

# **City of Bentonville, Arkansas**

Accountants' Reports and Financial Statements

December 31, 2010



**City of Bentonville, Arkansas**  
**December 31, 2010**

**Contents**

<b>Independent Accountants' Report on Financial Statements and Supplementary Information.....</b>	<b>1</b>
<b>Management's Discussion and Analysis .....</b>	<b>3</b>
<b>Basic Financial Statements</b>	
Statement of Net Assets.....	11
Statement of Financial Position – Bentonville Library Foundation .....	12
Statement of Activities .....	13
Statement of Activities – Bentonville Library Foundation.....	14
Balance Sheet – Governmental Funds.....	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	16
Statement of Assets – Proprietary Funds.....	17
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	18
Statement of Cash Flows – Proprietary Funds .....	19
Statement of Fiduciary Net Assets – Fiduciary Funds .....	20
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds .....	21
Notes to Financial Statements .....	22
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule – General Fund.....	47
Budgetary Comparison Schedule – Street Fund.....	48
Defined Benefit Pension Plans – Schedules of Funding Progress.....	49
Defined Benefit Pension Plans – Schedule of Employer Contributions.....	50
Notes to Required Supplementary Information.....	51

**City of Bentonville, Arkansas**  
**December 31, 2010**

**Contents (Continued)**

**Supplementary Information**

Combining Schedule of Revenues and Expenses - Proprietary Fund Type .....	52
Schedule of Expenditures of Federal Awards .....	53

**Single Audit Section**

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	54
Independent Accountants' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	56
Schedule of Findings and Questioned Costs .....	58
Summary Schedule of Prior Audit Findings.....	61

**Other Required Reports**

Independent Accountants' Report on Compliance With Arkansas State Requirements .....	62
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**Statistical Section (Unaudited)**

Water and Wastewater Rates .....	63
Schedule of Electric, Water and Wastewater Customers and Annual Billable Water Gallons.....	64
Schedule of Insurance Coverage .....	65

## Independent Accountants' Report on Financial Statements and Supplementary Information

The Honorable Mayor and Members of the City Council  
City of Bentonville, Arkansas  
Bentonville, Arkansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bentonville, Arkansas as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bentonville, Arkansas as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and budgetary and pension and other post-employment benefit information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Honorable Mayor and Members of the City Council  
City of Bentonville, Arkansas  
Page 2

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

The accompanying information in the statistical section as listed in the table of contents has not been subjected to the procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

BKD, LLP

April 29, 2011

# City of Bentonville, Arkansas

## Management's Discussion and Analysis

### December 31, 2010

As management of the City of Bentonville (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2010. The information contained in this MD&A should be considered in conjunction with the information contained in the Financial Statements and Supplementary Information.

#### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$327,104,185.
- As of the close of the current fiscal year, the City of Bentonville's governmental funds reported combined ending fund balances of \$71,207,722 of which \$24,639,838 was unreserved.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$19,142,196 which is 67% of total general fund expenditures.
- The City's total debt (bonds payable) increased by \$14,912,283 or 17% during 2010 primarily due to the issuance of the Series 2010 Sales and Use Tax Bonds.
- The City had general revenues of \$38,526,759, grants and contribution revenue of \$5,689,713, charges for services of \$69,186,933 and program expenses of \$91,282,750 for the year ended December 31, 2010.
- The City's capital outlays, excluding donated capital assets, for the year, including outlays in the enterprise fund, were \$30,296,373.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

##### Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. 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 or 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 government'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 related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation and earned but unused vacation leave).

The government-wide financial statements are divided into two categories, governmental and business-type activities. The governmental activities of the City include General Government, Administrative Services, Police, Fire, Public Works, Community Development, Library and Parks. The business-type activities of the City include Electric, Water, Wastewater, Sanitation, and related support departments which comprise the Utility Fund.

The government-wide financial statements not only include the City itself (known as the *primary government*), but also the financial statements of Bentonville Library Foundation (the Foundation). The Foundation is a legally separate, tax-exempt component unit of the City whose primary function is to raise and hold funds to support the City library and its programs. Although the City does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the City. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the Library, the Foundation is considered a component unit of the City and is discretely presented in the City's financial statements.

The government-wide financial statements can be found on pages 11 - 14 of this report.

### **Fund Financial Statements**

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

#### *Governmental Funds*

Most of the City's basic services are included in the governmental funds. These funds use the modified accrual accounting basis, which measures cash and all other financial assets that can readily be converted to cash. The general fund, street fund, capital projects fund and debt service fund make up the City's major governmental funds.

#### *Proprietary Funds*

Proprietary funds, in general, charge customers for services provided. Like the government-wide financial statements, proprietary fund financial statements are presented using a long-term financial accounting approach and the full accrual basis of accounting. Additional information is provided in the proprietary funds' statement of cash flows.

#### *Fiduciary Funds*

The City is the trustee or fiduciary for the Firemen's Relief and Pension Fund. The financial information from this fund is excluded from the government-wide statements because the City cannot use these assets to finance operations. A separate statement of fiduciary net assets and a statement of changes in fiduciary net assets are provided. The accounting used for fiduciary funds is the same used for proprietary funds.

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 financial statements can be found on pages 22 through 46 of this report.

## GOVERNMENT-WIDE ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$327,104,185 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (80%) is its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment); less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending.

### Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2010	2009	2010	2009	2010
Current and other assets	\$ 78,368,345	\$ 88,337,373	\$ 32,056,208	\$ 37,622,968	\$ 110,424,553	\$ 125,960,341
Capital assets	151,801,449	170,339,364	148,301,346	151,117,448	300,102,795	321,456,812
Total assets	<u>230,169,794</u>	<u>258,676,737</u>	<u>180,357,554</u>	<u>188,740,416</u>	<u>410,527,348</u>	<u>447,417,153</u>
Long-term liabilities	56,854,689	73,454,956	29,998,725	27,628,354	86,853,414	101,083,310
Other liabilities	10,795,018	12,523,715	7,895,386	6,705,943	18,690,404	19,229,658
Total liabilities	<u>67,649,707</u>	<u>85,978,671</u>	<u>37,894,111</u>	<u>34,334,297</u>	<u>105,543,818</u>	<u>120,312,968</u>
Net assets:						
Invested in capital assets, net of related debt	126,811,423	134,624,378	117,058,689	122,229,803	243,870,112	256,854,181
Restricted	5,995,041	6,673,944	7,010,633	8,066,486	13,005,674	14,740,430
Unrestricted	<u>29,713,623</u>	<u>31,399,744</u>	<u>18,394,121</u>	<u>24,109,830</u>	<u>48,107,744</u>	<u>55,509,574</u>
	<u>\$ 162,520,087</u>	<u>\$ 172,698,066</u>	<u>\$ 142,463,443</u>	<u>\$ 154,406,119</u>	<u>\$ 304,983,530</u>	<u>\$ 327,104,185</u>

An additional portion of the City's net assets (4.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$49,852,428) may be used to meet the City's ongoing obligations to citizens and creditors.

During the current fiscal year, total net assets of the City increased by \$22,120,655 primarily due to an increase in capital assets, net of related debt of \$18,641,215. The major capital events contributing to this increase are discussed in the *Capital Assets* section of this document. Restricted net assets increased by \$1,734,756 due to an increase in the collection of fees or contributions that are restricted. Unrestricted net assets increased \$1,744,684 primarily due to normal operating income and related expenses and a favorable variance in actual to budgeted revenue.

## Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2010	2009	2010	2009	2010
Revenues:						
Program revenues:						
Charges for services	\$ 977,210	\$ 1,758,420	\$ 60,993,115	\$ 67,428,513	\$ 61,970,325	\$ 69,186,933
Operating grants and contributions	1,593,384	1,365,305	-	-	1,593,384	1,365,305
Capital grants and contributions	2,483,870	3,391,466	2,292,334	932,942	4,776,204	4,324,408
General revenues:						
Property taxes	8,024,811	5,696,966	-	-	8,024,811	5,696,966
Sales taxes	18,952,125	21,380,524	-	-	18,952,125	21,380,524
State Turnback	2,430,245	2,419,801	-	-	2,430,245	2,419,801
Franchise fees	3,794,918	4,056,604	-	-	3,794,918	4,056,604
Investment income	167,987	84,927	151,145	90,037	319,132	174,964
Gain (loss) on sale of capital assets	(33,248)	43,000	-	-	(33,248)	43,000
Other	5,593,749	2,870,497	634,613	1,884,403	6,228,362	4,754,900
Total revenues	<u>43,985,051</u>	<u>43,067,510</u>	<u>64,071,207</u>	<u>70,335,895</u>	<u>108,056,258</u>	<u>113,403,405</u>
Transfers	<u>(1,067,415)</u>	<u>(1,098,983)</u>	<u>1,067,415</u>	<u>1,098,983</u>	<u>-</u>	<u>-</u>
Total revenues and transfers	<u>42,917,636</u>	<u>41,968,527</u>	<u>65,138,622</u>	<u>71,434,878</u>	<u>108,056,258</u>	<u>113,403,405</u>
Expenses:						
General government	5,331,399	5,538,930	-	-	5,331,399	5,538,930
Public safety	12,938,270	13,684,308	-	-	12,938,270	13,684,308
Recreation	2,846,565	3,294,000	-	-	2,846,565	3,294,000
Street department	5,253,167	5,568,577	-	-	5,253,167	5,568,577
Library	1,037,623	947,563	-	-	1,037,623	947,563
CDBG	181,034	165,751	-	-	181,034	165,751
Interest expense on long-term debt	1,409,647	2,591,419	-	-	1,409,647	2,591,419
Electric	-	-	38,243,650	39,743,457	38,243,650	39,743,457
Water	-	-	7,181,489	7,303,569	7,181,489	7,303,569
Wastewater	-	-	5,636,361	6,407,990	5,636,361	6,407,990
Sanitation	-	-	3,662,430	3,816,961	3,662,430	3,816,961
Support	-	-	2,264,541	2,220,225	2,264,541	2,220,225
Total expenses:	<u>28,997,705</u>	<u>31,790,548</u>	<u>56,988,471</u>	<u>59,492,202</u>	<u>85,986,176</u>	<u>91,282,750</u>
Increase in net assets	13,919,931	10,177,979	8,150,151	11,942,676	22,070,082	22,120,655
Net assets – beginning of the year	<u>148,600,156</u>	<u>162,520,087</u>	<u>134,313,292</u>	<u>142,463,443</u>	<u>282,913,448</u>	<u>304,983,530</u>
Net assets – end of the year	<u>\$ 162,520,087</u>	<u>\$ 172,698,066</u>	<u>\$ 142,463,443</u>	<u>\$ 154,406,119</u>	<u>\$ 304,983,530</u>	<u>\$ 327,104,185</u>

### *Governmental Activities*

Governmental activities increased the City's net assets by \$10,177,979, thereby accounting for 46% of the total growth in the net assets of the City. The 2010 increase is \$3.7 million less than in 2009. The key elements of this decrease are:

- Property tax collections decreased \$2.3 million primarily due to property tax receivable from the Benton County government dedicated to street recorded for the first time in 2009. The 2009 amount was court awarded and included multiple years.

- Sales tax collections increased \$2.4 million due to the overall improvement in the economic environment compared to 2009.
- Interest on long-term debt increased of \$1.1 million due to the issuance of the Series 2009 Sales and Use Tax Bond in November of 2009 and interest paid in 2010.

### *Business-type activities*

Business-type activities increased the City's net assets by \$11.9 million, accounting for 54% of the total growth in the City's net assets. The 2010 increase is \$3.8 million more than 2009. The key elements of this increase are as follows:

- Charges for services increased \$6.4 million due to a phase in of water and sewer rate adjustments over the last 2 years and electric revenue was up due to increased demand and a small growth in population.
- Electric Department expenditures increased \$1.5 million primarily due to a \$1.3 million increase in cost of power.
- Capital contributions decreased by \$1.3 million due to a decrease in donated electric, water, and sewer utilities infrastructure in sub-divisions throughout the City.

## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

### **Governmental Funds**

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

#### *General Fund*

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$19,142,196, while total fund balances reached \$19,569,703. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balances and total fund balances to total fund expenditures. Unreserved fund balances represents 68% of total general fund expenditures, while total fund balances represent 69% of that same amount.

The fund balances of the City's general fund increased \$381,202 during the current fiscal year. The increase in fund balance was mainly due to the increase in sales tax during the year.

#### *Street Fund*

The City's street fund had a total fund balance of \$5,461,978 of which all but \$1,061 is unreserved and available to fund street capital and maintenance projects. The net increase in fund balance during the current year in the street fund was \$2,238,858. Street fund's fund balance increase is due primarily to the decreased spending (\$1 million in 2010 compared to \$3.6 million in 2009) on capital outlay.

### *Capital Project Fund*

The City's capital project fund had a total fund balance of \$39,557,543 all of which is reserved and available to fund capital projects that meet the requirements of the Series 2007 Sales and Use Tax Bonds, the Series 2009 Sales and Use Tax Bonds, and the Series 2010 Sales and Use Tax Bonds. The net increase in fund balance during the current year in the capital project fund was \$6,109,779, directly the result of spending \$14,172,981 of bond proceeds on capital improvements and the issuance of the Series 2009 Sales and Use Tax Bonds for \$20,276,077, net.

### **Proprietary Funds**

#### *Enterprise Fund*

Unrestricted net assets of the enterprise fund at the end of the year were \$24,109,830. The total growth in net assets of the enterprise fund was \$11,942,676. Operating revenues of the enterprise fund increased 10.6% to \$67,428,513 and the operating expenses increased 4.4% to \$58,196,165. Other factors concerning the finances of the enterprise fund have already been discussed in the City's business-type activities.

### **General Fund Budgetary Highlights**

#### **Original Budget as Compared to the Final Budget**

During the 2010 fiscal year, the original budget of the general fund was amended primarily to budget for more capital projects and other costs or revenues not previously in the budget. The most significant amendments for revenues were a \$1,055,000 amendment for a contribution to help build an Ice Rink/Splash Park and a \$944,121 amendment for an Airport runway improvement. The most significant amendments for expenditures were expenditures related to land purchases (budget adjustments of \$270,000 and \$1,685,125), improvements to Court Facilities (budget adjustment of \$643,600) and new parking lot paving (budget adjustment of \$770,312).

#### **Actual Results as Compared to the Final Budget**

Variances between the actual revenues and expenditures and the general fund's final budget were fairly significant. The final amended budget projected a \$4,620,839 decrease in general fund balance while the actual resulted in a fund balance increase of \$381,202. The prime factors in the variances can be briefly summarized as follows:

- *Property tax* revenue was \$4,447,505, while the final budgeted amount was \$3,450,880. The excess revenues over the budget (\$996,625) can be attributed to maintaining budget figures at previous year levels due to uncertainty of the affects of a countywide assessment.
- *Sales tax* revenue was \$14,479,134, while the final budgeted amount was \$13,390,975. The increase in revenues over the budget (\$1,088,159) can be attributed to a general increase in retail sales tax from various projects in the City and the County.
- *Capital outlay* expenditure was \$7,682,622, while the final budgeted amount was \$8,315,871. The decrease in expenditures over the budget (\$633,249) can be attributed to various budgeted capital outlay projects that were not completed during 2010 due to time constraints or planned multi-year projects.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

As of December 31, 2010, the City's investment in capital assets for its governmental and business-type activities was \$321,456,812 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and streets.

Major capital asset events during the current fiscal year include the following:

- Capital expenditures of \$10 million were made to a variety of street construction projects in new residential developments and widening and expansion projects for existing streets. In addition, \$1.6 million of streets, drainage and sidewalks constructed by developers were contributed to the City to own and maintain.
- Capital expenditures for additions and improvements to the City's water system, sewer system and electric system were \$4.8 million. In addition, \$932,942 in electric, water and sewer lines were contributed by developers to the City.

Additional information regarding capital assets can be found on pages 31 to 33 of this report.

### **Long-term Debt**

The City had \$104,479,173 in revenue bonds outstanding as of December 31, 2010, which is an increase of \$14,912,283 from the previous year. This increase is primarily due to the issuance of the Series 2010 Sales and Use Tax Bond. The revenue bonds of the Electric, Water, and Sewer System have been rated "AAA" by Moody's Investor Service.

Additional information regarding long-term debt can be found at pages 34 to 37 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- The unemployment rate for the metropolitan area of Northwest Arkansas (of which Bentonville is a part) is currently 6.2%. This compares favorably to the state's average unemployment rate of 7.9% and the national average rate of 9.4%.
- The City's population growth has averaged about 7% annually and according to the most recent census the population is 35,301. Impact and capacity fees, an additional one cent sales tax for capital improvements and slight increases in utility rates are in place to meet the financial demands caused by this population growth.
- The value of building permits issued, excluding public buildings, decreased from approximately \$169 million in 2009 to approximately \$95 million in 2010.

All of these factors were considered in preparing the City of Bentonville, Arkansas budget for the 2011 fiscal year.

## **RECLASSIFICATIONS**

Certain reclassifications have been made to the 2009 financial information to conform to the 2010 presentation.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

The financial report is designed to provide a general overview of the City's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance and Administration; 117 W. Central Avenue; Bentonville, Arkansas 72712.

**City of Bentonville, Arkansas**  
**Statement of Net Assets**  
**December 31, 2010**

**Assets**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Current Assets</b>			
Cash and cash equivalents	\$ 22,114,771	\$ 8,809,979	\$ 30,924,750
Certificates of deposit	6,500,000	9,000,000	15,500,000
Restricted cash and cash equivalents - current	2,843,083	4,066,225	6,909,308
Restricted certificates of deposit	-	3,271,578	3,271,578
Receivable			
Customer accounts, net of allowance for uncollectible accounts of \$190,000	-	6,706,329	6,706,329
Property taxes, net of allowance for uncollectibles of \$333,152	6,329,880	-	6,329,880
Grants and other	3,017,040	-	3,017,040
Due from other governments	62	-	62
Internal Balances	112,584	(112,584)	-
Inventories	-	2,783,188	2,783,188
Prepaid expenses	321,667	-	321,667
	<u>41,239,087</u>	<u>34,524,715</u>	<u>75,763,802</u>
Total current assets			
<b>Noncurrent Assets</b>			
Restricted assets			
Cash and cash equivalents	44,674,530	2,743,662	47,418,192
Sales taxes receivable	693,759	-	693,759
	<u>45,368,289</u>	<u>2,743,662</u>	<u>48,111,951</u>
Less amount required to meet current obligations	(222,250)	-	(222,250)
	<u>45,146,039</u>	<u>2,743,662</u>	<u>47,889,701</u>
Total restricted assets			
Capital assets, net	<u>170,339,364</u>	<u>151,117,448</u>	<u>321,456,812</u>
<b>Other Assets</b>			
Net pension asset	1,631,640	-	1,631,640
Deferred bond issue costs	320,607	316,302	636,909
Other	-	38,289	38,289
	<u>1,952,247</u>	<u>354,591</u>	<u>2,306,838</u>
Total noncurrent assets	<u>217,437,650</u>	<u>154,215,701</u>	<u>371,653,351</u>
Total assets	<u>\$ 258,676,737</u>	<u>\$ 188,740,416</u>	<u>\$ 447,417,153</u>

## Liabilities and Net Assets

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Current Liabilities</b>			
Accounts payable	\$ 1,937,338	\$ 3,434,067	\$ 5,371,405
Accrued expenses and other	604,631	718,274	1,322,905
Accrued interest payable	514,903	53,581	568,484
Due to other governments	263,043	147,332	410,375
Bonds payable - current portion	3,280,000	2,352,689	5,632,689
Deferred revenue	5,923,800	-	5,923,800
Total current liabilities	<u>12,523,715</u>	<u>6,705,943</u>	<u>19,229,658</u>
<b>Noncurrent Liabilities</b>			
Customer deposits	-	613,801	613,801
Compensated absences	809,364	387,308	1,196,672
Other post employment benefit liability	334,063	92,290	426,353
Bonds payable, net	72,311,529	26,534,955	98,846,484
Total noncurrent liabilities	<u>73,454,956</u>	<u>27,628,354</u>	<u>101,083,310</u>
Total liabilities	<u>85,978,671</u>	<u>34,334,297</u>	<u>120,312,968</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	<u>134,624,378</u>	<u>122,229,803</u>	<u>256,854,181</u>
Restricted			
Debt service	4,113,440	2,076,638	6,190,078
New growth	1,953,430	-	1,953,430
Renewals and replacements	-	5,989,848	5,989,848
Capital improvements	532,749	-	532,749
Other	74,325	-	74,325
Total restricted	<u>6,673,944</u>	<u>8,066,486</u>	<u>14,740,430</u>
Unrestricted	<u>31,399,744</u>	<u>24,109,830</u>	<u>55,509,574</u>
Total net assets	<u>172,698,066</u>	<u>154,406,119</u>	<u>327,104,185</u>
Total liabilities and net assets	<u>\$ 258,676,737</u>	<u>\$ 188,740,416</u>	<u>\$ 447,417,153</u>

**City of Bentonville, Arkansas**  
**Statement of Financial Position – Bentonville Library Foundation**  
**December 31, 2010**

**Assets**

**Current Assets**

Cash	\$ 71,723
<hr/>	
Total current assets	71,723
<hr/>	

**Property and Equipment**

Land	781,794
Improvements	38,320
Buildings	7,537,653
Furniture and equipment	648,857
<hr/>	
	9,006,624
Less accumulated depreciation	(1,290,511)
<hr/>	
	7,716,113
<hr/>	

**Other Assets**

Investment in NWC Foundation	727,550
Prepaid expenses	1,434
<hr/>	
	728,984
<hr/>	
Total assets	\$ 8,516,820
<hr/>	

**Liabilities and Net Assets**

**Liabilities**

Note payable to bank	\$ 325,000
Accounts payable	373
Accrued expenses	6,796
<hr/>	
Total liabilities	332,169
<hr/>	

**Net Assets**

Unrestricted	6,953,239
Temporarily restricted	1,231,412
<hr/>	
Total net assets	8,184,651
<hr/>	
Total liabilities and net assets	\$ 8,516,820
<hr/>	

**City of Bentonville, Arkansas**  
**Statement of Activities**  
**Year Ended December 31, 2010**

	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Government/Programs</b>							
<b>Primary Government</b>							
Governmental activities:							
General government	\$ 5,538,930	\$ 139,867	\$ 422,973	\$ 1,562,323	\$ (3,413,767)	\$ -	\$ (3,413,767)
Public safety	13,684,308	861,277	167,788	15,010	(12,640,233)	-	(12,640,233)
Recreation	3,294,000	229,762	-	4,967	(3,059,271)	-	(3,059,271)
Street department	5,568,577	527,514	485,950	1,809,130	(2,745,983)	-	(2,745,983)
Library	947,563	-	5,500	36	(942,027)	-	(942,027)
CDBG	165,751	-	283,094	-	117,343	-	117,343
Interest expense on long-term debt	2,591,419	-	-	-	(2,591,419)	-	(2,591,419)
<b>Total governmental activities</b>	<b>31,790,548</b>	<b>1,758,420</b>	<b>1,365,305</b>	<b>3,391,466</b>	<b>(25,275,357)</b>	<b>-</b>	<b>(25,275,357)</b>
<b>Business-type activities:</b>							
Electric	39,743,457	45,658,540	-	159,680	-	6,074,763	6,074,763
Water	7,303,569	8,475,391	-	475,233	-	1,647,055	1,647,055
Wastewater	6,407,990	8,412,189	-	298,029	-	2,302,228	2,302,228
Sanitation	3,816,961	4,025,999	-	-	-	209,038	209,038
Support	2,220,225	856,394	-	-	-	(1,363,831)	(1,363,831)
<b>Total business-type activities</b>	<b>59,492,202</b>	<b>67,428,513</b>	<b>-</b>	<b>932,942</b>	<b>-</b>	<b>8,869,253</b>	<b>8,869,253</b>
<b>Total primary government</b>	<b>\$ 91,282,750</b>	<b>\$ 69,186,933</b>	<b>\$ 1,365,305</b>	<b>\$ 4,324,408</b>	<b>(25,275,357)</b>	<b>8,869,253</b>	<b>(16,406,104)</b>
<b>General revenues:</b>							
Property taxes					5,696,966	-	5,696,966
Sales taxes					21,380,524	-	21,380,524
State turnback					2,419,801	-	2,419,801
Franchise fees					4,056,604	-	4,056,604
Investment income					84,927	90,037	174,964
Gain on sales of fixed assets					43,000	-	43,000
Transfers					(1,098,983)	1,098,983	-
Other					2,870,497	1,884,403	4,754,900
<b>Total general revenues and transfers</b>					<b>35,453,336</b>	<b>3,073,423</b>	<b>38,526,759</b>
<b>Change in net assets</b>					<b>10,177,979</b>	<b>11,942,676</b>	<b>22,120,655</b>
<b>Net assets - Beginning of Year</b>					<b>162,520,087</b>	<b>142,463,443</b>	<b>304,983,530</b>
<b>Net assets - End of Year</b>					<b>\$ 172,698,066</b>	<b>\$ 154,406,119</b>	<b>\$ 327,104,185</b>

**City of Bentonville, Arkansas**  
**Statement of Activities– Bentonville Library Foundation**  
**Year Ended December 31, 2010**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Revenues and Support</b>			
Contributions	\$ 22,805	\$ 13,370	\$ 36,175
Rental income	10,545	-	10,545
Investment income	99,709	-	99,709
Net assets released from restrictions			
Purpose restrictions accomplished	10,258	(10,258)	-
	<u>143,317</u>	<u>3,112</u>	<u>146,429</u>
<b>Expenses</b>			
Advertising	1,461	-	1,461
Books, subscriptions, reference	5,896	-	5,896
Depreciation	298,363	-	298,363
Insurance	1,024	-	1,024
Interest expense	18,123	-	18,123
Investment fees	7,834	-	7,834
Miscellaneous	1,839	-	1,839
Payroll taxes	1,073	-	1,073
Professional fees	43,712	-	43,712
Salaries and wages	8,348	-	8,348
Scholarships	1,300	-	1,300
Supplies	1,448	-	1,448
Telephone and telecommunications	673	-	673
Train station	29,301	-	29,301
Travel and training	1,117	-	1,117
	<u>421,512</u>	<u>-</u>	<u>421,512</u>
<b>Change in Net Assets</b>	(278,195)	3,112	(275,083)
<b>Net Assets, Beginning of Year</b>	<u>7,231,434</u>	<u>1,228,300</u>	<u>8,459,734</u>
<b>Net Assets, End of Year</b>	<u>\$ 6,953,239</u>	<u>\$ 1,231,412</u>	<u>\$ 8,184,651</u>

**City of Bentonville, Arkansas**  
**Balance Sheet – Governmental Funds**  
**December 31, 2010**

**Assets**

	General	Street	Capital Project Funds	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 12,600,116	\$ 9,471,560	\$ -	\$ -	\$ 43,095	\$ 22,114,771
Certificates of deposit	5,000,000	1,500,000	-	-	-	6,500,000
Accounts receivable:						
Property taxes, net of allowance for uncollectible accounts of \$347,815	4,847,244	1,482,636	-	-	-	6,329,880
Grants and other	2,688,883	322,512	-	-	5,645	3,017,040
Due from other funds	579,423	162,622	1,607	-	6,135	749,787
Due from other governments	-	62	-	-	-	62
Prepaid and other	320,606	1,061	-	-	-	321,667
Restricted assets						
Cash and cash equivalents	742,755	-	40,378,945	4,073,336	2,322,577	47,517,613
Sales tax receivable	138,752	-	-	555,007	-	693,759
<b>Total assets</b>	<b>\$ 26,917,779</b>	<b>\$ 12,940,453</b>	<b>\$ 40,380,552</b>	<b>\$ 4,628,343</b>	<b>\$ 2,377,452</b>	<b>\$ 87,244,579</b>

**Liabilities and Fund Balances**

**Liabilities:**

Accounts payable	\$ 855,331	\$ 138,227	\$ 823,009	\$ -	\$ 120,772	\$ 1,937,339
Due to other funds	521,873	102,330	-	-	13,000	637,203
Due to other governments	9,518	-	-	-	253,525	263,043
Accrued expenditures and other	915,884	29,708	-	-	-	945,592
Deferred revenues	5,045,470	7,208,210	-	-	-	12,253,680
<b>Total liabilities</b>	<b>7,348,076</b>	<b>7,478,475</b>	<b>823,009</b>	<b>-</b>	<b>387,297</b>	<b>16,036,857</b>

**Fund balances**

Reserved

Reserved for debt service	-	-	-	4,628,343	-	4,628,343
Prepaid expenditures	80,243	1,061	-	-	-	81,304
General capital improvements	347,264	-	39,557,543	-	-	39,904,807
New growth	-	-	-	-	1,953,430	1,953,430
<b>Total reserved</b>	<b>427,507</b>	<b>1,061</b>	<b>39,557,543</b>	<b>4,628,343</b>	<b>1,953,430</b>	<b>46,567,884</b>

Unreserved

General fund	19,142,196	-	-	-	-	19,142,196
Special revenue funds	-	5,460,917	-	-	36,725	5,497,642
<b>Total unreserved</b>	<b>19,142,196</b>	<b>5,460,917</b>	<b>-</b>	<b>-</b>	<b>36,725</b>	<b>24,639,838</b>
<b>Total fund balances</b>	<b>19,569,703</b>	<b>5,461,978</b>	<b>39,557,543</b>	<b>4,628,343</b>	<b>1,990,155</b>	<b>71,207,722</b>
<b>Total liabilities and fund balances</b>	<b>\$ 26,917,779</b>	<b>\$ 12,940,453</b>	<b>\$ 40,380,552</b>	<b>\$ 4,628,343</b>	<b>\$ 2,377,452</b>	<b>\$ 87,244,579</b>

	<b>Total Government Funds</b>
	<hr/>
<b>Total fund balances – governmental funds</b>	\$ 71,207,722
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	170,339,364
Net pension assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	1,631,640
Property tax revenues that do not provide current financial resources at the fund level on the modified accrual basis are reported as revenues on the full accrual basis in the government-wide statements.	6,329,880
Liabilities that are not due and payable in the current period and not reported in the government-wide statements:	
Accrued interest payable is not due and payable in the current period and is not reported in the funds.	(514,903)
Accrued compensated absences are not due and payable with current financial resources and, therefore, are not reported in the funds.	(690,652)
Post employment benefits liability	(334,063)
Bonds payable, net of deferred issuance cost	<u>(75,270,922)</u>
<b>Total net assets – governmental activities</b>	<b>\$ <u>172,698,066</u></b>

**City of Bentonville, Arkansas**  
**Statement of Revenues, Expenditures and Changes in Fund Balances –**  
**Governmental Funds**  
**Year Ended December 31, 2010**

	<u>General</u>	<u>Street</u>	<u>Capital Project Fund</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>						
Property tax	\$ 4,447,505	\$ 1,528,064	\$ -	\$ -	\$ -	\$ 5,975,569
Sales tax	14,479,134	-	-	6,901,389	-	21,380,523
State turnback	1,097,016	1,445,136	-	-	-	2,542,152
Impact fees	-	-	-	-	1,539,823	1,539,823
Franchise fees	4,056,604	-	-	-	-	4,056,604
Charges for services	1,230,905	527,514	-	-	-	1,758,419
Fines and forfeitures	410,873	-	-	-	-	410,873
Licenses and permits	425,822	-	-	-	-	425,822
Grants	1,097,683	485,950	-	-	283,094	1,866,727
Contributions	1,080,914	121,488	-	-	-	1,202,402
Interest	61,935	15,293	6,683	1,092	64	85,067
Miscellaneous	439,343	13,370	-	-	23,306	476,019
	<u>28,827,734</u>	<u>4,136,815</u>	<u>6,683</u>	<u>6,902,481</u>	<u>1,846,287</u>	<u>41,720,000</u>
<b>Total revenues</b>						
<b>Expenditures</b>						
Current:						
General government	5,047,266	-	-	-	-	5,047,266
Public safety	12,278,847	-	-	-	19,000	12,297,847
Recreation	2,720,375	-	-	-	-	2,720,375
Street Department	-	1,836,029	-	-	-	1,836,029
Library	830,120	-	-	-	-	830,120
CDBG	-	-	-	-	165,751	165,751
Capital outlay	7,682,622	1,012,321	14,172,981	-	121,120	22,989,044
Debt service	-	-	-	6,427,110	-	6,427,110
	<u>28,559,230</u>	<u>2,848,350</u>	<u>14,172,981</u>	<u>6,427,110</u>	<u>305,871</u>	<u>52,313,542</u>
<b>Total expenditures</b>						
<b>Excess (Deficiency) of Revenues Over Expenditures</b>						
	<u>268,504</u>	<u>1,288,465</u>	<u>(14,166,298)</u>	<u>475,371</u>	<u>1,540,416</u>	<u>(10,593,542)</u>
<b>Other Financing Sources (Uses)</b>						
Sale of capital assets	43,000	-	-	-	-	43,000
Proceeds from issuance of debt (includes premium)	-	-	20,350,963	1,117,017	-	21,467,980
Bond issue cost	-	-	(74,886)	-	-	(74,886)
Transfers in	1,020,091	950,393	-	-	-	1,970,484
Transfers out	(950,393)	-	-	-	(2,119,074)	(3,069,467)
	<u>112,698</u>	<u>950,393</u>	<u>20,276,077</u>	<u>1,117,017</u>	<u>(2,119,074)</u>	<u>20,337,111</u>
<b>Total other financing sources (uses)</b>						
<b>Change in Fund Balances</b>	381,202	2,238,858	6,109,779	1,592,388	(578,658)	9,743,569
<b>Fund Balances, Beginning of Year</b>	<u>19,188,501</u>	<u>3,223,120</u>	<u>33,447,764</u>	<u>3,035,955</u>	<u>2,568,813</u>	<u>61,464,153</u>
<b>Fund Balances, End of Year</b>	<u>\$ 19,569,703</u>	<u>\$ 5,461,978</u>	<u>\$ 39,557,543</u>	<u>\$ 4,628,343</u>	<u>\$ 1,990,155</u>	<u>\$ 71,207,722</u>

See Notes to Financial Statements

	<b>Total Government Funds</b>
	<hr/>
<b>Net change in net assets – total governmental funds</b>	\$ 9,743,569
<b>Amounts reported for governmental activities in the statement of activities are different because:</b>	
Governmental funds do not report capital contributions and they report capital outlays as expenditures. However, for government-wide statements, the value of contributed capital assets and the cost of purchased assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital additions/outlays exceeded depreciation in the current period.	18,537,915
Reduction in bond principal that would be reported as expenditure for the fund but are not reported as expenses in the statement of activities.	4,130,000
Revenues that were obtained through issuing debt are reported as revenues for the funds but are not reported as revenue in the statement of activities.	(21,393,094)
Property tax revenue	(278,603)
Recognition of post employment benefit liability	(122,811)
Accrued expenses, such as compensated absences, interest, pension costs, etc., reported in the statement of activities do not require the use of current financial resources, and, therefore, are not expenditures in the funds.	<u>(438,997)</u>
<b>Change in net assets of governmental activities</b>	<b>\$ <u>10,177,979</u></b>

**City of Bentonville, Arkansas**  
**Statement of Net Assets –**  
**Proprietary Funds**  
**December 31, 2010**

**Assets**

**Current assets:**

Cash and cash equivalents	\$ 8,809,979
Certificates of deposit	9,000,000
Accounts receivable (customer accounts), net of allowance for uncollectible accounts of \$190,000	6,706,329
Due from other funds	144,040
Restricted cash and cash equivalents	4,066,225
Restricted certificates of deposit	3,271,578
Inventories	<u>2,783,188</u>
 Total current assets	 <u>34,781,339</u>

**Noncurrent Assets**

Restricted cash and cash equivalents	2,743,662
Capital assets, net of accumulated depreciation of \$45,683,218	151,117,448
Deferred bond issue costs	316,302
Other assets	<u>38,289</u>
 Total noncurrent assets	 <u>154,215,701</u>

  Total assets	  <u><u>\$ 188,997,040</u></u>
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## Liabilities and Net Assets

### Current liabilities:

Accounts payable	\$ 3,434,067
Accrued expenses and other	718,274
Accrued interest payable	53,581
Due to other funds	256,624
Due to other governments	147,332
Bonds payable - current portion	<u>2,352,689</u>
Total current liabilities	<u>6,962,567</u>

### Noncurrent liabilities

Customer deposits	613,801
Compensated absences	387,308
Other post employment benefit liability	92,290
Bonds payable, net of unamortized premium and discount	<u>26,534,955</u>
Total noncurrent liabilities	<u>27,628,354</u>

Total liabilities	<u>34,590,921</u>
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### Net Assets

Invested in capital assets, net of related debt	122,229,803
Restricted	
Debt Service	2,076,638
Renewals and replacements	5,989,848
Unrestricted	<u>24,109,830</u>
Total net assets	<u>154,406,119</u>
Total liabilities and net assets	<u>\$ 188,997,040</u>

**City of Bentonville, Arkansas**  
**Statement of Revenues, Expenses and Changes in**  
**Fund Net Assets – Proprietary Funds**  
**Year Ended December 31, 2010**

<b>Operating revenues</b>	
Charges for services	<u>\$ 67,428,513</u>
<b>Operating expenses</b>	
Salaries and fringe benefits	7,213,635
Contract purchases	39,345,880
Maintenance	1,230,462
Depreciation and amortization	4,397,114
Materials and supplies	1,063,129
Other services and charges	<u>4,945,945</u>
Total operating expenses	<u>58,196,165</u>
<b>Operating income</b>	<u>9,232,348</u>
<b>Nonoperating Income (Expenses)</b>	
Interest income	90,037
Bond interest and fiscal agent charges	(1,296,037)
Other, net	<u>1,884,403</u>
Net non-operating revenues (expenses)	<u>678,403</u>
<b>Income Before Capital Contributions and Transfers</b>	9,910,751
<b>Capital Contributions</b>	932,942
<b>Transfers</b>	
Transfers in	<u>1,098,983</u>
<b>Change in Net Assets</b>	11,942,676
<b>Net Assets, Beginning of Year</b>	<u>142,463,443</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 154,406,119</u></u>

**City of Bentonville, Arkansas**  
**Statement of Cash Flows – Proprietary Funds**  
**Year Ended December 31, 2010**

<b>Operating Activities</b>	
Receipts from customers	\$ 66,961,635
Payments to suppliers	(41,156,917)
Payments to employees	(6,715,092)
Other payments	<u>(4,748,170)</u>
Net cash provided by operating activities	<u>14,341,456</u>
<b>Noncapital Financing activities</b>	
Transfer from other funds	1,098,983
Other	<u>349,318</u>
Net cash provided by noncapital financing activities	<u>1,448,301</u>
<b>Capital and Related Financing Activities</b>	
Purchase and construction of capital assets	(5,771,422)
Proceeds from sale of capital assets	140,433
Principal paid on revenue bonds	(2,355,013)
Interest and agent fees paid on revenue bonds	<u>(1,301,205)</u>
Net cash used in capital and related financing activities	<u>(9,287,207)</u>
<b>Investing Activities</b>	
Purchases of certificates of deposit	(3,000,000)
Interest income	<u>90,037</u>
Net cash used in investing activities	<u>(2,909,963)</u>
<b>Increase in Cash and Cash Equivalents</b>	3,592,587
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>12,027,279</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 15,619,866</u></u>

**Cash and Cash Equivalents of Proprietary Funds, as presented, on the  
"Statement of Nets Assets - Proprietary Funds" is as follows:**

Cash and cash equivalents	\$ 8,809,979
Restricted cash and cash equivalents - current	4,066,225
Restricted cash and cash equivalents - noncurrent	2,743,662
	<u>15,619,866</u>
	<u>\$ 15,619,866</u>

**Reconciliation of Operating Income to  
to Net Cash Provided By Operating Activities**

Operating income	\$ 9,232,348
Adjustment to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization expense	4,397,114
Changes in assets and liabilities	
Receivables, net	(466,878)
Due to/due from other funds, net	150,061
Other assets	850
Inventories	692,509
Accounts payable	(209,955)
Accrued expenses	498,543
Due to other governments	(16,151)
Other liabilities	63,015
	<u>14,341,456</u>
Net cash provided by operating activities	<u>\$ 14,341,456</u>

**Noncash Investing, Capital and Financing Activities**

Capital assets acquired through contributions	\$ 932,942
Recognition of revenue related to cost of power rebate	1,570,456

**City of Bentonville, Arkansas**  
**Statement of Fiduciary Net Assets – Fiduciary Funds**  
**December 31, 2010**

	<u>Pension Trust</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 495,219
Investments, at fair value	6,010,678
Receivables	
Accrued interest and dividends	31,539
Other	<u>39,562</u>
Total assets	<u><u>6,576,998</u></u>
<b>Net Assets</b>	
Net assets held in trust for pension benefits	<u><u>\$ 6,576,998</u></u>

**City of Bentonville, Arkansas**  
**Statement of Changes in Fiduciary Net Assets – Fiduciary Funds**  
**Year Ended December 31, 2010**

	<u>Pension Trust</u>
<b>Additions</b>	
Contributions	
Employer	\$ 4,759
Plan members	4,759
Property taxes contributed	444,594
State insurance turnback	88,643
Other	<u>5,640</u>
Total contributions	<u>548,395</u>
Investment income	
Net increase in fair value of investments	288,255
Interest and dividends	<u>201,185</u>
	489,440
Less investment expense	<u>44,397</u>
Net investment income	<u>445,043</u>
Total additions	993,438
<b>Deductions</b>	
Benefits paid directly to participants	<u>325,924</u>
<b>Change in Net Assets</b>	667,514
<b>Net Assets Held in Trust For Pension Benefits, Beginning of Year</b>	<u>5,909,484</u>
<b>Net Assets Held in Trust For Pension Benefits, End of Year</b>	<u><u>\$ 6,576,998</u></u>

# City of Bentonville, Arkansas

## Notes to Financial Statements

### December 31, 2010

#### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

The City of Bentonville, Arkansas (the “City”), is a municipal corporation operating under the authority of Arkansas state statute. The City operates under an elected mayor-council form of government. Eight elected council members and the Mayor set policy of the City. The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America for state and local governments as defined by the Governmental Accounting Standards Board (GASB). Enterprise funds also apply Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The following is a summary of the significant accounting and reporting policies of the City:

#### ***Reporting Entity***

The accompanying government-wide financial statements present the financial statements of the City of Bentonville, Arkansas. The component unit (Bentonville Library Foundation) is a legally separate entity for which the City is considered to be financially accountable. To be financially accountable, the City must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to or impose specific financial burdens on the City.

The City’s defined benefit plan, being fiduciary in nature, was not evaluated as a potential component unit but instead was reported as a fiduciary fund.

The City’s primary government consists of those funds or organizations that make up the legal entity for which it is financially responsible. Under this criteria, the following is included in the primary government reporting entity:

#### **Discretely Presented Component Unit**

Bentonville Library Foundation (the Foundation) is a legally separate, tax-exempt component unit of the City that was created during 2004. The Foundation’s primary function is to raise and hold funds to support the City library and its programs. The board of the Foundation is self-perpetuating and consists of citizens and friends of the library.

Although the City does not control the timing or amount of receipts from the Foundation, the majority of the Foundation’s resources and related income are restricted by donors for the benefit of the City. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the library, the Foundation is considered a component unit of the City and is discretely presented in the City’s financial statements.

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Accounting Standards Codification (ASC) 958, Not-for-Profit Entities. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s statements in the City’s financial reporting entity for these differences.

# City of Bentonville, Arkansas

## Notes to Financial Statements

### December 31, 2010

#### ***Related Organization***

The City's Mayor and Council are also responsible for appointing members of the board of the Advertising and Promotions Commission, but the accountability for this organization does not extend beyond making the appointments. The financial operations of this related organization has not been included in the City's basic financial statements.

#### ***Government-wide and Fund Financial Statements***

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements as follows:

##### **Government-wide Financial Statements**

The government-wide financial statements report information on all of the nonfiduciary activities of the City. Fiduciary activities are excluded from the government-wide statements because they cannot be used to support the City's own programs. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly associated with a specific function or identifiable activity. Expenses that cannot be specifically identified to a particular function are charged to funds based on time spent for that function and are included in the functional categories. 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.

##### **Fund Financial Statements**

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each governmental, proprietary and fiduciary fund 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 *general fund*, *street fund*, *capital project fund* and *debt service fund* as its major governmental funds. The general fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. The street fund accounts for gasoline and road taxes received from the state and county levies. Revenues are expended for maintenance and repair of streets and sidewalks. The capital project fund accounts for the resources accumulated from the Series 2007, 2009 and 2010 sales and use tax bonds of the City to be used for the purpose of financing the costs of various capital improvement projects.

# City of Bentonville, Arkansas

## Notes to Financial Statements

### December 31, 2010

The City reports one major *enterprise fund*. It accounts for the City's combined electric, water, sewer and sanitation system, whose operations are financed primarily through user charges.

Additionally, the City reports the *pension trust fund* which accounts for assets held in trust for the Firemen's Relief and Pension Fund. Pension trust funds are accounted for in essentially the same manner as proprietary funds.

#### ***Measurement Focus and Basis of Accounting***

##### **Government-wide, Proprietary and Fiduciary Funds**

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and 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.

In proprietary funds, 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 property taxes; city and county sales tax; grants, entitlements and similar items; and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period in which the taxes are levied. City and county sales taxes, franchise fees, licenses and permits 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 donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as deferred revenues. Grants and similar aid to other organizations are recognized as expenses as soon as recipients have met all eligibility requirements. Amounts paid before all eligibility requirements have been met are reported as prepaid items.

##### **Governmental Fund Financial Statements**

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of general long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The City considers revenues reported in the governmental funds to be available if they are collectible within sixty days after year-end. Principal revenue sources considered susceptible to accrual include taxes, federal funds, local funds and investment earnings. Other revenues are considered to be measurable and available only when cash is received by the

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

City. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences and obligations for worker's compensation and other post-employment benefits which are recognized as expenditures when payment is due. Pension expenditures are recognized when amounts are due to a plan.

***Cash and Cash Equivalents***

The City considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2010, cash equivalents consisted primarily of money market accounts with brokers.

***Investments and Investment Income***

City investments, excluding pension trust fund assets, consist entirely of certificates of deposit. Pension trust fund assets are invested in certificates of deposit, mutual funds, U. S. Government and agency securities, corporate debentures, and common stocks and are stated at fair value as determined by custodial agents.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is assigned to funds with which the related investment asset is associated.

***Property Taxes***

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 are measurable when levied even though not available. Accordingly, property taxes receivable of \$6,329,880 and related deferred revenues have been recorded at December 31, 2010, in the governmental funds. Benton County is the collecting agent and remits collections to the City, net of a collection fee, on a monthly basis.

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 of the property and applies a statutory rate of 20 percent to arrive at assessed value.

***Unbilled Revenue***

The City bills customers for electric, water and sewer services after usage based upon meter readings made during the month. The City records a receivable for unbilled revenue at December 31 for estimated usage for which bills have not been sent.

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

***Inventories***

Inventories are valued at the lower of cost or market value using the first in/first out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed.

***Capital Assets***

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

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

	<b>Years</b>
Water distribution facilities	50
Sewer and solid waste collection and treatment facilities	15-50
Electric distribution facilities	15-40
Building and improvements	40
Furniture and equipment	7-15
Vehicles	5

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

***Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the columns for governmental activities and business-type activities. These amounts are also reported as liabilities in the fund financial statements for proprietary funds. Deferred gains on refundings are generally deferred and amortized using the effective interest rate method. Long-term debt is reported net of the unamortized gain on refunding and bond issue discount. Debt issuance costs are deferred and amortized over the life of the related debt using the straight-line method.

***Compensated Absences***

The City grants vacation to all full-time employees based on continuous service. The cost of vacation (and sick pay for certain employee classifications) is accrued when earned in the government-wide and proprietary fund financial statements and reported as accrued expenses. In governmental funds, amounts accrued are expected to be liquidated with available financial resources and are reported as an expenditure and are included in accrued liabilities in the financial statements and reported as accrued expenditures. For governmental activities, compensated absences are generally liquidated by the general fund.

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

**Net Assets**

Net assets of the City 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 borrowings used to finance the purchase or construction of those assets. Restricted net assets are noncapital assets that must be used for a particular purpose as specified by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation, reduced by the outstanding balances of any related borrowings. Unrestricted net assets are remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt or restricted.

When both restricted and unrestricted resources are available for use, generally it is the City's policy to use restricted resources first.

**New Governmental Accounting Standards Board (GASB) Pronouncements**

The GASB has issued the following statements which the City has not yet adopted and which require adoption subsequent to December 31, 2010:

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued February 2009 will be effective for the City for the year ending December 31, 2011. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, issued December 2009 was effective immediately except for paragraph 8 related to the frequency and timing of measurements which are effective for the City (for actuarial valuations first used to report funded status information in agent employer's other postemployment benefit plan financial statements) for the year ending December 31, 2012.

GASB Statement No. 59, *Financial Statement Omnibus*, issued June 2010 will be effective for the City for the year ending December 31, 2011. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice.

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010 will be effective for the City for the year ending December 31, 2012. The Statement addresses accounting and financial reporting issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—An Amendment of GASB Statements No. 14 and No. 34*, issued November 2010 will be effective for the City for the year ending December 31, 2013. The Statement modifies certain requirements for inclusion of component units in the financial reporting entity, amends criteria for reporting component units as

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

if they were part of the primary government (i.e. blending) in certain circumstances and clarifies the reporting of equity interests in legally separate organizations.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued December 2010 will be effective for the City for the year ending December 31, 2012. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements.

**Note 2: Deposits and Investments**

***Deposits***

At December 31, 2010, the City had bank balances of \$57,993,891 that were all insured (FDIC) or collateralized with securities held by the City or the City's agent in the City's name. The carrying value of these deposits as of December 31, 2010 was \$57,447,423.

State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

***Investments***

Arkansas statutes authorize the City to invest in direct obligations of the U. S. Government; obligations on which the principal and interest are fully guaranteed, or are fully secured, insured, or covered by commitments or agreements to purchase by the U. S. Government; obligations of agencies and instrumentalities created by act of the United States Congress and authorized thereby to issue securities or evidence of indebtedness, regardless of guarantee of repayment by the U. S. Government; obligations of political subdivisions of the United States; certain obligations issued by the State Board of Education; short-term warrants of political subdivisions of the State of Arkansas and municipalities; the sale of federal funds with a maturity of not more than one business day; demand, savings or time deposits fully insured by a federal deposit insurance agency; repurchase agreements that are fully insured by obligations of the U. S. Government, any U. S. State or any political subdivision thereof; securities of, or other interest in, any open-end type investment company or investment trust registered under the Investment Company Act of 1940, and which is considered a money market fund, provided that the portfolio is limited principally to U. S. Government obligations and the investment company or trust takes delivery of collateral either directly or through an authorized custodian; and bank certificates of deposit. Arkansas statutes also authorize the City to invest no more than 20 percent of its capital base in corporate

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

debt obligations; revenue bond issues of any U. S. State, municipality, or political subdivision; industrial development bonds for corporate obligors issued through any U. S. State or political subdivision; securities or interest in an open-end or closed-end management type investment company or trust registered under the Investment Company Act of 1940 with certain limitations; securities or interests issued, assumed, or guaranteed by certain international banks; and uninsured demand, savings, or time deposits or accounts or any depository institution chartered by the United States, any U. S. State, or the District of Columbia.

The pension trust funds are authorized to invest in U. S. Government and agency securities, bank certificates of deposit, common stocks, investment grade corporate bonds and other appropriate securities.

Investments at December 31, 2010, consisted of the following:

Type	Fair Value	Maturities in Years			
		Less than 1	1-5	6-10	More than 10
U.S. government and agency obligations	\$ 2,683,682	\$ -	\$ 1,651,415	\$ 603,180	\$ 429,087
Corporate debt securities	863,551	80,639	755,352	27,560	-
Money market funds (treasury obligations)	46,418,755	46,418,755	-	-	-
Money market mutual funds	419,601	419,601	-	-	-
		<u>\$46,918,995</u>	<u>\$ 2,406,767</u>	<u>\$ 630,740</u>	<u>\$ 429,087</u>
Mutual funds	253,631				
Corporate stocks	<u>2,209,812</u>				
	<u>\$ 52,849,032</u>				

Interest Rate Risk – The City’s investment policy does not specifically address interest rate risk. The pension fund investment policy does not specifically address interest rate risk.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The City’s investment policy does not specifically address credit risk.

The pension fund investment policy limits its investments in fixed income securities and preferred shares to a rating of “investment grade” by Moody’s Investors Service and Standard & Poor’s. At December 31, 2010, the pension fund investments in corporate bonds were rated from BBB to AAA by Standard & Poor’s and from BAA1 to AAA by Moody’s Investors Service. At those dates, the pension fund investments in U. S. agencies’ obligations not directly guaranteed by the U. S. government were rated from BBB to AAA by Standard & Poor’s and from BAA1 to AAA by Moody’s Investors Service.

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

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 in 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 in the City's name are insured or collateralized or limited to Treasury Fund Money Markets.

Concentration of Credit Risk - The City places no limit on the amount that may be invested in any one issuer.

The pension fund investment policy states that no more than 5% of the fund's total assets valued at cost be invested in the equities of any one company or affiliated group of companies. This policy also states that no more than 3% of the fund's total assets valued at cost be invested in any one debt issue with the exception of U. S. Treasury or government or agency debt securities. Additionally, the policy states that no more than 5% of the fund's total assets may be invested in any one debt security of any one issuer or intermediary, with the exception of U. S. Treasury debt securities. The Fire Pension & Relief Fund had no investments that exceeded these parameters at December 31, 2010.

**Summary of Carrying Values**

The carrying values of deposits and investments shown above are included in the financial statements as follows:

Carrying value	
Deposits	\$ 57,447,423
Cash on hand	11,020
Investments	<u>52,849,032</u>
	<u><u>\$ 110,307,475</u></u>
Included in the following statement of net assets captions	
Cash and cash equivalents	\$ 30,924,750
Certificates of deposit	15,500,000
Restricted cash and cash equivalents - current	6,909,308
Restricted cash and cash equivalents - noncurrent	47,418,192
Restricted certificates of deposits	3,271,578
Amount required to meet current obligations	(222,250)
Included in the following fiduciary net assets captions	
Cash and cash equivalents	495,219
Investments	<u>6,010,678</u>
	<u><u>\$ 110,307,475</u></u>

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

**Note 3: Capital Assets**

A summary of changes in capital assets for the year ended December 31, 2010, is presented below:

<b>Governmental Activities</b>	<b>Balance, December 31, 2009</b>	<b>Additions and Transfers, Net</b>	<b>Retirements and Transfers, Net</b>	<b>Balance, December 31, 2010</b>
Capital Assets, non-depreciable				
Land	\$ 7,120,778	\$ 2,162,876	\$ -	\$ 9,283,654
Total capital assets, non-depreciable	<u>7,120,778</u>	<u>2,162,876</u>	<u>-</u>	<u>9,283,654</u>
Capital Assets, depreciable				
Other improvements	38,070,271	17,310,389	-	55,380,660
Streets	104,149,812	1,837,069	-	105,986,881
Buildings	19,382,536	1,629,431	-	21,011,967
Furniture, fixtures & equipment	15,877,257	1,736,915	64,952	17,549,220
Total capital assets, depreciable	<u>177,479,876</u>	<u>22,513,804</u>	<u>64,952</u>	<u>199,928,728</u>
Less accumulated depreciation				
Other improvements	6,339,191	1,538,506	-	7,877,697
Streets	16,194,617	2,626,709	-	18,821,326
Buildings	2,915,848	499,504	-	3,415,352
Furniture, fixtures & equipment	7,349,549	1,474,046	64,952	8,758,643
Total accumulated depreciation	<u>32,799,205</u>	<u>6,138,765</u>	<u>64,952</u>	<u>38,873,018</u>
Total governmental activities, net	<u>\$ 151,801,449</u>	<u>\$ 18,537,915</u>	<u>\$ -</u>	<u>\$ 170,339,364</u>

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

<b>Business-type Activities</b>	<b>Balance, December 31, 2009</b>	<b>Additions and Transfers, Net</b>	<b>Retirements and Transfers, Net</b>	<b>Balance, December 31, 2010</b>
Capital Assets, non-depreciable				
Land	\$ 4,964,494	\$ 122,378	\$ -	\$ 5,086,872
Total capital assets, non-depreciable	<u>4,964,494</u>	<u>122,378</u>	<u>-</u>	<u>5,086,872</u>
Capital Assets, depreciable				
Other improvements	303,368	170,818	-	474,186
Water distribution facilities	57,634,580	653,171	78,650	58,209,101
Sewer and solid waste collection and treatment facilities	63,602,315	1,159,014	-	64,761,329
Electric distribution facilities	50,741,624	3,838,117	-	54,579,741
Buildings	4,514,723	-	-	4,514,723
Furniture and equipment	5,240,924	1,341,842	120,000	6,462,766
Vehicles	2,842,383	21,989	152,424	2,711,948
Total capital assets, depreciable	<u>184,879,917</u>	<u>7,184,951</u>	<u>351,074</u>	<u>191,713,794</u>
Less accumulated depreciation				
Other improvements	53,468	12,064	-	65,532
Water distribution facilities	12,089,022	1,130,673	-	13,219,695
Sewer and solid waste collection and treatment facilities	15,561,315	1,343,636	-	16,904,951
Electric distribution facilities	9,156,677	1,142,764	-	10,299,441
Buildings	731,966	114,782	-	846,748
Furniture and equipment	1,778,257	391,940	80,000	2,090,197
Vehicles	2,172,360	214,934	130,640	2,256,654
Total accumulated depreciation	<u>41,543,065</u>	<u>4,350,793</u>	<u>210,640</u>	<u>45,683,218</u>
Total business-type activities, net	<u>\$ 148,301,346</u>	<u>\$ 2,956,536</u>	<u>\$ 140,434</u>	<u>\$ 151,117,448</u>

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

<b>Component Unit</b>	<b>Balance, December 31, 2009</b>	<b>Additions and Transfers, Net</b>	<b>Retirements and Transfers, Net</b>	<b>Balance, December 31, 2010</b>
Capital Assets, non-depreciable				
Land	\$ 425,681	\$ 356,113	\$ -	\$ 781,794
Total capital assets, non-depreciable	<u>425,681</u>	<u>356,113</u>	<u>-</u>	<u>781,794</u>
Capital Assets, depreciable				
Buildings	7,290,429	6,979	(240,245)	7,537,653
Improvements	278,565	-	240,245	38,320
Furniture and equipment	648,857	-	-	648,857
Total capital assets, depreciable	<u>8,217,851</u>	<u>6,979</u>	<u>-</u>	<u>8,224,830</u>
Less accumulated depreciation				
Buildings	547,090	188,367	(18,018)	753,475
Improvements	21,066	958	18,018	4,006
Furniture and equipment	403,445	129,585	-	533,030
Total accumulated depreciation	<u>971,601</u>	<u>318,910</u>	<u>-</u>	<u>1,290,511</u>
Total component unit, net	<u>\$ 7,671,931</u>	<u>\$ 44,182</u>	<u>\$ -</u>	<u>\$ 7,716,113</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
General government	\$ 466,507
Public safety	1,273,171
Recreation	553,345
Street department	3,731,664
Library	114,078
Total depreciation expense	<u>6,138,765</u>
Business-type	
Electric	1,448,975
Water	1,239,462
Waste water	678,260
Sanitation	891,474
Support	92,622
Total depreciation expense	<u>4,350,793</u>
Total depreciation expense, primary government	<u>\$ 10,489,558</u>

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

**Note 4: Long-term Liabilities**

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

<b>Governmental Activities</b>	<b>Balance December 31, 2009</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31, 2010</b>	<b>Amounts Due in One Year</b>
Bonds payable					
Revenue bonds	\$ 57,805,000	\$ 21,505,000	\$ 4,130,000	\$ 75,180,000	\$ 3,280,000
Add unamortized premium	1,043,292	125,510	59,471	1,109,331	-
Less unamortized bond issue discount	<u>524,059</u>	<u>204,298</u>	<u>30,555</u>	<u>697,802</u>	<u>-</u>
Bonds payable, net	58,324,233	21,426,212	4,158,916	75,591,529	3,280,000
Compensated absences	769,204	40,160	-	809,364	-
Other post employment benefits	<u>211,252</u>	<u>122,811</u>	<u>-</u>	<u>334,063</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 59,304,689</u>	<u>\$ 21,589,183</u>	<u>\$ 4,158,916</u>	<u>\$ 76,734,956</u>	<u>\$ 3,280,000</u>
<b>Business-type Activities</b>	<b>Balance December 31, 2009</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31, 2010</b>	<b>Amounts Due in One Year</b>
Bonds payable					
Revenue bonds	\$ 31,234,143	\$ -	\$ 2,348,400	\$ 28,885,743	\$ 2,352,689
Add unamortized deferred gain on refunding	78,239	-	13,079	65,160	-
Less unamortized bond issue discount	<u>69,725</u>	<u>-</u>	<u>6,466</u>	<u>63,259</u>	<u>-</u>
Bonds payable, net	31,242,657	-	2,355,013	28,887,644	2,352,689
Compensated absences	399,793	-	12,485	387,308	-
Other post employment benefits	56,919	35,371	-	92,290	-
Customer deposits	<u>550,786</u>	<u>63,015</u>	<u>-</u>	<u>613,801</u>	<u>-</u>
Total business-type activities long-term liabilities	<u>\$ 32,250,155</u>	<u>\$ 98,386</u>	<u>\$ 2,367,498</u>	<u>\$ 29,981,043</u>	<u>\$ 2,352,689</u>

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

Bonds outstanding at December 31, 2010, were as follows:

	<b>Interest Rates</b>	<b>Date Callable</b>	<b>Final Maturity Date</b>	<b>Principal at December 31, 2010</b>
General long-term obligations				
Sales and Use Tax bonds, Series 2007	4.0 - 5.0%	2017	2027	\$ 25,615,000
Sales and Use Tax bonds, Series 2009	4.0 - 5.0%	2017	2027	28,060,000
Sales and Use Tax bonds, Series 2010	2.0 - 4.0%	2017	2027	<u>21,505,000</u>
				<u>\$ 75,180,000</u>
	<b>Interest Rates</b>	<b>Date Callable</b>	<b>Final Maturity Date</b>	<b>Principal at December 31, 2010</b>
Enterprise funds				
Revenue bonds, Series 2006A	2.25%	2016	2028	\$ 6,887,649
Revenue bonds, Series 2006B	5.2-5.9%	2013	2025	2,150,000
Revenue bonds, Series 2005	2.4-4%	2010	2019	7,280,000
Revenue bonds, Series 2000	2.75%	N/A	2023	3,855,530
Revenue bonds, Series 1999	6.0-6.4%	N/A	2015	3,585,000
Revenue bonds, Series 1998	2.75%	2009	2021	1,307,136
Revenue bonds, Series 1992	3%	2003	2015	<u>3,820,428</u>
				<u>\$ 28,885,743</u>

***Sales and Use Tax Bonds, Series 2010*** – On November 1, 2010, the City issued \$21,505,000 Sales and Use Tax bonds for the purpose of financing the costs of various capital improvements, providing for a debt service reserve and paying costs incidental thereto and to the issuance of the bonds. The bonds bear interest rates ranging from 2.0% - 4.0%.

***Sales and Use Tax Bonds, Series 2009*** – On October 27, 2009, the City issued \$30,000,000 Sales and Use Tax bonds for the purpose of financing the costs of various capital improvements, providing for a debt service reserve and paying costs incidental thereto and to the issuance of the bonds. The bonds bear interest rates ranging from 4.0% - 5.0%. During 2010, the City retired \$1,940,000 in principal of the outstanding bonds.

***Sales and Use Tax Bonds, Series 2007*** – On October 9, 2007, the City issued \$36,335,000 Sales and Use Tax bonds for the purpose of financing the costs of various capital improvements, providing for a debt service reserve and paying costs incidental thereto and to the issuance of the bonds. The bonds bear interest rates ranging from 4.0% - 5.0%. During 2010, the City retired \$2,190,000 in principal of the outstanding bonds.

***Combined Electric, Water and Sewer Revenue Bonds, Series 2006A*** – On January 10, 2006, the City issued \$9,708,500 Combined Electric, Water and Sewer bonds for the purpose of financing a portion of the costs of the construction of improvements to the water facilities of the City's

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

combined Electric, Water, and Sewer system (the System). The bonds are not a general obligation of the City, but are secured by a pledge of and are payable from revenues of the System. The City entered into an agreement with the Arkansas Development Finance Authority (“ADFA”) whereby ADFA agreed to purchase up to the par amount of the bonds. The bonds were issued in increments that corresponded to the construction activity. The bonds are subordinate to the Series 2005, Series 1999, Series 1998 and Series 1992. The bonds bear interest at 2.25% and the City is required to pay the bond servicer (ADFA) a servicing fee of 1% per annum on the outstanding principal of the bonds. During 2010, the City retired \$281,240 in principal of the outstanding bonds.

***Combined Electric, Water and Sewer Revenue Bonds, Series 2006B*** – On April 1, 2006, the City issued \$2,600,000 in Combined Electric, Water and Sewer Revenue bonds for the purpose of constructing extensions, betterments and improvements to the water facilities of the System, fund a debt service reserve, and pay costs of issuing the Bonds. The bonds are not a general obligation of the City, but are secured by a pledge of and are payable from revenues of the System. The bonds are subordinate to the Series 2006A, Series 2005, Series 1999, Series 1998 and Series 1992. The bonds bear an interest rate ranging from 5.2% to 5.9%. During 2010, the City retired \$90,000 in principal of the outstanding bonds.

***Combined Electric, Water and Sewer Revenue Bonds, Series 2005*** – On April 1, 2005, the City issued \$8,990,000 in Combined Electric, Water and Sewer Revenue bonds for the purpose of constructing extensions, betterments and improvements to the electric and sewer facilities of the System, fund a debt service reserve, and pay costs of issuing the Bonds. The bonds are not a general obligation of the City, but are secured by a pledge of and are payable from revenues of the System. The bonds are subordinate to the Series 1999 bonds. The bonds bear an interest rate ranging from 2.4% to 4%. During 2010, the City retired \$330,000 in principal of the outstanding bonds.

***Combined Electric, Water and Sewer Revenue Bonds, Series 2000*** – On June 13, 2000, the City issued \$5,500,000 in Combined Electric, Water and Sewer Revenue bonds for the purpose of planning, design, construction and/or rehabilitation of the wastewater treatment facilities. The bonds are not a general obligation of the City, but are secured by a pledge of and are payable from revenues of the System. The City entered into an agreement with ADFA whereby ADFA agreed to purchase up to the par amount of the bonds. The bonds were issued in increments that corresponded to the construction activity. The bonds are subordinate to the Series 1999, Series 1998 and Series 1992 bonds. The bonds bear interest at 2.75% and the City is required to pay the bond servicer (ADFA) a servicing fee of 1% per annum on the outstanding principal of the bonds. During 2010, the City retired \$241,940 in principal of the outstanding bonds.

***Combined Electric, Water and Sewer Revenue Bonds, Series 1999*** – On December 1, 1999, the City issued \$8,620,000 in Combined Electric, Water and Sewer Revenue bonds with interest rates ranging from 6% to 6.4% to refund \$8,205,000 of outstanding Series 1989 bonds with interest rates ranging from 6.0% to 7.125%. The bonds are not a general obligation of the City, but are secured by a pledge of and are payable from revenues of the System. During 2010, the City retired \$600,000 in principal of the outstanding bonds.

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

**Combined Electric, Water and Sewer Revenue Bonds, Series 1998** – On October 27, 1998, the City issued \$2,150,000 in Combined Electric, Water and Sewer Revenue bonds for the purpose of planning, design and construction of wastewater treatment facilities. The bonds are not a general obligation of the City, but are secured by a pledge of and are payable from revenues of the System. The City entered into an agreement with ADFA whereby ADFA agreed to purchase up to the par amount of the bonds. The bonds were issued in increments that corresponded to the construction activity. The bonds are subordinate to the Series 1999 and Series 1992 bonds. The bonds bear interest at 2.75% and the City is required to pay the bond servicer (ADFA) a servicing fee of 1% per annum on the outstanding principal of the bonds. During 2010, the City retired \$101,870 in principal of the outstanding bonds.

**Combined Utility Revenue and Sales Tax Bonds, Series 1992** – On April 28, 1992, the City issued \$12,000,000 in Combined Utility Revenue and Sales Tax bonds for the purpose of financing improvements to the City’s wastewater treatment facilities. The bonds are not a general obligation of the City, but are secured by a pledge of and are payable from revenues of the Utility fund and proceeds received by the City from a 1% sales and use tax levied by Benton County. The City entered into an agreement with ADFA whereby ADFA agreed to purchase up to the par amount of the bonds. The bonds were issued in increments that corresponded to the construction activity. This issue is subordinate to the Series 1999 bonds. The bonds bear interest at 3% and the City is required to pay the bond servicer (ADFA) a servicing fee of 1% per annum on the outstanding principal of the bonds. During 2010, the City retired \$703,350 in principal of the outstanding bonds.

**Annual Debt Service Requirements**

The following schedule shows the annual debt service requirements to pay principal and interest on revenue bonds and notes payable outstanding at December 31, 2010.

Fiscal Year	Principal	Interest	Fees
2011	\$ 5,632,689	\$ 4,132,250	\$ 155,725
2012	6,011,254	3,945,442	141,027
2013	6,223,418	3,750,388	125,772
2014	6,452,758	3,534,236	109,942
2015	6,699,358	3,308,806	93,512
2016 – 2020	31,407,847	12,897,131	302,664
2021 – 2025	29,908,420	6,786,898	76,454
2026 – 2030	<u>11,729,999</u>	<u>1,062,054</u>	<u>44,301</u>
	<u>\$ 104,065,743</u>	<u>\$ 39,417,205</u>	<u>\$ 1,049,397</u>

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

**Note 5: Interfund Receivables and Payables**

Interfund receivables and payables as of December 31, 2010, are as follows:

	<b>Interfund Receivables</b>	<b>Interfund Payables</b>
Governmental Funds		
General fund	\$ 579,423	\$ 521,873
Special revenue funds		
Street	162,622	102,330
Undercover	5,985	13,000
Municipal court	150	-
Capital Projects Fund	1,607	-
Total governmental funds	749,787	637,203
Enterprise fund	144,040	256,624
	\$ 893,827	\$ 893,827

Interfund balances, specifically the due to and due from other funds, are short-term loans to cover temporary deficits in various funds. This occasionally occurs prior to grant reimbursements.

**Note 6: Interfund Transfers**

Amount of interfund transfers between funds are summarized as follows:

	<b>Transfers In</b>	<b>Transfers Out</b>
General fund	\$ 1,020,091	\$ 950,393
Special revenue funds		
Street fund	950,393	-
Non-major funds	-	2,119,074
Enterprise fund	1,098,983	-
Total	\$ 3,069,467	\$ 3,069,467

Transfers are used to move revenues from the fund where collected to the appropriate fund.

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

**Note 7: Pension Plans**

***Firemen's Relief and Pension Fund ("FRPF")***

*Plan Description.* The Firemen's Relief and Pension Fund ("FRPF") is a single-employer defined benefit pension plan administered by the City, established in accordance with legislation enacted by the Arkansas General Assembly. Benefit provisions are established by State of Arkansas Act #14, as amended. Fund assets are administered by a Board of Trustees. The FRPF provides retirement benefits for firemen who have completed 20 years of service. Disability benefits are available to firemen who become permanently disabled, unless the disability is the direct result of gainful employment performed outside the fire department. The FRPF also provides benefits for surviving spouses and dependent children of deceased firemen. No participants' benefits vest until normal retirement age. At normal retirement, participants may elect to continue working and enter the Deferred Retirement Option Plan for up to 5 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. The FRPF does not issue a separate, publicly available financial report.

*Method Used to Value Investments.* Investments are stated at fair value in the accompanying statement of fiduciary net assets. The fair value of marketable investments, including U.S. government securities and corporate bonds and stocks, is determined by the latest bid price or by the closing exchange price at the statement of fiduciary net assets date (fair value).

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Net appreciation in fair value of investments reflected in the accompanying statement of changes in net assets available for benefits represents gains or losses realized during the year plus or minus the change in the net unrealized gains or losses on investments. Net unrealized gains or losses on investments represent the change in the difference between the cost and market value of the investments at the beginning versus the end of the year.

*Contributions.* Contributions to the FRPF are set forth in Arkansas statute. The City's contribution to the FRPF consists of one half of a mill of real and personal property tax collections and an insurance premium tax turnback collected by the State Insurance Commissioner. Additionally, the City contributes 6% of the firemen's salaries. Participants contribute 6% of their salaries. Participant's contributions are returned without interest if the participant terminates covered employment. Contribution provisions applicable to the FRPF are established by Arkansas statute and may not be less than 6%.

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

The City's annual pension cost and net pension asset of the FRPF for 2010 is as follows:

Annual required contribution	\$ 360,152
Interest on net pension asset	(88,160)
Adjustment to annual required contribution	<u>397,557</u>
Annual pension cost	669,549
Contributions made	<u>537,996</u>
Decrease in net pension asset	(131,553)
Net pension asset at beginning of the year	<u>1,763,193</u>
 Net pension asset at end of year	 <u><u>\$ 1,631,640</u></u>

*Funded Status and Funding Progress.*

As of December 31, 2009, the most recent actuarial valuation date, the plan was 78.7% funded. The actuarial accrued liability for benefits was \$7,506,714, and the actuarial value of assets was \$5,909,415, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,597,299. There is no covered payroll as there are no active employees.

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

*Actuarial Methods and Assumptions.*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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.

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

The annual required contribution to the Plan for 2010 was determined as part of an actuarial study as of December 31, 2009, using the entry age normal actuarial cost method. The actuarial assumptions included (a) 5% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 4.2% 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***

<b>Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Asset</b>
12/31/2008	\$ 391,400	113%	\$ 1,709,775
12/31/2009	\$ 513,118	110%	\$ 1,763,193
12/31/2010	\$ 669,549	80%	\$ 1,631,640

**Membership Information**

Membership of the FPRF consisted of the following at December 31, 2010:

Retirees and beneficiaries receiving benefits	17
Active plan members	0
Members on Deferred Retirement Option Plan (DROP)	<u>1</u>
Total	<u>18</u>

***Local Police and Fire Retirement System (“LOPFI”)***

*Plan Description.* The Arkansas Local Police and Fire Retirement System (“LOPFI”) is a statewide agent multiple-employer defined benefit 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. 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. On January 1, 2009 only firemen of the City participated in the plan. Effective July 1, 2008, policemen of the City began participating in the plan. LOPFI issues a publicly available report, which may be obtained by writing to LOPFI, P. O. Drawer 34164, Little Rock, Arkansas, 72203, or by calling (501) 682-1745.

*Contributions.* Contribution requirements are set forth in Arkansas statute. The contribution rate for fire employees is 8.5% and the City rate is currently 20.98%. The contribution rate for police employees participating in the plan is 2.5% and the City rate is currently 14.88%. Under the State law governing LOPFI, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which is the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 30-year amortization period. The projected unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2009 valuation is effective for rates beginning January 2010).

*Actuarial Assumptions.* For 2010, the City's annual pension cost of \$700,030 for the firemen's plan and \$310,386 for the policemen's plan was equal to the required and actual contributions. The Plans do not have a net pension obligation (NPO). The required contributions were determined as part of actuarial valuations on December 31, 2009, using the entry age actuarial method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0% per year, compounded annually, (b) projected salary increases of 4% per year, compounded annually, attributable to wage inflation, (c) additional projected salary increases ranging from 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 Table, set forward two years for men and (e) annual non-compounded post-retirement increases of 3% per year. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at December 31, 2009, was 30 years.

***Three-Year Trend Information***

<b>Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Asset</b>
<b>Paid Firemen</b>			
12/31/2008	\$ 637,710	100%	\$ -
12/31/2009	\$ 686,497	100%	\$ -
12/31/2010	\$ 700,030	100%	\$ -
<b>Policemen</b>			
12/31/2008	\$ 173,671	100%	\$ -
12/31/2009	\$ 341,530	100%	\$ -
12/31/2010	\$ 310,386	100%	\$ -

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

As of December 31, 2009, the most recent actuarial valuation date, the firemen's plan was 53% funded. The actuarial accrued liability for benefits was \$12,362,329 and the actuarial value of assets was \$6,509,908 resulting in an unfunded actuarial accrued liability (UAAL) of \$5,852,421. The covered payroll (annual payroll of active employees covered by the plan) was \$3,427,270, and the ratio of the UAAL to the covered payroll was 171%.

As of December 31, 2009, the most recent actuarial valuation date, the policemen's plan was 23% funded. The actuarial accrued liability for benefits was \$2,800,885 and the actuarial value of assets was \$635,254 resulting in an unfunded actuarial accrued liability (UAAL) of \$2,165,631. The covered payroll (annual payroll of active employees covered by the plan) was \$2,041,811, and the ratio of the UAAL to the covered payroll was 106%.

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.

***Arkansas Public Employees Retirement System ("APERS")***

*Plan Description.* For certain other employees, the City contributes to the Arkansas Public Employees Retirement System ("APERS"), a cost-sharing multiple-employer defined benefit plan administered by the APERS Board of Trustees. APERS provides retirement, death and disability benefits and annual cost-of-living adjustments to plan members. APERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to APERS, One Union National Plaza, Little Rock, AR 72201 or by calling (501) 682-7800.

Act 2084 of the 2005 Arkansas General Assembly provides for a new contributory program for APERS members hired on or after July 1, 2005 and those non-contributory members who elect to become contributory. Members participating in the contributory program will contribute 5% of their annual compensation, pre-tax (taxes are deferred). All active APERS members employed before July 1, 2005, had six months to elect coverage under the contributory program. The deadline to elect to be contributory was December 31, 2005. The contributory program does not provide for a temporary annuity for participants. However, the contributory program does provide for a higher multiplier (2.0%) that is utilized to calculate the member's retirement benefit.

*Funding Policy.* The City contributes 12.46% of covered employees' salaries to the plan. Employees contributed \$188,994 to the contributory plan for the year ended December 31, 2010. City contributions to the plan for the years ended December 31, 2010, 2009 and 2008, were approximately \$1,390,114, \$1,301,127, and \$1,358,029, respectively, and represented approximately 8%-13% of covered payroll for each of those years. The contribution provisions applicable to the City are established by the APERS Board of Trustees, and shall be based on the actuary's determination of the rate required to fund the Plan.

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

**Note 8: Other Post Employment Benefits (OPEB)**

*Plan Description:* The City sponsors and administers an informal single-employer defined benefit healthcare plan. Retirees who are vested in their retirement plan and are eligible to receive a retirement benefit (and actually apply for and receive the retirement benefit) are entitled to purchase continued health benefits coverage for the retiree and the retiree's dependents until Medicare eligibility. The City Council has the authority to establish and amend the requirements of this plan. The City does not issue stand alone financial statements of the healthcare plan but all required information is presented in this report.

*Funding Policy:* The contribution requirements of plan members are established by City ordinance and may be amended as needed. Retiree coverage is the same as the coverage provided to active City employees. Retirees pay premiums ranging from \$257.40 per month to \$690.77 per month depending on the coverage elected. The City's policy maintains that retirees must pay 100% of the cost of premiums. 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. Of 28 retirees eligible, there were 27 retirees covered under this plan at December 31, 2010. Dependent coverage was provided for eight of the retirees. Total benefits paid by the City for retirees during the fiscal year were \$64,258. Retirees contributed \$140,602 of the total current year cost.

*Annual OPEB Cost and Net OPEB Obligation:* The City's annual other post-employment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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 liabilities (or funding excess) over a period not to exceed thirty 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	\$ 221,802
Interest on net OPEB Obligation	12,068
Adjustment to annual required contribution	<u>(11,430)</u>
Annual OPEB cost	222,440
Total annual employer contribution (pay-as-you-go)	<u>(64,258)</u>
Increase in net OPEB obligation	158,182
Net OPEB Obligation - beginning of year	<u>268,171</u>
Net OPEB Obligation - end of year	<u><u>\$ 426,353</u></u>

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

The components of the annual required contribution (ARC) calculation reflecting a 30 year amortization period is as follows:

Normal Cost	\$ 140,500
Interest	9,551
Amortization cost	71,751
Annual required contribution (ARC)	\$ 221,802

***Three-Year Trend Information***

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2008	\$ 183,291	26%	\$ 135,675
12/31/2009	\$ 184,874	28%	\$ 268,171
12/31/2010	\$ 222,440	29%	\$ 426,353

*Funded Status and Funding Progress:* As of December 31, 2010, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$1,759,139 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,759,139. The covered payroll (annual payroll of active employees covered by the plan) was \$16,037,027, and the ratio of the UAAL to the covered payroll was 11%.

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. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual 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 the 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.

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

In the December 31, 2010, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5% investment rate of return based on the City's rate of return on investments for 2010, and an annual healthcare cost trend rate of 9% for 2011 and then reduced by decrements of one-half percent annually to an ultimate rate of 5% after eight years. Both rates included a 3.0% inflation assumption. The UAAL is being amortized on a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2010, was thirty years.

**Note 9: Risk Management**

The City has various insurance policies to cover its potential liability risk areas (*e.g.*, automobile, personal property, contents and outside structures and worker's compensation). 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 and legal defense coverage. Fixed premiums are set annually by AML based on such factors as claims experience, employee class multipliers and population. For risks covered by AML, the City pays no deductible; however, the City pays a \$2,000 fee to AML for each legal matter it handles. There have been no significant reductions in coverage from 2009 to 2010; nor have settlement amounts exceeded insurance coverage for the current year or the three prior years.

**Note 10: Contingencies**

The City, its agencies and its employees are defendants in various legal proceedings, many of which normally occur in governmental operations. Such litigation includes, but is not limited to, claims assessed against the City for property damage and personal injury, other alleged torts and alleged violations of state and federal laws. Based on the current status of all of these legal proceedings, it is the opinion of the City Attorney and management that the ultimate outcome will not have a material adverse impact on the City's financial position.

On April 15, 2010, the Environmental Protection Agency (EPA) issued a TMDL (Total Maximum Daily Load) pertaining to the City's Wastewater Treatment Plant which establishes a significantly lower limit for phosphorus discharge than what is currently in place. The City along with the Arkansas Department of Environmental Quality is challenging implementation of the TMDL. No provision has been made in the financial statements for any adverse outcome that might ultimately result from this matter, as the amount of any such loss is not reasonably estimable. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

## **Required Supplementary Information**

**City of Bentonville, Arkansas**  
**Budgetary Comparison Schedule –**  
**General Fund**  
**Year Ended December 31, 2010**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Property tax	\$ 3,450,880	\$ 3,450,880	\$ 4,447,505	\$ 996,625
Sales tax	13,390,975	13,390,975	14,479,134	1,088,159
State turnback	1,116,300	1,116,300	1,097,016	(19,284)
Franchise fees	3,871,322	3,871,322	4,056,604	185,282
Charges for services	930,180	1,002,148	1,230,905	228,757
Fines and forfeitures	494,868	494,868	410,873	(83,995)
Licenses and permits	349,950	349,950	425,822	75,872
Grants	166,200	1,110,821	1,097,683	(13,138)
Contributions	13,000	1,068,000	1,080,914	12,914
Interest	57,170	57,170	61,935	4,765
Miscellaneous	214,360	447,096	439,343	(7,753)
<b>Total revenues</b>	<b>24,055,205</b>	<b>26,359,530</b>	<b>28,827,734</b>	<b>2,468,204</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	5,217,387	5,445,068	5,047,266	397,802
Public safety	12,711,375	12,937,985	12,278,847	659,138
Recreation	2,521,492	2,615,795	2,720,375	(104,580)
Library	999,092	1,026,967	830,120	196,847
Capital outlay	1,728,300	8,315,871	7,682,622	633,249
<b>Total expenditures</b>	<b>23,177,646</b>	<b>30,341,686</b>	<b>28,559,230</b>	<b>1,782,456</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>877,559</b>	<b>(3,982,156)</b>	<b>268,504</b>	<b>4,250,660</b>
<b>Other Financing Sources (Uses)</b>				
Sale of capital assets	-	-	43,000	43,000
Transfers in	-	-	1,020,091	1,020,091
Transfers out	-	(638,683)	(950,393)	(311,710)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(638,683)</b>	<b>112,698</b>	<b>751,381</b>
<b>Net Change in Fund Balances</b>	<b>877,559</b>	<b>(4,620,839)</b>	<b>381,202</b>	<b>5,002,041</b>
<b>Fund Balances, Beginning of Year</b>	<b>19,188,501</b>	<b>19,188,501</b>	<b>19,188,501</b>	<b>-</b>
<b>Fund Balances, End of Year</b>	<b>\$ 20,066,060</b>	<b>\$ 14,567,662</b>	<b>\$ 19,569,703</b>	<b>\$ 5,002,041</b>

**City of Bentonville, Arkansas**  
**Budgetary Comparison Schedule –**  
**Street Fund**  
**Year Ended December 31, 2010**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Property tax	\$ 872,300	\$ 872,300	\$ 1,528,064	\$ 655,764
State turnback	1,373,500	1,373,500	1,445,136	71,636
Charges for services	8,000	8,000	527,514	519,514
Grants	-	-	485,950	485,950
Contributions	-	-	121,488	121,488
Interest	21,600	21,600	15,293	(6,307)
Miscellaneous	-	-	13,370	13,370
<b>Total revenues</b>	<b><u>2,275,400</u></b>	<b><u>2,275,400</u></b>	<b><u>4,136,815</u></b>	<b><u>1,861,415</u></b>
<b>Expenditures</b>				
Current:				
Street department	1,852,083	1,867,883	1,836,029	31,854
Capital outlay	1,062,000	2,100,384	1,012,321	1,088,063
<b>Total expenditures</b>	<b><u>2,914,083</u></b>	<b><u>3,968,267</u></b>	<b><u>2,848,350</u></b>	<b><u>1,119,917</u></b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b><u>(638,683)</u></b>	<b><u>(1,692,867)</u></b>	<b><u>1,288,465</u></b>	<b><u>2,981,332</u></b>
<b>Other Financing Sources</b>				
Transfers in	-	-	950,393	950,393
<b>Total other financing sources</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>950,393</u></b>	<b><u>950,393</u></b>
<b>Net Change in Fund Balances</b>	<b>(638,683)</b>	<b>(1,692,867)</b>	<b>2,238,858</b>	<b>3,931,725</b>
<b>Fund Balances, Beginning of Year</b>	<b><u>3,223,120</u></b>	<b><u>3,223,120</u></b>	<b><u>3,223,120</u></b>	<b><u>-</u></b>
<b>Fund Balances, End of Year</b>	<b><u>\$ 2,584,437</u></b>	<b><u>\$ 1,530,253</u></b>	<b><u>\$ 5,461,978</u></b>	<b><u>\$ 3,931,725</u></b>

**City of Bentonville, Arkansas**  
**Schedules of Funding Progress**  
**For the Year Ended December 31, 2010**

	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>
Firemen's Pension and Relief Fund	12/31/2007	\$ 5,692,703	\$ 6,276,405
	12/31/2008	5,210,566	6,389,372
	12/31/2009	5,909,415	7,506,714
LOPFI – paid firemen	12/31/2007	5,646,682	8,136,738
	12/31/2008	6,021,359	9,202,537
	12/31/2009	6,509,908	12,362,329
LOPFI – police	12/31/2008	209,309	407,574
	12/31/2009	635,254	2,800,885
Other Postemployment Benefit Plan	01/01/08	-	1,287,592
	12/31/2010	-	1,759,139

<b>Unfunded (Excess) AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll ( c )</b>	<b>Excess as a Percentage of Covered Payroll ((a-b)/c)</b>
\$ 583,702	91%	\$ -	N/A
1,178,806	82%	-	N/A
1,597,299	79%	-	N/A
2,490,056	69%	2,999,466	83%
3,181,178	65%	2,585,718	123%
5,852,421	53%	3,427,270	171%
198,265	51%	1,790,569	11%
2,165,631	23%	2,041,811	106%
1,287,592	0%	16,739,143	8%
1,759,139	0%	16,037,027	11%

**City of Bentonville, Arkansas**  
**Defined Benefit Pension Plans – Schedule of Employer Contributions**  
**For the Year Ended December 31, 2010**

	<b>Year Ended December 31</b>	<b>Annual Required Contribution</b>	<b>Percent Contributed</b>
Firemen's Pension and Relief Fund	2008	\$ 127,987	347%
	2009	\$ 258,468	219%
	2010	\$ 360,152	149%

**City of Bentonville, Arkansas**  
**Notes to Required Supplementary Information**  
**December 31, 2010**

***Budgets and Budgetary Accounting***

The City Council (the “Council”) adheres to the following procedures in establishing the budgets reflected in the accompanying general purpose financial statements:

1. Prior to December 1, the Mayor and Finance Director submit to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at City Hall to obtain taxpayer comments.
3. Prior to February 1, the budget is legally enacted through approval by the Council.
4. Budget for the general and street funds are adopted on a basis consistent, in all material respects, with accounting principles generally accepted in the United States of America (“GAAP”).

Budgeted revenues and expenditures represent the formal operating budget adopted by the City Council, as amended by the Council during the year. Budgetary control is maintained at the department level. Budgeted amounts, other than ongoing capital projects not spent by year end, lapse. Expenditures greater than budgeted amounts must be approved by the Council by voting to amend the budget.

## **Supplementary Information**

**City of Bentonville, Arkansas**  
**Combining Schedule of Revenues and Expenses –**  
**Proprietary Fund Type**  
**Year Ended December 31, 2010**

	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Sanitation</u>	<u>Support Services and Other</u>	<u>Total</u>
<b>Operating revenues</b>						
Charges for services	\$ 45,658,540	\$ 8,475,391	\$ 8,412,189	\$ 4,025,999	\$ 856,394	\$ 67,428,513
<b>Operating expenses</b>						
Salaries and fringe benefits	2,835,175	1,172,509	2,103,374	-	1,102,577	7,213,635
Contract purchases	31,870,540	3,365,617	315,659	3,794,064	-	39,345,880
Maintenance	419,978	380,263	396,275	-	33,946	1,230,462
Depreciation and amortization	1,462,897	1,246,388	1,595,207	-	92,622	4,397,114
Materials and supplies	284,708	127,139	411,168	-	240,114	1,063,129
Other services and charges	2,612,297	506,955	1,052,830	22,897	750,966	4,945,945
Total operating expenses	39,485,595	6,798,871	5,874,513	3,816,961	2,220,225	58,196,165
<b>Operating Income (Loss)</b>	6,172,946	1,676,519	2,537,676	209,038	(1,363,831)	9,232,348
<b>Nonoperating Income (Expenses)</b>						
Interest income	47,416	20,867	18,444	3,310	-	90,037
Bond interest and fiscal agent charges	(257,862)	(504,698)	(533,477)	-	-	(1,296,037)
Other, net	1,657,275	164,156	346	250	62,376	1,884,403
Net non-operating revenues (expenses)	1,446,829	(319,675)	(514,687)	3,560	62,376	678,403
<b>Income (Loss) Before Contributions and Transfers</b>	7,619,775	1,356,844	2,022,989	212,598	(1,301,455)	9,910,751
<b>Capital Contributions</b>	159,680	475,233	298,029	-	-	932,942
<b>Transfers In</b>	-	388,656	710,327	-	-	1,098,983
<b>Change in Net Assets</b>	<u>\$ 7,779,459</u>	<u>\$ 2,220,733</u>	<u>\$ 3,031,345</u>	<u>\$ 212,598</u>	<u>\$ (1,301,455)</u>	<u>\$ 11,942,676</u>

**City of Bentonville, Arkansas**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2010**

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Amount Expended
Community Development Block Grant	U.S. Department of Housing and Urban Development	14.218	\$ 234,088
ARRA Community Development Block Grant	U.S. Department of Housing and Urban Development	14.218	49,006
Highway Planning and Construction	U.S. Department of Transportation/Arkansas State Highway and Transportation Department	20.205	485,950
Airport Improvement Program	U.S. Department of Transportation	20.106	422,973
Public Safety Partnership and Community Policing Grant	U.S. Department of Justice	16.710	<u>52,300</u>
Total Federal Awards Expended			<u><u>\$ 1,244,317</u></u>

**Notes to Schedule**

1. This schedule includes the federal awards activity of the City of Bentonville, Arkansas and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. Of the federal expenditures presented in this schedule, the City of Bentonville, Arkansas provided federal awards to subrecipients as follows:

Program	CFDA Number	Subrecipient	Amount Provided
Community Development Block Grant	14.218	Havenwood Women's Shelter	\$ 3,500
		Rebuilding Together of NWA	25,000
		Rebuilding Together of NWA – ARRA	20,200
		Helen Walton's Children's Center	16,200
		Boys and Girls Club of Benton County	<u>10,300</u>
			<u><u>\$ 75,200</u></u>

## **Single Audit Section**

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

The Honorable Mayor and Members of the City Council  
City of Bentonville, Arkansas  
Bentonville, Arkansas

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Bentonville, Arkansas as of and for the year ended December 31, 2010, which collectively comprise its basic financial statements and have issued our report thereon dated April 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City'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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

## **Compliance and Other Matters**

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

We noted certain matters that we reported to the City's management in a separate letter dated April 29, 2011.

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

*BKD, LLP*

April 29, 2011

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

The Honorable Mayor and Members of the City Council  
City of Bentonville, Arkansas  
Bentonville, Arkansas

### **Compliance**

We have audited the compliance of the City of Bentonville, 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 could have a direct and material effect on its major federal program for the year ended December 31, 2010. The City's major federal program is 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 its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the compliance of the City of Bentonville, Arkansas 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

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

## **Internal Control Over Compliance**

The management of the City of Bentonville, Arkansas is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

This report is intended solely for the information and use of the governing body, management, others within the City, 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.

*BKD, LLP*

April 29, 2011

**City of Bentonville, Arkansas**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2010**

***Summary of Auditor's Results***

1. The opinion(s) expressed in the independent accountants' report was (were):  
 Unqualified       Qualified       Adverse       Disclaimed
  
2. The independent accountants' report on internal control over financial reporting described:  
Significant deficiency(ies) noted considered material weakness(es)?       Yes       No  
Significant deficiency(ies) noted that are not considered to be a material weakness?       Yes       No
  
3. Noncompliance considered material to the financial statements was disclosed by the audit?       Yes       No
  
4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:  
Significant deficiency(ies) noted considered material weakness(es)?       Yes       No  
Significant deficiency(ies) noted that are not considered to be a material weakness?       Yes       No
  
5. The opinion(s) expressed in the independent accountants' report on compliance with requirements applicable to major federal awards was (were):  
 Unqualified       Qualified       Adverse       Disclaimed
  
6. The audit disclosed findings required to be reported by OMB Circular A-133?       Yes       No

**City of Bentonville, Arkansas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2010**

7. The City's major program was:

<b>Cluster/Program</b>	<b>CFDA Number</b>
Airport Improvement Program	20.106

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$300,000.

9. The City qualified as a low-risk auditee as that term is defined in OMB Circular A-133?  Yes  No

**City of Bentonville, Arkansas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2010**

*Findings Required to be Reported by Government Auditing Standards*

<b>Reference Number</b>	<b>Finding</b>	<b>Questioned Costs</b>
	No matters are reportable.	

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

<b>Reference Number</b>	<b>Finding</b>	<b>Questioned Costs</b>
	No matters are reportable.	

**City of Bentonville, Arkansas**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended December 31, 2010**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
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No matters are reportable.

## **Other Required Reports**

## Independent Accountants' Report on Compliance With Arkansas State Requirements

The Honorable Mayor and Members of the City Council  
City of Bentonville, Arkansas  
Bentonville, Arkansas

We have examined management's assertions that the City of Bentonville, Arkansas complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the year ended December 31, 2010.

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

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

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

In our opinion, the City of Bentonville, Arkansas complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2010.

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

*BKD, LLP*

April 29, 2011

## **Statistical Section**

**City of Bentonville, Arkansas**  
**Water and Wastewater Rates**  
**December 31, 2010**

Per 1,000 gallons					
	Water			Wastewater	
	Residential	Irrigation	Commercial	Residential	Commercial
<b>Inside City monthly usage rates</b>					
First 4,000 gallons of water	3.13	N/A	N/A	N/A	N/A
Next 6,000 gallons of water	3.60	N/A	N/A	N/A	N/A
Over 10,000 gallons of water	5.27	N/A	N/A	N/A	N/A
All Consumption	N/A	4.25	3.60	6.08	6.50
<b>Outside City monthly usage rates</b>					
First 4,000 gallons of water	3.75	N/A	N/A	N/A	N/A
Next 6,000 gallons of water	4.32	N/A	N/A	N/A	N/A
Over 10,000 gallons of water	6.32	N/A	N/A	N/A	N/A
All Consumption	N/A	5.10	4.32	7.30	7.80

Rate per Month					
	Water	Irrigation	Wastewater		
			Residential	Commercial	
<b>Meter rates</b>					
5/8" meter		7.71	8.89	10.60	11.33
3/4" meter		7.71	8.89	10.60	11.33
1" meter		19.28	22.50	34.89	37.30
1-1/2" meter		83.55	96.41	129.60	138.58
2" meter		89.98	103.91	138.38	147.95
3" meter		134.97	155.32	203.26	217.36
4" meter		385.63	444.55	569.83	609.35
6" meter		835.54	964.08	1227.56	1312.66

**City of Bentonville, Arkansas**  
**Schedule of Electric, Water and Wastewater Customers**  
**and Annual Billable Water Gallons**  
**December 31, 2010**

<b>Type</b>	<b>Number of Customers</b>
Electric	17,660
Water	16,598
Wastewater	13,709

  

<b>Year Ended December 31, 2010</b>	<b>Gallons</b>
Annual billable water gallons	2,153,225,000

**City of Bentonville, Arkansas**  
**Schedule of Insurance Coverage**  
**December 31, 2010**

<b>Policy Coverage</b>	<b>Policy Period</b>	<b>Coverage</b>	<b>Insurer</b>
Property	7-8-10 to 7-8-11	\$129,536,300	Travelers
Municipal vehicles - Includes property and bodily injury	1-1-10 to 1-1-11	\$25,000 for one person, \$50,000 for multiple persons	Arkansas Municipal League
Fraudulent or dishonest acts	1-1-10 to 1-1-11	\$250,000	Arkansas Fidelity Bond Trust Fund