



Popular Annual Financial Report



for the fiscal year ended December 31, 2021

CITY OF BENTONVILLE, ARKANSAS

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Bentonville Community Center

A MESSAGE FROM THE FINANCE DIRECTOR

To the Citizens of Bentonville:

We are pleased to present the Popular Annual Financial Report (PAFR) for the City of Bentonville. This report is designed to provide a better financial understanding of our city government, local economic conditions, and where our financial position stands. This report is presented in accordance with guidelines from the Government Finance Officers Association (GFOA) and was prepared based using information for the fiscal year ended on December 31, 2021. According to the GFOA:

"The GFOA established the Popular Annual Financial Reporting Awards Program (PAFR Program) in 1991 to encourage and assist state and local governments to extract information from their annual comprehensive financial report to produce high quality popular annual financial reports specifically designed to be readily accessible and easily understandable to the general public and other interested parties without a background in public finance and then to recognize individual governments that are successful in achieving that goal."

The PAFR contains highlights from the City's 2021 Annual Comprehensive Financial Report (ACFR), which is a more detailed, audited document. The PAFR and ACFR are prepared in accordance with Generally Accepted Accounting Principles (GAAP). Copies of both reports are available by visiting the City's website at bentonvillear.com.

The City of Bentonville continues our commitment of providing financial information to the public. In addition to the PAFR, this commitment includes:

- Online publication of our Annual Budget and participation in the GFOA Distinguished Budget Presentation Award Program
- Online publication of our Financial Annual Report and participation in the GFOA Certificate of Achievement for Excellence in Financial Reporting Program.
- Online publication of our Monthly Budgetary Comparison reports
- Multiple presentations to City Council and the Public regarding financial information and results throughout the year

Sincerely,

Jake Harper, CPA
Finance Director
City of Bentonville

Elected Officials

Stephanie Orman

Mayor

Email: sorman@bentonvillear.com

Tim Robinson

Council Member

Ward 1, Position 1

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Gayatri Agnew

Council Member

Ward 1, Position 2

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Cindy Acree

Council Member

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Chris Sooter

Council Member

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Aubrey Patterson

Council Member

Ward 3, Position 1

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apatterson@bentonvillear.com

Bill Burkart

Council Member

Ward 3, Position 2

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Octavio Sanchez

Council Member

Ward 4, Position 1

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Holly Hook

Council Member

Ward 4, Position 2

Email: hhook@bentonvillear.com

Awards and Recognition

Popular Annual Financial Reporting Award

The City of Bentonville's Popular Annual Financial Report (PAFR) has won the Government Finance Officers Association of the United States and Canada (GFOA) Award for Outstanding Achievement in Popular Annual Financial Reporting for the first time last year. This award is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA to determine its eligibility for another award.



Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to
City of Bentonville
Arkansas

For its Annual Financial Report
for the Fiscal Year Ended

December 31, 2020

Christopher P. Morris
Executive Director/CEO



GFOA Triple Crown

In addition to the PAFR award, the City of Bentonville has received a Triple Crown medallion from the Government Finance Officers Association of the United States of America and Canada (GFOA). This signifies that the City has received all three GFOA awards (the Certificate of Achievement for Excellence in Financial Reporting Award, Distinguished Budget Presentation Award, and Popular Annual Financial Reporting Award) for fiscal year ending 2020.

About Bentonville



Location - Northwest corner of Arkansas. The City is part of the Northwest Arkansas Metro Area, made up of 4 cities (Fayetteville, Springdale, Rogers, and Bentonville). The City is the county seat for Benton County and is located approximately 180 miles from Little Rock.

Form of City Government – Mayor-Council

Size/Population – 31.5 square miles; 54,164 residents (2020 – *U.S. Census Bureau*)

Demographics – Median age 32.5; Median household income \$80,392; Median housing value \$232,600; Average household size 2.67%

Unemployment Rate – 3.50% for the metropolitan area of Northwest Arkansas. This compares favorably to the state's average unemployment rate of 4.9% and the national average of 6.7%.

Top Five Employers – Walmart/Sam's Club; Mercy Health System of Northwest Arkansas; Bentonville School District; Northwest Arkansas Community College; Benton County

History

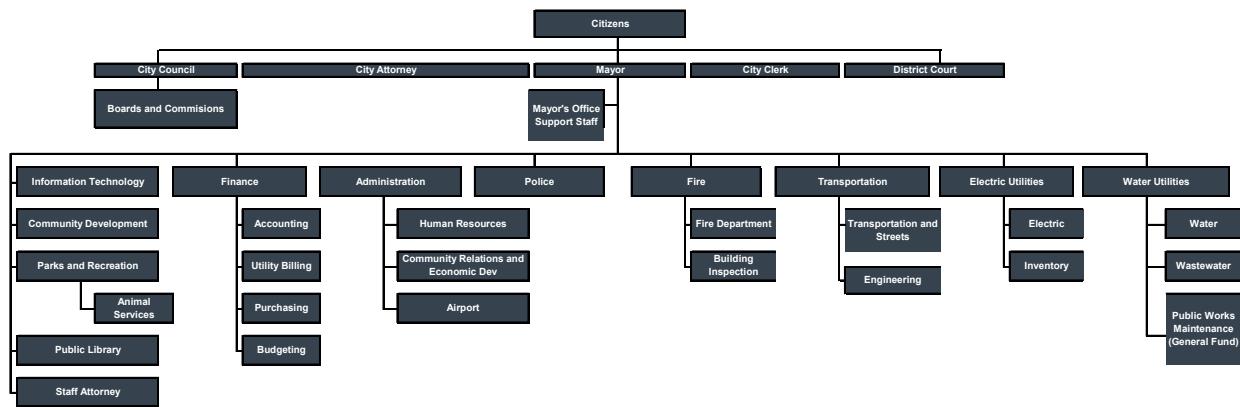
In November 1837, a site was designated as the county seat for Benton County. This site was named in honor of Senator Thomas Hart Benton of Missouri, who worked to have Arkansas admitted as a state. Bentonville was named after the county and became the county seat. Bentonville was incorporated as a town in January 1873. By 1900, Bentonville had a city-owned light and water plant and was working on a sewer program. There was also a telephone company and school system. Bentonville, once primarily an agricultural community, has grown into a thriving business and tourist community. In May of 1950, Sam Walton opened Walton's 5 and 10 store on the Bentonville Square. Now Walmart is the number one retailer in the country with significant positioning internationally.

In 2021, the U.S. Census Bureau released with Bentonville's population at 54,126, up 53.4% from 2010. With ongoing announcements of a variety of new housing options and businesses along with an inspiring entrepreneurial spirit, a focus on expansive trail systems, and beautiful trees and natural open spaces for all to enjoy, the City continues to receive awards and recognition as one of the best places in the United States to live, work, and play.



City of Bentonville – Organizational Chart and FTEs

Organizational Chart



Full-Time Employees (FTEs)

Governmental Activities

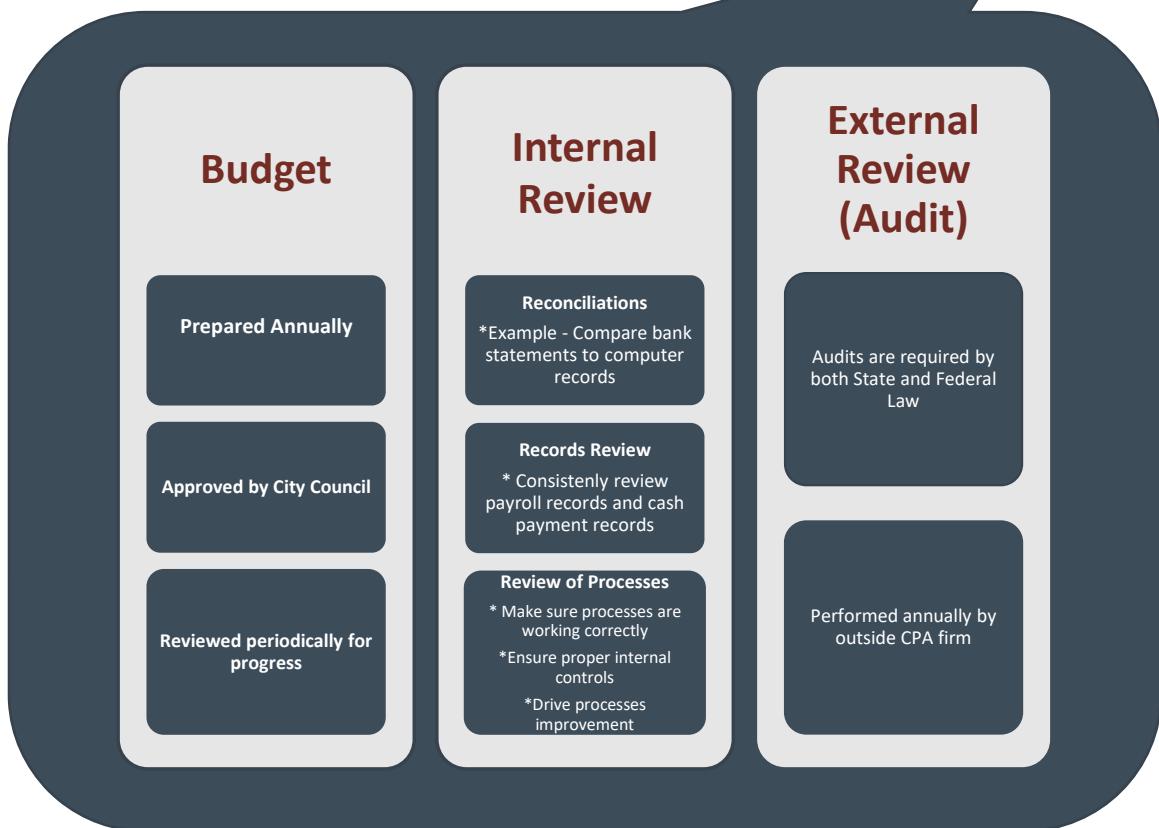
General Government	72
Public Safety	235.5
Recreation	114
Street Department	22
Library	24
Total	467.5

Business-Type Activities

Electric	49
Water	40
Wastewater	22
Support	25.5
Total	136.5

Total Primary Governments

Financial Governance





**FY 2021
Net Position**

\$371,442,649

Over time, increases or decreases in the City's *net position* may be an indicator of whether the financial situation of the City is improving or deteriorating.

The City of Bentonville's overall net position **increased 10.7% or \$36 million** from the prior fiscal year. The three components of net position are:

NET INVESTMENT IN CAPITAL ASSETS

The most significant portion of net position (**79.1% or \$294 million**) is invested in capital assets.

Bentonville uses these capital assets to provide a variety of public goods and services to its citizens (i.e. - street construction, park improvements, etc.). For that reason, these assets are not available for future spending. Bentonville's investment in capital assets is reported net of related debt.

RESTRICTED NET POSITION

This portion of net position (**9.7% or \$36 million**) is restricted, representing funds that are limited to construction activities, payment of debt or specific programs by law (i.e. – street projects paid with bond funds, grant monies received to fund special City projects, etc.).

UNRESTRICTED NET POSITION

The remaining portion of net position (**11.2% or \$42 million**) is unrestricted, representing resources which are available for services.

Financial Highlights – Governmental Activities

Statement of Net Position

The statement of net position presents all the City of Bentonville's assets, deferred outflows of resources, liabilities and deferred inflow of resources, with the difference reported as the net position.

Bentonville's fiscal year runs January 1 to December 31. The City's statement of net position and statement of activities for fiscal years ending December 31, 2019-2021 are shown in the charts below.

ASSETS	2019	2020	2021
Current and Other Assets	121,175,808	124,769,213	218,826,561
Capital Assets	270,754,848	289,101,845	296,198,023
TOTAL ASSETS	\$ 391,930,656	\$ 413,871,058	\$ 515,024,584
Deferred Outflows of			
Resources	15,034,020	12,867,143	10,818,508
LIABILITIES			
Long-Term Liabilities	78,537,719	65,179,636	120,931,655
Other Liabilities	17,879,195	21,580,492	17,592,479
TOTAL LIABILITIES	\$ 96,416,914	\$ 86,760,128	\$ 138,524,134
Deferred Inflows of			
Resources	1,116,339	4,455,822	15,876,309
NET POSITION	\$ 309,431,423	\$ 335,522,254	\$ 371,442,649



Activities/Changes in Net Position

	2019	2020	2021
Revenues	87,327,266	95,097,514	100,960,871
Less: Expenses	63,720,079	68,055,683	65,040,476
Transfers	-	(951,000)	-
INCREASE (DECREASE) IN NET POSITION	\$ 23,607,187	\$ 26,090,831	\$ 35,920,395
Net Position, Beginning of Year	285,824,236	309,431,423	335,522,254
NET POSITION, END OF YEAR	\$ 309,431,423	\$ 335,522,254	\$ 371,442,649



Financial Highlights – Governmental Activities

Financial Activity Statement for Years Ended December 31

REVENUES	2019	2020	2021
Property tax	8,973,078	9,530,177	9,991,396
Sales tax	39,654,947	43,279,794	53,430,685
State turnback	4,007,424	4,155,203	5,194,343
Impact fees	4,119,459	2,858,636	4,150,437
Franchise taxes	5,368,133	5,506,867	5,704,169
Charges for services	6,459,222	3,916,496	4,995,247
Fines and forfeitures	488,999	388,542	485,950
Licenses and permits	1,819,605	1,960,842	2,735,351
Grants	2,662,127	7,352,436	5,384,052
Contributions	280,763	462,068	518,580
Interest	1,178,951	539,721	220,895
Investment income	-	195,681	(5,764)
Miscellaneous	1,282,201	1,903,661	1,853,126
TOTAL REVENUES	\$76,294,909	\$82,050,124	\$94,658,467
EXPENDITURES			
General government	7,515,045	8,682,730	9,031,264
Public safety	21,730,128	24,418,096	25,433,415
Recreation	9,582,308	9,077,193	10,558,612
Street Department	2,520,796	3,970,303	3,741,945
Library	1,609,734	1,777,953	1,683,391
Capital outlay	18,172,104	18,989,724	16,221,216
Debt service			
Principal	11,505,000	11,535,000	15,728,796
Interest	1,929,130	1,464,550	704,303
Bond issue costs	-	-	801,490
TOTAL EXPENDITURES	\$74,564,245	\$79,915,549	\$83,904,432
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	3,769,638	20,025	1,200,728
Debt proceeds	-	-	84,045,000
Original issue premium	-	-	5,127,487
Transfer to Escrow Agent	-	-	(11,773,874)
Transfers in	5,521,936	791,518	702,614
Transfers out	(5,521,936)	(1,742,518)	(702,614)
NET CHANGE IN FUND BALANCES	\$5,500,302	\$1,203,600	\$89,353,376
Fund Balances, Beginning of Year	95,385,481	100,885,783	102,089,383
FUND BALANCES, END OF YEAR	\$100,885,783	\$102,089,383	\$191,442,759

Governmental funds are used to account for tax-supported activities. Bentonville's governmental funds include the General Fund, Street Fund, Capital Project Fund, Federal Grant Fund, Debt Service Fund, and other Nonmajor Governmental Funds.

The City's basic services, including police and fire protection, parks and recreation, streets, community and economic development services, maintenance and capital improvements are accounted for in these funds.

In 2021, revenues related to property taxes, sales tax, state turnback, charges for services increased due to growth in the City as people are moving to Northwest Arkansas (see page 10 for more revenue details).

Public safety expenditures included the purchase of a new pumper and emergency vehicles. In addition, the increase in the Parks and Recreation Department expenditures is mainly due to an increase in programs starting up again from being paused during the pandemic (see page 11 for more expenditure details).

FUND BALANCE BREAKDOWN AS OF DECEMBER 31, 2021

Nonspendable		
Prepaid expenditures		613,913
Restricted		
Debt service		10,381,088
General capital improvements		90,854,444
New growth		10,687,938
Street improvements		9,349,484
Other		86,059
Unassigned		69,469,833
TOTAL FUND BALANCE		191,442,759

Revenues – Where Does the Money Come From?

Funding for the services provided to residents comes from many sources. In 2021, the City's general governmental revenues totaled **\$98,130,245**. The largest category of revenue is sales taxes (**54.4% or \$53.4 million**) has increased primarily due to the growth in the City as more people move to this area.

Below are brief descriptions of The City's revenue sources:

Property Taxes are levied on the assessed value of all real property and certain personal property located within the City.

Sales Taxes are taxes paid to a governing body for the sales of certain goods and services. The City charges a local sales tax of 2% on most of the goods/services purchased within the City. This tax is in addition to the State of Arkansas rate of 6.5% and the Benton County rate of 1%, for a total sales tax rate of 9.5%.

State Turnback funds are a portion of revenues the City receives from the State of Arkansas highway funds.

Special Assessments and Fines includes impact and capacity fees, court fines, warrant fines, etc.

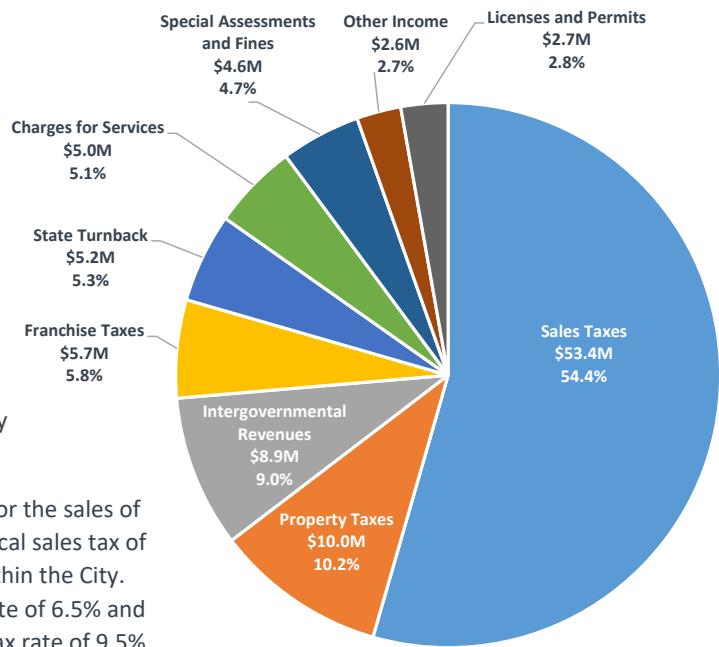
Franchise Taxes includes revenue received from utility (telecommunications) companies for the right to operate within the City. The City owned utilities also pay the franchise fees and each utility (Electric, Water, and Wastewater) has their rate set at 5%.

Charges for Services includes revenues received from services and/or programs provided by the City such as recreation programs.

Licenses and Permits includes revenues from building permits, business licenses, and liquor licenses. This revenue category has increased over the last three years due to growth in new home and residential construction.

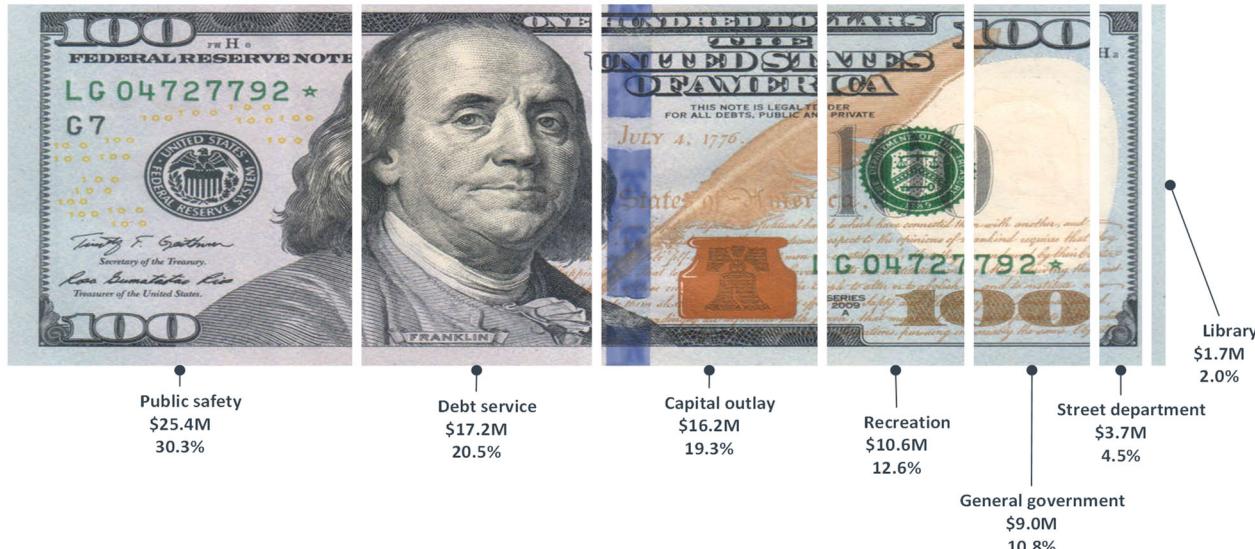
Intergovernmental Revenues includes payments and grants from Federal, State, and county governments.

Other Income includes interest and investment income, contributions, and various other miscellaneous income.



TOP 5 SALES TAX CATEGORIES (per \$.01 of City Sales Tax)	
Retail Trade	\$10,517,939
Wholesale Trade	\$2,248,679
Accommodation and Food Services	\$1,993,087
Manufacturing	\$1,480,072
Real Estate/Rental/Leasing	\$1,137,849

Expenditures – Where Does the Money Go?



The City provides a full range of services, including police and fire protection, and recreational activities and facilities. The City is also responsible for the maintenance of streets, parks, cemetery, and other amenities. General Governmental Expenditures do not include expenditures for the City's electric, water, wastewater, and sanitation funds.



Summary of the Governmental Fund Expenditures

The City is organized into various departments and functions to provide services to its businesses, citizens, and visitors.

General government includes expenditures for administrative departments of the City, such as Mayor and City Council, Human Resources, Accounting and Finance, Legal, and Information Technology.

Public safety expenditures are related to providing Police and Fire services and protection.

Recreation includes program administration and facility maintenance for the community center and parks.

Street Department expenditures are associated with the maintenance of streets, keeping the streets passable in inclement weather and keeping them clean.

Library expenditures help to engage our community, encourage discovery and promote literacy by offering lifelong learning opportunities.

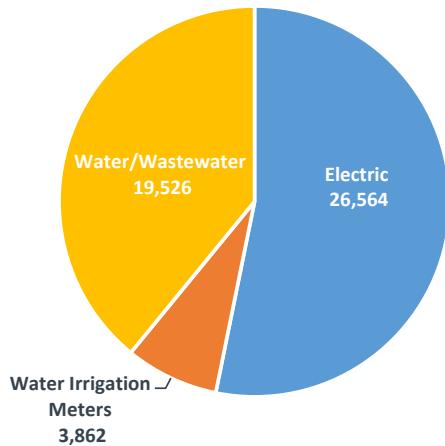
Capital outlay expenditures are related to construction of capital projects within the City, such as streets, building and parks improvements.

Debt service expenditures include principal and interest payments on general and special obligation debts (*see page 13 for more information*).

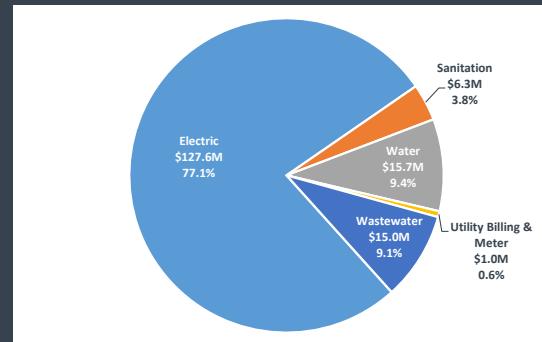
Financial Highlights – Enterprise Funds

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. These funds, in general, charge customers for services provided. The business-type activities of the City include Electric, Water, Wastewater, Sanitation, and related support departments which comprise the Utility Fund.

City of Bentonville's Utility Meter Count

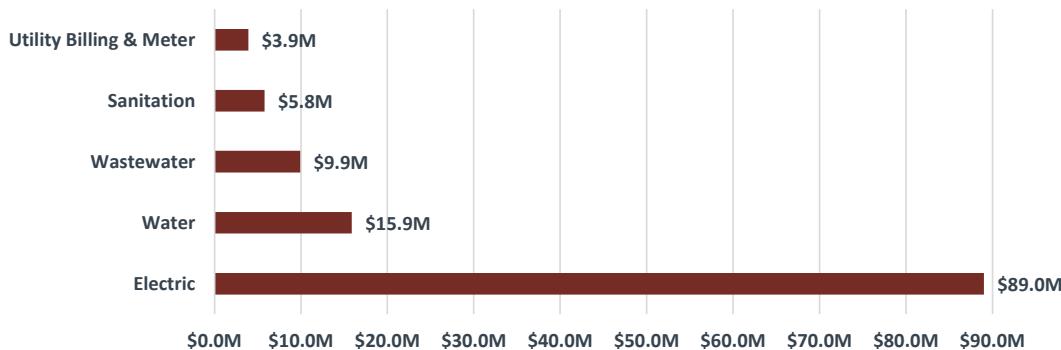


Utility Fund Revenues



In FY 2021, revenue for the business-type activities totaled \$165.6 million. Charges for services were the largest revenue source for these operations, representing 68.9% of business-type activity revenues. Capital grants and contributions accounted for 4.0% of revenues with other general revenues representing 27.1% which includes revenues from 3rd party entities to provide electric infrastructure for large privately funded projects.

Utility Fund FY 2021 Departmental Expenditures



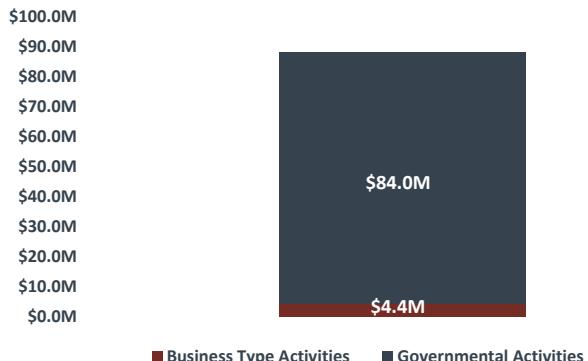
City of Bentonville's Outstanding Debt

As of December 31, 2021

How Much Does the City Owe?

In June 2021, the City issued \$84,045,000 in Sales and Use Tax Bonds. These bonds were used to refund the Series 2009, 2010, and 2017 Bonds and to fund a portion of the costs of various capital improvements for the City. The City received a bond rating of AA- by Standard & Poor's. This level of bond rating shows that the City has a very strong capacity to meet financial commitments which helps to allow borrowing at favorable interest rates, therefore reducing costs for the City and its taxpayers.

City of Bentonville's Long-term Debt



Governmental Activities – Long-term Debt Obligations

	Interest Rates	Final Maturity Date	Principal at December 31, 2021
Sales and Use Tax bonds, Series 2021A	.32%-1.10%	2025	\$ 7,470,000
Sales and Use Tax bonds, Series 2021B	1.05%-5.00%	2046	\$ 76,575,000
Governmental Activities Total Bonds			\$ 84,045,000

The table above shows the General Obligation bonds which were issued for the Governmental Activities funds. These bonds are backed by the credit and taxing power of the City and has the lowest interest rates and requires a public vote to issue. They were issued for the purposes of refunding older bonds, street construction, parks and recreation capital, police and fire capital, and the municipal airport. These bonds are secured by a pledge of, and are payable from, the capital tax.

Business Type Activities – Long-term Debt Obligations

	Interest Rates	Final Maturity Date	Principal at December 31, 2021
Revenue bonds, Series 2006A	2.50%	2028	\$ 3,114,275
Revenue bonds, Series 2006B	5.20%-5.90%	2025	\$ 759,698
Revenue bonds, Series 2000	2.75%	2023	\$ 506,858
Business Type Activities Total Bonds			\$ 4,380,831

The table above shows the Revenue bonds which were issued for the Business Type Activities funds. These bonds are secured by future income streams, such as utility revenues. They were issued for the purpose of acquiring, constructing, equipping, renovating, expanding, and refurbishing additions and improvements to the City's electric, water, and sewer system.

The City's website (bentonvillear.com) provides information about City services, community events, employment opportunities, public safety tips, and much, much more. Residents may also take advantage of many online services on the website including:

- Utility Bill Payments
- Meeting Agendas and Minutes
- Elections Information
- City Forms and Documents
- City Budgets and Annual Audit
- And Much More...

If you have any questions, comments, or suggestions regarding the 2021 Popular Annual Financial Report, please contact the City of Bentonville Finance Department at (479) 271-3110.



**City of Bentonville, Arkansas
Finance Department
1000 SW 14th Street
Bentonville, AR 72712**

