

# **City of Springdale, Arkansas**

Financial Statements and Supplemental Schedules

With Independent Auditor's Reports

December 31, 2014

**City of Springdale, Arkansas**  
**December 31, 2014**

**Table of Contents**

**Introductory Section (Unaudited)**

List of Elected and Appointed Officials ..... 1  
Organizational Chart ..... 2

**Financial Section**

Independent Auditor’s Report ..... 3  
Management’s Discussion and Analysis ..... 6  
Basic Financial Statements  
    Governmental-Wide Financial Statements:  
        Statement of Net Position ..... 19  
        Statement of Activities ..... 20  
    Fund Financial Statements:  
        Balance Sheet – Governmental Funds ..... 21  
        Reconciliation of the Balance Sheet of Governmental Funds  
            to the Statement of Net Position ..... 22  
        Statement of Revenues, Expenditures, and Changes  
            in Fund Balances – Governmental Funds ..... 23  
        Reconciliation of the Statement of Revenues, Expenditures, and Changes  
            in Fund Balances of Governmental Funds to the Statement of Activities ..... 24  
        Statement of Net Position – Proprietary Funds ..... 25  
        Statement of Revenues, Expenses, and Changes in  
            Net Position – Proprietary Funds ..... 26  
        Statement of Cash Flows – Proprietary Funds ..... 27  
        Statement of Fiduciary Net Position – Fiduciary Funds ..... 28  
        Statement of Changes in Fiduciary Net Position – Fiduciary Funds ..... 29  
Notes to Financial Statements ..... 30

**City of Springdale, Arkansas**  
**December 31, 2014**

**Table of Contents (Continued)**

**Required Supplementary Information (Unaudited)**

Schedule of Funding Progress – Pension and OPEB Plans.....	84
Defined Benefit Pension Plans – Schedule of Changes in the City’s Net Pension Liability and Related Ratios – Firemen’s Pension and Relief Fund.....	85
Defined Benefit Pension Plans – Schedule of Changes in the City’s Net Pension Liability and Related Ratios – Policemen’s Pension and Relief Fund.....	86
Defined Benefit Pension Plans – Schedule of Contributions – Firemen’s Pension and Relief Fund.....	87
Defined Benefit Pension Plans – Schedule of Contributions – Policemen’s Pension and Relief Fund.....	88
Defined Benefit Pension Plans – Schedule of Investment Returns.....	89
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	90
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Street Fund.....	94
Notes to Required Supplementary Information.....	95

**Supplementary Information Section**

Nonmajor Governmental Funds	
Combining Balance Sheet.....	96
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	97
Nonmajor Enterprise Funds	
Combining Statement of Net Position.....	98
Combining Statement of Revenues, Expenses, and Changes in Net Position.....	99
Combining Statement of Cash Flows.....	100
Fiduciary Funds	
Combining Statement of Changes in Assets and Liabilities – Agency Funds.....	101
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Sales and Use Tax Fund.....	103
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Public Library Fund.....	104

**City of Springdale, Arkansas**  
**December 31, 2014**

**Table of Contents (Continued)**

**Supplementary Information Section (Continued)**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Shiloh Museum Board Fund.....	105
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – District Court Costs Fund.....	106
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Arvest Ball Park Fund .....	107
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Municipal Airport Fund.....	108
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Aquatic Center Fund.....	109
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Parks Soccer Program Fund .....	110
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Sanitation Fund.....	111
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Bluff Cemetery Fund.....	112

**Other Required Report**

Independent Accountants’ Report on Compliance with Certain State Acts.....	113
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**Single Audit Section**

Independent Accountants’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	114
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance – Independent Auditor’s Report .....	116
Schedule of Expenditures of Federal Awards .....	118
Schedule of Expenditures of State Awards .....	120
Notes to Schedules of Expenditures and Federal Awards.....	121
Schedule of Findings and Questioned Costs .....	122
Summary Schedule of Prior Audit Findings .....	126

**City of Springdale, Arkansas**  
**List of Elected and Appointed Officials**  
**December 31, 2014**

**Elected Officials:**

Mayor	Doug Sprouse
City Clerk/Treasurer	Denise Pearce
City Attorney	Ernest Cate
District Judge	Jeff Harper
Council Member – Ward 1	Jim Reed
Council Member – Ward 1	Kathy Jaycox
Council Member – Ward 2	Mike Overton
Council Member – Ward 2	Ricky C. Evans
Council Member – Ward 3	Jeff Watson
Council Member – Ward 3	Brad Bruns
Council Member – Ward 4	Eric Ford
Council Member – Ward 4	Mike Lawson

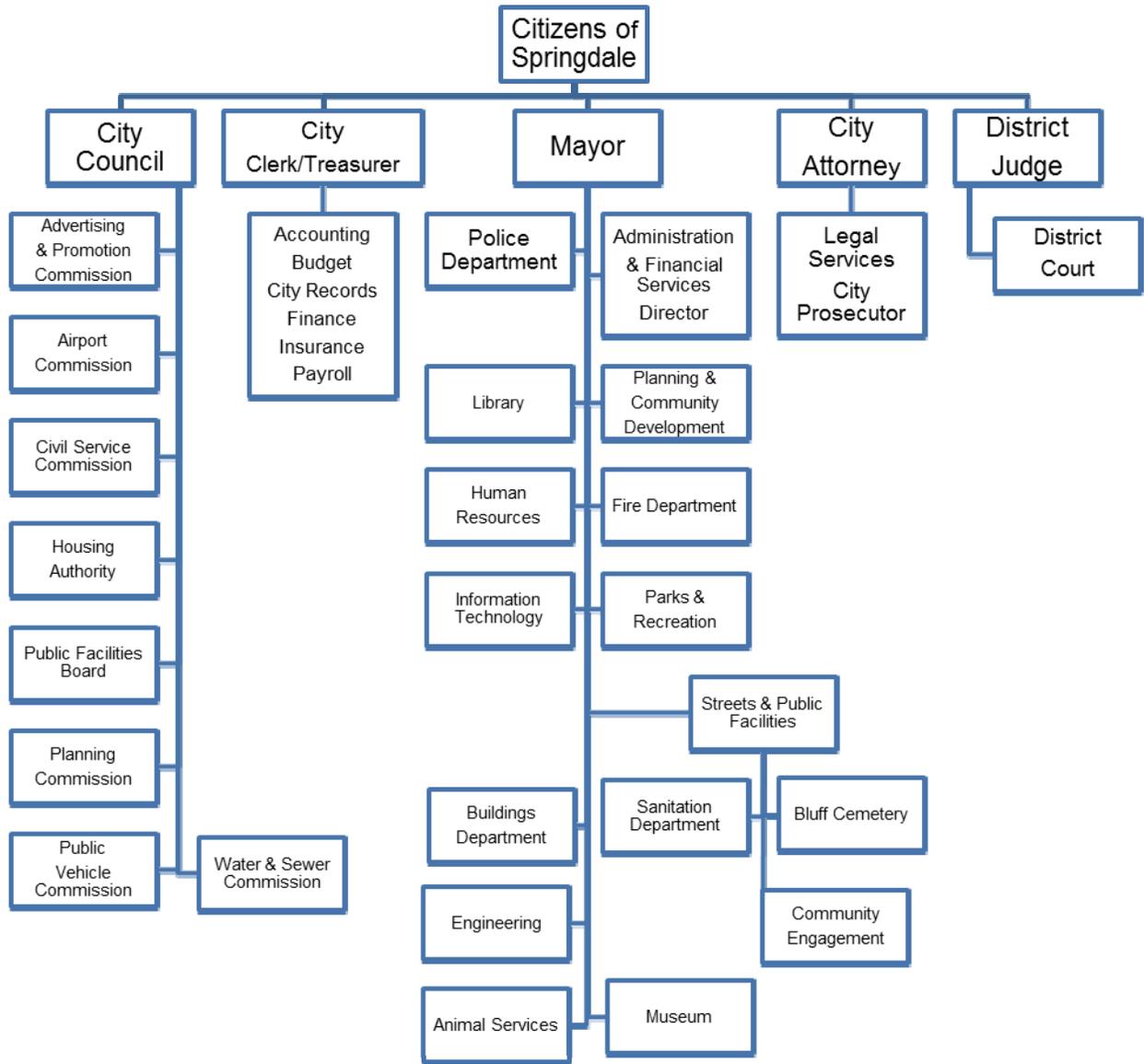
**Appointed Officials:**

Administrative and Financial Services	Wyman D. Morgan
Animal Services	Courtney Kremer
Chief Building Official	Mike Chamlee
Engineering	Brad Baldwin
Finance	Laura Favorite
Fire Chief	Mike Irwin
Human Resources	Gina Lewis
Information Technology	Mark Gutte
Library	Marcia Ransom
Museum	Allyn Lord
Parks and Recreation	Rick McWhorter
Planning and Community Development	Patsy Christie
Police Chief	Kathy O’Kelley
Public Works	Sam Goade
Water and Wastewater	Heath Ward

# City of Springdale, Arkansas

## Organizational Chart

December 31, 2014



## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying basic 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 Springdale, Arkansas as of and for the year ended December 31, 2014, and the related notes to the financial statements which collectively comprise the City's basic financial statements listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***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 Springdale, Arkansas as of December 31, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in *Note 1* to the financial statements, in 2014 the City implemented the provisions of Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans, an Amendment of GASB Statement No. 25*. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements, budgetary comparison schedules, schedule of expenditures of state awards and 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*, listed as supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Honorable Mayor and  
City Council  
City of Springdale, Arkansas  
Page 3

*Other Information*

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The introductory section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basis financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, 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* in considering the City's internal control over financial reporting and compliance.

*BKD, LLP*

Rogers, Arkansas  
December 18, 2015

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# **City of Springdale, Arkansas**

## **Management's Discussion and Analysis**

### **December 31, 2014**

The following narrative overview and analysis of the City of Springdale's financial activities for the year ended December 31, 2014, is provided for the readers of the financial statements to consider in conjunction with all other information provided in this report.

#### **Financial Highlights**

- Total assets of the City of Springdale exceeded total liabilities at the close of 2014 by \$229,567,314 (net position). Of this amount, \$195,162,930 is invested in capital assets, \$19,697,830 is restricted for capital expenditures, debt service, unspendable endowment funds, and other purposes, and \$14,706,554 is considered unrestricted. The unrestricted net position of the City's governmental activities is \$14,322,648, and may be used to meet the obligations to citizens and creditors. The City's business-type activities have an unrestricted net position of \$383,906.
- In 2014, the City's total net position increased by \$2,934,768. The net position of governmental activities increased by \$2,598,867 in 2014, compared to a net increase of \$4,398,559 in 2013. The net position of the business-type activities increased by \$335,901 in 2014 as compared to a net decrease of \$404,039 in 2013.
- At the close of 2014, the City of Springdale's governmental funds reported combined ending fund balances of \$79,797,672, which reflects a decrease of \$16,848,410 from the prior year, primarily due to expenditures for capital projects utilizing sales and use taxes and bond proceeds received in prior years. The restricted portion of the fund balances is \$50,550,856; \$3,864,316 of which is considered unspendable, and \$46,686,540 that is restricted for capital expenditures, debt service, and other purposes. The remaining fund balance is classified as \$7,685,780 committed for capital projects and other purposes, assigned of \$15,074,270, and unassigned fund balance of \$6,486,766.
- At the end of 2014, the unassigned fund balance of the General Fund was \$6,486,766, which represents 8% of the total governmental fund balances and is 18% of total general fund expenditures, including transfers. There was an increase of \$889,276 in the total general fund balance for 2014, compared to \$765,869 decrease in 2013. The unassigned portion is available for use to support operations, funding for special projects and equipment replacement funding.
- The City's total bonded indebtedness decreased by \$7,080,000 in 2014, and is the result of the call and maturity of \$7,080,000 of outstanding bonds during 2014.
- The City's business-type component unit reported net position of \$251,576,716 as of September 30, 2014, an increase of \$4,939,314 compared to September 30, 2013.

# City of Springdale, Arkansas

## Management's Discussion and Analysis (Continued)

### December 31, 2014

#### Overview of the Financial Statements

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

#### Government-Wide Financial Statements

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

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

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

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

The government-wide financial statements are located on pages 19 and 20 of this report.

**City of Springdale, Arkansas**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2014**

**Fund Financial Statements**

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

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

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

The City maintains nineteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and change in fund balances for the General Fund, Street Fund, Sales and Use Tax Fund, the 2013 Street Improvement Construction Fund, the 2013 Parks Improvements Construction Fund, and the 2013 Bonds Debt Service Fund. Data from the remaining thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements are located on pages 21 through 24 of this report.

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

The basic proprietary fund financial statements can be found on pages 25 through 27 of this report.

**City of Springdale, Arkansas**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2014**

**Fiduciary funds** – *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 28 and 29 of this report.

**Notes to the basic financial statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements are located on pages 30 through 83 of this report.

**Other information** – In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees and budgetary comparison schedules to demonstrate compliance with the annual budgets. *Required supplementary information* is located on pages 84 through 95 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining statements and schedules are located on pages 96 through 112 of this report.

**Government – Wide Financial Analysis**  
**Net Position**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Current and other assets	\$ 90,440,288	\$ 106,278,558	\$ 494,435	\$ 484,112	\$ 90,934,723	\$ 106,762,670
Capital assets	302,395,050	288,776,268	7,731,536	7,357,326	310,126,586	296,133,594
Total assets	392,835,338	395,054,826	8,225,971	7,841,438	401,061,309	402,896,264
Current liabilities	13,988,683	10,801,481	103,768	56,005	14,092,451	10,857,486
Other liabilities	157,394,783	165,400,340	6,761	5,892	157,401,544	165,406,232
Total liabilities	171,383,466	176,201,821	110,529	61,897	171,493,995	176,263,718
Net investment in capital assets	187,431,394	187,164,896	7,731,536	7,357,326	195,162,930	194,522,222
Restricted	19,697,830	17,500,069	-	-	19,697,830	17,500,069
Unrestricted	14,322,648	14,188,040	383,906	422,215	14,706,554	14,610,255
Total net position	\$ 221,451,872	\$ 218,853,005	\$ 8,115,442	\$ 7,779,541	\$ 229,567,314	\$ 226,632,546

**City of Springdale, Arkansas**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2014**

Of the City's net position, \$195,162,930 (85%) reflects its investment in capital assets (e.g. land, buildings, machinery, infrastructure and equipment), plus unspent bond proceeds, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since capital assets themselves cannot be used to liquidate liabilities.

An additional portion of the City's net position (\$19,697,830 or 9%) represents resources that are subject to restrictions as to how they may be used. Of the total restricted net position, \$3,209,765 is restricted for capital projects, \$11,988,071 is restricted for debt service, and \$4,499,994 is restricted for other purposes. The remaining balance of unrestricted net position of (\$14,706,554 or 6%) may be used to meet the government's ongoing obligations to citizens and creditors.

It is important to note that although the total spendable unrestricted net position is \$14,706,554, the net position of the City's business type activities of \$383,906 may not be used to fund governmental activities.

The City's net position increased by \$2,934,768 during 2014. Total revenues increased by 16% between years. Sales tax revenue on a government-wide basis increased by 10%. Total expenses increased by 19% from 2013 to 2014.

**Governmental activities** – Governmental activities increased the City's net position by \$2,598,867. Key elements of this increase are as follows:

- Total revenues for 2014 exceeded total expenses by \$2,934,643. Total revenues increased by \$9,995,836 (16%), primarily due to the increase in sales and uses taxes between years of \$3,197,054 (10%) due to economic growth.
- Capital grants and contributions increased by \$1,028,969 (10%), due primarily to the increase in state highway turnback funds,
- Net capital asset acquisitions exceeded depreciation expense by \$13,815,865.
- Investment earnings increased by \$2,864,053, due primarily to the gains on investments sold during the year, as well as the adjustment of investments to market value (unrealized gains) at year end.
- Sales tax revenue allocated for governmental purposes reflects a 10% increase between years. The City's share of the county sales tax, accounted for in the General Fund, increased by 7%. The City's sales tax that is allocated for capital projects and accounted for in the Sales and Use Tax Fund increased 24% in 2014 from 2013, due to the effect of the allocation of taxes for debt service for the Sales and Use Tax Bonds, Series 2013. The total city sales tax increase for 2014 was 12%.

**City of Springdale, Arkansas**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2014**

- Sales taxes provided \$35,200,825 (49%) of the City's governmental revenue in 2014, while operating grants and contributions provided \$10,897,651 (15%), capital grants and contributions provided \$8,838,671 (12%), and ad valorem taxes provided \$5,757,746 (8%).
- The reported 2014 expenses were up \$11,112,351 (19%) over 2013, due primarily to increases in public works expenses (\$10,657,971), public safety expenses (\$967,010), and culture and recreation expenses (\$395,150).

**Business-type activities** – Business-type activities increased the City's net position by \$335,901.

The Municipal Airport revenues of \$1,046,017 provided 72% of total revenues for business-type activities for 2014 while current year expenses of \$624,053 were 50% of total expenses. Municipal Airport depreciation expense for 2014 was \$297,634.

Aquatic Center revenues of \$165,744 provided 11% of total revenues of business-type activities while current year expenses of \$363,661 were 29% of total expenses. Aquatic Center depreciation expense for 2014 was \$154,188.

**City of Springdale, Arkansas**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2014**

**City of Springdale**  
**Changes in Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Revenues</b>						
Program revenues						
Fees, fines and charges						
for services	\$ 5,601,105	\$ 4,881,062	\$ 736,298	\$ 731,651	\$ 6,337,403	\$ 5,612,713
Operating grants and contributions	10,897,651	9,868,682	-	-	10,897,651	9,868,682
Capital grants and contributions	8,838,671	8,145,524	692,432	159,179	9,531,103	8,304,703
<b>Total program revenues</b>	<b>25,337,427</b>	<b>22,895,268</b>	<b>1,428,730</b>	<b>890,830</b>	<b>26,766,157</b>	<b>23,786,098</b>
General revenues						
Sales tax	35,200,825	32,003,771	26,804	26,921	35,227,629	32,030,692
Ad valorem tax	5,757,746	5,683,201	-	-	5,757,746	5,683,201
Franchise tax	3,959,668	3,645,437	-	-	3,959,668	3,645,437
Hotel/motel tax	382,447	337,552	-	-	382,447	337,552
Investment earnings (losses)	1,470,961	(1,393,092)	2,670	2,599	1,473,631	(1,390,493)
Gain (loss) on sale of assets	(111,145)	49,626	-	5,000	(111,145)	54,626
Endowment contributions	210,683	-	-	-	210,683	-
Loss on bond refunding	-	(476,258)	-	-	-	(476,258)
<b>Total general revenues</b>	<b>46,871,185</b>	<b>39,850,237</b>	<b>29,474</b>	<b>34,520</b>	<b>46,900,659</b>	<b>39,884,757</b>
<b>Total revenues</b>	<b>72,208,612</b>	<b>62,745,505</b>	<b>1,458,204</b>	<b>925,350</b>	<b>73,666,816</b>	<b>63,670,855</b>
<b>Expenses</b>						
General government	5,041,786	6,250,185	-	-	5,041,786	6,250,185
Community development	1,853,425	1,666,684	-	-	1,853,425	1,666,684
Culture and recreation	6,713,414	6,318,264	-	-	6,713,414	6,318,264
Economic development	365,059	500,506	-	-	365,059	500,506
Public safety	28,218,095	27,251,085	-	-	28,218,095	27,251,085
Public works	22,673,545	12,015,574	-	-	22,673,545	12,015,574
Interest on long-term debt	4,608,973	4,359,648	-	-	4,608,973	4,359,648
Municipal airport	-	-	624,053	612,016	624,053	612,016
Aquatic center	-	-	363,661	403,965	363,661	403,965
Parks soccer program	-	-	112,566	147,840	112,566	147,840
Sanitation	-	-	157,002	142,829	157,002	142,829
City attorney restitution	-	-	469	7,739	469	7,739
<b>Total expenses</b>	<b>69,474,297</b>	<b>58,361,946</b>	<b>1,257,751</b>	<b>1,314,389</b>	<b>70,732,048</b>	<b>59,676,335</b>
Increase (decrease) in net position						
before transfers	2,734,315	4,383,559	200,453	(389,039)	2,934,768	3,994,520
Transfers	(135,448)	15,000	135,448	(15,000)	-	-
<b>Increase (decrease) in net position</b>	<b>2,598,867</b>	<b>4,398,559</b>	<b>335,901</b>	<b>(404,039)</b>	<b>2,934,768</b>	<b>3,994,520</b>
<b>Net Position - January 1</b>	<b>218,853,005</b>	<b>214,454,446</b>	<b>7,779,541</b>	<b>8,183,580</b>	<b>226,632,546</b>	<b>222,638,026</b>
<b>Net Position - December 31</b>	<b>\$ 221,451,872</b>	<b>\$ 218,853,005</b>	<b>\$ 8,115,442</b>	<b>\$ 7,779,541</b>	<b>\$ 229,567,314</b>	<b>\$ 226,632,546</b>

**City of Springdale, Arkansas**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2014**

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

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

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

As of December 31, 2014, the City's governmental funds combined fund balances were \$79,797,672, which reflects a decrease of \$16,848,410 from the prior year end. The decrease is due primarily to capital expenditures in the Sales and Use Tax and 2012 Bonds Improvement Construction Funds. Of the ending fund balance, \$3,864,316 (5%) is nonspendable, \$46,686,540 (59%) represents fund balances restricted for capital projects, debt service, and other purposes, \$7,685,780 (10%) is committed for capital projects, and \$15,074,270 (19%) is assigned for specific uses by fund type. The remainder of the balance, \$6,486,766 (8%), is unassigned in the General Fund and is available for spending at the government's discretion.

The General Fund is the chief operating fund of the City. As of December 31, 2014, the total fund balance of the General Fund was \$7,724,425 of which \$6,486,766 (84%) was unassigned. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balances and total fund balances to total fund expenditures, including transfers out. Unassigned fund balance represents approximately 18% of the total General Fund expenditures for 2014, including transfers out, while total fund balance represents 22% of that same amount.

During the 2014 fiscal year, the fund balance of the General Fund increased by \$889,276. The 2015 adopted budget anticipates an 18% decrease in the unassigned general fund balance by the end of the year. Key factors in the 2014 increase are as follows:

- Total revenues for 2014, including transfers, increased by \$3,374,770 or 10%. The main reasons for the increase were due to increases in taxes (\$1,157,293 or 6%), transfers in (\$2,001,314 or 38%), and charges for goods and services (\$412,641 or 22%). These increases were offset by a decrease in miscellaneous revenue (\$452,486 or 58%).
- The increase in revenues was offset by an increase in total expenditures, including transfers, between years of \$1,719,625 or 5%. The main reason for the increase was due to an increase in expenditures for public safety (\$1,546,290) or 6%.

The Street Fund is a special revenue fund that is presented as a major fund, and accounts for 3% of the total governmental fund balances. Revenues include property taxes dedicated to streets, bridges and associated drainage, as well as gasoline tax turnback from the state. The fund balance of the Street Fund increased \$1,369,046 between years.

**City of Springdale, Arkansas**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2014**

The Sales and Use Tax Fund is a capital projects fund that is presented as a major fund and accounts for 20% of the total governmental fund balances. Revenues include a one percent (1%) local sales tax of which fifty percent (50%) has been dedicated to capital improvement projects and fifty percent (50%) to operations and maintenance. Beginning in 2013, the one percent (1%) local sales tax was pledged for debt service for the Sales and Use Tax Bonds, Series 2012. The fund balance decreased by \$1,454,013 between years.

The 2012 Street and Parks Improvements Construction Funds are capital projects funds that are presented as major funds, and together account for 34% of the total governmental fund balances. These funds account for capital projects approved by voters that include new street construction and improvements to existing streets, as well as the construction of a new city park and improvements to existing parks. The fund balances of these funds decreased \$18,323,036 between years.

The 2013 Bonds Debt Service Fund provided 12% of the total governmental fund balances at December 31, 2014. Revenues for 2014 for this fund included the one percent (1%) local sales tax pledged to debt service. During 2014, the City used tax receipts to call and redeem \$5,175,000 in bonds.

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

At December 31, 2014 the net position of the Municipal Airport Fund was \$6,288,500 and the net position of the Aquatic Center Fund was \$1,546,531. These two funds account for 97% of the total net position of all proprietary funds. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

**Budgetary Highlights**

The final amended General Fund budget had total budgeted revenues of \$34,365,831 (total revenues plus other financing sources) compared to the original budget total of \$34,314,980. Final amended appropriations (total expenditures plus transfers out) were \$35,444,680 as compared to the original budget total of \$34,776,752. The net increase in appropriations of \$667,928 is summarized briefly as follows:

- \$75,952 appropriation for wild land firefighting assemble for front-line firefighters and the upgrade of the Haz-Mat ID to 360 software, to be paid from funds on hand in the Fire Act 833 Fund.
- \$7,360 increase in appropriations for the Police Department to the 2014 Operational Supplies budget account from the 2013 Miscellaneous Revenue account.
- \$91,075 increase in appropriations when the Community Engagement Division was created.
- \$10,800 increase in appropriations for the purchase of two copy machines for the Fire Department.

**City of Springdale, Arkansas**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2014**

- \$70,000 increase in appropriations for the demolition and removal of structures at 317 E. Emma Ave.
- \$20,000 increase in appropriations for additional funds for the Community Engagement Division to continue their property cleanup program.
- \$104,500 appropriation for the renovation and furnishing of the report room and old evidence storage area, as well as for operational supplies and equipment for the Police Department, funded with unclaimed seized funds and federal drug seizures/forfeiture funds.
- \$32,671 appropriation for the purchase of a new vehicle and vehicle repairs for the Police Department, funded with the sale of old vehicles.
- \$4,390 appropriation for the transfer of additional funds to the Street Fund for the Landscaping Division.
- \$25,000 appropriation for construction of two dugouts, installation of a windscreen, installation of fence capping, and painting of scoreboard for the southeast Babe Ruth baseball field.
- \$18,180 appropriation for Fire Department vehicle repairs, funded with insurance recoveries.
- \$208,000 appropriation for a new ambulance and other emergency medical equipment for the Fire Department from the funds reserved for EMS equipment.

Total actual revenue received for the General Fund, including other financing sources, was \$36,256,190 and was \$1,890,359 or 6% more than final budget estimates. The positive budget variance was due primarily to increases in franchise taxes of \$509,168, building permits of \$75,173, federal and state grants of \$238,794, state turnback of \$106,158, state insurance turnback of \$279,831, other intergovernmental revenues of \$97,072, other service fees of \$409,322, and miscellaneous revenues of \$226,487. These increases were offset by decreases in ambulance fees of \$93,675, and transfers in of \$247,686.

General fund actual expenditures, including transfers out, of \$35,366,914 were 99.8% of the final amended budgeted expenditures. Actual expenditures were lower due to general government expenditures being \$91,749 less than budget, culture and recreation expenditures being \$8,048 less than budget, and planning and community development actual expenditures being \$74,662 less than budget. These decreases were offset by public safety actual expenditures being \$54,640 higher than budget, and transfers out being \$42,053 higher than budget.

The budget and actual comparison schedules are located on pages 90 through 94.

**City of Springdale, Arkansas**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2014**

**Capital Assets and Debt Administration**

**Capital Assets.** The City's investment in capital assets for governmental and business-type activities as of December 31, 2014, amounted to \$310,126,586, net of accumulated depreciation. The increase in capital assets related to governmental activities was \$13,618,782 (5%). The City's investment in capital assets related to business-type activities increased by \$374,210 (5%).

Major capital asset events during 2014 included the following:

- Land and easement additions totaled \$6,188,362, including \$1,653,332 in donated assets.
- Construction in progress increased \$814,613. Additions included \$8,967,058 for the Don Tyson Parkway-I49 Interchange, and \$4,651,831 for Johnson Road improvements. Decreases included \$8,477,637 in land right-of-way acquired for the Don Tyson Parkway-I49 Interchange project that was donated to the Arkansas State Highway Commission.
- Infrastructure and land improvements transferred from construction in progress totaled \$12,899,952. The interchange at Don Tyson Parkway and I-49 was completed ahead of schedule, and opened July 7, 2014.
- Buildings and other improvements additions were \$1,824,457, including \$1,243,506 in donated assets.
- Vehicles and equipment additions were \$3,965,938.
- Depreciation expense totaled \$12,125,789.

Additional information on the City's capital assets is located in *Note 4* on pages 49 through 52 of this report.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Land and Easements	\$ 63,110,499	\$ 57,072,514	\$ 2,788,631	\$ 2,788,631	\$ 65,899,130	\$ 59,861,145
Land improvements	7,056,905	7,270,095	1,633,811	1,838,910	8,690,716	9,109,005
Buildings and improvements	45,743,454	45,856,834	1,882,364	2,020,834	47,625,818	47,877,668
Construction in progress	30,763,373	29,948,761	597,405	217,539	31,360,778	30,166,300
Infrastructure	141,388,392	135,965,136	-	-	141,388,392	135,965,136
Machinery and equipment	13,998,538	12,515,514	829,325	491,412	14,827,863	13,006,926
Intangibles	333,889	147,414	-	-	333,889	147,414
<b>Total</b>	<b>\$ 302,395,050</b>	<b>\$ 288,776,268</b>	<b>\$ 7,731,536</b>	<b>\$ 7,357,326</b>	<b>\$ 310,126,586</b>	<b>\$ 296,133,594</b>

**City of Springdale, Arkansas**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2014**

**Long-term debt.** At December 31, 2014, the City had \$141,625,000 of long-term bonds outstanding, secured solely by City sales and use taxes. The City's total bonded debt decreased by \$7,080,000, and was due to scheduled bond maturities during 2014 as well as the call of \$1,800,000 of Series 2013 bonds. The following table details the breakdown of this debt.

**City of Springdale, Arkansas**  
**Long-term Debt**

	<b>Governmental Activities</b>	
	<b>2014</b>	<b>2013</b>
Sales and Use Tax Refunding Bonds, Series 2013	\$ 79,025,000	\$ 84,200,000
Sales and Use Tax Bonds, Series 2012	62,600,000	64,505,000
	\$ 141,625,000	\$ 148,705,000

The City received a bond rating of A+ from Standard and Poor's for the Series 2013 Bonds. The City received an AA- rating for the Series 2012 Bonds.

Under Arkansas statutes, the City is allowed to issue, with voter approval, general obligation debt up to 20% of total assessed valuation of real and person property within the city limits. The City is also allowed to issue short-term debt (maturities of less than five years) up to 5% of the total assessed valuation. The City's current debt limit for both is \$261,030,630. The City had no general obligation long-term debt, nor any short-term debt at year end.

The City's business type component unit, Springdale Water and Sewer Commission, had outstanding long-term debt of \$2,925,000 at September 30, 2014. The Commission retired \$175,000 of these bonds during the year ended September 30, 2014.

Additional information on the City's long-term debt can be found in *Note 5* located on pages 53 through 57 of this report.

**City of Springdale, Arkansas**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2014**

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

According to the U.S. Bureau of Labor Statistics, in 2014 the Northwest Arkansas metro area ranked fourth in the country in terms of the annual moving average in job growth. The unemployment rate for December 2014 for the Fayetteville-Springdale-Rogers MSA was 4.6% compared to 4.9% at December 2013. The state's unemployment rate was 5.7% at December 2014, and the national unemployment rate was 5.6%. Employment growth continued to be strong during 2014, with the cumulative growth over the course of the year measuring nearly 8,000 additional jobs (+3.6%) added by December 2014. The metro area is now showing higher levels of payroll employment than before the recession.

The City's population, according to the revised 2010 census, showed that the City grew by 8,288 or 13% during the period between 2005 and 2010. The U.S. Census Bureau estimates the City's population at the end of 2014 to be 76,565, or an 8.2% increase since 2010.

The number of building permits issued for 2014 was slightly higher compared to 2013. Permit fees were down due to the type of development and decreased construction values, which were down \$5,505,155 or 5% compared to 2013.

Total revenues for the General Fund, including transfers, increased by 10% compared to the prior year. Sales and use taxes received in 2014, including city sales and use taxes transferred in, increased 10% as compared to 2013 collections. These taxes are a primary source of revenue for the General Fund, comprising 49% of the total revenue. The assessed values for property taxes, (for taxes to be collected in 2014) increased by 2% as compared to the prior year.

The City Council adopted the 2015 budget on November 25, 2014 with General Fund projected revenues and transfers of \$36,402,340 and projected expenditures and transfers of \$37,398,860. Budgeted expenditures increased by \$1,954,180, or 5.5% as compared to the 2014 budget, primarily due to salary increases and increased pension and health insurance costs that were factored into the budget. The overall City 2015 operating budget for all funds was \$46,261,380, and represented an increase of 9% from 2014. This increase was primarily due to personnel costs increases which were offset by capital expenditure decreases. Total personnel budget increases were \$2,210,215 or 7% higher than 2014.

**Request for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administration and Financial Services Director, 201 Spring Street, Springdale, Arkansas 72764.

General information relating to the City of Springdale, Arkansas can be found on the City's website, <http://www.springdalear.gov>.

**City of Springdale, Arkansas**  
**Statement of Net Position**  
**December 31, 2014**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>Assets</b>				
Cash and cash equivalents	\$ 9,421,672	\$ 188,399	\$ 9,610,071	\$ 3,417,167
Investments	16,694,632	84,057	16,778,689	47,257,220
Receivables, net of allowance for uncollectibles	1,507,702	206,548	1,714,250	3,611,490
Intergovernmental receivables	11,658,232	-	11,658,232	-
Internal balances	(15,206)	15,306	100	-
Due from fiduciary funds	113,170	125	113,295	-
Inventories	-	-	-	631,257
Prepaid assets	-	-	-	63,689
Note receivable	400,000	-	400,000	-
Assets held for resale	2,028,395	-	2,028,395	-
Other assets	14,000	-	14,000	-
Restricted assets:				
Cash and cash equivalents	17,646,073	-	17,646,073	89,751
Investments	28,244,635	-	28,244,635	1,658,748
Interest receivable	22,156	-	22,156	-
Intergovernmental receivables	2,704,827	-	2,704,827	-
Capital assets:				
Nondepreciable	94,378,799	3,386,036	97,764,835	13,373,061
Depreciable, net of accumulated depreciation	208,016,251	4,345,500	212,361,751	189,395,952
<b>Total Assets</b>	<b>392,835,338</b>	<b>8,225,971</b>	<b>401,061,309</b>	<b>259,498,335</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	4,856,493	93,328	4,949,821	2,644,161
Due to fiduciary funds	22,109	-	22,109	-
Accrued interest payable	1,905,657	-	1,905,657	12,188
Customer deposits	236,294	-	236,294	1,658,748
Unearned revenue	58,130	10,440	68,570	-
Noncurrent liabilities:				
Due within one year	-	-	-	302,278
Current portion of long-term debt	6,910,000	-	6,910,000	185,000
Due in more than one year	157,394,783	6,761	157,401,544	3,119,244
<b>Total Liabilities</b>	<b>171,383,466</b>	<b>110,529</b>	<b>171,493,995</b>	<b>7,921,619</b>
<b>Net Position</b>				
Net investment in capital assets	187,431,394	7,731,536	195,162,930	199,844,013
Restricted for:				
Capital projects	3,209,765	-	3,209,765	-
Debt service	11,988,071	-	11,988,071	89,751
Other	4,499,994	-	4,499,994	-
Unrestricted	14,322,648	383,906	14,706,554	51,642,952
<b>Total Net Position</b>	<b>\$ 221,451,872</b>	<b>\$ 8,115,442</b>	<b>\$ 229,567,314</b>	<b>\$ 251,576,716</b>

**City of Springdale, Arkansas**  
**Statement of Activities**  
**Year Ended December 31, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			Component Unit
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
<b>Primary Government:</b>								
Governmental activities								
General government								
Administration	\$ 2,505,654	\$ 283,998	\$ 1,167,038	\$ 1,220,000	\$ 165,382	\$ -	\$ 165,382	\$ -
City attorney	672,268	23,000	-	-	(649,268)	-	(649,268)	-
Information technology	810,984	-	-	-	(810,984)	-	(810,984)	-
District court	974,330	180,616	106,155	-	(687,559)	-	(687,559)	-
Bluff Cemetery	78,550	20,225	-	-	(58,325)	-	(58,325)	-
Capital projects	-	-	-	-	-	-	-	-
Community development								
Planning	421,384	27,923	-	15,548	(377,913)	-	(377,913)	-
Engineering	582,866	7,000	-	-	(575,866)	-	(575,866)	-
Community development and housing	849,175	135,864	723,448	-	10,137	-	10,137	-
Culture and recreation								
Parks and recreation	3,902,128	606,216	227	290,032	(3,005,653)	-	(3,005,653)	-
Public library	2,020,994	96,136	1,165,192	-	(759,666)	-	(759,666)	-
Shiloh Museum	790,292	46,785	70,483	-	(673,024)	-	(673,024)	-
Economic development	365,059	394,795	-	-	29,736	-	29,736	-
Public safety								
Animal services	706,749	69,184	8,766	-	(628,799)	-	(628,799)	-
Building inspection	600,916	443,620	-	-	(157,296)	-	(157,296)	-
Community engagement	320,061	49,098	-	-	(270,963)	-	(270,963)	-
Fire	11,832,167	1,918,792	1,066,395	204,038	(8,642,942)	-	(8,642,942)	-
Police	14,758,202	1,094,048	1,844,333	16,101	(11,803,720)	-	(11,803,720)	-
Public works	22,673,545	203,805	4,745,614	7,092,952	(10,631,174)	-	(10,631,174)	-
Debt service								
Interest on long-term debt	4,608,973	-	-	-	(4,608,973)	-	(4,608,973)	-
Total government activities	<u>69,474,297</u>	<u>5,601,105</u>	<u>10,897,651</u>	<u>8,838,671</u>	<u>(44,136,870)</u>	<u>-</u>	<u>(44,136,870)</u>	<u>-</u>
Business type activities								
Municipal airport	624,053	326,773	-	692,432	-	395,152	395,152	-
Aquatic Center	363,661	163,523	-	-	-	(200,138)	(200,138)	-
Parks soccer program	112,566	117,265	-	-	-	4,699	4,699	-
Sanitation	157,002	115,092	-	-	-	(41,910)	(41,910)	-
City attorney restitution	469	13,645	-	-	-	13,176	13,176	-
Total business-type activities	<u>1,257,751</u>	<u>736,298</u>	<u>-</u>	<u>692,432</u>	<u>-</u>	<u>170,979</u>	<u>170,979</u>	<u>-</u>
Total primary government	<u>\$ 70,732,048</u>	<u>\$ 6,337,403</u>	<u>\$ 10,897,651</u>	<u>\$ 9,531,103</u>	<u>(44,136,870)</u>	<u>170,979</u>	<u>(43,965,891)</u>	<u>-</u>
<b>Component Unit:</b>								
Springdale Water and Sewer Commission								
	<u>\$ 24,200,520</u>	<u>\$ 26,679,828</u>	<u>\$ -</u>	<u>\$ 2,198,885</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,678,193</u>
General revenues (expenses):								
Sales tax					35,200,825	26,804	35,227,629	-
Ad valorem tax					5,757,746	-	5,757,746	-
Franchise tax					3,959,668	-	3,959,668	-
Hotel/motel tax					382,447	-	382,447	-
Unrestricted investment earnings (losses)					1,470,961	2,670	1,473,631	178,015
Gain (loss) on sale/disposal of assets					(111,145)	-	(111,145)	83,106
Endowment contributions					210,683	-	210,683	-
Transfers					(135,448)	135,448	-	-
Total general revenues and transfers					<u>46,735,737</u>	<u>164,922</u>	<u>46,900,659</u>	<u>261,121</u>
Change in net position					2,598,867	335,901	2,934,768	4,939,314
Net position beginning of year					<u>218,853,005</u>	<u>7,779,541</u>	<u>226,632,546</u>	<u>246,637,402</u>
Net position end of year					<u>\$ 221,451,872</u>	<u>\$ 8,115,442</u>	<u>\$ 229,567,314</u>	<u>\$ 251,576,716</u>

# City of Springdale, Arkansas

## Balance Sheet – Governmental Funds

### December 31, 2014

Assets	General Fund	Street Fund	Sales and Use Tax Fund	2012 Street Improvement Construction Fund
Cash and cash equivalents	\$ 3,971,607	\$ 1,629,408	\$ 1,641,047	\$ -
Investments	995,500	253,393	13,092,186	-
Accounts receivable, net	1,340,127	22,182	49,891	-
Interest receivable	5,337	2,389	47,796	-
Intergovernmental receivables, net	7,402,571	1,308,290	2,911,666	-
Note receivable	-	-	-	-
Due from other funds	1,118,177	504,677	295,592	-
Assets held for resale	-	-	-	-
Other assets	-	-	-	-
Restricted assets:				
Cash and cash equivalents	-	-	-	2,471,417
Investments	-	-	-	14,655,587
Interest receivable	-	-	-	12,792
Intergovernmental receivables	-	-	-	-
Due from other funds	-	-	-	1,178
Total assets	<u>\$ 14,833,319</u>	<u>\$ 3,720,339</u>	<u>\$ 18,038,178</u>	<u>\$ 17,140,974</u>
<b>Liabilities</b>				
Accounts payable	\$ 786,673	\$ 118,829	\$ 452,287	\$ -
Salaries payable	1,189,937	95,856	-	-
Payable from restricted assets:				
Accounts payable	-	-	-	472,920
Due to other funds	-	-	-	205
Due to other funds	313,416	-	1,544,916	-
Developer bonds payable	218,606	-	-	-
Other liabilities	-	17,688	-	-
Unearned revenue	-	-	-	-
Total liabilities	<u>2,508,632</u>	<u>232,373</u>	<u>1,997,203</u>	<u>473,125</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	<u>4,600,262</u>	<u>869,328</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>				
<b>Nonspendable</b>				
Assets held for resale	-	-	-	-
Cemetery perpetual care	-	-	-	-
Endowments	-	-	-	-
Other	-	-	-	-
<b>Restricted</b>				
Court automation	-	-	-	-
Debt service	-	-	-	-
Grants	-	-	-	-
Public safety expenditures	421,452	-	-	-
Culture and recreation	45,000	-	-	-
Capital projects	-	-	823,988	16,667,849
Committed	343,467	-	7,342,313	-
<b>Assigned</b>				
Public safety expenditures	427,740	-	-	-
Street maintenance	-	2,618,638	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Court automation	-	-	-	-
Capital project funds	-	-	7,874,674	-
Cemetery maintenance	-	-	-	-
Unassigned	6,486,766	-	-	-
Total fund balances	<u>7,724,425</u>	<u>2,618,638</u>	<u>16,040,975</u>	<u>16,667,849</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 14,833,319</u>	<u>\$ 3,720,339</u>	<u>\$ 18,038,178</u>	<u>\$ 17,140,974</u>

The accompanying notes are an integral part of these financial statements

<b>2012 Parks Improvements Construction Fund</b>	<b>2013 Bonds Debt Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ 2,179,610	\$ 9,421,672
-	-	2,353,553	16,694,632
-	-	34,513	1,446,713
-	-	5,467	60,989
-	-	35,705	11,658,232
-	-	400,000	400,000
-	-	27,104	1,945,550
-	-	2,028,395	2,028,395
-	-	14,000	14,000
5,087,502	7,581,291	2,505,863	17,646,073
6,175,207	-	7,413,841	28,244,635
3,721	2,734	2,909	22,156
-	2,003,879	700,948	2,704,827
-	-	2,426	3,604
<u>\$ 11,266,430</u>	<u>\$ 9,587,904</u>	<u>\$ 17,704,334</u>	<u>\$ 92,291,478</u>
\$ -	\$ -	\$ 136,361	\$ 1,494,150
-	-	87,407	1,373,200
938,238	-	577,985	1,989,143
376	-	1,496	2,077
-	-	12,890	1,871,222
-	-	-	218,606
-	-	-	17,688
-	-	58,130	58,130
<u>938,614</u>	<u>-</u>	<u>874,269</u>	<u>7,024,216</u>
-	-	-	5,469,590
-	-	2,028,395	2,028,395
-	-	32,720	32,720
-	-	1,403,201	1,403,201
-	-	400,000	400,000
-	-	160,658	160,658
-	9,587,904	4,305,824	13,893,728
-	-	8,568	8,568
-	-	-	421,452
-	-	-	45,000
10,327,816	-	4,337,481	32,157,134
-	-	-	7,685,780
-	-	-	427,740
-	-	-	2,618,638
-	-	2,387,702	2,387,702
-	-	256,634	256,634
-	-	37,766	37,766
-	-	954,947	8,829,621
-	-	516,169	516,169
-	-	-	6,486,766
<u>10,327,816</u>	<u>9,587,904</u>	<u>16,830,065</u>	<u>79,797,672</u>
<u>\$ 11,266,430</u>	<u>\$ 9,587,904</u>	<u>\$ 17,704,334</u>	<u>\$ 92,291,478</u>

**City of Springdale, Arkansas**  
**Reconciliation of the Balance Sheet of**  
**Governmental Funds to the Statement of Net Position**  
**December 31, 2014**

Total fund balances – governmental funds \$ 79,797,672

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Land	\$ 31,676,469	
Easements	31,434,030	
Land improvements and infrastructure	223,398,472	
Buildings and improvements	63,468,313	
Machinery and equipment	38,575,962	
Intangibles	1,346,116	
Less accumulated depreciation	<u>(118,267,685)</u>	
	271,631,677	
Construction in progress	<u>30,763,373</u>	302,395,050

Some property tax revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year end and are not considered available. On the accrual basis, those revenues are recognized regardless of when they are collected. 5,469,590

Some long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore are not reported in the funds. Those liabilities consist of:

Sales tax bonds payable, net	148,283,319	
Accrued interest payable	1,905,657	
Compensated absences	1,995,441	
OPEB liabilities	2,630,279	
Net pension obligation	<u>11,395,744</u>	<u>(166,210,440)</u>

Net position of governmental funds \$ 221,451,872

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**City of Springdale, Arkansas**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances – Governmental Funds**  
**Year Ended December 31, 2014**

	General Fund	Street Fund	Sales and Use Tax Fund	2012 Street Improvement Construction Fund
<b>Revenues</b>				
Taxes	\$ 20,559,529	\$ 864,722	\$ 7,526,295	\$ -
Fees and permits	697,900	6,610	-	-
Intergovernmental	4,070,082	4,667,370	3,955,819	-
Charges for goods and services	2,270,647	45,580	-	-
Fines and forfeitures	863,352	-	-	-
Investment earnings (losses)	85,150	20,101	1,049,266	40,379
Miscellaneous	329,767	101,102	1,771,628	4,900
Total revenues	<u>28,876,427</u>	<u>5,705,485</u>	<u>14,303,008</u>	<u>45,279</u>
<b>Expenditures</b>				
Current				
General government	3,591,611	-	-	-
Community development	869,708	-	-	-
Culture and recreation	2,233,281	-	-	-
Economic development	-	-	-	-
Public safety	25,826,280	-	-	-
Public works	-	4,156,106	-	-
Capital expenditures	1,251,479	640,661	8,395,868	15,935,338
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Other fees	-	-	-	-
Agent fees	-	-	-	-
Total expenditures	<u>33,772,359</u>	<u>4,796,767</u>	<u>8,395,868</u>	<u>15,935,338</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(4,895,932)</u>	<u>908,718</u>	<u>5,907,140</u>	<u>(15,890,059)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	7,212,364	449,798	458,718	-
Transfers out	(1,594,555)	-	(7,819,871)	-
Proceeds from sale of capital assets	81,459	-	-	-
Insurance recoveries	85,940	10,530	-	-
Total other financing sources (uses)	<u>5,785,208</u>	<u>460,328</u>	<u>(7,361,153)</u>	<u>-</u>
<b>Net Changes in Fund Balances</b>	889,276	1,369,046	(1,454,013)	(15,890,059)
<b>Fund Balances - Beginning of Year</b>	<u>6,835,149</u>	<u>1,249,592</u>	<u>17,494,988</u>	<u>32,557,908</u>
<b>Fund Balances - End of Year</b>	<u>\$ 7,724,425</u>	<u>\$ 2,618,638</u>	<u>\$ 16,040,975</u>	<u>\$ 16,667,849</u>

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

<b>2012 Parks Improvements Construction Fund</b>	<b>2013 Bonds Debt Service Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 11,683,670	\$ 4,573,013	\$ 45,207,229
-	-	204,858	909,368
-	-	1,956,014	14,649,285
-	-	779,144	3,095,371
-	-	64,049	927,401
27,585	21,262	227,218	1,470,961
550	-	499,102	2,707,049
<u>28,135</u>	<u>11,704,932</u>	<u>8,303,398</u>	<u>68,966,664</u>
-	-	1,008,008	4,599,619
-	-	867,981	1,737,689
-	-	2,132,020	4,365,301
-	-	365,059	365,059
-	-	-	25,826,280
-	-	-	4,156,106
2,461,112	-	4,393,209	33,077,667
-	5,175,000	1,905,000	7,080,000
-	2,438,503	2,192,787	4,631,290
-	2,500	5,500	8,000
-	9,000	6,023	15,023
<u>2,461,112</u>	<u>7,625,003</u>	<u>12,875,587</u>	<u>85,862,034</u>
<u>(2,432,977)</u>	<u>4,079,929</u>	<u>(4,572,189)</u>	<u>(16,895,370)</u>
-	-	1,616,816	9,737,696
-	-	(458,718)	(9,873,144)
-	-	4,479	85,938
-	-	-	96,470
-	-	1,162,577	46,960
<u>(2,432,977)</u>	<u>4,079,929</u>	<u>(3,409,612)</u>	<u>(16,848,410)</u>
<u>12,760,793</u>	<u>5,507,975</u>	<u>20,239,677</u>	<u>96,646,082</u>
<u>\$ 10,327,816</u>	<u>\$ 9,587,904</u>	<u>\$ 16,830,065</u>	<u>\$ 79,797,672</u>

**City of Springdale, Arkansas**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund**  
**Balances of Governmental Funds to the Statement of Activities**  
**Year Ended December 31, 2014**

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

Net change in fund balances – total governmental funds \$ (16,848,410)

Governmental funds report capital outlays as expenditures. However, for government-wide statements the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of the amount by which capital outlays exceed depreciation expense in the current period are as follows:

Capital outlay	\$ 22,754,742	
Donated capital	3,186,912	
Depreciation expense	<u>(12,125,789)</u>	13,815,865

The net effect of various miscellaneous transactions involving capital assets (*i.e.* sales, trade-ins and donated assets) is to decrease net assets. (197,083)

Revenues that do not provide current financial resources, such as property taxes, are not reported as revenues for the funds, but are reported as revenues in the statement of activities. This is the change in the amount of deferred property taxes reported in the governmental fund statements. 93,457

Expenses that do not require current financial resources, such as compensated absences, OPEB liabilities, net pension obligation, and accrued interest payable, are not reported as expenditures in the funds, but are reported as expenses in the statement of activities. (2,107,798)

The issuance of long-term debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. The repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums and discounts and other similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. Below are the details of the differences in the treatment of long-term debt and related items.

Principal payments	7,080,000	
Amortization of premium on long-term debt	<u>762,836</u>	<u>7,842,836</u>

Changes in net position of governmental activities \$ 2,598,867

**City of Springdale, Arkansas**  
**Statement of Net Position – Proprietary Funds**  
**December 31, 2014**

	<u>Enterprise Funds</u>			<b>Total Proprietary Funds</b>
	<b>Municipal Airport Fund</b>	<b>Aquatic Center Fund</b>	<b>Nonmajor Enterprise Funds</b>	
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 1,309	\$ 90,564	\$ 96,526	\$ 188,399
Investments	-	84,057	-	84,057
Accounts receivable, net	182,283	279	23,933	206,495
Accrued interest	-	53	-	53
Due from other funds	23,810	510	125	24,445
Total current assets	<u>207,402</u>	<u>175,463</u>	<u>120,584</u>	<u>503,449</u>
Noncurrent assets				
Capital assets				
Land	2,788,631	-	-	2,788,631
Improvements other than buildings	6,983,877	491,524	21,376	7,496,777
Buildings and system	2,397,798	2,857,963	-	5,255,761
Machinery and equipment	886,247	795,546	333,158	2,014,951
Construction in progress	597,405	-	-	597,405
Less accumulated depreciation	<u>(7,469,538)</u>	<u>(2,770,920)</u>	<u>(181,532)</u>	<u>(10,421,990)</u>
Total capital assets, net of accumulated depreciation	<u>6,184,420</u>	<u>1,374,113</u>	<u>173,002</u>	<u>7,731,535</u>
Total noncurrent assets	<u>6,184,420</u>	<u>1,374,113</u>	<u>173,002</u>	<u>7,731,535</u>
Total assets	<u>6,391,822</u>	<u>1,549,576</u>	<u>293,586</u>	<u>8,234,984</u>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	81,382	1,157	3,421	85,960
Salaries payable	1,492	508	5,368	7,368
Due to other funds	9,000	-	14	9,014
Unearned revenue	10,440	-	-	10,440
Total current liabilities	<u>102,314</u>	<u>1,665</u>	<u>8,803</u>	<u>112,782</u>
Noncurrent liabilities:				
Compensated absences	1,008	1,380	4,373	6,761
Total liabilities	<u>103,322</u>	<u>3,045</u>	<u>13,176</u>	<u>119,543</u>
<b>Net Position</b>				
Net investment in capital assets	6,184,420	1,374,113	173,002	7,731,535
Unrestricted	<u>104,080</u>	<u>172,418</u>	<u>107,408</u>	<u>383,906</u>
Total net position	<u>\$ 6,288,500</u>	<u>\$ 1,546,531</u>	<u>\$ 280,410</u>	<u>\$ 8,115,441</u>

**City of Springdale, Arkansas**  
**Statement of Revenues, Expenses, and Changes in Net Position –**  
**Proprietary Funds**  
**Year Ended December 31, 2014**

	Enterprise Funds			Total Proprietary Funds
	Municipal Airport Fund	Aquatic Center Fund	Nonmajor Enterprise Funds	
<b>Operating Revenues</b>				
Charges for services				
Activity fees	\$ -	\$ 160,658	\$ 117,265	\$ 277,923
Concession	-	2,581	-	2,581
Fuel flowage fees	42,471	-	-	42,471
Other service fees	15,885	-	128,737	144,622
Rental fees	268,417	284	-	268,701
Total operating revenues	<u>326,773</u>	<u>163,523</u>	<u>246,002</u>	<u>736,298</u>
<b>Operating Expenses</b>				
Personnel	81,709	139,387	184,449	405,545
Maintenance	64,019	23,630	5,852	93,501
Supplies	54,168	43,359	38,546	136,073
Other	126,523	3,098	10,293	139,914
Depreciation	297,634	154,188	30,897	482,719
Total operating expenses	<u>624,053</u>	<u>363,662</u>	<u>270,037</u>	<u>1,257,752</u>
<b>Operating Income (Loss)</b>	<u>(297,280)</u>	<u>(200,139)</u>	<u>(24,035)</u>	<u>(521,454)</u>
<b>Nonoperating Revenues (Expenses)</b>				
Sales taxes	26,804	-	-	26,804
Investment earnings	8	2,221	441	2,670
Total nonoperating revenues	<u>26,812</u>	<u>2,221</u>	<u>441</u>	<u>29,474</u>
<b>Income (Loss) Before Capital</b>				
<b>Contributions and Transfers</b>	(270,468)	(197,918)	(23,594)	(491,980)
<b>Capital grants and contributions</b>	692,432	-	-	692,432
<b>Capital transfers in</b>	150,448	-	-	150,448
<b>Operating transfers out</b>	<u>-</u>	<u>-</u>	<u>(15,000)</u>	<u>(15,000)</u>
<b>Changes in Net Position</b>	572,412	(197,918)	(38,594)	335,900
<b>Net Position - Beginning of Year</b>	<u>5,716,088</u>	<u>1,744,449</u>	<u>319,004</u>	<u>7,779,541</u>
<b>Net Position - End of Year</b>	<u><u>\$ 6,288,500</u></u>	<u><u>\$ 1,546,531</u></u>	<u><u>\$ 280,410</u></u>	<u><u>\$ 8,115,441</u></u>

**City of Springdale, Arkansas**  
**Statement of Cash Flows – Proprietary Funds**  
**Year Ended December 31, 2014**

	Enterprise Funds			Total Proprietary Funds
	Municipal Airport Fund	Aquatic Center Fund	Nonmajor Enterprise Funds	
<b>Operating Activities</b>				
Receipts from customers and users	\$ 226,482	\$ 163,244	\$ 249,328	\$ 639,054
Payments to suppliers	(199,870)	(70,214)	(52,329)	(322,413)
Payments to employees	(83,665)	(139,053)	(182,957)	(405,675)
Miscellaneous revenues	-	-	118	118
Net cash provided by (used in) operating activities	<u>(57,053)</u>	<u>(46,023)</u>	<u>14,160</u>	<u>(88,916)</u>
<b>Noncapital Financing Activities</b>				
Sales taxes	27,468	-	-	27,468
Transfer to other funds	-	-	(15,000)	(15,000)
Receipt (payment) of interfund balances	(14,810)	(510)	(2,386)	(17,706)
Net cash provided by (used in) noncapital financing activities	<u>12,658</u>	<u>(510)</u>	<u>(17,386)</u>	<u>(5,238)</u>
<b>Capital and Related Financing Activities</b>				
Capital contributions	5,910	-	-	5,910
Capital transfers from other funds	150,448	-	-	150,448
Capital grant receipts	725,706	-	-	725,706
Purchases of capital assets	(845,051)	(11,876)	-	(856,927)
Net cash provided by (used in) capital and related financing activities	<u>37,013</u>	<u>(11,876)</u>	<u>-</u>	<u>25,137</u>
<b>Investing Activities</b>				
Proceeds from maturities of investments	-	74,999	-	74,999
Interest received	8	1,643	441	2,092
Net cash provided by investing activities	<u>8</u>	<u>76,642</u>	<u>441</u>	<u>77,091</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(7,374)	18,233	(2,785)	8,074
<b>Cash and Cash Equivalents, January 1</b>	<u>8,683</u>	<u>72,330</u>	<u>99,311</u>	<u>180,324</u>
<b>Cash and Cash Equivalents, December 31</b>	<u>\$ 1,309</u>	<u>\$ 90,563</u>	<u>\$ 96,526</u>	<u>\$ 188,398</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>				
Operating income (loss)	\$ (297,280)	\$ (200,139)	\$ (24,035)	\$ (521,454)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities				
Depreciation expense	297,634	154,188	30,897	482,719
(Increase) decrease in accounts receivable	(101,977)	(279)	3,444	(98,812)
Increase (decrease) in accounts payable	44,840	(127)	2,362	47,075
Increase (decrease) in salaries payable	(1,422)	41	382	(999)
Increase (decrease) in compensated absences	(534)	293	1,110	869
Decrease in unearned revenue	1,686	-	-	1,686
	<u>240,227</u>	<u>154,116</u>	<u>38,195</u>	<u>432,538</u>
Net cash provided by (used in) operating activities	<u>\$ (57,053)</u>	<u>\$ (46,023)</u>	<u>\$ 14,160</u>	<u>\$ (88,916)</u>
<b>Noncash Capital Financing Activities</b>				
Change in fair value of investments	\$ -	\$ 588	\$ -	\$ 588

**City of Springdale, Arkansas**  
**Statement of Fiduciary Net Position – Fiduciary Funds**  
**December 31, 2014**

	<b>Pension Funds</b>	<b>Agency Funds</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,002,155	\$ 1,592,937
Investments	15,999,939	-
Accounts receivable, net	1,012,728	2,011,775
Due from other funds	20,538	93,161
 Total assets	 18,035,360	 3,697,873
<b>Liabilities</b>		
Accounts payable	7,190	3,395,887
Accrued liabilities	-	97,101
Due to other funds	-	204,885
 Total liabilities	 7,190	 \$ 3,697,873
<b>Net Position</b>		
Net position restricted for pensions	\$ 18,028,170	

**City of Springdale, Arkansas**  
**Statement of Changes in Fiduciary Net Position – Fiduciary Funds**  
**Year Ended December 31, 2014**

	<b>Pension Funds</b>
<b>Additions</b>	
Employer contributions	
Taxes	\$ 940,988
Intergovernmental	250,536
Fines and court costs	109,262
Total contributions	1,300,786
Investment income	
Investment earnings	968,192
Net increase in fair value of investments	288,969
Total investment earnings	1,257,161
Less investment expenses	(153,749)
Net investment earnings	1,103,412
 Total additions	 2,404,198
<b>Deductions</b>	
Benefits payments	2,468,348
Miscellaneous	25
Total deductions	2,468,373
 <b>Change in Fiduciary Net Position</b>	 (64,175)
 <b>Net Position Restricted for Pensions, Beginning of Year</b>	 18,092,345
 <b>Net Position Restricted for Pensions, End of Year</b>	 \$ 18,028,170

# City of Springdale, Arkansas

## Notes to Financial Statements

### December 31, 2014

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

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

The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) applicable to government units. The Governmental Accounting Standards Board (GASB) is the standard-setting body accepted in the United States for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting and reporting policies of the City.

#### **Reporting Entity**

These financial statements present the City (the primary government) and its component units. The component units are legally separate entities for which the City is considered to be financially accountable. Accountability is defined as the City's substantive appointment of the majority of the component unit's governing board. 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. Additionally, those entities in which the nature and significance of their relationship with the City is such that exclusion from the City's financial reporting entity would render the City's financial statements incomplete or misleading, are also included as part of the City's reporting entity. These component units are further distinguished between Blended Component Units, presented as part of the primary government, and Discretely Presented Component Units, presented separately.

Those entities that meet the above established criteria for inclusion, as well as meet either of the following criteria (1) provide services entirely or almost entirely for the City, or (2) whose board is substantially the same as the City's board, are required to be included as part of the primary government's financial statements through "blended" presentation. Those entities that meet the above established criteria for inclusion, but do not either (1) provide services entirely or almost entirely for the City, or (2) have the same or substantially the same board as the City, are required to be presented "discretely" or in a separate column as part of the City's reporting entity, but not part of the primary government. Entities for which the City is accountable because it appoints a voting majority of the Board but is not financially accountable, are related organizations and would be disclosed in these notes.

All entities that are not included as *Blended Component Units* or *Discretely Presented Component Units* as noted below are excluded from the City's financial reporting entity.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

**Blended Component Unit – Governmental**

Springdale Public Library Board Foundation (the “Foundation”) is a legally separate, tax-exempt component unit of the City. The members of the Board of Directors for the City also serve as Trustees of the Springdale Public Library. The trustees are appointed by the Mayor, and approved by the City Council. The purpose of the Foundation is to support the Springdale Public Library and to support the Library’s effort to serve the residents of the City and surrounding area in providing access to materials and information. Separate financial statements are not prepared for the Foundation.

The City of Springdale Public Facilities Board (the "PFB") is a legally separate component unit of the City. The PFB is governed by a five member board whose members are nominated by a majority of the board, appointed by the Mayor, and confirmed by the City Council. The PFB is responsible for managing the City's minor league baseball park, as well as other duties that benefit the City. Separate financial statements are not prepared for the PFB.

**Discretely Presented Component Unit – Business Type**

City of Springdale, Arkansas Water and Sewer Commission (the “Commission”) is governed by a five member Board of Commissioners, appointed by the remainder of the Water and Sewer Commissioners, and approved by the City Council. The Commission receives no financial benefit from the City; however, the City has the power to impose its will on the Commission. Rate changes and debt issuance must be approved by the City Council. The Commission provides commercial and residential water services, as well as waste water treatment services, that primarily benefit the residents of Springdale. The fiscal year-end of the Commission is September 30, therefore, all amounts reported in the financial statements are as of and for the year ended September 30, 2014. Financial statements of the Commission can be obtained from the Commission’s administrative office located at 526 Oak Avenue, Springdale Arkansas 72764.

**Related Organizations**

The City’s Mayor and Council are also responsible for appointing members of the boards or commissions of other organizations, but the City’s accountability for those organizations does not extend beyond making the appointments. These related organizations are as follows: the Housing Authority of the City of Springdale and the Shiloh Historic District Planning Commission.

***Change in Accounting Principles***

Effective January 1, 2014, the City implemented the following new financial and accounting reporting standards issued by GASB:

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

GASB Statement No. 67 – *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*. The objective of this statement is to improve financial reporting by state and local governmental pension plans. For defined benefit pension plans, this statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and nonemployer-contributing entities for benefits provided through the pension plan (the net pension liability), about which information is required to be presented.

The statement resulted from a comprehensive review of the effectiveness of previously existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures, an amendment of GASB Statements No. 25 and No. 27*, as they relate to pension plans that are administered through trusts or equivalent arrangements.

Adoption of GASB 67 had no effect on net position restricted for pensions or net increase (decrease) in net position. It did, however, change required footnote disclosures and information required to be reported as required supplementary information for the City. This information has been added to *Note 7* and to the required supplementary information, as required.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards related to government combinations, which includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations, and disposals of government operations.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The requirements of this statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend and receive nonexchange financial guarantees. The statement will also enhance the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees.

The adoption of GASB Statements No. 69 and 70 had no impact on the current financial statements and had no effect on previously issued financial statements.

***Basis of Presentation***

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

# City of Springdale, Arkansas

## Notes to Financial Statements

### December 31, 2014

#### Government-wide Financial Statements

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

The statement of net position presents the financial position of the governmental and business-type activities of the City and its discretely presented component unit at year end.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each identifiable activity of the business-type activities of the City. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function. The City does not allocate indirect expenses to functions in the statement of activities.

As a general rule, the effect of interfund activity has been eliminated from the government wide financial statements. These statements distinguish between governmental activities, which are generally financed through taxes, intergovernmental revenues and other nonexchange transactions, and business-type activities, which are financed in whole or part by fees charged to external parties.

Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenues. Direct expenses are those that are clearly associated with a specific function or identifiable activity. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or identifiable activity, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or identifiable activity. All other revenues are reported as general revenues.

#### Fund Financial Statements

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

The City reports the following major governmental funds:

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

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

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

The **Sales and Use Tax Fund** is a capital projects fund which accounts for resources from one-half of the City's two percent (2%) local sales and use tax not required for debt service on the 2012 Series Sales and Use Tax Bonds (see also Note 5). Revenues are expended for major capital projects, including City buildings, equipment, street expansion and reconstruction, bridges and related drainage projects. Fifty percent (50%) of the tax revenue is transferred to the General Fund to be used for operations and maintenance.

The **2012 Street Improvement Construction Fund** is a capital projects fund which accounts for financial resources, provided from the sale of the City's Sales and Use Tax Bonds, Series 2012, utilized for major construction, renovation, expansion and improvement of the City's streets (see also Note 5).

The **2012 Parks Improvement Construction Fund** is a capital projects fund which accounts for financial resources, provided from the sale of the City's Sales and Use Tax Bonds, Series 2012, utilized for major construction, renovation, expansion and improvement of the City's park and recreational facilities (see also Note 5).

The **2013 Series Bonds Debt Service Fund** accounts for resources from one-half of the City's two percent (2%) local sales and use tax and payments made for long-term debt principal, interest and related costs of governmental funds debt (see also Note 5).

The City reports the following major enterprise funds:

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

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

Additionally, the City reports the following nonmajor fund types:

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

**Capital Projects Funds** - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment, other than those financed by enterprise funds. The City's nonmajor capital projects funds are the 2006 Street Improvement Construction Fund, the 2012 Fire Improvement Construction Fund, and the Public Facilities Board Fund.

# City of Springdale, Arkansas

## Notes to Financial Statements

### December 31, 2014

**Debt Service Funds** – The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The City’s nonmajor debt service funds are the 2006 Bonds Debt Service Fund and the 2012 Bonds Debt Service Fund (see also *Note 5*).

**Enterprise Funds** – Accounts for the Parks Soccer Program Fund, the Sanitation Fund, and the City Attorney Restitution Fund whose operations are financed primarily through user charges.

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

**Permanent Trust Funds** – Accounts for assets held in trust for the operation and maintenance of Bluff Cemetery (Cemetery), and the Springdale Public Library Foundation (Foundation). The City must act in accordance with the terms of specific bequests made to the Cemetery and the Foundation.

**Agency Funds** – Accounts for activities associated with collecting and disbursing fines, court costs, and monies seized as evidence for the District Court and Police Department, and for the collection and payment of the City’s payroll liabilities.

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

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Proprietary fund operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations of the fund. All revenues and expenses not meeting this definition are reported as nonoperating items.

Nonexchange transactions, in which the City receives or gives value without directly giving or receiving equal value in exchange, include taxes, fines and forfeitures; grants, entitlements, and similar items; and contributions. Recognition standards are based upon the characteristics and classes of nonexchange transactions.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

Property taxes are recognized as revenues in the year for which they are levied. Franchise taxes, other taxes, and fines and forfeitures are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Grants, entitlements, and contributions are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as deferred revenues. Grants and similar aid to other organizations are recognized as expenses as soon as recipients have met all eligibility requirements. Amounts paid before all eligibility requirements have been met are reported as prepaid items.

Unearned Revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

***Government Fund Financial Statements***

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included in the 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 current financial 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 generally considers revenues reported in the governmental funds to be available if they are collected within sixty (60) days after year-end. Principal revenue sources considered susceptible to accrual include property (ad valorem) taxes, sales taxes, utility franchise fees, grant revenues and investment earnings. Other revenues, such as fines and forfeitures, are considered to be measurable and available only when cash is received by the City. Expenditures generally are recorded when the related fund liability is incurred as under the accrual basis of accounting, except for principal and interest on long-term debt, claims and judgments, pension and OPEB expenditures, and compensated absences, which are recognized as expenditures only when payment is due.

***Budgets and Budgetary Accounting***

Annual budgets are prepared on a basis consistent with generally accepted accounting principles, except for the City's proprietary funds. Proprietary fund budgets differ from GAAP in that capital acquisitions are recorded as expenditures as opposed to assets, and depreciation expense is not budgeted. The budgets are used as a management control device during the year for the following funds: General Fund, Street Fund, Springdale Public Library, Shiloh Museum Board Fund, District Court Costs Fund, Parks Activity Fund, the Sales and Use Tax Capital Projects Fund, the 2012 Bonds Debt Service Fund, the City's proprietary funds, except for the City Attorney Hot Check Fund, and the Bluff Cemetery Fund. Budgets are also adopted by the City Council for specific capital projects, which are carried forward until completed. All annual appropriations lapse at year end.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

All budget amounts included in these financial statements and the accompanying supplementary information reflect the original budgets and the final amended budgets (which have been adjusted for legally authorized revisions during the year). During the year ended December 31, 2014, the City Council adopted several supplemental appropriations.

***Cash and Cash Equivalents***

Cash includes demand deposits, savings accounts, and cash on hand. In order to facilitate cash management, the operating cash of certain funds is pooled into a common bank account. For reporting purposes the City considers all investments with original maturities of ninety (90) days or less at the date of purchase as cash equivalents.

***Investments and Investment Income***

All investments are carried at fair value. Fair value is determined using quoted market prices. Income earned on investments is recorded in the funds in which the investments are recorded. Investment income includes interest, dividends, and the net change for the year in the fair value of investments carried at fair value.

The Shiloh Museum Board Fund has invested funds with the Endeavor Foundation, which pools funds from many nonprofit organizations together in order to maximize the returns on investments. The current fair value of the pooled investments, along with investment income and realized losses, are allocated to the participants in the pool based on their ownership interest.

***Accounts Receivable***

For the primary government, ambulance fees, property tax receivables and airport hangar rent are shown net of an allowance for uncollectibles. The City estimates the accounts receivable at year end to be materially collectible; therefore no allowance has been recorded.

***Restricted Assets***

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

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

The balance of the restricted assets accounts in the primary government as of December 31, 2014 is as follows:

Cash and cash equivalents	\$ 17,646,073
Investments	28,244,635
Interest receivable	22,156
Intergovernmental receivables	<u>2,704,827</u>
 Total restricted assets - governmental activities	 <u><u>\$ 48,617,691</u></u>

The Commission has funds maintained in separate bank accounts to comply with debt instrument requirements, which are restricted for use for maintenance activities and payments of principal and interest. Also, the Commission has designated certain funds to be maintained for construction activity and water meter deposits.

The balance of the Commission’s restricted assets as of September 30, 2014 is as follows:

Cash - Lowell sewer expansion fund	\$ 26,841
Cash - Lowell sewer bond fund	62,910
Investments - certificates of deposit - meter deposits	<u>1,658,748</u>
 Total restricted assets - component unit	 <u><u>\$ 1,748,499</u></u>

**Capital Assets**

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

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

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

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

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

<b>Capital Assets</b>	<b>Years</b>
Land improvements	10 - 30
Buildings	20 - 40
Building improvements	7 - 30
Infrastructure	
Streets and bridges	15 - 50
Drainage	50
Water system	40
Meters and meter equipment	17
Sewer system and plant	20 - 50
Vehicles	5 - 20
Machinery and equipment	5 - 12

***Collections***

Collections of historical artifacts and treasures meet the definition of a capital asset and normally should be reported in the financial statements. However, the requirement of capitalization is waived for collections that meet certain criteria. The City’s Shiloh Museum of Ozark History has collections of historical artifacts and photographs that are not capitalized as they meet all of the waiver requirements, which are: (1) the collections are held solely for public exhibition, (2) the collections are protected, preserved and cared for, and (3) should any items be sold, the proceeds are used only to acquire other items for the collections. The Museum has six buildings of historical significance which have been capitalized, but are not being depreciated, as these buildings are part of the Museum’s exhibits, and are therefore being cared for and preserved.

***Compensated Absences***

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

# **City of Springdale, Arkansas**

## **Notes to Financial Statements**

### **December 31, 2014**

For the Primary Government, compensated absences are accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. For governmental activities, compensated absences are generally liquidated by the general fund. The Commission accrues a liability for compensated absences as incurred which is then liquidated by the Commission as amounts are used.

#### ***Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in governmental activities and component units. These amounts are also reported as liabilities in the fund financial statements for proprietary funds. In governmental funds, long-term liabilities are only recorded to the extent that they are due and payable. Bond premiums and discounts are deferred and amortized over the life of the related debt using the effective interest method. For the City's component unit, the straight-line method is used. Long-term debt is reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize debt discounts and premium, during the current period. The face amount of the debt issued, discounts given, and premiums received are reported as other financing sources (uses). Issuance costs, whether or not withheld from the actual proceeds received, are reported as debt service expenditures.

#### ***Deferred Inflows of Resources***

In addition to liabilities, the governmental funds balance sheet reports a separate section for deferred inflows of resources, which represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, *unavailable revenue*, which arises under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is only reported in the governmental funds balance sheet. Governmental funds report unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

***Net Position/Fund Balance***

Net position represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources in the government-wide and proprietary fund statements. Net position is classified in three components. Net investment in capital assets, consists of capital assets net of accumulated depreciation, and reduced by the outstanding balances of any debt attributable to the acquisition, construction, or improvement of these assets. Restricted net position is the amount that is restricted for a particular purpose by creditors, grantors, or contributors external to the City, or by laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation. Included in this category are assets restricted for capital expenditures, net of related debt, and amounts deposited with bond trustees as required by bond indentures. At December 31, 2014, restricted net position of \$768,992 was restricted by enabling legislation. Unrestricted net position is the net position that does not meet the above definitions of “net investment in capital assets” or “restricted net position.”

Governmental fund balances are classified in five components. Nonspendable fund balances are not in a spendable form, or are required to remain intact. Restricted fund balances may be spent only for the specific purpose stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers. The government itself can establish limitations on the use of resources though either a commitment (committed fund balance) or an assignment (assigned fund balance.)

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City’s highest level of decision-making authority, which is the City Council. The City Council can commit fund balance by adoption of a resolution or ordinance. Once adopted, the limitation imposed remains in place until a similar action is taken (the adoption of another resolution or ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The Mayor or his designee may assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

In governmental funds other than the General Fund, assigned fund balances represent the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. Unassigned fund balance is the residual classification for the General Fund and includes all amounts not contained in other classifications.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

***Net Position/Fund Balance Flow Assumptions***

Sometimes the City will fund outlays for a particular purpose from both restricted (*e.g.*, restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amount to report as restricted – net position and unrestricted –net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

The City will also sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. The City depletes committed amounts first, followed by assigned amounts, then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

***Impairment of Capital Assets***

The City is required to evaluate prominent events or changes in circumstances affecting long-lived assets to determine whether an impairment of its assets has occurred. A capital asset is considered impaired if both (a) the decline in service utility is large in magnitude and (b) the event is outside the normal life cycle of the capital asset. Based upon management’s assessment, no triggering events or changes in circumstances occurred during 2014.

***Estimates***

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from these estimates.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

**Note 2: Deposits and Investments**

***Deposits***

Custodial credit risk is the risk that in the event of a bank failure, a government’s deposits may not be returned to it. The City and its component units’ (except as noted below) deposit policies for custodial credit risk require compliance with the provisions of state law, which requires collateralization of all deposits in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). These deposits are required to be collateralized with bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Arkansas. The Foundation is not required to follow state law regarding collateralization of deposits, and does not have a deposit policy for custodial credit risk. At December 31, 2014, none of the City’s bank balances were exposed to custodial credit risk. Also, at September 30, 2014, none of the Commission’s bank balances were exposed to custodial credit risk.

State statutes authorize the City’s funds to be deposited in demand deposits, savings, and certificates of deposit in banks located in the State of Arkansas. Certificates of deposit may also be invested in eligible banks located in the United States.

The bank balances and carrying amount of the City’s deposits held as of December 31, 2014 (September 30, 2014 for the Commission), were as follows:

	<b>Primary Government</b>	<b>Component Unit</b>
Carrying value of deposits	\$ 28,066,045	\$ 52,421,286
Bank balance of deposits	\$ 26,177,282	\$ 52,722,091

***Investments***

The City’s investment policy states that the City may invest operating and capital improvement funds in instruments and securities authorized by Arkansas state statutes. Permissible investments include U.S. Treasury and agency obligations, or other obligations secured by the U.S. Government; obligations issued by the Arkansas State Board of Education; prerefunded municipal bonds; federal funds maturing in less than one year; demand, savings or time deposits of any depository institution chartered in the United States; warrants of political subdivisions of the state of Arkansas; repurchase agreements; money market funds; corporate debt obligations; and revenue bonds of any state, municipality or political subdivision of the United States. Funds held by the City’s Trustee for the credit of the Construction Funds, the Bond Funds, and the Debt Service Reserves are authorized to be invested in U. S. Government securities, time deposits or certificates of deposit which are insured by the FDIC, or collateralized by securities held by a third party in which the City has a perfected first security interest, and money market funds registered under the Federal Investment Company Act of 1940 and having a rating by Standard and Poor’s of AAA-mG, AAA-m, or AA-m, and if rated by Moody’s Investors Service rated AAA, AA1, or AA2.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

The City's local pension funds are managed by professional investment managers, and are authorized to invest in obligations of the U.S. Treasury, U.S. agencies and instrumentalities, commercial paper, international and corporate stocks, bonds and mutual funds. Plan asset investments must adhere to Arkansas laws, specifically Arkansas Code 24-11-410, and be made in accordance with the prudent investor rule. Investment objectives are to earn the highest possible rate of return, consistent with prudent levels of risk, and to protect fund assets while insuring systematic and adequate funding of plan distributions and benefits to participants and their beneficiaries.

The City's other trust funds and endowment funds are governed by the prudent investor rule; investments are made as a prudent person should be expected to make, with discretion and intelligence, to produce reasonable income, preserve capital and in general, avoid speculative investments.

At December 31, 2014, the Primary Government had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities in Years			
		Less than 1	1 - 5	6 - 10	More than 10
U.S. Treasury notes and bonds	\$ 644,549	\$ -	\$ 512,858	\$ 51,273	\$ 80,418
U.S. agencies obligations	32,849,863	15,483,786	11,989,823	3,553,501	1,822,753
Municipal bonds	101,271	101,271	-	-	-
Corporate bonds	2,309,503	190,932	1,022,435	733,228	362,908
Certificates of deposit	11,658,931	8,958,099	2,700,832	-	-
Money market funds	13,441,398	13,441,398	-	-	-
	61,005,515	<u>\$ 38,175,486</u>	<u>\$ 16,225,948</u>	<u>\$ 4,338,002</u>	<u>\$ 2,266,079</u>
Corporate stock	11,705,763				
Investment pools	1,493,028				
Other	260,355				
Total Investments	<u>\$ 74,464,661</u>				

**Interest Rate Risk**

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's policy is to hold all investments to maturity.

The pension funds investment policies address interest rate risk by managing asset allocation. The Firemen's Fund policy allows for a maximum investment in equities of 50% and the balance in fixed income (including cash equivalents) and other investments. Within the above allocation, the cash and cash equivalents range is from 5% - 25%, fixed income investments range 15% - 75%, equities 25% - 60%, and other investments 0% - 10%. The Policemen's Fund allocation policy is for equities to range from 40% - 65% of total assets, fixed income investments range from 30% - 50%, and cash and cash equivalents range from 0% - 5%.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

***Credit Risk***

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. As described earlier in this section, the City's investment policy follows Arkansas law which limits the types of investments that can be made by the City. The City's investment policy does not allow for investment in derivative products, common stocks, or long-term bonds used for speculation.

The Firemen's Fund policy is that common stock must carry an investment grade of medium or A or better; and fixed income securities must be investment grade or better. Investments in corporate bonds ranged between A and BAA, and government treasury and agencies were ranked AAA by Moody's at December 31, 2014. The Firemen's Fund held \$728,146 in corporate bonds at year end, with \$241,124 rated A, and \$387,022 rated BAA. Government agencies held at year end totaled \$125,379, and U.S. Treasury bonds held at year end were \$64,602.

The Policemen's Fund policy is for plan assets to be invested in investment grade bonds rated BBB or better; no less than 85% of corporate bonds and commercial paper investments be A rated or higher; and no more than 15% of securities may be invested in corporate bonds with a rating of BAA or less. Fixed income securities totaled \$3,046,638 at year end. Ratings for corporate bonds held ranged from AAA to BBB, and government treasuries and agencies were ranked AAA and AA by Moody's and Standard & Poor's. The Policemen's Fund held \$1,573,546 in corporate bonds at year end, with \$296,955 ranked AAA, \$138,853 ranked AA, \$589,972 ranked A, or 65% of total corporate bonds. The Policemen's Fund held \$417,275, or 27% ranked BBB, and \$130,491 in securities that were not rated. U.S government treasuries and agencies held at year end totaled \$1,473,092, of which \$745,236 in agency pools were not rated.

***Custodial Credit Risk***

Custodial credit risk is the risk that in the event of the failure of the counterparty the City will not be able to recover the value of its investment or collateral securities that are the possession of an outside party. While the City's investment policy does not directly address custodial credit risk, all investments held by the City or by an agent of the City are in the City's name. Investment managers for the pension trust funds must be a registered investment advisor with the Arkansas Securities Department and/or the Securities and Exchange Commission (SEC).

***Concentration of Credit Risk***

The City's policy places no limit on the amount that may be invested in any one issuer. The Firemen's Fund's policy limits investment in equities in any one company or affiliated group of companies to no more than 5% of the fund's total assets. No more than 3% may be invested in any one debt issue, excluding U.S. Treasury or U.S. government agency debt securities. The Policemen's Fund's policy is that securities of any one company or government agency should not exceed 15% of the total fund, and no more than 30% of the total fund should be invested in any one industry.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

The following schedule reconciles the carrying amount of deposits and investments to the government-wide statement of net position and statement of fiduciary net position:

	<b>Primary Government</b>	<b>Component Unit</b>
Reported amount of deposits	\$ 28,066,045	\$ 52,421,286
Cash on hand	2,724	1,600
Investments classified as cash equivalents	13,441,398	-
Deposits classified as investments	(11,658,931)	(48,915,968)
	\$ 29,851,236	\$ 3,506,918
As reported on the government-wide statement of net position		
Cash and cash equivalents	\$ 9,610,071	\$ 3,417,167
Restricted cash and cash equivalents	17,646,073	89,751
	27,256,144	3,506,918
Cash and cash equivalents reported on the statement of fiduciary net assets	2,595,092	-
	\$ 29,851,236	\$ 3,506,918
Carrying amount of investments	\$ 62,805,730	\$ -
Deposits classified as investments	11,658,931	48,915,968
Reported amount of investments	74,464,661	48,915,968
Investments classified as cash equivalents	(13,441,398)	-
	\$ 61,023,263	\$ 48,915,968
As reported on the government-wide statement of net position		
Investments	\$ 16,778,689	\$ 47,257,220
Restricted investments	28,244,635	1,658,748
	45,023,324	48,915,968
Investments reported on the statement of fiduciary net position	15,999,939	-
	\$ 61,023,263	\$ 48,915,968

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

**Note 3: Receivables**

Receivables as of December 31, 2014, for the City’s General Fund, Street Fund, major Capital Projects Funds in the aggregate, and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

<b>Governmental</b>	<b>General Fund</b>	<b>Street Fund</b>	<b>Capital Projects Funds</b>	<b>2013 Bonds Debt Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Receivables						
Accounts	\$ 5,024,704	\$ 22,182	\$ 49,891	\$ -	\$ 34,513	\$ 5,131,290
Property taxes	5,205,356	983,429	-	-	1,510	6,190,295
Sales taxes	2,113,418	-	1,300,843	-	-	3,414,261
Franchise taxes	817,063	-	-	-	-	817,063
Grants	109,729	-	1,610,823	-	-	1,720,552
Intergovernmental	290,099	384,795	-	-	34,195	709,089
Interest	5,337	2,389	47,796	-	5,467	60,989
Other	1,360	-	-	-	-	1,360
Restricted receivables						
Interest	-	-	16,513	2,734	2,909	22,156
Sales taxes	-	-	-	2,003,879	700,948	2,704,827
Gross receivables	<u>13,567,066</u>	<u>1,392,795</u>	<u>3,025,866</u>	<u>2,006,613</u>	<u>779,542</u>	<u>20,771,882</u>
Less: Allowance for uncollectibles	<u>(4,819,031)</u>	<u>(59,934)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,878,965)</u>
Net total receivables	<u><u>\$ 8,748,035</u></u>	<u><u>\$ 1,332,861</u></u>	<u><u>\$ 3,025,866</u></u>	<u><u>\$ 2,006,613</u></u>	<u><u>\$ 779,542</u></u>	<u><u>\$ 15,892,917</u></u>

Receivables as of December 31, 2014 for the City’s proprietary funds, including the applicable allowances for uncollectible accounts, are as follows:

<b>Proprietary</b>	<b>Municipal Airport Fund</b>	<b>Other Enterprise Funds</b>	<b>Total</b>
Receivables			
Accounts	\$ 15,360	\$ 24,212	\$ 39,572
Sales taxes	3,655	-	3,655
Grants	169,168	-	169,168
Interest	-	53	53
Gross receivables	<u>188,183</u>	<u>24,265</u>	<u>212,448</u>
Less: Allowance for uncollectibles	<u>(5,900)</u>	<u>-</u>	<u>(5,900)</u>
Net total receivables	<u><u>\$ 182,283</u></u>	<u><u>\$ 24,265</u></u>	<u><u>\$ 206,548</u></u>

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

Receivables as of December 31, 2014 for the City's fiduciary funds, including the applicable allowances for uncollectible accounts, are as follows:

<b>Fiduciary</b>	<b>Fire Pension Fund</b>	<b>Police Pension Fund</b>	<b>District Court Agency Fund</b>	<b>Total</b>
Receivables				
Property taxes	\$ 526,721	\$ 526,721	\$ -	\$ 1,053,442
Accounts	-	-	2,011,775	2,011,775
Interest	11,097	18,803	-	29,900
Gross receivables	<u>537,818</u>	<u>545,524</u>	<u>2,011,775</u>	<u>3,095,117</u>
Less: Allowance for uncollectibles	<u>(35,307)</u>	<u>(35,307)</u>	<u>-</u>	<u>(70,614)</u>
Net total receivables	<u>\$ 502,511</u>	<u>\$ 510,217</u>	<u>\$ 2,011,775</u>	<u>\$ 3,024,503</u>

**Note Receivable**

The Springdale Public Facilities Board (PFB) holds land for resale in the City's industrial parks. The PFB provided financing in the form of a promissory note and second construction mortgage to a local company for expansion of their manufacturing facilities. The PFB advanced \$400,000, at an interest rate of 3.25% per annum, with interest only due monthly during 2014, then principal and interest due monthly beginning January 19, 2015 until maturity, with principal amortized over a period of ten (10) years. The balance of the unpaid note is due in full at maturity, December 19, 2018.

Changes in long-term receivables for the year ended December 31, 2014 for the primary government were as follows:

	<b>Balance, December 31, 2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31, 2014</b>	<b>Due Within One Year</b>
<b>Governmental Activities</b>					
Note receivable					
Promissory note and second mortgage	<u>\$ 166,000</u>	<u>\$ 234,000</u>	<u>\$ -</u>	<u>\$ 400,000</u>	<u>\$ 34,342</u>

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

**Note 4: Capital Assets**

A summary of changes in capital assets for the year ended December 31, 2014 (September 30, 2014 for the Commission), is presented below:

<b>Governmental Activities</b>	<b>Balance December 31, 2013</b>	<b>Additions and Transfers, Net</b>	<b>Retirements and Transfers, Net</b>	<b>Balance December 31, 2014</b>
Capital assets, non-depreciable				
Land	\$ 30,151,478	\$ 1,675,368	\$ 150,377	\$ 31,676,469
Easements	26,921,036	4,512,994	-	31,434,030
Museum buildings	504,927	-	-	504,927
Construction in progress	29,948,761	31,151,044	30,336,432	30,763,373
Total capital assets, non-depreciable	<u>87,526,202</u>	<u>37,339,406</u>	<u>30,486,809</u>	<u>94,378,799</u>
Capital assets, depreciable				
Land improvements	11,592,237	208,718	-	11,800,955
Infrastructure	198,906,283	12,691,234	-	211,597,517
Buildings and improvements	61,171,404	1,824,457	32,475	62,963,386
Machinery and equipment	35,023,851	3,965,938	413,827	38,575,962
Intangibles	1,097,782	248,334	-	1,346,116
Total capital assets, depreciable	<u>307,791,557</u>	<u>18,938,681</u>	<u>446,302</u>	<u>326,283,936</u>
Less accumulated depreciation				
Land improvements	4,322,142	421,908	-	4,744,050
Infrastructure	62,941,147	7,267,978	-	70,209,125
Buildings and improvements	15,819,497	1,926,473	21,111	17,724,859
Machinery and equipment	22,508,337	2,447,571	378,484	24,577,424
Intangibles	950,368	61,859	-	1,012,227
Total accumulated depreciation	<u>106,541,491</u>	<u>12,125,789</u>	<u>399,595</u>	<u>118,267,685</u>
Total governmental activities, net	<u>\$ 288,776,268</u>	<u>\$ 44,152,298</u>	<u>\$ 30,533,516</u>	<u>\$ 302,395,050</u>

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

	<b>Balance December 31, 2013</b>	<b>Additions and Transfers, Net</b>	<b>Retirements and Transfers, Net</b>	<b>Balance December 31, 2014</b>
<b>Business-type Activities</b>				
Capital assets, non-depreciable				
Land	\$ 2,788,631	\$ -	\$ -	\$ 2,788,631
Construction in progress	217,539	656,474	276,608	597,405
Total capital assets, non-depreciable	<u>3,006,170</u>	<u>656,474</u>	<u>276,608</u>	<u>3,386,036</u>
Capital assets, depreciable				
Land improvements	7,485,687	11,090	-	7,496,777
Buildings and improvements	5,222,967	42,337	9,543	5,255,761
Machinery and equipment	1,843,208	423,634	251,891	2,014,951
Total capital assets, depreciable	<u>14,551,862</u>	<u>477,061</u>	<u>261,434</u>	<u>14,767,489</u>
Less accumulated depreciation				
Land improvements	5,646,777	216,189	-	5,862,966
Buildings and improvements	3,202,133	180,807	9,543	3,373,397
Machinery and equipment	1,351,796	85,721	251,891	1,185,626
Total accumulated depreciation	<u>10,200,706</u>	<u>482,717</u>	<u>261,434</u>	<u>10,421,989</u>
Total business-type activities, net	<u>\$ 7,357,326</u>	<u>\$ 650,818</u>	<u>\$ 276,608</u>	<u>\$ 7,731,536</u>

	<b>Balance September 30, 2013</b>	<b>Additions and Transfers, Net</b>	<b>Retirements and Transfers, Net</b>	<b>Balance September 30, 2014</b>
<b>Business-type Activities</b>				
<b>Component Unit</b>				
Capital assets, non-depreciable				
Land	\$ 3,589,950	\$ -	\$ -	\$ 3,589,950
Easements	2,918,660	169,617	-	3,088,277
Construction in progress	8,370,736	6,865,397	8,541,299	6,694,834
Total capital assets, non-depreciable	<u>14,879,346</u>	<u>7,035,014</u>	<u>8,541,299</u>	<u>13,373,061</u>
Capital assets, depreciable				
Buildings and improvements	5,610,980	161,573	4,430	5,768,123
Water and sewer systems	279,988,291	9,792,484	375,977	289,404,798
Machinery and equipment	4,911,978	1,060,039	1,195,542	4,776,475
Total capital assets, depreciable	<u>290,511,249</u>	<u>11,014,096</u>	<u>1,575,949</u>	<u>299,949,396</u>
Less accumulated depreciation				
Buildings and improvements	3,106,943	185,423	1,928	3,290,438
Water and sewer systems	97,685,389	7,096,766	360,302	104,421,853
Machinery and equipment	3,663,443	372,633	1,194,923	2,841,153
Total accumulated depreciation	<u>104,455,775</u>	<u>7,654,822</u>	<u>1,557,153</u>	<u>110,553,444</u>
Total component unit activities, net	<u>\$ 200,934,820</u>	<u>\$ 10,394,288</u>	<u>\$ 8,560,095</u>	<u>\$ 202,769,013</u>

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

Depreciation expense was charged to functions/programs of the primary government and its component unit as follows:

Governmental Activities

General government	
Administration	\$ 241,872
Information technology	45,318
District Court	1,982
Bluff Cemetery	1,572
Community Development	
Planning	2,377
Community development and housing	4,459
Culture and recreation	
Parks and recreation	2,041,845
Public Library	163,917
Shiloh Museum	49,830
Public Safety	
Animal services	24,321
Building inspection	15,646
Community engagement	8,674
Fire	589,205
Police	534,940
Public Works	<u>8,399,831</u>
Total governmental activities	<u>12,125,789</u>

Business-type Activities

Municipal airport	297,634
Aquatic Center	154,188
Parks soccer program	7,570
Sanitation	<u>23,327</u>
Total business-type activities	<u>482,719</u>

Total depreciation expenses - primary government	<u><u>\$ 12,608,508</u></u>
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Component Unit

City of Springdale, Arkansas Water and Sewer Commission	<u><u>\$ 7,654,822</u></u>
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**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

The City has active construction projects as of December 31, 2014. Total outstanding commitments under authorized contracts for capital projects of governmental funds are as follows:

	<b>Expenditures Incurred to December 31, 2014</b>	<b>Remaining Commitments at December 31, 2014</b>
<u>Primary Government</u>		
Governmental activities		
Capital Projects		
Streets and drainage projects	\$ 11,647,337	\$ 18,926,530
Parks and recreation	4,942,969	15,584,603
Fire stations	3,380,351	5,024,845
Other projects	-	20,380
Total commitments - governmental activities	19,970,657	39,556,358
 Total commitments - primary government	 \$ 19,970,657	 \$ 39,556,358

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

***Business-type Component Unit***

At September 30, 2014, the Commission had several construction and repair and maintenance projects in various stages of completion. Unfulfilled contract commitments of approximately \$3,094,961 remained open on the construction and improvement contracts still in progress at September 30, 2014.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

**Note 5: Long-Term Liabilities**

Changes in long-term liabilities for the year ended December 31, 2014, for the primary government were as follows:

<b>Governmental Activities</b>	<b>Balance, December 31, 2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31, 2014</b>	<b>Due Within One Year</b>
Bonds payable:					
Sales and Use Tax Bonds	\$ 148,705,000	\$ -	\$ 7,080,000	\$ 141,625,000	\$ 6,910,000
Add issuance premium	7,421,155	-	762,836	6,658,319	-
Bonds payable, net	<u>156,126,155</u>	<u>-</u>	<u>7,842,836</u>	<u>148,283,319</u>	<u>6,910,000</u>
Compensated absences	1,710,680	455,905	171,144	1,995,441	-
OPEB liabilities	2,111,287	594,436	75,444	2,630,279	-
Net pension obligation	10,836,830	1,859,700	1,300,786	11,395,744	-
Total other long-term liabilities	<u>14,658,797</u>	<u>2,910,041</u>	<u>1,547,374</u>	<u>16,021,464</u>	<u>-</u>
Total	<u>\$ 170,784,952</u>	<u>\$ 2,910,041</u>	<u>\$ 9,390,210</u>	<u>\$ 164,304,783</u>	<u>\$ 6,910,000</u>

<b>Business-type Activities</b>	<b>Balance, December 31, 2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31, 2014</b>	<b>Due Within One Year</b>
Compensated absences	<u>\$ 5,892</u>	<u>\$ 2,006</u>	<u>\$ 1,137</u>	<u>\$ 6,761</u>	<u>\$ -</u>

Changes in long-term liabilities for the year ended September 30, 2014 for the City's discretely presented component unit were as follows:

<b>City of Springdale, Arkansas Water and Sewer Commission</b>	<b>Balance September 30, 2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance September 30, 2014</b>	<b>Due Within One Year</b>
Bonds payable					
Revenue bonds, Series 2006	\$ 3,100,000	-	175,000	2,925,000	185,000
Compensated absences	554,667	548,894	434,052	669,509	302,278
OPEB liabilities	-	12,909	896	12,013	-
Total other long-term liabilities	<u>554,667</u>	<u>561,803</u>	<u>434,948</u>	<u>681,522</u>	<u>302,278</u>
Total	<u>\$ 3,654,667</u>	<u>\$ 561,803</u>	<u>\$ 609,948</u>	<u>\$ 3,606,522</u>	<u>\$ 487,278</u>

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

**Sales and Use Tax Bonds – Governmental Activities**

On October 2, 2013, the City issued \$84,200,000 in City of Springdale, Arkansas, Sales and Use Tax Refunding Bonds, Series 2013, dated October 1, 2013. The interest rates on the bonds range from 2.0% to 5.0%, payable semiannually, and maturity dates range from January 1, 2014 to July 1, 2027. The Series 2013 Bonds are not general obligations of the City, but are special obligations, secured by a first and prior pledge of collections of a 1% sales and use tax levied by the City under City Ordinance No. 3895 adopted on May 23, 2006, and was approved at a special election held July 11, 2006. The issuance of the Series 2013 Bonds and the pledging of the tax was approved by the City Council under City Ordinance No. 4728 adopted on August 23, 2013. The tax will expire after the bonds have been paid or provision is made therefore, in accordance with Arkansas statutes.

The Series 2013 Bonds were issued to refund the Series 2006 Bonds, to fund a debt service reserve and to pay expenses of issuing the Series 2013 Bonds. The cash flow requirements of the refunded bonds exceeded the cash flow requirements of the new bonds by \$3,945,615 for the same period. The refunding resulted in an economic gain of \$3,602,169.

The Bonds are subject to extraordinary redemption from proceeds of the Series 2013 Bonds not needed for the purposes intended and surplus tax receipts, at least annually, in inverse order of maturity, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. The Bonds may be redeemed at the option of the City, from funds from any source, on and after July 1, 2018, in whole at any time or in part on any interest payment date, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. The Series 2013 Bonds maturing on July 1, 2025 are subject to mandatory sinking fund redemption on July 1 in the years and the amounts listed below, at a redemption price equal to the principal amount being redeemed plus accrued interest to the date of redemption.

Series 2013 Bonds maturing July 1, 2025:

<b>Years</b>	<b>Principal Amount</b>
2023	\$6,725,000
2024	\$6,995,000
2025 (Maturity)	\$7,270,000

The Series 2013 Bonds were issued at a premium of \$2,874,047. This premium is being amortized over the life of the bonds using the effective interest method.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

The City is required to maintain a debt service reserve equal to one-half of the maximum annual debt service requirements on the Series 2013 Bonds as originally issued. A portion of the debt service reserve was funded with Series 2013 Bond proceeds. The balance of the debt service reserve was funded with an insurance policy. The amount of the Debt Service Reserve Policy is \$2,976,728. At December 31, 2014, the City held cash equivalents equal to \$1,055,308 in the Debt Service Reserve Fund.

On November 29, 2012, the City issued \$66,275,000 in City of Springdale, Arkansas, Sales and Use Tax Bonds, Series 2012, dated November 1, 2012. The interest rates on the bonds range from 1.1% to 5%, payable semiannually, and maturity dates range from November 1, 2012 to November 1, 2032. The Series 2012 Bonds are not general obligations of the City, but are special obligations, secured by a first and prior pledge of collections of a 1% sales and use tax levied by the City under City Ordinance No. 2082 adopted by the City on March 13, 1992. The issuance of the Series 2012 Bonds and the pledging of the tax revenues were approved by the citizens at a special election held August 14, 2012.

The 2012 Series Bonds were issued for the purpose of financing the following projects.

Bonds in the amount of \$42,006,000 were for the purpose of financing all or a portion of the costs of new streets, roads and bridges or improvements to existing streets, roads and bridges. Bonds in the amount of \$15,869,000 were issued to fund park and recreational facilities and improvements, including land acquisition, equipment and parking, drainage, lighting and utility improvements. Bonds in the amount of \$8,400,000 were for the purpose of acquiring fire equipment, apparatus and new, or improvements to existing facilities for the City's fire department, including land acquisition and parking improvements.

The Bonds are subject to extraordinary redemption from proceeds of the Series 2012 Bonds not needed the purposes intended on any interest payment date, at least annually, in inverse order of maturity, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. The Bonds may be redeemed at the option of the City, from funds from any source, on and after November 1, 2019, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date.

The Series 2012 Bonds were issued at a premium of \$4,721,820. This premium is being amortized over the life of the bonds using the effective interest method. Bond issue costs of \$708,296 were incurred in the issuance of the Series 2012 Bonds.

The City is required to maintain a debt service reserve equal to one-half of the maximum annual debt service requirements on the Series 2012 Bonds as originally issued. At December 31, 2014, the City held cash equivalents equal to \$2,891,413 in the 2012 Series Bonds Debt Service Reserve Fund.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

Debt service requirements for the Sales and Use Tax Bonds at December 31, 2014 were as follows:

<b>Primary Government</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 6,910,000	\$ 5,304,412	\$ 12,214,412
2016	7,200,000	5,117,562	12,317,562
2017	7,490,000	4,923,412	12,413,412
2018	7,840,000	4,674,001	12,514,001
2019	8,195,000	4,416,836	12,611,836
2020 - 2024	47,715,000	16,866,965	64,581,965
2025 - 2029	43,040,000	6,301,177	49,341,177
2030 - 2032	13,235,000	706,350	13,941,350
	<u>\$ 141,625,000</u>	<u>\$ 48,310,715</u>	<u>\$ 189,935,715</u>

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

**Series 2006**

The City of Springdale, Arkansas Water and Sewer Revenue Bonds, Series 2006, were issued August 10, 2006, in the amount of \$3,600,000. The purpose of the bonds was to finance a portion of the costs of improvements to the sewer facilities of the City. The interest rate on the bonds is 5%; interest and principal are payable semi-annually, and maturity dates range from March 1, 2007 to September 1, 2026. Revenues of the water and sewer system are pledged for the payment of these bonds. Bond issue costs of \$30,000 were incurred in the issuance of these bonds.

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

<b>Component Unit</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>Springdale Water and Sewer</b>			
2015	\$ 185,000	\$ 143,875	\$ 328,875
2016	195,000	134,500	329,500
2017	205,000	124,625	329,625
2018	215,000	114,250	329,250
2019	225,000	103,375	328,375
2020 - 2024	1,305,000	333,875	1,638,875
2025 - 2026	595,000	36,250	631,250
	<u>\$ 2,925,000</u>	<u>\$ 990,750</u>	<u>\$ 3,915,750</u>

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

***Pledged Revenues***

The following is a summary of pledged revenues of the City and its Component Unit for the year ended December 31, 2014.

Debt	Revenue Pledged	Total Pledged Revenue	Portion of Pledged Revenue Stream	Percentage Portion of Pledged Revenue Stream	Remaining Principal, Interest and Fees	Period Revenue Will Not Be Available for Other Purposes
<b>General Government:</b>						
Sales and Use Tax Refunding Bonds - Series 2013	Sales and Use Taxes	\$17,600,413	\$7,080,000	40.2%	\$ 189,935,715	Until 2025

***Applicability of Federal Arbitrage Regulations***

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

Based upon interim calculations, the City has no arbitrage liability as of December 31, 2014.

**Note 6: Individual Fund Disclosures**

Interfund receivables and payables result from transactions between various funds within the City. Outstanding balances are mainly as a result of the time lag between the dates that interfund revenues are collected, goods and services are provided or reimbursable expenditures occur, and payments are made between funds.

The Sales and Use Tax Fund and the 2006 Bonds Street Improvement Construction Fund have interfund receivables and payables related to grant matching funds for the Johnson Rd. improvements project. The General Fund and Sales and Use Tax Fund have interfund receivables and payables primarily related to city sales taxes collected which are transferred to the General Fund for operations and maintenance. The Street Fund and Sales and Use Tax Fund have interfund receivables and payables related to the Street Fund's share of the cost of a capital asset paid for by the Sales and Use Tax Fund.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

Interfund receivables and payables as of December 31, 2014 are as follows:

	<b>Interfund Receivables</b>	<b>Interfund Payables</b>
<b>Primary Government</b>		
Governmental Funds		
General	\$ 1,118,177	\$ 313,416
Street	504,677	-
Sales and Use Tax	295,592	1,544,916
2012 Bonds Streets Improvement Construction	1,178	205
2012 Bonds Parks Improvement Construction	-	376
Nonmajor governmental funds	29,530	14,386
Total governmental funds	1,949,154	1,873,299
Proprietary Funds		
Municipal Airport	23,810	9,000
Aquatic Center	510	-
Nonmajor proprietary funds	125	14
Total proprietary funds	24,445	9,014
Fiduciary Funds		
	113,699	204,885
Total Primary Government	2,087,298	2,087,198
<b>Component Unit</b>		
Water and Sewer Commission	-	100
Total	\$ 2,087,298	\$ 2,087,298

The difference in the interfund receivables/payables of \$100 for the primary government is due to the different year end of the Springdale Water and Sewer Commission (Component Unit).

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

Transfers in (out) for the year ended December 31, 2014 are as follows:

<b>Primary Government</b>	<b>Transfers In</b>	<b>Transfers Out</b>
<b>Governmental Funds</b>		
General	\$ 7,212,364	\$ 1,594,555
Street	449,798	-
Sales and Use Tax	458,718	7,819,871
Nonmajor governmental	1,616,816	458,718
Total governmental funds	9,737,696	9,873,144
<b>Proprietary Funds</b>		
Municipal Airport	150,448	-
Nonmajor enterprise funds	-	15,000
Total proprietary funds	150,448	15,000
Total	\$ 9,888,144	\$ 9,888,144

**Note 7: Pension Plans**

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

**Summary of Significant Accounting Policies**

***Basis of Accounting***

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

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

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

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

***Membership Information***

Membership of each Plan consisted of the following at December 31, 2014:

	<b>Firemen's Relief and Pension Fund</b>	<b>Policemen's Pension and Relief Fund</b>	<b>Money Purchase Pension Plan</b>
Retirees and beneficiaries receiving benefits	45	34	-
Active plan members	-	-	222
<b>Total</b>	<b>45</b>	<b>34</b>	<b>222</b>

***Financial Information***

Separate financial reports are not issued on each plan. The following is the condensed financial information of the pension trust funds:

	<b>Statement of Fiduciary Net Position</b>	
	<b>December 31, 2014</b>	
	<b>Firemen's Relief and Pension Fund</b>	<b>Policemen's Pension and Relief Fund</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 805,689	\$ 196,466
Investments	7,818,381	8,181,558
Accounts receivable, net	502,511	510,217
Due from other funds	1,982	18,556
<b>Total assets</b>	<b>9,128,563</b>	<b>8,906,797</b>
<b>Liabilities</b>		
Accounts payable	3,704	3,486
<b>Total liabilities</b>	<b>3,704</b>	<b>3,486</b>
<b>Net Position</b>		
Net position restricted for pensions	<b>\$ 9,124,859</b>	<b>\$ 8,903,311</b>

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

	<b>Statement of Changes in Fiduciary Net Position</b>	
	<b>Firemen's Relief and Pension Fund</b>	<b>Policemen's Pension and Relief Fund</b>
<b>Additions</b>		
Employer contributions		
Taxes	\$ 470,494	\$ 470,494
Intergovernmental	144,452	106,084
Fines and court costs	-	109,262
Total contributions	614,946	685,840
Investment income		
Investment earnings	638,603	329,589
Net increase in fair value of investments	5,355	283,614
Total investment earnings	643,958	613,203
Less investment expenses	(104,515)	(49,234)
Net investment earnings	539,443	563,969
Total additions	1,154,389	1,249,809
<b>Deductions</b>		
Benefits payments	1,271,802	1,196,546
Miscellaneous	25	-
Total deductions	1,271,827	1,196,546
<b>Change in Fiduciary Net Position</b>	(117,438)	53,263
<b>Net Position Restricted for Pensions, Beginning of Year</b>	9,242,297	8,850,048
<b>Net Position Restricted for Pensions, End of Year</b>	\$ 9,124,859	\$ 8,903,311

***Plan Descriptions and Funding Information***

**Firemen's Relief and Pension Fund**

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

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

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

Contributions to the Firemen's Fund are set forth in Arkansas Code. The City's contribution to the Firemen's Fund consists of a one-half mill real and personal property tax collection and an insurance premium tax turnback collected by the State Insurance Commissioner. Additionally, the City contributes six percent (6%) of the firemen's salaries. Participants also contribute six percent (6%) of their salaries. Participant contributions are returned without interest if the participant terminates covered employment. Contribution provisions applicable to the Fund are established by Arkansas code and may not be less than six percent (6%). Accounting and administrative services are performed by personnel of the City at no charge to the Fund.

Total contributions to the Fund in 2014 were \$614,946. The City's share of contributions was \$614,946, and included \$470,494 in property taxes and \$144,452 in state insurance premium taxes.

There are no asset concentrations over 5% as of December 31, 2014.

As of December 31, 2014, the most recent actuarial valuation date, the Firemen's Fund was 53.8% funded. The actuarial accrued liability for benefits was \$16,974,844 and the plan net position was \$9,124,859 resulting in an actuarial unfunded accrued liability of \$7,849,984. There were no active employees which were covered by the Plan for the year ended 2014.

**Policemen's Pension and Relief Fund**

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

The Policemen's Fund provides retirement benefits for policemen who have completed 20 years of service. Disability benefits are available to policemen who become permanently disabled, unless the disability is the direct result of gainful employment performed outside of the police department. The Fund also provides benefits for surviving spouses and dependent children of deceased policemen.

No benefits are vested to participants until normal retirement. At normal retirement, participants may elect to continue working and enter the DROP for up to five years. All policemen hired after January 1, 1983, participate in the Arkansas Local Police and Fire Retirement System created by Act 364 of 1981. Therefore, the Policemen's Fund is effectively closed to new members.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

Contributions to the Policemen’s Fund are set forth in Arkansas Code. The City’s contribution to the Policemen’s Fund consists of a one-half mill real and personal property tax collection, an insurance premium tax turnback collected by the State Insurance Commissioner, a \$3 assessment against each court case plus 10 percent (10%) of fines and forfeitures collected, and proceeds derived from the sale of confiscated goods. Employer and employee contributions are no longer required as there are no active employees. Participant contributions are returned without interest if the participant terminates covered employment. Accounting and administrative services are performed by personnel of the City at no charge to the Fund. Total contributions to the Fund in 2014 were \$685,840. The City’s share of contributions was \$685,840, and included \$470,494 in property taxes, \$106,084 in state insurance premium taxes, and \$109,262 in fines and court costs.

The asset concentrations of over 5% are as follows:

Ishares MSCI EAFE	\$ 798,342
Ishares Russell 2000 Growth index Fund	517,476
SPDR S&P MidCap 400	1,025,259

The Policemen’s Fund as of December 31, 2014, the most recent actuarial valuation date, was 53.4% funded. The actuarial accrued liability for benefits was \$16,752,252, and the plan net position was \$8,903,311, resulting in an actuarial unfunded accrued liability of \$7,848,941. There were no active employees which were covered by the Plan for the year ended 2014.

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

***Actuarial Methods and Assumptions***

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing 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 Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

The State of Arkansas Fire and Police Pension Review Board is responsible for the coordination of the actuarial valuations performed on both plans. Actuarial valuations are performed biennially and the last evaluation was as of December 31, 2014. Actuarial assumptions used in evaluating the Plans include entry age normal cost method, five year smoothed market for valuing assets, level percent open amortization method, and amortization period of 5 years for active participants and 5 years for retirees, 5% investment rate of return, 4.2% to 8% salary increases and the 1983 group annuity mortality table. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level dollar of projected payroll on a closed basis. The amortization period at December 31, 2014 was 5 years.

The net pension obligations for both Plans have been recognized in the City's statement of net position on page 21 to comply with GASB standards. However, based on an interpretation of state law by the City's legal counsel, management of the City believes that if these Plans were to become insolvent, whereby remaining Plan assets were not adequate to pay current benefits, the City may not be legally obligated to fund any deficiency.

**Three-Year Trend Information**

	<b>Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
Firemen's Relief and Pension Fund	12/31/2012	\$ 1,327,313	44.8%	\$ 5,370,626
	12/31/2013	1,102,865	55.0%	5,866,952
	12/31/2014	780,032	72.3%	6,082,672
Policemen's Pension and Relief Fund	12/31/2012	\$ 1,524,210	44.7%	\$ 4,425,425
	12/31/2013	1,229,090	55.7%	4,969,878
	12/31/2014	969,327	64.6%	5,313,072

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

Listed below are the City's projected annual pension cost and the net pension obligations as of December 31, 2014.

	<b>2014 Annual Pension Cost and Net Pension Obligation</b>	
	<b>Firemen's Relief and Pension Fund</b>	<b>Policemen's Pension and Relief Fund</b>
Annual required contributions	\$ 1,809,537	\$ 1,841,418
Interest on net pension obligation	293,348	248,494
Adjustment to annual required contribution	(1,322,853)	(1,120,585)
Annual pension cost	780,032	969,327
Contributions made	564,311	626,132
Increase in net pension obligation	215,720	343,195
Net pension obligation, beginning of year	5,866,952	4,969,877
Net pension obligation, end of year	\$ 6,082,672	\$ 5,313,072

***Net Pension Liability***

The components of the net pension liability of the City were as follows:

Plan	FY Ended December 31,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability
Firemen's Relief and Pension Fund	2014	\$ 16,974,844	\$ 9,124,859	\$ 7,849,985	53.8%
Policemen's Relief and Pension Fund	2014	16,752,252	8,903,311	7,848,941	53.1%

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

***Long-term Expected Return on Plan Assets***

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return. The rates were built on a target allocation for all pension funds; the target for an individual fund will vary within the guidelines of Arkansas law and regulation. The long-term expected rates of return are shown in the table below:

<b>Long-term Expected Real Rate of Return</b>		
<b>Asset Class</b>	<b>Firemen's Pension</b>	<b>Policemen's Pension</b>
Domestic Fixed Income	5.00%	5.00%
Domestic Equity	7.80%	7.80%
Cash	2.00%	2.00%

***Investments***

*Firemen's Pension investment policy.* The pension plan's policy in regards to the allocation of invested assets is established and may be amended by the Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of December 31, 2014.

<b>Target Allocation of Investments</b>	
<b>Asset Class</b>	<b>Firemen's Pension</b>
Domestic Fixed Income	15% - 75%
Domestic Equity	25% - 70%
Cash	5% - 25%

*Policemen's Pension investment policy.* The pension plan has not developed an investment strategy or target allocation as of December 31, 2014.

***Discount Rate***

In the December 31, 2014 actuarial valuation, a single discount rate of 5.0% was used to measure the total pension liability. This single discount rate was based on the weighted average expected rate of return on pension plan investments of 5.0%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following table presents the net pension liability for each plan of the City using the current rate as compared to what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage higher than the current rate:

		<b>Sensitivity of the Net Position Liability to the Single Discount Rate Assumption</b>		
		<b>1% Decrease 4.00%</b>	<b>Current Single Rate Assumption 5.00%</b>	<b>1% Increase 6.00%</b>
<b>Firemen's Pension</b>	Net Pension Liability	\$9,779,808	\$7,849,985	\$6,241,517
		<b>1% Decrease 4.00%</b>	<b>Current Single Rate Assumption 5.00%</b>	<b>1% Increase 6.00%</b>
<b>Policemen's Pension</b>	Net Pension Liability	\$9,816,823	\$7,848,941	\$6,151,132

***Money-Weighted Rate of Return***

The annual money-weighted rate of return on pension plan investments is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense, adjusted for the changing amounts actually invested. The money-weighted rates of returns are shown in the table below:

<b>Plan</b>	<b>FY Ended</b>	<b>Annual Money-weighted Rate of Return</b>
Firemen's Relief and Pension Fund	12/31/2014	6.05%
Policemen's Pension and Relief Fund	12/31/2014	7.09%

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

***Money Purchase Pension Plan***

The Money Purchase Pension Plan (Money Purchase Plan) is a defined contribution plan, established on October 1, 1999, by City Ordinance No. 2933. The Money Purchase Plan is qualified under Section 401(a) of the Internal Revenue Code. In April 2014, the plan assets were transferred from the International City Management Association Retirement Corporation (ICMARC) to Voya Financial, Inc. (VOYA). Plan assets are held in trust and administered by VOYA. Each participant has a plan account to which the contributions are made, and each participant manages their account by selecting various investment options offered by VOYA. Plan benefits are based upon the total amount of money in an individual's account at retirement.

The plan covers all non-uniformed City employees 18 years of age or older and who have 30 days service with the City. Employees contribute three percent (3%) of their salaries to the Plan, and the City contributes six percent (6%). There are no voluntary contributions. For the year ended December 31, 2014 employer and employee contributions to the plan were \$348,546 and \$174,263, respectively.

An employee who meets the eligibility requirements may become a plan participant as of the first day of the pay period following thirty (30) days of employment. Participants are vested 100% in their employee contributions and interest earned thereon. Participant's vested interest in the employer contributions and interest thereon is determined as follows: 20% vested after one year of participation, and additional 20% each year thereafter until the participant is vested 100% after five years of service. Notwithstanding the vesting schedule, a participant's right to his retained benefit is nonforfeitable and fully vested upon the attainment of his normal retirement age.

Participant's normal retirement age shall be 65, but no later than age 70. The plan also provides for disability and survivor benefits. Benefits are paid by the Trustee upon the direction of the Administrator under one or more options such as a single lump sum payment or an annuity.

***Cost-Sharing Multiple-Employer Defined Benefit Pension Plans***

The ***Local Police and Fire Retirement System*** (LOPFI) is a statewide cost-sharing multiple-employer retirement program that provides retirement, disability, and survivor benefits to police and fire employees of political subdivisions of the State of Arkansas. LOPFI was created by Act 364 of the 1981 General Assembly. The authority to establish and amend benefit provisions is set forth in Arkansas state statutes, and is vested in the Arkansas Legislature with the concurrence of the Governor. Employees hired after January 1, 1983, whose political subdivision had a retirement system in effect at July 1, 1981, are eligible to participate in the plan. LOPFI issues a publicly available financial report that includes financial statements and required supplementary information of the Plan, which may be obtained from the Arkansas Local Police and Fire Retirement System, P.O. Drawer 34164, Little Rock, Arkansas, 72203.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

Contribution requirements are set forth in Arkansas state statute. Participating firemen are required to contribute eight and one-half percent (8.5%) of annual covered salary. Participating policemen are required to contribute two and one-half percent (2.5%) of annual covered salary. The City is required to contribute at an actuarially determined rate of compensation, which for 2014 was 20.86% for paid firemen and 22.05% for paid policemen. City contributions for 2014 were \$1,329,593 for paid firemen, and \$1,442,515 for paid policemen, and were equal to 100% of the required contributions. Employee contributions for 2014 were \$541,779 for paid firemen and \$163,552 for paid policemen. At December 31, 2014, there were 113 active paid firemen and 131 active paid policemen. Covered payroll was \$5,578,938 and \$5,594,022, respectively.

***District Judges and Court Clerk's Retirement System***

On January 1, 2005, the district judge became a member of the Arkansas District Judges Retirement System (ADJRS), a state administered defined benefit plan. Effective July 1, 2007, all powers, duties and plan liabilities of ADJRS were transferred to the Arkansas Public Employees Retirement System (APERS) by Act 177 of 2007. ADJRS at that time became a closed system. District judges entering the system after July 1, 2007 are treated as APERS employees. There is one retired judge and one retired clerk receiving benefits from ADJRS.

The district court judge and clerk are members of the Arkansas Public Employees' Retirement System (APERS), a state administered defined benefit plan. Employer contributions for 2014 were 14.88% of covered payroll for January through June, and 14.76% of covered payroll from July through December; the employee contribution rate was 5%. The annual pension cost and covered payroll for 2014 were \$25,840 and \$174,363, respectively. Employee contributions for 2014 were \$8,718.

***Pension Plan – Discretely Presented Component Unit***

*Springdale Water and Sewer Commission* (Commission) adopted a defined contribution money purchase pension plan effective February 1, 1996. The plan is administered under a written Plan and Trust Agreement entered into by the trustee and the Commission. The trustee and plan administrator, Arvest Trust Company, N.A., is responsible for the investment of the plan assets and administration of the plan.

To participate in the plan, an employee must be age 20 ½, have completed six months of service, be a full time employee (at least 1,000 hours per year), and agree to contribute the mandatory 3.0% employee contribution. An employee who meets the above eligibility requirements may become a plan participant as of the first day of the plan year following completion of the eligibility requirements. Participants are vested 100% in their employee contributions and interest earned thereon. Participant's vested interest in the employer contributions and interest thereon is determined as follows: 20% vested after two years of participation, and additional 10% each year thereafter until the participant is vested 100% after 10 years of service.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

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

Employee's contributions are three percent (3%) of base monthly compensation. Employees may voluntarily contribute additional amounts up to ten percent (10%) of base monthly compensation. The employer contributes six percent (6%) of the employee's base monthly compensation for each plan participant. The Commission contributions for the year ended September 30, 2014, were \$197,736.

**Note 8: Deferred Compensation Plans**

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

The Plans, available to all full time City employees, permit them to defer until future years up to 25% of annual gross earnings not to exceed \$17,500 for 2014. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

***Deferred Compensation Plan – Discretely Presented Component Unit***

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

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

**Note 9: Other Postemployment Benefits (OPEB)**

***Plan Description***

The City of Springdale sponsors and administers an informal single-employer defined benefit healthcare plan. Arkansas statute provides that any municipal city official or employee vested in any of the City's retirement plans with 20 years of service and attains 55 years of age may continue to participate in the City's healthcare plan after retirement. The State of Arkansas has the authority to establish and amend the requirements of the statute. The City does not issue stand alone financial statements of the plan, but all required information is presented in this report.

***Funding Policy***

The contribution requirements of plan members are established by the City Council and may be amended as needed. Plan members pay the entire cost of monthly insurance premiums at the same rate charged to active employees and receive a benefit from the blended premium rate from all of the employees participating in the City's health insurance plans. The cost of retiree healthcare benefits is financed on a pay-as-you-go basis, and is recorded as an expense in the applicable fund as liabilities are incurred. As of December 31, 2014, the date of the actuarial valuation, the plan has 11 active participants who pay monthly premiums between \$459 for single coverage to \$919 for family coverage.

***Annual OPEB Cost and net OPEB Obligation***

The City's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution (ARC) of the employer, and amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution (ARC)	\$ 589,418
Interest on net OPEB obligation	95,008
Adjustment to annual required contribution	(89,990)
Annual OPEB cost	<u>594,436</u>
Total annual employer contribution (PAYGO cost)	<u>(75,444)</u>
Increase in net OPEB obligation	518,992
Net OPEB obligation – beginning of year	<u>2,111,287</u>
Net OPEB obligation – end of year	<u><u>\$ 2,630,279</u></u>

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

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

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

Normal cost	\$ 377,141
Amortization of UAAL	186,895
Interest cost	25,382
 Annual required contribution	 \$ 589,418

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2014	\$ 594,436	12.7%	\$ 2,630,279
12/31/2013	509,863	14.8%	2,111,287
12/31/2012	485,857	14.2%	1,676,775

***Funded Status and Funding Progress***

As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$4,582,144, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,582,144. The covered payroll was \$19,901,703, and the ratio of the UAAL to the covered payroll was 23.0%.

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

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

***Actuarial Methods and Assumptions***

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

In the December 31, 2014, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5% investment rate of return based upon funding the plan in the future, and an annual healthcare cost trend rate of 9.0% for 2015, reduced by decrements to an ultimate rate of 5.0% in 2023. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The amortization period at December 31, 2014, was 30 years.

***Discretely Presented Component Unit***

*Plan Description*

The Commission 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 Commission has the authority to establish and amend the requirements of this plan. The Commission does not issue stand-alone financial statements of the healthcare plan but all required information is presented in the report.

*Funding Policy*

The contribution requirements of plan members are established by the Commission and may be amended as needed. Retiree coverage is the same as the coverage provided to active Commission employees. Retirees pay premiums ranging from \$318.54 to \$804.20 per month depending on the coverage elected. The Commission's policy maintains that retirees must pay 100% of the cost of the 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. As of September 30, 2014, there was one retiree covered under this plan. Total benefits paid by the Commission for the retiree during the fiscal year were \$896. The retiree contributed \$8,731 of the total current year cost.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

*Annual OPEB Cost and Net Obligation*

The Commission's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution (ARC) of the employer, and amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) over a period not to exceed thirty years.

The following table shows the components of the Commission's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Commission's net OPEB obligation:

Annual required contribution	\$ 12,909
Interest on net OPEB Obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>12,909</u>
Total annual employer contribution (pay-as-you-go)	<u>(896)</u>
Increase in net OPEB obligation	12,013
Net OPEB Obligation – beginning of year	<u>-</u>
 Net OPEB Obligation – end of year	 <u><u>\$ 12,013</u></u>

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

Normal cost	\$ 8,547
Interest	556
Amortization cost	<u>3,806</u>
 Annual required contribution (ARC)	 <u><u>\$ 12,909</u></u>

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2014	\$ 12,909	6.94%	\$ 12,013

# City of Springdale, Arkansas

## Notes to Financial Statements

### December 31, 2014

#### *Funded Status and Funding Progress*

As of October 1, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$106,593, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$106,593. The covered payroll was \$4,259,141, and the ratio of the UAAL to the covered payroll was 2.50%.

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

#### *Actuarial Methods and Assumptions*

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

In the September 30, 2014, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5% investment rate of return based upon the Commission's rate of return on investments for 2013, and an annual healthcare cost trend rate of 9.0% for 2015, reduced by decrements of one-half percent annually to an ultimate rate of 5.0% after eight years. Both rates included a 3.0% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The amortization period at September 30, 2014, was thirty years.

#### **Note 10: Risk Management**

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

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

Coverage is provided both commercially and through the Arkansas Municipal League (AML), which is an association of local governments. AML provides the City with automobile, legal defense and workers' compensation. Fixed premiums are set annually by AML based on such factors as claims experience, employee class multipliers, and population. For risks related to vehicle accidents covered by AML, the City pays a \$1,000 deductible per incident. For legal risks covered by AML, the City pays no deductible; however, the City pays a \$3,000 fee to AML for each legal matter it handles. Coverage under these policies meets statutory liability limits and requirements, and the City's risk of loss is effectively transferred. Additionally, the City has instituted various safety programs to reduce losses.

There have been no significant reductions in insurance coverage from 2013 to 2014, nor have settlement amounts exceeded insurance coverage for each of the past three years.

***Discretely Presented Component Unit***

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Commission purchases commercial insurance for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

**Note 11: Property Taxes**

City property taxes are levied each October 1 on the assessed value listed as of January 1 for all real and personal property located in the City. The property tax is considered due the first Monday in January after the levy; however, the tax is not considered delinquent until October 16 of that year. As a result, the majority of the tax is not collected within the time frame necessary to finance the liabilities of the current period. Property taxes which remain delinquent for a period of three years are certified to the land commissioner where a lien is recorded and held on file. If property remains delinquent for a period of seven years, the property will be subsequently sold by the land commissioner. If proceeds from the sale are sufficient to cover all claims, the City will collect on the past due property taxes. Washington and Benton Counties are the collecting agents for the City, and remit collections to the City, net of a collection fee, on a monthly basis.

In the governmental funds, property taxes are measurable when levied even though not available. As a result, at December 31, 2014, property taxes receivable and related deferred inflows (unavailable revenue) of \$5,469,590 have been recorded in the governmental funds. In the government-wide statement of net position, delinquent taxes are recorded net of amounts considered uncollectible. The appraised value of taxable property upon which the property tax is levied is determined by the county assessor. The assessor estimates full market value and applies the statutory rate of 20 percent to arrive at assessed value.

# City of Springdale, Arkansas

## Notes to Financial Statements

### December 31, 2014

The City is permitted by Arkansas State Law to levy taxes up to \$0.50 per \$100 of assessed valuation on real and personal property for general government services, \$0.50 per \$100 of assessed valuation on real and personal property for the payment of principal and interest on long-term debt, \$0.10 per \$100 of assessed valuation on real and personal property for the police pension funds, and \$0.10 per \$100 of assessed valuation on real and personal property for the fire pension funds. The combined tax rate levied by the City in 2014 to finance the above operations was \$0.57 per \$100 of assessed valuation on real and personal property, leaving a tax margin of \$0.63 per \$100 of assessed valuation on real and personal property. Approximately \$6,578,000 of additional taxes could be raised per year based on the current year's assessed value of \$778,314,920 for real property and \$265,807,599 for personal property before the limit is reached.

#### **Note 12: Sales Taxes**

In October 1981, Washington County began assessing a 1% sales and use tax on retail sales in the county. Effective December 1, 2004, the tax rate increased to 1.25%. Each city in Washington County receives a portion of the tax based upon population of the city. Currently, the City receives approximately 25.29% of the county tax. The tax is collected by the state, and remitted to the City, net of a collection fee. Taxes for this purpose remitted to the City totaled \$10,724,314 for 2014 and are included in the General Fund's tax revenues in the accompanying financial statements.

In July 1992, the City began assessing a 1% sales and use tax on retail sales in the City, upon approval of the tax by the City's voters. Previously, revenues were used to fund capital improvement projects (50%) and general municipal operations and maintenance (50%). On November 29, 2012, the City issued the City of Springdale, Arkansas Sales and Use Tax Bonds, Series 2012 (see also Note 5). These bonds are secured by a first and prior pledge of revenues collected from the 1% sales and use tax levied by the City. The tax is collected by the state, and remitted to the City, net of a 3% collection fee. Beginning in December 2012, the tax is remitted to the bond trustee. Taxes not needed to fund debt service are then remitted to the City. Taxes for this purpose remitted to the City and bond trustee totaled \$11,668,354 for 2014, and are included in the Sales and Use Tax Fund's (\$7,526,295) and 2012 Bonds Debt Service Fund's (\$4,142,059) tax revenues in the accompanying financial statements.

In August 1998, Benton County began assessing a 1% sales and use tax on retail sales in the county. Each city in Benton County receives a portion of the tax based upon population of the city. Currently, the City receives approximately 2.96% of the county tax. The tax is collected by the state, and remitted to the City, net of a collection fee. Taxes for this purpose remitted to the City totaled \$1,124,487 for 2014 and are included in the General Fund's tax revenues in the accompanying financial statements.

# City of Springdale, Arkansas

## Notes to Financial Statements

### December 31, 2014

In July 2006, City voters approved a 1% sales and use tax on retail sales in the City. Revenues from the tax are pledged for payment of the principal and interest on the City of Springdale, Arkansas Sales and Use Tax Refunding Bonds, Series 2013 (see also Note 5). This tax replaced the additional 1% sales and use tax which was pledged for payment of the principal and interest on the Series 2006 Bonds. The City began assessing the original tax in October 2003. The tax is collected by the state, and remitted to the City, net of a 3% collection fee. Taxes for this purpose remitted to the City totaled \$11,683,670 for 2014, and are included in the 2013 Bonds Debt Service Fund's tax revenues in the accompanying financial statements. This tax will sunset upon retirement of all related debt.

In April 2009, the Arkansas General Assembly passed Act 840 of 2009 regarding the disposition of city and county sales taxes on aviation fuel. The Act stated that money collected that is derived from a tax on aviation fuel that is not dedicated to a specific purpose shall be transmitted to the publically owned airport where the aviation fuel was sold. Therefore, beginning in July 2009, taxes collected on aviation fuel by the state are remitted to the City's Municipal Airport, net of a 3% collection fee. Taxes for this purpose remitted to the Airport for City and Washington County totaled \$15,316 and \$11,488, respectively, for 2014 and are included as non-operating revenue for the Municipal Airport Fund in the accompanying financial statements.

## **Note 13: Contingencies**

### ***Litigation***

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

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

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

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

***Contingencies***

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

***Discretely Presented Component Unit***

At various times, the Commission may be involved in litigation incidental to its operations. At September 30, 2014, the only outstanding legal proceedings pertain to the valuation of easements acquired by the Commission. Based upon management's assessment, any impact to the Commission's financial statements is not expected to be material.

**Note 14: Endowment**

The City's endowment consists of funds established to provide current income and long-term protection for the operations of the City's Shiloh Museum. The endowment is a part of the Shiloh Museum Board Fund, and represents donor-restricted endowment funds and funds designated by the Board of Directors of the Museum to function as endowments. As required by GAAP, net position associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The management of the City has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted by Arkansas in 2009, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the City classifies as nonexpendable restricted net position (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of applicable donor gift instruments at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in nonexpendable restricted net position is classified as unrestricted net position until those amounts are appropriated for expenditure by the City in a manner consistent with the standard of prudence prescribed by the UPMIFA.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

In accordance with the UPMIFA, the City considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the City and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the City
- (7) The investment policies of the City

Endowment fund balance and activity for 2014 is as follows:

	<b>Assigned</b>	<b>Nonspendable</b>
Endowment fund balance - beginning of year	\$ 42,817	\$ 1,153,198
Contributions	-	264,044
Available for distribution	47,010	(47,010)
Investment income, net	-	32,969
Endowment fund balance - end of year	\$ 89,827	\$ 1,403,201

***Funds with Deficiencies***

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the UPMIFA requires the City to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net position. There were no such deficiencies as of December 31, 2014.

***Return Objectives and Risk Parameters***

The City's endowment is held by Endeavor Foundation (Endeavor) who has been granted variance power. These endowment funds are subject to the investment policies of Endeavor. Endeavor has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of certificates of deposit while assuming a moderate level of investment risk. Endeavor expects its endowment funds, over time, to provide an average rate of return of approximately 2.3% to 5.0% annually. Actual return in any given year may vary from this amount.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

***Strategies Employed for Achieving Objectives***

To satisfy its long-term rate-of-return objectives, the Endeavor relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Endeavor targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

***Spending Policy and How the Investment Objectives Relate to Spending Policy***

In accordance with the City's agreement with Endeavor, the City is subject to the spending policy of Endeavor. Annually, Endeavor's Board of Directors establishes a charitable disbursement rate which is based upon careful consideration of the factors listed in the UPMIFA. Except in extraordinary circumstances, no distributions, other than administrative fees, shall be made out of any fund which has a balance below the original gift value as of the spending policy determination date (June 30 of the preceding year).

**Note 15: New GASB Standards**

Other financial and accounting reporting standards which have been issued by GASB, but are not yet required to be implemented by the City are as follows:

GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions*. This statement amends GASB Statement No. 27 – *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of GASB Statement No. 50 – *Pension Disclosures*. The objective of this statement is to improve financial reporting by state and local governmental pension plans. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The provisions of GASB 68 are effective for financial statements for fiscal years beginning after June 15, 2014. The City has not yet determined the potential impact, if any, this statement could have on its financial statements.

GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*, related to amounts associated with contributions to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of GASB 71 are required to be applied simultaneously with the provisions of Statement 68. The City has not yet determined the potential impact, if any; this statement could have on its financial statements.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

GASB Statement No. 72 – *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The provisions of GASB 72 are effective for periods beginning after June 15, 2015, and would be applied on a prospective basis. The City has not yet determined the potential impact, if any; this statement could have on its financial statements.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Other Than Pension Plans* (GASB 74): GASB 74 addresses the reporting requirements for Other Postemployment Benefit (OPEB) plans that administer benefits on behalf of government. GASB 74 replaces GASB Statement No. 43, *Financial Reporting for Postemployments Benefit Plans Other Than Pension Plans* and addresses the financial reporting of OPEB plans that are administered through trusts that meet certain criteria. GASB 74 requires the inclusion of a statement of fiduciary net position and a statement of changes in fiduciary net position in the financial reporting for the plan. GASB 74 also requires more extensive note disclosures and required supplementary information (RSI) related to the measurement of the OPEB liabilities and sets forth note disclosure requirements for defined contribution OPEB plans. GASB 74 is effective for financial statements for fiscal years beginning after June 15, 2016.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension* (GASB 75): GASB 75 replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB 75 requires governments to report a liability on the face of the financial statements, in accordance with the following:

Employers that are responsible only for OPEB liabilities for their own employees and that provide OPEB through a defined benefit OPEB plan administers through a trust that meets specified criteria will report a net OPEB liability (the difference between the total OPEB liability and the assets accumulated in trust to make the benefit payments)

Employers that participate in a cost-sharing OPEB plan that is administered through a trust that meets specified criteria will report a liability equal to the employer's proportionate share for the collective OPEB liability for all employers participating in the plan

Employers that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability for their own employees

GASB 75 requires more extensive note disclosures and required supplementary information (RSI) about the OPEB liabilities. GASB 75 is effective for fiscal years beginning after June 15, 2017. Therefore, the statement will be effective for the City's year ending December 31, 2018.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2014**

GASB Statement No. 77, *Tax Abatement Disclosures*. According to this recently issued standard, a tax abatement is defined as “a reduction in taxes that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they otherwise are entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.”

This standard requires disclosures about a government’s tax abatement agreements, as well as those of other governments (including discretely-presented component units of the reporting government) that reduce the reporting government’s tax revenues. Disclosures for the former should be organized by each major tax abatement program, while disclosures for the latter should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. If deemed preferable, information may be disclosed by individual tax abatement agreement, but may be limited to those above quantitative thresholds to be established by the reporting government. All such disclosures should commence in the period in which the tax abatement agreement is entered into and generally continue until the tax abatement agreement expires. If information regarding individual tax abatement programs, whether they are those of the reporting government or those of other governments that reduce the reporting government’s tax revenues, are legally prohibited from being disclosed, a description of the general nature of the tax abatement information omitted and the specific source of the legal prohibition is to be disclosed.

This statement will be effective for periods beginning after December 15, 2015, or the City’s year ending December 31, 2016.

The effect of these statements on the City has not been determined, but could have a significant impact on the City’s overall net position.

**City of Springdale, Arkansas**  
**Schedule of Funding Progress – Pension and OPEB Plans**  
**Year Ended December 31,**

	Actuarial Valuation Date	Market Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)
<b>Firemen's Relief and Pension Fund</b>			
a	12/31/2009	\$ 9,228,871	\$ 18,480,675
	12/31/2010	9,570,815	18,349,773
	12/31/2011	8,670,331	18,166,888
	12/31/2012	8,914,384	17,985,344
	12/31/2013	9,242,298	17,267,729
	12/31/2014	9,124,859	16,974,844
<b>Policemen's Pension and Relief Fund</b>			
a	12/31/2009	\$ 8,264,893	\$ 18,223,504
	12/31/2010	8,583,703	17,981,358
	12/31/2011	8,075,992	17,624,352
	12/31/2012	8,374,453	17,269,630
	12/31/2013	8,850,048	17,016,873
	12/31/2014	8,903,311	16,752,252
<b>Other Postemployment Benefit Plan (OPEB) Healthcare Plan</b>			
	1/1/2009	\$ -	\$ 2,620,006
	1/1/2010	-	2,986,785
	1/1/2011	-	3,339,065
	1/1/2012	-	3,687,335
	1/1/2013	-	4,022,787
	1/1/2014	-	4,582,144

a. Includes change in assumptions to 5% discount rate and 83GAM mortality

<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a) / c)</b>
\$ 9,251,804	49.9%	\$ -	N/A
8,778,958	52.2%	-	N/A
9,496,557	47.7%	-	N/A
9,070,960	49.6%	-	N/A
8,025,431	53.5%	-	N/A
7,849,985	53.8%	-	N/A
\$ 9,958,611	45.4%	\$ -	N/A
9,397,655	47.7%	-	N/A
9,548,360	45.8%	-	N/A
8,895,177	48.5%	-	N/A
8,166,825	52.0%	-	N/A
7,848,941	53.1%	-	N/A
\$ 2,620,006	0.0%	\$ 16,248,385	16.1%
2,986,785	0.0%	17,473,279	17.1%
3,339,065	0.0%	18,172,210	18.4%
3,687,335	0.0%	18,083,856	20.4%
4,022,787	0.0%	18,807,210	21.4%
4,582,144	0.0%	19,901,703	23.0%

**City of Springdale, Arkansas**  
**Defined Benefit Pension Plans**  
**Schedule of Changes in the City's Net Pension Liability and Related Ratios –**  
**Firemen's Pension and Relief Fund**  
**Years Ended December 31, 2014 and 2013**

Fiscal year ended December 31,	2014	2013
<b>Total Pension Liability</b>		
Interest	\$ 832,851	\$ 853,931
Difference between actual and expected experience	95,678	241,918
Benefit payments	(1,221,414)	(1,813,464)
<b>Net Change in Total Pension Liability</b>	(292,885)	(717,615)
<b>Total Pension Liability - Beginning</b>	17,267,729	17,985,344
<b>Total Pension Liability - Ending (a)</b>	\$ 16,974,844	\$ 17,267,729
<b>Plan Fiduciary Net Position</b>		
Contributions - employee	\$ -	\$ 2,712
Contributions - employer	564,311	606,539
Contributions - other	50,635	37,925
Net investment income	539,443	1,532,418
Benefit payments	(1,221,414)	(1,813,464)
Supplements	(50,388)	(37,925)
Administrative expense	(25)	(292)
<b>Net Change in Plan Fiduciary Net Position</b>	(117,438)	327,913
<b>Plan Fiduciary Net Position - Beginning</b>	9,242,297	8,914,384
<b>Plan Fiduciary Net Position - Ending (b)</b>	\$ 9,124,859	\$ 9,242,297
<b>Net Pension Liability (a) - (b)</b>	\$ 7,849,985	\$ 8,025,432
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	53.76%	53.52%
<b>Covered Employee Payroll</b>	\$ -	\$ -
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	N/A	N/A

Note: A full 10 year schedule will be completed as information is available.

**City of Springdale, Arkansas**  
**Defined Benefit Pension Plans**  
**Schedule of Changes in the City's Net Pension Liability and Related Ratios –**  
**Policemen's Pension and Relief Fund**  
**Years Ended December 31, 2014 and 2013**

Fiscal year ended December 31,	<u>2014</u>	<u>2013</u>
<b>Total Pension Liability</b>		
Interest	\$ 822,232	\$ 834,870
Difference between actual and expected experience	57,613	56,839
Benefit payments	<u>(1,144,466)</u>	<u>(1,144,466)</u>
<b>Net Change in Total Pension Liability</b>	(264,621)	(252,757)
<b>Total Pension Liability - Beginning</b>	<u>17,016,873</u>	<u>17,269,630</u>
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 16,752,252</u>	<u>\$ 17,016,873</u>
<b>Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 633,760	\$ 684,637
Contributions - other	52,080	53,010
Net investment income	563,969	935,424
Benefit payments	(1,144,466)	(1,144,466)
Supplements	<u>(52,080)</u>	<u>(53,010)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	53,263	475,595
<b>Plan Fiduciary Net Position - Beginning</b>	<u>8,850,048</u>	<u>8,374,453</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 8,903,311</u>	<u>\$ 8,850,048</u>
<b>Net Pension Liability (a) - (b)</b>	<u>\$ 7,848,941</u>	<u>\$ 8,166,825</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	53.15%	52.01%
<b>Covered Employee Payroll</b>	\$ -	\$ -
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	N/A	N/A

Note: A full 10 year schedule will be completed as information is available.

**City of Springdale, Arkansas**  
**Defined Benefit Pension Plans**  
**Schedule of Contributions –**  
**Firemen’s Pension and Relief Fund**  
**Year Ended December 31, 2014**

FY Ended December 31,	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2011	\$ 1,979,439	\$ 542,301	1,437,138	N/A	N/A
2012	2,141,240	595,100	1,546,140	N/A	N/A
2013	2,045,278	606,539	1,438,739	N/A	N/A
2014	1,809,537	614,946	1,194,591	N/A	N/A

**Key Assumptions for ADC:**

Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open
Remaining Amortization	5 Years
Asset Valuation	Market Value
Investment Rate of Return	5.00%
Mortality	1983 Group Annuity Mortality

Note: A full 10 year schedule will be completed as information is available.

**City of Springdale, Arkansas**  
**Defined Benefit Pension Plans**  
**Schedule of Contributions –**  
**Policemen’s Pension and Relief Fund**  
**Year Ended December 31, 2014**

FY Ended December 31,	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2011	\$ 2,188,940	\$ 684,805	1,504,135	N/A	N/A
2012	2,152,920	681,684	1,471,236	N/A	N/A
2013	2,005,643	684,637	1,321,006	N/A	N/A
2014	1,841,418	685,840	1,155,578	N/A	N/A

**Key Assumptions for ADC:**

Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open
Remaining Amortization	5 Years
Asset Valuation	Market Value
Investment Rate of Return	5.00%
Mortality	1983 Group Annuity Mortality

Note: A full 10 year schedule will be completed as information is available.

**City of Springdale, Arkansas**  
**Defined Benefit Pension Plans**  
**Schedule of Investment Returns**  
**Year Ended December 31, 2014**

<b>Plan</b>	<b>Fiscal Year Ended December 31,</b>	<b>Annual Money- weighted Rate of Return</b>
Firemen's Relief and Pension Fund	2014	6.05%
Policemen's Pension and Relief Fund	2014	7.09%

Note: A full 10 year schedule will be completed as information is available.

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual – General Fund**  
**Year Ended December 31, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Taxes				
Sales	\$ 11,780,000	\$ 11,780,000	\$ 11,848,801	\$ 68,801
Ad valorem	4,685,000	4,685,000	4,751,060	66,060
Franchise	3,450,500	3,450,500	3,959,668	509,168
Fees and permits:				
Building permits	300,000	300,000	375,173	75,173
Occupation permits	133,500	133,500	143,128	9,628
Other	146,450	146,450	179,599	33,149
Intergovernmental:				
Federal and state grants	178,000	178,000	416,794	238,794
State turnback	1,061,150	1,061,150	1,167,308	106,158
State turnback-insurance	675,000	675,000	954,831	279,831
City and county	488,000	488,000	483,177	(4,823)
Other	950,900	950,900	1,047,972	97,072
Charges for services:				
Ambulance fees	1,480,000	1,480,000	1,386,325	(93,675)
Other service fees	475,000	475,000	884,322	409,322
Fines and forfeitures	863,000	863,000	863,352	352
Miscellaneous	188,430	188,430	414,917	226,487
<b>Total Revenues</b>	<b>26,854,930</b>	<b>26,854,930</b>	<b>28,876,427</b>	<b>2,021,497</b>
<b>Expenditures</b>				
General Government				
Administration				
Personnel	1,238,200	1,238,200	1,209,738	(28,462)
Buildings and equipment	98,000	98,000	111,940	13,940
Supplies	148,500	148,500	134,005	(14,495)
Other	480,990	480,990	496,577	15,587
Economic development	236,700	236,700	211,745	(24,955)
Capital	-	-	8,844	8,844
<b>Total Administration Expenditures</b>	<b>2,202,390</b>	<b>2,202,390</b>	<b>2,172,849</b>	<b>(29,541)</b>
City Attorney				
Personnel	645,290	645,290	633,246	(12,044)
Buildings and equipment	13,500	13,500	12,510	(990)
Supplies	13,700	13,700	9,539	(4,161)
Other	21,300	21,300	13,290	(8,010)
<b>Total City Attorney Expenditures</b>	<b>693,790</b>	<b>693,790</b>	<b>668,585</b>	<b>(25,205)</b>
Information Technology				
Personnel	334,550	334,550	310,471	(24,079)
Buildings and equipment	341,850	341,850	371,833	29,983
Supplies	15,900	15,900	9,970	(5,930)
Other	106,360	106,360	66,747	(39,613)
Capital	20,000	20,000	22,636	2,636
<b>Total Information Technology Expenditures</b>	<b>818,660</b>	<b>818,660</b>	<b>781,657</b>	<b>(37,003)</b>
<b>Total General Government Expenditures</b>	<b>3,714,840</b>	<b>3,714,840</b>	<b>3,623,091</b>	<b>(91,749)</b>

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual – General Fund (Continued)**  
**Year Ended December 31, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Culture and Recreation				
Shiloh Museum				
Personnel	\$ 554,860	\$ 554,860	\$ 535,387	\$ (19,473)
Buildings and equipment	31,970	31,970	32,435	465
Supplies	53,500	53,500	67,299	13,799
Other	16,250	16,250	19,023	2,773
Capital	-	-	-	-
Total Shiloh Museum Expenditures	<u>656,580</u>	<u>656,580</u>	<u>654,144</u>	<u>(2,436)</u>
Parks and Recreation				
Personnel	1,049,620	1,049,620	1,037,578	(12,042)
Buildings and equipment	203,100	203,100	214,678	11,578
Supplies	261,500	261,500	267,643	6,143
Other	59,700	59,700	59,238	(462)
Capital	116,100	141,100	130,271	(10,829)
Total Parks and Recreation Expenditures	<u>1,690,020</u>	<u>1,715,020</u>	<u>1,709,408</u>	<u>(5,612)</u>
Total Culture and Recreation Expenditures	<u>2,346,600</u>	<u>2,371,600</u>	<u>2,363,552</u>	<u>(8,048)</u>
Community Development:				
Planning and Community Development				
Personnel	274,200	274,200	271,685	(2,515)
Buildings and equipment	7,000	7,000	3,025	(3,975)
Supplies	10,500	10,500	4,112	(6,388)
Other	57,000	57,000	33,390	(23,610)
Total Planning and Community Development Expenditures	<u>348,700</u>	<u>348,700</u>	<u>312,212</u>	<u>(36,488)</u>
Engineering				
Personnel	453,670	453,670	438,863	(14,807)
Buildings and equipment	12,000	12,000	4,321	(7,679)
Supplies	19,000	19,000	14,440	(4,560)
Other	111,000	111,000	99,872	(11,128)
Total Engineering Expenditures	<u>595,670</u>	<u>595,670</u>	<u>557,496</u>	<u>(38,174)</u>
Total Community Development Expenditures	<u>944,370</u>	<u>944,370</u>	<u>869,708</u>	<u>(74,662)</u>

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual – General Fund (Continued)**  
**Year Ended December 31, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Safety:				
Animal Services				
Personnel	\$ 501,050	\$ 501,050	\$ 457,494	\$ (43,556)
Buildings and equipment	44,500	44,500	27,655	(16,845)
Supplies	72,500	72,500	108,395	35,895
Other	55,000	55,000	83,354	28,354
Capital	50,000	50,000	-	(50,000)
Total Animal Services Expenditures	<u>723,050</u>	<u>723,050</u>	<u>676,898</u>	<u>(46,152)</u>
Building Inspection				
Personnel	707,170	531,620	497,634	(33,986)
Buildings and equipment	16,700	14,425	19,676	5,251
Supplies	53,000	34,975	32,896	(2,079)
Other	77,550	106,570	30,025	(76,545)
Capital	22,000	22,000	21,844	(156)
Total Building Inspection Expenditures	<u>876,420</u>	<u>709,590</u>	<u>602,075</u>	<u>(107,515)</u>
Community Engagement / Code Enforcement				
Personnel	-	233,570	224,380	(9,190)
Buildings and equipment	-	10,300	16,415	6,115
Supplies	-	26,260	19,141	(7,119)
Other	-	75,775	38,391	(37,384)
Capital	-	2,000	183,327	181,327
Total Community Engagement Expenditures	<u>-</u>	<u>347,905</u>	<u>481,654</u>	<u>133,749</u>
Police				
Personnel	12,508,930	12,198,930	11,909,304	(289,626)
Buildings and equipment	260,150	260,150	293,584	33,434
Supplies	571,500	588,741	486,485	(102,256)
Other	355,000	459,500	926,686	467,186
Capital	375,000	707,790	714,619	6,829
Total Police Expenditures	<u>14,070,580</u>	<u>14,215,111</u>	<u>14,330,678</u>	<u>115,567</u>
Fire				
Personnel	9,375,480	9,375,480	9,260,949	(114,531)
Buildings and equipment	322,150	340,330	368,967	28,637
Supplies	537,150	537,150	694,668	157,518
Other	279,000	279,000	330,181	51,181
Capital	39,000	333,752	169,938	(163,814)
Total Fire Expenditures	<u>10,552,780</u>	<u>10,865,712</u>	<u>10,824,703</u>	<u>(41,009)</u>
Total Public Safety Expenditures	<u>26,222,830</u>	<u>26,861,368</u>	<u>26,916,008</u>	<u>54,640</u>

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual – General Fund (Continued)**  
**Year Ended December 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Total Expenditures	<u>\$ 33,228,640</u>	<u>\$ 33,892,178</u>	<u>\$ 33,772,359</u>	<u>\$ (119,819)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(6,373,710)</u>	<u>(7,037,248)</u>	<u>(4,895,932)</u>	<u>2,141,316</u>
Other Financing Sources (Uses)				
Transfers in	7,460,050	7,460,050	7,212,364	(247,686)
Transfers out	(1,548,112)	(1,552,502)	(1,594,555)	(42,053)
Proceeds from sale of capital assets	-	32,671	81,459	48,788
Insurance recoveries	-	18,180	85,940	67,760
Total Other Financing Sources (Uses)	<u>5,911,938</u>	<u>5,958,399</u>	<u>5,785,208</u>	<u>(173,191)</u>
Net Change in Fund Balance	(461,772)	(1,078,849)	889,276	1,968,125
Fund Balance - Beginning of Year	<u>6,835,149</u>	<u>6,835,149</u>	<u>6,835,149</u>	<u>-</u>
Fund Balance - End of Year	<u><u>\$ 6,373,377</u></u>	<u><u>\$ 5,756,300</u></u>	<u><u>\$ 7,724,425</u></u>	<u><u>\$ 1,968,125</u></u>

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual – Street Fund**  
**Year Ended December 31, 2014**

	Budgeted Amounts		Actual Amounts	Variances Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Ad valorem	\$ 870,000	\$ 870,000	\$ 864,722	\$ (5,278)
Fees and permits	1,700	1,700	6,610	4,910
Intergovernmental				
Federal and state grants	-	-	17,007	17,007
State turnback-street	4,327,400	4,327,400	4,650,363	322,963
Charges for goods and services				
Street signs	500	500	1,303	803
Street and curb cut repairs	12,000	12,000	43,501	31,501
Other	-	-	776	776
Investment earnings (losses)	10,000	10,000	20,101	10,101
Miscellaneous	5,000	5,000	101,102	96,102
Total Revenues	<u>5,226,600</u>	<u>5,226,600</u>	<u>5,705,485</u>	<u>478,885</u>
Expenditures				
Public Works				
Street Fund				
Personnel	2,320,560	2,281,995	2,277,559	(4,436)
Buildings and equipment	154,000	154,000	212,270	58,270
Supplies	1,636,500	1,440,890	1,018,850	(422,040)
Regional support	240,000	240,000	248,646	8,646
Other	643,000	543,000	398,781	(144,219)
Capital	568,375	671,250	640,661	(30,589)
Total Public Works Expenditures	<u>5,562,435</u>	<u>5,331,135</u>	<u>4,796,767</u>	<u>(534,368)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(335,835)</u>	<u>(104,535)</u>	<u>908,718</u>	<u>1,013,253</u>
Other Financing Sources (Uses)				
Transfers in	324,910	329,300	449,798	120,498
Transfers out	-	(197,125)	-	197,125
Insurance recoveries	-	-	10,530	10,530
Total Other Financing Sources (Uses)	<u>324,910</u>	<u>132,175</u>	<u>460,328</u>	<u>328,153</u>
Net Change in Fund Balance	<u>(10,925)</u>	<u>27,640</u>	<u>1,369,046</u>	<u>1,341,406</u>
Fund Balance - Beginning of Year	<u>1,249,592</u>	<u>1,249,592</u>	<u>1,249,592</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 1,238,667</u>	<u>\$ 1,277,232</u>	<u>\$ 2,618,638</u>	<u>\$ 1,341,406</u>

**City of Springdale, Arkansas**  
**Notes to Required Supplementary Information**  
**Year Ended December 31, 2014**

**Stewardship, Compliance and Accountability**

***Budgetary Information***

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

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

The original budgets of the General and Street Funds were amended during 2014. The *Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual* for these two funds present the original and revised budget amounts in comparison to the actual amounts of revenues and expenditures for the current year.

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**City of Springdale, Arkansas**  
**Combining Balance Sheet – Nonmajor Governmental Funds**  
**December 31, 2014**

Assets	Special Revenue Funds					
	Public Library Fund	Shiloh Museum Board Fund	Advertising and Promotion Fund	District Court Costs Fund	Arvest Ballpark Fund	Community Development Block Grant Fund
Cash and cash equivalents	\$ 111,528	\$ 338,460	\$ 188,505	\$ 199,559	\$ 195,574	\$ 47,013
Investments	-	89,827	70,000	-	1,493,667	-
Accounts receivable	-	-	22,523	-	-	-
Interest receivable	-	-	43	-	3,361	-
Intergovernmental receivables	1,510	-	-	34,195	-	-
Note receivable	-	-	-	-	-	-
Due from other funds	-	-	-	15,859	6,244	-
Assets held for resale	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Restricted assets:						
Cash and cash equivalents	-	-	-	-	-	-
Investments	-	1,403,201	-	-	-	-
Intergovernmental receivables	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 113,038</b>	<b>\$ 1,831,488</b>	<b>\$ 281,071</b>	<b>\$ 249,613</b>	<b>\$ 1,698,846</b>	<b>\$ 47,013</b>
<u>Liabilities and Fund Balances</u>						
Liabilities						
Accounts payable	\$ 30,233	\$ 1,662	\$ 24,437	\$ 10,571	\$ 17,933	\$ 50,012
Salaries payable	48,388	529	-	33,379	-	4,058
Payable from restricted assets:						
Accounts payable	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Due to other funds	5,001	-	-	7,239	-	-
Unearned revenue	-	-	-	-	58,130	-
<b>Total Liabilities</b>	<b>83,622</b>	<b>2,191</b>	<b>24,437</b>	<b>51,189</b>	<b>76,063</b>	<b>54,070</b>
Fund Balances						
Nonspendable	-	1,403,201	-	-	-	-
Restricted for:						
Court automation	-	-	-	160,658	-	-
Grant expenditures	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-
Assigned	29,416	426,096	256,634	37,766	1,622,783	(7,057)
<b>Total Fund Balances</b>	<b>29,416</b>	<b>1,829,297</b>	<b>256,634</b>	<b>198,424</b>	<b>1,622,783</b>	<b>(7,057)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 113,038</b>	<b>\$ 1,831,488</b>	<b>\$ 281,071</b>	<b>\$ 249,613</b>	<b>\$ 1,698,846</b>	<b>\$ 47,013</b>

Capital Projects Funds			Debt Service Funds		Permanent Funds		Total Nonmajor Governmental Funds
2006 Bonds Street Impr Construction Fund	2012 Bonds Fire Impr Construction Fund	Public Facilities Board Fund	2006 Bonds Debt Service Fund	2012 Bonds Debt Service Fund	Bluff Cemetery Fund	Public Library Board Foundation Fund	
\$ -	\$ -	\$ 751,837	\$ -	\$ -	\$ 27,103	\$ 320,031	\$ 2,179,610
-	-	188,631	-	-	511,428	-	2,353,553
-	-	-	-	-	11,990	-	34,513
-	-	479	-	-	1,584	-	5,467
-	-	-	-	-	-	-	35,705
-	-	400,000	-	-	-	-	400,000
-	-	-	-	-	-	5,001	27,104
-	-	2,028,395	-	-	-	-	2,028,395
-	-	14,000	-	-	-	-	14,000
-	1,562,705	-	-	943,158	-	-	2,505,863
-	3,350,003	-	-	2,660,637	-	-	7,413,841
-	-	-	-	700,948	-	-	700,948
5	1,823	-	-	1,081	-	-	2,909
-	2,426	-	-	-	-	-	2,426
<u>\$ 5</u>	<u>\$ 4,916,957</u>	<u>\$ 3,383,342</u>	<u>\$ -</u>	<u>\$ 4,305,824</u>	<u>\$ 552,105</u>	<u>\$ 325,032</u>	<u>\$ 17,704,334</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,513	\$ -	\$ 136,361
-	-	-	-	-	1,053	-	87,407
-	577,985	-	-	-	-	-	577,985
-	1,496	-	-	-	-	-	1,496
-	-	-	-	-	650	-	12,890
-	-	-	-	-	-	-	58,130
-	579,481	-	-	-	3,216	-	874,269
-	-	2,428,395	-	-	32,720	-	3,864,316
-	-	-	-	-	-	-	160,658
-	-	-	-	-	-	8,568	8,568
5	4,337,476	-	-	4,305,824	-	-	8,643,305
-	-	954,947	-	-	516,169	316,464	4,153,218
<u>5</u>	<u>4,337,476</u>	<u>3,383,342</u>	<u>-</u>	<u>4,305,824</u>	<u>548,889</u>	<u>325,032</u>	<u>16,830,065</u>
<u>\$ 5</u>	<u>\$ 4,916,957</u>	<u>\$ 3,383,342</u>	<u>\$ -</u>	<u>\$ 4,305,824</u>	<u>\$ 552,105</u>	<u>\$ 325,032</u>	<u>\$ 17,704,334</u>

# City of Springdale, Arkansas

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds Year Ended December 31, 2014

	Special Revenue Funds					
	Public Library Fund	Shiloh Museum Board Fund	Advertising and Promotion Fund	District Court Costs Fund	Arvest Ball Park Fund	Community Development Block Grant Fund
<b>Revenues</b>						
Taxes	\$ 48,507	\$ -	\$ 382,447	\$ -	\$ -	\$ -
Fees and permits	-	24,695	-	180,163	-	-
Intergovernmental	1,126,411	-	-	106,155	-	723,448
Charges for goods and services	-	15,484	-	-	354,035	-
Fines and forfeitures	64,049	-	-	-	-	-
Investment earnings (losses)	351	48,951	1,041	8,825	91,359	-
Miscellaneous	32,087	286,522	-	453	-	135,864
<b>Total Revenues</b>	<b>1,271,405</b>	<b>375,652</b>	<b>383,488</b>	<b>295,596</b>	<b>445,394</b>	<b>859,312</b>
<b>Expenditures</b>						
<b>Current</b>						
General government	-	-	-	931,030	-	-
Community development	-	-	-	-	-	867,981
Culture and recreation	1,807,939	71,753	-	-	217,052	-
Economic development	-	-	292,528	-	-	-
Capital expenditures	25,151	7,530	-	9,106	-	4,500
<b>Debt service</b>						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Other fees	-	-	-	-	-	-
Agent fees	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>1,833,090</b>	<b>79,283</b>	<b>292,528</b>	<b>940,136</b>	<b>217,052</b>	<b>872,481</b>
<b>Excess (Deficiency) of Revenues</b>						
Over Expenditures	(561,685)	296,369	90,960	(644,540)	228,342	(13,169)
<b>Other Financing Sources (Uses)</b>						
Transfers in	562,086	-	-	582,671	-	-
Transfers out	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-
Insurance recoveries	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>562,086</b>	<b>-</b>	<b>-</b>	<b>582,671</b>	<b>-</b>	<b>-</b>
<b>Net Changes in Fund Balances</b>	401	296,369	90,960	(61,869)	228,342	(13,169)
<b>Fund Balances - Beginning of Year</b>	<b>29,015</b>	<b>1,532,928</b>	<b>165,674</b>	<b>260,293</b>	<b>1,394,441</b>	<b>6,112</b>
<b>Fund Balances - End of Year</b>	<b>\$ 29,416</b>	<b>\$ 1,829,297</b>	<b>\$ 256,634</b>	<b>\$ 198,424</b>	<b>\$ 1,622,783</b>	<b>\$ (7,057)</b>

Capital Projects Funds			Debt Service Funds		Permanent Funds		Total Nonmajor Governmental Funds
2006 Bonds Street Impr Construction Fund	2012 Bonds Fire Impr Construction Fund	Public Facilities Board Fund	2006 Bonds Debt Service Fund	2012 Bonds Debt Service Fund	Bluff Cemetery Fund	Public Library Board Foundation Fund	
\$ -	\$ -	\$ -	\$ -	\$ 4,142,059	\$ -	\$ -	\$ 4,573,013
-	-	-	-	-	-	-	204,858
-	-	-	-	-	-	-	1,956,014
-	-	389,400	-	-	20,225	-	779,144
-	-	-	-	-	-	-	64,049
251	6,385	2,426	-	48,833	18,591	205	227,218
-	-	5,395	-	-	-	38,781	499,102
<u>251</u>	<u>6,385</u>	<u>397,221</u>	<u>-</u>	<u>4,190,892</u>	<u>38,816</u>	<u>38,986</u>	<u>8,303,398</u>
-	-	-	-	-	76,978	-	1,008,008
-	-	-	-	-	-	-	867,981
-	-	-	-	-	-	35,276	2,132,020
-	-	72,531	-	-	-	-	365,059
-	4,232,334	114,588	-	-	-	-	4,393,209
-	-	-	-	1,905,000	-	-	1,905,000
-	-	-	-	2,192,787	-	-	2,192,787
-	-	-	-	5,500	-	-	5,500
-	-	-	23	6,000	-	-	6,023
<u>-</u>	<u>4,232,334</u>	<u>187,119</u>	<u>23</u>	<u>4,109,287</u>	<u>76,978</u>	<u>35,276</u>	<u>12,875,587</u>
<u>251</u>	<u>(4,225,949)</u>	<u>210,102</u>	<u>(23)</u>	<u>81,605</u>	<u>(38,162)</u>	<u>3,710</u>	<u>(4,572,189)</u>
-	472,059	-	-	-	-	-	1,616,816
(458,718)	-	-	-	-	-	-	(458,718)
4,479	-	-	-	-	-	-	4,479
-	-	-	-	-	-	-	-
<u>(454,239)</u>	<u>472,059</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,162,577</u>
(453,988)	(3,753,890)	210,102	(23)	81,605	(38,162)	3,710	(3,409,612)
<u>453,993</u>	<u>8,091,366</u>	<u>3,173,240</u>	<u>23</u>	<u>4,224,219</u>	<u>587,051</u>	<u>321,322</u>	<u>20,239,677</u>
<u>\$ 5</u>	<u>\$ 4,337,476</u>	<u>\$ 3,383,342</u>	<u>\$ -</u>	<u>\$ 4,305,824</u>	<u>\$ 548,889</u>	<u>\$ 325,032</u>	<u>\$ 16,830,065</u>

**City of Springdale, Arkansas**  
**Combining Statement of Net Position –**  
**Nonmajor Enterprise Funds**  
**December 31, 2014**

	Enterprise Funds			Total Nonmajor Proprietary Funds
	Parks Soccer Program Fund	City Attorney Restitution Fund	Sanitation Fund	
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 11,845	\$ 24,235	\$ 60,446	\$ 96,526
Accounts receivable	-	-	23,933	23,933
Due from other funds	-	125	-	125
Total current assets	<u>11,845</u>	<u>24,360</u>	<u>84,379</u>	<u>120,584</u>
Capital assets				
Land improvements	21,376	-	-	21,376
Machinery and equipment	80,415	19,471	233,272	333,158
Less accumulated depreciation	<u>(50,463)</u>	<u>(19,471)</u>	<u>(111,598)</u>	<u>(181,532)</u>
Total capital assets, net of accumulated depreciation	<u>51,328</u>	<u>-</u>	<u>121,674</u>	<u>173,002</u>
Total assets	<u>63,173</u>	<u>24,360</u>	<u>206,053</u>	<u>293,586</u>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	-	-	3,421	3,421
Salaries payable	972	-	4,396	5,368
Due to other funds	-	14	-	14
Total current liabilities	<u>972</u>	<u>14</u>	<u>7,817</u>	<u>8,803</u>
Noncurrent liabilities				
Compensated absences	<u>2,075</u>	<u>-</u>	<u>2,298</u>	<u>4,373</u>
Total liabilities	<u>3,047</u>	<u>14</u>	<u>10,115</u>	<u>13,176</u>
<b>Net Position</b>				
Net investment in capital assets	51,328	-	121,674	173,002
Unrestricted	<u>8,798</u>	<u>24,346</u>	<u>74,264</u>	<u>107,408</u>
Total net position	<u>\$ 60,126</u>	<u>\$ 24,346</u>	<u>\$ 195,938</u>	<u>\$ 280,410</u>

**City of Springdale, Arkansas**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position –**  
**Nonmajor Enterprise Funds**  
**Year Ended December 31, 2014**

	Enterprise Funds			Total Nonmajor Proprietary Funds
	Parks Soccer Program Fund	City Attorney Restitution Fund	Sanitation Fund	
Operating Revenues				
Charges for services				
Activity fees	\$ 117,265	\$ -	\$ -	\$ 117,265
Other service fees	-	13,645	115,092	128,737
Total operating revenues	<u>117,265</u>	<u>13,645</u>	<u>115,092</u>	<u>246,002</u>
Operating Expenses				
Personnel	75,460	-	108,989	184,449
Maintenance	4,398	-	1,454	5,852
Supplies	23,538	209	14,799	38,546
Other	1,600	260	8,433	10,293
Depreciation	7,570	-	23,327	30,897
Total operating expenses	<u>112,566</u>	<u>469</u>	<u>157,002</u>	<u>270,037</u>
Operating Income (Loss)	<u>4,699</u>	<u>13,176</u>	<u>(41,910)</u>	<u>(24,035)</u>
Nonoperating Revenues				
Investment earnings	38	-	403	441
Total Nonoperating Revenues	<u>38</u>	<u>-</u>	<u>403</u>	<u>441</u>
Income (Loss) Before Transfers	<u>4,737</u>	<u>13,176</u>	<u>(41,507)</u>	<u>(23,594)</u>
Operating transfers out	<u>-</u>	<u>(15,000)</u>	<u>-</u>	<u>(15,000)</u>
Change in Net Position	4,737	(1,824)	(41,507)	(38,594)
Net Position - Beginning of Year	<u>55,389</u>	<u>26,170</u>	<u>237,445</u>	<u>319,004</u>
Net Position - End of Year	<u>\$ 60,126</u>	<u>\$ 24,346</u>	<u>\$ 195,938</u>	<u>\$ 280,410</u>

**City of Springdale, Arkansas**  
**Combining Statement of Cash Flows –**  
**Nonmajor Enterprise Funds**  
**Year Ended December 31, 2014**

	Enterprise Funds			Total Nonmajor Proprietary Funds
	Parks Soccer Program Fund	City Attorney Restitution Fund	Sanitation Fund	
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 117,265	\$ 13,645	\$ 118,418	\$ 249,328
Payments to suppliers	(29,536)	(469)	(22,324)	(52,329)
Payments to employees	(74,823)	-	(108,134)	(182,957)
Miscellaneous revenues	-	-	118	118
Net cash provided by (used in) operating activities	<u>12,906</u>	<u>13,176</u>	<u>(11,922)</u>	<u>14,160</u>
Cash Flows From Noncapital Financing Activities				
Transfer to other funds	-	(15,000)	-	(15,000)
Receipt (payment) of interfund balances	(2,500)	114	-	(2,386)
Net cash used in noncapital financing activities	<u>(2,500)</u>	<u>(14,886)</u>	<u>-</u>	<u>(17,386)</u>
Cash Flows From Investing Activities				
Interest received	38	-	403	441
Net cash provided by investing activities	<u>38</u>	<u>-</u>	<u>403</u>	<u>441</u>
Net Increase (Decrease) in Cash and Cash Equivalents	10,444	(1,710)	(11,519)	(2,785)
Cash and Cash Equivalents, January 1	<u>1,401</u>	<u>25,945</u>	<u>71,965</u>	<u>99,311</u>
Cash and Cash Equivalents, December 31	<u>\$ 11,845</u>	<u>\$ 24,235</u>	<u>\$ 60,446</u>	<u>\$ 96,526</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities				
Operating income (loss)	<u>\$ 4,699</u>	<u>\$ 13,176</u>	<u>\$ (41,910)</u>	<u>\$ (24,035)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	7,570	-	23,327	30,897
Decrease in accounts receivable	-	-	3,444	3,444
Increase in accounts payable	-	-	2,362	2,362
Increase in salaries payable	80	-	302	382
Increase in compensated absences	557	-	553	1,110
Total adjustments	<u>8,207</u>	<u>-</u>	<u>29,988</u>	<u>38,195</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 12,906</u>	<u>\$ 13,176</u>	<u>\$ (11,922)</u>	<u>\$ 14,160</u>

**City of Springdale, Arkansas**  
**Combining Statement of Changes in Assets and Liabilities –**  
**Agency Funds**  
**Year Ended December 31, 2014**

	Balance 12/31/2013	Additions	Deletions	Balance 12/31/2014
<b>POLICE BOND AND FINE FUND</b>				
Assets				
Cash	\$ 19,470	\$ 20	\$ -	\$ 19,490
Liabilities				
Due to other funds	\$ 12,748	\$ 20	\$ -	\$ 12,768
Due to others	6,722	-	-	6,722
Total Liabilities	\$ 19,470	\$ 20	\$ -	\$ 19,490
 <b>DISTRICT COURT FUND</b>				
Assets				
Cash	\$ 564,091	\$ 2,816,521	\$ 2,758,616	\$ 621,996
Accounts receivable	1,881,970	2,765,101	2,635,970	2,011,101
Due from other funds	14,730	5,238	1,315	18,653
Total Assets	\$ 2,460,791	\$ 5,586,860	\$ 5,395,901	\$ 2,651,750
Liabilities				
Due to other funds	\$ 133,967	\$ 156,537	\$ 133,967	\$ 156,537
Due to others	2,326,824	2,124,291	1,955,902	2,495,213
Total Liabilities	\$ 2,460,791	\$ 2,280,828	\$ 2,089,869	\$ 2,651,750
 <b>PAYROLL FUND</b>				
Assets				
Cash	\$ 735,472	\$ 15,322,661	\$ 15,196,802	\$ 861,331
Accounts receivable	6,742	674	6,742	674
Total Assets	\$ 742,214	\$ 15,323,335	\$ 15,203,544	\$ 862,005
Liabilities				
Due to other funds	\$ 13,000	\$ 5,000	\$ -	\$ 18,000
Accounts payable	729,214	12,386,540	12,368,850	746,904
Accrued liabilities	-	97,101	-	97,101
Total Liabilities	\$ 742,214	\$ 12,488,641	\$ 12,368,850	\$ 862,005

**City of Springdale, Arkansas**  
**Combining Statement of Changes in Assets and Liabilities –**  
**Agency Funds (Continued)**  
**Year Ended December 31, 2014**

	Balance 12/31/2013	Additions	Deletions	Balance 12/31/2014
<b>POLICE EVIDENCE FUND</b>				
Assets				
Cash	\$ 22,689	\$ 27,878	\$ 9,127	\$ 41,440
Liabilities				
Due to other funds	\$ 65	\$ 27	\$ -	\$ 92
Accounts payable	22,624	18,724	-	41,348
Total Liabilities	\$ 22,689	\$ 18,751	\$ -	\$ 41,440
 <b>ADMINISTRATION OF JUSTICE FUND</b>				
Assets				
Cash	\$ -	\$ 947,511	\$ 898,831	\$ 48,680
Due from other funds	67,039	954,978	947,509	74,508
Total Assets	\$ 67,039	\$ 1,902,489	\$ 1,846,340	\$ 123,188
Liabilities				
Due to other funds	\$ 14,650	\$ 479,182	\$ 476,344	\$ 17,488
Accounts payable	52,389	175,797	122,486	105,700
Total Liabilities	\$ 67,039	\$ 654,979	\$ 598,830	\$ 123,188
 <b>ALL AGENCY FUNDS</b>				
Assets				
Cash	\$ 1,341,722	\$ 19,114,591	\$ 18,863,376	\$ 1,592,937
Due from other funds	81,769	960,216	948,824	93,161
Accounts receivable	1,888,712	2,765,775	2,642,712	2,011,775
Total Assets	\$ 3,312,203	\$ 22,840,582	\$ 22,454,912	\$ 3,697,873
Liabilities				
Due to other funds	\$ 174,430	\$ 640,766	\$ 610,311	\$ 204,885
Accounts payable	3,137,773	14,705,352	14,447,238	3,395,887
Accrued liabilities	-	97,101	-	97,101
Total Liabilities	\$ 3,312,203	\$ 15,443,219	\$ 15,057,549	\$ 3,697,873

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance –**  
**Budget and Actual – Sales and Use Tax Fund**  
**Year Ended December 31, 2014**

	Budgeted Amounts		Actual Amounts	Variances Final Budget
	Original	Final		Positive (Negative)
Revenues				
Taxes				
Sales	\$ 6,691,200	\$ 6,691,200	\$ 7,526,295	\$ 835,095
Intergovernmental	4,800,000	4,800,000	3,955,819	(844,181)
Investment earnings (losses)	275,000	275,000	1,049,266	774,266
Miscellaneous	-	-	1,771,628	1,771,628
Total Revenues	11,766,200	11,766,200	14,303,008	2,536,808
Expenditures				
Capital Projects:				
Capital	9,480,450	9,480,450	8,395,868	(1,084,582)
Total Capital Projects Expenditures	9,480,450	9,480,450	8,395,868	(1,084,582)
Excess (Deficiency) of Revenues Over Expenditures	2,285,750	2,285,750	5,907,140	3,621,390
Other Financing Sources (Uses)				
Transfers in	556,685	556,685	458,718	(97,967)
Transfers out	(7,445,050)	(7,445,050)	(7,819,871)	(374,821)
Total Other Financing Sources (Uses)	(6,888,365)	(6,888,365)	(7,361,153)	(472,788)
Net Change in Fund Balance	(4,602,615)	(4,602,615)	(1,454,013)	3,148,602
Fund Balance - Beginning of Year	17,494,988	17,494,988	17,494,988	-
Fund Balance - End of Year	\$ 12,892,373	\$ 12,892,373	\$ 16,040,975	\$ 3,148,602

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance –**  
**Budget and Actual – Public Library Fund**  
**Year Ended December 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes				
Ad valorem	\$ 45,000	\$ 45,000	\$ 48,507	\$ 3,507
Intergovernmental				
State grants	-	-	260	260
County aid	1,123,150	1,123,150	1,126,151	3,001
Fines	70,000	70,000	64,049	(5,951)
Investment earnings	200	200	351	151
Miscellaneous	30,000	30,000	32,087	2,087
<b>Total revenues</b>	<u>1,268,350</u>	<u>1,268,350</u>	<u>1,271,405</u>	<u>3,055</u>
<b>Expenditures</b>				
Culture and recreation				
Public Library				
Personnel	1,139,340	1,139,340	1,092,272	(47,068)
Maintenance	183,950	183,950	164,309	(19,641)
Supplies	484,500	484,500	477,096	(7,404)
Other	74,150	74,150	74,262	112
Capital	-	-	25,151	25,151
<b>Total Public Library expenditures</b>	<u>1,881,940</u>	<u>1,881,940</u>	<u>1,833,090</u>	<u>(48,850)</u>
Excess (Deficiency) of Revenues Over Expenditures	(613,590)	(613,590)	(561,685)	51,905
<b>Other Financing Sources</b>				
Transfers in	613,590	613,590	562,086	(51,504)
<b>Total Other Financing Sources (Uses)</b>	<u>613,590</u>	<u>613,590</u>	<u>562,086</u>	<u>(51,504)</u>
Net Change in Fund Balance	-	-	401	401
Fund Balance - Beginning of Year	<u>29,015</u>	<u>29,015</u>	<u>29,015</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 29,015</u>	<u>\$ 29,015</u>	<u>\$ 29,416</u>	<u>\$ 401</u>

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance –**  
**Budget and Actual – Shiloh Museum Board Fund**  
**Year Ended December 31, 2014**

	Budgeted Amounts		Actual Amounts	Variances Final Budget
	Original	Final		Positive (Negative)
Revenues				
Fees and permits:				
Fees and memberships	\$ 21,000	\$ 21,000	\$ 24,695	\$ 3,695
Charges for goods and services	8,000	8,000	15,484	7,484
Investment earnings (losses)	600	600	48,951	48,351
Miscellaneous	8,500	8,500	286,522	278,022
Total revenues	38,100	38,100	375,652	337,552
Expenditures				
Culture and recreation				
Shiloh Museum				
Personnel	8,100	8,100	9,695	1,595
Maintenance	900	900	9,925	9,025
Supplies	6,500	6,500	6,652	152
Other	19,300	19,300	45,481	26,181
Capital	3,000	3,000	7,530	4,530
Total expenditures	37,800	37,800	79,283	41,483
Excess (Deficiency) of Revenues Over Expenditures	300	300	296,369	296,069
Net Change in Fund Balance	300	300	296,369	296,069
Fund Balance - Beginning of Year	1,532,928	1,532,928	1,532,928	-
Fund Balance - End of Year	\$ 1,533,228	\$ 1,533,228	\$ 1,829,297	\$ 296,069

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance –**  
**Budget and Actual – District Court Costs Fund**  
**Year Ended December 31, 2014**

	Budgeted Amounts		Actual Amounts	Variances Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fees and permits				
Filing fees	\$ 125,000	\$ 125,000	\$ 134,163	\$ 9,163
Installment plan fees	40,000	40,000	46,000	6,000
Intergovernmental				
City/county aid	93,768	93,768	106,155	12,387
Investment earnings	3,500	3,500	8,825	5,325
Miscellaneous	-	-	453	453
Total revenues	262,268	262,268	295,596	33,328
Expenditures				
General government				
Court Costs				
Personnel	781,400	783,400	768,507	(14,893)
Maintenance	13,500	136,304	78,835	(57,469)
Supplies	25,500	25,150	22,384	(2,766)
Other	85,100	89,712	61,304	(28,408)
Capital	-	22,646	9,106	(13,540)
Total expenditures	905,500	1,057,212	940,136	(117,076)
Excess (Deficiency) of Revenues Over Expenditures	(643,232)	(794,944)	(644,540)	150,404
Other Financing Sources				
Transfers in	609,612	609,612	582,671	(26,941)
Net Change in Fund Balance	(33,620)	(185,332)	(61,869)	123,463
Fund Balance - Beginning of Year	260,293	260,293	260,293	-
Fund Balance - End of Year	\$ 226,673	\$ 74,961	\$ 198,424	\$ 123,463

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance –**  
**Budget and Actual – Arvest Ball Park Fund**  
**Year Ended December 31, 2014**

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final		Final Budget Positive (Negative)
Revenues				
Rent	\$ 324,000	\$ 324,000	\$ 354,035	\$ 30,035
Investment earnings	35,200	35,200	91,359	56,159
Total revenues	<u>359,200</u>	<u>359,200</u>	<u>445,394</u>	<u>86,194</u>
Expenditures				
Culture and recreation:				
Maintenance	100,000	100,000	151,224	51,224
Other	70,500	70,500	65,828	(4,672)
Capital	100,000	100,000	-	(100,000)
Total expenditures	<u>270,500</u>	<u>270,500</u>	<u>217,052</u>	<u>(53,448)</u>
Excess (Deficiency) of Revenues Over Expenditures and Net Change in Fund Balance	88,700	88,700	228,342	32,746
Fund Balance - Beginning of Year	<u>1,394,441</u>	<u>1,394,441</u>	<u>1,394,441</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 1,483,141</u>	<u>\$ 1,483,141</u>	<u>\$ 1,622,783</u>	<u>\$ 32,746</u>

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures, and Changes in Net Position –**  
**Budget and Actual – Municipal Airport Fund**  
**Year Ended December 31, 2014**

	<b>Budgeted Amounts</b>	
	<b>Original</b>	<b>Final</b>
Operating Revenues		
Rental fees	\$ 272,870	\$ 272,870
Fuel flowage fees	42,000	42,000
Other service fees	15,810	15,810
Total operating revenues	<u>330,680</u>	<u>330,680</u>
Operating Expenses		
Personnel	81,800	81,800
Maintenance	64,300	64,300
Supplies	56,200	56,200
Other	122,360	122,360
Depreciation expense	<u>-</u>	<u>-</u>
Total operating expenses	<u>324,660</u>	<u>324,660</u>
Operating Income (Loss)	<u>6,020</u>	<u>6,020</u>
Nonoperating Revenues (Expenditures)		
Sales taxes	27,000	27,000
Interest income	350	350
Capital expenditures	<u>-</u>	<u>-</u>
Net Nonoperating Revenues (Expenditures)	<u>27,350</u>	<u>27,350</u>
Income (Loss) Before Capital Contributions	<u>33,370</u>	<u>33,370</u>
Capital grants and contributions	-	-
Transfers in	<u>-</u>	<u>-</u>
Change in Net Position	33,370	33,370
Net Position - Beginning of Year	<u>5,716,088</u>	<u>5,716,088</u>
Net Position - End of Year	<u><u>\$ 5,749,458</u></u>	<u><u>\$ 5,749,458</u></u>

<b>Actual GAAP Basis</b>	<b>Adjustments to Budget Basis</b>	<b>Actual Budget Basis</b>	<b>Variances Final Budget Positive (Negative)</b>
\$ 268,417	\$ -	\$ 268,417	\$ (4,453)
42,471	-	42,471	471
15,885	-	15,885	75
<u>326,773</u>	<u>-</u>	<u>326,773</u>	<u>(3,907)</u>
81,709	-	81,709	(91)
64,019	-	64,019	(281)
54,168	-	54,168	(2,032)
126,523	-	126,523	4,163
297,634	(297,634)	-	-
<u>624,053</u>	<u>(297,634)</u>	<u>326,419</u>	<u>1,759</u>
<u>(297,280)</u>	<u>297,634</u>	<u>354</u>	<u>(5,666)</u>
26,804	-	26,804	(196)
8	-	8	(342)
-	(845,052)	(845,052)	(845,052)
<u>26,812</u>	<u>(845,052)</u>	<u>(818,240)</u>	<u>(845,590)</u>
<u>(270,468)</u>	<u>(547,418)</u>	<u>(817,886)</u>	<u>(851,256)</u>
692,432	-	692,432	692,432
<u>150,448</u>	<u>-</u>	<u>150,448</u>	<u>150,448</u>
572,412	(547,418)	24,994	(8,376)
<u>5,716,088</u>	<u>-</u>	<u>5,716,088</u>	<u>-</u>
<u>\$ 6,288,500</u>	<u>\$ (547,418)</u>	<u>\$ 5,741,082</u>	<u>\$ (8,376)</u>

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures, and Changes in Net Position –**  
**Budget and Actual – Aquatic Center Fund**  
**Year Ended December 31, 2014**

	<b>Budgeted Amounts</b>	
	<b>Original</b>	<b>Final</b>
Operating Revenues		
Charges for goods and services		
Activity fees	\$ 210,000	\$ 210,000
Concessions	3,000	3,000
Rental fees	-	-
Other revenue	800	800
Total operating revenues	<u>213,800</u>	<u>213,800</u>
Operating Expenses		
Personnel	158,610	158,610
Maintenance	76,200	76,200
Supplies	57,950	57,950
Other	3,400	3,400
Depreciation expense	-	-
Total operating expenses	<u>296,160</u>	<u>296,160</u>
Operating Income (Loss)	<u>(82,360)</u>	<u>(82,360)</u>
Nonoperating Revenues (Expenditures)		
Investment income	2,400	2,400
Capital expenditures	(12,000)	(12,000)
Net Nonoperating Revenues (Expenditures)	<u>(9,600)</u>	<u>(9,600)</u>
Change in Net Position	(91,960)	(91,960)
Net Position - Beginning of Year	<u>1,744,449</u>	<u>1,744,449</u>
Net Position - End of Year	<u>\$ 1,652,489</u>	<u>\$ 1,652,489</u>

<b>Actual GAAP Basis</b>	<b>Adjustments to Budget Basis</b>	<b>Actual Budget Basis</b>	<b>Variances Final Budget Positive (Negative)</b>
\$ 160,658	\$ -	\$ 160,658	\$ (49,342)
2,581	-	2,581	(419)
284	-	284	284
-	-	-	(800)
<u>163,523</u>	<u>-</u>	<u>163,523</u>	<u>(50,277)</u>
139,386	-	139,386	(19,224)
23,630	-	23,630	(52,570)
43,359	-	43,359	(14,591)
3,098	-	3,098	(302)
154,188	(154,188)	-	-
<u>363,661</u>	<u>(154,188)</u>	<u>209,473</u>	<u>(86,687)</u>
<u>(200,138)</u>	<u>154,188</u>	<u>(45,950)</u>	<u>36,410</u>
2,221	-	2,221	(179)
-	(11,876)	(11,876)	124
<u>2,221</u>	<u>(11,876)</u>	<u>(9,655)</u>	<u>(55)</u>
(197,917)	142,312	(55,605)	36,355
<u>1,744,449</u>	<u>-</u>	<u>1,744,449</u>	<u>-</u>
<u>\$ 1,546,532</u>	<u>\$ 142,312</u>	<u>\$ 1,688,844</u>	<u>\$ 36,355</u>

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures, and Changes in Net Position –**  
**Budget and Actual – Parks Soccer Program Fund**  
**Year Ended December 31, 2014**

	<b>Budgeted Amounts</b>	
	<b>Original</b>	<b>Final</b>
Operating Revenues		
Charges for services		
Activity fees	\$ 104,000	\$ 104,000
Total operating revenues	<u>104,000</u>	<u>104,000</u>
Operating Expenses		
Personnel	71,210	71,210
Maintenance	14,000	14,000
Supplies	15,200	15,200
Other	2,300	2,300
Depreciation	-	-
Total operating expenses	<u>102,710</u>	<u>102,710</u>
Operating Income (Loss)	<u>1,290</u>	<u>1,290</u>
Nonoperating Revenues (Expenditures)		
Interest income	-	-
Net Nonoperating Revenues (Expenditures)	<u>-</u>	<u>-</u>
Change in Net Position	1,290	1,290
Net Position - Beginning of Year	<u>55,389</u>	<u>55,389</u>
Net Position - End of Year	<u>\$ 56,679</u>	<u>\$ 56,679</u>

<b>Actual GAAP Basis</b>	<b>Adjustments to Budget Basis</b>	<b>Actual Budget Basis</b>	<b>Variances Final Budget Positive (Negative)</b>
\$ 117,265	\$ -	\$ 117,265	\$ 13,265
<u>117,265</u>	<u>-</u>	<u>117,265</u>	<u>13,265</u>
75,460	-	75,460	4,250
4,398	-	4,398	(9,602)
23,538	-	23,538	8,338
1,600	-	1,600	(700)
7,570	(7,570)	-	-
<u>112,566</u>	<u>(7,570)</u>	<u>104,996</u>	<u>2,286</u>
<u>4,699</u>	<u>7,570</u>	<u>12,269</u>	<u>10,979</u>
38	-	38	38
<u>38</u>	<u>-</u>	<u>38</u>	<u>38</u>
4,737	7,570	12,307	11,017
<u>55,389</u>	<u>-</u>	<u>55,389</u>	<u>-</u>
<u>\$ 60,126</u>	<u>\$ 7,570</u>	<u>\$ 67,696</u>	<u>\$ 11,017</u>

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures, and Changes in Net Position –**  
**Budget and Actual – Sanitation Fund**  
**Year Ended December 31, 2014**

	<b>Budgeted Amounts</b>	
	<b>Original</b>	<b>Final</b>
Operating Revenues		
Charges for services		
Bulky waste fees	\$ 112,500	\$ 112,500
Miscellaneous	-	-
Total operating revenues	<u>112,500</u>	<u>112,500</u>
Operating Expenses		
Personnel	107,140	107,140
Maintenance	1,000	1,000
Supplies	22,600	22,600
Other	2,900	2,900
Depreciation	-	-
Total operating expenses	<u>133,640</u>	<u>133,640</u>
Operating Income	<u>(21,140)</u>	<u>(21,140)</u>
Nonoperating Revenues (Expenditures)		
Interest income	<u>500</u>	<u>500</u>
Net Nonoperating Revenues (Expenditures)	<u>500</u>	<u>500</u>
Income (Loss) Before Transfers	<u>(20,640)</u>	<u>(20,640)</u>
Capital transfers in	<u>-</u>	<u>-</u>
Change in Net Position	(20,640)	(20,640)
Net Position - Beginning of Year	<u>237,445</u>	<u>237,445</u>
Net Position - End of Year	<u>\$ 216,805</u>	<u>\$ 216,805</u>

<b>Actual GAAP Basis</b>	<b>Adjustments to Budget Basis</b>	<b>Actual Budget Basis</b>	<b>Variances Final Budget Positive (Negative)</b>
\$ 114,974	\$ -	\$ 114,974	\$ 2,474
118	-	118	118
<u>115,092</u>	<u>-</u>	<u>115,092</u>	<u>2,592</u>
108,989	-	108,989	1,849
1,454	-	1,454	454
14,799	-	14,799	(7,801)
8,433	-	8,433	5,533
23,327	(23,327)	-	-
<u>157,002</u>	<u>(23,327)</u>	<u>133,675</u>	<u>35</u>
<u>(41,910)</u>	<u>23,327</u>	<u>(18,583)</u>	<u>2,557</u>
<u>403</u>	<u>-</u>	<u>403</u>	<u>(97)</u>
<u>403</u>	<u>-</u>	<u>403</u>	<u>(97)</u>
<u>(41,507)</u>	<u>23,327</u>	<u>(18,180)</u>	<u>2,460</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(41,507)	23,327	(18,180)	2,460
<u>237,445</u>	<u>-</u>	<u>237,445</u>	<u>-</u>
<u>\$ 195,938</u>	<u>\$ 23,327</u>	<u>\$ 219,265</u>	<u>\$ 2,460</u>

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance –**  
**Budget and Actual – Bluff Cemetery Fund**  
**Year Ended December 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
			<u>(Negative)</u>	
Revenues				
Charges for goods				
Cemetery lots	\$ 25,000	\$ 25,000	\$ 20,225	\$ (4,775)
Investment earnings	12,500	12,500	18,591	6,091
Total revenues	<u>37,500</u>	<u>37,500</u>	<u>38,816</u>	<u>1,316</u>
Expenditures				
General government				
Cemetery				
Personnel	34,690	34,690	42,882	8,192
Maintenance	8,100	8,100	26,866	18,766
Other	4,000	4,000	7,230	3,230
Capital	15,000	15,000	-	(15,000)
Total Bluff Cemetery expenditures	<u>61,790</u>	<u>61,790</u>	<u>76,978</u>	<u>15,188</u>
Net Change in Fund Balance	(24,290)	(24,290)	(38,162)	(13,872)
Fund Balance - Beginning of Year	<u>587,051</u>	<u>587,051</u>	<u>587,051</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 562,761</u>	<u>\$ 562,761</u>	<u>\$ 548,889</u>	<u>\$ (13,872)</u>

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

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

We have examined management's assertions that the City of Springdale, Arkansas complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the year ended December 31, 2014.

- (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 Springdale, Arkansas complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2014.

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*

Rogers, Arkansas  
December 18, 2015

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## **Independent Auditor's 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 Springdale, Arkansas  
Springdale, Arkansas

We have audited, 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, 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 Springdale, Arkansas, (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 18, 2015, which contained an emphasis of matter paragraph regarding a change in accounting principle.

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

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the City's internal control to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

### ***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*.

### ***Purpose of this Report***

The purpose of this communication is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**BKD, LLP**

Rogers, Arkansas  
December 18, 2015

## Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

### Independent Auditor's Report

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

#### Report on Compliance for Major Federal Programs

We have audited the compliance of the City of Springdale, Arkansas (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the City's major federal programs based on our audit of the types of compliance requirements referred to above.

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 for the major federal programs. However, our audit does not provide a legal determination on the City's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the City of Springdale, Arkansas complied, in all material respects, with the type of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

### **Report on Internal Control Over Compliance**

The management of the City of Springdale, Arkansas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on its major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for its major federal programs 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*BKD, LLP*

Rogers, Arkansas  
December 18, 2015

**City of Springdale, Arkansas**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2014**

Federal Agency/Pass-Through Entity/Program Title	CFDA #	Grant/Project #	Expended
<b>U.S. Department of Housing &amp; Urban Development</b>			
Community Development Block Grant/Entitlement Grant	14.218	B-13-MC-05-0002	\$ 236,334
Community Development Block Grant/Entitlement Grant	14.218	B-14-MC-05-0002	<u>487,114</u>
<b>Total Department of Housing and Urban Development</b>			<u>723,448</u>
<b>U.S. Department of Homeland Security</b>			
<i>Federal Emergency Management Agency</i>			
<i>Passed through Arkansas Department of Emergency Management</i>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	93.036	4143 DR-AR	<u>17,007</u>
<b>Total Department of Homeland Security</b>			<u>17,007</u>
<b>U.S. Department of Transportation</b>			
<i>Highway Safety Cluster</i>			
<i>Federal Highway Administration</i>			
<i>Passed through Arkansas State Police</i>			
<i>Selective Traffic Enforcement Project</i>			
State & Community Highway Safety	20.600	OP-2014-03-02-27	15,597
State & Community Highway Safety	20.600	SE-2014-13-01-27	996
State & Community Highway Safety	20.600	OP-2015-03-02-28	3,167
Alcohol Traffic Safety & Drunk Driving Incentive Grant	20.601	K8-2014-08-06-27	<u>2,541</u>
<i>Total Highway Safety Cluster</i>			<u>22,301</u>
<i>Highway Planning and Construction Cluster</i>			
<i>Passed through Arkansas Highway and Transportation Department</i>			
Johnson Road Improvements - Hwy 412 to Interstate 49	20.205	FAP-HPP-STP-9399(14)	3,905,819
Arkansas Recreational Trails Program Springdale City Trail	20.219	NRT-1302(184)	<u>50,000</u>
<i>Total Highway Planning and Construction Cluster</i>			<u>3,955,819</u>
<i>Federal Highway Administration</i>			
<i>Passed through Arkansas State Police</i>			
<i>Selective Traffic Enforcement Project</i>			
National Priority Safety Program	20.616	M8DDLE-2014-08-02-27	435
National Priority Safety Program	20.616	M5X-2015-05-06-28	529
<i>Federal Aviation Administration</i>			
Airport Improvement Program	20.106	AIP 3-05-0059-017-2015	<u>431,700</u>
			<u>432,664</u>
<b>Total Department of Transportation</b>			<u>4,410,784</u>

**City of Springdale, Arkansas**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended December 31, 2014**

<b>Federal Agency/Pass-Through Entity/Program Title</b>	<b>CFDA #</b>	<b>Grant/Project #</b>	<b>Expended</b>
<b>U.S. Department of Justice</b>			
Office of Community Oriented Policing Services COPS Hiring Program	16.710	2011UMWX0012	\$ 194,045
Office of Juvenile Justice and Delinquency Prevention <i>Passed Through Arkansas State Police</i> Internet Crimes Against Children Task Force	16.543	2013-MC-FX-K026	10,279
Office of Justice Programs Bulletproof Vest Partnership Program	16.607	2014BUBX14073604	6,243
Office of Justice Programs' Bureau of Justice Assistance <i>Passed Through City of Fayetteville, AR</i> Edward Byrne Memorial Justice Assistance Grant Program	16.738	J-13-014	11,140
2014 Justice Assistance - Local Solicitation	16.738	2014-DJ-BX-1090	<u>31,069</u>
		<b>Total Department of Justice</b>	<u>252,776</u>
<b>Executive Office of the President</b>			
Office of National Drug Control Policy <i>Passed Through Washington County, AR</i> Gulf Coast High-Intensity Drug Trafficking Area	95.001	G14GC0004A	19,120
Gulf Coast High-Intensity Drug Trafficking Area	95.001	G13GC0004A	7,458
Drug Enforcement Administration Task Force	16.738		<u>17,525</u>
		<b>Total Office of the President</b>	<u>44,103</u>
			<u>\$ 5,448,118</u>

**City of Springdale, Arkansas**  
**Schedule of Expenditures of State Awards**  
**Year Ended December 31, 2014**

<b>State Awards</b>	<b>Grantor Number</b>	<b>State Expenditures</b>
<b>AR Department of Aeronautics</b>		
State Airport Aid Grant (MALSF Lighting Project)	3222-13	\$ 110,732
State Airport Aid Grant (Fuel Farm Rehab)	3299-14	150,000
<b>Northwest Arkansas Economic Development District</b>		
General Improvement Grant - Police Department	97-289-09-14	5,000
<b>Arkansas Department of Health - Trama Section</b>		
Professional Services Medical Transportation	4600030818	37,839
<b>Department of Arkansas Heritage</b>		
Arts on Tour - Tommy Terrific's Magic Show	FY14-547-209	140
Arts on Tour - Shannon Wurst	FY15-422-209	120
<b>Arkansas State Police</b>		
Child Passenger Protection Fund		5,000
<i>Passed through City of Fayetteville</i>		
Drug Law Enforcement Program	J-14-014	22,804
Drug Law Enforcement Program	J-13-014	2,262
		<u>\$ 333,897</u>

<b>Other Assistance</b>	<b>Other Expenditures</b>
Passed through Area Agency on Aging	
Elderly Taxi Program - Cigarette Tax	<u>\$ 4,185</u>

**City of Springdale, Arkansas**  
**Notes to Schedules of Expenditures of Federal Awards**  
**Year Ended December 31, 2014**

**Notes to Schedule**

1. This schedule includes the federal awards activity of the City of Springdale, 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 Springdale, Arkansas provided federal awards to subrecipients as follows:

Program	CFDA No.	Subrecipient	Amount
Community Development Block Grant	14.218	Bread of Life	\$ 25,000
		Seven Hills Homeless Center	<u>25,000</u>
			<u>\$ 50,000</u>

**City of Springdale, Arkansas**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2014**

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

1. The opinion(s) expressed in the independent auditor's report was (were):  
 Unmodified       Modified       Adverse       Disclaimer
  
2. The independent auditor's report on internal control over financial reporting described:  
Significant deficiency(ies)?       Yes       None Reported  
Material weakness(es)?       Yes       No
  
3. Noncompliance considered material to the financial statements was disclosed by the audit?       Yes       No
  
4. The independent auditor's report on internal control over compliance for major federal awards programs described:  
Significant deficiency(ies)?       Yes       None Reported  
Material weakness(es)?       Yes       No
  
5. The opinion(s) expressed in the independent auditor's report on compliance for major federal awards was (were):  
 Unmodified       Modified       Adverse       Disclaimer
  
6. The audit disclosed findings required to be reported by OMB Circular A-133?       Yes       No

**City of Springdale, Arkansas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2014**

7. The City's major programs were:

<b>Cluster/Program</b>	<b>CFDA Number</b>
Community Development Block Grants/Entitlement Grants Highway Planning and Construction	14.218
Highway Planning and Construction	20.205
Recreational Trails Program	20.219
Airport Improvement Program (ASG Terminal Access Drive)	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 Springdale, Arkansas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2014**

*Findings Required to be Reported by Government Auditing Standards*

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

**City of Springdale, Arkansas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2014**

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

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

**City of Springdale, Arkansas**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended December 31, 2014**

Reference Number	Summary of Finding	Status
2013-001	<p style="text-align: center;">Community Development Block Grants/Entitlement Grants  (CDBG Entitlement Grants Cluster)  CFDA No. 14.218  U.S. Department of Housing and Urban Development (HUD)  Reporting</p> <p>Criteria or Specific Requirement – Pursuant to the passage of the <i>Federal Funding Accountability and Transparency Act (FFATA)</i>, the City is required to submit an accurate FFATA sub-award report by the end of the month following the month in which the City awards any sub-grant in excess of \$25,000.</p> <p>Condition – The City did not timely file the FFATA sub-award reports for its applicable HUD programs for the fiscal year ending December 31, 2013.</p> <p>Context – The FFATA sub-award report is required to be submitted by the end of the month following the month in which the City awards any sub-grant in excess of \$25,000.</p> <p>Effect – The program FFATA reporting requirements were not followed in the manner required by federal regulations.</p> <p>Cause – The City did not have adequate internal controls or procedures in place to identify the applicable reporting requirement and ensure the reports were filed accurately and timely when applicable.</p> <p>Recommendation – It is recommended that the City ensure controls relating to the timely and accurate completion of the FFATA sub-report be included in the City’s grant compliance manual procedures and ensure future completion is within the specified timeline in the FFATA Sub-award Reporting.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We agree. We have completed all required filings for FFATA sub-awards of applicable HUD programs and will implement controls to ensure all FFATA required filings are met timely in the future.</p>	Resolved