CITY OF SPRINGDALE, ARKANSAS

December 31, 2012

Financial Statements
And
Supplementary Information

With

Independent Auditor's Report

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CITY OF SPRINGDALE, ARKANSAS

List of Elected and Appointed Officials

December 31, 2012

Elected Officials:

Mayor	Doug Sprouse
City Clerk/Treasurer	Denise Pearce
City Attorney	Jeff Harper
District Judge	Ernest Cate
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	Brad Bruns
Council Member – Ward 3	Jeff Watson
Council Member – Ward 4	Eric Ford
Council Member – Ward 4	Bobby Stout

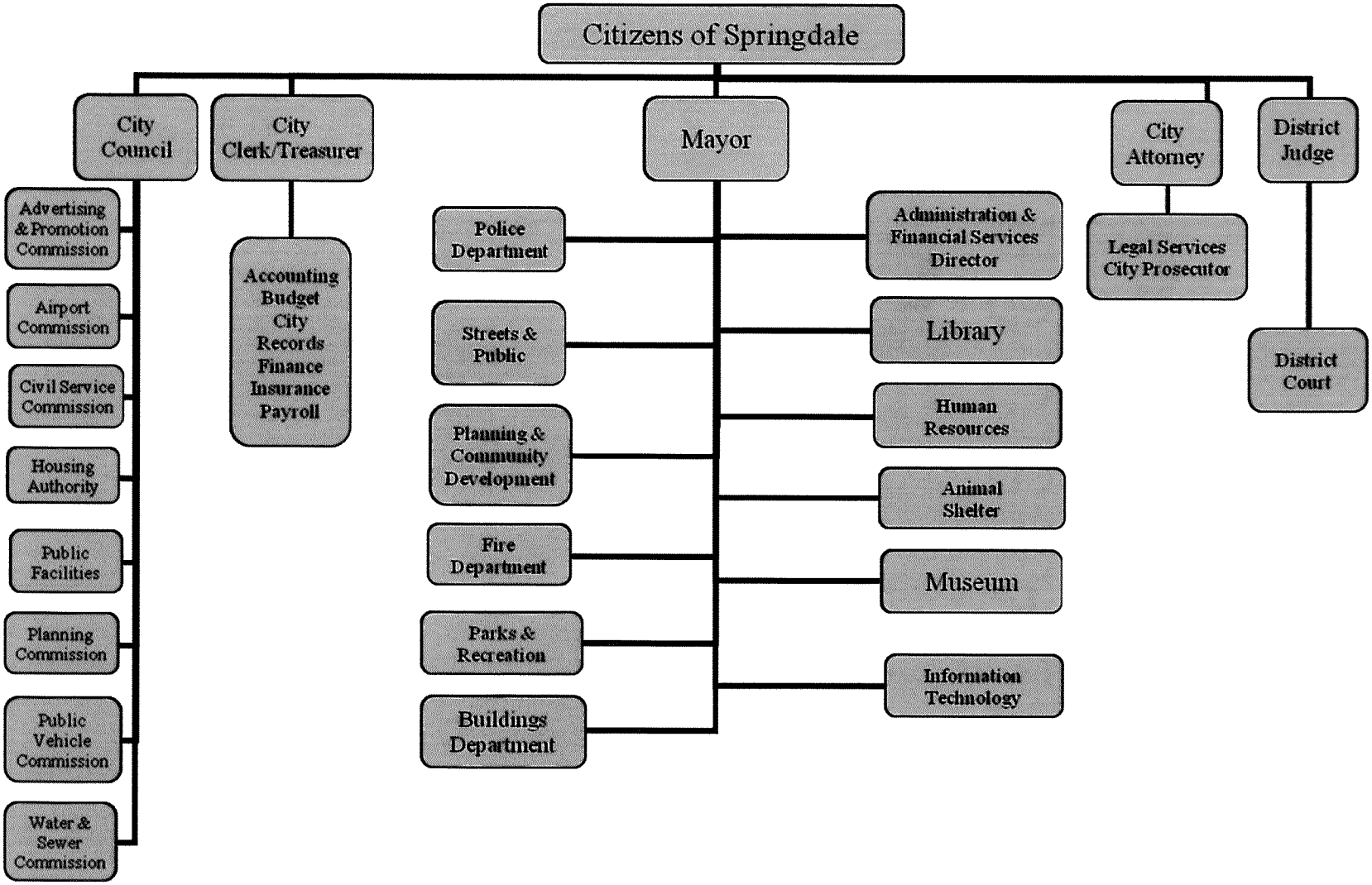
Appointed Officials:

Administrative and Financial Services	Wyman D. Morgan
Animal Services Manager	Courtney Kremer
Chief Building Official	Mike Chamlee
Finance	Laura Favorite
Fire Chief	Mike Irwin
Human Resources	Loyd Price
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, 2012



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Springdale, Arkansas as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the accompanying 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 aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Springdale, Arkansas as of December 31, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the management's discussion and analysis, pension plan schedules and budgetary comparison information on pages 6 through 18 and 78 through 85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and budgetary comparison information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and budgetary comparison information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Frost, PLLC

Certified Public Accountants

Little Rock, Arkansas
August 20, 2013

The following narrative overview and analysis of the City of Springdale's (the "City") financial activities for the year ended December 31, 2012 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 exceeded total liabilities at the close of 2012 by $222,638,026 (net position). Of this amount, $174,124,568 is invested in capital assets, $20,121,923 is restricted for capital expenditures, debt service, unspendable endowment funds, and other purposes, and $28,391,535 is considered unrestricted. The unrestricted net position of the City's governmental activities is $27,793,210 and may be used to meet the obligations to citizens and creditors. The City's business-type activities have an unrestricted net position of $598,325.

- In 2012, the City's total net position increased by $5,339,432. The net position of governmental activities increased by $5,138,688 in 2012 compared to a net increase of $3,167,688 in 2011. The net position of the business-type activities increased by $200,744 in 2012 compared to a net decrease of $5,360 in 2011.

- At the close of 2012, the City's governmental funds reported combined ending fund balances of $115,016,307, which reflects an increase of $62,375,805 from the prior year, primarily due to the issuance of long term debt. The restricted portion of the fund balances is $79,340,707; $3,340,434 of which is considered unspendable, and $76,000,273 that is restricted for capital expenditures, debt service and other purposes. The remaining fund balance is classified as $31,499,697 committed for capital projects, assigned of $5,500,881 and an unassigned deficit of $1,324,977. The deficit is due to the portion of committed fund balance of the Sales and Use Tax Fund for the Don Tyson Parkway/I540 Interchange of $18,407,295, which was released from restriction by the City Council in January 2013.

- At the end of 2012, the unassigned fund balance of the General Fund was $6,374,796, which represents 6% of the total and is 21% of total general fund expenditures. There was an increase of $307,722 in the total general fund balance for 2012, compared to $1,893,433 increase in 2011. The unassigned portion is available for use to support operations, funding for special projects and equipment replacement funding.

- The City's total bonded indebtedness increased by $60,680,000 in 2012. The increase is the result of the issuance of $66,275,000 of Sales and Use Tax Bonds, Series 2012 during the year. The increase was offset by the call and maturity of outstanding Sales and Use Tax Refunding and Improvement Bonds, Series 2006 that totaled $5,595,000.

- The City's business-type component unit reported net position of $240,661,920 as of September 30, 2012, an increase of $5,883,535 compared to September 30, 2011.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. These basic financial statements are comprised of three components: 1) City's 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 bulky waste pickup program.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the Springdale Water Utilities, 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.

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 eighteen 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 2012 Street Improvement Construction Fund, 2012 Parks Improvements Construction Fund and 2006 Bonds Debt Service Fund. Data from the remaining 12 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements are located on pages 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.

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 77 of this report.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension and other postemployment benefits to its employees and budgetary comparison schedules to demonstrate compliance with the annual budgets. *Required supplementary information* is located on pages 78 through 85 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining statements and schedules are located on pages 86 through 92 of this report.

Government-Wide Financial Analysis

City of Springdale, Arkansas
Net Position

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	$ 123,056,054	$ 59,840,146	$ 639,454	$ 709,902	$ 123,695,508	$ 60,550,048
Capital assets	276,473,153	266,542,552	7,585,255	7,387,609	284,058,408	273,930,161
Total assets	399,529,207	326,382,698	8,224,709	8,097,511	407,753,916	334,480,209
Deferred outflow of resources	476,258	508,546	-	-	476,258	508,546
Current liabilities	11,617,138	8,838,615	36,278	103,816	11,653,416	8,942,431
Other liabilities	173,933,881	108,736,871	4,851	10,859	173,938,732	108,747,730
Total liabilities	185,551,019	117,575,486	41,129	114,675	185,592,148	117,690,161
Net position						
Net investment in capital assets	166,539,313	166,228,476	7,585,255	7,387,609	174,124,568	173,616,085
Restricted	20,121,923	13,696,217	-	-	20,121,923	13,696,217
Unrestricted	27,793,210	29,391,065	598,325	595,227	28,391,535	29,986,292
Total net position	$ 214,454,446	$ 209,315,758	$ 8,183,580	$ 7,982,836	$ 222,638,026	$ 217,298,594

Of the City's net position, $174,124,568 (78%) 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 ($20,121,923 or 9%) represents resources that are subject to restrictions as to how they may be used. Of the total restricted net position, $5,573,662 is restricted for capital projects, $10,337,548 is restricted for debt service and $4,210,713 is restricted for other purposes. The balance of unrestricted net position ($28,391,535 or 13%) 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 $28,391,535, the net position of the City's business type activities of $598,325 may not be used to fund governmental activities.

The City's net position increased by $5,339,432 during 2012. Total revenues increased by 10% between years. Sales tax revenue on a government-wide basis increased by 3%. Revenues generated by fees, fines and charges for good and services decreased by 5% due primarily to a decrease in the CDBG program revenues from the sales of HUD houses, as well as a refund of excess reserve funds from housing bonds paid off during 2011.

Governmental activities – Governmental activities increased the City's net position by $5,138,688. The main elements of this increase are:

- Total revenues for 2012 increased by $5,470,770. This was offset by the increase in total expenditures between years of $1,597,976.
- Capital grants and contributions increased by $4,372,355 (274%), primarily due to federal grant revenue for the Johnson Rd. Improvements project, and donations of land and easements for city trails.
- Net capital asset acquisitions exceeded depreciation expense by $9,962,522.
- Sales tax revenue allocated for governmental purposes reflects a 3% increase between years. The City's share of the county sales tax, accounted for in the General Fund, increased by 5%. The total county sales tax increase for 2012 was 6%. The City's sales tax that is allocated for capital projects and accounted for in the Sales and Use Tax Fund decreased 6% in 2012 from 2011, due to the allocation of taxes for debt service for the Sales and Use Tax Bonds, Series 2012. The total city sales tax increase for 2012 was 1.8%, as was the City sales tax allocated for debt service for the Sales and Use Tax Refunding and Improvement Bonds, Series 2006.

Sales taxes provided $31,334,090 (51%) of the City's governmental revenue in 2012, while operating grants and contributions provided $8,875,793 (15%), capital grants and contributions provided $5,964,787 (10%) and ad valorem taxes provided $5,780,842 (9%).

The reported 2012 expenses were up $1,597,976 over 2011, due primarily to increases in public safety expenses ($1,250,239), debt issuance costs and agent fees ($705,696), and general government expenses ($545,018), and offset by the decrease in public works expenses ($1,163,864).

Business-type activities – Business-type activities increased the City's net position by $200,744.

The Municipal Airport revenues of $820,049 provided 64% of total revenues for business-type activities for 2012 while current year expenses of $606,692 were 49% of total expenses. Municipal Airport depreciation expense for 2012 was $276,281.

Aquatic Center revenues of $234,833 provided 18% of total revenues of business-type activities while current year expenses of $397,758 were 32% of total expenses. Aquatic Center depreciation expense for 2012 was $149,907.

City of Springdale, Arkansas
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues						
Fees, fines and charges for services	$ 4,355,929	$ 4,676,815	$ 789,510	$ 750,872	$ 5,145,439	$ 5,427,687
Operating grants and contributions	8,875,793	8,430,990	34,321	500	8,910,114	8,431,490
Capital grants and contributions	5,964,787	1,592,432	434,691	399,574	6,399,478	1,992,006
Total program revenues	19,196,509	14,700,237	1,258,522	1,150,946	20,455,031	15,851,183
General revenues						
Sales tax	31,334,090	30,465,830	24,233	25,949	31,358,323	30,491,779
Ad valorem tax	5,780,842	5,369,490	-	-	5,780,842	5,369,490
Franchise tax	3,405,688	3,479,072	-	-	3,405,688	3,479,072
Hotel/motel tax	313,045	236,289	-	-	313,045	236,289
Investment earnings	659,997	792,525	4,225	7,130	664,222	799,655
Gain (loss) on sale/disposal of assets	(26,147)	61,259	369	-	(25,778)	61,259
Loss on bond refunding	(32,288)	(32,288)	-	-	(32,288)	(32,288)
Insurance recoveries	237,458	326,010	-	13,489	237,458	339,499
Total general revenues	41,672,685	40,698,187	28,827	46,568	41,701,512	40,744,755
Total revenues	60,869,194	55,398,424	1,287,349	1,197,514	62,156,543	56,595,938
Expenses						
General government	4,979,505	4,434,487	-	-	4,979,505	4,434,487
Community development	1,531,447	1,354,794	-	-	1,531,447	1,354,794
Culture and recreation	6,085,478	5,979,969	-	-	6,085,478	5,979,969
Economic development	313,976	214,092	-	-	313,976	214,092
Public safety	25,522,340	24,272,101	-	-	25,522,340	24,272,101
Public works	11,995,857	13,159,721	-	-	11,995,857	13,159,721
Interest on long-term debt	4,329,902	4,451,061	-	-	4,329,902	4,451,061
Issue costs and agent fees - long-term debt	733,196	27,500	-	-	733,196	27,500
Municipal airport	-	-	606,692	601,470	606,692	601,470
Aquatic center	-	-	397,758	355,855	397,758	355,855
Parks soccer program	-	-	115,860	103,492	115,860	103,492
Sanitation	-	-	127,365	125,444	127,365	125,444
City attorney restitution	-	-	1,735	1,613	1,735	1,613
Total expenses	55,491,701	53,893,725	1,249,410	1,187,874	56,741,111	55,081,599
Increase in net position before transfers	5,377,493	1,504,699	37,939	9,640	5,415,432	1,514,339
Transfers	(238,805)	15,000	162,805	(15,000)	(76,000)	-
Changes in net position	5,138,688	1,519,699	200,744	(5,360)	5,339,432	1,514,339
Net position - January 1	209,315,758	207,796,059	7,982,836	7,988,196	217,298,594	215,784,255
Net position - December 31	$ 214,454,446	$ 209,315,758	$ 8,183,580	$ 7,982,836	$ 222,638,026	$ 217,298,594

Financial Analysis of the Government's Funds

The City 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 2012, the City's governmental funds combined fund balances were $115,016,307, which reflects an increase of $62,375,805 from the prior year end. The increase is due primarily to the issuance of $66,275,000 in Sales and Use Tax Bonds, Series 2012. Of this amount, $3,340,434 is nonspendable, $76,000,273 represents fund balances restricted for capital projects, debt service, and other purposes, $31,499,697 is committed for capital projects and $5,500,881 is assigned for specific uses by fund type. At year end, the City's governmental funds had a deficit unassigned fund balance of $1,324,978 due to the deficit unassigned fund balance ($7,699,773) in the Sales and Use Tax Fund. The City Council released funds totaling $18,407,295, committed for the Don Tyson Parkway/I540 interchange, in January 2013.

The General Fund is the chief operating fund of the City. As of December 31, 2012, the total fund balance of the general fund was $7,601,018 of which $6,374,795 (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 21% of the total General Fund expenditures for 2012, including transfers out, while total fund balance represents 24% of that same amount.

During the 2012 fiscal year, the fund balance of the general fund increased by $307,722. The 2013 adopted budget anticipates a 14% decrease in the unassigned general fund balance by the end of the year. Key factors in the 2012 increase are as follows:

- Total revenues for 2012 increased by $1,149,987 or 5%, due to an increase in county sales taxes ($510,866 or 5%), increase in property taxes ($263,334 or 6%) and an increase in intergovernmental revenues ($415,878 or 13%). The increased revenues were offset by a $270,952 decrease in insurance recoveries.

- The increase was offset by an increase in total expenditures, including transfers, between years of $2,174,294 or 7%. The main reasons for the increase were due to an increase in personnel costs ($913,128 or 4%), increases in other expenditures, primarily grant expenditures, ($677,815 or 42%) and an increase in capital expenditures ($563,365 or 144%).

The Street Fund is a special revenue fund that is presented as a major fund, and accounts for 1% 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 decreased $116,186 between years, and was due primarily to the purchase of a new shop building.

The Sales and Use Tax Fund is a capital projects fund that is presented as a major fund and accounts for 21% 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. During 2012, the one percent (1%) local sales tax was pledged for debt service for the Sales and Use Tax Bonds, Series 2012. Beginning November 2012, revenues have been and will be reduced for funds required for debt service. The fund balance decreased by $1,828,478 between 2011 and 2012 due to capital expenditures and transfers to the General Fund for operations and maintenance.

The 2012 Street and Parks Improvements Construction Funds are new for 2012. These capital projects funds are presented as major funds, and together account for 45% of the total governmental fund balances. Revenues include the proceeds from the sale of the Series 2012 Bonds and the related premium on bonds sold. The net changes in fund balances for 2012 were $38,279,341 and $13,323,334, respectively.

The 2006 Bonds Debt Service Fund provided 8% of the total governmental fund balances at December 31, 2012. Revenues for this fund are derived from a one percent (1%) local sales tax, and are used to retire bonds from the $124,045,000 Series 2006 Bond issue and pay related expenses including interest. At December 31, 2012 there was $94,615,000 of bonds outstanding. During 2012, the City used surplus tax receipts to call and redeem $1,120,000 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, 2012, the net position of the Municipal Airport Fund was $5,807,354 and the net position of the Aquatic Center Fund was $1,977,652. These two funds account for 95% 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 $29,960,340 (total revenues plus other financing sources) compared to the original budget total of $29,851,850. Final amended appropriations (total expenditures plus transfers out) were $30,842,340 as compared to the original budget total of $30,323,685. The net increase in appropriations of $518,655 is summarized briefly as follows:

- $195,000 for a new ambulance for the fire department to be paid from reserve funds on hand.
- $70,490 appropriation for state grant funds received for new ambulance power cots.
- $98,600 for a police department AVL system to be paid from drug seizure funds on hand.
- $98,065 for other police department equipment to be paid from drug seizure funds on hand.

- $22,500 for an Omni Spinner for the Miracle League facility, to be partially funded by a $10,000 grant.
- $16,000 appropriation for police department mobile computers from drug seizure funds received.
- $9,000 increase in funding for the downtown Springdale comprehensive master redevelopment plan.
- $9,000 increase in appropriations for vehicle repairs for vehicles damaged in the 2011 hail storms; insurance recoveries were received at the end of 2011.

Total actual revenue received for the General Fund, including other financing sources, was $31,623,774 and was $1,663,434 more than final budget estimates. The increased revenues were due primarily to county sales taxes ($368,982), federal and state grants ($351,273), state insurance turnback ($198,667), other intergovernmental revenues ($134,103), other miscellaneous revenue ($132,167), transfers in ($188,565) and insurance recoveries ($117,176).

General fund actual expenditures, including transfers out, of $31,316,052 were 102% of the final amended budgeted expenditures. Actual expenditures were higher due to general government expenditures being $551,504 higher than budget, and culture and recreation expenditures being $13,344 higher than budget. These increases were offset by planning and community development actual expenditures being $63,328 less than budget, public safety actual expenditures being $15,298 less than budget and transfers out being $12,510 less than budget.

The Street Fund budgeted revenues, including other financing sources, were $4,530,860 and the actual revenue received was $4,463,563. The decreased revenues of $67,297 were primarily due to state turnback of $138,565. This decrease was offset in part by an increase in miscellaneous revenues of $49,063. The final amended Street Fund budget had total appropriations of $5,118,450 compared to the original budget total of $4,757,550. The increased appropriation of $360,900 was for the purchase of a new shop building. Street Fund actual expenditures of $4,579,749 were 89% of the final amended budgeted expenditures.

The budget and actual comparison schedules are located on pages 80 through 84 and 93 through 103.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for governmental and business-type activities as of December 31, 2012 amounted to $284,058,408, net of accumulated depreciation. The increase in capital assets related to governmental activities was $9,930,601 (4%). The City's investment in capital assets related to business-type activities increased by $197,648 (3%).

Major capital asset events during 2012 included the following:

- Land and easement additions totaled $6,685,590, including $1,638,210 in donated easements. Land purchased for two new city parks totaled $2,789,572.
- Construction in progress increased $7,857,555. Of this amount, $4,653,000 was for the Don Tyson Parkway/I540 Interchange. Other street and trails projects totaled $3,140,605.
- Infrastructure improvements transferred from construction in progress totaled $2,130,266.
- Buildings and other improvements additions were $2,448,750, including the Armory buildings donation valued at $1,798,200.
- Vehicles and equipment additions were $2,068,089.
- Depreciation expense totaled $11,733,138.

Additional information on the City's capital assets is located in Note 5 on pages 49 through 52 of this report.

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land and easements	$ 55,876,967	$ 49,191,377	$ 2,788,631	$ 2,788,631	$ 58,665,598	$ 51,980,008
Land improvements	7,282,676	7,273,367	2,062,108	2,122,146	9,344,784	9,395,513
Buildings and improvements	46,422,489	45,765,121	2,185,656	1,861,861	48,608,145	47,626,982
Construction in progress	13,894,043	6,036,488	17,332	419,278	13,911,375	6,455,766
Infrastructure	140,497,576	145,298,974	-	-	140,497,576	145,298,974
Machinery and equipment	12,312,002	12,829,310	531,528	195,693	12,843,530	13,025,003
Intangibles	187,400	147,915	-	-	187,400	147,915
Total	$ 276,473,153	$ 266,542,552	$ 7,585,255	$ 7,387,609	$ 284,058,408	$ 273,930,161

Long-Term Debt

At December 31, 2012, the City had $160,890,000 of long-term bonds outstanding, secured solely by City sales and use taxes. The City's total bonded debt increased by $60,680,000. In November 2012, the City issued $66,275,000 in Sales and Use Tax Bonds to fund street improvements, parks and recreation improvements and fire department improvements. The increase was offset by the call and maturity of outstanding Sales and Use Tax Bonds that totaled $5,595,000.

The following table details the breakdown of this debt.

City of Springdale, Arkansas
Long-Term Debt

	Governmental Activities	
	2012	2011
Sales and Use Tax Refunding and Improvement Bonds, Series 2006	$ 94,615,000	$ 100,210,000
Sales and Use Tax Bonds, Series 2012	66,275,000	-
Total	$ 160,890,000	$ 100,210,000

The City received an AA- rating for the Series 2012 Bonds from Standard & Poor's. The City's underlying rating for the Series 2006 Bonds when issued from Standard & Poor's was AA-. The rating was increased to AAA with the issuance of an insurance policy insuring the payment when due of the principal and interest on the Series 2006 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 $250,843,410. 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 Utilities, had outstanding long-term debt of $3,210,000 at September 30, 2012. The City retired $95,000 of these bonds during the year ended September 20, 2012.

Additional information on the City's long-term debt can be found in Note 6 located on pages 53 through 57 of this report.

Economic Factors and the Next Year's Budget

The unemployment rate of December 2012 for the Fayetteville-Springdale-Rogers MSA was 5.1% compared to 5.6% at December 2011. The state's unemployment rate was 7.1% at December 2012. During 2012, total nonfarm jobs for this MSA increased by 8,800 to end the year at 213,900.

City one percent (1%) sales tax revenue received in 2012 for the Sales and Use Tax Fund decreased by 5.9% when compared to sales tax revenue received in 2011, as a portion of the tax collected during 2012 was for debt service on the Series 2012 Bonds. By including the portion of the City one per cent sales tax for debt service, sales taxes increased 1.8% for 2012. The collection of an additional one per cent sales tax for debt service was started in October 2003. This additional tax provided $10,288,979 in revenue during 2012. County sales and use taxes received in 2012 increased 5% as compared to 2011 collections.

The City Council adopted the 2013 budget on December 11, 2012 with General Fund projected revenues of $30,988,610 and projected expenditures and transfers of $31,812,040.

Request for Information

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

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

Statement of Net Position

December 31, 2012

	Primary Government			Discrete Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	$ 8,999,228	$ 356,935	$ 9,356,163	$ 1,523,350
Investments	23,413,625	246,773	23,660,398	43,231,034
Accounts receivable, net of allowance for uncollectibles	1,381,929	35,428	1,417,357	3,826,373
Intergovernmental receivables	10,852,715	-	10,852,715	-
Internal balances	52	(52)	-	-
Due from fiduciary funds	95,084	370	95,454	-
Inventories	-	-	-	599,278
Prepaid assets	4,905	-	4,905	58,220
Assets held for resale	2,168,740	-	2,168,740	-
Unamortized bond/lease costs	-	-	-	7,813
Restricted assets				
Cash and cash equivalents	72,419,033	-	72,419,033	50,068
Investments	1,134,069	-	1,134,069	1,586,172
Interest receivable	2,502	-	2,502	-
Intergovernmental receivables	2,584,172	-	2,584,172	-
Capital assets				
Nondepreciable	70,275,937	2,805,963	73,081,900	11,163,964
Depreciable, net of accumulated depreciation	206,197,216	4,779,292	210,976,508	185,449,555
Total assets	399,529,207	8,224,709	407,753,916	247,495,827
Deferred outflow of resources				
Deferred loss on bond refunding	476,258	-	476,258	-
Liabilities				
Accounts payable and accrued expenses	2,145,045	24,282	2,169,327	2,020,415
Due to fiduciary funds	5,742	-	5,742	-
Accrued interest payable	2,530,851	-	2,530,851	13,667
Customer deposits	410,220	-	410,220	1,589,825
Unearned revenue	51,450	11,996	63,446	-
Noncurrent liabilities				
Due within one year	6,473,830	-	6,473,830	110,000
Due in more than one year	173,933,881	4,851	173,938,732	3,100,000
Total liabilities	185,551,019	41,129	185,592,148	6,833,907
Net position				
Net investment in capital assets	166,539,313	7,585,255	174,124,568	193,397,665
Restricted for:				
Capital projects	5,573,662	-	5,573,662	-
Debt service	10,337,548	-	10,337,548	46,415
Other	4,210,713	-	4,210,713	-
Unrestricted	27,793,210	598,325	28,391,535	47,217,840
Total net position	$ 214,454,446	$ 8,183,580	$ 222,638,026	$ 240,661,920

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

Statement of Activities

For the Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues: Fees, Fines and Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Unit
Primary government								
Governmental activities								
General government								
Administration	$ 3,525,374	$ 301,193	$ 1,508,204	$ 1,963,405	$ 247,428	$ -	$ 247,428	$ -
City attorney	650,717	24,182	-	-	(626,535)	-	(626,535)	-
District court	761,134	161,456	86,068	-	(513,610)	-	(513,610)	-
Bluff cemetery	42,280	16,275	-	-	(26,005)	-	(26,005)	-
Capital projects	-	4,566	-	3,789,929	3,794,495	-	3,794,495	-
Community development								
Planning and engineering	823,101	32,233	-	-	(790,868)	-	(790,868)	-
Community development and housing	708,346	46,633	692,831	-	31,118	-	31,118	-
Culture and recreation								
Parks and recreation	3,546,415	562,752	25,218	10,000	(2,948,445)	-	(2,948,445)	-
Public library	1,875,024	95,863	1,173,572	-	(605,589)	-	(605,589)	-
Shiloh museum	664,039	37,844	83,328	-	(542,867)	-	(542,867)	-
Economic development	313,976	-	-	-	(313,976)	-	(313,976)	-
Public safety								
Animal services	537,485	56,063	7,832	-	(473,590)	-	(473,590)	-
Building inspection and code enforcement	793,189	375,051	-	-	(418,138)	-	(418,138)	-
Fire	10,908,675	1,535,449	708,472	70,490	(8,594,264)	-	(8,594,264)	-
Police	13,282,991	1,077,838	1,361,160	130,963	(10,713,030)	-	(10,713,030)	-
Public works	11,995,857	28,531	3,229,108	-	(8,738,218)	-	(8,738,218)	-
Debt service								
Interest on long-term debt	4,329,902	-	-	-	(4,329,902)	-	(4,329,902)	-
Issue costs and fees - long-term debt	733,196	-	-	-	(733,196)	-	(733,196)	-
Total government activities	55,491,701	4,355,929	8,875,793	5,964,787	(36,295,192)	-	(36,295,192)	-
Business-type activities								
Municipal airport	606,692	326,424	34,321	434,691	-	188,744	188,744	-
Aquatic center	397,758	231,464	-	-	-	(166,294)	(166,294)	-
Parks soccer program	115,860	92,650	-	-	-	(23,210)	(23,210)	-
Sanitation	127,365	113,222	-	-	-	(14,143)	(14,143)	-
City attorney restitution	1,735	25,750	-	-	-	24,015	24,015	-
Total business-type activities	1,249,410	789,510	34,321	434,691	-	9,112	9,112	-
Total primary government	56,741,111	5,145,439	8,910,114	6,399,478	(36,295,192)	9,112	(36,286,080)	-
Component unit								
Springdale water utilities	$ 25,323,656	$ 29,801,875	$ -	$ 1,005,800	-	-	-	5,484,019
General revenues and transfers								
Sales tax					31,334,090	24,233	31,358,323	-
Ad valorem tax					5,780,842	-	5,780,842	-
Franchise tax					3,405,688	-	3,405,688	-
Hotel/motel tax					313,045	-	313,045	-
Investment earnings					659,997	4,225	664,222	274,932
Gain (loss) on sale of assets					(26,147)	369	(25,778)	48,584
Loss on bond refunding					(32,288)	-	(32,288)	-
Insurance recoveries					237,458	-	237,458	-
Transfers					(238,805)	162,805	(76,000)	76,000
Total general revenues and transfers					41,433,880	191,632	41,625,512	399,516
Changes in net position					5,138,688	200,744	5,339,432	5,883,535
Net position - beginning of year, as restated (see Note 2)					209,315,758	7,982,836	217,298,594	234,778,385
Net position - end of year					$ 214,454,446	$ 8,183,580	$ 222,638,026	$ 240,661,920

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

Balance Sheet – Governmental Funds

December 31, 2012

Assets	General Fund	Street Fund	Sales and Use Tax Fund	2012 Street Improvement Construction Fund	2012 Parks Improvement Construction Fund	2006 Bonds Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 4,301,254	$ 706,176	$ 2,684,257	$ -	$ -	$ -	$ 1,307,541	$ 8,999,228
Investments	1,100,575	357,646	18,952,521	-	-	-	3,002,883	23,413,625
Accounts receivable, net	1,180,682	1,371	17,475	-	-	-	71,528	1,271,056
Interest receivable	5,696	1,218	92,666	-	-	-	11,293	110,873
Intergovernmental receivables, net	7,067,166	1,199,611	2,564,449	-	-	-	21,489	10,852,715
Due from other funds	988,665	17,486	1,260,835	-	-	-	15,655	2,282,641
Assets held for resale	-	-	-	-	-	-	2,168,740	2,168,740
Other assets	-	-	-	-	-	-	4,905	4,905
Restricted assets								
Cash and cash equivalents	-	-	-	38,280,005	13,356,003	7,211,766	13,571,259	72,419,033
Investments	-	-	-	-	-	-	1,134,069	1,134,069
Interest receivable	-	-	-	1,508	526	-	468	2,502
Intergovernmental receivables, net	-	-	-	-	-	1,758,777	825,395	2,584,172
Due from other funds	-	-	-	14,600	-	-	-	14,600
Total assets	$ 14,644,038	$ 2,283,508	$ 25,572,203	$ 38,296,113	$ 13,356,529	$ 8,970,543	$ 22,135,225	$125,258,159
Liabilities and Fund Balance								
Liabilities								
Accounts payable	$ 419,222	$ 62,537	$ 445,505	$ -	$ -	$ -	$ 26,843	$ 954,107
Salaries payable	944,032	76,057	-	-	-	-	72,908	1,092,997
Payable from restricted assets:								
Accounts payable	-	-	-	16,772	-	-	85,000	101,772
Accrued interest	-	-	-	-	-	-	173,303	173,303
Due to other funds	-	-	-	-	33,195	-	400,720	433,915
Due to other funds	865,857	-	906,507	-	-	-	1,568	1,773,932
Developer bonds payable	393,032	-	-	-	-	-	-	393,032
Other liabilities	-	17,188	-	-	-	-	-	17,188
Unearned revenue	-	-	-	-	-	-	51,450	51,450
Total liabilities	2,622,143	155,782	1,352,012	16,772	33,195	-	811,792	4,991,696
Deferred inflows								
Unavailable revenue - property taxes	4,420,877	829,279	-	-	-	-	-	5,250,156
Fund balances								
Nonspendable								
Assets held for resale	-	-	-	-	-	-	2,168,740	2,168,740
Cemetery perpetual care	-	-	-	-	-	-	32,720	32,720
Endowments	-	-	-	-	-	-	1,134,069	1,134,069
Prepaid items	-	-	-	-	-	-	4,905	4,905
Restricted								
Court automation	-	-	-	-	-	-	269,626	269,626
Debt service	-	-	-	-	-	8,970,543	3,724,553	12,695,096
Grants	-	-	41,247	-	-	-	-	41,247
Public safety expenditures	566,053	-	-	-	-	-	-	566,053
Recreation and culture	34,600	-	-	-	-	-	-	34,600
Capital projects	-	-	777,430	38,279,341	13,323,334	-	10,013,546	62,393,651
Committed	398,410	-	31,101,287	-	-	-	-	31,499,697
Assigned								
General fund	227,160	-	-	-	-	-	-	227,160
Special revenue funds	-	1,298,447	-	-	-	-	1,804,240	3,102,687
Capital project funds	-	-	-	-	-	-	1,101,799	1,101,799
Permanent funds	-	-	-	-	-	-	1,069,235	1,069,235
Unassigned surplus (deficit)	6,374,795	-	(7,699,773)	-	-	-	-	(1,324,978)
Total fund balances	7,601,018	1,298,447	24,220,191	38,279,341	13,323,334	8,970,543	21,323,433	115,016,307
Total liabilities, deferred inflows and fund balances	$ 14,644,038	$ 2,283,508	$ 25,572,203	$ 38,296,113	$ 13,356,529	$ 8,970,543	$ 22,135,225	$125,258,159

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

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position

December 31, 2012

Amounts reported for governmental activities in the statement of net position are different because:	
Total fund balances - governmental funds	$ 115,016,307
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	276,473,153
Some revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year end and are not considered available. On the accrual basis, those revenues are recognized regardless of when they are collected.	5,250,156
Some assets related to long-term debt are deferred and, therefore, are not reported in the funds.	476,258
Some long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(182,761,428)
Net position of governmental activities	$ 214,454,446

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

CITY OF SPRINGDALE, ARKANSAS

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

For the Year Ended December 31, 2012

	General Fund	Street Fund
Revenues		
Taxes	$ 18,884,487	$ 869,183
Fees and permits	579,529	1,590
Intergovernmental	3,690,016	3,179,108
Charges for goods and services	1,995,085	22,878
Fines and forfeitures	855,645	-
Investment earnings	31,141	6,935
Miscellaneous	300,356	54,063
Total revenues	26,336,259	4,133,757
Expenditures		
Current		
General government	3,910,374	-
Community development	810,722	-
Culture and recreation	2,042,310	-
Economic development	-	-
Public safety	22,319,631	-
Public works	-	3,386,699
Capital expenditures	953,770	1,193,050
Debt service		
Principal	-	-
Interest	-	-
Bond issue costs	-	-
Other fees	-	-
Agent fees	-	-
Total expenditures	30,036,807	4,579,749
Excess (deficiency) of revenues over (under) expenditures	(3,700,548)	(445,992)
Other financing sources (uses)		
Transfers in	5,152,565	325,970
Transfers out	(1,279,245)	-
Proceeds from issuance of bonds	-	-
Premium on bonds sold	-	-
Proceeds from sale of capital assets	5,774	-
Insurance recovery - capital assets	129,176	3,836
Total other financing sources (uses)	4,008,270	329,806
Net changes in fund balances	307,722	(116,186)
Fund balances - beginning of year	7,293,296	1,414,633
Fund balances - end of year	$ 7,601,018	$ 1,298,447

Sales and Use Tax Fund	2012 Street Improvement Construction Fund	2012 Parks Improvement Construction Fund	2006 Bonds Debt Service Fund	Other Governmental Funds	Total Governmental Funds
$ 9,449,734	$ -	$ -	$ 10,288,979	$ 1,181,610	$ 40,673,993
-	-	-	-	182,782	763,901
1,809,658	-	-	-	1,919,580	10,598,362
-	-	-	-	337,995	2,355,958
-	-	-	-	64,752	920,397
413,444	1,508	526	26,503	179,940	659,997
346,627	-	-	-	206,060	907,106
12,019,463	1,508	526	10,315,482	4,072,719	56,879,714
-	-	-	-	785,594	4,695,968
-	-	-	-	723,633	1,534,355
-	-	-	-	1,930,056	3,972,366
-	-	-	-	313,976	313,976
-	-	-	-	-	22,319,631
-	-	-	-	17,540	3,404,239
8,865,145	4,436,666	2,812,192	-	100,252	18,361,075
-	-	-	5,595,000	-	5,595,000
-	-	-	4,575,350	-	4,575,350
-	446,748	170,393	-	91,155	708,296
-	-	-	6,900	-	6,900
-	-	-	18,000	-	18,000
8,865,145	4,883,414	2,982,585	10,195,250	3,962,206	65,505,156
3,154,318	(4,881,906)	(2,982,059)	120,232	110,513	(8,625,442)
408,574	-	-	-	3,852,300	9,739,409
(5,391,370)	(1,837,442)	(694,147)	-	(776,010)	(9,978,214)
-	42,006,000	15,869,000	-	8,400,000	66,275,000
-	2,992,689	1,130,540	-	598,591	4,721,820
-	-	-	-	-	5,774
-	-	-	-	104,446	237,458
(4,982,796)	43,161,247	16,305,393	-	12,179,327	71,001,247
(1,828,478)	38,279,341	13,323,334	120,232	12,289,840	62,375,805
26,048,669	-	-	8,850,311	9,033,593	52,640,502
$ 24,220,191	$ 38,279,341	$ 13,323,334	$ 8,970,543	$ 21,323,433	$ 115,016,307

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2012

Amounts reported for governmental activities in the statement of activities are different because:	
Net changes in fund balances - total governmental funds	$ 62,375,805
Government funds report capital outlays as expenditures. However, for government-wide statements the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.	9,962,522
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net position.	(31,921)
Revenues that do not provide current financial resources, such as ad valorem taxes, are not reported as revenues for the funds, but are reported as revenues in the statement of activities. This is the change in the amount of deferred ad valorem taxes reported in the governmental fund statements.	159,672
Expenses that do not require current financial resources, such as compensated absences, other postemployment benefits ("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.	(2,138,730)
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. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(65,188,660)
Changes in net position of governmental activities	$ 5,138,688

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

Statement of Net Position – Proprietary Funds

December 31, 2012

Assets	Enterprise Funds: Municipal Airport Fund	Enterprise Funds: Aquatic Center Fund	Enterprise Funds: Nonmajor Enterprise Funds	Total Proprietary Funds
Current assets				
Cash and cash equivalents	$ 114,483	$ 95,012	$ 147,440	$ 356,935
Investments	-	246,773	-	246,773
Accounts receivable, net	9,809	-	25,090	34,899
Accrued interest	-	529	-	529
Due from other funds	-	-	370	370
Total current assets	124,292	342,314	172,900	639,506
Noncurrent assets				
Capital assets				
Land	2,788,631	-	-	2,788,631
Improvements other than buildings	6,972,787	491,524	21,376	7,485,687
Buildings and system	2,356,738	2,857,962	-	5,214,700
Machinery and equipment	688,390	785,545	333,158	1,807,093
Construction in progress	17,332	-	-	17,332
Less accumulated depreciation	(7,110,868)	(2,497,582)	(119,738)	(9,728,188)
Total capital assets, net of accumulated depreciation	5,713,010	1,637,449	234,796	7,585,255
Total noncurrent assets	5,713,010	1,637,449	234,796	7,585,255
Total assets	$ 5,837,302	$ 1,979,763	$ 407,696	$ 8,224,761
Liabilities and Net Position				
Current liabilities				
Accounts payable	$ 14,590	$ 952	$ 2,477	$ 18,019
Salaries payable	2,513	412	3,338	6,263
Due to other funds	-	-	52	52
Deferred revenue	11,996	-	-	11,996
Total current liabilities	29,099	1,364	5,867	36,330
Noncurrent liabilities				
Compensated absences	849	747	3,255	4,851
Total liabilities	29,948	2,111	9,122	41,181
Net position				
Net investment in capital assets	5,713,010	1,637,449	234,796	7,585,255
Unrestricted	94,344	340,203	163,778	598,325
Total net position	5,807,354	1,977,652	398,574	8,183,580
Total liabilities and net position	$ 5,837,302	$ 1,979,763	$ 407,696	$ 8,224,761

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

Statement of Revenues, Expenditures and Changes in Net Position – Proprietary Funds

For the Year Ended December 31, 2012

	Enterprise Funds			
	Municipal Airport Fund	Aquatic Center Fund	Nonmajor Enterprise Funds	Total Proprietary Funds
Operating revenues				
Charges for services				
Activity fees	$ -	$ 222,628	$ 92,650	$ 315,278
Concession	-	7,495	-	7,495
Fuel flowage fees	41,884	-	-	41,884
Other service fees	-	-	138,972	138,972
Rental fees	262,559	791	-	263,350
Other revenue	21,981	550	-	22,531
Total operating revenues	326,424	231,464	231,622	789,510
Operating expenses				
Personnel	71,305	157,404	158,102	386,811
Maintenance	85,609	34,439	26,251	146,299
Supplies	47,376	53,025	30,161	130,562
Other	126,121	2,983	5,468	134,572
Depreciation	276,281	149,907	24,978	451,166
Total operating expenses	606,692	397,758	244,960	1,249,410
Operating loss	(280,268)	(166,294)	(13,338)	(459,900)
Nonoperating revenues				
Sales taxes	24,233	-	-	24,233
Federal and state grants	34,321	-	-	34,321
Gain on sale of assets	-	369	-	369
Investment earnings	380	3,000	845	4,225
Total nonoperating revenues	58,934	3,369	845	63,148
Loss before capital contributions and transfers	(221,334)	(162,925)	(12,493)	(396,752)
Capital grants and contributions	434,691	-	-	434,691
Capital transfers in	135,432	-	118,373	253,805
Capital transfers out	(76,000)	-	-	(76,000)
Operating transfers out	-	-	(15,000)	(15,000)
Changes in net position	272,789	(162,925)	90,880	200,744
Net position - beginning of year	5,534,565	2,140,577	307,694	7,982,836
Net position - end of year	$ 5,807,354	$ 1,977,652	$ 398,574	$ 8,183,580

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

Statement of Cash Flows – Proprietary Funds

For the Year Ended December 31, 2012

	Enterprise Funds			
	Municipal Airport Fund	Aquatic Center Fund	Nonmajor Enterprise Funds	Total Proprietary Funds
Cash flows from operating activities				
Receipts from customers and users	$ 345,834	$ 231,464	$ 229,101	$ 806,399
Miscellaneous revenues	-	-	851	851
Payments to suppliers	(329,423)	(90,229)	(61,053)	(480,705)
Payments to employees	(71,895)	(156,582)	(159,737)	(388,214)
Net cash provided (used) by operating activities	(55,484)	(15,347)	9,162	(61,669)
Cash flows from noncapital financing activities				
Sales taxes	24,631	-	-	24,631
Transfers to other funds	-	-	(15,000)	(15,000)
Payments of interfund balances	(245,000)	-	(3,231)	(248,231)
Net cash used by noncapital financing activities	(220,369)	-	(18,231)	(238,600)
Cash flows from capital and related financing activities				
Capital contributions	6,850	-	-	6,850
Capital transfers from other funds	135,432	-	-	135,432
Capital transfers to other funds	(76,000)	-	-	(76,000)
Capital grant receipts	806,572	-	-	806,572
Proceeds from sale of capital assets	-	369	-	369
Purchases of capital assets	(486,414)	(29,105)	(14,920)	(530,439)
Net cash provided (used) by capital and related financing activities	386,440	(28,736)	(14,920)	342,784
Cash flows from investing activities				
Proceeds from maturities of investments	-	225,000	-	225,000
Purchases of investments	-	(195,000)	-	(195,000)
Interest received	380	3,845	845	5,070
Net cash provided by investing activities	380	33,845	845	35,070
Net increase (decrease) in cash and cash equivalents	110,967	(10,238)	(23,144)	77,585
Cash and cash equivalents - beginning of year	3,516	105,250	170,584	279,350
Cash and cash equivalents - end of year	$ 114,483	$ 95,012	$ 147,440	$ 356,935
Reconciliation of operating loss to net cash provided (used) by operating activities				
Operating loss	$ (280,268)	$ (166,294)	$ (13,338)	$ (459,900)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities				
Depreciation	276,281	149,907	24,978	451,166
Changes in operating assets and liabilities				
Accounts receivable	22,281	-	(1,670)	20,611
Accounts payable	(70,317)	218	827	(69,272)
Salaries payable	299	75	(569)	(195)
Compensated absences	(889)	747	(1,066)	(1,208)
Deferred revenue	(2,871)	-	-	(2,871)
Net cash provided (used) by operating activities	$ (55,484)	$ (15,347)	$ 9,162	$ (61,669)
Supplementary disclosures of noncash capital financing activities				
Change in fair value of investments	$ -	$ 907	$ -	$ 907
Contribution of capital assets	-	-	118,373	118,373

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

Statement of Fiduciary Net Position – Fiduciary Funds

December 31, 2012

	Firemen's Relief and Pension Fund	Policemen's Pension and Relief Fund	Agency Funds
Assets			
Cash and cash equivalents	$ 1,678,271	$ 6,935,933	$ 1,272,688
Investments	6,711,992	925,676	-
Accounts receivable, net	527,646	508,275	1,745,525
Due from other funds	-	8,000	79,351
Total assets	8,917,909	8,377,884	3,097,564
Liabilities			
Accounts payable	3,529	3,431	2,920,501
Due to other funds	-	-	177,063
Total liabilities	3,529	3,431	3,097,564
Net position			
Held in trust for pension benefits	$ 8,914,380	$ 8,374,453	$ -

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

Statement of Changes in Fiduciary Net Position – Fiduciary Funds

For the Year Ended December 31, 2012

	Firemen's Relief and Pension Fund	Policemen's Pension and Relief Fund
Additions		
Contributions		
Taxes	$ 507,399	$ 507,399
Intergovernmental	109,493	122,970
Fines and court costs	-	109,971
Employer	8,078	-
Plan members	8,078	-
Miscellaneous	-	64
Total contributions	633,048	740,404
Investment earnings		
Investment earnings	258,759	970,480
Net increase (decrease) in fair value of investments	587,535	(129,884)
Total investment earnings	846,294	840,596
Less investment expenses	(90,089)	(68,467)
Net investment earnings	756,205	772,129
Total additions	1,389,253	1,512,533
Deductions		
Benefits payments	1,145,204	1,214,071
Miscellaneous	1	-
Total deductions	1,145,205	1,214,071
Changes in fiduciary net position	244,048	298,462
Fiduciary net position - beginning of year	8,670,332	8,075,991
Fiduciary net position - end of year	$ 8,914,380	$ 8,374,453

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

1. **Summary of Significant Accounting Policies**

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

The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America ("GAAP") 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.

b. **Reporting entity** – These financial statements present the City (Primary Government) and its component units. The component units are legally separate entities, but are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. 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 being 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 unit* or *Discretely Presented Component unit* as noted in Notes 1.c. and 1.d. below are excluded from the City's financial reporting entity.

c. **Blended component unit – governmental** – The Springdale Public Library Board Foundation (the "Foundation") is a legally separate, tax-exempt component unit of the City. The members of the Board of Directors are those persons who are trustees of the Springdale Public Library. The trustees are appointed by the Mayor and approved by the City Council. The purpose of the Foundation is to support the Springdale Public Library and its effort to serve the residents of the City and surrounding area in providing access to materials and information. Separate financial statements are not prepared for the Foundation.

1. Summary of Significant Accounting Policies (cont.)

d. **Discretely presented component unit – business-type** – The City of Springdale, Arkansas Water and Sewer Commission (the "Commission") is governed by a five member Board of Commissioners, appointed by the remainder of the Water and Sewer Commissioners and approved by the City Council. The Commission receives no financial benefit from the City; however, the City has the power to impose its will on the Commission. Rate changes and debt issuance must be approved by the City Council. The Commission provides commercial and residential water services, as well as waste water treatment services, that primarily benefit the residents of Springdale. The fiscal year end of the Commission is September 30, therefore, all amounts reported in the financial statements are as of and for the year ended September 30, 2012. Financial statements of the Commission can be obtained from the Commission's administrative office located at 526 Oak Avenue, Springdale, Arkansas 72764. See Note 17 of these notes for condensed financial statements.

e. **Related organizations** – The City's Mayor and Council are also responsible for appointing members of the boards or commissions of other organizations, but the City's accountability for those organizations does not extend beyond making the appointments and, therefore, are not included in the City's financial statements. These related organizations are as follows: the Housing Authority of the City of Springdale and the Shiloh Historic District Planning Commission.

f. **Change in accounting principles** – Effective January 1, 2012, the City implemented the following new financial and accounting reporting standard issued by GASB:

GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans." This statement amends GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," to permit an agent employer that has an individual-employer OPEB plan with fewer than 100 plan members to use the alternative measurement method, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates. This statement also amends GASB Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans," regarding the requirement of obtaining an actuarial valuation to allow the use of the alternative measurement method for eligible plans. The adoption of GASB Statement No. 57 did not have a material effect on the City's financial statements.

GASB Statement No. 59, "Financial Instruments Omnibus." This statement supersedes GASB Statement No. 31, "2a7-Like External Investment Pools," paragraph 12 and amends this statement's paragraph 22; this statement supersedes GASB Statement No. 53, "Contracts that Include Nonperformance Penalties," paragraph 16 and amends this statement's paragraphs 13, 17 and 64c(5)(a); this statement amends National Council on Governmental Accounting ("NCGA") Statement No. 4, "Guarantees of the Indebtedness of Others," paragraph 9; this statement amends GASB Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans," and GASB Statement No. 43, paragraphs 24 and 44 and paragraphs 22 and 46, respectively; this statement amends GASB Statement No. 40, "Interest Rate Risk Disclosures for Debt Investment Pools," paragraph 15 to update and improve the accounting and financial reporting requirements of these pronouncements that address financial instruments. The adoption of GASB Statement No. 59 did not have a material effect on the City's financial statements.

1. **Summary of Significant Accounting Policies (cont.)**

GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements." This statement establishes accounting and financial reporting standards for service concession arrangements ("SCAs"), which are a type of public-private or public-public partnership. The adoption of GASB Statement No. 60 did not have a material effect on the City's financial statements.

GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board ("FASB") and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This statement also supersedes GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," thereby eliminating the election provided in paragraph 7 of that statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB statements and interpretations that do not conflict with or contradict GASB pronouncements. The adoption of GASB Statement No. 62 did not have a material effect on the City's financial statements.

GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." It provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position (which is the net residual amount of the other elements). This statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. GASB Statement No. 63 also amends certain provisions of GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets. The components of net position were renamed to reflect the requirements of this statement. The adoption of GASB Statement No. 63 did not have a material effect on the City's financial statements.

GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions (an amendment of GASB Statement No. 53)." It clarifies that when certain conditions are met, the use of hedge accounting should not be terminated. Those conditions are: (a) the collectibility of swap payments is considered to be probable, (b) the replacement of the counterparty or credit support provider meets the criteria of an assignment or in-substance assignment as described in this statement, and (c) the counterparty or counterparty credit support provider (and not the government) has committed the act of default or termination event. When all of these conditions exist, the GASB believes the hedging relationship continues and hedge accounting should continue to be applied. The adoption of GASB Statement No. 64 did not have a material effect on the City's financial statements.

1. **Summary of Significant Accounting Policies (cont.)**

GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities." This statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. As a result, prior year "deferred charges" of $1,355,013 have been expensed in the prior period adjustment explained in Note 2. In addition, the deferred loss on bond refunding which was previously reported as an asset has been reported as "deferred outflows of resources." Deferred property taxes previously reported as deferred revenue in the governmental fund statements has been reported as "deferred inflows of resources".

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

Government-wide Financial Statements

The government-wide financial statements 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 it's 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.

1. **Summary of Significant Accounting Policies (cont.)**

Fund Financial Statements

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

The City reports the following major governmental funds:

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

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

The **Sales and Use Tax Fund** is a capital projects fund which accounts for resources from one-half of the City's two percent (2%) local sales and use tax not required for debt service on the 2012 Series Sales and Use Tax Bonds (see also Note 6). 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 used for General Fund 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 6).

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 6).

The **2006 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 6).

The City reports the following major proprietary funds:

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

1. **Summary of Significant Accounting Policies (cont.)**

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

Additionally, the City reports the following fund types:

Special Revenue Funds – The special revenue funds are used to account for the proceeds of specific revenue sources, other than capital projects, that are legally restricted to expenditures for specified purposes. The City's other nonmajor special revenue funds are the Springdale Public Library, Shiloh Museum Board Fund ("SMBF"), 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, the Baseball Stadium Improvement Construction Fund (closed out in 2012) and the Public Facilities Board Fund.

Debt Service Fund – 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 fund is the 2012 Bonds Debt Service Fund.

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

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

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

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

h. **Measurement focus and basis of accounting** – The measurement focus establishes the basis of accounting. The basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, the presentation of expense versus expenditures, the recording of capital assets, the recognition of depreciation and the recording of long-term liabilities. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements and the governmental fund financial statements.

1. **Summary of Significant Accounting Policies (cont.)**

Government-wide, Proprietary and Fiduciary Funds

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

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

Nonexchange transactions, in which the City receives or gives value without directly giving or receiving equal value in exchange, include taxes, fines and forfeitures; grants, entitlements, and similar items; and contributions. Recognition standards are based upon the characteristics and classes of nonexchange transactions. Property taxes are recognized as revenues in the year for which they are levied. Franchise taxes, other taxes, and fines and forfeitures are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Grants, entitlements, and contributions are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the 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 arises when assets are recognized before revenue recognition criteria have been satisfied.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included in the statement of net position. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of general long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The City 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, and compensated absences, which are recognized as expenditures only when payment is due.

1. Summary of Significant Accounting Policies (cont.)

i. **Budgets and budgetary accounting** – Annual budgets are prepared on a basis consistent with GAAP, except for the City's proprietary funds. Proprietary funds' budgets differ from GAAP in that capital acquisitions are recorded as expenditures as opposed to assets and depreciation expense is not budgeted. The budgets are used as a management control device during the year for the following funds: General Fund, Street Fund, Springdale Public Library, SMBF Board Fund, District Court Costs Fund, Parks Activity Fund, Sales and Use Tax Fund, 2006 Debt Service Fund, the City's proprietary funds, except for City Attorney Hot Check Fund, and Bluff Cemetery Fund. Budgets are also adopted by the City Council for specific capital projects, which are carried forward until completed. All annual appropriations lapse at year end.

All budget amounts included in these financial statements and the accompanying supplementary information reflect the original budgets and the final amended budgets (which have been adjusted for legally authorized revisions during the year). During the year ended December 31, 2012, the City Council adopted several supplemental appropriations.

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

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

The SMBF has invested funds with the Endeavor Foundation ("Endeavor"), 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.

l. **Accounts receivable** – For primary government, ambulance fees and property tax receivables are shown net of an allowance for uncollectibles. The Commission estimates accounts receivable at September 30, 2012 to be materially collectible; therefore, no allowance has been established.

Included in the Commission's accounts receivable are unbilled receivables of approximately $1,471,000 at September 30, 2012, which represent revenues earned in the current period, but not billed to the customer until future dates, usually within one month.

m. **Inventories** – Inventories, consisting primarily of waterline and sewer materials, are valued at the lower of cost or market using the historical average method of accounting. The costs of governmental fund type inventories are recorded as expenditures when purchased.

n. **Prepaid items** – Prepaid balances are for payments made by the City in the current year to provide for goods or services occurring in the subsequent year.

1. **Summary of Significant Accounting Policies (cont.)**

o. **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.

The balance of the restricted assets accounts in the primary government is as follows:

Cash and cash equivalents	$ 72,419,033
Investments	1,134,069
Sales and use taxes receivable	2,584,172
Interest receivable	2,502
Total restricted assets - governmental activities	$ 76,139,776

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, 2012 is as follows:

Cash	
Lowell Sewer Expansion Fund	$ 17,113
Series 2006 Bond Fund	32,955
Certificates of deposit	
Customer deposits	1,586,172
Total restricted assets - component unit	$ 1,636,240

p. **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.

1. **Summary of Significant Accounting Policies (cont.)**

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:

Capital Assets	Years
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

q. **Deferred outflows of resources** – In addition to assets, the statement of net position includes a separate section for deferred outflows of resources, which represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has only one type of item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

1. Summary of Significant Accounting Policies (cont.)

s. **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.

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.

t. **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 premiums, as well as debt issuance costs, during the current period. The face amount of the debt issued, discounts given, and premiums received are reported as other financing sources (uses). Issuance costs, whether or not withheld from the actual proceeds received, are reported as debt service expenditures. For the City's component unit, which has not implemented GASB Statement No. 65, debt issuance costs are capitalized and amortized over the term of the related bonds using the straight-line method.

u. **Deferred inflows of resources** – In addition to liabilities, the balance sheet – governmental funds will sometimes report a separate section for deferred inflows of resources, which represents an acquisition of net position that applies to a future period and 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 accompany balance sheet – governmental funds. 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.

v. **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.

1. **Summary of Significant Accounting Policies (cont.)**

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, 2012, restricted net position of $835,679 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 City 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.

w. **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.

1. **Summary of Significant Accounting Policies (cont.)**

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.

x. **Long-lived 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 2012.

y. **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.

2. **Restatement of Net Position**

In the government-wide statement of net position, the beginning net position balance has been restated to account for the effect of implementing GASB Statement No. 65 and to correct the amount of the net pension obligation related to the City's pension trust funds. GASB Statement No. 65 requires that bond issue costs be shown as current period outflows of resources. As a result, the City's deferred bond issue costs of $1,355,013 were written off as of the beginning of the year. GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers," requires that a positive year end balance of the net pension obligation ("NPO") be reported as a long-term liability in the government-wide statement of net position, in addition to being disclosed in the notes to the financial statements. It was determined the City's pension trust funds NPO had not been reported as a long-term liability. As a result, the City's beginning net position has been reduced by $8,221,312.

2. **Restatement of Net Position (cont.)**

	Governmental Activities	Business-Type Activities	Total
Net position - beginning of year	$ 218,892,083	$ 7,982,836	$ 226,874,919
Effect of implementing GASB Statement No. 65. This statement requires that bond issue costs be shown as current period outflow of resources.	(1,355,013)	-	(1,355,013)
Correction of an error - GASB Statement No. 27. This statement requires that positive year end balances of the NPO be reported as a long-term liability in the government-wide statement of net position. Previously, the NPO was only disclosed in the notes to financial statements.	(8,221,312)	-	(8,221,312)
Net position - beginning of year, as restated	$ 209,315,758	$ 7,982,836	$ 217,298,594

3. **Deposits and Investments**

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City and its component unit (except as noted below) deposit policies for custodial credit risk require compliance with the provisions of state law, which requires collateralization of all deposits in excess of the amount insured by the Federal Deposit Insurance Corporation ("FDIC"). These deposits are required to be collateralized with bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the State of Arkansas. The collateral is held by the Federal Reserve Bank, Arkansas Bankers Bank and First Tennessee Bank. The City's component unit, the Foundation, is not required to follow state law regarding collateralization of deposits and does not have a deposit policy for custodial credit risk. At December 31, 2012, none of the City's bank balances were exposed to custodial credit risk. Also, at September 30, 2012, 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.

3. **Deposits and Investments (cont.)**

The bank balances and carrying amount of the City's deposits held as of December 31, 2012 (September 30, 2012 for the Commission) were as follows:

	Primary Government	Discrete Component Unit
Carrying value of deposits	$ 13,294,230	$ 46,389,024
Bank balance of deposits	$ 13,751,287	$ 46,443,184

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 Fund and the Debt Service Reserve are authorized to be invested in U. S. Government securities, time deposits or certificates of deposit which are insured by the FDIC, or collateralized by securities held by a third party in which the City has a perfected first security interest, and money market funds registered under the Federal Investment Company Act of 1940 and having a rating by Standard and Poor's of AAA-mG, AAA-m, or AA-m, and if rated by Moody's Investors Service rated AAA, AA1, or AA2.

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

3. **Deposits and Investments (cont.)**

At December 31, 2012, 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	$ 2,861,758	$ 1,518,658	$ 721,497	$ 621,603	$ -
U.S. agencies obligations	18,897,766	-	3,106,610	6,867,789	8,923,367
Corporate bonds	1,074,925	221,809	624,583	70,361	158,172
Certificates of deposit	2,075,553	1,665,636	409,917	-	-
Money market funds	80,441,761	80,441,761	-	-	-
	105,351,763	$ 83,847,864	$ 4,862,607	$ 7,559,753	$ 9,081,539
Common stock	6,077,863				
Mutual funds	185,009				
Investment pools	1,167,469				
Other	91,792				
Total investments	$ 112,873,896				

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

The pension funds investment policies address interest rate risk by managing asset allocation. The FRPF 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 PPRF allocation policy is for equities to range from 40% - 65% of total assets, fixed income investments range from 30% - 50%, and cash and cash equivalents range from 0% - 5%.

b. **Credit risk** – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. As described earlier in this section, 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 stock or long-term bonds used for speculation.

The FRPF policy is that common stock must carry an investment grade of medium or A or better; and fixed income securities must be investment grade or better. The PPRF 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.

3. **Deposits and Investments (cont.)**

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

d. **Concentration of credit risk** – The City places no limit on the amount that may be invested in any one issuer. The FRPF 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 PPRF policy is that securities of any one company or government agency should not exceed 15% of the total fund and no more than 30% of the total fund should be invested in any one industry.

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

	Primary Government	Discrete Component Unit
Reported amount of deposits	$ 13,294,230	$ 46,389,024
Cash on hand	1,650	1,600
Investments classified as cash equivalents	80,441,761	-
Deposits classified as investments	(2,075,553)	(44,817,206)
	$ 91,662,088	$ 1,573,418
As reported on the government-wide statement of net position		
Cash and cash equivalents	$ 9,356,163	$ 1,523,350
Restricted cash and cash equivalents	72,419,033	50,068
	81,775,196	1,573,418
Cash and cash equivalents reported on the statement of fiduciary net position	9,886,892	-
	$ 91,662,088	$ 1,573,418

3. **Deposits and Investments (cont.)**

	Primary Government	Discrete Component Unit
Carrying value of investments	$ 110,798,343	$ -
Deposits classified as investments	2,075,553	44,817,206
Reported amount of investments	112,873,896	44,817,206
Investments classified as cash equivalents	(80,441,761)	-
	$ 32,432,135	$ 44,817,206
As reported on the government-wide statement of net position		
Investments	$ 23,660,398	$ 43,231,034
Restricted investments	1,134,069	1,586,172
	24,794,467	44,817,206
Investments reported on the statement of fiduciary net position	7,637,668	-
	$ 32,432,135	$ 44,817,206

4. Receivables

Receivables for the year ended December 31, 2012 for the City's General Fund, Street Fund, Major Capital Projects Funds in the aggregate, 2006 Bonds Debt Service Fund and Nonmajor Governmental Funds in the aggregate, Proprietary and Fiduciary Funds, including the applicable allowances for uncollectible accounts, are as follows:

Governmental	General Fund	Street Fund	Capital Projects Funds	2006 Bonds Debt Service Fund	Other Governmental Funds	Total
Receivables						
Accounts	$ 3,880,772	$ 1,371	$ 17,475	$ -	$ 71,528	$ 3,971,146
Property taxes	5,135,430	967,544	-	-	1,378	6,104,352
Sales taxes	1,906,877	-	931,115	-	-	2,837,992
Franchise taxes	680,903	-	-	-	-	680,903
Grants	71,815	-	1,633,334	-	-	1,705,149
Intergovernmental	265,361	297,005	-	-	20,111	582,477
Interest	5,696	1,218	92,666	-	11,293	110,873
Other	19,007	-	-	-	-	19,007
Restricted receivables						
Interest	-	-	2,034	-	468	2,502
Intergovernmental	-	-	-	1,758,777	825,395	2,584,172
Gross receivables	11,965,861	1,267,138	2,676,624	1,758,777	930,173	18,598,573
Less allowance for uncollectibles	(3,712,317)	(64,938)	-	-	-	(3,777,255)
Net total receivables	$ 8,253,544	$ 1,202,200	$ 2,676,624	$ 1,758,777	$ 930,173	$ 14,821,318

Proprietary	Municipal Airport Fund	Other Proprietary Funds	Total
Receivables			
Accounts	$ 14,239	$ 25,090	$ 39,329
Interest	-	529	529
Gross receivables	14,239	25,619	39,858
Less allowance for uncollectibles	(4,430)	-	(4,430)
Net total receivables	$ 9,809	$ 25,619	$ 35,428

Fiduciary	Firemen's Relief and Pension Fund	Policemen's Pension and Relief Fund	Total
Receivables			
Property taxes	$ 544,670	$ 544,670	$ 1,089,340
Interest	19,537	166	19,703
Gross receivables	564,207	544,836	1,109,043
Less allowance for uncollectibles	(36,561)	(36,561)	(73,122)
Net total receivables	$ 527,646	$ 508,275	$ 1,035,921

5. Capital Assets

A summary of changes in capital assets for the year ended December 31, 2012 (September 30, 2012 for the Commission) is presented below:

Governmental Activities	Balance December 31, 2011	Additions and Transfers, net	Retirements and Transfers, net	Balance December 31, 2012
Capital assets, nondepreciable				
Land	$ 25,766,925	$ 3,576,100	$ -	$ 29,343,025
Easements	23,424,452	3,109,490	-	26,533,942
Museum buildings	504,927	-	-	504,927
Construction in progress	6,036,488	16,588,597	8,731,042	13,894,043
Total capital assets, nondepreciable	55,732,792	23,274,187	8,731,042	70,275,937
Capital assets, depreciable				
Land improvements	10,808,133	398,149	9,798	11,196,484
Infrastructure	194,329,711	2,130,266	-	196,459,977
Buildings and improvements	57,640,364	2,448,750	88,100	60,001,014
Machinery and equipment	30,924,443	2,068,089	165,626	32,826,906
Intangibles	960,718	112,446	-	1,073,164
Total capital assets, depreciable	294,663,369	7,157,700	263,524	301,557,545
Less accumulated depreciation				
Land improvements	3,534,766	387,860	8,818	3,913,808
Infrastructure	49,030,737	6,931,664	-	55,962,401
Buildings and improvements	12,380,170	1,766,542	63,260	14,083,452
Machinery and equipment	18,095,133	2,574,111	154,340	20,514,904
Intangibles	812,803	72,961	-	885,764
Total accumulated depreciation	83,853,609	11,733,138	226,418	95,360,329
Total governmental activities, net	$ 266,542,552	$ 18,698,749	$ 8,768,148	$ 276,473,153

5. **Capital Assets (cont.)**

Business-type Activities	Balance December 31, 2011	Additions and Transfers, net	Retirements and Transfers, net	Balance December 31, 2012
Capital assets, nondepreciable				
Land	$ 2,788,631	$ -	$ -	$ 2,788,631
Construction in progress	419,278	17,332	419,278	17,332
Total capital assets, nondepreciable	3,207,909	17,332	419,278	2,805,963
Capital assets, depreciable				
Land improvements	7,319,292	166,395	-	7,485,687
Buildings and improvements	4,724,726	489,974	-	5,214,700
Machinery and equipment	1,512,861	394,389	100,157	1,807,093
Total capital assets, depreciable	13,556,879	1,050,758	100,157	14,507,480
Less accumulated depreciation				
Land improvements	5,197,146	226,433	-	5,423,579
Buildings and improvements	2,862,865	166,179	-	3,029,044
Machinery and equipment	1,317,168	58,554	100,157	1,275,565
Total accumulated depreciation	9,377,179	451,166	100,157	9,728,188
Total business-type activities, net	$ 7,387,609	$ 616,924	$ 419,278	$ 7,585,255

Discrete Component Unit	Balance September 30, 2011	Additions and Transfers, net	Retirements and Transfers, net	Balance September 30, 2012
Capital assets, nondepreciable				
Land	$ 3,077,021	$ 502,455	$ -	$ 3,579,476
Easements	2,551,915	283,256	-	2,835,171
Construction in progress	3,251,597	6,568,154	5,070,434	4,749,317
Total capital assets, nondepreciable	8,880,533	7,353,865	5,070,434	11,163,964
Capital assets, depreciable				
Buildings and improvements	5,609,062	-	-	5,609,062
Water and sewer systems	266,428,109	6,879,376	418,994	272,888,491
Machinery and equipment	4,368,350	354,080	289,588	4,432,842
Total capital assets, depreciable	276,405,521	7,233,456	708,582	282,930,395
Less accumulated depreciation				
Buildings and improvements	2,732,849	187,422	-	2,920,271
Water and sewer systems	84,776,783	6,700,072	418,994	91,057,861
Machinery and equipment	3,575,191	213,179	285,662	3,502,708
Total accumulated depreciation	91,084,823	7,100,673	704,656	97,480,840
Total component unit activities, net	$ 194,201,231	$ 7,486,648	$ 5,074,360	$ 196,613,519

5. **Capital Assets (cont.)**

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

Governmental activities	
General government	
Administration	$ 186,481
City attorney	1,236
District court	3,210
Bluff cemetery	6,607
Community development	
Planning and engineering	4,595
Community development and housing	3,829
Culture and recreation	
Parks and recreation	1,966,552
Public library	155,791
Shiloh museum	46,182
Public safety	
Animal services	27,209
Building and code enforcement	19,834
Fire	473,399
Police	493,472
Public works	8,344,741
Total governmental activities	11,733,138
Business-type activities	
Municipal airport	276,281
Aquatic center	149,907
Parks soccer program	7,569
Sanitation	17,409
Total business-type activities	451,166
Total depreciation expenses - primary government	$ 12,184,304
Component unit	
City of Springdale, Arkansas Water and Sewer Commission	$ 7,100,673

5. **Capital Assets (cont.)**

The City has active construction projects as of December 31, 2012. Total outstanding commitments under authorized contracts for capital projects of governmental funds are as follows:

	Expenditures Incurred to December 31, 2012	Remaining Commitments at December 31, 2012
Primary Government		
Govermental activities		
Capital projects		
Streets and draininge projects	$ 4,281,468	$ 5,039,058
Recreation	36,639	211,986
Buildings	311,764	824,236
Total commitments - governmental activities	4,629,871	6,075,280
Total commitments - primary government	$ 4,629,871	$ 6,075,280

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

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended December 31, 2012 for the primary government were as follows:

Governmental Activities	Balance December 31, 2011	Increases	Decreases	Balance December 31, 2012	Due Within One Year
Bonds payable					
Sales and use tax bonds	$ 100,210,000	$ 66,275,000	$ 5,595,000	$ 160,890,000	$ 6,470,000
Add issuance premium	1,967,635	4,721,820	308,121	6,381,334	-
Bonds payable, net	102,177,635	70,996,820	5,903,121	167,271,334	6,470,000
Other long-term debt					
Compensated absences	1,552,877	1,328,350	1,217,676	1,663,551	3,830
OPEB liabilities	1,260,047	485,857	69,129	1,676,775	-
Net pension obligation	8,221,312	1,574,739	-	9,796,051	-
Total other long-term debt	11,034,236	3,388,946	1,286,805	13,136,377	3,830
Total	$ 113,211,871	$ 74,385,766	$ 7,189,926	$ 180,407,711	$ 6,473,830
Business-type Activities					
Other long-term debt					
Unearned revenue	$ 4,800	$ -	$ 4,800	$ -	$ -
Compensated absences	6,059	6,782	7,990	4,851	-
Total other long-term debt	$ 10,859	$ 6,782	$ 12,790	$ 4,851	$ -

Changes in long-term liabilities for the year ended September 30, 2012 for the City's discretely presented component unit were as follows:

City of Springdale, Arkansas Water and Sewer Commision	Balance September 30, 2011	Increases	Decreases	Balance September 30, 2012	Due Within One Year
Bonds payable					
Revenue bonds, Series 2006	$ 3,305,000	$ -	$ 95,000	$ 3,210,000	$ 110,000

6. **Long-Term Liabilities (cont.)**

Sales and Use Tax Bonds – Governmental Activities

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 Sales and Use Tax Bonds, Series 2012 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 Sales and Use Tax Bonds, Series 2012 and the pledging of the tax revenues were approved at a special election held August 14, 2012.

The Sales and Use Tax Bonds, Series 2012 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 Sales and Use Tax Bonds, Series 2012 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 Sales and Use Tax Bonds, Series 2012 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 Sales and Use Tax Bonds, Series 2012.

The City is required to maintain a debt service reserve equal to one-half of the maximum annual debt service requirements on the Sales and Use Tax Bonds, Series 2012 as originally issued. At December 31, 2012, the City held cash equivalents equal to $2,899,025 in the 2012 Series Bonds Debt Service Reserve Fund.

6. **Long-Term Liabilities (cont.)**

On October 26, 2006, the City issued $124,045,000 in City of Springdale, Arkansas Sales and Use Tax Refunding and Improvement Bonds, Series 2006 (the "Series 2006 Bonds"), dated October 1, 2006. The interest rates on the bonds range from 4% to 5%, payable semiannually, and maturity dates range from January 1, 2007 to July 1, 2027. The Series 2006 Bonds are not general obligations of the City, but are special obligations, secured by a first and prior pledge of collections of a 1% sales and use tax levied by the City under a city ordinance adopted on May 23, 2006. The tax replaced the City's existing 1% sales and use tax levied in 2003 for the sole purpose of retiring the 2004 Series Bonds. The issuance of the bonds and the pledging of the tax were approved at a special election held on July 11, 2006. The effective date of the new tax was October 25, 2006, and will expire after the bonds have been paid or provision is made therefore, in accordance with Arkansas statutes.

The bond principal amount was allocated to three projects, as follows.

Bonds in the amount of $30,860,000 were to advance refund the City's Sales and Use Tax Bonds, Series 2004 (the "Series 2004 Bonds"). The net proceeds of the Series 2006 Bonds, along with debt service funds from the Series 2004 Bonds, were deposited in an irrevocable trust with an escrow agent. These funds were used to purchase U.S. Government securities to provide for all future debt service payments on the Series 2004 Bonds. The Series 2004 defeased bonds were paid off in 2010. The reacquisition price exceeded the carrying amount of the old debt by $872,518, resulting in a loss on the bond refunding. Of this amount, $202,532 was written off in 2006, and the remaining amount of $669,986 was deferred and is being amortized over the life of the old debt using the straight line method. Amortization for 2012 of the deferred loss on bond refunding was $32,288.

Bonds in the amount of $45,000,000 were for the purpose of financing all or a portion of the costs of new streets, roads and bridges or improvements to existing streets, roads and bridges. These bonds replaced the remaining $45,000,000 in Street Improvement Bonds authorized at the special election held August 12, 2003.

Bonds in the amount of $48,185,000 were for the purpose of financing all or a portion of the costs of constructing a new baseball stadium, including land acquisition, parking, streets, sidewalks, professional fees and other related costs. The baseball stadium was completed in April 2008 and is leased to a minor league baseball team.

Bonds are subject to extraordinary redemption from proceeds of the Series 2006 Bonds not needed for the purposes intended and surplus tax receipts on any interest payment date, at least annually, in inverse order of maturity, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. The bonds may be redeemed at the option of the City, from funds from any source, on and after July 1, 2013, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. During 2012, the City used surplus tax receipts to call and redeem $1,120,000 in bonds.

6. **Long-Term Liabilities (cont.)**

The City is required to maintain a debt service reserve equal to one-half of the maximum annual debt service requirements on the Series 2006 Bonds as originally issued. The portion of the debt service reserve allocable to the refunding of the Series 2004 Bonds and the baseball stadium improvements were funded with an insurance policy. The portion of the debt service reserve allocable to street improvements when issued was $1,694,715. At December 31, 2012, the City held cash equivalents equal to $1,696,025 in the Debt Service Reserve Fund.

The Series 2006 Bonds were issued at a premium of $3,111,239. This premium is being amortized over the life of the bonds using the effective interest method. Bond premium amortization was $308,122 for 2012.

Bond issue costs of $1,778,455 were incurred in the issuance of the Series 2006 Bonds. Prior to 2012, these costs were being amortized over the life of the bonds using the straight line method. As a result of implementing GASB Statement No. 65, prior year "deferred charges" of $1,355,013 have been expensed as a prior period adjustment. (See also Note 2).

Debt service requirements of the Sales and Use Tax Bonds at December 31, 2012 were as follows:

Primary Government	Principal	Interest
2013	$ 6,470,000	$ 6,552,588
2014	6,825,000	6,296,588
2015	7,210,000	6,016,188
2016	7,605,000	5,721,288
2017	8,000,000	5,427,238
2018 - 2022	46,925,000	22,044,038
2023 - 2027	54,855,000	10,920,730
2028 - 2032	23,000,000	2,039,200
	$ 160,890,000	$ 65,017,858

Water and Sewer Revenue Bonds – Business-Type Component Unit

Series 2006 Bonds

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

6. **Long-Term Liabilities (cont.)**

Bond issue costs of $30,000 were incurred in the issuance of these bonds. These costs are being amortized over the life of the bonds using the straight-line method. Bond issue cost amortization was $3,749 for 2012.

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

Component Unit City of Springdale, Arkansas Water and Sewer Commission	Principal	Interest
2013	$ 110,000	$ 159,125
2014	175,000	152,750
2015	185,000	143,875
2016	195,000	134,500
2017	205,000	124,925
2018 - 2022	1,185,000	457,000
2023 - 2026	1,155,000	130,750
	$ 3,210,000	$ 1,302,925

Applicability of Federal Arbitrage Regulations

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

The City has no arbitrage liability as of December 31, 2012.

Conduit Debt Obligations

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

The City has no outstanding conduit debt obligations as of December 31, 2012.

7. Individual Fund Disclosures

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

The 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.

Interfund receivables and payables as of December 31, 2012 are as follows:

Primary Government	Interfund Receivables	Interfund Payables
Governmental funds		
General	$ 988,665	$ 865,857
Street	17,486	-
Sales and use tax	1,260,835	906,507
2012 Bonds Street Improvement Construction	14,600	-
2012 Bonds Parks Improvement Construction	-	33,195
Springdale Public Library	-	1,568
District Court	12,762	-
2006 Bonds Street Improvement Construction	-	400,720
Bluff Cemetery	1,325	
Public Library Foundation Board	1,568	-
Total governmental funds	2,297,241	2,207,847
Proprietary funds		
City attorney restitution	370	52
Fiduciary funds		
Policemen's Pension and Relief	8,000	-
Payroll Agency	-	5,000
Police Bond and Fire Agency	-	12,712
District Court Agency	12,254	137,455
Administration of Justice Agency	67,097	14,306
Police Evidence Agency	-	7,590
Total fiduciary funds	87,351	177,063
Total	$ 2,384,962	$ 2,384,962

7. **Individual Fund Disclosures (cont.)**

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

Operating and capital transfers in (out) for the year ended December 31, 2012 is as follows:

	Operating Transfers	
Primary Government	In	Out
Governmental funds		
General	$ 5,152,565	$ 1,279,245
Street	325,970	-
Sales and use tax	408,574	5,391,370
2012 Bonds Street Improvement Construction	-	1,837,442
2012 Bonds Parks Improvement Construction	-	694,147
Sprindale Public Library	458,825	-
District Court	494,450	-
2006 Street Improvement Construction	-	408,574
2012 Bonds Fire Improvement Construction	-	367,436
2012 Bonds Debt Service	2,899,025	-
Total governmental funds	9,739,409	9,978,214
Proprietary funds		
Municipal airport	135,432	76,000
City attorney restitution	-	15,000
Sanitation	118,373	-
Total proprietary funds	253,805	91,000
Component unit		
Springdale Water Utilities	76,000	-
Total	$ 10,069,214	$ 10,069,214

8. 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"), the Arkansas District Judges Retirement System ("ADJRS"), and the Arkansas Public Employees' Retirement System ("APERS"), which are statewide cost sharing agent multiple-employer defined benefit pension plans. The assets of the plans are maintained in legally separate trusts and each plan's assets may be used only for the payment of benefits to the members of that plan or their beneficiaries in accordance with the terms of the plan. Separate financial reports are not issued for each plan.

Summary of Significant Accounting Policies

Basis of Accounting

The City'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.

Membership Information

At December 31, 2012, membership of each plan consisted of the following:

	Firemen's Relief and Pension Fund	Policemen's Pension and Relief Fund	Money Purchase Pension Plan
Retirees and beneficiaries receiving benefits	44	34	-
Active plan members	-	-	215
Members on Deferred Retirement Option Plan ("DROP")	2	-	N/A
Total	46	34	215

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

Plan Descriptions and Funding Information

Firemen's Relief and Pension Fund

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

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

Contributions to the FRPF are set forth in Arkansas Code. The City's contribution to the FRPF 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 FRPF 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 FRPF. Total contributions to the FRPF in 2012 were $633,048. The City's share of contributions was $595,100 and included $507,399 in property taxes, $79,623 in state insurance premium taxes and employer contribution match of $8,078.

As of December 31, 2011, the most recent actuarial valuation date, the FRPF was 47.7% funded. The actuarial accrued liability for benefits was $18,166,888 and the actuarial value of assets was $8,670,331, resulting in an actuarial unfunded accrued liability of $9,496,557. The covered payroll (annual payroll of active employees covered by the plan) was $134,626, and the ratio of the unfunded actuarial liability to annual covered payroll was 7054.0%.

Policemen's Pension and Relief Fund

The PPRF 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.

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

The PPRF 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 PPRF 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 PPRF is effectively closed to new members.

Contributions to the PPRF are set forth in Arkansas Code. The City's contribution to the PPRF 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 PPRF. Total contributions to the PPRF were $740,403 in 2012. The City's share of contributions was $740,403 and included $507,399 in property taxes, $122,970 in state insurance premium taxes, and $109,970 in fines and court costs and $64 in other income.

As of December 31, 2011, the most recent actuarial valuation date, the PPRF was 45.8% funded. The actuarial accrued liability for benefits was $17,624,352 and the actuarial value of assets was $8,075,992, resulting in an actuarial unfunded accrued liability of $9,548,360. The PPRF has no covered payroll as there are no active employees.

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

Actuarial Methods and Assumptions

The annual required contributions to the Plans for 2012 were determined as a part of actuarial studies as of December 31, 2011, using the entry age normal actuarial cost method. The actuarial assumptions included (a) 5% investment rate of return, (b) projected salary increases ranging from 4% to 8% per year, and (c) postretirement benefit increases of 0%. Items (a) and (b) included an inflation component of 4%. The actuarial value of assets was determined using the market value of investments.

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

Three-Year Trend Information

	Year Ended	Annual Pension Cost ("APC")	Percentage of APC Contributed	Net Pension Obligation
Firemen's Relief and Pension Fund	12/31/2010	$ 1,583,828	32.4%	$ 3,882,570
	12/31/2011	1,298,144	41.8%	4,638,413
	12/31/2012	1,327,313	44.8%	5,370,626
Policemen's Pension and Relief Fund	12/31/2010	$ 2,029,938	32.1%	$ 2,606,064
	12/31/2011	1,661,640	41.2%	3,582,899
	12/31/2012	1,524,210	44.7%	4,425,425

Actuarial valuations for the FRPF and PPRF are performed biannually. Listed below are the City's projected annual pension cost and the net pension obligation from the 2011 actuarial reports.

	2011 Annual Pension Cost and Net Pension Obligation	
	Firemen's Relief and Pension Fund	Policemen's Pension and Relief Fund
Annual required contribution	$ 1,979,439	$ 2,118,940
Interest on net pension obligation	194,129	130,303
Adjustment to annual required contribution	(875,424)	(587,603)
Annual pension cost	1,298,144	1,661,640
Contributions made	(542,301)	(684,805)
Increase in net pension obligation	755,843	976,835
Net pension obligation - beginning of year	3,882,570	2,606,064
Net pension obligation - end of year	$ 4,638,413	$ 3,582,899

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

9. Retirement Plans

Money Purchase Pension Plan

The Money Purchase Pension Plan ("Money Purchase Plan") is a defined contribution plan, established on October 1, 1999 by City Ordinance No. 2933. The Money Purchase Plan is qualified under Section 401(a) of the Internal Revenue Code ("IRC"). Plan assets are held in trust and administered by the International City Management Association Retirement Corporation ("ICMARC"). Each participant has a plan account to which the contributions are made and each participant manages their account by selecting various investment options offered by ICMARC. Plan benefits are based upon the total amount of money in an individual's account at retirement. The plan covers all nonuniformed City employees 18 years of age or older and who have 30 days service with the City. Employees contribute 3% of their salaries to the plan, and the City contributes 6%. There are no voluntary contributions. For the year ended December 31, 2012, employer and employee contributions to the plan were $458,919 and $229,458, 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. Participants' 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.

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

Cost Sharing Multiple-Employer Defined Benefit Pension Plans

The 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. The 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. The LOPFI issues a publicly available financial report that includes financial statements and required supplementary information of the Plan, which may be obtained from the Arkansas Local Police and Fire Retirement System, P.O. Drawer 34164, Little Rock, Arkansas 72203.

Contribution requirements are set forth in Arkansas state statute. 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, which for 2012 was 18.86% for paid firemen and 20.05% for paid policemen. City contributions for 2012 were $1,049,676 for paid firemen and $1,146,578 for paid policemen, and were equal to 100% of the required contributions.

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

Employee contributions for 2012 were $473,078 for paid firemen and $142,965 for paid policemen. At December 31, 2012, there were 109 active paid firemen and 123 active paid policemen, and covered payroll was $5,565,623 and $5,722,023, 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 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 APERS, a state administered defined benefit plan. Employer contributions for 2012 were 13.47% of covered payroll for January through June and 13.86% of covered payroll from July through December; the employee contribution rate was 5%. The annual pension cost and covered payroll for 2012 were $22,132 and $159,731, respectively. Employee contributions for 2012 were $7,987.

Pension Plan – Discretely Presented Component Unit

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

To participate in the plan, an employee must be age 20½, have completed six months of service, be a full-time employee (at least 1,000 hours per year), and agree to contribute the mandatory 3.0% employee contribution. An employee who meets the above eligibility requirements may become a plan participant as of the first day of the plan year following completion of the eligibility requirements. Participants are vested 100% in their employee contributions and interest earned thereon. Participant's vested interest in employer contributions and interest thereon is determined as follows: 20% vested after two years of participation and an additional 10% each year thereafter until the participant is vested 100% after 10 years of service.

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

Employee 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.

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

The Commission accounts for its current employee contributions as pension costs in the year paid. For the year ended September 30, 2012, the Commission's total payroll, covered payroll and contributions were as follows:

Total payroll	$ 3,993,765
Covered payroll	$ 3,822,085
Employer contributions	
Amount	$ 191,181
Percentage of covered payroll	5.00%
Employee contributions	
Amount	$ 114,688
Percentage of covered payroll	3.00%

10. **Deferred Compensation Plans**

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

The 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 $17,000. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Deferred Compensation Plan – Discretely Presented Component Unit

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

11. Other Postemployment Benefits ("OPEB")

Plan Description

The City sponsors and administers an informal single-employer defined benefit healthcare plan. Arkansas statute provides that any municipal city official or employee vested in any of the City's retirement plans with 20 years of service and attains 55 years of age may continue to participate in the City's healthcare plan after retirement. The State of Arkansas has the authority to establish and amend the requirements of the statute. The City does not issue standalone financial statements of the plan; however, 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, 2012, the date of the actuarial valuation, the plan has 14 active participants who pay monthly premiums between $392 for single coverage to $1,095 for family coverage.

Annual OPEB Cost and net OPEB Obligation

The City's annual OPEB expense is calculated based on the annual required contribution ("ARC") of the employer, and amount actuarially determined in accordance with the parameters of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." 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:

ARC	$ 476,167
Interest on net OPEB obligation	56,702
Adjustment to annual required contribution	(47,012)
Annual OPEB cost	485,857
Total annual employer contribution (PAYGO cost)	(69,129)
Increase in net OPEB obligation	416,728
Net OPEB obligation - beginning of year	1,260,047
Net OPEB obligation - end of year	$ 1,676,775

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

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 ARC calculation reflecting a 30-year amortization period is as follows:

Normal cost	$ 324,012
Amortization of UAAL	131,650
Interest cost	20,505
Annual required contribution	$ 476,167

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2010	$ 407,299	17.7%	$ 900,969
12/31/2011	437,595	17.9%	1,260,047
12/31/2012	485,857	14.2%	1,676,775

Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was $3,687,335, and the actuarial value of assets was zero resulting in an UAAL of $3,687,335. The covered payroll was $18,083,856 and the ratio of the UAAL to the covered payroll was 20.4%.

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.

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

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, 2012, 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 2013, reduced by decrements to an ultimate rate of 5.0% in 2021. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The amortization period was 30 years at December 31, 2012.

Discretely Presented Component Unit

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

12. **Risk Management**

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

Coverage is provided both commercially and through the Arkansas Municipal League ("AML"), which is an association of local governments. AML provides the City with automobile, legal defense and workers' compensation. Fixed premiums are set annually by AML based on such factors as claims experience, employee class multipliers and population. For risks related to vehicle accidents covered by AML, the City pays a $1,000 deductible per incident. For legal risks covered by AML, the City pays no deductible; however, the City pays a $3,000 fee to AML for each legal matter it handles. Coverage under these policies meets statutory liability limits and requirements, and the City's risk of loss is effectively transferred. Additionally, the City has instituted various safety programs to reduce losses. There have been no significant reductions in insurance coverage from 2011 to 2012, nor have settlement amounts exceeded insurance coverage for each of the past three years. However, the deductible per incident increased from $1,000 to $50,000 in 2012 due to the number and amount of claims incurred for 2011.

13. Property Taxes

City property taxes are levied each October 1 on the assessed value listed as of January 1 for all real and personal property located in the City. The property tax is considered due the first Monday in January after the levy; however, the tax is not considered delinquent until October 11 of that year. As a result, the majority of the tax is not collected within the time frame necessary to finance the liabilities of the current period. Property taxes which remain delinquent for a period of three years are certified to the land commissioner where a lien is recorded and held on file. If property remains delinquent for a period of seven years, the property will be subsequently sold by the land commissioner. If proceeds from the sale are sufficient to cover all claims, the City will collect on the past due property taxes. Washington and Benton Counties are the collecting agents for the City and remit collections to the City, net of a collection fee, on a monthly basis.

In the governmental funds, property taxes are measurable when levied even though not available. As a result, at December 31, 2012, property taxes receivable and related deferred inflows (unavailable revenue) of $5,250,156 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% to arrive at assessed value.

The City is permitted by Arkansas State Law to levy taxes up to $0.50 per $100 of assessed valuation on real and personal property for general government services, $0.50 per $100 of assessed valuation on real and personal property for the payment of principal and interest on long-term debt, $0.10 per $100 of assessed valuation on real and personal property for the police pension funds, and $0.10 per $100 of assessed valuation on real and personal property for the fire pension funds. The combined tax rate levied by the City in 2012 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 $6,321,000 of additional taxes could be raised per year based on the current year's assessed value of $763,357,762 for real property and $240,015,877 for personal property before the limit is reached.

14. Sales Taxes

In October 1981, Washington County began assessing a 1% sales and use tax on retail sales in the county. Each city in Washington County receives a portion of the tax based upon population of the city. Effective December 1, 2004, the tax rate increased to 1.25%. Currently, the City receives approximately 25.09% 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 $9,843,977 for 2012 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 6). 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 $10,275,130 for 2012 and are included in the Sales and Use Tax Fund's ($9,449,735) and 2012 Bonds Debt Service Fund's ($825,395) 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 2.74% 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 $926,005 for 2012 and are included in the General Fund's tax revenues in the accompanying financial statements.

In July 2006, City voters approved a 1% sales and use tax on retail sales in the City. Revenues from the tax are pledged for payment of the principal and interest on the City's Sales and Use Tax Refunding and Improvement Bonds, Series 2006 (see also Note 6). This tax replaced the additional 1% sales and use tax approved by City voters in August 2003, which was pledged for payment of the principal and interest on the Series 2004 Bonds. The City began assessing the original tax in October 2003. The tax is collected by the state and remitted to the City, net of a 3% collection fee. Taxes for this purpose remitted to the City totaled $10,288,979 for 2012 and are included in the Debt Service Fund's tax revenues in the accompanying financial statements. This tax will sunset upon retirement of all related debt.

In April 2009, the Arkansas General Assembly passed Act 840 of 2009 regarding the disposition of city and county sales taxes on aviation fuel. Act 840 stated that money collected that is derived from a tax on aviation fuel that is not dedicated to a specific purpose shall be transmitted to the publically owned airport where the aviation fuel was sold. Therefore, beginning in July 2009, taxes collected on aviation fuel by the state are remitted to the City's Municipal Airport, net of a 3% collection fee. Taxes for this purpose remitted to the City's Municipal Airport for the City and Washington County totaled $13,849 and $10,384, respectively, and are included as nonoperating revenue for the Municipal Airport Fund in the accompanying financial statements.

15. Commitments and 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.

Contingencies

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

16. **Endowments**

The City's endowments consist of one individual fund established to provide current income and long-term protection for the operations of the City's SMBF. Its endowments represent donor-restricted endowment funds. As required by GAAP, net position associated with endowment funds, including funds designated by the City Council 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 State Prudent Management of Institutional Funds Act ("SPMIFA") 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 the applicable donor gift instrument 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 SPMIFA. There was no net appreciation of the endowments classified as available for expenditure.

In accordance with the SPMIFA, 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 is as follows:

	Assigned	Nonspendable
Endowment fund balance - beginning of year	$ 48,340	$ 1,025,881
Contributions	-	5,000
Distributions	(29,400)	-
Investment income, net	14,460	103,188
Endowment fund balance - end of year	$ 33,400	$ 1,134,069

16. **Endowments (cont.)**

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 SPMIFA 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, 2012.

Return Objectives and Risk Parameters

The City's endowments are held by Endeavor who has been granted variance power. These endowments 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 returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the City 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 City 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 as managed by Endeavor and the City Council.

Spending Policy and How the Investment Objectives Relate to Spending Policy

In accordance with the fund agreement with Endeavor, the City is subject to the spending policy of Endeavor. Distributions in excess of the amount dictated by the application of Endeavor's spending policy may be made to the City in any year as determined by the Board of Directors of Endeavor provided one of the following conditions are met: (1) the distribution is for the purpose of enabling the City to acquire or renovate a capital asset or (2) the City is faced with unexpected financial needs that are not likely to recur and the distribution will enable the City to meet those needs.

17. **Condensed Financial Statements – Discretely Presented Component Unit**

The following presents condensed financial statements for the City's discretely presented component unit as of and for the year ended September 30, 2012:

Statement of Net Position

Assets	
Current assets	$ 49,238,255
Restricted assets	1,636,240
Capital assets, net of accumulated depreciation	196,613,519
Noncurrent assets	7,813
Total assets	$ 247,495,827
Liabilities	
Current liabilities	$ 2,144,082
Noncurrent liabilities	4,689,825
Total liabilities	$ 6,833,907
Net Position	
Net investment in capital assets	$ 193,397,665
Restricted	46,415
Unrestricted	47,217,840
Total net position	$ 240,661,920

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

Statement of Activities

Functions/Programs	Expenses	Program Revenues: Fees, Fines and Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets: Business-type Activities
Water	$ 13,113,937	$ 15,360,802	$ -	$ 615,572	$ 2,862,437
Sewer	9,255,843	11,378,087	-	390,228	2,512,472
Sanitation	2,953,876	3,062,986	-	-	109,110
Total business-type activities	$ 25,323,656	$ 29,801,875	$ -	$ 1,005,800	5,484,019
General revenues (expenses)					
Investment earnings					274,932
Gain on sale of assets					48,584
Transfers					76,000
Total general revenues					399,516
Changes in net position					5,883,535
Net position - beginning of year					234,778,385
Net position - end of year					$ 240,661,920

18. **New GASB Pronouncements**

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

GASB Statement No. 61, "The Financial Reporting Entity: Omnibus." This statement modifies existing requirements under GASB Statement No. 14, "The Financial Reporting Entity," and the related financial reporting requirements of GASB Statement No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments," for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosures. This statement becomes effective for financial statements for periods beginning after June 15, 2012. The City has not yet determined the potential impact, if any; this statement could have on its financial statements.

18. **New GASB Pronouncements (cont.)**

GASB Statement No. 66, "Technical Corrections – 2012." This statement enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. GASB Statement No. 66 amends both GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," and GASB Statement No. 62. The provisions of GASB Statement No. 66 are effective for periods beginning after December 15, 2012, 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. 67, "Financial Reporting for Pension Plans." The objective of this statement is to improve financial reporting by state and local governmental pension plans. This statement amends GASB Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans," and GASB Statement No. 50, "Pension Disclosures," as they relate to pension plans that are administered through trusts that meet certain criteria. The provisions of GASB Statement No. 67 are effective for financial statements for fiscal years beginning after June 15, 2013. The City has not yet determined the potential impact, if any; this statement could have on its financial statements.

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. 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 Statement No. 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.

19. **Subsequent Events**

On January 22, 2013, the City Council passed Resolution No. 16-13 releasing the funds reserved for the Don Tyson Parkway/I-540 Interchange from restriction for the Sales and Use Tax Fund.

On May 14, 2013, the City Council passed Resolution No. 74-13 authorizing the execution of a construction contract for the I-540/DonTyson Parkway Interchange. Total amount of the contract is approximately $12.2 million.

On June 25, 2013, the City Council passed Resolution No. 98-13 authorizing the offering of Sales and Use Tax Refunding Bonds, Series 2013, in order to achieve debt service savings by refunding the outstanding Sales and Use Tax Refunding and Improvement Bonds, Series 2006.

The City evaluated the events and transactions subsequent to its December 31, 2012 balance sheet date and determined there were no additional significant events to report through August 20, 2013, which is the date the City issued its financial statements.

CITY OF SPRINGDALE, ARKANSAS

Schedule of Funding Progress –
Pension and OPEB Plans

For the Year Ended December 31, 2012

		Actuarial Valuation Date	Actuarial Value of Assets (a)
Firemen's Relief and Pension Fund		12/31/2007	$ 11,193,261
	a	12/31/2008	8,308,514
		12/31/2009	9,228,871
	b	12/31/2010	9,570,815
		12/31/2011	8,670,331
Policemen's Pension and Relief Fund		12/31/2007	10,594,321
	a	12/31/2008	7,165,028
		12/31/2009	8,264,893
	b	12/31/2010	8,583,703
		12/31/2011	8,075,992
Other Postemployment Benefit Plan Healthcare Plan		1/1/2008	N/A
		1/1/2009	N/A
		1/1/2010	N/A
		1/1/2011	N/A
		1/1/2012	N/A

a. For this valuation, in consultation with the Pension Review Board, the assumptions were changed to a 7% discount rate and 83GAM mortality.

b. Includes changes in assumptions to 5% discount rate and 83GAM mortality.

Actuarial Accrued Liability ("AAL") - Entry Age (b)	Unfunded Accrued Liability ("UAL") (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
$ 15,320,987	$ 4,127,726	73.1%	$ 119,739	3447.3%
13,912,477	5,603,963	59.7%	N/A	N/A
18,480,675	9,251,804	49.9%	N/A	N/A
18,349,773	8,778,958	52.2%	N/A	N/A
18,166,888	9,496,557	47.7%	N/A	N/A
14,966,866	4,372,545	70.8%	N/A	N/A
14,835,889	7,670,861	48.3%	N/A	N/A
18,223,504	9,958,611	45.4%	N/A	N/A
17,981,358	9,397,655	47.7%	N/A	N/A
17,624,352	9,548,360	45.8%	N/A	N/A
2,459,277	2,459,277	0.0%	15,623,447	15.7%
2,620,006	2,620,006	0.0%	16,248,385	16.1%
2,986,785	2,986,785	0.0%	17,473,279	17.1%
3,339,065	3,339,065	0.0%	18,172,210	18.4%
3,687,335	3,687,335	0.0%	18,083,856	20.4%

See accompanying notes to the basic financial statements.

Schedule of Employer Contributions – Defined Benefit Pension Plans

For the Year Ended December 31, 2012

	Year Ended	Annual Required Contribution	Percentage Contributed
Firemen's Relief and Pension Fund	12/31/2007	$ 1,211,428	47.0%
	12/31/2008	932,398	57.5%
	12/31/2009	1,227,736	48.9%
	12/31/2010	2,086,054	24.8%
	12/31/2011	1,979,439	27.4%
Policemen's Pension and Relief Fund	12/31/2007	687,331	105.7%
	12/31/2008	957,314	71.4%
	12/31/2009	1,679,439	45.4%
	12/31/2010	2,245,422	29.0%
	12/31/2011	2,118,940	32.3%

See accompanying notes to the basic financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund

For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Taxes				
Sales	$ 10,401,000	$ 10,401,000	$ 10,769,982	$ 368,982
Ad valorem	4,738,000	4,738,000	4,708,817	(29,183)
Franchise	3,430,000	3,430,000	3,405,688	(24,312)
Fees and permits				
Building permits	200,000	200,000	291,564	91,564
Occupation permits	133,000	133,000	133,419	419
Other	168,650	168,650	154,546	(14,104)
Intergovernmental				
Federal and state grants	292,120	362,610	713,883	351,273
State turnback	1,117,000	1,117,000	1,155,590	38,590
State turnback - insurance	425,000	425,000	623,667	198,667
County turnback	231,500	231,500	248,023	16,523
Other	798,750	814,750	948,853	134,103
Charges for services				
Ambulance fees	1,475,000	1,475,000	1,527,875	52,875
Other service fees	417,500	417,500	467,210	49,710
Fines and forfeitures	871,000	871,000	855,645	(15,355)
Miscellaneous	189,330	199,330	331,497	132,167
Total revenues	24,887,850	24,984,340	26,336,259	1,351,919
Expenditures				
General government				
Administration				
Personnel	1,338,820	1,338,820	1,347,891	(9,071)
Buildings and equipment	407,720	407,720	404,181	3,539
Supplies	147,000	147,000	148,080	(1,080)
Other	553,370	553,370	956,798	(403,428)
Economic development	397,200	406,200	407,399	(1,199)
Capital	-	-	158,520	(158,520)
Total administration expenditures	2,844,110	2,853,110	3,422,869	(569,759)
City attorney				
Personnel	619,400	619,400	610,311	9,089
Buildings and equipment	13,000	13,000	10,477	2,523
Supplies	11,000	11,000	8,709	2,291
Other	20,880	20,880	16,528	4,352
Total city attorney expenditures	664,280	664,280	646,025	18,255
Total general government expenditures	3,508,390	3,517,390	4,068,894	(551,504)

See accompanying notes to the basic financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund (cont.)

For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Expenditures (cont.)				
Culture and recreation				
Shiloh museum				
Personnel	$ 482,050	$ 482,050	$ 454,029	$ 28,021
Buildings and equipment	27,600	27,600	29,792	(2,192)
Supplies	47,600	47,600	55,819	(8,219)
Other	10,800	10,800	17,885	(7,085)
Capital	-	-	15,807	(15,807)
Total Shiloh museum expenditures	568,050	568,050	573,332	(5,282)
Parks and recreation				
Personnel	1,005,910	1,005,910	946,052	59,858
Buildings and equipment	185,650	185,650	207,238	(21,588)
Supplies	211,750	211,750	254,554	(42,804)
Other	73,250	73,250	76,941	(3,691)
Capital	82,800	105,300	105,137	163
Total parks and recreation expenditures	1,559,360	1,581,860	1,589,922	(8,062)
Total culture and recreation expenditures	2,127,410	2,149,910	2,163,254	(13,344)
Community development				
Planning and community development				
Personnel	673,750	673,750	662,923	10,827
Buildings and equipment	20,000	20,000	11,437	8,563
Supplies	27,000	27,000	17,629	9,371
Other	153,300	153,300	118,733	34,567
Total community development expenditures	874,050	874,050	810,722	63,328
Public safety				
Animal services				
Personnel	440,540	440,540	382,856	57,684
Buildings and equipment	41,500	41,500	22,680	18,820
Supplies	70,000	70,000	62,895	7,105
Other	49,800	49,800	43,964	5,836
Total animal services expenditures	601,840	601,840	512,395	89,445

See accompanying notes to the basic financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund (cont.)

For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Expenditures (cont.)				
Public safety (cont.)				
Building inspection				
Personnel	$ 707,720	$ 678,720	$ 658,368	$ 20,352
Buildings and equipment	12,200	12,200	13,309	(1,109)
Supplies	49,500	49,500	38,645	10,855
Other	55,500	64,500	69,816	(5,316)
Capital	-	20,000	18,842	1,158
Total building inspection expenditures	824,920	824,920	798,980	25,940
Police				
Personnel	10,419,370	10,390,470	10,235,159	155,311
Buildings and equipment	260,750	260,750	254,495	6,255
Supplies	466,200	495,100	524,818	(29,718)
Other	303,000	503,665	753,275	(249,610)
Capital	258,350	270,350	415,345	(144,995)
Total police expenditures	11,707,670	11,920,335	12,183,092	(262,757)
Fire				
Personnel	8,233,150	8,233,150	8,183,142	50,008
Buildings and equipment	242,000	251,000	369,021	(118,021)
Supplies	461,500	461,500	456,402	5,098
Other	236,000	236,000	250,786	(14,786)
Capital	215,000	480,490	240,119	240,371
Total fire expenditures	9,387,650	9,662,140	9,499,470	162,670
Total public safety expenditures	22,522,080	23,009,235	22,993,937	15,298
Total expenditures	29,031,930	29,550,585	30,036,807	(486,222)
Excess (deficiency) of revenues over (under) expenditures	(4,144,080)	(4,566,245)	(3,700,548)	865,697
Other financing sources (uses)				
Transfers in	4,964,000	4,964,000	5,152,565	188,565
Transfers out	(1,291,755)	(1,291,755)	(1,279,245)	12,510
Proceeds from sale of capital assets	-	-	5,774	5,774
Insurance recoveries - capital assets	-	12,000	129,176	117,176
Total other financing sources	3,672,245	3,684,245	4,008,270	324,025

See accompanying notes to the basic financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund (cont.)

For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Net changes in fund balance	$ (471,835)	$ (882,000)	$ 307,722	$ 1,189,722
Fund balance - beginning of year	7,293,296	7,293,296	7,293,296	-
Fund balance - end of year	$ 6,821,461	$ 6,411,296	$ 7,601,018	$ 1,189,722

See accompanying notes to the basic financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Street Fund

For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Taxes				
Ad valorem	$ 890,000	$ 890,000	$ 869,183	$ (20,817)
Fees and permits	2,500	2,500	1,590	(910)
Intergovernmental				
Federal and state grants	-	-	2,673	2,673
State turnback - street	3,315,000	3,315,000	3,176,435	(138,565)
Charges for goods and services				
Street signs	500	500	4,338	3,838
Street and curb cut repairs	15,500	15,500	11,437	(4,063)
Other	-	-	7,103	7,103
Interest	10,000	10,000	6,935	(3,065)
Miscellaneous	5,000	5,000	54,063	49,063
Total revenues	4,238,500	4,238,500	4,133,757	(104,743)
Expenditures				
Street fund				
Personnel	2,153,250	2,153,250	2,073,231	80,019
Buildings and equipment	152,750	152,750	159,653	(6,903)
Supplies	1,119,400	1,119,400	792,826	326,574
Other	894,000	894,000	360,989	533,011
Capital	438,150	799,050	1,193,050	(394,000)
Total street fund expenditures	4,757,550	5,118,450	4,579,749	538,701
Excess (deficiency) of revenues over (under) expenditures	(519,050)	(879,950)	(445,992)	433,958
Other financing sources (uses)				
Transfers in	292,360	292,360	325,970	33,610
Insurance recoveries - capital assets	-	-	3,836	3,836
Total other financing sources	292,360	292,360	329,806	37,446
Net changes in fund balance	(226,690)	(587,590)	(116,186)	471,404
Fund balance - beginning of year	1,414,633	1,414,633	1,414,633	-
Fund balance - end of year	$ 1,187,943	$ 827,043	$ 1,298,447	$ 471,404

See accompanying notes to the basic financial statements.

Notes to Required Supplementary Information

For the Year Ended December 31, 2012

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. The 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 2012. 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.

CITY OF SPRINGDALE, ARKANSAS

Nonmajor Governmental Funds – Combining Balance Sheet

December 31, 2012

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	$ 136,296	$ 163,231	$ 86,547	$ 86,972	$ 267,480	$ 21,720
Investments	-	33,400	70,000	202,662	1,053,741	-
Accounts receivable, net	-	-	17,287	-	42,093	358
Interest receivable	-	-	73	965	8,312	-
Intergovernmental receivables, net	1,378	-	-	20,111	-	-
Due from other funds	-	-	-	12,762	-	-
Assets held for resale	-	-	-	-	-	-
Other assets	4,905	-	-	-	-	-
Restricted assets						
Cash and cash equivalents	-	-	-	-	-	-
Investments	-	1,134,069	-	-	-	-
Intergovernmental receivables	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-
Total assets	$ 142,579	$ 1,330,700	$ 173,907	$ 323,472	$ 1,371,626	$ 22,078
Liabilities and Fund Balance						
Liabilities						
Accounts payable	$ 16,884	$ 3,406	$ 3,137	$ 1,743	$ 1,274	$ 62
Salaries payable	43,119	293	-	25,293	-	3,293
Payable from restricted assets						
Accounts payable	-	-	-	-	-	-
Accrued interest	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Due to other funds	1,568	-	-	-	-	-
Unearned revenue	-	-	-	-	51,450	-
Total liabilities	61,571	3,699	3,137	27,036	52,724	3,355
Fund balances						
Nonspendable	4,905	1,134,069	-	-	-	-
Restricted for						
Court automation	-	-	-	269,626	-	-
Other purposes	-	-	-	-	-	-
Assigned	76,103	192,932	170,770	26,810	1,318,902	18,723
Total fund balances	81,008	1,327,001	170,770	296,436	1,318,902	18,723
Total liabilities and fund balances	$ 142,579	$ 1,330,700	$ 173,907	$ 323,472	$ 1,371,626	$ 22,078

Capital Projects Fund			Debt Service Fund	Permanent Funds		
2006 Bonds Street Impr Construction Fund	2012 Bonds Fire Impr Construction Fund	Public Facilities Board Fund	2012 Bonds Debt Service Fund	Bluff Cemetery Fund	Public Library Board Foundation Fund	Total Nonmajor Governmental Funds
$ -	$ -	$ 55,188	$ -	$ 35,496	$ 454,611	$ 1,307,541
-	-	1,046,558	-	596,522	-	3,002,883
-	-	-	-	11,790	-	71,528
-	-	53	-	1,890	-	11,293
-	-	-	-	-	-	21,489
-	-	-	-	1,325	1,568	15,655
-	-	2,168,740	-	-	-	2,168,740
-	-	-	-	-	-	4,905
1,873,930	8,540,000	-	3,157,329	-	-	13,571,259
-	-	-	-	-	-	1,134,069
-	-	-	825,395	-	-	825,395
-	336	-	132	-	-	468
$ 1,873,930	$ 8,540,336	$ 3,270,539	$ 3,982,856	$ 647,023	$ 456,179	$ 22,135,225
$ -	$ -	$ -	$ -	$ 337	$ -	$ 26,843
-	-	-	-	910	-	72,908
-	-	-	85,000	-	-	85,000
-	-	-	173,303	-	-	173,303
400,720	-	-	-	-	-	400,720
-	-	-	-	-	-	1,568
-	-	-	-	-	-	51,450
400,720	-	-	258,303	1,247	-	811,792
-	-	2,168,740	-	32,720	-	3,340,434
-	-	-	-	-	-	269,626
1,473,210	8,540,336	-	3,724,553	-	-	13,738,099
-	-	1,101,799	-	613,056	456,179	3,975,274
1,473,210	8,540,336	3,270,539	3,724,553	645,776	456,179	21,323,433
$ 1,873,930	$ 8,540,336	$ 3,270,539	$ 3,982,856	$ 647,023	$ 456,179	$ 22,135,225

See accompanying notes to the basic financial statements.

CITY OF SPRINGDALE, ARKANSAS

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

For the Year Ended December 31, 2012

	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
Revenues						
Taxes	$ 43,170	$ -	$ 313,045	$ -	$ -	$ -
Fees and permits	-	21,328	-	161,454	-	-
Intergovernmental	1,150,459	-	-	86,068	-	683,053
Charges for goods and services	-	3,246	-	-	318,474	-
Fines and forfeitures	64,752	-	-	-	-	-
Investment earnings	565	128,304	954	3,394	14,710	-
Miscellaneous	31,111	95,423	-	2	-	56,411
Total revenues	1,290,057	248,301	313,999	250,918	333,184	739,464
Expenditures						
Current						
General government	-	-	-	749,921	-	-
Community development	-	-	-	-	-	723,633
Culture and recreation	1,690,992	53,513	-	-	170,093	-
Economic development	-	-	294,227	-	-	-
Public works	-	-	-	-	-	-
Capital expenditures	-	22,108	-	-	49,706	3,750
Debt service						
Bond issue costs	-	-	-	-	-	-
Total expenditures	1,690,992	75,621	294,227	749,921	219,799	727,383
Excess (deficiency) of revenues over (under) expenditures	(400,935)	172,680	19,772	(499,003)	113,385	12,081
Other financing sources (uses)						
Transfers in	458,825	-	-	494,450	-	-
Transfers out	-	-	-	-	-	-
Proceeds from issuance of bonds	-	-	-	-	-	-
Premium on bonds sold	-	-	-	-	-	-
Insurance recoveries	-	-	-	-	104,446	-
Total other financing sources (uses)	458,825	-	-	494,450	104,446	-
Net changes in fund balances	57,890	172,680	19,772	(4,553)	217,831	12,081
Fund balances - beginning of year	23,118	1,154,321	150,998	300,989	1,101,071	6,642
Fund balances - end of year	$ 81,008	$ 1,327,001	$ 170,770	$ 296,436	$ 1,318,902	$ 18,723

Capital Projects Fund				Debt Service Fund	Permanent Funds		
2006 Bonds Street Impr Construction Fund	2012 Bonds Fire Impr Construction Fund	Baseball Stadium Construction Fund	Public Facilities Board Fund	2012 Bonds Debt Service Fund	Bluff Cemetery Fund	Public Library Board Foundation Fund	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ 825,395	$ -	$ -	$ 1,181,610
-	-	-	-	-	-	-	182,782
-	-	-	-	-	-	-	1,919,580
-	-	-	-	-	16,275	-	337,995
-	-	-	-	-	-	-	64,752
9,221	336	5	8,746	133	13,092	480	179,940
-	-	-	-	-	-	23,113	206,060
9,221	336	5	8,746	825,528	29,367	23,593	4,072,719
-	-	-	-	-	35,673	-	785,594
-	-	-	-	-	-	-	723,633
-	-	-	-	-	-	15,458	1,930,056
-	-	-	19,749	-	-	-	313,976
17,540	-	-	-	-	-	-	17,540
-	-	1,101	-	-	-	23,587	100,252
-	91,155	-	-	-	-	-	91,155
17,540	91,155	1,101	19,749	-	35,673	39,045	3,962,206
(8,319)	(90,819)	(1,096)	(11,003)	825,528	(6,306)	(15,452)	110,513
-	-	-	-	2,899,025	-	-	3,852,300
(408,574)	(367,436)	-	-	-	-	-	(776,010)
-	8,400,000	-	-	-	-	-	8,400,000
-	598,591	-	-	-	-	-	598,591
-	-	-	-	-	-	-	104,446
(408,574)	8,631,155	-	-	2,899,025	-	-	12,179,327
(416,893)	8,540,336	(1,096)	(11,003)	3,724,553	(6,306)	(15,452)	12,289,840
1,890,103	-	1,096	3,281,542	-	652,082	471,631	9,033,593
$ 1,473,210	$ 8,540,336	$ -	$ 3,270,539	$ 3,724,553	$ 645,776	$ 456,179	$ 21,323,433

See accompanying notes to the basic financial statements.

Nonmajor Proprietary Funds – Combining Statement of Net Position

December 31, 2012

Assets	Enterprise Funds: Parks Soccer Program Fund	Enterprise Funds: City Attorney Restitution Fund	Enterprise Funds: Sanitation Fund	Total Nonmajor Proprietary Funds
Current assets				
Cash and cash equivalents	$ 40,861	$ 28,446	$ 78,133	$ 147,440
Accounts receivable	-	-	25,090	25,090
Due from other funds	-	370	-	370
Total current assets	40,861	28,816	103,223	172,900
Capital assets				
Land and improvements	21,376	-	-	21,376
Machinery and equipment	80,415	19,471	233,272	333,158
Less accumulated depreciation	(35,323)	(19,471)	(64,944)	(119,738)
Total capital assets, net of accumulated depreciation	66,468	-	168,328	234,796
Total assets	$ 107,329	$ 28,816	$ 271,551	$ 407,696
Liabilities and Net Position				
Current liabilities				
Accounts payable	$ 697	$ -	$ 1,780	$ 2,477
Salaries payable	795	-	2,543	3,338
Due to other funds	-	52	-	52
Total current liabilities	1,492	52	4,323	5,867
Noncurrent liabilities				
Compensated absences	1,039	-	2,216	3,255
Total liabilities	2,531	52	6,539	9,122
Net position				
Net investment in capital assets	66,468	-	168,328	234,796
Unrestricted	38,330	28,764	96,684	163,778
Total net position	104,798	28,764	265,012	398,574
Total liabilities and net position	$ 107,329	$ 28,816	$ 271,551	$ 407,696

See accompanying notes to the basic financial statements.

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

For the Year Ended December 31, 2012

	Enterprise Funds			
	Parks Soccer Program Fund	City Attorney Restitution Fund	Sanitation Fund	Total Nonmajor Proprietary Funds
Operating revenues				
Charges for services				
Activity fees	$ 92,650	$ -	$ -	$ 92,650
Other service fees	-	25,750	113,222	138,972
Total operating revenues	92,650	25,750	113,222	231,622
Operating expenses				
Personnel	67,120	-	90,982	158,102
Maintenance	19,326	-	6,925	26,251
Supplies	18,935	659	10,567	30,161
Other	2,910	1,076	1,482	5,468
Depreciation	7,569	-	17,409	24,978
Total operating expenses	115,860	1,735	127,365	244,960
Operating income (loss)	(23,210)	24,015	(14,143)	(13,338)
Nonoperating revenue				
Investment earnings	330	-	515	845
Income before transfers	(22,880)	24,015	(13,628)	(12,493)
Capital transfers in	-	-	118,373	118,373
Operating transfers out	-	(15,000)	-	(15,000)
Changes in net position	(22,880)	9,015	104,745	90,880
Net position - beginning of year	127,678	19,749	160,267	307,694
Net position - end of year	$ 104,798	$ 28,764	$ 265,012	$ 398,574

See accompanying notes to the basic financial statements.

Nonmajor Proprietary Funds – Combining Statement of Cash Flows

For the Year Ended December 31, 2012

	Enterprise Funds			
	Parks Soccer Program Fund	City Attorney Restitution Fund	Sanitation Fund	Total Nonmajor Proprietary Funds
Cash flows from operating activities				
Receipts from customers and users	$ 92,650	$ 25,750	$ 110,701	$ 229,101
Miscellaneous revenues	-	-	851	851
Payments to suppliers	(40,474)	(1,735)	(18,844)	(61,053)
Payments to employees	(65,956)	-	(93,781)	(159,737)
Net cash provided (used) by operating activities	(13,780)	24,015	(1,073)	9,162
Cash flows from noncapital financing activities				
Transfers from other funds	-	(15,000)	-	(15,000)
Receipt of interfund balances	(3,100)	(131)	-	(3,231)
Net cash provided (used) by noncapital financing activities	(3,100)	(15,131)	-	(18,231)
Cash flows from capital financing activities				
Purchases of capital assets	(14,920)	-	-	(14,920)
Net cash used by capital financing activities	(14,920)	-	-	(14,920)
Cash flows from investing activities				
Interest received	330	-	515	845
Net cash provided by investing activities	330	-	515	845
Net increase (decrease) in cash and cash equivalents	(31,470)	8,884	(558)	(23,144)
Cash and cash equivalents - beginning of year	72,331	19,562	78,691	170,584
Cash and cash equivalents - end of year	$ 40,861	$ 28,446	$ 78,133	$ 147,440
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	$ (23,210)	$ 24,015	$ (14,143)	$ (13,338)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	7,569	-	17,409	24,978
Changes in operating assets and liabilities				
Accounts receivable	-	-	(1,670)	(1,670)
Accounts payable	697	-	130	827
Salaries payable	125	-	(694)	(569)
Compensated absences	1,039	-	(2,105)	(1,066)
Net cash provided (used) by operating activities	$ (13,780)	$ 24,015	$ (1,073)	$ 9,162
Supplementary disclosure of noncash activities				
Contribution of capital assets	$ -	$ -	$ 118,373	$ 118,373

See accompanying notes to the basic financial statements.

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

For the Year Ended December 31, 2012

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
Police Bond and Fine Fund				
Assets				
Cash	$ 19,340	$ 94	$ -	$ 19,434
Liabilities				
Accounts payable	$ 6,722	$ -	$ -	$ 6,722
Due to other funds	12,618	94	-	12,712
Total liabilities	$ 19,340	$ 94	$ -	$ 19,434
District Court Fund				
Assets				
Cash	$ 495,326	$ 2,780,758	$ 2,711,677	$ 564,407
Accounts receivable, net	1,627,520	2,821,724	2,703,719	1,745,525
Due from other funds	12,537	515	798	12,254
Total assets	$ 2,135,383	$ 5,602,997	$ 5,416,194	$ 2,322,186
Liabilities				
Accounts payable	$ 2,000,933	$ 818,959	$ 635,161	$ 2,184,731
Due to other funds	134,450	139,205	136,200	137,455
Total liabilities	$ 2,135,383	$ 958,164	$ 771,361	$ 2,322,186
Payroll Fund				
Assets				
Cash	$ 307,876	$ 13,772,528	$ 13,450,763	$ 629,641
Liabilities				
Accounts payable	$ 302,876	$ 11,759,534	$ 11,437,769	$ 624,641
Due to other funds	5,000	-	-	5,000
Total liabilities	$ 307,876	$ 11,759,534	$ 11,437,769	$ 629,641

See accompanying notes to the basic financial statements.

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

For the Year Ended December 31, 2012

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
Police Evidence Fund				
Assets				
Cash	$ 58,918	$ 288	$ -	$ 59,206
Liabilities				
Accounts payable	$ 58,080	$ -	$ 6,464	$ 51,616
Due to other funds	838	6,752	-	7,590
Total liabilities	$ 58,918	$ 6,752	$ 6,464	$ 59,206
Administration of Justice Fund				
Assets				
Cash	$ 50	$ 1,123,049	$ 1,123,099	$ -
Due from other funds	67,646	1,046,883	1,047,432	67,097
Total assets	$ 67,696	$ 2,169,932	$ 2,170,531	$ 67,097
Liabilities				
Accounts payable	$ 53,475	$ 875,206	$ 875,890	$ 52,791
Due to other funds	14,221	171,677	171,592	14,306
Total liabilities	$ 67,696	$ 1,046,883	$ 1,047,482	$ 67,097
All Agency Funds				
Assets				
Cash	$ 881,510	$ 17,676,717	$ 17,285,539	$ 1,272,688
Accounts receivable, net	1,627,520	2,821,724	2,703,719	1,745,525
Due from other funds	80,183	1,047,398	1,048,230	79,351
Total assets	$ 2,589,213	$ 21,545,839	$ 21,037,488	$ 3,097,564
Liabilities				
Accounts payable	$ 2,422,086	$ 13,453,699	$ 12,955,284	$ 2,920,501
Due to other funds	167,127	317,728	307,792	177,063
Total liabilities	$ 2,589,213	$ 13,771,427	$ 13,263,076	$ 3,097,564

See accompanying notes to the basic financial statements.

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Sales and Use Tax Fund

For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive
Revenues				
Taxes				
Sales	$ 9,898,000	$ 9,898,000	$ 9,449,734	$ (448,266)
Intergovernmental	-	-	1,809,658	1,809,658
Investment earnings	400,000	400,000	413,444	13,444
Miscellaneous	-	-	346,627	346,627
Total revenues	10,298,000	10,298,000	12,019,463	1,721,463
Expenditures				
Capital projects	21,250,000	21,250,000	8,865,145	12,384,855
Excess (deficiency) of revenues over (under) expenditures	(10,952,000)	(10,952,000)	3,154,318	14,106,318
Other financing sources (uses)				
Transfers in	-	-	408,574	408,574
Transfers out	(5,091,046)	(5,216,046)	(5,391,370)	(175,324)
Total other financing sources (uses)	(5,091,046)	(5,216,046)	(4,982,796)	233,250
Net changes in fund balance	(16,043,046)	(16,168,046)	(1,828,478)	14,339,568
Fund balance - beginning of year	26,048,669	26,048,669	26,048,669	-
Fund balance - end of year	$ 10,005,623	$ 9,880,623	$ 24,220,191	$ 14,339,568

See accompanying notes to the basic financial statements.

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – 2006 Bonds Debt Service Fund

For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Taxes				
Sales	$ 9,913,000	$ 9,913,000	$ 10,288,979	$ 375,979
Investment earnings	20,000	20,000	26,503	6,503
Total revenues	9,933,000	9,933,000	10,315,482	382,482
Expenditures				
Debt service				
Principal	4,475,000	4,475,000	5,595,000	(1,120,000)
Interest	4,589,750	4,589,750	4,575,350	14,400
Other fees	-	-	6,900	(6,900)
Agent fees	18,000	18,000	18,000	-
Total expenditures	9,082,750	9,082,750	10,195,250	(1,112,500)
Net changes in fund balance	850,250	850,250	120,232	(730,018)
Fund balance - beginning of year	8,850,311	8,850,311	8,850,311	-
Fund balance - end of year	$ 9,700,561	$ 9,700,561	$ 8,970,543	$ (730,018)

See accompanying notes to the basic financial statements.

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Public Library Fund

For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Taxes				
Ad valorem	$ 45,000	$ 45,000	$ 43,170	$ (1,830)
Intergovernmental				
State grants	-	-	240	240
County aid	1,089,550	1,089,550	1,150,219	60,669
Fines and forfeitures	70,000	70,000	64,752	(5,248)
Investment earnings	100	100	565	465
Miscellaneous	26,000	26,000	31,111	5,111
Total revenues	1,230,650	1,230,650	1,290,057	59,407
Expenditures				
Culture and recreation				
Public library				
Personnel	1,043,380	1,043,380	1,020,498	22,882
Maintenance	147,100	147,100	163,997	(16,897)
Supplies	473,900	473,900	444,028	29,872
Other	60,850	60,850	62,469	(1,619)
Total expenditures	1,725,230	1,725,230	1,690,992	34,238
Excess (deficiency) of revenues over (under) expenditures	(494,580)	(494,580)	(400,935)	93,645
Other financing sources (uses)				
Transfers in	494,580	494,580	458,825	(35,755)
Net changes in fund balance	-	-	57,890	57,890
Fund balance - beginning of year	23,118	23,118	23,118	-
Fund balance - end of year	$ 23,118	$ 23,118	$ 81,008	$ 57,890

See accompanying notes to the basic financial statements.

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Shiloh Museum Board Fund

For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Fees and permits				
Fees and memberships	$ 20,000	$ 20,000	$ 21,328	$ 1,328
Charges for goods and services	3,000	3,000	3,246	246
Investment earnings	300	300	128,304	128,004
Miscellaneous	8,800	8,800	95,423	86,623
Total revenues	32,100	32,100	248,301	216,201
Expenditures				
Culture and recreation				
Shiloh museum				
Personnel	5,000	5,000	4,448	552
Maintenance	600	600	3,766	(3,166)
Supplies	4,100	4,100	4,451	(351)
Other	12,800	12,800	40,848	(28,048)
Capital	9,600	9,600	22,108	(12,508)
Total expenditures	32,100	32,100	75,621	(43,521)
Net changes in fund balance	-	-	172,680	172,680
Fund balance - beginning of year	1,154,321	1,154,321	1,154,321	-
Fund balance - end of year	$ 1,154,321	$ 1,154,321	$ 1,327,001	$ 172,680

See accompanying notes to the basic financial statements.

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – District Court Costs Fund

For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Fees and permits				
Filing fees	$ 114,000	$ 114,000	$ 118,823	$ 4,823
Installment plan fees	39,500	39,500	42,631	3,131
Intergovernmental				
County aid	86,070	86,070	86,068	(2)
Investment earnings	3,500	3,500	3,394	(106)
Miscellaneous	-	-	2	2
Total revenues	243,070	243,070	250,918	7,848
Expenditures				
General government				
Court costs				
Personnel	670,585	670,585	663,771	6,814
Maintenance	3,250	3,250	28,451	(25,201)
Supplies	22,050	22,050	22,179	(129)
Other	12,500	30,500	35,520	(5,020)
Capital	-	20,000	-	20,000
Total expenditures	708,385	746,385	749,921	(3,536)
Excess (deficiency) of revenues over (under) expenditures	(465,315)	(503,315)	(499,003)	4,312
Other financing sources				
Transfers in	504,815	504,815	494,450	(10,365)
Net changes in fund balance	39,500	1,500	(4,553)	(6,053)
Fund balance - beginning of year	300,989	300,989	300,989	-
Fund balance - end of year	$ 340,489	$ 302,489	$ 296,436	$ (6,053)

See accompanying notes to the basic financial statements.

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

For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Rent	$ 319,000	$ 319,000	$ 318,474	$ (526)
Investment earnings	19,100	19,100	14,710	(4,390)
Total revenues	338,100	338,100	333,184	(4,916)
Expenditures				
Culture and recreation				
Arvest Ball Park				
Maintenance	10,000	10,000	113,670	(103,670)
Other	39,500	39,500	56,423	(16,923)
Capital	-	-	49,706	(49,706)
Total expenditures	49,500	49,500	219,799	(170,299)
Excess (deficiency) of revenues over (under) expenditures	288,600	288,600	113,385	(175,215)
Other financing sources				
Insurance recoveries	-	-	104,446	104,446
Net changes in fund balance	288,600	288,600	217,831	(70,769)
Fund balance - beginning of year	1,101,071	1,101,071	1,101,071	-
Fund balance - end of year	$ 1,389,671	$ 1,389,671	$ 1,318,902	$ (70,769)

See accompanying notes to the basic financial statements.

CITY OF SPRINGDALE, ARKANSAS

Schedule of Revenues, Expenses/Expenditures and Changes in Net Position – Budget and Actual – Municipal Airport Fund

For the Year Ended December 31, 2012

	Budgeted Amounts	
	Original	Final
Operating revenues		
Rental fees	$ 251,350	$ 251,350
Fuel flowage fees	40,700	40,700
Other service fees	13,670	13,670
Miscellaneous	-	-
Total operating revenues	305,720	305,720
Operating expenses		
Personnel	65,330	65,330
Maintenance	58,000	58,000
Supplies	55,700	55,700
Other	103,800	103,800
Depreciation	-	-
Total operating expenses	282,830	282,830
Operating income (loss)	22,890	22,890
Nonoperating revenues (expenditures)		
Sales taxes	26,430	26,430
Interest income	100	100
Federal and state grants	-	-
Capital expenditures	-	-
Net nonoperating revenues (expenditures)	26,530	26,530
Income (loss) before capital contributions and transfers	49,420	49,420
Capital grants and contributions	-	-
Transfers in	-	-
Transfers out	-	-
Changes in net position	49,420	49,420
Net position - beginning of year	5,534,565	5,534,565
Net position - end of year	$ 5,583,985	$ 5,583,985

Actual GAAP Basis	Adjustments to Budget Basis	Actual Budget Basis	Variance with Final Budget Positive (Negative)
$ 262,559	$ -	$ 262,559	$ 11,209
41,884	-	41,884	1,184
19,181	-	19,181	5,511
2,800	-	2,800	2,800
326,424	-	326,424	20,704
71,305	-	71,305	(5,975)
85,609	-	85,609	(27,609)
47,376	-	47,376	8,324
126,121	-	126,121	(22,321)
276,281	(276,281)	-	-
606,692	(276,281)	330,411	(47,581)
(280,268)	276,281	(3,987)	(26,877)
24,233	-	24,233	(2,197)
380	-	380	280
34,321	-	34,321	34,321
-	(486,414)	(486,414)	(486,414)
58,934	(486,414)	(427,480)	(454,010)
(221,334)	(210,133)	(431,467)	(480,887)
434,691	-	434,691	434,691
135,432	-	135,432	135,432
(76,000)	-	(76,000)	(76,000)
272,789	(210,133)	62,656	13,236
5,534,565	-	5,534,565	-
$ 5,807,354	$ (210,133)	$ 5,597,221	$ 13,236

See accompanying notes to the basic financial statements.

CITY OF SPRINGDALE, ARKANSAS

Schedule of Revenues, Expenses/Expenditures and Changes in Net Position – Budget and Actual – Aquatic Center Fund

For the Year Ended December 31, 2012

	Budgeted Amounts	
	Original	Final
Operating revenues		
Charges for goods and services		
Activity fees	$ 190,000	$ 190,000
Concessions	4,500	4,500
Rental fees	-	-
Other service fees	1,000	1,000
Total operating revenues	195,500	195,500
Operating expenses		
Personnel	148,040	148,040
Maintenance	63,000	63,000
Supplies	55,300	55,300
Other	4,600	4,600
Depreciation	-	-
Total operating expenses	270,940	270,940
Operating income (loss)	(75,440)	(75,440)
Nonoperating revenues (expenditures)		
Interest income	4,200	4,200
Gain on disposal of capital assets	-	-
Capital expenditures	(45,000)	(45,000)
Net nonoperating revenues (expenditures)	(40,800)	(40,800)
Changes in net position	(116,240)	(116,240)
Net position - beginning of year	2,140,577	2,140,577
Net position - end of year	$ 2,024,337	$ 2,024,337

Actual GAAP Basis	Adjustments to Budget Basis	Actual Budget Basis	Variance with Final Budget Positive (Negative)
$ 222,628	$ -	$ 222,628	$ 32,628
7,495	-	7,495	2,995
791	-	791	791
550	-	550	(450)
231,464	-	231,464	35,964
157,404	-	157,404	(9,364)
34,439	-	34,439	28,561
53,025	-	53,025	2,275
2,983	-	2,983	1,617
149,907	(149,907)	-	-
397,758	(149,907)	247,851	23,089
(166,294)	149,907	(16,387)	59,053
3,000	-	3,000	(1,200)
369	-	369	369
-	(29,106)	(29,106)	15,894
3,369	(29,106)	(25,737)	15,063
(162,925)	120,801	(42,124)	74,116
2,140,577	-	2,140,577	-
$ 1,977,652	$ 120,801	$ 2,098,453	$ 74,116

See accompanying notes to the basic financial statements.

CITY OF SPRINGDALE, ARKANSAS

Schedule of Revenues, Expenses/Expenditures and Changes in Net Position – Budget and Actual – Parks Soccer Program Fund

For the Year Ended December 31, 2012

	Budgeted Amounts	
	Original	Final
Operating revenues		
Charges for goods and services		
Activity fees	$ 100,000	$ 100,000
Operating expenses		
Personnel	62,560	62,560
Maintenance	8,500	8,500
Supplies	22,200	22,200
Other	6,500	6,500
Depreciation	-	-
Total operating expenses	99,760	99,760
Operating income (loss)	240	240
Nonoperating revenues (expenditures)		
Interest income	1,500	300
Capital expenditures	(14,000)	(14,000)
Net nonoperating revenues (expenditures)	(12,500)	(13,700)
Changes in net position	(12,260)	(13,460)
Net position - beginning of year	127,678	127,678
Net position - end of year	$ 115,418	$ 114,218

Actual GAAP Basis	Adjustments to Budget Basis	Actual Budget Basis	Variance with Final Budget Positive (Negative)
$ 92,650	$ -	$ 92,650	$ (7,350)
67,120	-	67,120	(4,560)
19,326	-	19,326	(10,826)
18,935	-	18,935	3,265
2,910	-	2,910	3,590
7,569	(7,569)	-	-
115,860	(7,569)	108,291	(8,531)
(23,210)	7,569	(15,641)	(15,881)
330	-	330	30
-	(14,920)	(14,920)	(920)
330	(14,920)	(14,590)	(890)
(22,880)	(7,351)	(30,231)	(16,771)
127,678	-	127,678	-
$ 104,798	$ (7,351)	$ 97,447	$ (16,771)

See accompanying notes to the basic financial statements.

CITY OF SPRINGDALE, ARKANSAS

Schedule of Revenues, Expenses/Expenditures and Changes in Net Position – Budget and Actual – Sanitation Fund

For the Year Ended December 31, 2012

	Budgeted Amounts	
	Original	Final
Operating revenues		
Charges for goods and services		
Bulky waste fees	$ 107,750	$ 107,750
Miscellaneous	-	-
Total operating revenues	107,750	107,750
Operating expenses		
Personnel	99,610	99,610
Maintenance	1,000	1,000
Supplies	16,600	16,600
Other	2,010	2,010
Depreciation	-	-
Total operating expenses	119,220	119,220
Operating income (loss)	(11,470)	(11,470)
Nonoperating revenues		
Interest income	500	500
Capital expenditures	-	-
Total nonoperating revenues	500	500
Loss before transfers	(10,970)	(10,970)
Capital transfer in	-	-
Changes in net position	(10,970)	(10,970)
Net position - beginning of year	160,267	160,267
Net position - end of year	$ 149,297	$ 149,297

Actual GAAP Basis	Adjustments to Budget Basis	Actual Budget Basis	Variance with Final Budget Positive (Negative)
$ 112,371	$ -	$ 112,371	$ 4,621
851	-	851	851
113,222	-	113,222	5,472
90,982	-	90,982	8,628
6,925	-	6,925	(5,925)
10,567	-	10,567	6,033
1,482	-	1,482	528
17,409	(17,409)	-	-
127,365	(17,409)	109,956	9,264
(14,143)	17,409	3,266	14,736
515	-	515	15
-	(118,373)	(118,373)	(118,373)
515	(118,373)	(117,858)	(118,358)
(13,628)	(100,964)	(114,592)	(103,622)
118,373	-	118,373	118,373
104,745	(100,964)	3,781	14,751
160,267	-	160,267	-
$ 265,012	$ (100,964)	$ 164,048	$ 14,751

See accompanying notes to the basic financial statements.

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Bluff Cemetery Fund

For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Charges for goods				
Cemetery lots	$ 27,000	$ 27,000	$ 16,275	$ (10,725)
Investment earnings	6,000	6,000	13,092	7,092
Total revenues	33,000	33,000	29,367	(3,633)
Expenditures				
General government				
Cemetery				
Personnel	33,000	33,000	32,763	237
Maintenance	8,100	8,100	2,165	5,935
Supplies	600	600	-	600
Other	2,150	2,150	745	1,405
Capital	15,000	15,000	-	15,000
Total expenditures	58,850	58,850	35,673	23,177
Net changes in fund balance	(25,850)	(25,850)	(6,306)	19,544
Fund balance - beginning of year	652,082	652,082	652,082	-
Fund balance - end of year	$ 626,232	$ 626,232	$ 645,776	$ 19,544

See accompanying notes to the basic financial statements.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited, in accordance with the 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 aggregate 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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 20, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting (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 entity'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. 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 from 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 report 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Frost, PLLC

Certified Public Accountants

Little Rock, Arkansas
August 20, 2013

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Springdale, Arkansas (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2012. 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 each of 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 our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types 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, 2012.

Report on Internal Control Over Compliance

Management of the City 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 types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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.

Frost, PLLC

Certified Public Accountants

Little Rock, Arkansas
August 20, 2013

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2012

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grantors Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Community Development Block Grant	14.218	B-12-MC-05-002	$ 683,053
U.S. Department of Transportation			
Passed through Arkansas State Police			
Selective Traffic Enforcement Project			
State & Community Highway Safety	20.600	OP-2012-03-02-26	16,846
Alcohol Traffic Safety & Drunk Driving Incentive Grant	20.601	K8-2012-08-08-26	2,053
Alcohol Traffic Safety & Drunk Driving Incentive Grant	20.601	K8-2013-08-08-26	451
State & Community Highway Safety	20.600	OP-2013-03-02-26	1,364
Overtime - Selective Enforcement	20.600	K2-2012-14-02-26	2,476
Passed through Arkansas Highway and Transportation Department			
Johnson Road Improvements - Hwy 412 to Interstate 540	20.205	040272	1,634,294
Passed through Northwest Arkansas Regional Planning Commission			
Transportation investment Generating Economic Recovery (TIGER II) Grant	20.933	FAPSTMA-TDG2(1)	30,454
Federal Aviation Administration			
Airport Master Plan	20.106	AIP 3-05-0059-015-2010	34,321
Airport Improvements - PAPI, AWOS & Fencing	20.106	AIP 3-05-0059-016-2012	174,382
			1,896,641
U.S. Department of Justice			
Office of Community Oriented Policing Services			
COPS Hiring Program	16.71	2011UMWX0012	145,062
Office of Justice Programs' Bureau of Justice Assistance			
Bulletproof Vest Partnership Program	16.607	N/A	10,377
Drug Enforcement Administration Task Force	16.738	N/A	24,549
Passed through the City of Fayetteville, Arkansas			
2011 Justice Assistance - Local Solicitation	16.738	2011-DJ-BX-2967	34,340
2012 Justice Assistance - Local Solicitation	16.738	2012-DJ-BX-0464	28,249
Edward Byrne Memorial Justice Assistance Grant	16.738	J-11-014	12,962
Edward Byrne Memorial Justice Assistance Grant	16.738	J-12-014	15,554

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

Schedule of Expenditures of Federal Awards (cont.)

For the Year Ended December 31, 2012

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grantors Number	Federal Expenditures
U.S. Department of Justice (cont.)			
Office of Juvenile Justice and Delinquency Prevention			
Passed through the Arkansas Department of Finance and Administration			
Office of Intergovernmental Services			
Enforcing Underage Drinking Laws Program	16.727	2010-AH-FX-0067-AR10-10-03	$ 7,850
Passed through the Federal Bureau of Investigation			
Joint Terrorism Task Force of Arkansas	16.580	N/A	2,610
			281,553
U.S. Department of Energy			
National Energy Technology Laboratory			
Energy Efficiency & Conservation Block Grant	81.128	DE-FOA-0000013	144,910
Executive Office of the President			
Office of National Drug Control Policy			
Passed through Washington County, Arkansas			
High-Intensity Drug Trafficking Program	95.001	N/A	33,889
Total expenditures of federal awards			$ 3,040,046

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

Schedule of Expenditures of State Awards

For the Year Ended December 31, 2012

State Awards	Grantor Number	State Expenditures
Arkansas State Police		
Child Passenger Protection Fund	OP-2013-03-02-26	$ 5,945
Arkansas Department of Aeronautics		
State Airport Aid Grant (Powell Hangar Site Development)	3023-11	3,654
State Airport Aid Grant (Powell Hangar Construction)	3022-11	249,805
		253,459
Arkansas Economic Development Commission		
Economic Infrastructure Fund Grant ("AERT")	EIF 200715	118,644
Disaster Recovery Grant (Dixie Southern)	794-00179-08	250,000
		368,644
Arkansas Department of Finance and Administration		
Computer Incentive	WSCA CY12	327
Arkansas Game and Fish Commission		
Wildlife Observation Trail Grant	N/A	8,969
Arkansas Department of Health		
Professional Services Medical Transportation	4600022814	70,490
Department of Arkansas Heritage		
Arkansas Historic Preservation Program	11 ACWSC3-01	950
Arts on Tour - Tommy Terrific's Magic Show	FY12-406-209	120
Arts on Tour - Shannon Wurst	FY12-778-209	120
		1,190
City of Fayetteville		
Drug Law Enforcement Program	J-11-014	2,621
Drug Law Enforcement Program	J-12-014	3,146
		5,767
Total expenditures of state awards		$ 714,791

Other Assistance	Grantor Number	Other Expenditures
Elderly Taxi Program - Cigarette Tax		
Passed through Area Agency on Aging	N/A	$ 4,185

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

Notes to Schedules of Expenditures of Federal and State Awards

For the Year Ended December 31, 2012

Scope of Audit Pursuant to U.S. Office of Management and Budget ("OMB") Circular A-133

All federal financial award programs of the City of Springdale, Arkansas (the "City"), are included in the scope of the OMB Circular A-133 audit ("Single Audit"). For purposes of this schedule, awards include those received from other agencies, the original source of which was a federal agency.

Summary of Significant Accounting Policies

Basis of Accounting and Accounting Policies

The City's grant funds are accounted for on the modified accrual (governmental and special revenue) and the accrual (enterprise) bases of accounting. Under the modified accrual basis, grant revenues are recognized when eligibility requirements are met, and expenditures are recorded when authorized program costs are incurred. For the accrual basis, grant revenues are recorded when earned, and expenses are recorded at the time the liabilities are incurred.

The accounting policies of the City conform to accounting principles generally accepted in the United States for local government units as prescribed by Governmental Auditing Standards Board.

The City is the recipient of federal and state grant funds. The grant programs are administered by various departments with the City. The activities of these departments are monitored by City staff to ensure compliance with the requirements of the grants.

Subrecipients

The City provided no federal awards to subrecipients.

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2012

Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the City of Springdale, Arkansas.

2. No significant deficiencies or material weaknesses were disclosed during the audit of the financial statements.

3. No instances of noncompliance material to the financial statements of the City of Springdale, Arkansas were disclosed during the audit.

4. No significant deficiencies or material weaknesses were disclosed during the audit of the major federal award programs.

5. The auditor's report on compliance for the major federal award programs for the City of Springdale, Arkansas expresses an unqualified opinion on all major federal award programs.

6. There are no audit findings that are required to be reported in accordance with Section 501(a) of OMB Circular A-133 reported on this schedule.

7. The programs tested as major programs included:

   - Highway Planning and Construction CFDA No. 20.205

8. The threshold for distinguishing Types A and B programs was $300,000.

9. The City of Springdale, Arkansas was determined to be a low-risk auditee.

Findings – Financial Statement Audit

None

Findings and Questioned Costs – Major Federal Award Programs Audit

None

Independent Auditor's Report on Compliance With Certain State Acts

Honorable Mayor and City Board of Directors
City of Springdale, Arkansas
Springdale, Arkansas

We have examined management's assertions that the City of Springdale, Arkansas (the "City) complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the year ended December 31, 2012.

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

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

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

In our opinion, the City of Springdale, Arkansas complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2012.

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

Frost, PLLC

Certified Public Accountants

Little Rock, Arkansas
August 20, 2013