Land	\$ 25,233,562	\$ 101,529	\$ -	\$ 25,335,091
Easements	22,450,796	475,513	-	22,926,309
Museum buildings	469,910	5,409	-	475,319
Construction in progress	59,863,411	15,710,664	64,751,496	10,822,579
Total capital assets, nondepreciable	<u>108,017,679</u>	<u>16,293,115</u>	<u>64,751,496</u>	<u>59,559,298</u>
Capital assets, depreciable				
Land improvements	9,092,555	1,474,845	-	10,567,400
Infrastructure	131,382,552	53,496,250	-	184,878,802
Buildings and improvements	56,763,483	273,927	12,090	57,025,320
Machinery and equipment	25,103,023	4,805,153	303,686	29,604,490
Intangibles	794,615	62,004	-	856,619
Total capital assets, depreciable	<u>223,136,228</u>	<u>60,112,179</u>	<u>315,776</u>	<u>282,932,631</u>
Less accumulated depreciation				
Land improvements	2,452,896	330,039	-	2,782,935
Infrastructure	29,697,773	5,873,454	-	35,571,227
Buildings and improvements	7,299,056	1,710,278	12,090	8,997,244
Machinery and equipment	11,642,685	2,635,798	303,686	13,974,797
Intangibles	587,506	75,329	-	662,835
Total accumulated depreciation	<u>51,679,916</u>	<u>10,624,898</u>	<u>315,776</u>	<u>61,989,038</u>
Total governmental activities, net	<u>\$ 279,473,991</u>	<u>\$ 65,780,396</u>	<u>\$ 64,751,496</u>	<u>\$ 280,502,891</u>

## Notes to Financial Statements

December 31, 2009

5. Capital Assets (cont.)

<u>Business-type Activities</u>	Balance December 31, 2008	Additions and Transfers, net	Retirements and Transfers, net	Balance December 31, 2009
Capital assets, nondepreciable				
Land	\$ 2,767,944	\$ 20,687	\$ -	\$ 2,788,631
Construction in progress	10,214	3,678	-	13,892
Total capital assets, nondepreciable	<u>2,778,158</u>	<u>24,365</u>	<u>-</u>	<u>2,802,523</u>
Capital assets, depreciable				
Land improvements	6,697,065	169,088	-	6,866,153
Buildings and improvements	4,724,379	-	3,935	4,720,444
Machinery and equipment	1,439,194	9,141	3,213	1,445,122
Total capital assets, depreciable	<u>12,860,638</u>	<u>178,229</u>	<u>7,148</u>	<u>13,031,719</u>
Less accumulated depreciation				
Land improvements	4,566,308	195,219	-	4,761,527
Buildings and improvements	2,405,866	153,645	3,935	2,555,576
Machinery and equipment	1,182,884	55,904	3,213	1,235,575
Total accumulated depreciation	<u>8,155,058</u>	<u>404,768</u>	<u>7,148</u>	<u>8,552,678</u>
Total business-type activities, net	<u>\$ 7,483,738</u>	<u>\$ (202,174)</u>	<u>\$ -</u>	<u>\$ 7,281,564</u>
<u>Business-type Activities Component Unit</u>	Balance September 30, 2008	Additions and Transfers, net	Retirements and Transfers, net	Balance September 30, 2009
Capital assets, nondepreciable				
Land	\$ 2,115,141	\$ -	\$ -	\$ 2,115,141
Easements	2,076,316	417,238	-	2,493,554
Construction in progress	7,581,596	1,840,148	-	9,421,744
Total capital assets, nondepreciable	<u>11,773,053</u>	<u>2,257,386</u>	<u>-</u>	<u>14,030,439</u>
Capital assets, depreciable				
Buildings and improvements	5,358,401	47,670	-	5,406,071
Water and sewer systems	231,467,056	13,211,597	141,064	244,537,589
Machinery and equipment	4,032,387	184,312	-	4,216,699
Total capital assets, depreciable	<u>240,857,844</u>	<u>13,443,579</u>	<u>141,064</u>	<u>254,160,359</u>
Less accumulated depreciation				
Buildings and improvements	2,193,227	178,020	139,463	2,231,784
Water and sewer systems	65,878,065	6,137,489	-	72,015,554
Machinery and equipment	2,989,584	272,280	-	3,261,864
Total accumulated depreciation	<u>71,060,876</u>	<u>6,587,789</u>	<u>139,463</u>	<u>77,509,202</u>
Total component unit activities, net	<u>\$ 181,570,021</u>	<u>\$ 9,113,176</u>	<u>\$ 1,601</u>	<u>\$ 190,681,596</u>

## Notes to Financial Statements

December 31, 2009

5. 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	\$ 180,540
City attorney	2,473
District court	4,062
Bluff cemetery	7,249
Community development	
Planning and engineering	11,639
Community development and housing	3,927
Culture and recreation	
Parks and recreation	1,952,812
Public library	170,387
Shiloh museum	47,798
Public safety	
Animal services	21,320
Building and code enforcement	32,547
Fire	435,069
Police	585,216
Public works	<u>7,169,859</u>
Total governmental activities	<u>10,624,898</u>
Business-type activities	
Municipal airport	221,784
Aquatic center	168,058
Parks soccer program	4,826
Sanitation	<u>10,100</u>
Total business-type activities	<u>404,768</u>
Total depreciation expenses - primary government	<u>\$ 11,029,666</u>
Component unit	
City of Springdale, Arkansas Water and Sewer	<u>\$ 6,587,789</u>

## Notes to Financial Statements

December 31, 2009

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended December 31, 2009 for the primary government were as follows:

<u>Governmental Activities</u>	Balance December 31, 2008	<u>Increases</u>	<u>Decreases</u>	Balance December 31, 2009	Due Within One Year
Bonds payable					
Sales and use tax bonds	\$ 114,875,000	\$ -	\$ 5,095,000	\$ 109,780,000	\$ 4,210,000
Add issuance premium	2,671,793	-	242,557	2,429,236	-
Bonds payable, net	<u>117,546,793</u>	<u>-</u>	<u>5,337,557</u>	<u>112,209,236</u>	<u>4,210,000</u>
Other long-term debt					
Capital leases payable	7,038	-	7,038	-	-
Yield reduction payment payable	205,000	397	205,397	-	-
Compensated absences	1,424,331	1,780,698	1,749,723	1,455,306	10,836
OPEB liabilities	281,160	284,544	-	565,704	-
Total other long-term debt	<u>1,917,529</u>	<u>2,065,639</u>	<u>1,962,158</u>	<u>2,021,010</u>	<u>10,836</u>
Total	<u>\$ 119,464,322</u>	<u>\$ 2,065,639</u>	<u>\$ 7,299,715</u>	<u>\$ 114,230,246</u>	<u>\$ 4,220,836</u>
<u>Business-type Activities</u>					
Other long-term debt					
Deferred revenue	\$ 20,400	\$ -	\$ 7,800	\$ 12,600	\$ 9,000
Compensated absences	3,848	9,548	10,409	2,987	-
Total other long-term debt	<u>\$ 24,248</u>	<u>\$ 9,548</u>	<u>\$ 18,209</u>	<u>\$ 15,587</u>	<u>\$ 9,000</u>

Changes in long-term liabilities for the year ended September 30, 2009 for the City's discretely presented component unit were as follows:

<u>City of Springdale, Arkansas Water and Sewer</u>	Balance September 30, 2008	<u>Increases</u>	<u>Decreases</u>	Balance September 30, 2009	Due Within One Year
Bonds payable					
Revenue bonds, Series 2001	\$ 2,135,000	\$ -	\$ 2,135,000	\$ -	\$ -
Revenue bonds, Series 2006	3,505,000	-	55,000	3,450,000	65,000
Add issuance premium	22,878	-	22,878	-	-
Bonds payable, net	<u>\$ 5,662,878</u>	<u>\$ -</u>	<u>\$ 2,212,878</u>	<u>\$ 3,450,000</u>	<u>\$ 65,000</u>

## Notes to Financial Statements

December 31, 2009

6. 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 outstanding principal of the defeased bonds was \$11,295,000 at December 31, 2009. 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 2009 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 2009, the City used surplus tax receipts to call and redeem \$1,045,000 in bonds.

## Notes to Financial Statements

December 31, 2009

6. 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 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, 2009, the City held investments equal to \$1,697,036 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 \$242,557 for 2009.

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 2009.

Debt service requirements of the Sales and Use Tax Refunding and Improvement Bonds, Series 2006 at December 31, 2009 were as follows:

<u>Primary Government</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 4,210,000	\$ 4,972,550
2011	4,385,000	4,804,150
2012	4,475,000	4,628,750
2013	4,700,000	4,408,200
2014	4,920,000	4,187,600
2015 - 2019	28,490,000	17,168,150
2020 - 2024	36,365,000	9,599,188
2025 - 2027	<u>22,235,000</u>	<u>1,678,793</u>
	<u>\$ 109,780,000</u>	<u>\$ 51,447,381</u>

*Water and Sewer Revenue Bonds – Business-Type Component Unit***Series 2001**

The City of Springdale, Arkansas, Water and Sewer Revenue Bonds, Series 2001 were issued on September 18, 2001, in the amount of \$15,000,000 to finance a portion of the costs of an expansion to the City's waste water treatment plant, which is a part of the City's water and sewer system. These bonds were issued for a period of eight years with interest payable semiannually on March 1 and September 1. Interest rates vary from 3.75% to 4.0% on these bonds based upon their maturity dates. Principal payments are due annually on September 1. The bonds were paid in full in 2009.

## Notes to Financial Statements

December 31, 2009

6. Long-Term Liabilities (cont.)

The bonds were issued at a premium of \$199,666, which is being amortized over the life of the bonds using the straight line method. Bond premium amortization was \$22,878 for 2009.

Bond issue costs of \$253,498 were incurred in the issuance of these bonds. These costs are being amortized over the life of the bonds using the straight-line method. Bond issue cost amortization was \$29,048 for 2009.

**Series 2006**

The City of Springdale, Arkansas Water and Sewer Revenue Bonds, Series 2006, were issued August 10, 2006, in the amount of \$3,600,000. The purpose of the bonds was to finance a portion of the costs of improvements to the sewer facilities of the City. The interest rate on the bonds is 5%, interest and principal are payable 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.

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 \$3,749 for 2009.

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

Component Unit	<u>Principal</u>	<u>Interest</u>
<u>City of Springdale, Arkansas Water and Sewer</u>		
2010	\$ 65,000	\$ 171,500
2011	80,000	168,250
2012	95,000	164,000
2013	110,000	159,125
2014	175,000	152,750
2015 - 2019	1,025,000	620,625
2020 - 2024	1,305,000	333,875
2025 - 2026	<u>595,000</u>	<u>36,250</u>
	<u>\$ 3,450,000</u>	<u>\$ 1,806,375</u>

*Capital Leases*

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

## Notes to Financial Statements

December 31, 2009

6. Long-Term Liabilities (cont.)

Assets acquired through capital leases as of December 31, 2009 were as follows:

	Primary Government		Discrete Component Unit
	Governmental Activities	Business-type Activities	
Assets acquired			
Machinery and equipment	\$ 210,848	\$ -	\$ -
Less accumulated depreciation	<u>(115,966)</u>	<u>-</u>	<u>-</u>
 Total assets acquired	 <u>\$ 94,882</u>	 <u>\$ -</u>	 <u>\$ -</u>

The final lease payment was paid in 2009.

*Applicability of Federal Arbitrage Regulations*

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

Based upon interim calculations, the City has no arbitrage liability as of December 31, 2009. However, a "yield reduction payment" of \$205,397 was due and paid in 2009 because the yield on the construction fund investments materially exceeded the yield on the Series 2004 bonds.

*Conduit Debt Obligations*

From time to time, the City has issued various bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the state, nor any political subdivision thereof, is obligated in any manner for repayment of the bonds.

The City of Springdale Residential Housing and & Health Care Facilities Board Single Family Mortgage Revenue Refunding Bonds, Series 1994A and 1994B, have an outstanding aggregate principal amount payable of \$14,956 as of December 31, 2009.

## Notes to Financial Statements

December 31, 2009

7. 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 2009 Ice Storm Fund has an interfund operating cash loan from the General Fund related to ice storm expenditures. This will be reimbursed from federal and state grant funds. The Municipal Airport Fund has an interfund operating cash loan from the General Fund related to the runway rehabilitation project which will be reimbursed once federal grant revenues are received for the project. The 2006 Street Improvement Construction Fund has a receivable from the Commission for water and sewer construction costs related to Wagon Wheel Rd. improvements. The General Fund and Sales and Use Tax Funds have interfund receivables and payables primarily related to City sales taxes collected which are transferred to the General Fund for operations and maintenance

Interfund receivables and payables as of December 31, 2009 are as follows:

<u>Primary Government</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds		
General	\$ 1,934,299	\$ 1,374,861
Street	9,491	-
Sales and use tax	1,369,625	420,506
2009 Ice Storm	-	1,315,581
2006 street improvement construction	86,346	1,608
Baseball Stadium Construction	-	68
Springdale public library	11,194	-
District court	34,680	379
Bluff cemetery	-	11,194
Total governmental funds	<u>3,445,635</u>	<u>3,124,197</u>
Proprietary funds		
Municipal airport	-	115,000
City Attorney Restitution	-	45
Total proprietary funds	<u>-</u>	<u>115,045</u>
Component unit	<u>-</u>	<u>86,346</u>

## Notes to Financial Statements

December 31, 2009

7. Individual Fund Disclosures (cont.)

<u>Primary Government</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Fiduciary funds		
Firemen's relief and pension	\$ -	\$ 674
Policemen's pension and relief	9,604	-
Payroll agency	-	3,000
Police bond and fine agency	-	60,235
District court agency	59,937	198,635
Administration of justice agency	86,595	13,537
Police evidence agency	-	102
Total fiduciary funds	<u>156,136</u>	<u>276,183</u>
 Total	 <u>\$ 3,601,771</u>	 <u>\$ 3,601,771</u>

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, 2009 are as follows:

<u>Primary Government</u>	<u>Operating Transfers</u>	
	<u>In</u>	<u>Out</u>
Governmental funds		
General	\$ 6,868,663	\$ 1,323,949
Street	342,650	7,128
Sales and use tax	-	7,270,960
2009 Ice Storm	195,129	-
2004 street improvement construction	-	13,054
2006 street improvement construction	412,883	-
Debt service fund	7,128	-
Public library	328,570	-
District court	457,600	-
Total governmental funds	<u>8,612,623</u>	<u>8,615,091</u>

## Notes to Financial Statements

December 31, 2009

7. Individual Fund Disclosures (cont.)

<u>Primary Government</u>	<u>Operating Transfers</u>	
	<u>In</u>	<u>Out</u>
Proprietary funds		
Municipal Airport	\$ 25,468	\$ -
City attorney restitution	-	23,000
Total proprietary funds	<u>25,468</u>	<u>23,000</u>
 Total	 <u>\$ 8,638,091</u>	 <u>\$ 8,638,091</u>

8. Pension Plans

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

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

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

**Method Used to Determine Fair Value of Investments**

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

## Notes to Financial Statements

December 31, 2009

8. Pension Plans (cont.)*Membership Information*

At December 31, 2009, 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 Firemen's Fund is a single-employer defined benefit pension plan administered by the City, established in accordance with legislation enacted by the Arkansas General Assembly. Plan assets are administered by a Board of Trustees consisting of the Mayor, City Clerk/Treasurer, and four active or retired firemen.

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

Contributions to the Firemen's Fund are set forth in Arkansas Code. The City's contribution to the Firemen's Fund consists of a one-half mill real and personal property tax collection and an insurance premium tax turnback collected by the State Insurance Commissioner. Additionally, the City contributes six percent (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 Firemen's Fund 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 Firemen's Fund. Total contributions to the Firemen's Fund in 2009 were \$590,071. The City's share of contributions was \$562,939, and included \$512,330 in property taxes, \$43,253 in state insurance premium taxes and employer contribution match of \$7,356.

**Notes to Financial Statements****December 31, 2009****8. Pension Plans (cont.)**

As of December 31, 2008, the most recent actuarial valuation date, the Firemen's Fund was 59.7% funded. The actuarial accrued liability for benefits was \$13,912,477 and the actuarial value of assets was \$8,308,514, resulting in an actuarial unfunded accrued liability of \$5,603,963. The covered payroll (annual payroll of active employees covered by the plan) was \$119,739, and the ratio of the unfunded actuarial liability to annual covered payroll was 4680.2%.

**Policemen's Pension and Relief Fund**

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

The Policemen's Fund provides retirement benefits for policemen who have completed 20 years of service. Disability benefits are available to policemen who become permanently disabled, unless the disability is the direct result of gainful employment performed outside of the police department. The Policemen's Fund also provides benefits for surviving spouses and dependent children of deceased policemen. No benefits are vested to participants until normal retirement. At normal retirement, participants may elect to continue working and enter the DROP for up to five years. All policemen hired after January 1, 1983, participate in the Arkansas Local Police and Fire Retirement System created by Act 364 of 1981. Therefore, the Policemen's Fund is effectively closed to new members.

Contributions to the Policemen's Fund are set forth in Arkansas Code. The City's contribution to the Policemen's Fund consists of a one-half mill real and personal property tax collection, an insurance premium tax turnback collected by the State Insurance Commissioner, a \$3 assessment against each court case plus 10 percent (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 Policemen's Fund. Total contributions to the Policemen's Fund were \$804,438 in 2009. The City's share of contributions was \$759,327 and included \$512,330 in property taxes, \$127,671 in state insurance premium taxes, \$84,033 in fines and forfeitures, \$34,894 in court costs and \$399 from the sale of confiscated goods.

As of December 31, 2008, the most recent actuarial valuation date, the Policemen's Fund was 48.3% funded. The actuarial accrued liability for benefits was \$14,835,889 and the actuarial value of assets was \$7,165,028, resulting in an actuarial unfunded accrued liability of \$7,670,861. The Policemen's Fund 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.

## Notes to Financial Statements

December 31, 2009

8. Pension Plans (cont.)*Actuarial Methods and Assumptions*

The annual required contributions to the Plans for 2009 were determined as a part of actuarial studies as of December 31, 2008, using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7% 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 Obligation <u>(Asset)</u>
Firemen's Relief and Pension Fund	12/31/2006	\$ 930,188	51.3%	\$ 2,279,902
	12/31/2007	860,502	66.1%	2,571,311
	12/31/2008	523,721	102.3%	2,559,360
Policemen's Pension and Relief Fund	12/31/2006	\$ 665,806	94.9%	\$ 173,688
	12/31/2007	660,596	110.0%	107,831
	12/31/2008	940,176	72.7%	364,670

Actuarial valuations for the Firemen's and Policemen's Funds are performed biannually. Listed below are the City's projected annual pension cost and the net pension obligation from the 2008 actuarial reports.

	<u>2008 Annual Pension Cost and Net Pension Obligation (Asset)</u>	
	<u>Firemen's Relief and Pension Fund</u>	<u>Policemen's Pension and Relief Fund</u>
Annual required contribution	\$ 932,398	\$ 957,314
Interest on net pension obligation	154,279	6,470
Adjustment to annual required contribution	<u>562,956</u>	<u>23,608</u>
Annual pension cost	523,721	940,176
Contributions made	<u>535,672</u>	<u>683,337</u>
Increase (decrease) in net pension obligation	(11,951)	256,839
Net pension obligation (asset) - beginning of year	<u>2,571,311</u>	<u>107,831</u>
Net pension obligation (asset) - end of year	<u>\$ 2,559,360</u>	<u>\$ 364,670</u>

## Notes to Financial Statements

December 31, 2009

9. 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 six percent. There are no voluntary contributions. For the year ended December 31, 2009, employer and employee contributions to the plan were \$360,386 and \$180,194, respectively.

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

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

*Agent Multiple-Employer Defined Benefit Pension Plans*

The LOPFI is a statewide agent multiple-employer retirement program that provides retirement, disability, and survivor benefits to police and fire employees of political subdivisions of the State of Arkansas. LOPFI was created by Act 364 of the 1981 General Assembly. The authority to establish and amend benefit provisions is set forth in Arkansas state statutes, and is vested in the Arkansas Legislature with the concurrence of the Governor. Employees hired after January 1, 1983, whose political subdivision had a retirement system in effect at July 1, 1981, are eligible to participate in the plan. LOPFI issues a publicly available financial report that includes financial statements and required supplementary information of the Plan, which may be obtained 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. Effective July 1, 2009, participating firemen are required to contribute eight and one-half percent (8.5%) of annual covered salary; prior to that date, the required contribution rate was six percent (6%). Effective July 1, 2009, participating policemen are required to contribute two and one-half percent (2½ %) of annual covered salary. The City is required to contribute at an actuarially determined rate, which was 16.86% for paid firemen and 18.21% for paid policemen for 2009. At December 31, 2009, there were 109 active paid firemen and 117 active paid policemen, and covered payroll was \$4,565,618 and \$4,671,124, respectively.

## Notes to Financial Statements

December 31, 2009

9. Retirement Plans (cont.)

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

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

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

For 2009, the City's annual pension cost was \$778,297 for paid firemen and \$854,582 for paid policemen, which was equal to the required and actual contributions. The required contribution was determined as part of the December 31, 2007 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on present and future assets of 8.0% per year, compounded annually, (b) projected salary increase of 4.0% per year, compounded annually, attributable to wage inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, attributable to seniority/merit, (d) pre- and post- retirement mortality based on the RP-2000 Combined Projected to 2007 Group Annuity Mortality table, set forward two years for men, and (e) annual compounded post-retirement increases of 3.0% per year. The actuarial value of assets was determined using techniques that smooth the short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability (and assets in excess of actuarial accrued liability) is being amortized as a level percentage of projected payrolls on an open basis. The amortization period as of December 31, 2007 was 30 years.

**Three-Year Trend Information**

	<u>Year Ended</u>	<u>Annual Pension Cost ("APC")</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
LOPFI - Firemen	12/31/2007	\$ 775,600	100.0%	\$ -
	12/31/2008	795,405	100.0%	-
	12/31/2009	778,297	100.0%	-

## Notes to Financial Statements

December 31, 2009

9. Retirement Plans (cont.)

	<u>Year Ended</u>	Annual Pension Cost ("APC")	Percentage of APC <u>Contributed</u>	Net Pension Obligation (Asset)
LOPFI - Policemen	12/31/2007	\$ 812,527	100.0%	\$ -
	12/31/2008	873,948	100.0%	-
	12/31/2009	854,582	100.0%	-

*District Judges and Court Clerk's Retirement System*

On January 1, 2005, the district judge became a member of the ADJRS, a state administered defined benefit plan. Employer contributions for 2009 were 15.48% of covered payroll for January through June, and 16% of covered payroll from July through December; the judge's contribution rate was 5%. The annual pension cost and covered payroll were \$15,979 and \$101,431, respectively, for 2009. The judge's contribution was \$5,072 for 2009. There is one retired clerk receiving benefits from ADJRS.

On January 1, 2005, the district court clerk became a member of the APERS, a state administered defined benefit plan. Employer contributions for 2009 were 11.01% of covered payroll for January through June, and 11.0% of covered payroll from July through December; the court clerk's contribution rate was 5%. The annual pension cost and covered payroll were \$4,877 and \$44,316, respectively, for 2009. The court clerk's contribution was \$2,216 for 2009.

*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 the employer contributions and interest thereon is determined as follows: 20% vested after two years of participation, and additional 10% each year thereafter until the participant is vested 100% after 10 years of service.

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

## Notes to Financial Statements

December 31, 2009

9. **Retirement Plans (cont.)**

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

The Commission accounts for its current employee contributions as pension costs in the year paid. For the year ended September 30, 2009, the Commission's total payroll, covered payroll and contributions were as follows:

Total payroll	\$ 3,807,851
Covered payroll	\$ 3,711,883
Employer's contributions	
Amount	\$ 181,210
Percentage of covered payroll	4.88%
Employees' contributions	
Amount	\$ 104,001
Percentage of covered payroll	2.80%

10. **Deferred Compensation Plans**

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

The plan, available to all full time City employees, permits them to defer until future years up to 25% of annual gross earnings not to exceed \$16,500. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

*Deferred Compensation Plan – Discretely Presented Component Unit*

Employees of the Commission are eligible to participate in a deferred compensation plan adopted in January 1976, created in accordance with the IRC, and amended from time to time in compliance with IRC regulations. The assets are held by Jackson National Life and remain the property of the Commission until paid to the employees, subject only to the claims of the Commission's general creditors. The Commission makes no contributions to this plan. The only contributions to the plan are employee elective deferrals.

## Notes to Financial Statements

December 31, 2009

11. 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 but 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, 2009, the date of the actuarial valuation, the plan has nine active participants who pay monthly premiums between \$326 for single coverage to \$658 for retiree/spouse 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. 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:

Annual required contribution ("ARC")	\$ 350,425
Interest on net OPEB obligation	12,652
Adjustment to annual required contribution	<u>(10,490)</u>
Annual OPEB cost	352,587
Total annual employer contribution (PAYGO cost)	<u>(68,043)</u>
Increase in net OPEB obligation	284,544
Net OPEB obligation - beginning of year	<u>281,160</u>
Net OPEB obligation - end of year	<u>\$ 565,704</u>

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

## Notes to Financial Statements

December 31, 2009

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

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

Normal cost	\$ 241,792
Amortization of UAAL	93,543
Interest cost	<u>15,090</u>
Annual required contribution	<u>\$ 350,425</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and 2008 is as follows:

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

*Funded Status and Funding Progress*

As of January 1, 2009, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$2,620,006 and the actuarial value of assets was zero, resulting in an UAAL of \$2,620,006. The covered payroll was \$16,248,385 and the ratio of the UAAL to the covered payroll was 16.1%.

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

*Actuarial Methods and Assumptions*

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

## Notes to Financial Statements

December 31, 2009

11. **Other Postemployment Benefits ("OPEB") (cont.)**

In the January 1, 2009 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5% investment rate of return based upon funding the plan in the future and an annual healthcare cost trend rate of 9% for 2009, reduced by decrements to an ultimate rate of 4.5% in 2016. 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, 2009.

*Discretely Presented Component Unit*

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

12. **Risk Management**

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

Coverage is provided both commercially and through the Arkansas Municipal League ("AML"), which is an association of local governments. AML provides the City with automobile, legal defense and 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 2008 to 2009, nor have settlement amounts exceeded insurance coverage for each of the past three years.

13. **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.

## Notes to Financial Statements

December 31, 2009

13. Property Taxes (cont.)

In the governmental funds, property taxes are measurable when levied even though not available. As a result, at December 31, 2009 property taxes receivable and related deferred revenues of \$5,384,277 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 2009 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 \$6,522,395 of additional taxes could be raised per year based on the current year's assessed value of \$808,481,657 for real property and \$226,819,082 for personal property before the limit is reached.

14. Sales Taxes

In October 1981, Washington County began assessing a 1% sales and use tax on retail sales in the county. Each city in Washington County receives a portion of the tax based upon population of the city. Currently, the City receives approximately 22.21% of the county tax. The tax is collected by the state, and remitted to the City, net of a collection fee. Taxes for this purpose remitted to the City totaled \$7,938,506 for 2009 and are included in the General Fund's tax revenues in the accompanying financial statements.

In July 1992, the City began assessing a 1% sales and use tax on retail sales in the City, upon approval of the tax by the City's voters. Revenues are used to fund capital improvement projects (75%) and general municipal operations and maintenance (25%). The tax is collected by the state, and remitted to the City, net of a 3% collection fee. Taxes for this purpose remitted to the City totaled \$9,859,170 for 2009, and are included in the Sales and Use Tax Fund's tax revenues in the accompanying financial statements.

In August 1998, Benton County began assessing a 1% sales and use tax on retail sales in the county. Each city in Benton County receives a portion of the tax based upon population of the city. Currently, the City receives approximately 1.30% of the county tax. The tax is collected by the state, and remitted to the City, net of a collection fee. Taxes for this purpose remitted to the City totaled \$383,953 for 2009 and are included in the General Fund's tax revenues in the accompanying financial statements.

## Notes to Financial Statements

December 31, 2009

14. Sales Taxes (cont.)

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 6). This tax replaced the additional 1% sales and use tax approved by City voters in August 2003, which was pledged for payment of the principal and interest on the Series 2004 Bonds. The City began assessing the original tax in October 2003. The tax is collected by the state, and remitted to the City, net of a 3% collection fee. Taxes for this purpose remitted to the City totaled \$9,863,376 for 2009, and are included in the Debt Service Fund's tax revenues in the accompanying financial statements. This tax will sunset upon retirement of all related debt.

In April 2009, the Arkansas General Assembly passed Act 840 of 2009 regarding the disposition of city and county sales taxes on aviation fuel. Act 840 stated that money collected that is derived from a tax on aviation fuel that is not dedicated to a specific purpose shall be transmitted to the publically owned airport where the aviation fuel was sold. Therefore, beginning in July 2009, taxes collected on aviation fuel by the state are remitted to the City's Municipal Airport, net of a 3% collection fee. Taxes for this purpose remitted to the City's Municipal Airport for City and Washington County totaled \$4,206 and \$3,154, respectively, and are included as nonoperating revenue for the Municipal Airport Fund in the accompanying financial statements.

15. Commitments and Contingencies*Construction Commitments*

Outstanding commitments at December 31, 2009 under authorized contracts for capital projects of governmental funds are as follows:

<u>Primary Government</u>	Expenditures Incurred to December 31, 2009	Remaining Commitments at December 31, 2009
Governmental activities		
Capital projects		
Streets	\$ 9,371,770	\$ 7,640,164
Parks	-	-
	<hr/>	<hr/>
Total commitments - primary government	<u>\$ 9,371,770</u>	<u>\$ 7,640,164</u>

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

## Notes to Financial Statements

December 31, 2009

15. **Commitments and Contingencies (cont.)***Litigation*

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

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

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

*Contingencies*

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

16. **Prior Period Adjustment**

The Public Facilities Board's financial statements include a prior period adjustment to write off construction in progress, which should have been expensed for fund financial statement purposes. As a result, at December 31, 2008, fund balance has been reduced by \$42,500. City-wide statements were not adjusted, as construction in progress is capitalized under the accrual method of accounting.

## Notes to Financial Statements

December 31, 2009

17. 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, 2009:

*Balance Sheet*Assets

Current assets	\$ 3,986,197
Restricted assets	32,130,825
Capital assets, net of accumulated depreciation	190,681,596
Noncurrent assets	<u>19,062</u>
Total assets	<u>\$ 226,817,680</u>

Liabilities

Current liabilities	\$ 2,085,518
Noncurrent liabilities	<u>3,385,000</u>
Total liabilities	<u>\$ 5,470,518</u>

Net Assets

Invested in capital assets, net of related debt	187,234,027
Restricted	32,099,829
Unrestricted	<u>2,013,306</u>
Total net assets	<u>\$ 221,347,162</u>

## Notes to Financial Statements

December 31, 2009

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</u>
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Water	\$ 11,407,642	\$ 13,374,331	\$ 75,487	\$ 2,364,077	\$ 4,406,253
Sewer	9,272,930	11,083,492	-	4,005,668	5,816,230
Total business-type activities	<u>\$ 20,680,572</u>	<u>\$ 24,457,823</u>	<u>\$ 75,487</u>	<u>\$ 6,369,745</u>	<u>10,222,483</u>
General revenues (expenses)					
Investment earnings					1,652,259
Interest expenses and other charges					(237,022)
Gain on sale of assets					6,498
Total general revenues					<u>1,421,735</u>
Changes in net assets					11,644,218
Net assets - beginning of year					<u>209,702,944</u>
Net assets - end of year					<u>\$ 221,347,162</u>

18. 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. 51, "Accounting and Financial Reporting for Intangible Assets." This statement establishes standards of accounting and financial reporting for intangible assets for all state and local governments. This statement becomes effective for financial statements for periods beginning after June 15, 2009. City management has not determined the impact this statement will have on its financial statements.

## Notes to Financial Statements

December 31, 2009

18. New GASB Pronouncements (cont.)

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

GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments," issued June 2008, will be effective for the City beginning with its year ending December 31, 2010. This statement will improve how state and local governments report information about derivative instruments in their financial statements. The statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this statement also addresses hedge accounting requirements. The effect of this statement has not yet been determined.

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," issued March 2009, will be effective for the City beginning with its year ending December 31, 2011. This statement is intended to improve the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this statement to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new statement establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints. The effect of this statement has not yet been determined.

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 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, 2009****19. Pledge of Future Revenues**

The Commission has pledged future water and sewer revenue to pay the debt of the Series 2001 and Series 2006 Revenue Water and Sewer Bonds. Proceeds from the bonds provided financing for the expansion of the sewer treatment plant and sewer system. The bonds are payable from the pledged revenue and are payable through 2026. Annual principal and interest payments on the bonds are expected to be paid fully from the water and sewer revenue. The total principal and interest remaining to be paid on the bonds is \$5,256,375. Principal and interest paid for the current year and pledged revenue was \$229,500.

**20. Subsequent Events**

In April 2010, the Standard & Poor's Ratings Services lowered its underlying rating on the City's Series 2006 Sales and Use Tax Refunding and Improvement bonds two notches from 'AA-' to 'A', based upon the City's declining sales tax revenues. For 2009, pledged sales tax revenue generated a maximum annual debt service coverage of 1.07x. The closed flow of funds, closed lien and mandatory early redemption clauses in the bonds' legal provisions mitigate the weaknesses caused by declining sales tax revenue. On January 1, 2010, the City used surplus sales tax revenue to call and redeem \$480,000 in bonds originally due July 1, 2027.

In July 2010, \$75,000 of the City's Series 2006 Sales and Use Tax Refunding and Improvement bonds were called early.

**CITY OF SPRINGDALE, ARKANSAS**

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

**For the Year Ended December 31, 2009**

	Actuarial Valuation Date	Actuarial Value of Assets (a)
Firemen's Relief and Pension Fund	12/31/1999	\$ 11,945,698
	12/31/2001	12,103,885
	12/31/2003	11,502,740
	b 12/31/2005	11,414,649
	a 12/31/2007	11,193,261
	12/31/2008	8,308,514
Policemen's Pension and Relief Fund	12/31/1999	9,276,276
	12/31/2001	9,099,818
	12/31/2003	8,945,332
	b 12/31/2005	9,967,476
	a 12/31/2007	10,594,321
	12/31/2008	7,165,028
Local Police and Fire Retirement System - Paid Firemen	12/31/2004	6,375,887
	12/31/2005	7,531,495
	12/31/2006	9,272,909
	12/31/2007	11,360,705
	12/31/2008	12,049,911
	12/31/2009	12,821,925
Local Police and Fire Retirement System - Volunteer Firemen	12/31/2004	10,865
	12/31/2005	12,451
	12/31/2006	N/A
	12/31/2007	N/A
	12/31/2008	N/A
	12/31/2009	N/A
Local Police and Fire Retirement System - Policemen	12/31/2004	5,199,753
	12/31/2005	5,706,520
	12/31/2006	6,140,075
	12/31/2007	7,257,780
	12/31/2008	7,182,654
	12/31/2009	6,689,322
Other Postemployment Benefit Plan ("OPEB") Healthcare Plan	c 1/1/2008	-
	1/1/2009	-

- a. For this valuation, in consultation with the Pension Review Board, the assumptions were changed to a 7% discount rate and 83GAM mortality.
- b. These are the results at the assumptions used in previous valuations, 6% discount, 71GAM mortality.
- c. 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)
\$ 12,692,061	\$ 746,363	94.1%	\$ 486,603	153.4%
16,971,518	4,867,633	71.3%	438,067	1111.2%
17,358,658	5,855,918	66.3%	139,793	4189.0%
16,907,308	5,492,659	67.5%	107,698	5100.1%
15,320,987	4,127,726	73.1%	119,739	3447.3%
13,912,477	5,603,963	59.7%	119,739	4680.2%
10,368,517	1,092,241	89.5%	598,532	182.5%
11,651,301	2,551,483	78.1%	400,584	636.9%
12,948,344	4,003,012	69.1%	160,303	2497.1%
13,180,480	3,213,004	75.6%	-	N/A
14,966,866	4,372,545	70.8%	-	N/A
14,835,889	7,670,861	48.3%	-	N/A
8,065,272	1,689,385	79.0%	3,062,336	55.0%
9,032,836	1,501,341	83.0%	3,342,774	45.0%
10,835,111	1,562,202	86.0%	3,920,500	40.0%
12,951,230	1,590,525	88.0%	4,491,735	35.0%
15,220,147	3,170,236	79.0%	4,175,696	76.0%
17,081,282	4,259,357	75.0%	4,565,618	93.0%
19,855	8,990	55.0%	N/A	N/A
21,367	8,916	58.0%	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
7,400,359	2,200,606	70.0%	3,483,157	63.0%
8,608,058	2,901,538	66.0%	3,615,225	80.0%
9,298,333	3,158,258	66.0%	3,993,676	79.0%
10,650,082	3,392,302	68.0%	4,538,522	75.0%
12,824,238	5,641,584	56.0%	4,755,734	119.0%
12,894,227	6,204,905	52.0%	4,671,124	133.0%
2,459,277	2,459,277	0.0%	15,623,447	15.7%
2,620,006	2,620,006	0.0%	16,248,385	16.1%

See accompanying notes to the basic financial statements.

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

**For the Year Ended December 31, 2009**

	<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
Firemen's Relief and Pension Fund	12/31/2004	1,300,073	38.8%
	12/31/2005	1,300,073	42.0%
	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	45.9%
Policemen's Pension and Relief Fund	12/31/2004	909,449	63.8%
	12/31/2005	909,449	72.5%
	12/31/2006	687,331	91.9%
	12/31/2007	687,331	105.7%
	12/31/2008	957,314	71.4%
	12/31/2009	1,679,439	45.2%
Local Police and Fire Retirement System - Firemen	12/31/2004	342,199	100.0%
	12/31/2005	408,351	100.0%
	12/31/2006	613,558	100.0%
	12/31/2007	775,600	100.0%
	12/31/2008	795,387	100.0%
	12/31/2009	778,297	100.0%
Local Police and Fire Retirement System - Policemen	12/31/2004	511,706	100.0%
	12/31/2005	515,221	100.0%
	12/31/2006	699,986	100.0%
	12/31/2007	812,527	100.0%
	12/31/2008	873,948	100.0%
	12/31/2009	854,582	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, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Taxes				
Sales	\$ 8,901,000	\$ 8,901,000	\$ 8,322,459	\$ (578,541)
Ad valorem	4,470,000	4,470,000	4,885,048	415,048
Franchise	3,200,000	3,200,000	3,092,147	(107,853)
Fees and permits				
Building permits	375,000	375,000	240,340	(134,660)
Occupation permits	85,500	85,500	85,241	(259)
Other	85,500	85,500	103,553	18,053
Intergovernmental				
Federal and state grants	271,600	305,600	417,191	111,591
State turnback	935,000	935,000	1,146,713	211,713
State turnback - insurance	555,000	555,000	579,022	24,022
County turnback	421,580	421,580	466,242	44,662
Other	228,030	260,030	316,564	56,534
Charges for services				
Ambulance fees	1,100,000	910,000	1,634,202	724,202
Other service fees	180,000	370,000	218,626	(151,374)
Fines and forfeitures	933,500	933,500	967,599	34,099
Miscellaneous	202,600	222,320	395,540	173,220
Total revenues	<u>21,944,310</u>	<u>22,030,030</u>	<u>22,870,487</u>	<u>840,457</u>
Expenditures				
General government				
Administration				
Personnel	1,221,140	1,221,140	1,187,275	33,865
Buildings and equipment	355,830	355,830	329,234	26,596
Supplies	152,400	142,900	142,494	406
Other	354,830	405,980	323,159	82,821
Economic development	310,780	310,780	309,846	934
Capital	97,070	97,070	2,724	94,346
Total administration expenditures	<u>2,492,050</u>	<u>2,533,700</u>	<u>2,294,732</u>	<u>238,968</u>
City attorney				
Personnel	625,260	625,260	628,806	(3,546)
Buildings and equipment	14,900	14,900	12,964	1,936
Supplies	12,400	12,400	8,339	4,061
Other	23,880	23,880	13,026	10,854
Total city attorney expenditures	<u>676,440</u>	<u>676,440</u>	<u>663,135</u>	<u>13,305</u>
Total general government expenditures	<u>3,168,490</u>	<u>3,210,140</u>	<u>2,957,867</u>	<u>252,273</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, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (cont.)				
Culture and recreation				
Shiloh museum				
Personnel	\$ 444,270	\$ 444,270	\$ 427,873	\$ 16,397
Buildings and equipment	33,200	33,200	18,660	14,540
Supplies	55,500	55,500	50,902	4,598
Other	15,800	15,800	16,639	(839)
Capital	-	-	5,409	(5,409)
Total Shiloh museum expenditures	548,770	548,770	519,483	29,287
Parks and recreation				
Personnel	946,310	863,625	875,433	(11,808)
Buildings and equipment	173,300	174,905	160,350	14,555
Supplies	178,600	182,370	161,623	20,747
Other	88,200	87,620	76,136	11,484
Capital	-	-	27,084	(27,084)
Total parks and recreation expenditures	1,386,410	1,308,520	1,300,626	7,894
Total culture and recreation expenditures	1,935,180	1,857,290	1,820,109	37,181
Community development				
Planning and community development				
Personnel	702,060	702,060	620,569	81,491
Buildings and equipment	21,000	21,000	12,841	8,159
Supplies	32,000	32,000	17,787	14,213
Other	90,000	95,000	80,771	14,229
Total community development expenditures	845,060	850,060	731,968	118,092
Public safety				
Animal services				
Personnel	352,430	327,720	227,083	100,637
Buildings and equipment	34,000	34,000	24,970	9,030
Supplies	67,500	67,500	45,215	22,285
Other	20,300	30,300	19,768	10,532
Capital	53,250	53,250	8,716	44,534
Total animal services expenditures	527,480	512,770	325,752	187,018
Building inspection				
Personnel	700,930	682,490	653,357	29,133
Buildings and equipment	14,000	12,000	10,180	1,820
Supplies	65,000	53,500	26,857	26,643
Other	53,000	46,900	50,048	(3,148)
Capital	10,000	10,000	-	10,000
Total building inspection expenditures	842,930	804,890	740,442	64,448

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, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (cont.)				
Police				
Personnel	\$ 9,287,380	\$ 9,287,380	\$ 8,945,903	\$ 341,477
Buildings and equipment	255,400	257,715	260,351	(2,636)
Supplies	522,050	551,860	381,809	170,051
Other	293,500	359,500	502,593	(143,093)
Capital	692,100	748,535	744,748	3,787
Total police expenditures	<u>11,050,430</u>	<u>11,204,990</u>	<u>10,835,404</u>	<u>369,586</u>
Fire				
Personnel	7,383,930	7,327,030	7,357,248	(30,218)
Buildings and equipment	213,000	199,500	178,429	21,071
Supplies	462,000	397,000	362,512	34,488
Other	229,500	205,000	184,379	20,621
Capital	320,000	320,000	212,873	107,127
Total fire expenditures	<u>8,608,430</u>	<u>8,448,530</u>	<u>8,295,441</u>	<u>153,089</u>
Total public safety expenditures	<u>21,029,270</u>	<u>20,971,180</u>	<u>20,197,039</u>	<u>774,141</u>
Total expenditures	<u>26,978,000</u>	<u>26,888,670</u>	<u>25,706,983</u>	<u>1,181,687</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,033,690)</u>	<u>(4,858,640)</u>	<u>(2,836,496)</u>	<u>2,022,144</u>
Other financing sources (uses)				
Transfers in	6,840,370	6,840,370	6,868,663	28,293
Transfers out	(1,350,980)	(1,326,480)	(1,323,949)	2,531
Proceeds from sale of capital assets	-	28,840	29,033	193
Insurance recoveries - capital assets	-	-	54,159	54,159
Total other financing sources (uses)	<u>5,489,390</u>	<u>5,542,730</u>	<u>5,627,906</u>	<u>85,176</u>
Net changes in fund balance	455,700	684,090	2,791,410	2,107,320
Fund balance - beginning of year	<u>2,666,902</u>	<u>2,666,902</u>	<u>3,638,385</u>	<u>-</u>
Fund balance - end of year	<u>\$ 3,122,602</u>	<u>\$ 3,350,992</u>	<u>\$ 6,429,795</u>	<u>\$ 2,107,320</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, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Ad valorem	\$ 875,500	\$ 875,500	\$ 927,177	\$ 51,677
Fees and permits				
Street and curb cuts	1,700	1,700	1,440	(260)
Other	1,200	1,200	380	(820)
Intergovernmental				
Federal and state grants	-	-	15,310	15,310
State turnback - street	2,935,000	2,935,000	2,970,182	35,182
Charges for goods and services				
Street signs	10,000	10,000	33,352	23,352
Street and curb cut repairs	10,000	10,000	20,770	10,770
Other	2,500	2,500	49,709	47,209
Interest	5,000	5,000	8,684	3,684
Miscellaneous	5,500	5,500	4,767	(733)
Total revenues	<u>3,846,400</u>	<u>3,846,400</u>	<u>4,031,771</u>	<u>185,371</u>
Expenditures				
Street fund				
Personnel	2,090,260	2,090,260	1,982,350	107,910
Buildings and equipment	173,700	149,200	150,803	(1,603)
Supplies	1,018,700	1,018,700	947,705	70,995
Other	806,370	813,500	742,655	70,845
Capital	432,130	425,000	202,046	222,954
Total public works expenditures	<u>4,521,160</u>	<u>4,496,660</u>	<u>4,025,559</u>	<u>471,101</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(674,760)</u>	<u>(650,260)</u>	<u>6,212</u>	<u>656,472</u>
Other financing sources (uses)				
Transfers in	363,410	338,910	342,650	3,740
Transfers out	(7,130)	(7,130)	(7,128)	2
Insurance recoveries - capital assets	-	-	9,697	9,697
Total other financing sources (uses)	<u>356,280</u>	<u>331,780</u>	<u>345,219</u>	<u>13,439</u>
Net changes in fund balance	(318,480)	(318,480)	351,431	669,911
Fund balance - beginning of year	<u>520,829</u>	<u>520,829</u>	<u>520,829</u>	<u>-</u>
Fund balance - end of year	<u>\$ 202,349</u>	<u>\$ 202,349</u>	<u>\$ 872,260</u>	<u>\$ 669,911</u>

See accompanying notes to the basic financial statements.

**Notes to Required Supplementary Information****For the Year Ended December 31, 2009****Stewardship, Compliance and Accountability***Budgetary Information*

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

- During July, public hearings are conducted which allow for taxpayer comments.
- On or before August 1, staff projects revenue available for the following year.
- On or before September 1, the Mayor projects funds available for each division/department.
- On or before September 15, division/department heads deliver proposed detailed budget to the Mayor for review. City Council sets the dates for work sessions in October and November to review and make budget changes.
- On or before October 15, the Mayor delivers the proposed budget to the City Council.
- During October and November, the City Council conducts special work sessions to review the budget with each division/department head.
- On or before December 10, the City Council legally enacts a budget through passage of a resolution. State law requires the adoption of the annual budget on or before February 1 of each year.

**CITY OF SPRINGDALE, ARKANSAS**

**Combining Balance Sheet –  
Nonmajor Governmental Funds**

**December 31, 2009**

<u>Assets</u>	<u>Special Revenue Funds</u>				
	<u>Public Library Fund</u>	<u>Shiloh Museum Board Fund</u>	<u>Advertising and Promotion Fund</u>	<u>District Court Costs Fund</u>	<u>Parks Activity Fund</u>
Cash and cash equivalents	\$ 56,229	\$ 117,509	\$ 25,457	\$ 124,873	\$ 89,171
Investments	-	926,303	65,000	99,593	-
Accounts receivable, net	-	-	10,149	-	-
Interest receivable	-	-	104	631	-
Intergovernmental receivables, net	-	-	-	22,786	-
Due from other funds	11,194	-	-	34,680	-
Assets held for resale	-	-	-	-	-
<b>Total assets</b>	<b><u>\$ 67,423</u></b>	<b><u>\$ 1,043,812</u></b>	<b><u>\$ 100,710</u></b>	<b><u>\$ 282,563</u></b>	<b><u>\$ 89,171</u></b>
 <u>Liabilities and Fund Balance</u>					
<b>Liabilities</b>					
Accounts payable	\$ 36,481	\$ 503	\$ 835	\$ 441	\$ 896
Salaries payable	27,692	-	-	17,987	529
Due to other funds	-	-	-	379	-
Deferred revenue	-	-	-	-	-
<b>Total liabilities</b>	<b><u>64,173</u></b>	<b><u>503</u></b>	<b><u>835</u></b>	<b><u>18,807</u></b>	<b><u>1,425</u></b>
<b>Fund balances</b>					
Reserved					
Assets held for resale	-	-	-	-	-
Cemetery perpetual care	-	-	-	-	-
Court automation	-	-	-	196,979	-
Endowments	-	926,303	-	-	-
Grant expenditures	-	-	-	-	-
Unreserved					
Designated for					
Library materials	-	-	-	-	-
Undesignated	<u>3,250</u>	<u>117,006</u>	<u>99,875</u>	<u>66,777</u>	<u>87,746</u>
<b>Total fund balances</b>	<b><u>3,250</u></b>	<b><u>1,043,309</u></b>	<b><u>99,875</u></b>	<b><u>263,756</u></b>	<b><u>87,746</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 67,423</u></b>	<b><u>\$ 1,043,812</u></b>	<b><u>\$ 100,710</u></b>	<b><u>\$ 282,563</u></b>	<b><u>\$ 89,171</u></b>

Arvest Ballpark Fund	Community Development Block Grant Fund	Capital	Permanent Funds			Total Nonmajor Governmental Funds
		Projects Fund	Public Facilities Board Fund	Bluff Cemetery Fund	Public Library Board Foundation Fund	
\$ 15,939	\$ 9,358	\$ 884,432	\$ 114,005	\$ 372,401	\$ 1,809,374	
550,000	-	1,480,131	515,929	114,139	3,751,095	
-	-	-	15,990	-	26,139	
4,663	-	258	778	8	6,442	
-	-	-	-	-	22,786	
-	-	-	-	-	45,874	
-	-	1,119,593	-	-	1,119,593	
<u>\$ 570,602</u>	<u>\$ 9,358</u>	<u>\$ 3,484,414</u>	<u>\$ 646,702</u>	<u>\$ 486,548</u>	<u>\$ 6,781,303</u>	
\$ 1,536	\$ 689	\$ 150,518	\$ 385	\$ -	\$ 192,284	
-	2,372	-	31	-	48,611	
-	-	-	-	11,194	11,573	
51,277	-	-	-	-	51,277	
<u>52,813</u>	<u>3,061</u>	<u>150,518</u>	<u>416</u>	<u>11,194</u>	<u>303,745</u>	
-	-	1,119,593	-	-	1,119,593	
-	-	-	43,244	-	43,244	
-	-	-	-	-	196,979	
-	-	-	-	108,995	1,035,298	
-	-	-	-	13,489	13,489	
-	-	-	-	10,583	10,583	
517,789	6,297	2,214,303	603,042	342,287	4,058,372	
<u>517,789</u>	<u>6,297</u>	<u>3,333,896</u>	<u>646,286</u>	<u>475,354</u>	<u>6,477,558</u>	
<u>\$ 570,602</u>	<u>\$ 9,358</u>	<u>\$ 3,484,414</u>	<u>\$ 646,702</u>	<u>\$ 486,548</u>	<u>\$ 6,781,303</u>	

See accompanying notes to the basic financial statements.

**CITY OF SPRINGDALE, ARKANSAS**

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

**For the Year Ended December 31, 2009**

	Special Revenue Funds				
	Public Library Fund	Shiloh Museum Board Fund	Advertising and Promotion Fund	District Court Costs Fund	Parks Activity Fund
<b>Revenues</b>					
Taxes	\$ 42,790	\$ -	\$ 210,254	\$ -	\$ -
Fees and permits	-	22,092	-	147,452	-
Intergovernmental	999,266	12,931	-	78,766	-
Charges for goods and services	-	9,441	-	-	135,839
Fines and forfeitures	69,716	-	-	-	-
Investment earnings	1,646	208,363	1,798	7,536	1,029
Miscellaneous	72,669	18,011	-	150	21,236
<b>Total revenues</b>	<u>1,186,087</u>	<u>270,838</u>	<u>212,052</u>	<u>233,904</u>	<u>158,104</u>
<b>Expenditures</b>					
Current					
General government	-	-	-	619,256	-
Community development	-	-	-	-	-
Culture and recreation	1,502,960	36,848	-	-	113,783
Economic development	-	-	231,870	-	-
Capital expenditures	9,266	3,186	-	-	10,874
<b>Total expenditures</b>	<u>1,512,226</u>	<u>40,034</u>	<u>231,870</u>	<u>619,256</u>	<u>124,657</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(326,139)</u>	<u>230,804</u>	<u>(19,818)</u>	<u>(385,352)</u>	<u>33,447</u>
Other financing sources (uses)					
Transfers in	<u>328,570</u>	<u>-</u>	<u>-</u>	<u>457,600</u>	<u>-</u>
<b>Net changes in fund balances</b>	<u>2,431</u>	<u>230,804</u>	<u>(19,818)</u>	<u>72,248</u>	<u>33,447</u>
Fund balances - beginning of year, as restated	<u>819</u>	<u>812,505</u>	<u>119,693</u>	<u>191,508</u>	<u>54,299</u>
<b>Fund balances - end of year</b>	<u>\$ 3,250</u>	<u>\$ 1,043,309</u>	<u>\$ 99,875</u>	<u>\$ 263,756</u>	<u>\$ 87,746</u>

Arvest Ballpark Fund	Community Development Block Grant Fund	Capital	Permanent Funds		Total Nonmajor Governmental Funds
		Projects Fund	Public Facilities Board Fund	Bluff Cemetery Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 253,044
-	-	-	-	-	169,544
-	691,882	-	-	-	1,782,845
310,492	-	-	33,475	-	489,247
-	-	-	-	-	69,716
11,565	-	61,555	14,548	26,824	334,864
-	80,822	-	500	126,560	319,948
<u>322,057</u>	<u>772,704</u>	<u>61,555</u>	<u>48,523</u>	<u>153,384</u>	<u>3,419,208</u>
-	-	-	30,121	-	649,377
-	750,027	-	-	-	750,027
35,581	-	-	-	81,719	1,770,891
-	-	18,497	-	-	250,367
-	4,900	609,653	-	187,467	825,346
<u>35,581</u>	<u>754,927</u>	<u>628,150</u>	<u>30,121</u>	<u>269,186</u>	<u>4,246,008</u>
<u>286,476</u>	<u>17,777</u>	<u>(566,595)</u>	<u>18,402</u>	<u>(115,802)</u>	<u>(826,800)</u>
-	-	-	-	-	786,170
286,476	17,777	(566,595)	18,402	(115,802)	(40,630)
<u>231,313</u>	<u>(11,480)</u>	<u>3,900,491</u>	<u>627,884</u>	<u>591,156</u>	<u>6,518,188</u>
<u>\$ 517,789</u>	<u>\$ 6,297</u>	<u>\$ 3,333,896</u>	<u>\$ 646,286</u>	<u>\$ 475,354</u>	<u>\$ 6,477,558</u>

See accompanying notes to the basic financial statements.

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

**December 31, 2009**

<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	\$ 69,911	\$ 8,825	\$ 65,442	\$ 144,178
Accounts receivable	-	-	19,391	19,391
Total current assets	<u>69,911</u>	<u>8,825</u>	<u>84,833</u>	<u>163,569</u>
Capital assets				
Land and improvements	21,376	-	-	21,376
Machinery and equipment	47,495	19,471	101,000	167,966
Less accumulated depreciation	<u>(16,601)</u>	<u>(19,471)</u>	<u>(25,250)</u>	<u>(61,322)</u>
Total capital assets, net of accumulated depreciation	<u>52,270</u>	<u>-</u>	<u>75,750</u>	<u>128,020</u>
Total assets	<u>\$ 122,181</u>	<u>\$ 8,825</u>	<u>\$ 160,583</u>	<u>\$ 291,589</u>
 <u>Liabilities and Net Assets</u>				
Current liabilities				
Accounts payable	\$ 6	\$ -	\$ 1,874	\$ 1,880
Salaries payable	1,027	-	1,787	2,814
Due to other funds	-	45	-	45
Total current liabilities	<u>1,033</u>	<u>45</u>	<u>3,661</u>	<u>4,739</u>
Noncurrent liabilities				
Compensated absences	<u>817</u>	<u>-</u>	<u>1,243</u>	<u>2,060</u>
Total liabilities	<u>1,850</u>	<u>45</u>	<u>4,904</u>	<u>6,799</u>
Net assets				
Invested in capital assets, net of related debt	52,270	-	75,750	128,020
Unrestricted	<u>68,061</u>	<u>8,780</u>	<u>79,929</u>	<u>156,770</u>
Total net assets	<u>120,331</u>	<u>8,780</u>	<u>155,679</u>	<u>284,790</u>
Total liabilities and net assets	<u>\$ 122,181</u>	<u>\$ 8,825</u>	<u>\$ 160,583</u>	<u>\$ 291,589</u>

See accompanying notes to the basic financial statements.

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

**For the Year Ended December 31, 2009**

	Enterprise Funds			Total Nonmajor Proprietary Funds
	Parks Soccer Program Fund	City Attorney Restitution Fund	Sanitation Fund	
Operating revenues				
Charges for services				
Activity fees	\$ 95,514	\$ -	\$ -	\$ 95,514
Other service fees	-	22,810	105,000	127,810
Total operating revenues	<u>95,514</u>	<u>22,810</u>	<u>105,000</u>	<u>223,324</u>
Operating expenses				
Personnel	71,627	-	60,030	131,657
Maintenance	11,817	-	357	12,174
Supplies	15,951	850	8,672	25,473
Other	2,533	-	979	3,512
Depreciation	4,826	-	10,100	14,926
Total operating expenses	<u>106,754</u>	<u>850</u>	<u>80,138</u>	<u>187,742</u>
Operating income (loss)	<u>(11,240)</u>	<u>21,960</u>	<u>24,862</u>	<u>35,582</u>
Nonoperating revenue (expense)				
Contributions	5,176	-	-	5,176
Miscellaneous income	-	-	196	196
Investment earnings	995	-	700	1,695
Total nonoperating revenue	<u>6,171</u>	<u>-</u>	<u>896</u>	<u>7,067</u>
Income (loss) before transfers	(5,069)	21,960	25,758	42,649
Transfers out	<u>-</u>	<u>(23,000)</u>	<u>-</u>	<u>(23,000)</u>
Changes in net assets	(5,069)	(1,040)	25,758	19,649
Net assets - beginning of year	<u>125,400</u>	<u>9,820</u>	<u>129,921</u>	<u>265,141</u>
Net assets - end of year	<u>\$ 120,331</u>	<u>\$ 8,780</u>	<u>\$ 155,679</u>	<u>\$ 284,790</u>

See accompanying notes to the basic financial statements.

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

**For the Year Ended December 31, 2009**

	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	\$ 95,514	\$ 22,810	\$ 103,554	\$ 221,878
Payments to suppliers	(30,372)	(850)	(9,330)	(40,552)
Payments to employees	(71,422)	-	(60,003)	(131,425)
Net cash provided (used) by operating activities	<u>(6,280)</u>	<u>21,960</u>	<u>34,221</u>	<u>49,901</u>
Cash flows from noncapital financing activities				
Contributions	5,176	-	-	5,176
Transfers to other funds	-	(23,000)	-	(23,000)
Receipt of interfund balances	-	45	-	45
Net cash provided (used) by noncapital financing activities	<u>5,176</u>	<u>(22,955)</u>	<u>-</u>	<u>(17,779)</u>
Cash flows from investing activities				
Interest received	995	-	700	1,695
Net cash provided by investing activities	<u>995</u>	<u>-</u>	<u>700</u>	<u>1,695</u>
Net increase (decrease) in cash and cash equivalents	(109)	(995)	34,921	33,817
Cash and cash equivalents - beginning of year	<u>70,020</u>	<u>9,820</u>	<u>30,521</u>	<u>110,361</u>
Cash and cash equivalents - end of year	<u>\$ 69,911</u>	<u>\$ 8,825</u>	<u>\$ 65,442</u>	<u>\$ 144,178</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (11,240)	\$ 21,960	\$ 24,862	\$ 35,582
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Miscellaneous income	-	-	196	196
Depreciation	4,826	-	10,100	14,926
Changes in operating assets and liabilities				
Accounts receivable	-	-	(1,642)	(1,642)
Accounts payable	(71)	-	678	607
Salaries payable	184	-	139	323
Compensated absences	21	-	(112)	(91)
Net cash provided (used) by operating activities	<u>\$ (6,280)</u>	<u>\$ 21,960</u>	<u>\$ 34,221</u>	<u>\$ 49,901</u>

See accompanying notes to the basic financial statements.

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

**For the Year Ended December 31, 2009**

	Balance <u>01/01/2009</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/2009</u>
<b>Police Bond and Fine Fund</b>				
Assets				
Cash	\$ 66,623	\$ 334	\$ -	\$ 66,957
Liabilities				
Due to other funds	\$ 59,901	\$ 334	\$ -	\$ 60,235
Accounts payable	6,722	-	-	6,722
Total liabilities	<u>\$ 66,623</u>	<u>\$ 334</u>	<u>\$ -</u>	<u>\$ 66,957</u>
<b>District Court Fund</b>				
Assets				
Cash	\$ 477,651	\$ 2,643,043	\$ 2,593,691	\$ 527,003
Accounts receivable	1,267,433	2,693,069	2,601,651	1,358,851
Due from other funds	59,879	58	-	59,937
Total assets	<u>\$ 1,804,963</u>	<u>\$ 5,336,170</u>	<u>\$ 5,195,342</u>	<u>\$ 1,945,791</u>
Liabilities				
Due to other funds	\$ 160,190	\$ 181,370	\$ 142,925	\$ 198,635
Accounts payable	1,644,773	2,132,549	2,030,166	1,747,156
Total liabilities	<u>\$ 1,804,963</u>	<u>\$ 2,313,919</u>	<u>\$ 2,173,091</u>	<u>\$ 1,945,791</u>
<b>Payroll Fund</b>				
Assets				
Cash	\$ 434,342	\$ 5,837,365	\$ 5,953,531	\$ 318,176
Liabilities				
Due to other funds	\$ 3,000	\$ -	\$ -	\$ 3,000
Accounts payable	431,342	11,993,742	12,109,908	315,176
Total liabilities	<u>\$ 434,342</u>	<u>\$ 11,993,742</u>	<u>\$ 12,109,908</u>	<u>\$ 318,176</u>

See accompanying notes to the basic financial statements.

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

**For the Year Ended December 31, 2009**

	<u>Balance</u> <u>01/01/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2009</u>
<b>Police Evidence Fund</b>				
Assets				
Cash	\$ 50,331	\$ 4,692	\$ 123	\$ 54,900
Due from other funds	<u>164</u>	<u>-</u>	<u>164</u>	<u>-</u>
Total assets	<u>\$ 50,495</u>	<u>\$ 4,692</u>	<u>\$ 287</u>	<u>\$ 54,900</u>
Liabilities				
Due to other funds	\$ -	\$ 102	\$ -	\$ 102
Accounts payable	<u>50,495</u>	<u>4,426</u>	<u>123</u>	<u>54,798</u>
Total liabilities	<u>\$ 50,495</u>	<u>\$ 4,528</u>	<u>\$ 123</u>	<u>\$ 54,900</u>
<b>Administration of Justice Fund</b>				
Assets				
Cash	\$ -	\$ 1,189,621	\$ 1,189,621	\$ -
Due from other funds	<u>79,483</u>	<u>1,183,197</u>	<u>1,176,085</u>	<u>86,595</u>
Total assets	<u>\$ 79,483</u>	<u>\$ 2,372,818</u>	<u>\$ 2,365,706</u>	<u>\$ 86,595</u>
Liabilities				
Due to other funds	\$ 13,123	\$ 162,440	\$ 162,026	\$ 13,537
Accounts payable	<u>66,360</u>	<u>1,020,757</u>	<u>1,014,059</u>	<u>73,058</u>
Total liabilities	<u>\$ 79,483</u>	<u>\$ 1,183,197</u>	<u>\$ 1,176,085</u>	<u>\$ 86,595</u>
<b>All Agency Funds</b>				
Assets				
Cash	\$ 1,028,947	\$ 9,675,055	\$ 9,736,966	\$ 967,036
Accounts receivable	1,267,433	2,693,069	2,601,651	1,358,851
Due from other funds	<u>139,526</u>	<u>1,183,255</u>	<u>1,176,249</u>	<u>146,532</u>
Total assets	<u>\$ 2,435,906</u>	<u>\$ 13,551,379</u>	<u>\$ 13,514,866</u>	<u>\$ 2,472,419</u>
Liabilities				
Due to other funds	\$ 236,214	\$ 344,246	\$ 304,951	\$ 275,509
Accounts payable	<u>2,199,692</u>	<u>15,151,474</u>	<u>15,154,256</u>	<u>2,196,910</u>
Total liabilities	<u>\$ 2,435,906</u>	<u>\$ 15,495,720</u>	<u>\$ 15,459,207</u>	<u>\$ 2,472,419</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, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Taxes				
Sales	\$ 9,710,000	\$ 9,710,000	\$ 9,859,170	\$ 149,170
Intergovernmental	-	-	789,932	789,932
Investment earnings	250,000	250,000	257,547	7,547
Miscellaneous	-	-	50	50
Total revenues	<u>9,960,000</u>	<u>9,960,000</u>	<u>10,906,699</u>	<u>946,699</u>
Expenditures				
Capital projects				
Capital	<u>3,971,100</u>	<u>3,971,100</u>	<u>3,535,110</u>	<u>435,990</u>
Excess of revenues over expenditures	<u>5,988,900</u>	<u>5,988,900</u>	<u>7,371,589</u>	<u>1,382,689</u>
Other financing sources (uses)				
Transfers out	(6,808,370)	(6,808,370)	(7,270,960)	(462,590)
Developer contributions	-	-	322,746	322,746
Total other financing uses	<u>(6,808,370)</u>	<u>(6,808,370)</u>	<u>(6,948,214)</u>	<u>(139,844)</u>
Net changes in fund balance	(819,470)	(819,470)	423,375	1,242,845
Fund balance - beginning of year	<u>19,255,754</u>	<u>19,255,754</u>	<u>19,255,754</u>	<u>-</u>
Fund balance - end of year	<u>\$ 18,436,284</u>	<u>\$ 18,436,284</u>	<u>\$ 19,679,129</u>	<u>\$ 1,242,845</u>

See accompanying notes to the basic financial statements.

**Schedule of Revenues, Expenditures and Changes in Fund Balance –  
Budget and Actual – 2004 Street Improvement Bonds Construction Fund**

**For the Year Ended December 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Investment earnings	\$ 2,210	\$ 2,210	\$ 82	\$ (2,128)
Expenditures				
Debt service				
Accounting fees	-	-	2,900	(2,900)
Yield reduction payment	<u>205,000</u>	<u>205,000</u>	<u>205,397</u>	<u>(397)</u>
	<u>205,000</u>	<u>205,000</u>	<u>208,297</u>	<u>(3,297)</u>
Deficiency of revenues under expenditures	(202,790)	(202,790)	(208,215)	(5,425)
Other financing sources (uses)				
Transfers out	<u>(18,480)</u>	<u>(18,480)</u>	<u>(13,054)</u>	<u>5,426</u>
Net changes in fund balance	(221,270)	(221,270)	(221,269)	1
Fund balance - beginning of year	<u>221,269</u>	<u>221,269</u>	<u>221,269</u>	<u>-</u>
Fund balance - end of year	<u>\$ (1)</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ 1</u>

See accompanying notes to the basic financial statements.

**Schedule of Revenues, Expenditures and Changes in Fund Balance –  
Budget and Actual – 2006 Street Improvement Bonds Construction Fund**

**For the Year Ended December 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Investment earnings (losses)	\$ 225,000	\$ 225,000	\$ 7,206	\$ (217,794)
Expenditures				
Capital projects				
Capital	<u>15,200,330</u>	<u>15,200,330</u>	<u>11,566,553</u>	<u>3,633,777</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,975,330)</u>	<u>(14,975,330)</u>	<u>(11,559,347)</u>	<u>3,415,983</u>
Other financing sources (uses)				
Transfers in	18,480	18,480	412,883	394,403
Transfers out	(750,000)	(750,000)	-	750,000
Developer contributions	-	-	38,200	38,200
Proceeds from sale of capital assets	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>
Total other financing sources (uses)	<u>(731,520)</u>	<u>(731,520)</u>	<u>451,086</u>	<u>1,182,606</u>
Net changes in fund balance	(15,706,850)	(15,706,850)	(11,108,261)	4,598,589
Fund balance - beginning of year	<u>15,820,714</u>	<u>15,820,714</u>	<u>15,820,714</u>	<u>-</u>
Fund balance - end of year	<u>\$ 113,864</u>	<u>\$ 113,864</u>	<u>\$ 4,712,453</u>	<u>\$ 4,598,589</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, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Taxes				
Sales	\$ 9,710,000	\$ 9,710,000	\$ 9,863,376	\$ 153,376
Investment earnings (losses)	<u>98,500</u>	<u>98,500</u>	<u>4,852</u>	<u>(93,648)</u>
Total revenues	<u>9,808,500</u>	<u>9,808,500</u>	<u>9,868,228</u>	<u>59,728</u>
Expenditures				
Debt service				
Principal	4,057,030	4,057,030	5,102,036	(1,045,006)
Interest	5,176,450	5,176,450	5,156,942	19,508
Other fees	4,000	4,000	-	4,000
Agent fees	<u>18,000</u>	<u>18,000</u>	<u>18,000</u>	<u>-</u>
Total debt service expenditures	<u>9,255,480</u>	<u>9,255,480</u>	<u>10,276,978</u>	<u>(1,021,498)</u>
Excess (deficiency) of revenues over expenditures	553,020	553,020	(408,750)	(961,770)
Other financing sources (uses)				
Transfers in	<u>7,130</u>	<u>7,130</u>	<u>7,128</u>	<u>(2)</u>
Net changes in fund balance	560,150	560,150	(401,622)	(961,772)
Fund balance - beginning of year	<u>8,851,413</u>	<u>8,851,413</u>	<u>8,851,413</u>	<u>-</u>
Fund balance - end of year	<u>\$ 9,411,563</u>	<u>\$ 9,411,563</u>	<u>\$ 8,449,791</u>	<u>\$ (961,772)</u>

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, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Ad valorem	\$ 24,000	\$ 24,000	\$ 42,790	\$ 18,790
Intergovernmental				
State grants	-	-	572	572
County aid	998,700	998,700	998,694	(6)
Fines	70,000	70,000	69,716	(284)
Investment earnings	1,000	1,000	1,646	646
Miscellaneous	64,650	64,650	72,669	8,019
Total revenues	<u>1,158,350</u>	<u>1,158,350</u>	<u>1,186,087</u>	<u>27,737</u>
Expenditures				
Culture and recreation				
Public library				
Personnel	1,000,020	1,000,020	977,190	22,830
Maintenance	131,810	131,810	117,113	14,697
Supplies	496,500	496,500	363,229	133,271
Other	64,450	64,450	45,428	19,022
Capital	-	-	9,266	(9,266)
Total public library expenditures	<u>1,692,780</u>	<u>1,692,780</u>	<u>1,512,226</u>	<u>180,554</u>
Excess (deficiency) of revenues over (under) expenditures	(534,430)	(534,430)	(326,139)	208,291
Other financing sources (uses)				
Transfers in	<u>534,430</u>	<u>534,430</u>	<u>328,570</u>	<u>(205,860)</u>
Net changes in fund balance	-	-	2,431	2,431
Fund balance - beginning of year	<u>819</u>	<u>819</u>	<u>819</u>	<u>-</u>
Fund balance - end of year	<u>\$ 819</u>	<u>\$ 819</u>	<u>\$ 3,250</u>	<u>\$ 2,431</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, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental				
Federal and state grants	\$ -	\$ -	\$ 12,931	\$ 12,931
Fees and permits				
Fees and memberships	22,000	22,000	22,092	92
Charges for goods and services	6,000	6,000	9,441	3,441
Investment earnings	200	200	208,363	208,163
Miscellaneous	8,500	8,500	18,011	9,511
Total revenues	<u>36,700</u>	<u>36,700</u>	<u>270,838</u>	<u>234,138</u>
<b>Expenditures</b>				
Culture and recreation				
Shiloh museum				
Maintenance	1,500	1,500	3,442	(1,942)
Supplies	6,200	6,200	4,850	1,350
Other	23,400	23,400	28,556	(5,156)
Capital	5,600	5,600	3,186	2,414
Total shiloh museum expenditures	<u>36,700</u>	<u>36,700</u>	<u>40,034</u>	<u>(3,334)</u>
Net changes in fund balance	-	-	230,804	230,804
Fund balance - beginning of year	<u>812,505</u>	<u>812,505</u>	<u>812,505</u>	-
Fund balance - end of year	<u>\$ 812,505</u>	<u>\$ 812,505</u>	<u>\$ 1,043,309</u>	<u>\$ 230,804</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, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fees and permits				
Filing fees	\$ 105,000	\$ 105,000	\$ 110,782	\$ 5,782
Installment plan fees	44,000	44,000	36,670	(7,330)
Intergovernmental				
County aid	75,530	75,530	78,766	3,236
Investment earnings	2,500	2,500	7,536	5,036
Miscellaneous	150	150	150	-
Total revenues	<u>227,180</u>	<u>227,180</u>	<u>233,904</u>	<u>6,724</u>
Expenditures				
General government				
Court costs				
Personnel	601,490	601,490	591,153	10,337
Maintenance	3,250	3,250	2,670	580
Supplies	20,800	20,800	16,581	4,219
Other	12,100	12,100	8,852	3,248
Total court costs expenditures	<u>637,640</u>	<u>637,640</u>	<u>619,256</u>	<u>18,384</u>
Excess (deficiency) of revenues over (under) expenditures	(410,460)	(410,460)	(385,352)	25,108
Other financing sources				
Transfers in	<u>453,140</u>	<u>453,140</u>	<u>457,600</u>	<u>4,460</u>
Net changes in fund balance	42,680	42,680	72,248	29,568
Fund balance - beginning of year	<u>191,508</u>	<u>191,508</u>	<u>191,508</u>	<u>-</u>
Fund balance - end of year	<u>\$ 234,188</u>	<u>\$ 234,188</u>	<u>\$ 263,756</u>	<u>\$ 29,568</u>

See accompanying notes to the basic financial statements.

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

**For the Year Ended December 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<b>Revenues</b>				
Charges for services				
Activity fees	\$ 145,000	\$ 145,000	\$ 135,839	\$ (9,161)
Investment earnings	750	750	1,029	279
Miscellaneous	<u>17,500</u>	<u>17,500</u>	<u>21,236</u>	<u>3,736</u>
Total revenues	<u>163,250</u>	<u>163,250</u>	<u>158,104</u>	<u>(5,146)</u>
<b>Expenditures</b>				
Culture and recreation				
Parks activity				
Personnel	110,950	110,950	95,190	15,760
Maintenance	-	-	307	(307)
Supplies	11,000	11,000	12,989	(1,989)
Other	12,200	12,200	5,297	6,903
Capital	<u>18,700</u>	<u>18,700</u>	<u>10,874</u>	<u>7,826</u>
Total parks activity expenditures	<u>152,850</u>	<u>152,850</u>	<u>124,657</u>	<u>28,193</u>
Net changes in fund balance	10,400	10,400	33,447	23,047
Fund balance - beginning of year	<u>54,299</u>	<u>54,299</u>	<u>54,299</u>	<u>-</u>
Fund balance - end of year	<u>\$ 64,699</u>	<u>\$ 64,699</u>	<u>\$ 87,746</u>	<u>\$ 23,047</u>

See accompanying notes to the basic financial statements.

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

**For the Year Ended December 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Rent	\$ 325,000	\$ 325,000	\$ 310,492	\$ (14,508)
Investment earnings	<u>9,450</u>	<u>9,450</u>	<u>11,565</u>	<u>2,115</u>
Total revenues	<u>334,450</u>	<u>334,450</u>	<u>322,057</u>	<u>(12,393)</u>
Expenditures				
Culture and recreation				
Arvest Ball Park				
Maintenance	1,000	1,000	1,798	(798)
Other	<u>43,000</u>	<u>43,000</u>	<u>33,783</u>	<u>9,217</u>
Total Arvest Ball Park expenditures	<u>44,000</u>	<u>44,000</u>	<u>35,581</u>	<u>8,419</u>
Net changes in fund balance	290,450	290,450	286,476	(3,974)
Fund balance - beginning of year	<u>231,313</u>	<u>231,313</u>	<u>231,313</u>	<u>-</u>
Fund balance - end of year	<u>\$ 521,763</u>	<u>\$ 521,763</u>	<u>\$ 517,789</u>	<u>\$ (3,974)</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, 2009**

	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
Operating revenues		
Rental fees	\$ 230,450	\$ 230,450
Fuel flowage fees	45,000	45,000
Other service fees	<u>11,620</u>	<u>11,620</u>
Total operating revenues	<u>287,070</u>	<u>287,070</u>
 Operating expenses		
Personnel	67,980	67,980
Maintenance	48,900	48,900
Supplies	60,000	60,000
Other	100,800	100,800
Depreciation	<u>-</u>	<u>-</u>
Total operating expenses	<u>277,680</u>	<u>277,680</u>
 Operating income (loss)	<u>9,390</u>	<u>9,390</u>
 Nonoperating revenues (expenditures)		
Sales taxes	-	-
Interest income	-	-
Capital expenditures	<u>-</u>	<u>-</u>
Net nonoperating revenues (expenditures)	<u>-</u>	<u>-</u>
 Income (loss) before capital contributions and transfers	9,390	9,390
 Capital grants and contributions	8,400	8,400
Transfers in	<u>-</u>	<u>-</u>
 Changes in net assets	17,790	17,790
 Net assets - beginning of year	<u>4,663,590</u>	<u>4,663,590</u>
 Net assets - end of year	<u>\$ 4,681,380</u>	<u>\$ 4,681,380</u>

Actual <u>GAAP Basis</u>	Adjustments to <u>Budget Basis</u>	Actual <u>Budget Basis</u>	Variance with Final Budget Positive (Negative)
\$ 239,862	\$ -	\$ 239,862	\$ 9,412
33,187	-	33,187	(11,813)
10,919	-	10,919	(701)
<u>283,968</u>	<u>-</u>	<u>283,968</u>	<u>(3,102)</u>
59,540	-	59,540	8,440
55,016	-	55,016	(6,116)
50,903	-	50,903	9,097
108,770	-	108,770	(7,970)
<u>221,784</u>	<u>(221,784)</u>	<u>-</u>	<u>-</u>
<u>496,013</u>	<u>(221,784)</u>	<u>274,229</u>	<u>3,451</u>
<u>(212,045)</u>	<u>221,784</u>	<u>9,739</u>	<u>349</u>
7,360	-	7,360	7,360
19	-	19	19
<u>-</u>	<u>(199,619)</u>	<u>(199,619)</u>	<u>(199,619)</u>
<u>7,379</u>	<u>(199,619)</u>	<u>(192,240)</u>	<u>(192,240)</u>
(204,666)	22,165	(182,501)	(191,891)
651,857	-	651,857	643,457
<u>25,468</u>	<u>-</u>	<u>25,468</u>	<u>25,468</u>
472,659	22,165	494,824	477,034
<u>4,663,590</u>	<u>4,663,590</u>	<u>4,663,590</u>	<u>-</u>
<u>\$ 5,136,249</u>	<u>\$ 4,685,755</u>	<u>\$ 5,158,414</u>	<u>\$ 477,034</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, 2009**

	Budgeted Amounts	
	<u>Original</u>	<u>Final</u>
Operating revenues		
Charges for goods and services		
Activity fees	\$ 190,000	\$ 190,000
Concessions	6,000	6,000
Rental fees	1,500	1,500
Other service fees	500	500
Total operating revenues	198,000	198,000
 Operating expenses		
Personnel	126,000	126,000
Maintenance	67,000	67,000
Supplies	40,700	40,700
Other	4,800	4,800
Depreciation	-	-
Total operating expenses	238,500	238,500
 Operating income (loss)	(40,500)	(40,500)
 Nonoperating revenues (expenditures)		
Interest income	10,000	10,000
Capital expenditures	(36,000)	(36,000)
Net nonoperating revenues (expenditures)	(26,000)	(26,000)
 Changes in net assets	(66,500)	(66,500)
 Net assets - beginning of year	2,607,546	2,607,546
 Net assets - end of year	\$ 2,541,046	\$ 2,541,046

<u>Actual</u> <u>GAAP Basis</u>	<u>Adjustments to</u> <u>Budget Basis</u>	<u>Actual</u> <u>Budget Basis</u>	Variance with Final Budget Positive (Negative)
\$ 191,793	\$ -	\$ 191,793	\$ 1,793
5,623	-	5,623	(377)
1,437	-	1,437	(63)
<u>1,987</u>	<u>-</u>	<u>1,987</u>	<u>1,487</u>
<u>200,840</u>	<u>-</u>	<u>200,840</u>	<u>2,840</u>
130,721	-	130,721	(4,721)
28,317	-	28,317	38,683
37,689	-	37,689	3,011
3,866	-	3,866	934
<u>168,058</u>	<u>(168,058)</u>	<u>-</u>	<u>-</u>
<u>368,651</u>	<u>(168,058)</u>	<u>200,593</u>	<u>37,907</u>
(167,811)	168,058	247	40,747
8,073	-	8,073	(1,927)
<u>-</u>	<u>(4,055)</u>	<u>(4,055)</u>	<u>31,945</u>
<u>8,073</u>	<u>(4,055)</u>	<u>4,018</u>	<u>30,018</u>
(159,738)	164,003	4,265	70,765
<u>2,607,546</u>	<u>2,607,546</u>	<u>2,607,546</u>	<u>-</u>
<u>\$ 2,447,808</u>	<u>\$ 2,771,549</u>	<u>\$ 2,611,811</u>	<u>\$ 70,765</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, 2009**

	Budgeted Amounts	
	Original	Final
Operating revenues		
Charges for goods and services		
Activity fees	\$ 95,000	\$ 95,000
Operating expenses		
Personnel	63,840	63,840
Maintenance	5,500	5,500
Supplies	22,200	22,200
Other	12,500	12,500
Depreciation	-	-
Total operating expenses	104,040	104,040
Operating income (loss)	(9,040)	(9,040)
Nonoperating revenues (expenditures)		
Contributions	5,600	5,600
Interest income	500	500
Capital expenditures	(15,000)	(15,000)
Net nonoperating revenues (expenditures)	(8,900)	(8,900)
Changes in net assets	(17,940)	(17,940)
Net assets - beginning of year	125,400	125,400
Net assets - end of year	\$ 107,460	\$ 107,460

<u>Actual GAAP Basis</u>	<u>Adjustments to Budget Basis</u>	<u>Actual Budget Basis</u>	Variance with Final Budget Positive (Negative)
\$ 95,514	\$ -	\$ 95,514	\$ 514
71,627	-	71,627	(7,787)
11,817	-	11,817	(6,317)
15,951	-	15,951	6,249
2,533	-	2,533	9,967
<u>4,826</u>	<u>(4,826)</u>	<u>-</u>	<u>-</u>
<u>106,754</u>	<u>(4,826)</u>	<u>101,928</u>	<u>2,112</u>
<u>(11,240)</u>	<u>4,826</u>	<u>(6,414)</u>	<u>2,626</u>
5,176	-	5,176	(424)
995	-	995	495
-	-	-	15,000
<u>6,171</u>	<u>-</u>	<u>6,171</u>	<u>15,071</u>
(5,069)	4,826	(243)	17,697
<u>125,400</u>	<u>125,400</u>	<u>125,400</u>	<u>-</u>
<u>\$ 120,331</u>	<u>\$ 130,226</u>	<u>\$ 125,157</u>	<u>\$ 17,697</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, 2009**

	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
Operating revenues		
Charges for goods and services		
Bulky waste fees	\$ 104,000	\$ 104,000
Operating expenses		
Personnel	60,400	60,400
Maintenance	1,000	1,000
Supplies	11,100	11,100
Other	1,950	1,950
Depreciation	-	-
Total operating expenses	<u>74,450</u>	<u>74,450</u>
Operating income (loss)	<u>29,550</u>	<u>29,550</u>
Nonoperating revenues (expenditures)		
Interest income	250	250
Miscellaneous income	-	-
Net nonoperating revenues	<u>250</u>	<u>250</u>
Changes in net assets	29,800	29,800
Net assets - beginning of year	<u>129,921</u>	<u>129,921</u>
Net assets - end of year	<u>\$ 159,721</u>	<u>\$ 159,721</u>

<u>Actual GAAP Basis</u>	<u>Adjustments to Budget Basis</u>	<u>Actual Budget Basis</u>	Variance with Final Budget Positive (Negative)
\$ 105,000	\$ -	\$ 105,000	\$ 1,000
60,030	-	60,030	370
357	-	357	643
8,672	-	8,672	2,428
979	-	979	971
<u>10,100</u>	<u>(10,100)</u>	<u>-</u>	<u>-</u>
<u>80,138</u>	<u>(10,100)</u>	<u>70,038</u>	<u>4,412</u>
<u>24,862</u>	<u>10,100</u>	<u>34,962</u>	<u>5,412</u>
700	-	700	450
<u>196</u>	<u>-</u>	<u>196</u>	<u>196</u>
<u>896</u>	<u>-</u>	<u>896</u>	<u>646</u>
25,758	10,100	35,858	6,058
<u>129,921</u>	<u>129,921</u>	<u>129,921</u>	<u>-</u>
<u>\$ 155,679</u>	<u>\$ 140,021</u>	<u>\$ 165,779</u>	<u>\$ 6,058</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, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<b>Revenues</b>				
Charges for services				
Cemetery lots	\$ 33,400	\$ 33,400	\$ 33,475	\$ 75
Investment earnings	27,700	27,700	14,548	(13,152)
Miscellaneous	-	-	500	500
Total revenues	<u>61,100</u>	<u>61,100</u>	<u>48,523</u>	<u>(12,577)</u>
<b>Expenditures</b>				
General government				
Cemetery				
Personnel	24,330	24,330	28,461	(4,131)
Maintenance	8,100	8,100	1,425	6,675
Supplies	1,200	1,200	85	1,115
Other	1,200	1,200	150	1,050
Capital	15,000	15,000	-	15,000
Total cemetery expenditures	<u>49,830</u>	<u>49,830</u>	<u>30,121</u>	<u>19,709</u>
Net changes in fund balance	11,270	11,270	18,402	7,132
Fund balance - beginning of year	<u>627,884</u>	<u>627,884</u>	<u>627,884</u>	<u>-</u>
Fund balance - end of year	<u>\$ 639,154</u>	<u>\$ 639,154</u>	<u>\$ 646,286</u>	<u>\$ 7,132</u>

See accompanying notes to the basic financial statements.

**Notes to Supplementary Information****December 31, 2009****Stewardship, Compliance and Accountability***Excess of Expenditures Over Appropriations*

For the year ended December 31, 2009, expenditures exceeded appropriations in the 2004 Street Improvement Bonds Construction Fund by \$3,297 and in the Debt Service Fund by \$1,021,498. In addition, expenditures exceeded appropriations in the Shiloh Museum Board Fund by \$3,334 and in the Municipal Airport Fund by \$191,891. These over expenditures were funded primarily with fund balances, except for the Municipal Airport, which was primarily funded by state grants for capital improvements. The City Council did not make any supplementary appropriations related to these expenditures.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, 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, 2009, which collectively comprise its basic financial statements, and have issued our report thereon dated September 17, 2010. We audited the financial statements of City of Springdale, Arkansas Water and Sewer Commission as of and for the year ended September 30, 2009, which represents 100% of the assets and revenues of the component unit columns. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over 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 17, 2010.

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.

*Frazer Frost, LLP*

Certified Public Accountants

Little Rock, Arkansas  
September 17, 2010

## Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2009

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grantors Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Housing and Urban Development</b>			
Community Development Block Grant	14.218	B-08-MC-05-002	\$ 47,605
Community Development Block Grant	14.218	B-09-MC-05-002	505,907
Community Development Block Grant - American Recovery and Reinvestment Act	14.218R	B-09-MY-05-002	<u>138,369</u>
			<u>691,881</u>
<b>U.S. Department of Transportation</b>			
Passed through Arkansas State Police			
Selective Traffic Enforcement Project	20.600	OP-2010-03-02-34	7,459
Selective Traffic Enforcement Project	20.601	K8-2010-08-08-34	1,504
Selective Traffic Enforcement Project	20.600	OP-2009-03-02-29	<u>23,435</u>
			<u>32,398</u>
Passed through Arkansas Highway and Transportation Department			
Disaster Grants - Public Assistance	97.036	DR-1819-AR	581,010
Johnson Road Improvements - Hwy 412 to Interstate 540	20.205	040272	<u>789,932</u>
			<u>1,370,942</u>
<b>U.S. Department of Homeland Security</b>			
Emergency Preparedness & Response		EMW-2004-FG	
Directorate's Assistance to Firefighters Grant Program	97.044	03518	109,566
Federal Emergency Management Agency			
Passed through Arkansas Department of Emergency Management			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-1819-AR	<u>2,863,289</u>
			<u>2,972,855</u>
<b>U.S. Department of Justice</b>			
Office of Justice Programs' Bureau of Justice Assistance			
Passed through the City of Fayetteville, Arkansas			
Edward Byrne Memorial Justice Assistance Grant Program			
2009 Justice Assistance - Local Solicitation	16.738		151,937
2008 Justice Assistance - Local Solicitation	16.738		798

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

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

For the Year Ended December 31, 2009

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grantors Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Justice (cont.)</b>			
Office of Justice Programs' Bureau of Justice Assistance (cont.)			
Passed through Benton County, Arkansas Sheriff's Office			
Targeting Violent Crime Initiative	16.738	2007-DD-BX-0618	\$ 5,729
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		2006-AH-FX-0054- MG06-06-07	3,393
Underage Alcohol Enforcement Compliance Checks		2007-AH-FX-0030- DZ07-07-06	<u>2,107</u>
			<u>163,964</u>
<b>U.S. Department of Agriculture</b>			
<b>Natural Resources Conservation Service</b>			
Emergency Watershed Protection Program		65-7103-9-1110	6,003
<b>Federal Bureau of Investigation</b>			
Joint Terrorism Task Force of Arkansas	N/A	N/A	6,690
U.S. Marshal Service - Western District of Arkansas	N/A	N/A	24,525
Drug Enforcement Administration Task Force	N/A	N/A	<u>10,749</u>
			<u>47,967</u>
Total expenditures of federal awards			<u>\$ 5,280,007</u>

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

## Schedule of Expenditures of State Awards

For the Year Ended December 31, 2009

<u>State Awards</u>	<u>Grantor Number</u>	<u>State Expenditures</u>
<b>Arkansas State Police</b>		
Child Passenger Protection Fund	OP-2010-03-02-34	\$ 4,999
Internet Crimes Against Children	ICAC07-012	471
Internet Crimes Against Children	ICAC07-027	<u>6,349</u>
		<u>11,819</u>
<b>Arkansas Economic Development Commission</b>		
Technology Park Expansion	GIF # 200811	<u>79,000</u>
		<u>79,000</u>
<b>Arkansas Department of Aeronautics</b>		
State Airport Aid Grant (tree clearing/land grubbing)	2725-09	16,319
State Airport Aid Grant (runway rehabilitation)	2789-09	<u>135,271</u>
		<u>151,590</u>
<b>Arkansas Agriculture Department</b>		
Arkansas Forestry Commission Grant - Ice Storm Grant	U&CF-IS-09-13	<u>15,310</u>
<b>Arkansas Humanities Council</b>		
Sacred Harp Singing in the Ozarks DVD grant	SHG-09-0196	<u>1,631</u>
<b>Department of Arkansas Heritage</b>		
Arts on Tour - Tommy Diaz	09-657-209	100
Arts on Tour - The Kiddos	09-548-209	120
Arts on Tour - Brian Kinder	10-403-209	140
Arts on Tour - Stevens Puppets	10-428-209	<u>130</u>
		<u>490</u>
<b>Arkansas Department of Emergency Management</b>		
Disaster Grants - Public Assistance	DR-1819-AR	<u>477,215</u>
Total expenditures of state awards		<u>\$ 737,055</u>

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

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

For the Year Ended December 31, 2009

<u>Other Assistance</u>	<u>Grantor Number</u>	<u>Other Expenditures</u>
4th Judicial District Drug Task Force Passed through City of Fayetteville	N/A	\$ <u>30,514</u>
High-Intensity Drug Trafficking Area Program Passed through Washington County, Arkansas	N/A	\$ <u>6,301</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 schedule of expenditures of federal and state awards.

**Notes to Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended December 31, 2009**

**Scope of Audit Pursuant to 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 GASB.

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*

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

<u>Program Title</u>	<u>CFDA Number</u>	<u>Subrecipient</u>	<u>Amount</u>
Community Development Block Grant	14.218	Bread of Life	\$ 25,000
		EOA of Washington County	<u>10,000</u>
			<u>\$ 35,000</u>

**Report on Compliance with Requirements Applicable  
to Major Federal Awards Programs 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 compliance of the City of Springdale, Arkansas (the “City”) with the types of compliance requirements described in the U.S. Office of Management and Budget (“OMB”) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

**Internal Control Over Compliance**

The 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 requirements that could have a direct and material effect on a major federal program in

order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

This report is intended solely for the information and use of 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.

*Frazier Frost, LLP*

Certified Public Accountants

Little Rock, Arkansas  
September 17, 2010

**Independent Auditors' Report on Compliance with Certain State Acts**

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

We have examined management's assertions that the City of Springdale, Arkansas, (the "City") complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the year ended December 31, 2009.

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

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

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

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2009.

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.

*Frazer Frost, LLP*

Certified Public Accountants

Little Rock, Arkansas  
September 17, 2010

**Schedule of Findings and Questioned Costs****For the Year Ended December 31, 2009****Summary of Audit Results**

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the City of Springdale, Arkansas.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the City of Springdale, Arkansas, were disclosed during the audit.
4. No significant deficiencies or material weaknesses were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for the City of Springdale, Arkansas, expresses an unqualified opinion on all major federal award programs.
6. Audit findings relative to the major federal award programs for the City of Springdale, Arkansas, are reported in this schedule.
7. The programs tested as major programs included:
  - CDBG – Community Development Block Grant. CFDA No. 14.218
  - Federal-Aid Highway Program. CFDA No. 20.205
  - Disaster Grants – Public Assistance (Presidentially Declared Disasters). CFDA No. 97.036
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