



# 2022 Popular Annual Financial Report

City of Bentonville, Arkansas



## About the Popular Annual Financial Report

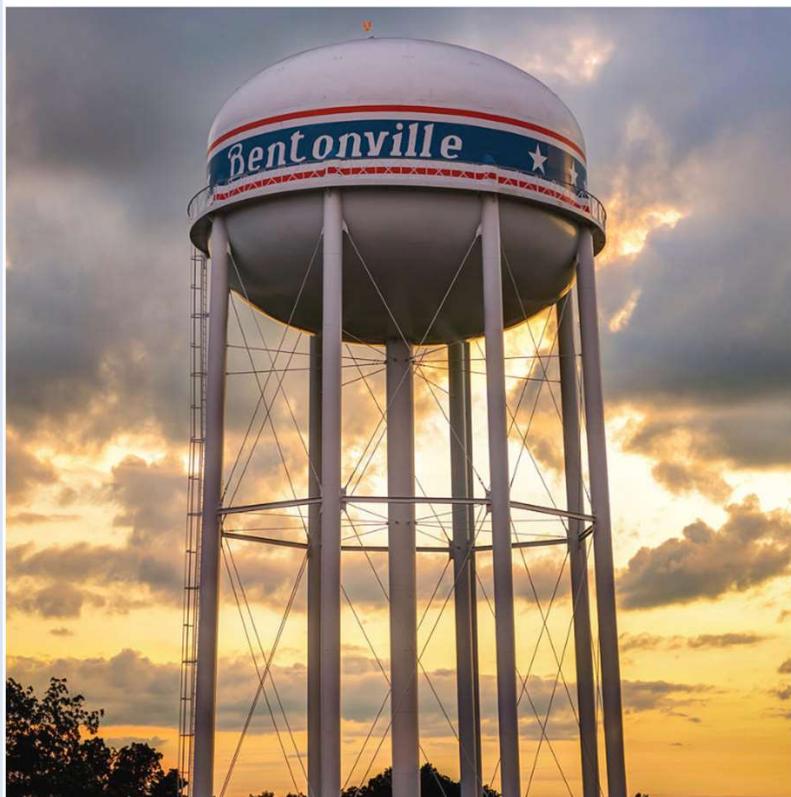
The Popular Annual Financial Report (PAFR) is designed to provide a better financial understanding of our city government, local economic conditions and where the City's financial position stands. This report is presented in accordance with guidelines from the Government Financial Officers Association (GFOA) and contains information from the City's 2022 Annual Comprehensive Financial Report (ACFR).

The PAFR is presented in an understandable and user-friendly manner. It is not intended to be a replacement for the ACFR which can be found by visiting the City's website or by scanning the QR code below.



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## Elected Officials

### A Message from the Finance Director

As part of process to keep the Citizens of Bentonville informed about the use of your tax dollars, we are pleased to present our Popular Annual Financial Report (PAFR) for the fiscal year ending December 31, 2022. The PAFR is an abbreviated version of the Annual Comprehensive Financial Report. The information in this report is an overview of the City's economic outlook, an analysis of the financial position of the City, and other key financial data points. The PAFR provides an analysis of how money was how money is taken-in and disbursed.

Sales tax is one of Bentonville's primary sources of revenue and the City continues to see strong sales tax receipts year over year. The city provides a wide range of municipal services, include police and fire protection, planning and zoning, street improvements and maintenance, parks, cultural events and general administrative services. We also provide electric, water resources and solid waste management services for our citizens.

Thank you for taking interest in your local government. We invite you to share any questions, concerns or comments with us.

Patrick D. Johndrow  
Finance Director



#### **Stephanie Orman**

Mayor

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Council Member

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# History of Bentonville

Named after Benton County, the City of Bentonville was incorporated in January of 1873. By 1900, Bentonville had a city-owned light and water plant and was working on a sewer program. In the early days, agriculture was the backbone of the local and regional economy. In May of 1950, Sam Walton opened Walton's 5 and 10 store on the Bentonville square. Over time, Wal-Mart has grown to be the nation's largest retailer and Bentonville has grown into a thriving business and tourist community.

In May 2020, the U.S. Census Bureau recognized Bentonville as the 5<sup>th</sup> fastest growing large city in the United States. 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 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.

## Demographics

(2020 U.S. Census Data)

- ❖ Total population: 54,164
- ❖ 34% of the total population is a minority.
- ❖ Total # of housing units: 22,436
- ❖ 91% of all housing units are occupied
- ❖ Median value of owner-occupied household unit: \$281,800
- ❖ Median Household Income: \$89,653

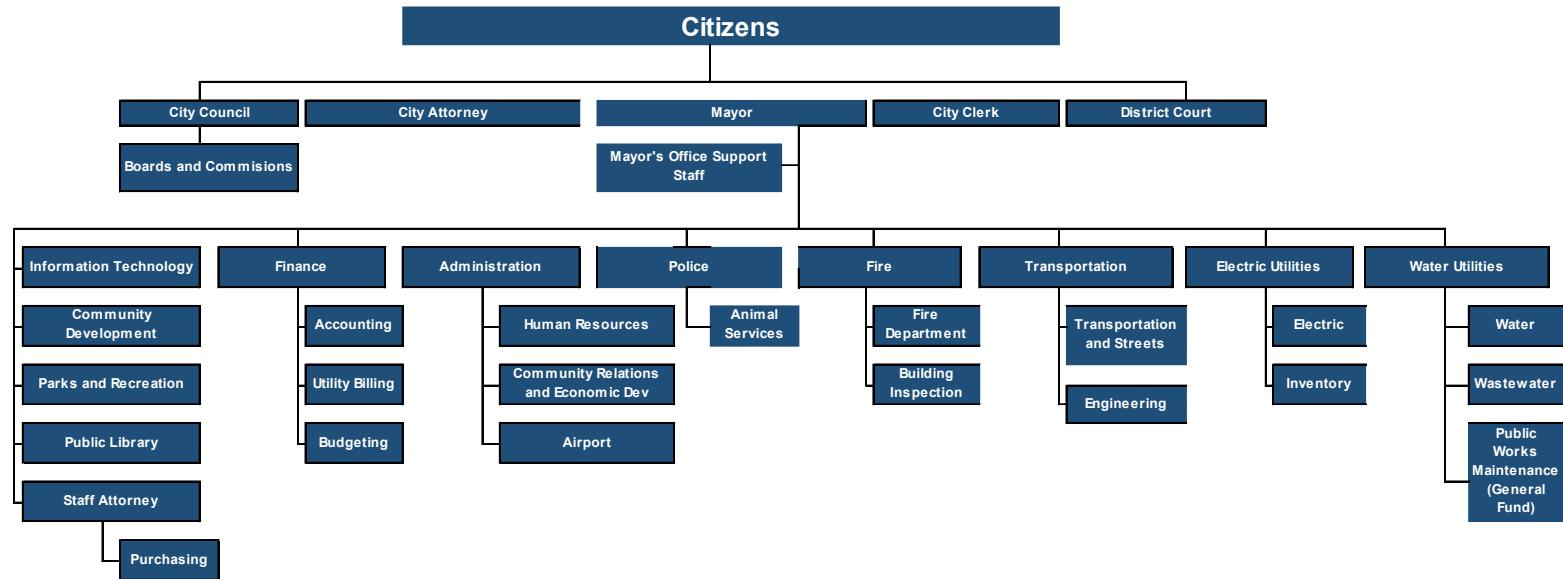
## Top Employers

Wal-Mart/Sam's Club	2,500+
Northwest Health System	1000-2499
Mercy Health System of Northwest Arkansas	1000-2499
Bentonville School District	1000-2499
Northwest Arkansas Community College	300-499
Benton County	500-999
City of Bentonville	300-499
Arvest Bank Group, Inc	200-299
Outdoor Cap Company	200-299
Community Publishers	50-99
Bentonville Casting Company	50-99



Orchard's Park Playground

## Organization Chart



# *Mission Statement*

The mission of the Bentonville City Government is to preserve, promote and sustain an excellent quality of life within our city. In partnership with the community, we pledge to deliver municipal services in a professional, personal, responsive manner.

# City Statistics for 2022



# Financial Highlights – Governmental Activities



Police Department



Fire Station #1

**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 2022, Bentonville again experienced increased revenues in property tax, sales tax, state turnback and charges for services due to population growth in the City as more people choose to make Northwest Arkansas their home.

Our expenditures were greater than our revenue due to capital projects being funded by bond proceeds and revenues collected in prior periods.

## FUND BALANCE BREAKDOWN AS OF DECEMBER 31, 2022

Nonspendable	
Prepaid expenditures	73,158
Restricted	
Debt service	7,329,718
General capital improvements	67,713,537
New growth	7,843,017
Street improvements	13,852,147
Other	44,723
Assigned	26,434
Unassigned	81,621,966
<b>TOTAL FUND BALANCE</b>	<b>178,504,700</b>

## Financial Activity Statement for Years Ended December 31

REVENUES	2020	2021	2022
Property tax	9,530,177	9,991,396	10,862,520
Sales tax	43,279,794	53,430,685	61,656,404
State turnback	4,155,203	5,194,343	6,635,017
Impact fees	2,858,636	4,150,437	3,569,012
Franchise taxes	5,506,867	5,704,169	6,060,409
Charges for services	3,916,496	4,995,247	6,087,290
Fines and forfeitures	388,542	485,950	438,621
Licenses and permits	1,960,842	2,735,351	2,356,101
Grants	7,352,436	5,384,052	9,996,085
Contributions	462,068	518,580	2,630,861
Interest	539,721	220,895	1,420,733
Investment income	195,681	(5,764)	(673,868)
Miscellaneous	1,903,661	1,853,126	2,373,641
<b>TOTAL REVENUES</b>	<b>\$82,050,124</b>	<b>\$94,658,467</b>	<b>\$113,412,826</b>
EXPENDITURES			
General government	8,682,730	9,031,264	9,559,743
Public safety	24,418,096	25,433,415	28,215,635
Recreation	9,077,193	10,558,612	11,439,318
Street Department	3,970,303	3,741,945	4,390,627
Library	1,777,953	1,683,391	1,919,436
Capital outlay	18,989,724	16,221,216	49,213,572
Debt service			
Principal	11,535,000	15,728,796	19,495,000
Interest	1,464,550	704,303	2,215,029
Bond issue costs	-	801,490	-
<b>TOTAL EXPENDITURES</b>	<b>\$79,915,549</b>	<b>\$83,904,432</b>	<b>\$126,448,360</b>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	20,025	1,200,728	97,475
Debt proceeds	-	84,045,000	
Original issue premium	-	5,127,487	
Transfer to Escrow Agent	-	(11,773,874)	
Transfers in	791,518	702,614	11,849,599
Transfers out	(1,742,518)	(702,614)	(11,849,599)
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$1,203,600</b>	<b>\$89,353,376</b>	<b>(\$12,938,059)</b>
Fund Balances, Beginning of Year	100,885,783	102,089,383	191,442,759
<b>FUND BALANCES, END OF YEAR</b>	<b>\$102,089,383</b>	<b>\$191,442,759</b>	<b>\$178,504,700</b>

# 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 inflows of resources, with the difference reported as the net position.

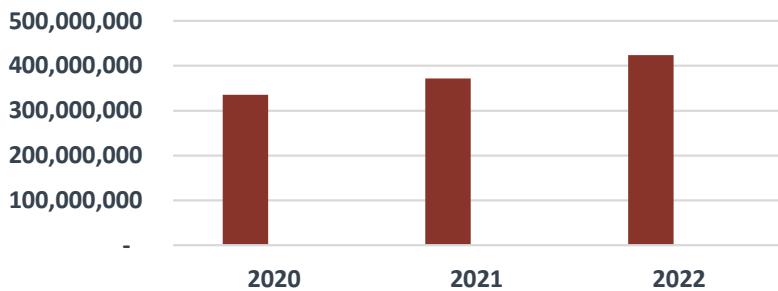
Bentonville's fiscal year runs January 1 to December 31. The City's statement of net position and statement of activities for fiscal years ending December 31, 2020-2022 are shown in the charts below.



Bright Road Extension

ASSETS	2020	2021	2022
Current and Other Assets	124,769,213	218,826,561	218,733,085
Capital Assets	289,101,845	296,198,023	339,816,823
<b>TOTAL ASSETS</b>	<b>\$ 413,871,058</b>	<b>\$ 515,024,584</b>	<b>\$ 558,549,908</b>
<b>Deferred Outflows of Resources</b>			
<b>LIABILITIES</b>			
Long-Term Liabilities	65,179,636	120,931,655	108,603,251
Other Liabilities	21,580,492	17,592,479	28,430,973
<b>TOTAL LIABILITIES</b>	<b>\$ 86,760,128</b>	<b>\$ 138,524,134</b>	<b>\$ 137,034,224</b>
<b>Deferred Inflows of Resources</b>			
<b>NET POSITION</b>			
Net Investment in Capital Assets	279,366,430	293,728,622	334,555,966
Restricted	26,232,902	36,106,223	35,980,792
Unrestricted	29,922,922	41,607,804	53,088,305
<b>TOTAL NET POSITION</b>	<b>\$ 335,522,254</b>	<b>\$ 371,442,649</b>	<b>\$ 423,625,063</b>

### Net Position



### Activities/Changes in Net Position

	2020	2021	2022
Revenues	95,097,514	100,960,871	123,355,921
Less: Expenses	68,055,683	65,040,476	71,173,507
Transfers	(951,000)	-	
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>\$ 26,090,831</b>	<b>\$ 35,920,395</b>	<b>\$ 52,182,414</b>
Net Position, Beginning of Year	309,431,423	335,522,254	371,442,649
<b>NET POSITION, END OF YEAR</b>	<b>\$ 335,522,254</b>	<b>\$ 371,442,649</b>	<b>\$ 423,625,063</b>

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 14% or \$52.1 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% or \$334.5 million**) is invested in capital assets. Bentonville uses these capital assets to provide a variety of services to its citizens (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.

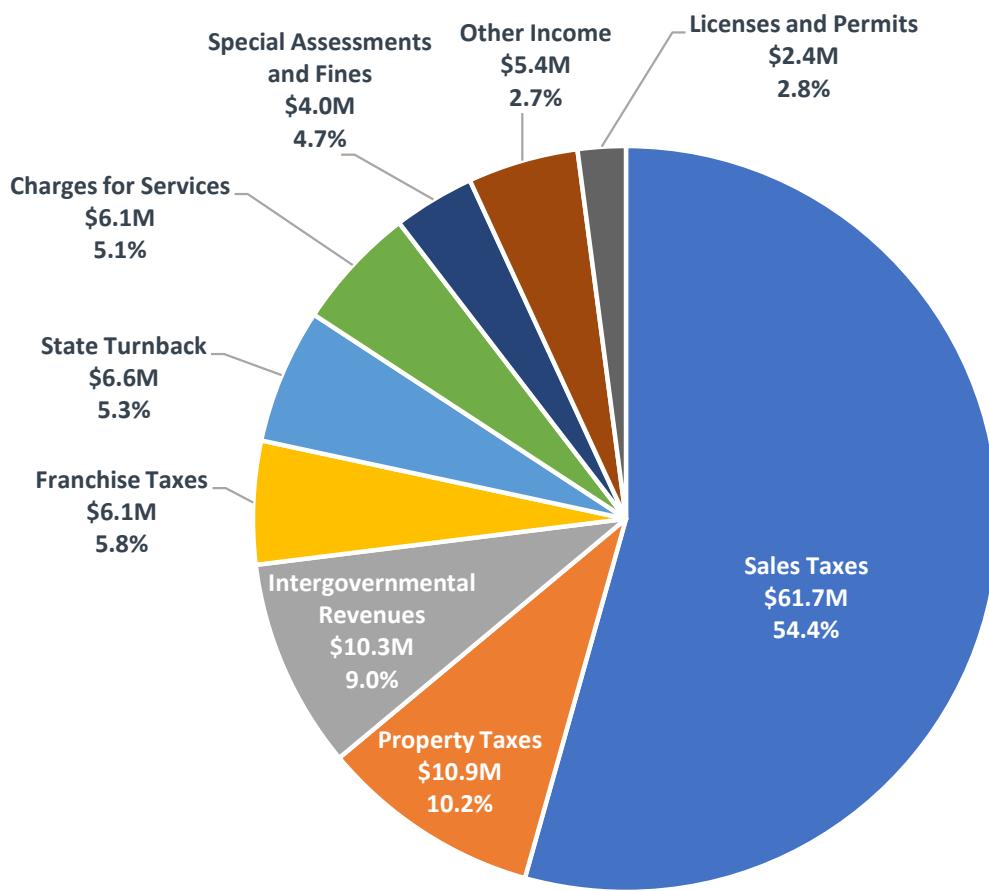
### RESTRICTED NET POSITION

This portion of net position (**8.5% or \$36 million**) is restricted, representing funds that are limited to construction activities, payment of debt or specific programs by law. Examples include street projects paid with bond funds and grant monies received to fund special City projects.

### UNRESTRICTED NET POSITION

The remaining portion of net position (**12.5% or \$53.1 million**) is unrestricted, representing resources which are available for services.

# Revenues – Where Does the Money Come From?



Funding for the services provided to residents comes from many sources. In 2022, the City's general governmental revenues totaled \$94,841,180. The largest category of revenue is sales tax (54.4% or \$61.7 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** include impact and capacity fees, court fines, warrant fines, etc.
- **Franchise Taxes** include revenue received from utility (telecommunication) companies for the right to operate within the City. The City owned utilities (Electric, Water and Wastewater) also pay a 5% franchise fee.
- **Charges for Services** includes revenues received from services and/or programs provided by the City such as recreation programs.
- **Licenses and Permits** include revenues from building permits, business licenses and liquor licenses.
- **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.

# Expenditures – Where Does the Money Go?



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

- **General Government** includes expenditures for the 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.



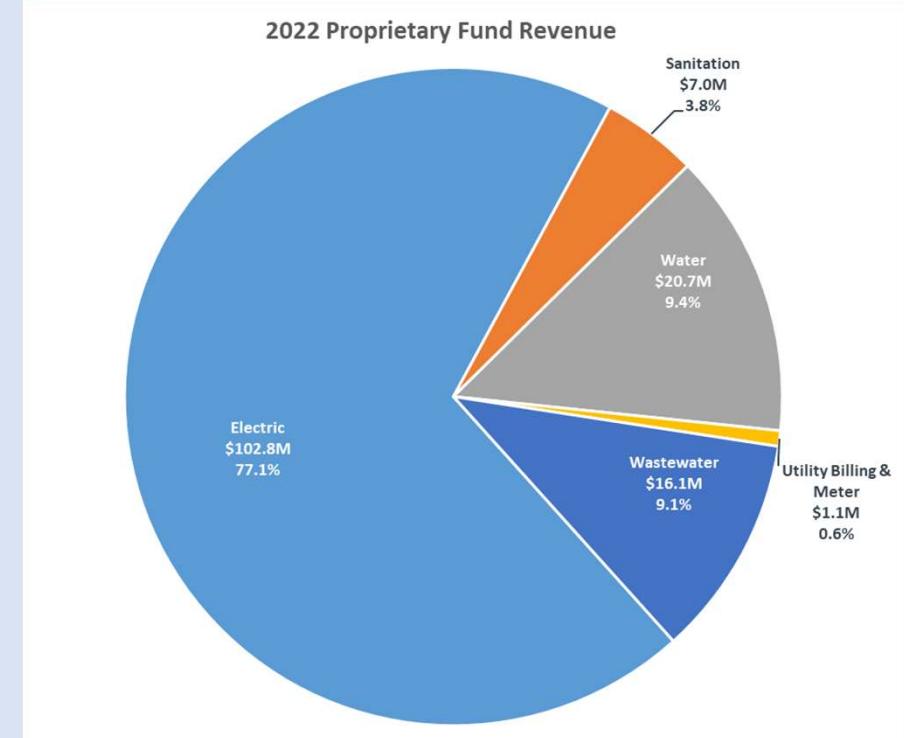
# Financial Highlights – Proprietary Funds

Proprietary funds (also known as Enterprise funds) are used to report the same functions as 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.

In 2022, total operating revenues for the fund totaled \$127,500,722, an 11.8% increase from 2021. This is primarily due to the continued growth in our customer base. The City also continued to see developer funded infrastructure revenue, which is revenue contributed by 3<sup>rd</sup> parties to provide electric infrastructure for large privately funded projects.

## Statistics

# Electric Substations	9
Total Electric Distribution Lines (Miles)	1,555
Total Water Line Miles	377
# Meters Read	653,188
# Payments Processed	251,642



## Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds for Years Ended December 31

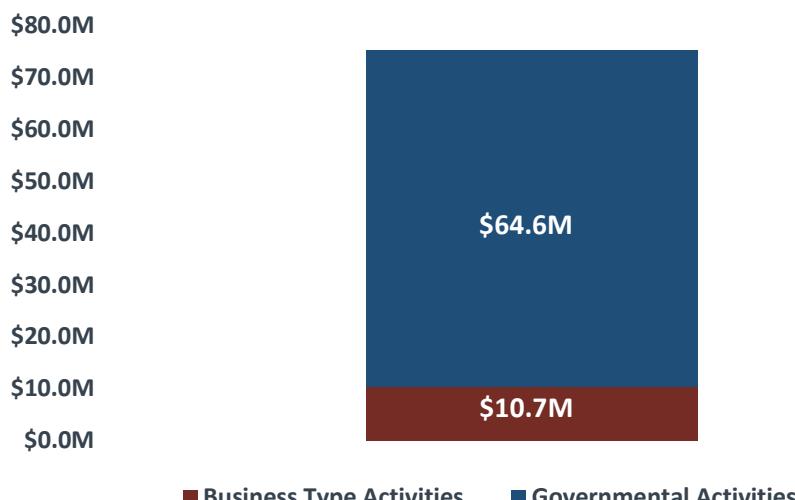
	2020	2021	2022
<b>OPERATING REVENUES</b>			
Charges for services	101,745,586	113,703,329	127,087,773
Other, net	47,182	341,244	412,949
<b>TOTAL OPERATING REVENUES</b>	<b>\$101,792,768</b>	<b>\$114,044,573</b>	<b>\$127,500,722</b>
<b>OPERATING EXPENSES</b>			
Salary and fringe benefits	12,569,427	11,430,736	14,801,264
Contract purchases	63,018,609	94,332,106	84,423,831
Maintenance	1,799,811	1,577,519	2,094,033
Depreciation and amortization	7,732,027	7,985,896	8,341,767
Materials and supplies	1,093,666	1,308,097	1,410,327
Other services and charges	7,228,632	7,328,732	7,950,409
<b>TOTAL OPERATING EXPENSES</b>	<b>\$93,442,172</b>	<b>\$123,963,086</b>	<b>\$119,021,631</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$8,350,596</b>	<b>(\$9,918,513)</b>	<b>\$8,479,091</b>
<b>NONOPERATING REVENUE (EXPENSE)</b>			
Interest income	251,460	142,419	222,928
Investment income	142,551	(4,166)	(440,065)
Bond interest and fiscal agent charges	(237,178)	(193,916)	(451,790)
Gain on sale of capital assets	827,105	69,585	
Grants		6,693,949	223,439
<b>NET NONOPERATING REVENUES (EXPENSES)</b>	<b>983,938</b>	<b>6,707,871</b>	<b>(445,488)</b>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>\$9,334,534</b>	<b>(\$3,210,642)</b>	<b>\$8,033,603</b>
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>			
Capital contributions	4,458,330	3,675,053	7,051,584
Capital grants			2,565,148
Transfers In	951,000	-	
Developer funded infrastructure revenue		41,139,601	10,200,218
<b>CHANGE IN NET POSITION</b>	<b>\$14,743,864</b>	<b>\$41,604,012</b>	<b>\$27,850,553</b>
Net Position, Beginning of Year	244,349,843	259,093,707	300,697,719
Net Position, Restatement		-	
<b>NET POSITION, END OF YEAR</b>	<b>\$259,093,707</b>	<b>\$300,697,719</b>	<b>\$328,548,272</b>

# Debt Obligations

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. These bonds were initially due for payoff in 2046, however due to strong sales tax collections are currently due to be paid off in 2042.

In April 2022, the City issued \$12,255,000 in revenue bonds. These bonds were used to refund the series 2000, 2006A and 2006B bonds and to recover a portion of the cost the City incurred during the Winter 2021 storm.

## City of Bentonville's Long-term Debt



## Governmental Activities – Long-term Debt Obligations

	Principal at December 31, 2022		
	Interest Rates	Final Maturity Date	
Sales and Use Tax bonds, Series 2021A	.32%-1.10%	2025	\$ 5,490,000
Sales and Use Tax bonds, Series 2021B	1.05%-5.00%	2046	\$ 59,060,000
<b>Governmental Activities Total Bonds</b>			<b>\$ 64,550,000</b>

The table above shows the General Obligation bonds which were issued for the Governmental Activity funds. These bonds are backed by the credit and taxpaying power of the city and require a public vote to issue. These bonds are secured by the pledge of and are payable from the capital tax.

## Business Type Activities – Long-term Debt Obligations

	Principal at December 31, 2022		
	Interest Rates	Final Maturity Date	
Revenue bonds, Series 2022A	2.44%	2028	\$ 7,680,000
Revenue bonds, Series 2022B	2.01%	2028	\$ 3,020,000
<b>Business Type Activities Total Bonds</b>			<b>\$ 10,700,000</b>

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.

**SCAN ME**



Visit the City's website for information about City services, community events, employment opportunities, public safety tips and more.



Please refer all questions, comments or suggestions regarding the 2022 Popular Annual Financial Report to:

**City of Bentonville, Arkansas**  
Finance Department  
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Bentonville, AR 72712