

# **City of Springdale, Arkansas**

Financial Statements and Independent Auditor's Reports  
December 31, 2015

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**City of Springdale, Arkansas**  
**December 31, 2015**

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**City of Springdale, Arkansas**  
**List of Elected and Appointed Officials**  
**December 31, 2015**

**Elected Officials:**

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

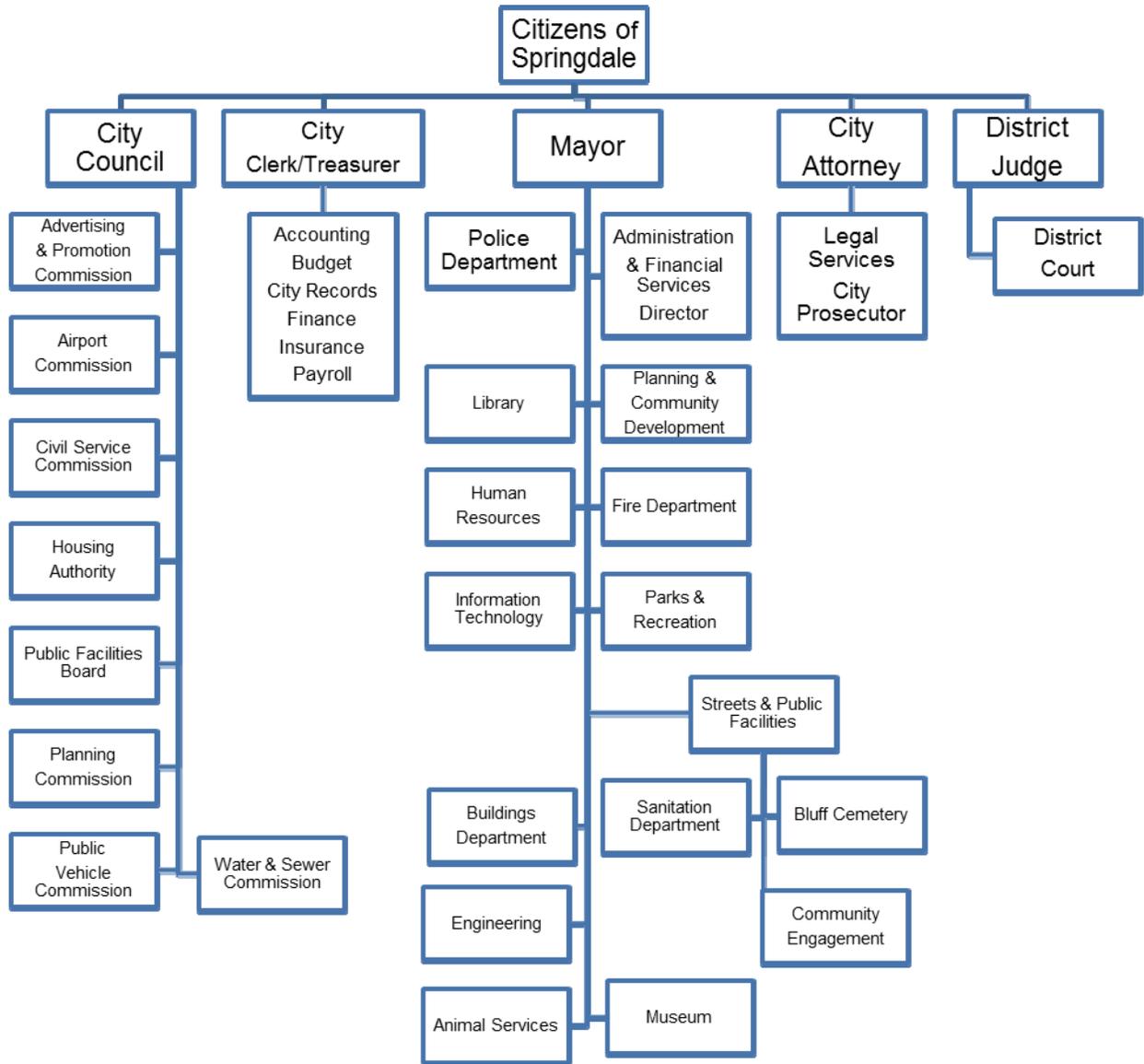
**Appointed Officials:**

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

# City of Springdale, Arkansas

## Organizational Chart

December 31, 2015



## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Springdale, Arkansas as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Springdale, Arkansas as of December 31, 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matters***

#### Change in Accounting Principle

As discussed in *Notes 1 and 16* to the financial statements, in 2015 the City implemented the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No.27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

#### Correction of Misstatement

As discussed in *Note 17* to the financial statements, an adjustment was made to restate beginning 2015 net position to correct a misstatement in prior financial statements. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

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

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements, budgetary comparison schedules, schedule of expenditures of state awards and the schedule of expenditures of federal awards required Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), listed as supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2017, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

**BKD, LLP**

Rogers, Arkansas  
January 20, 2017

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# City of Springdale, Arkansas

## Management's Discussion and Analysis

### December 31, 2015

The following narrative overview and analysis of the City of Springdale's financial activities for the year ended December 31, 2015, 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 and deferred outflows of resources of the City of Springdale exceeded total liabilities and deferred inflows of resources at the close of 2015 by \$230,978,995 (net position). Of this amount, \$210,730,894 is invested in capital assets, net of related debt, \$25,743,024 is restricted for capital expenditures, debt service, unspendable endowment funds, and other purposes, and \$(5,494,923) is considered unrestricted. The component of net position unrestricted and available for meeting the City's emergency and unexpected obligations reported a deficit of \$(5,719,184). The City's business-type activities have an unrestricted net position of \$224,261.
- In 2015, the City's total net position increased by \$1,411,682. The net position of governmental activities increased by \$19,462,128 in 2015, which was offset by a prior period adjustment (decrease) of \$18,275,911, due to implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 – *Accounting and Financial Reporting for Pension Plans, an Amendment of Statement No. 27*. This resulted in a net increase of \$1,186,217 in 2015, as compared to a net increase of \$2,598,867 in 2014. The net position of the business-type activities increased by \$225,465 in 2015 as compared to a net increase of \$335,901 in 2014.
- At the close of 2015, the City of Springdale's governmental funds reported a combined ending fund balances of \$54,370,801, which reflects a decrease of \$25,093,217 from the prior year, primarily due to expenditures for capital projects utilizing bond proceeds received in prior years. The restricted and nonspendable portions of the fund balances total \$28,357,070; \$4,468,858 of which is considered unspendable, and \$23,888,212 that is restricted for capital expenditures, debt service, and other purposes. The remaining fund balance is classified as \$11,810,073 committed for capital projects and other purposes, assigned of \$7,762,857, and unassigned fund balance of \$6,440,801.
- At the end of 2015, the unassigned fund balance of the General Fund was \$6,440,801, which represents 12% of the total governmental fund balances and is 17% of total general fund expenditures, including transfers. There was a decrease of \$224,992 in the total general fund balance for 2015, compared to \$889,276 increase in 2014. The unassigned portion is available for use to support operations, funding for special projects and equipment replacement funding.
- The City's total bonded indebtedness decreased by \$9,850,000 in 2015, and is the result of the call and maturity of \$11,010,000 of outstanding bonds during 2015, and the issuance of \$1,160,000 in revenue bonds.
- The City's business-type component unit reported net position of \$254,166,769 as of September 30, 2015, an increase of \$2,590,053 compared to September 30, 2014.

**City of Springdale, Arkansas**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2015**

**Overview of the Financial Statements**

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

**Government-Wide Financial Statements**

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

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

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

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

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

**City of Springdale, Arkansas**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2015**

**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, and the 2013 Bonds Debt Service Fund. Data from the remaining thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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

**City of Springdale, Arkansas**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2015**

**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 93 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 General Fund budget, the Street Fund budget and an analysis of funding progress for its obligation to provide other post-employment benefits to its employees. *Required supplementary information* is located on pages 94 through 109 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining statements and schedules are located on pages 110 through 116 of this report.

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 65,509,787	\$ 90,440,288	\$ 328,000	\$ 494,435	\$ 65,837,787	\$ 90,934,723
Capital assets	334,529,876	302,395,050	8,116,645	7,731,536	342,646,521	310,126,586
Total assets	<u>400,039,663</u>	<u>392,835,338</u>	<u>\$8,444,645</u>	<u>\$8,225,971</u>	<u>\$408,484,308</u>	<u>\$401,061,309</u>
Deferred outflows of resources	4,376,956	-	-	-	4,376,956	-
Current liabilities	14,573,497	13,988,683	96,181	103,768	14,669,678	14,092,451
Other liabilities	167,170,896	157,394,783	7,557	6,761	167,178,453	157,401,544
Total liabilities	<u>181,744,393</u>	<u>171,383,466</u>	<u>103,738</u>	<u>110,529</u>	<u>181,848,131</u>	<u>171,493,995</u>
Deferred inflows of resources	34,137	-	-	-	34,137	-
Net investment in capital assets	202,614,249	187,431,394	8,116,645	7,731,536	210,730,894	195,162,930
Restricted	25,743,024	19,697,830	-	-	25,743,024	19,697,830
Unrestricted	(5,719,184)	14,322,648	224,262	383,906	(5,494,922)	14,706,554
Total net position	<u>\$ 222,638,089</u>	<u>\$ 221,451,872</u>	<u>\$ 8,340,907</u>	<u>\$ 8,115,442</u>	<u>\$ 230,978,996</u>	<u>\$ 229,567,314</u>

The 2014 financial statements were not restated for the prior period adjustment to the 2015 beginning net position or for the implementation of the accounting change for the adoption of GASB 68.

**City of Springdale, Arkansas**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2015**

Of the City's net position, \$210,730,894 (91%) 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 (\$25,743,024 or 11%) represents resources that are subject to restrictions as to how they may be used. Of the total restricted net position, \$7,564,598 is restricted for capital projects, \$12,779,564 is restricted for debt service, and \$5,398,862 is restricted for other purposes. The remaining balance of unrestricted net position of the governmental activities is a deficit of \$5,719,184 (-2%).

It is important to note that although the total unrestricted net position is (\$5,494,923), the net position of the City's business type activities of \$224,261 may not be used to fund governmental activities.

The City's net position increased by \$19,687,593 during 2015. Total revenues increased by 11% between years. Sales tax revenue on a government-wide basis increased by 8%. Total expenses decreased by 12% from 2014 to 2015.

**Governmental activities** – Governmental activities increased the City's net position by \$19,462,128. Key elements of this increase are as follows:

- Total revenues increased by \$8,264,149, due primarily to increases in donations of capital assets \$4,812,290 (54%).
- Fees, fines and charges for services increased by \$1,035,538 (18%).
- Investment earnings decreased by \$1,147,895, due to the adjustment of investments to market value (unrealized losses) at year end and the decrease in interest due in part to a lower volume of invested funds.
- Sales tax revenue allocated for governmental purposes reflects an 8% increase between years. The City's share of the county sales tax, accounted for in the General Fund, increased by 7%. The City's sales tax that is allocated for capital projects and accounted for in the Sales and Use Tax Fund increased 12% in 2015 from 2014, due to the effect of the allocation of taxes for debt service for the Sales and Use Tax Bonds, Series 2012. The total city sales tax increase for 2015 was 8%.
- Sales taxes provided \$38,098,980 (47%) of the City's governmental revenue in 2015, while operating grants and contributions provided \$11,490,920 (14%), capital grants and contributions provided \$13,650,961 (17%), and ad valorem taxes provided \$5,941,669 (7%).

**City of Springdale, Arkansas**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2015**

- Net capital asset acquisitions exceeded depreciation expense by \$31,941,992.
- The reported 2015 expenses decreased by \$8,505,045 (12%) from 2014, due primarily to decreases in public works expenses (\$8,376,723), and public safety expenses (\$1,772,324).

**Business-type activities** – Business-type activities increased the City's net position by \$225,465.

The Municipal Airport revenues of \$1,114,607 provided 77% of total revenues for business-type activities for 2015 while current year expenses of \$675,300 were 53% of total expenses. Municipal Airport depreciation expense for 2015 was \$338,755.

Aquatic Center revenues of \$220,328 provided 15% of total revenues of business-type activities while current year expenses of \$411,614 were 32% of total expenses. Aquatic Center depreciation expense for 2015 was \$155,916.

**City of Springdale, Arkansas**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2015**

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
Program revenues						
Fees, fines and charges for services	\$ 6,636,643	\$ 5,601,105	\$ 722,966	\$ 736,298	\$ 7,359,609	\$ 6,337,403
Operating grants and contributions	11,490,920	10,897,651	50	-	11,490,970	10,897,651
Capital grants and contributions	13,650,961	8,838,671	851,079	692,432	14,502,040	9,531,103
Total program revenues	<u>31,778,524</u>	<u>\$25,337,427</u>	<u>1,574,095</u>	<u>1,428,730</u>	<u>33,352,619</u>	<u>26,766,157</u>
General revenues						
Sales tax	38,098,980	35,200,825	30,802	26,804	38,129,782	35,227,629
Ad valorem tax	5,941,669	5,757,746	-	-	5,941,669	5,757,746
Franchise tax	3,941,146	3,959,668	-	-	3,941,146	3,959,668
Hotel/motel tax	437,530	382,447	-	-	437,530	382,447
Investment earnings (losses)	323,066	1,470,961	2,390	2,670	325,456	1,473,631
Gain (loss) on sale of assets	(26,810)	(111,145)	(154,743)	-	(181,553)	(111,145)
Endowment contributions	-	210,683	-	-	-	210,683
Refund of contributed capital	(21,344)	-	-	-	(21,344)	-
Total general revenues	<u>48,694,237</u>	<u>46,871,185</u>	<u>(121,551)</u>	<u>29,474</u>	<u>48,572,686</u>	<u>46,900,659</u>
Total revenues	<u>80,472,761</u>	<u>72,208,612</u>	<u>1,452,544</u>	<u>1,458,204</u>	<u>81,925,305</u>	<u>73,666,816</u>
<b>Expenses</b>						
General government	5,583,272	5,041,786	-	-	5,583,272	5,041,786
Community development	1,941,616	1,853,425	-	-	1,941,616	1,853,425
Culture and recreation	7,227,197	6,713,414	-	-	7,227,197	6,713,414
Economic development	736,342	365,059	-	-	736,342	365,059
Public safety	26,445,771	28,218,095	-	-	26,445,771	28,218,095
Public works	14,296,822	22,673,545	-	-	14,296,822	22,673,545
Interest on long-term debt	4,738,232	4,608,973	-	-	4,738,232	4,608,973
Municipal airport	-	-	675,300	624,053	675,300	624,053
Aquatic center	-	-	411,614	363,661	411,614	363,661
Parks soccer program	-	-	-	112,566	-	112,566
Sanitation	-	-	176,163	157,002	176,163	157,002
City attorney restitution	-	-	5,383	469	5,383	469
Total expenses	<u>60,969,252</u>	<u>69,474,297</u>	<u>1,268,460</u>	<u>1,257,751</u>	<u>62,237,712</u>	<u>70,732,048</u>
Increase (decrease) in net position before transfers	19,503,509	2,734,315	184,084	200,453	19,687,593	2,934,768
Transfers	(41,381)	(135,448)	41,381	135,448	-	-
Increase (decrease) in net position	<u>19,462,128</u>	<u>2,598,867</u>	<u>225,465</u>	<u>335,901</u>	<u>19,687,593</u>	<u>2,934,768</u>
Net position - January 1, Prior period adjustment	221,451,872	218,853,005	8,115,442	7,779,541	229,567,314	226,632,546
Net position - January 1, restated	(18,275,911)	-	-	-	(18,275,911)	-
Net position - January 1, restated	<u>203,175,961</u>	<u>218,853,005</u>	<u>8,115,442</u>	<u>7,779,541</u>	<u>211,291,403</u>	<u>226,632,546</u>
Net position - December 31	<u>\$ 222,638,089</u>	<u>\$ 221,451,872</u>	<u>\$ 8,340,907</u>	<u>\$ 8,115,442</u>	<u>\$ 230,978,996</u>	<u>\$ 229,567,314</u>

\* The cumulative effect of applying GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, resulted in the beginning net position for 2015 being restated. Fiscal year 2014 was not restated.

**City of Springdale, Arkansas**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2015**

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

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

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

As of December 31, 2015, the City's governmental funds combined fund balances were \$54,370,801, which reflects a decrease of \$25,093,217 from the prior year end. The decrease is due primarily to a decrease of investments in the 2012 Bonds Improvement Construction Funds. Of this amount, \$4,468,858 (8%) is nonspendable, \$23,888,212 (44%) represents fund balances restricted for capital projects, debt service, and other purposes, \$11,810,073 (22%) is committed for capital projects, and \$7,762,857 (14%) is assigned for specific uses by fund type. The remainder of the balance, \$6,440,801 (12%), is unassigned in the General Fund and is available for spending at the government's discretion.

The General Fund is the chief operating fund of the City. As of December 31, 2015, the total fund balance of the General Fund was \$7,499,433 of which \$6,440,801 (86%) 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 17% of the total General Fund expenditures for 2015, including transfers out, while total fund balance represents 20% of that same amount.

During the 2015 fiscal year, the fund balance of the General Fund decreased by \$224,992. The 2016 adopted budget anticipates a 30% decrease in the unassigned general fund balance by the end of the year. Key factors in the 2015 decrease are as follows:

- Total revenues for 2015, including transfers, increased by \$1,143,845 or 3%. The main reasons for the increase were due to increases in taxes (\$966,173 or 5%), fees and permits (\$257,692 or 37%), and charges for goods and services (\$369,993 or 16%). These increases were offset by a decrease in transfers in (\$842,843 or 12%).
- The increase in revenues was offset by an increase in total expenditures, including transfers, between years of \$2,258,113 or 6%. The main reason for the increase was due to an increase in expenditures for public safety of \$1,652,051 or 6%.

The Street Fund is a special revenue fund that is presented as a major fund, and accounts for 3% of the total governmental fund balances. Revenues include property taxes dedicated to streets, bridges and associated drainage, as well as gasoline tax turnback from the state. The fund balance of the Street Fund increased \$811,234 between years.

**City of Springdale, Arkansas**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2015**

The Sales and Use Tax Fund is a capital projects fund that is presented as a major fund and accounts for 26% of the total governmental fund balances. Revenues include a one percent (1%) local sales tax of which fifty percent (50%) has been dedicated to capital improvement projects and fifty percent (50%) to operations and maintenance. Beginning in 2013, the one percent (1%) local sales tax was pledged for debt service for the Sales and Use Tax Bonds, Series 2012. The fund balance decreased by \$2,111,635 between years.

The 2012 Street Improvement Construction Fund is a capital projects fund that is presented as a major fund, and accounts for 10% of the total governmental fund balances. This fund accounts for capital projects that include new street construction and improvements to existing streets as approved by voters. The fund balance decreased \$11,480,714 between years.

The 2013 Bonds Debt Service Fund provided 19% of the total governmental fund balances at December 31, 2015. Revenues for 2015 for this fund included the one percent (1%) local sales tax pledged to debt service. During 2015, the City used tax receipts to call and redeem \$8,965,000 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, 2015 the net position of the Municipal Airport Fund was \$6,792,987 and the net position of the Aquatic Center Fund was \$1,355,245. These two funds account for 98% 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 \$36,873,239 (total revenues plus other financing sources) compared to the original budget total of \$36,552,640. Final amended appropriations (total expenditures plus transfers out) were \$38,100,006 as compared to the original budget total of \$37,562,190. The net increase in appropriations of \$537,816 is summarized briefly as follows:

- \$116,317 appropriation for mobile data terminals, replacement of radios, and operational supplies and equipment for the Police Department, funded with Federal and State drug seizures/forfeiture funds.
- \$60,000 appropriation for a new EMS billing system with Credit Bureau Systems doing business as Ambulance Medical Billing for the Fire Department funded from ambulance fee revenues.
- \$14,200 appropriation for two additional K-9 officers, funded with Federal drug seizures/forfeitures funds.
- \$101,970 increase in appropriations for the Soccer Program, funded with Soccer activity fees. The Soccer Program Fund was closed during 2015, and program activity was moved to the General Fund.

**City of Springdale, Arkansas**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2015**

- \$88,730 increase in appropriations to fund three additional police officers for the Police Department.
- \$68,438 appropriation for Fire Department vehicle repairs, funded with insurance recoveries.
- \$88,161 appropriation for the purchase of a new vehicle and related equipment for the Police Department, funded with insurance recoveries and the sale of old vehicles.

Total actual revenue received for the General Fund, including other financing sources, was \$37,400,035 and was \$526,796 or 1% more than final budget estimates. The positive budget variance was due primarily to positive variances in sales taxes of \$478,453, franchise taxes of \$141,146, fees and permits of \$341,342, federal and state grants of \$188,220, state turnback of \$124,378, state insurance turnback of \$200,715, other intergovernmental revenues of \$88,515, ambulance fees of \$374,046, and miscellaneous revenues of \$194,728. These increases were offset by negative variances in transfers in of \$2,025,479.

General fund actual expenditures, including transfers out, of \$37,625,027 were 99% of the final amended budgeted expenditures. Actual expenditures were lower due to public safety actual expenditures being \$347,039 less than budget, transfers out being \$309,496 less than budget, and planning and community development actual expenditures being \$45,109 less than budget. These decreases were offset by general government expenditures being \$152,599 higher than budget, and culture and recreation expenditures being \$74,066 higher than budget.

The budget and actual comparison schedules are located on pages 104 through 126.

**Capital Assets and Debt Administration**

**Capital Assets.** The City's investment in capital assets for governmental and business-type activities as of December 31, 2015 amounted to \$342,646,521, net of accumulated depreciation. The increase in capital assets related to governmental activities was \$31,801,172 (11%). The City's investment in capital assets related to business-type activities increased by \$385,110 (5%).

Major capital asset events during 2015 included the following:

- Land and easement additions totaled \$3,143,576, including \$555,489 in donated assets.
- Construction in progress increased \$19,865,149. Additions included \$4,451,739 for Don Tyson Parkway improvements, and \$8,281,102 for 56<sup>th</sup> Street improvements.

**City of Springdale, Arkansas**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2015**

- Infrastructure and land improvements increased \$12,981,264, including \$2,622,343 transferred from construction in progress, and \$10,358,922 in donated assets. The City completed construction of the Rabbit Foot Wildlife Observation Area and the Lake Springdale Trailhead (\$1,722,184), and Phase I of the mountain bike trail system (\$1,049,530). The City accepted ownership of the completed segments of the Razorback Regional Greenway located within the City limits which totaled \$9,483,898.
- Buildings and other improvements increased \$5,796,094. Included were the completion and opening of two replacement fire stations, transferred from construction in progress, which totaled \$5,413,746.
- Machinery and equipment additions were \$2,937,531, including \$42,090 in donated assets, and \$814,322 for two replacement fire engines and equipment.
- Depreciation expense totaled \$13,302,227.

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

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land and Easements	\$66,587,729	\$63,110,499	\$2,788,631	\$2,788,631	\$69,376,360	\$65,899,130
Land improvements	18,000,522	7,056,905	1,823,848	1,633,811	19,824,370	8,690,716
Buildings and improvements	49,416,328	45,743,454	1,806,966	1,882,364	51,223,294	47,625,818
Construction in progress	50,628,522	30,763,373	964,550	597,405	51,593,072	31,360,778
Infrastructure	135,260,947	141,388,392	-	-	135,260,947	141,388,392
Machinery and equipment	14,316,395	13,998,538	732,650	829,325	15,049,045	14,827,863
Intangibles	319,433	333,889	-	-	319,433	333,889
<b>Total</b>	<b>\$334,529,876</b>	<b>\$302,395,050</b>	<b>\$8,116,645</b>	<b>\$7,731,536</b>	<b>\$342,646,521</b>	<b>\$310,126,586</b>

**City of Springdale, Arkansas**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2015**

**Long-term debt.** At December 31, 2015, the City had \$131,775,000 of long-term bonds outstanding, secured solely by City sales and use taxes and revenues of the City of Springdale Public Facilities Board. The City's total bonded debt decreased by \$9,850,000, and was due to scheduled bond maturities during 2015 as well as the call of \$4,100,000 of Series 2012 bonds, offset by the issuance of \$1,160,000 in revenue bonds. The following table details the breakdown of this debt.

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

	Governmental Activities	
	2015	2014
Sales and Use Tax Refunding Bonds, Series 2013	\$ 70,060,000	\$ 79,025,000
Sales and Use Tax Bonds, Series 2012	60,555,000	62,600,000
Public Facilities Board Revenue Bond (Real Estate Acquisition Project)	1,160,000	-
	\$ 131,775,000	\$ 141,625,000

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

Under Arkansas statutes, the City is allowed to issue, with voter approval, general obligation debt up to 20% of total assessed valuation of real and person property within the city limits. The City is also allowed to issue short-term debt (maturities of less than five years) up to 5% of the total assessed valuation. The City's current debt limit for both is \$266,287,795. The City had no general obligation long-term debt, nor any short-term debt at year end.

The City's business type component unit, Springdale Water and Sewer Commission, had outstanding long-term debt of \$2,740,000 at September 30, 2015. The Commission retired \$185,000 of these bonds during the year ended September 30, 2015.

Additional information on the City's long-term debt can be found in *Note 5* located on pages 52 through 57 of this report.

**City of Springdale, Arkansas**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2015**

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

According to the U.S. Bureau of Labor Statistics, in 2015 the Northwest Arkansas metro area ranked fifth in the country in terms of the annual moving average in job growth. The unemployment rate for December 2015 for the Fayetteville-Springdale-Rogers MSA was 3.2% compared to 4% at December 2014. The state's unemployment rate was 5% at December 2015, and the national unemployment rate was 5%. Employment growth continued to be strong during 2015, with the cumulative growth over the course of the year measuring nearly 4,800 additional jobs (+2.1%) added by December 2015. The metro area is now showing higher levels of payroll employment than before the recession.

The City's population, according to the revised 2010 census, showed that the City grew by 8,288 or 13% during the period between 2005 and 2010. The U.S. Census Bureau estimates the City's population at July, 2015 to be 77,859, or a 10% increase since 2010.

The number of building permits issued for 2015 increased by 33% compared to 2014. Permit fees were up due to the type of development and increased construction values, which were up \$80,134,530 or 92% compared to 2014. Commercial building permits increased 69%, and commercial construction values increased \$50,045,000 or 255%. Residential single family housing permits increased 39%, and construction values were up \$16,464,000 compared to 2014.

Total revenues for the General Fund, including transfers, increased by 11% compared to the prior year. Sales and use taxes received in 2015, including city sales and use taxes transferred in, increased 8% as compared to 2014 collections. These taxes are a primary source of revenue for the General Fund, comprising 47% of the total revenue. The assessed values for property taxes (for taxes to be collected in 2016) increased by 1% as compared to the prior year.

The City Council adopted the 2016 budget on November 24, 2015 with General Fund projected revenues and transfers of \$38,294,100 and projected expenditures and transfers of \$39,909,740. Budgeted expenditures increased by \$2,163,185, or 6% as compared to the 2015 budget, primarily due to salary increases and increased pension and health insurance costs that were factored into the budget, as well as increases in capital expenditures. The overall City 2016 operating budget for all funds was \$49,867,720, and represented an increase of 8% from 2015. This increase was primarily due to personnel costs increases of \$1,449,300 or 4% higher than 2014, increases in capital expenditures of \$834,040 or 47% higher than 2014, and increases in other expenditures of \$759,740 or 22% higher than 2014.

**Request for Information**

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

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

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**City of Springdale, Arkansas**  
**Statement of Net Position**  
**December 31, 2015**

	<b>Primary Government</b>			<b>Discrete Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>Assets</b>				
Cash and cash equivalents	\$ 10,679,137	\$ 171,601	\$ 10,850,738	\$ 22,541,260
Investments	12,966,740	84,596	13,051,336	32,359,464
Receivables, net of allowance for uncollectibles	1,337,759	71,516	1,409,275	3,667,788
Intergovernmental receivables	10,689,284	-	10,689,284	-
Internal balances	338	(17)	321	-
Due from fiduciary funds	126,257	304	126,561	-
Inventories	-	-	-	602,924
Prepaid assets	-	-	-	78,546
Note receivable	365,658	-	365,658	-
Assets held for resale	2,802,846	-	2,802,846	-
Restricted assets:				
Cash and cash equivalents	19,672,922	-	19,672,922	105,522
Investments	3,971,349	-	3,971,349	1,963,068
Interest receivable	716,785	-	716,785	-
Intergovernmental receivables	2,180,712	-	2,180,712	-
Capital assets:				
Nondepreciable	117,721,178	3,753,181	121,474,359	12,336,427
Depreciable, net of accumulated depreciation	216,808,698	4,363,464	221,172,162	188,550,176
<b>Total Assets</b>	<b>400,039,663</b>	<b>8,444,645</b>	<b>408,484,308</b>	<b>262,205,175</b>
<b>Deferred outflows of resources - pension related</b>	<b>4,376,956</b>	<b>-</b>	<b>4,376,956</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	5,271,976	82,927	5,354,903	2,497,993
Due to fiduciary funds	22,695	-	22,695	-
Accrued interest payable	1,796,154	-	1,796,154	11,417
Customer deposits	206,403	-	206,403	1,963,068
Unearned revenue	58,090	13,254	71,344	-
Noncurrent liabilities:				
Due within one year	18,179	-	18,179	364,400
Current portion of long-term debt	7,200,000	-	7,200,000	195,000
Due in more than one year	167,170,896	7,557	167,178,453	3,006,528
<b>Total Liabilities</b>	<b>181,744,393</b>	<b>103,738</b>	<b>181,848,131</b>	<b>8,038,406</b>
<b>Deferred inflows of resources - pension related</b>	<b>34,137</b>	<b>-</b>	<b>34,137</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	202,614,249	8,116,645	210,730,894	198,146,603
Restricted for:				
Capital projects	7,564,598	-	7,564,598	-
Debt service	12,779,564	-	12,779,564	105,522
Other	5,398,862	-	5,398,862	-
Unrestricted	(5,719,184)	224,262	(5,494,922)	55,914,644
<b>Total Net Position</b>	<b>\$ 222,638,089</b>	<b>\$ 8,340,907</b>	<b>\$ 230,978,996</b>	<b>\$ 254,166,769</b>

**City of Springdale, Arkansas**  
**Statement of Activities**  
**Year Ended December 31, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			Component Unit
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental activities								
General government								
Administration	\$ 3,106,545	\$ 308,205	\$ 1,276,967	\$ -	\$ (1,521,373)	\$ -	\$ (1,521,373)	\$ -
City attorney	703,408	24,730	-	-	(678,678)	-	(678,678)	-
Information technology	754,234	-	-	-	(754,234)	-	(754,234)	-
District court	963,790	177,422	111,869	-	(674,499)	-	(674,499)	-
Bluff Cemetery	55,295	38,625	-	-	(16,670)	-	(16,670)	-
Community development								
Planning	512,206	25,726	-	-	(486,480)	-	(486,480)	-
Engineering	559,156	9,175	-	-	(549,981)	-	(549,981)	-
Community development and housing	870,254	83,073	803,829	-	16,648	-	16,648	-
Culture and recreation								
Parks and recreation	4,354,968	745,120	2,619	10,090,036	6,482,807	-	6,482,807	-
Public library	2,067,176	95,106	1,429,536	-	(542,534)	-	(542,534)	-
Shiloh Museum	805,053	47,114	44,880	-	(713,059)	-	(713,059)	-
Economic development	736,342	769,900	-	-	33,558	-	33,558	-
Public safety								
Animal services	749,584	79,505	17,871	-	(652,208)	-	(652,208)	-
Building inspection	576,631	700,807	-	-	124,176	-	124,176	-
Community engagement	329,536	103,016	-	-	(226,520)	-	(226,520)	-
Fire	11,148,571	2,042,688	1,130,301	19,600	(7,955,982)	-	(7,955,982)	-
Police	13,641,449	1,242,025	1,990,038	15,000	(10,394,386)	-	(10,394,386)	-
Public works	14,296,822	144,406	4,683,010	3,526,325	(5,943,081)	-	(5,943,081)	-
Debt service								
Interest on long-term debt	4,738,232	-	-	-	(4,738,232)	-	(4,738,232)	-
<b>Total government activities</b>	<b>60,969,252</b>	<b>6,636,643</b>	<b>11,490,920</b>	<b>13,650,961</b>	<b>(29,190,728)</b>	<b>-</b>	<b>(29,190,728)</b>	<b>-</b>

The accompanying notes are an integral part of these financial statements

**City of Springdale, Arkansas**  
**Statement of Activities (Continued)**  
**Year Ended December 31, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			Component Unit
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Business type activities								
Municipal airport	\$ 675,300	\$ 335,902	\$ -	\$ 851,079	\$ -	\$ 511,681	\$ 511,681	\$ -
Aquatic Center	411,614	218,491	50	-	-	(193,073)	(193,073)	-
Sanitation	176,163	156,820	-	-	-	(19,343)	(19,343)	-
City attorney restitution	5,383	11,753	-	-	-	6,370	6,370	-
Total business-type activities	<u>1,268,460</u>	<u>722,966</u>	<u>50</u>	<u>851,079</u>	<u>-</u>	<u>305,635</u>	<u>305,635</u>	<u>-</u>
Total primary government	<u>\$ 62,237,712</u>	<u>\$ 7,359,609</u>	<u>\$ 11,490,970</u>	<u>\$ 14,502,040</u>	<u>(29,190,728)</u>	<u>305,635</u>	<u>(28,885,093)</u>	<u>-</u>
Component unit:								
Springdale Water and Sewer Commission	<u>\$ 25,915,510</u>	<u>\$ 27,524,332</u>	<u>\$ -</u>	<u>\$ 1,204,903</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,813,725</u>
General revenues (expenses):								
Sales tax					38,098,980	30,802	38,129,782	-
Ad valorem tax					5,941,669	-	5,941,669	-
Franchise tax					3,941,146	-	3,941,146	-
Hotel/motel tax					437,530	-	437,530	-
Unrestricted investment earnings					323,066	2,390	325,456	280,430
Loss on sale/disposal of assets					(26,810)	(154,743)	(181,553)	(2,848)
Refund of contributed capital					(21,344)	-	(21,344)	-
Transfers					(41,381)	41,381	-	(501,254)
Total general revenues and transfers					<u>48,652,856</u>	<u>(80,170)</u>	<u>48,572,686</u>	<u>(223,672)</u>
Change in net position					<u>19,462,128</u>	<u>225,465</u>	<u>19,687,593</u>	<u>2,590,053</u>
Net position beginning of year, as previously reported					221,451,872	8,115,442	229,567,314	251,576,716
Adoption of GASB 68 (Note 16)					<u>(18,275,911)</u>	<u>-</u>	<u>(18,275,911)</u>	<u>-</u>
Net position beginning of year, as restated					<u>203,175,961</u>	<u>8,115,442</u>	<u>211,291,403</u>	<u>251,576,716</u>
Net position end of year					<u>\$ 222,638,089</u>	<u>\$ 8,340,907</u>	<u>\$ 230,978,996</u>	<u>\$ 254,166,769</u>

# City of Springdale, Arkansas

## Balance Sheet – Governmental Funds

### December 31, 2015

Assets	General Fund	Street Fund	Sales and Use Tax Fund	2012 Street Improvement Construction Fund
Cash and cash equivalents	\$ 3,266,200	\$ 786,679	\$ 3,626,087	\$ -
Investments	886,950	999,910	9,084,670	-
Accounts receivable, net	1,227,563	3,587	-	-
Interest receivable	6,341	5,315	44,343	-
Intergovernmental receivables, net	7,684,968	1,318,392	1,646,840	-
Note receivable	-	-	-	-
Due from other funds	1,230,898	-	1,160,595	-
Assets held for resale	-	-	-	-
Restricted assets:				
Cash and cash equivalents	-	-	-	7,725,031
Investments	-	-	-	-
Interest receivable	-	-	-	321
Intergovernmental receivables	-	-	-	-
<b>Total Assets</b>	<u>\$ 14,302,920</u>	<u>\$ 3,113,883</u>	<u>\$ 15,562,535</u>	<u>\$ 7,725,352</u>
<b>Liabilities</b>				
Accounts payable	\$ 403,474	\$ 393,025	\$ 543,433	\$ -
Salaries payable	333,696	26,430	-	-
Payable from restricted assets:				
Accounts payable	-	-	-	2,538,217
Due to other funds	1,167,116	-	1,089,762	-
Developer bonds payable	206,403	-	-	-
Unearned revenue	-	-	-	-
<b>Total Liabilities</b>	<u>2,110,689</u>	<u>419,455</u>	<u>1,633,195</u>	<u>2,538,217</u>
<b>Deferred Inflows</b>				
Unavailable revenue - property taxes	<u>4,692,798</u>	<u>887,024</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>				
Nonspendable				
Assets held for resale	-	-	-	-
Cemetery perpetual care	-	-	-	-
Endowments	-	-	-	-
Other	-	-	-	-
Restricted				
Court automation	-	-	-	-
Debt service	-	-	-	-
Grants	-	-	-	-
Public safety expenditures	430,090	-	-	-
Recreation and culture	50,200	-	-	-
Capital projects	-	-	1,644,886	5,187,135
Other	-	-	-	-
Committed	551,575	-	11,258,498	-
Assigned				
General fund	26,767	-	-	-
Special revenue funds	-	1,807,404	-	-
Capital project funds	-	-	1,025,956	-
Permanent funds	-	-	-	-
Unassigned	6,440,801	-	-	-
<b>Total Fund Balances</b>	<u>7,499,433</u>	<u>1,807,404</u>	<u>13,929,340</u>	<u>5,187,135</u>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<u>\$ 14,302,920</u>	<u>\$ 3,113,883</u>	<u>\$ 15,562,535</u>	<u>\$ 7,725,352</u>

The accompanying notes are an integral part of these financial statements

<b>2013 Bonds Debt Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 3,000,171	\$ 10,679,137
-	1,995,210	12,966,740
-	45,374	1,276,524
-	5,236	61,235
-	39,084	10,689,284
-	365,658	365,658
-	18,400	2,409,893
-	2,802,846	2,802,846
8,027,308	3,920,583	19,672,922
-	3,971,349	3,971,349
2,419	1,188	3,928
<u>2,179,524</u>	<u>714,045</u>	<u>2,893,569</u>
<u>\$ 10,209,251</u>	<u>\$ 16,879,144</u>	<u>\$ 67,793,085</u>
\$ -	\$ 69,225	\$ 1,409,157
-	24,315	384,441
-	940,161	3,478,378
-	49,115	2,305,993
-	-	206,403
-	<u>58,090</u>	<u>58,090</u>
-	<u>1,140,906</u>	<u>7,842,462</u>
-	-	<u>5,579,822</u>
-	2,802,846	2,802,846
-	32,720	32,720
-	1,267,634	1,267,634
-	365,658	365,658
-	186,293	186,293
10,209,251	4,366,467	14,575,718
-	10,893	10,893
-	-	430,090
-	2,621	52,821
-	1,550,469	8,382,490
-	249,907	249,907
-	-	11,810,073
-	-	26,767
-	2,664,672	4,472,076
-	1,181,014	2,206,970
-	1,057,044	1,057,044
-	-	6,440,801
<u>10,209,251</u>	<u>15,738,238</u>	<u>54,370,801</u>
<u>\$ 10,209,251</u>	<u>\$ 16,879,144</u>	<u>\$ 67,793,085</u>

**City of Springdale, Arkansas**  
**Reconciliation of the Balance Sheet of**  
**Governmental Funds to the Statement of Net Position**  
**December 31, 2015**

Total fund balances – governmental funds \$ 54,370,801

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

Land	\$ 34,519,522	
Easements	32,068,207	
Land improvements and infrastructure	236,379,736	
Buildings and improvements	69,166,636	
Machinery and equipment	39,717,264	
Intangibles	1,317,838	
Less accumulated depreciation	(129,267,849)	
	283,901,354	
Construction in progress	50,628,522	334,529,876

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.

5,579,822

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

Revenue bonds payable, net	138,000,042	
Accrued interest payable	1,796,154	
Compensated absences	1,991,364	
OPEB liabilities	3,031,860	
Net pension liabilities	31,365,809	(176,185,229)

Deferred inflows and outflows of resources related to pensions are not reported in the governmental funds but will be recognized in pension expense on a long term basis and therefore are reported in the statement of net position.

Deferred inflows of resources related to pensions	(34,137)	
Deferred outflows of resources related to pensions	4,376,956	4,342,819

Net assets of governmental funds \$ 222,638,089

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**City of Springdale, Arkansas**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances – Governmental Funds**  
**Year Ended December 31, 2015**

	General Fund	Street Fund	Sales and Use Tax Fund	2012 Street Improvement Construction Fund
<b>Revenues</b>				
Taxes	\$ 21,525,702	\$ 901,546	\$ 8,459,564	\$ -
Fees and permits	955,592	3,145	-	-
Intergovernmental	4,383,888	4,683,010	944,035	-
Charges for goods and services	2,640,640	23,464	-	-
Fines and forfeitures	928,937	-	-	-
Investment earnings (losses)	28,201	14,242	210,294	10,281
Miscellaneous	349,807	56,774	1,272,942	-
Total Revenues	<u>30,812,767</u>	<u>5,682,181</u>	<u>10,886,835</u>	<u>10,281</u>
<b>Expenditures</b>				
Current				
General government	3,920,470	-	-	-
Community development	958,351	-	-	-
Culture and recreation	2,620,787	-	-	-
Economic development	-	-	-	-
Public safety	27,478,331	-	-	-
Public works	-	6,274,020	-	-
Capital expenditures	969,834	711,195	4,069,849	13,673,610
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issue costs	-	-	-	-
Other fees	-	-	-	-
Agent fees	-	-	-	-
Total Expenditures	<u>35,947,773</u>	<u>6,985,215</u>	<u>4,069,849</u>	<u>13,673,610</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(5,135,006)</u>	<u>(1,303,034)</u>	<u>6,816,986</u>	<u>(13,663,329)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	6,369,521	432,024	50,000	2,182,615
Transfers out	(1,677,254)	-	(8,957,277)	-
Proceeds from issuance of bonds	-	-	-	-
Refund of contributed capital	-	-	(21,344)	-
Proceeds from sale of capital assets	97,705	16,305	-	-
Insurance recoveries	120,042	43,471	-	-
Total Other Financing Sources (Uses)	<u>4,910,014</u>	<u>491,800</u>	<u>(8,928,621)</u>	<u>2,182,615</u>
<b>Net Changes in Fund Balances</b>	<u>(224,992)</u>	<u>(811,234)</u>	<u>(2,111,635)</u>	<u>(11,480,714)</u>
<b>Fund Balances - Beginning of Year</b>	7,724,425	2,618,638	16,040,975	16,667,849
<b>Prior Period Adjustment (Note 17)</b>	-	-	-	-
<b>Fund Balances - Beginning of Year - Restated</b>	<u>7,724,425</u>	<u>2,618,638</u>	<u>16,040,975</u>	<u>16,667,849</u>
<b>Fund Balances - End of Year</b>	<u>\$ 7,499,433</u>	<u>\$ 1,807,404</u>	<u>\$ 13,929,340</u>	<u>\$ 5,187,135</u>

The accompanying notes are an integral part of these financial statements

<b>2013 Bonds Debt Service Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 12,697,081	\$ 4,725,200	\$ 48,309,093
-	203,261	1,161,998
-	2,092,981	12,103,914
-	1,183,502	3,847,606
-	59,897	988,834
24,590	35,458	323,066
-	818,241	2,497,764
<u>12,721,671</u>	<u>9,118,540</u>	<u>69,232,275</u>
-	951,183	4,871,653
-	888,307	1,846,658
-	2,210,527	4,831,314
-	736,342	736,342
-	-	27,478,331
-	-	6,274,020
-	13,898,660	33,323,148
8,965,000	2,045,000	11,010,000
3,126,324	2,154,688	5,281,012
-	29,500	29,500
-	3,300	3,300
9,000	6,012	15,012
<u>12,100,324</u>	<u>22,923,519</u>	<u>95,700,290</u>
<u>621,347</u>	<u>(13,804,979)</u>	<u>(26,468,015)</u>
-	1,559,090	10,593,250
-	(100)	(10,634,631)
-	1,160,000	1,160,000
-	-	(21,344)
-	-	114,010
-	-	163,513
-	2,718,990	1,374,798
<u>621,347</u>	<u>(11,085,989)</u>	<u>(25,093,217)</u>
9,587,904	27,157,881	79,797,672
-	(333,654)	(333,654)
<u>9,587,904</u>	<u>26,824,227</u>	<u>79,464,018</u>
<u>\$ 10,209,251</u>	<u>\$ 15,738,238</u>	<u>\$ 54,370,801</u>

**City of Springdale, Arkansas**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund**  
**Balances of Governmental Funds to the Statement of Activities**  
**Year Ended December 31, 2015**

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

Net change in fund balances – total governmental funds \$ (25,093,217)

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

Capital outlay	\$ 33,687,326	
Donated capital	11,038,895	
Depreciation expense	<u>(12,784,229)</u>	31,941,992

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donated assets) is to decrease net assets. (140,820)

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. 110,232

Expenses that do not require current financial resources, such as compensated absences, OPEB liabilities, net pension liabilities, and accrued interest payable, are not reported as expenditures in the funds, but are reported as expenses in the statement of activities. 2,360,664

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

Debt issued	\$ (1,160,000)	
Principal payments	11,010,000	
Amortization of premium on long-term debt	<u>433,277</u>	<u>10,283,277</u>

Changes in net position of governmental activities \$ 19,462,128

**City of Springdale, Arkansas**  
**Statement of Net Position – Proprietary Funds**  
**December 31, 2015**

	Enterprise Funds			Total Proprietary Funds
	Municipal Airport Fund	Aquatic Center Fund	Nonmajor Enterprise Funds	
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 83,830	\$ 17,522	\$ 70,249	\$ 171,601
Investments	-	84,596	-	84,596
Accounts receivable, net	40,224	-	31,239	71,463
Accrued interest	-	53	-	53
Due from other funds	-	-	304	304
Total current assets	<u>124,054</u>	<u>102,171</u>	<u>101,792</u>	<u>328,017</u>
Noncurrent assets				
Capital assets				
Land	2,788,631	-	-	2,788,631
Improvements other than buildings	7,223,852	491,524	-	7,715,376
Buildings and system	2,507,735	2,857,962	-	5,365,697
Machinery and equipment	877,353	811,711	233,272	1,922,336
Construction in progress	964,550	-	-	964,550
Less accumulated depreciation	<u>(7,599,395)</u>	<u>(2,905,625)</u>	<u>(134,925)</u>	<u>(10,639,945)</u>
Total capital assets, net of accumulated depreciation	<u>6,762,726</u>	<u>1,255,572</u>	<u>98,347</u>	<u>8,116,645</u>
Total noncurrent assets	<u>6,762,726</u>	<u>1,255,572</u>	<u>98,347</u>	<u>8,116,645</u>
Total assets	<u>6,886,780</u>	<u>1,357,743</u>	<u>200,139</u>	<u>8,444,662</u>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	77,283	1,158	2,064	80,505
Salaries payable	871	131	1,420	2,422
Due to other funds	-	-	17	17
Unearned revenue	13,254	-	-	13,254
Total current liabilities	<u>91,408</u>	<u>1,289</u>	<u>3,501</u>	<u>96,198</u>
Noncurrent liabilities:				
Compensated absences	<u>2,385</u>	<u>1,209</u>	<u>3,963</u>	<u>7,557</u>
Total noncurrent liabilities	<u>2,385</u>	<u>1,209</u>	<u>3,963</u>	<u>7,557</u>
Total liabilities	<u>93,793</u>	<u>2,498</u>	<u>7,464</u>	<u>103,755</u>
<b>Net Position</b>				
Net investment in capital assets	6,762,726	1,255,572	98,347	8,116,645
Unrestricted	<u>30,261</u>	<u>99,673</u>	<u>94,328</u>	<u>224,262</u>
Total net position	<u>\$ 6,792,987</u>	<u>\$ 1,355,245</u>	<u>\$ 192,675</u>	<u>\$ 8,340,907</u>

**City of Springdale, Arkansas**  
**Statement of Revenues, Expenses, and Changes in Net Position –**  
**Proprietary Funds**  
**Year Ended December 31, 2015**

	Enterprise Funds			Total Proprietary Funds
	Municipal Airport Fund	Aquatic Center Fund	Nonmajor Enterprise Funds	
<b>Operating Revenues</b>				
Charges for services				
Activity fees	\$ -	\$ 181,365	\$ -	\$ 181,365
Concession	-	35,966	-	35,966
Fuel flowage fees	49,586	-	-	49,586
Other service fees	15,892	-	168,573	184,465
Rental fees	270,424	1,112	-	271,536
Other revenue	-	48	-	48
<b>Total Operating Revenues</b>	<u>335,902</u>	<u>218,491</u>	<u>168,573</u>	<u>722,966</u>
<b>Operating Expenses</b>				
Personnel	85,586	150,539	126,074	362,199
Maintenance	61,468	30,488	640	92,596
Supplies	49,710	70,665	19,440	139,815
Other	139,781	4,006	12,065	155,852
Depreciation	338,755	155,916	23,327	517,998
Total operating expenses	<u>675,300</u>	<u>411,614</u>	<u>181,546</u>	<u>1,268,460</u>
<b>Operating Income (Loss)</b>	<u>(339,398)</u>	<u>(193,123)</u>	<u>(12,973)</u>	<u>(545,494)</u>
<b>Nonoperating Revenues (Expenses)</b>				
Sales taxes	30,802	-	-	30,802
Contributions	-	50	-	50
Gain (loss) on sale/disposal of assets	(103,415)	-	(51,328)	(154,743)
Investment earnings	239	1,787	364	2,390
Total nonoperating revenues	<u>(72,374)</u>	<u>1,837</u>	<u>(50,964)</u>	<u>(121,501)</u>
<b>Income (Loss) Before Capital Contributions and Transfers</b>	(411,772)	(191,286)	(63,937)	(666,995)
<b>Capital grants and contributions</b>	851,079	-	-	851,079
<b>Capital transfers in</b>	65,179	-	-	65,179
<b>Operating transfers out</b>	<u>-</u>	<u>-</u>	<u>(23,798)</u>	<u>(23,798)</u>
<b>Changes in Net Position</b>	504,486	(191,286)	(87,735)	225,465
<b>Net Position - Beginning of Year</b>	<u>6,288,501</u>	<u>1,546,531</u>	<u>280,410</u>	<u>8,115,442</u>
<b>Net Position - End of Year</b>	<u>\$ 6,792,987</u>	<u>\$ 1,355,245</u>	<u>\$ 192,675</u>	<u>\$ 8,340,907</u>

**City of Springdale, Arkansas**  
**Statement of Cash Flows – Proprietary Funds**  
**Year Ended December 31, 2015**

	<b>Enterprise Funds</b>			<b>Total Proprietary Funds</b>
	<b>Municipal Airport Fund</b>	<b>Aquatic Center Fund</b>	<b>Nonmajor Enterprise Funds</b>	
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 342,313	\$ 218,772	\$ 161,267	\$ 722,352
Payments to suppliers	(255,058)	(105,158)	(33,502)	(393,718)
Payments to employees	(84,830)	(151,087)	(130,432)	(366,349)
Net cash provided by (used in) operating activities	<u>2,425</u>	<u>(37,473)</u>	<u>(2,667)</u>	<u>(37,715)</u>
Cash Flows From Noncapital Financing Activities				
Sales taxes	27,575	-	-	27,575
Contributions	-	50	-	50
Transfer to other funds	-	-	(23,798)	(23,798)
Receipt (payment) of interfund balances	14,810	510	(176)	15,144
Net cash provided by (used in) noncapital financing activities	<u>42,385</u>	<u>560</u>	<u>(23,974)</u>	<u>18,971</u>
Cash Flows From Capital and Related Financing Activities				
Capital transfers from other funds	65,179	-	-	65,179
Capital grant receipts	992,769	-	-	992,769
Purchases of capital assets	(1,020,476)	(37,375)	-	(1,057,851)
Net cash provided by (used in) capital and related financing activities	<u>37,472</u>	<u>(37,375)</u>	<u>-</u>	<u>97</u>
Cash Flows From Investing Activities				
Interest received	239	1,247	364	1,850
Net cash provided by (used in) investing activities	<u>239</u>	<u>1,247</u>	<u>364</u>	<u>1,850</u>
Net Increase (Decrease) in Cash and Cash Equivalents	82,521	(73,041)	(26,277)	(16,797)
Cash and Cash Equivalents, January 1	<u>1,309</u>	<u>90,563</u>	<u>96,526</u>	<u>188,398</u>
Cash and Cash Equivalents, December 31	<u>\$ 83,830</u>	<u>\$ 17,522</u>	<u>\$ 70,249</u>	<u>\$ 171,601</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) Operating Activities				
Operating income (loss)	<u>\$ (339,398)</u>	<u>\$ (193,123)</u>	<u>\$ (12,973)</u>	<u>\$ (545,494)</u>
Adjustments to reconcile operating income to net cash provided by (used in) operating activities				
Depreciation expense	338,755	155,916	23,327	517,998
(Increase) decrease in accounts receivable	3,597	281	(7,306)	(3,428)
Increase (decrease) in accounts payable	(4,099)	1	(1,357)	(5,455)
Increase (decrease) in salaries payable	(621)	(377)	(3,948)	(4,946)
Increase (decrease) in compensated absences	1,377	(171)	(410)	796
Decrease in deferred revenue	2,814	-	-	2,814
	<u>341,823</u>	<u>155,650</u>	<u>10,306</u>	<u>507,779</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 2,425</u>	<u>\$ (37,473)</u>	<u>\$ (2,667)</u>	<u>\$ (37,715)</u>
Noncash Capital Financing Activities				
Change in fair value of investments	\$ -	\$ 540	\$ -	\$ 540
Transfer of capital assets to other fund	\$ -	\$ -	\$ (51,328)	\$ (51,328)

**City of Springdale, Arkansas**  
**Statement of Fiduciary Net Position – Fiduciary Funds**  
**December 31, 2015**

	Pension Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 2,139,245	\$ 1,310,318
Investments	13,628,188	-
Accounts receivable, net	1,051,587	2,088,621
Due from other funds	9,526	117,593
Total Assets	\$ 16,828,546	\$ 3,516,532
 <b>Liabilities</b>		
Accounts payable	\$ -	\$ 3,121,990
Accrued liabilities	7,024	163,557
Due to other funds	-	230,985
Total Liabilities	7,024	\$ 3,516,532
 <b>Net Position</b>		
Net position restricted for pensions	\$ 16,821,522	

**City of Springdale, Arkansas**  
**Statement of Changes in Fiduciary Net Position – Fiduciary Funds**  
**Year Ended December 31, 2015**

	<u>Pension Funds</u>
<b>Additions</b>	
Contributions	
Taxes	\$ 1,057,516
Intergovernmental	208,868
Fines and court costs	117,560
Total contributions	<u>1,383,944</u>
Investment income (loss)	
Investment earnings (losses)	825,143
Net increase (decrease) in fair value of investments	<u>(807,486)</u>
Total investment earnings (losses)	17,657
Less investment expenses	<u>(148,567)</u>
Net investment earnings (losses)	<u>(130,910)</u>
Total Additions	<u>1,253,034</u>
<b>Deductions</b>	
Benefits payments	2,453,182
Miscellaneous	<u>6,500</u>
Total Deductions	<u>2,459,682</u>
<b>Change in Fiduciary Net Position</b>	(1,206,648)
<b>Net Position Restricted for Pensions, Beginning of Year</b>	<u>18,028,170</u>
<b>Net Position Restricted for Pensions, End of Year</b>	<u>\$ 16,821,522</u>

# City of Springdale, Arkansas

## Notes to Financial Statements

### December 31, 2015

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

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

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

#### **Reporting Entity**

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

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

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

# City of Springdale, Arkansas

## Notes to Financial Statements

### December 31, 2015

#### **Blended Component Units – Governmental**

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

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

#### **Discretely Presented Component Unit – Business Type**

City of Springdale, Arkansas Water and Sewer Commission (the “Commission”) is governed by a five member Board of Commissioners, appointed by the remainder of the Water and Sewer Commissioners, and approved by the City Council. The Commission receives no financial benefit from the City; however, the City has the power to impose its will on the Commission. Rate changes and debt issuance must be approved by the City Council. The Commission provides commercial and residential water services, as well as waste water treatment services, that primarily benefit the residents of Springdale. The fiscal year-end of the Commission is September 30, therefore, all amounts reported in the financial statements are as of and for the year ended September 30, 2015. Financial statements of the Commission can be obtained from the Commission’s administrative office located at 526 Oak Avenue, Springdale Arkansas 72764.

#### **Related Organizations**

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

#### **Adoption of New GASB Standards**

##### ***GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27***

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, for 2015. The statement includes guidance for accounting for participating employers in single-employer and multiple-employer defined benefit pension plans, cost-sharing plans, defined contribution plans and plans with insured benefits. The note disclosure and required supplementary information requirements for employers whose employees are provided with defined benefit pensions through qualified trusts also are addressed. Finally, the statement

**City of Springdale, Arkansas**  
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includes guidance on accounting for special funding situations where an entity other than the employer government is legally responsible for plan contributions.

The Statement also requires employers participating in cost-sharing multiple-employer defined benefit pension plans to recognize their proportional share of the plan's collective net pension liability, pension expense and deferred outflows of resources and deferred inflows of resources in the employer's financial statements. The pension expense is no longer based on the contractually required contribution or contributions actually made, but is actuarially determined. This results in the pension expense and liability being recognized as benefits are earned by employees, and increases current pension expense along with the recognition of the proportional share of the net pension liability. The fiscal year 2015 beginning net position has been restated to reflect the implementation of the new accounting standard (See *Note 16*). This information has been added to *Note 7* and to the required supplementary information, as required.

***GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68***

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, for 2015. The statement includes guidance for accounting for contributions made to defined benefit pension plans after the measurement date of the net pension liability but prior to the government's fiscal year end. See *Note 7* for a detail of these amounts as they relate to the specific pensions of the City.

***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 its discretely presented component unit at year end.

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

# City of Springdale, Arkansas

## Notes to Financial Statements

### December 31, 2015

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

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

#### **Fund Financial Statements**

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

The City reports the following major governmental funds:

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

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

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

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

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

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The City reports the following major enterprise funds:

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

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

Additionally, the City reports the following nonmajor fund types:

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

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

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

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

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

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

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

# City of Springdale, Arkansas

## Notes to Financial Statements

### December 31, 2015

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

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

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

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

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

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

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

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

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included in the balance sheet. The statement of revenues, expenditures, and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current financial resources. General capital asset acquisitions are reported as expenditures and proceeds of general long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The City generally considers revenues reported in the governmental funds to be available if they are collected within sixty (60) days after year-end.

**City of Springdale, Arkansas**  
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**December 31, 2015**

Principal revenue sources considered susceptible to accrual include property (ad valorem) taxes, sales taxes, utility franchise fees, grant revenues and investment earnings. Other revenues, such as fines and forfeitures, are considered to be measurable and available only when cash is received by the City. Expenditures generally are recorded when the related fund liability is incurred as under the accrual basis of accounting, except for principal and interest on long-term debt, claims and judgments, pension and OPEB expenditures, and compensated absences, which are recognized as expenditures only when payment is due.

***Budgets and Budgetary Accounting***

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

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, 2015, the City Council adopted several supplemental appropriations.

***Cash and Cash Equivalents***

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

***Investments and Investment Income***

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

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

**City of Springdale, Arkansas**  
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**December 31, 2015**

***Inventories***

Inventories, consisting primarily of gasoline and waterline materials, are valued on the average cost basis.

General government fund inventories are accounted for on the purchase method.

***Accounts Receivable***

For the primary government, ambulance fees, property tax receivables and airport hangar rent are shown net of an allowance for uncollectibles. The Commission estimates most accounts receivable balances at September 30, 2015 to be materially collectible; therefore, no allowance has been recorded for these balances.

***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 as of December 31, 2015 is as follows:

Cash and cash equivalents	\$ 19,672,922
Investments	3,971,349
Interest receivable	716,785
Intergovernmental receivables	<u>2,180,712</u>
Total restricted assets - governmental activities	\$ <u><u>26,541,768</u></u>

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

**City of Springdale, Arkansas**  
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The balance of the Commission’s restricted assets as of September 30, 2015 is as follows:

Cash - Lowell sewer expansion fund	\$	30,090
Cash - Lowell sewer bond fund		75,432
Investments - certificates of deposit - meter deposits		<u>1,963,068</u>
 Total restricted assets - component unit	 \$	 <u><u>2,068,590</u></u>

**Capital Assets**

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

Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of five years. Exceptions are for infrastructure assets, which are defined as having a constructed cost of greater than \$25,000. Major outlays for capital assets and improvements are capitalized when completed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. For the Commission, assets with a cost greater than \$1,000 are capitalized.

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

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

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

**City of Springdale, Arkansas**  
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***Collections***

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

***Compensated Absences***

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

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

***Long-term Obligations***

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

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

**City of Springdale, Arkansas**  
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***Deferred Outflows/Inflows 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 reports deferred outflows of resources related to pensions for contributions made to the pension plans after the measurement date, the net difference in investment experience between actual earnings and projected earnings on pension plan investments, the changes in assumption and changes in proportion. Deferred outflows related to contributions made after the measurement date will be recognized as a reduction of net pension liability in the following year ending December 31, 2016. The remaining amounts will be amortized over future periods as shown within *Note 7*.

In addition to liabilities, the statement of net position and the balance sheet report a separate section for deferred inflows of resources, which represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items reported as deferred inflows of resources, unavailable revenue and deferred inflows-pensions. Unavailable revenue arises under the modified accrual basis of accounting and qualifies for reporting in this category. Accordingly, this item is only reported in the governmental funds balance sheet. Governmental funds report unavailable revenue from property taxes and grant receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item, deferred inflows - pensions, consists of the differences between the expected and actual experience, changes in assumptions and the net difference between projected and actual earnings on pension plan investments. These amounts are amortized over future periods as shown within *Note 7*.

***Net Position/Fund Balance***

Net position represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources in the government-wide and proprietary fund statements. Net position is classified in three components. Net investment in capital assets, consists of capital assets net of accumulated depreciation, and reduced by the outstanding balances of any debt attributable to the acquisition, construction, or improvement of these assets. Restricted net position is the amount that is restricted for a particular purpose by creditors, grantors, or contributors external to the City, or by laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation. Included in this category are assets restricted for capital expenditures, net of related debt, and amounts deposited with bond trustees as required by bond indentures. At December 31, 2015, restricted net position of \$616,015 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.”

# City of Springdale, Arkansas

## Notes to Financial Statements

### December 31, 2015

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 through either a commitment (committed fund balance) or an assignment (assigned fund balance.)

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

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

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

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

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

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

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**Notes to Financial Statements**  
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***Impairment of Capital Assets***

The City is required to evaluate prominent events or changes in circumstances affecting long-lived assets to determine whether an impairment of its assets has occurred. A capital asset is considered impaired if both (a) the decline in service utility is large in magnitude and (b) the event is outside the normal life cycle of the capital asset. Based upon management's assessment, no triggering events or changes in circumstances occurred during 2015.

***Pensions***

The City provides retirement benefits to substantially all of its employees through four separate defined benefit pension plans (the Plans) and one defined contribution pension plan (*Note 7*).

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Basis of Accounting***

The City's financial statements for its defined benefit pension plans reported as pension trust funds (FRPF and PPRF) 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 other than mutual funds is determined using quoted market prices. The fair value of investments in mutual funds is determined using the fund's current per share price.

***Estimates***

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources 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.

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**Note 2: Deposits and Investments**

***Deposits***

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City and its component units' (except as noted below) deposit policies for custodial credit risk require compliance with the provisions of state law, which requires collateralization of all deposits in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). These deposits are required to be collateralized with bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Arkansas. The Foundation is not required to follow state law regarding collateralization of deposits, and does not have a deposit policy for custodial credit risk. At December 31, 2015, none of the City's bank balances were exposed to custodial credit risk with the exception of the Public Facilities Board (PFB). At December 31, 2015, \$375,597 of the PFB's total bank balances of \$1,437,965 were uninsured and uncollateralized. Also, at September 30, 2015, none of the Commission's bank balances were exposed to custodial credit risk.

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

The bank balances and carrying amount of the City's deposits held as of December 31, 2015 (September 30, 2015 for the Commission), were as follows:

	<b>Primary Government</b>	<b>Discrete Component Unit</b>
Carrying value of deposits	\$ 18,445,159	\$ 56,967,714
Bank balance of deposits	\$ 21,062,328	\$ 57,184,635

***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; pre-refunded municipal bonds; federal funds maturing in less than one year; demand, savings or time deposits of any depository institution chartered in the United States; warrants of political subdivisions of the state of Arkansas; repurchase agreements; money market funds; corporate debt obligations; and revenue bonds of any state, municipality or political subdivision of the United States. Funds held by the City's Trustee for the credit of the Construction Funds, the Bond Funds, and the Debt Service Reserves are authorized to be invested in U. S. Government securities, time deposits or certificates of deposit which are insured by the FDIC, or collateralized by securities held by a third party in which the City has a perfected first security interest, and money market funds registered under the Federal Investment Company Act of 1940 and having a rating by Standard and Poor's of AAA-mG, AAA-m, or AA-m, and if rated by Moody's Investors Service rated AAA, AA1, or AA2.

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

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

At December 31, 2015, the Primary Government had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities in Years			
		Less than 1	1 - 5	6 - 10	More than 10
U.S. Treasury notes and bonds	\$ 669,465	\$ -	\$ 442,986	\$ 60,505	\$ 165,974
U.S. agencies obligations	12,981,460	56,575	9,058,075	3,006,517	860,293
State/municipal bonds	134,582	-	-	-	134,582
Corporate bonds	1,499,243	-	705,908	465,188	328,147
Certificates of deposit	3,361,836	935,197	2,426,639	-	-
Money market funds	18,887,177	18,887,177	-	-	-
	37,533,763	\$ 19,878,949	\$ 12,633,608	\$ 3,532,210	\$ 1,488,996
Corporate stock	10,224,279				
Investment pools	1,410,093				
Other	369,915				
Total Investments	\$ 49,538,050				

**Interest Rate Risk**

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

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

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
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***Credit Risk***

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

The Firemen's Fund policy is that common stock must carry an investment grade of medium or A or better; and fixed income securities must be investment grade or better. Investments in corporate bonds ranged between A and BBB, and government treasury and agencies were ranked AAA by Moody's at December 31, 2015. The Firemen's Fund held \$299,287 in corporate bonds at year end, with \$127,116 rated A, and \$172,171 rated BBB. Government agencies held at year end totaled \$313, and U.S. Treasury bonds held at year end were \$61,648.

The Policemen's Fund policy is for plan assets to be invested in investment grade bonds rated BBB or better; no less than 85% of corporate bonds and commercial paper investments be A rated or higher; and no more than 15% of securities may be invested in corporate bonds with a rating of BAA or less. Fixed income securities totaled \$2,694,410 at year end. Ratings for corporate bonds held ranged from AAA to BBB, and government treasuries and agencies were ranked AAA to BBB by Moody's and Standard & Poor's. The Policemen's Fund held \$1,192,037 in corporate bonds at year end, with \$119,523 ranked AAA, \$281,701 ranked AA, \$417,975 ranked A, or 69% of total corporate bonds. The Policemen's Fund held \$372,837, or 31% ranked BBB, and no securities that were not rated as of December 31, 2015. U.S. government treasuries and agencies held at year end totaled \$1,502,373, of which \$902,681 in agency pools were not rated.

***Custodial Credit Risk***

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

***Concentration of Credit Risk***

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

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
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The following schedule reconciles the carrying amount of deposits and investments to the government-wide statement of net position and statement of fiduciary net position:

	<b>Primary Government</b>	<b>Discrete Component Unit</b>
Reported amount of deposits	\$ 18,445,159	\$ 56,967,714
Cash on hand	2,723	1,600
Investments classified as cash equivalents	18,887,177	-
Deposits classified as investments	(3,361,836)	(34,322,532)
	\$ 33,973,223	\$ 22,646,782
As reported on the government-wide statement of net position		
Cash and cash equivalents	\$ 10,850,738	\$ 22,541,260
Restricted cash and cash equivalents	19,672,922	105,522
	30,523,660	22,646,782
Cash and cash equivalents reported on the statement of fiduciary net position	3,449,563	-
	\$ 33,973,223	\$ 22,646,782
Carrying amount of investments	\$ 46,176,214	\$ -
Deposits classified as investments	3,361,836	34,322,532
Reported amount of investments	49,538,050	34,322,532
Investments classified as cash equivalents	(18,887,177)	-
	\$ 30,650,873	\$ 34,322,532
As reported on the government-wide statement of net position		
Investments	\$ 13,051,336	\$ 32,359,464
Restricted investments	3,971,349	1,963,068
	17,022,685	34,322,532
Investments reported on the statement of fiduciary net position	13,628,188	-
	\$ 30,650,873	\$ 34,322,532

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
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**Note 3: Receivables**

Receivables as of December 31, 2015, for the City's General Fund, Street Fund, major Capital Projects Funds in the aggregate, and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

<u>Governmental</u>	General	Street	Capital	2013 Bonds	Other	Total
	<u>Fund</u>	<u>Fund</u>	<u>Projects</u>	<u>Debt</u>	<u>Governmental</u>	
			<u>Funds</u>	<u>Service</u>	<u>Funds</u>	
Receivables						
Accounts	\$ 5,519,397	\$ 3,587	\$ -	\$ -	\$ 45,374	\$ 5,568,358
Property taxes	5,306,933	1,002,704	-	-	1,755	6,311,392
Sales taxes	2,245,935	-	1,465,478	-	-	3,711,413
Franchise taxes	777,479	-	-	-	-	777,479
Grants	235,622	-	181,362	-	-	416,984
Intergovernmental	219,521	376,805	-	-	37,329	633,655
Interest	6,341	5,315	44,343	-	5,236	61,235
Other	687	-	-	-	-	687
Restricted receivables						
Interest	-	-	321	2,419	1,188	3,928
Sales taxes	-	-	-	2,179,524	714,045	2,893,569
Gross receivables	<u>14,311,915</u>	<u>1,388,411</u>	<u>1,691,504</u>	<u>2,181,943</u>	<u>804,927</u>	<u>20,378,700</u>
Less: Allowance for uncollectibles	<u>(5,393,043)</u>	<u>(61,117)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,454,160)</u>
Net total receivables	<u>\$ 8,918,872</u>	<u>\$ 1,327,294</u>	<u>\$ 1,691,504</u>	<u>\$ 2,181,943</u>	<u>\$ 804,927</u>	<u>\$ 14,924,540</u>

Receivables as of December 31, 2015 for the City's proprietary funds, including the applicable allowances for uncollectible accounts, are as follows:

<u>Proprietary</u>	Municipal	Other	Total
	<u>Airport</u>	<u>Proprietary</u>	
	<u>Fund</u>	<u>Funds</u>	
Receivables			
Accounts	\$ 12,742	\$ 31,239	\$ 43,981
Sales taxes	6,882	-	6,882
Grants	27,480	-	27,480
Interest	-	53	53
Gross receivables	<u>47,104</u>	<u>31,292</u>	<u>78,396</u>
Less: Allowance for uncollectibles	<u>(6,880)</u>	<u>-</u>	<u>(6,880)</u>
Net total receivables	<u>\$ 40,224</u>	<u>\$ 31,292</u>	<u>\$ 71,516</u>

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
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Receivables as of December 31, 2015 for the City's fiduciary funds, including the applicable allowances for uncollectible accounts, are as follows:

<u>Fiduciary</u>	Fire Pension <u>Fund</u>	Police Pension <u>Fund</u>	District Court Agency <u>Fund</u>	<u>Total</u>
Receivables				
Property taxes	\$ 549,470	\$ 549,470	\$ -	\$ 1,098,940
Accounts	-	-	2,088,621	2,088,621
Interest	7,071	19,286	-	26,357
Gross receivables	<u>556,541</u>	<u>568,756</u>	<u>2,088,621</u>	<u>3,213,918</u>
Less: Allowance for uncollectibles	(36,855)	(36,855)	-	(73,710)
Net total receivables	<u>\$ 519,686</u>	<u>\$ 531,901</u>	<u>\$ 2,088,621</u>	<u>\$ 3,140,208</u>

**Note Receivable**

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

Changes in long-term receivables for the year ended December 31, 2015 for the primary government were as follows:

<u>Governmental Activities</u>	Balance, December 31, <u>2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2015</u>	Due Within <u>One Year</u>
Note receivable					
Promissory note and second mortgage	\$ <u>400,000</u>	\$ <u>-</u>	\$ <u>34,342</u>	\$ <u>365,658</u>	\$ <u>35,516</u>

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

**Note 4: Capital Assets**

A summary of changes in capital assets for the year ended December 31, 2015 (September 30, 2015 for the Commission), is presented below:

<u>Governmental Activities</u>	Balance December 31, 2014 (As Restated)	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2015
<b>Capital assets, non-depreciable</b>				
Land	\$ 32,010,123	\$ 2,509,399	\$ -	\$ 34,519,522
Easements	31,434,030	634,177	-	32,068,207
Museum buildings	504,927	-	-	504,927
Construction in progress	30,763,373	32,372,050	12,506,901	50,628,522
Total capital assets, non-depreciable	<u>94,712,453</u>	<u>35,515,626</u>	<u>12,506,901</u>	<u>117,721,178</u>
<b>Capital assets, depreciable</b>				
Land improvements	11,800,955	11,571,375	-	23,372,330
Infrastructure	211,597,517	1,409,889	-	213,007,406
Buildings and improvements	62,963,386	5,796,094	97,771	68,661,709
Machinery and equipment	38,575,962	2,937,531	1,796,229	39,717,264
Intangibles	1,346,116	53,070	81,348	1,317,838
Total capital assets, depreciable	<u>326,283,936</u>	<u>21,767,959</u>	<u>1,975,348</u>	<u>346,076,547</u>
<b>Less accumulated depreciation</b>				
Land improvements	4,744,050	627,758	-	5,371,808
Infrastructure	70,209,125	7,537,334	-	77,746,459
Buildings and improvements	17,724,859	2,080,028	54,579	19,750,308
Machinery and equipment	24,577,424	2,530,181	1,706,736	25,400,869
Intangibles	1,012,227	59,391	73,213	998,405
Total accumulated depreciation	<u>118,267,685</u>	<u>12,834,692</u>	<u>1,834,528</u>	<u>129,267,849</u>
Total governmental activities, net	<u>\$ 302,728,704</u>	<u>\$ 44,448,893</u>	<u>\$ 12,647,721</u>	<u>\$ 334,529,876</u>

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

<u>Business-type Activities</u>	Balance December 31, 2014	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2015
<b>Capital assets, non-depreciable</b>				
Land	\$ 2,788,631	\$ -	\$ -	\$ 2,788,631
Construction in progress	597,405	467,132	99,987	964,550
Total capital assets, non-depreciable	<u>3,386,036</u>	<u>467,132</u>	<u>99,987</u>	<u>3,753,181</u>
<b>Capital assets, depreciable</b>				
Land improvements	7,496,777	552,289	333,690	7,715,376
Buildings and improvements	5,255,761	109,936		5,365,697
Machinery and equipment	2,014,951	37,375	129,990	1,922,336
Total capital assets, depreciable	<u>14,767,489</u>	<u>699,600</u>	<u>463,680</u>	<u>15,003,409</u>
<b>Less accumulated depreciation</b>				
Land improvements	5,862,967	244,942	216,381	5,891,528
Buildings and improvements	3,373,397	185,334		3,558,731
Machinery and equipment	1,185,626	87,722	83,662	1,189,686
Total accumulated depreciation	<u>10,421,990</u>	<u>517,998</u>	<u>300,043</u>	<u>10,639,945</u>
Total business-type activities, net	<u>\$ 7,731,535</u>	<u>\$ 648,734</u>	<u>\$ 263,624</u>	<u>\$ 8,116,645</u>

<u>Business-type Activities</u>	Balance September 30, 2014	Additions and Transfers, Net	Retirements and Transfers, Net	Balance September 30, 2015
<b>Component Unit</b>				
<b>Capital assets, non-depreciable</b>				
Land	\$ 3,589,950	\$ -	\$ 501,255	\$ 3,088,695
Easements	3,088,277	551,149	-	3,639,426
Construction in progress	6,694,834	5,666,112	6,752,640	5,608,306
Total capital assets, non-depreciable	<u>13,373,061</u>	<u>6,217,261</u>	<u>7,253,895</u>	<u>12,336,427</u>
<b>Capital assets, depreciable</b>				
Buildings and improvements	5,768,123			5,768,123
Water and sewer systems	289,404,798	6,666,288	118,584	295,952,502
Machinery and equipment	4,776,475	441,425	16,002	5,201,898
Total capital assets, depreciable	<u>299,949,396</u>	<u>7,107,713</u>	<u>134,586</u>	<u>306,922,523</u>
<b>Less accumulated depreciation</b>				
Buildings and improvements	3,290,438	183,415		3,473,853
Water and sewer systems	104,421,853	7,342,676	95,984	111,668,545
Machinery and equipment	2,841,153	399,125	10,329	3,229,949
Total accumulated depreciation	<u>110,553,444</u>	<u>7,925,216</u>	<u>106,313</u>	<u>118,372,347</u>
Total component unit activities, net	<u>\$ 202,769,013</u>	<u>\$ 5,399,758</u>	<u>\$ 7,282,168</u>	<u>\$ 200,886,603</u>

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
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Depreciation expense was charged to functions/programs of the primary government and its component unit as follows:

Governmental Activities

General government	
Administration	\$ 325,995
Information technology	4,805
District Court	3,803
Bluff Cemetery	1,571
Community Development	
Planning	3,932
Community development and housing	4,781
Culture and recreation	
Parks and recreation	2,315,208
Public Library	152,825
Shiloh Museum	50,903
Public Safety	
Animal services	26,044
Building inspection	17,690
Community engagement	7,844
Fire	733,450
Police	546,115
Public Works	8,639,726
Total governmental activities	<u>12,834,692</u>

Business-type Activities

Municipal airport	338,755
Aquatic Center	155,916
Sanitation	23,327
Total business-type activities	<u>517,998</u>

Total depreciation expenses - primary government      \$ 13,352,690

Component Unit

City of Springdale, Arkansas Water and Sewer Commission	\$ <u>7,925,216</u>
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**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

The City has active construction projects as of December 31, 2015. Total outstanding commitments under authorized contracts for capital projects of governmental funds are as follows:

	Expenditures Incurred to December 31, 2015	Remaining Commitments at December 31, 2015
<u>Primary Government</u>		
Governmental activities		
Capital Projects		
Streets and drainage projects	\$ 23,863,167	\$ 9,771,233
Parks and recreation	14,907,614	3,148,125
Total commitments - primary government	\$ 38,770,781	\$ 12,919,358

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

***Business-type Component Unit***

At September 30, 2015, the Commission had several construction and repair and maintenance projects in various stages of completion. Unfulfilled contract commitments of approximately \$2,426,387 remained open on the construction and improvement contracts still in progress at September 30, 2015.

**Note 5: Long-Term Liabilities**

Changes in long-term liabilities for the year ended December 31, 2015, for the primary government were as follows:

	Balance December 31, 2014 (As Restated)	Increases	Decreases	Balance December 31, 2015	Due Within One Year
Governmental Activities					
Bonds payable:					
Revenue bonds	\$ 141,625,000	\$ 1,160,000	\$ 11,010,000	\$ 131,775,000	\$ 7,200,000
Add issuance premium	6,658,319		433,277	6,225,042	-
Bonds payable, net	148,283,319	1,160,000	11,443,277	138,000,042	7,200,000
Compensated absences	1,995,441	302,754	306,831	1,991,364	18,179
OPEB liability	2,630,279	401,581	-	3,031,860	-
Net pension liability	32,456,678	336,149	1,427,018	31,365,809	-
Total other long-term liabilities	37,082,398	1,040,484	1,733,849	36,389,033	18,179
Total	\$ 185,365,717	\$ 2,200,484	\$ 13,177,126	\$ 174,389,075	\$ 7,218,179

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
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Business-type Activities	Balance December 31, 2014	Increases	Decreases	Balance December 31, 2015	Due Within One Year
Compensated absences	\$ 6,761	\$ 3,320	\$ 2,524	\$ 7,557	\$ -
Total other long-term liabilities	<u>\$ 6,761</u>	<u>\$ 3,320</u>	<u>\$ 2,524</u>	<u>\$ 7,557</u>	<u>\$ -</u>

Changes in long-term liabilities for the year ended September 30, 2015 for the City's discretely presented component unit were as follows:

City of Springdale, Arkansas Water and Sewer Commission	Balance September 30, 2014	Increases	Decreases	Balance September 30, 2015	Due Within One Year
Bonds payable					
Revenue bonds, Series 2006	\$ 2,925,000	\$ -	\$ 185,000	\$ 2,740,000	\$ 195,000
Compensated absences	669,509	600,020	468,563	800,966	364,400
OPEB liability	12,013	13,926	977	24,962	-
Total other long-term liabilities	<u>681,522</u>	<u>613,946</u>	<u>469,540</u>	<u>825,928</u>	<u>364,400</u>
Total	<u>\$ 3,606,522</u>	<u>\$ 613,946</u>	<u>\$ 654,540</u>	<u>\$ 3,565,928</u>	<u>\$ 559,400</u>

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

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

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

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

Series 2013 Bonds maturing July 1, 2025:

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

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

The City is required to maintain a debt service reserve equal to one-half of the maximum annual debt service requirements on the Series 2013 Bonds as originally issued. A portion of the debt service reserve was funded with Series 2013 Bond proceeds. The balance of the debt service reserve was funded with an insurance policy. The amount of the Debt Service Reserve Policy is \$2,976,728. At December 31, 2015, the City held cash equivalents equal to \$1,055,070 in the Debt Service Reserve Fund.

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

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

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

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

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

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

The City is required to maintain a debt service reserve equal to one-half of the maximum annual debt service requirements on the Series 2012 Bonds as originally issued. At December 31, 2015, the City held cash equivalents equal to \$2,927,841 in the 2012 Series Bonds Debt Service Reserve Fund.

***Public Facilities Board Bond – Governmental Activities***

On December 30, 2015, the City issued \$1,160,000 in City of Springdale, Arkansas, Public Facilities Board (PFB) Revenue Bond, dated December 30, 2015. The interest rate on the bond is equal to 3.75% through December 31, 2020 and thereafter adjusted to the prevailing Wall Street Journal Prime Rate until December 30, 2025, the maturity date. After the maturity date, the interest rate on the bond is equal to the default rate, which is set at 10.00%. Interest is payable semiannually.

The PFB Revenue Bond is not a general obligation of the City, but a special obligation, secured by all “Pledged Revenues,” which are defined to mean all revenues, income, receipts and money received during the period received with respect to the land and improvements owned by the City of Springdale Public Facilities Board. The issuance of the PFB Revenue Bonds and the pledging of the PFB revenues were approved by the City Council under City Resolution No. 132-15 passed on December 8, 2015.

The PFB Revenue Bonds were issued to finance the all or a portion of the costs of acquiring and improving three separate tracts of land.

The PFB is required to maintain an average deposit relationship of \$250,000 in an account with the purchaser of the bond. At December 31, 2015, the PFB held cash equivalents equal to \$250,007 in the accounts held with the purchaser of the bond. The PFB is also required to maintain “Global Liquid Assets” of no less than \$400,000, which was met at December 31, 2015.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

Bonds payable at December 31, 2015, were as follows:

<u>Primary Government</u>	<u>Issue Year</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Total Outstanding</u>
Sales and Use Tax Bonds	2012	2032	1.1% - 5.01%	\$ 66,275,000	\$ 60,555,000
Sales and Use Tax Refunding Bonds	2013	2027	2.0 - 5.0%	84,200,000	70,060,000
Revenue Bond	2015	2025	3.0%	1,160,000	1,160,000
					<u>\$ 131,775,000</u>

Debt service requirements for the governmental activities bonds at December 31, 2015 were as follows:

<u>Primary Government</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 7,200,000	\$ 5,045,855	\$ 12,245,855
2017	7,490,000	4,851,612	12,341,612
2018	7,840,000	4,602,201	12,442,201
2019	8,195,000	4,345,036	12,540,036
2020	8,570,000	4,075,157	12,645,157
2021 - 2025	51,375,000	14,503,534	65,878,534
2026 - 2030	33,170,000	4,342,504	37,512,504
2031 - 2032	7,935,000	309,300	8,244,300
	<u>\$ 131,775,000</u>	<u>\$ 42,075,199</u>	<u>\$ 173,850,199</u>

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

**Series 2006**

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

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

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

<u>Component Unit</u>		<u>Principal</u>		<u>Interest</u>		<u>Total</u>
<u>Springdale Water and Sewer</u>						
2016	\$	195,000	\$	134,500	\$	329,500
2017		205,000		124,625		329,625
2018		215,000		114,250		329,250
2019		225,000		103,375		328,375
2020		235,000		91,875		326,875
2021 - 2025		1,370,000		267,875		1,637,875
2026		295,000		10,375		305,375
	\$	<u>2,740,000</u>	\$	<u>846,875</u>	\$	<u>3,586,875</u>

***Applicability of Federal Arbitrage Regulations***

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

Based upon interim calculations, the City has no arbitrage liability as of December 31, 2015.

**Note 6: Individual Fund Disclosures**

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

The 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.

**City of Springdale, Arkansas**  
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Interfund receivables and payables as of December 31, 2015 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Primary Government</u>		
Governmental Funds		
General	\$ 1,230,898	\$ 1,167,116
Sales and Use Tax	1,160,595	1,089,762
Nonmajor governmental funds	18,400	49,115
Total governmental funds	<u>2,409,893</u>	<u>2,305,993</u>
Proprietary Funds		
Nonmajor proprietary funds	<u>304</u>	<u>17</u>
Total proprietary funds	<u>304</u>	<u>17</u>
Fiduciary Funds		
	<u>127,119</u>	<u>230,985</u>
Total Primary Government	<u>2,537,316</u>	<u>2,536,995</u>
<u>Component Unit</u>		
Water and Sewer Commission	<u>-</u>	<u>321</u>
Total	<u>\$ 2,537,316</u>	<u>\$ 2,537,316</u>

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

**City of Springdale, Arkansas**  
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Transfers in (out) for the year ended December 31, 2015 are as follows:

<u>Primary Government</u>	<u>Transfers</u> <u>In</u>	<u>Transfers</u> <u>Out</u>
Governmental Funds		
General	\$ 6,369,521	\$ 1,677,254
Street	432,024	-
Sales and Use Tax	50,000	8,957,277
2012 Bonds Parks Improvement Construction	2,182,615	-
Nonmajor governmental	<u>1,559,090</u>	<u>100</u>
Total governmental funds	<u>10,593,250</u>	<u>10,634,631</u>
Proprietary Funds		
Municipal Airport	65,179	-
Nonmajor proprietary funds	<u>-</u>	<u>23,798</u>
Total proprietary funds	<u>65,179</u>	<u>23,798</u>
Total Primary Government	<u>\$ 10,658,429</u>	<u>\$ 10,658,429</u>

**Note 7: Pension Plans**

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

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
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**Membership Information**

Membership of the single-employer pension plans and the defined contribution plan consisted of the following at December 31, 2015:

	<b>Firemen's Relief and Pension Fund</b>	<b>Policemen's Pension and Relief Fund</b>	<b>Money Purchase Pension Plan</b>
Retirees and beneficiaries receiving benefits	45	34	-
Active plan members	-	-	228
<b>Total</b>	<b>45</b>	<b>34</b>	<b>228</b>

**Financial Information**

Separate financial reports are not issued on each of the single-employer pension plans. The following is the condensed financial information of the plans included as pension trust funds:

	<b>Statement of Fiduciary Net Position</b>	
	<b>December 31, 2015</b>	
	<b>Firemen's Relief and Pension Fund</b>	<b>Policemen's Pension and Relief Fund</b>
<b>Assets</b>		
Cash and equivalents	\$ 1,665,910	\$ 473,335
Investments	6,383,337	7,244,851
Accounts receivable	519,686	531,901
Due from other funds	-	9,526
<b>Total Assets</b>	<b>8,568,933</b>	<b>8,259,613</b>
<b>Liabilities</b>		
Accrued liabilities	3,538	3,486
<b>Total Liabilities</b>	<b>3,538</b>	<b>3,486</b>
<b>Net Position</b>		
Net position restricted for pensions	<b>\$ 8,565,395</b>	<b>\$ 8,256,127</b>

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
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	<b>Statement of Changes in Fiduciary Net Position</b>	
	<b>Firemen's Relief and Pension Fund</b>	<b>Policemen's Pension and Relief Fund</b>
<b>Additions</b>		
Contributions	\$ 651,148	\$ 732,796
Net investment income (loss)	45,094	(176,004)
<b>Total Additions</b>	<u>696,242</u>	<u>556,792</u>
<b>Deductions</b>		
Benefit payments	1,255,706	1,197,476
Miscellaneous	-	6,500
<b>Total Deductions</b>	<u>1,255,706</u>	<u>1,203,976</u>
<b>Change in Fiduciary Net Position</b>	(559,464)	(647,184)
<b>Net Position Restricted for Pension, Beginning of Year</b>	<u>9,124,859</u>	<u>8,903,311</u>
<b>Net Position Restricted for Pension, End of Year</b>	<u><u>\$ 8,565,395</u></u>	<u><u>\$ 8,256,127</u></u>

***Plan Descriptions and Funding Information***

The City of Springdale, Arkansas participates in four defined benefit pension plans; which are comprised of two single-employer defined benefit pension plans and two cost-sharing defined benefit pension plans, each of which are described and illustrated in detail below. Aggregate amounts for the four defined benefit pension plans are as follows:

	<b>FRPF</b>	<b>PPRF</b>	<b>LOPFI</b>	<b>APERS</b>	<b>Total</b>
Net pension liability	\$ 6,777,519	\$ 7,494,389	\$ 16,910,936	\$ 182,965	\$ 31,365,809
Deferred outflows of resources	315,471	529,981	356,542	29,993	1,231,987
Deferred outflows of resources - contributions	-	-	3,131,048	13,921	3,144,969
Deferred inflows of resources	-	-	13,064	21,073	34,137
Pension expense (reduction of expense)	(795,195)	(160,036)	2,732,720	22,535	1,800,024

***Single-Employer Defined Benefit Plans***

***Firemen's Relief and Pension Fund***

The Firemen's Relief and Pension Fund (Firemen's Fund or 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.

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

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

Total contributions to the Fund in 2015 were \$699,242. The City's share of contributions was \$651,148, and included \$528,758 in property taxes and \$122,390 in state insurance premium taxes.

There are no asset concentrations over 5% as of December 31, 2015.

There were no active employees which were covered by the Plan for the year ended 2015.

***Policemen's Pension and Relief Fund***

The Policemen's Pension and Relief Fund (Policemen's Fund or 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.

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

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

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Contributions to the Policemen’s Fund are set forth in Arkansas Code. The City’s contribution to the Policemen’s Fund consists of a one-half mill real and personal property tax collection, an insurance premium tax turnback collected by the State Insurance Commissioner, a \$3 assessment against each court case plus 10 percent (10%) of fines and forfeitures collected, and proceeds derived from the sale of confiscated goods. Participant contributions are returned without interest if the participant terminates covered employment. Accounting and administrative services are performed by personnel of the City at no charge to the Fund. Total contributions to the Fund in 2015 were \$732,796. The City’s share of contributions was \$732,796, and included \$528,758 in property taxes, \$86,478 in state insurance premium taxes, and \$117,560 in fines and court costs.

The asset concentrations of over 5% are as follows:

Ishares MSCI EAFE	\$ 781,563
Ishares Russell 2000 Growth index Fund	499,446
SPDR S&P MidCap 400	899,556

There were no active employees which were covered by the Plan for the year ended 2015.

**Actuarial Methods and Assumptions**

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

The State of Arkansas Fire and Police Pension Review Board is responsible for the coordination of the actuarial valuations performed on both plans. Actuarial valuations are performed biennially and the last evaluation was as of December 31, 2015. Actuarial assumptions used in evaluating the Plans include entry age normal cost method, five year smoothed market for valuing assets, level percent open amortization method, and amortization period of 5 years for active participants and 5 years for retirees, 5% investment rate of return, 4.2% to 8% salary increases and the 1983 group annuity mortality table. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level dollar of projected payroll on an open basis. The amortization period at December 31, 2015 was 5 years.

**Net Pension Liability**

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

Plan	FY Ended December 31,	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability
Firemen's Relief and Pension Fund	2015	\$ 15,342,914	\$ 8,565,395	\$ 6,777,519	55.8%
Policemen's Relief and Pension Fund	2015	15,750,516	8,256,127	7,494,389	52.4%

**City of Springdale, Arkansas**  
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**Long-term Expected Return on Plan Assets**

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

<b>Long-term Expected Real Rate of Return</b>		
<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Rate of Return</b>
Domestic Fixed Income	80%	2.25%
Domestic Equity	10%	4.75%
Foreign Equity	0%	6.25%
Cash & Equivalents	10%	0.25%

**Investment Policies**

***Firemen's Relief and Pension Fund***

The pension plan's policy in regards to the allocation of invested assets is established and may be amended by the Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of December 31, 2015.

<b>Target Allocation of Investments</b>	
<b>Asset Class</b>	<b>Firemen's Pension</b>
Domestic Fixed Income	15% - 75%
Domestic Equity	25% - 70%
Cash	5% - 25%
Alternative Investments	0% - 10%

***Policemen's Pension and Relief Fund***

The pension plan has not developed an investment strategy or target allocation as of December 31, 2015.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
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**Discount Rate**

In the December 31, 2015 actuarial valuation, a single discount rate of 5.0% was used to measure the total pension liability. This single discount rate was based on the weighted average expected rate of return on pension plan investments of 5.0%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in the Net Pension Liability**

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

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
<b>Balances at December 31, 2014</b>	<u>\$ 16,974,844</u>	<u>\$ 9,124,859</u>	<u>\$ 7,849,985</u>
<b>Changes for the Year</b>			
Service Cost	-	-	-
Interest on Net Pension Liability	818,743	-	818,743
Difference between Expected and Actual Experience *	(1,250,687)	-	(1,250,687)
Employer Contributions	-	651,148	(651,148)
Net Investment Income	-	45,094	(45,094)
Benefits and Refunds	(1,199,986)	(1,199,986)	-
Supplements Benefits	-	(55,720)	55,720
Net Changes	<u>(1,631,930)</u>	<u>(559,464)</u>	<u>(1,072,466)</u>
<b>Balances at December 31, 2015</b>	<u><u>\$ 15,342,914</u></u>	<u><u>\$ 8,565,395</u></u>	<u><u>\$ 6,777,519</u></u>

\*The 2015 experience includes the effects of a one-time adjustment to the spousal mortality in the cash flow valuation.

**City of Springdale, Arkansas**  
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*Policemen's Pension and Relief Fund (PPRF)*

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
<b>Balances at December 31, 2014</b>	<u>\$ 16,752,252</u>	<u>\$ 8,903,311</u>	<u>\$ 7,848,941</u>
<b>Changes for the Year</b>			
Service Cost	-	-	-
Interest on Net Pension Liability	809,001	-	809,001
Difference between Expected and Actual Experience *	(666,271)	-	(666,271)
Employer Contributions	-	732,796	(732,796)
Net Investment Income (Loss)	-	(176,004)	176,004
Benefits and Refunds	(1,144,466)	(1,144,466)	-
Supplements Benefits	-	(53,010)	53,010
Funeral Benefit	-	(6,500)	6,500
Net Changes	<u>(1,001,736)</u>	<u>(647,184)</u>	<u>(354,552)</u>
<b>Balances at December 31, 2015</b>	<u><u>\$ 15,750,516</u></u>	<u><u>\$ 8,256,127</u></u>	<u><u>\$ 7,494,389</u></u>

\*The 2015 experience includes the effects of a one-time adjustment to the spousal mortality in the cash flow valuation.

**City of Springdale, Arkansas**  
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**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

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

		<b>Sensitivity of the Net Position Liability to the Single Discount Rate Assumption</b>		
		<b>1% Decrease 4.00%</b>	<b>Current Single Rate Assumption 5.00%</b>	<b>1% Increase 6.00%</b>
<b>Firemen's Pension</b>	City's Net Pension Liability	\$ 8,360,792	\$ 6,777,519	\$ 5,461,405
		<b>1% Decrease 4.00%</b>	<b>Current Single Rate Assumption 5.00%</b>	<b>1% Increase 6.00%</b>
<b>Policemen's Pension</b>	City's Net Pension Liability	\$ 9,217,689	\$ 7,494,389	\$ 6,069,465

**Money-Weighted Rate of Return**

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

<b>Plan</b>	<b>Fiscal Year Ended December 31,</b>	<b>Annual Money- weighted Rate of Return</b>
Firemen's Pension	2015	0.53%
	2014	6.05%
Policemen's Pension	2015	-2.61%
	2014	7.09%

**City of Springdale, Arkansas**  
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The net pension liability for the Firemen's and Policemen's Plans have been recognized in the City's statement of net position to comply with GASB standards. However, based on an interpretation of state law by the City's legal counsel, management of the City believes that if these Plans were to become insolvent, whereby remaining Plan assets were not adequate to pay current benefits, the City may not be legally obligated to fund any deficiency. Arkansas Code §24-11-416 and §24-11-807 state that if at any time there is insufficient money in the fund to pay full benefits, then beneficiaries will be paid a prorated amount.

**Pension Expense and Deferred Outflows of Resources related to Pensions**

For the year ended December 31, 2015, the City recognized a reduction in pension expense from its single-employer defined benefit plans of \$955,231. At December 31, 2015, the City reported deferred outflows of resources related to these pensions from the following sources:

	<b>Deferred Outflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ 845,452
Total	\$ 845,452

There were no amounts reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date to be recognized as a reduction of the net pension liability for the year ending December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending December 31,</b>		
2016	\$	211,363
2017		211,363
2018		211,363
2019		211,363
Total	\$	845,452

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
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***Money Purchase Pension Plan***

*Plan Description*

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

*Contributions*

The plan covers all non-uniformed City employees 18 years of age or older and who have 30 days service with the City. Employees contribute three percent (3%) of their salaries to the Plan, and the City contributes six percent (6%). There are no voluntary contributions. For the year ended December 31, 2015 employer and employee contributions to the plan were \$540,210 and \$270,104, respectively.

*Benefits Provided*

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

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

**City of Springdale, Arkansas**  
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***Cost-Sharing Multiple-Employer Defined Benefit Pension Plans***

*Plan Description*

The Arkansas Local Police and Fire Retirement System (LOPFI) is a statewide cost-sharing multiple-employer retirement program that provides retirement, disability, and survivor benefits to police and fire employees of political subdivisions of the State of Arkansas. LOPFI was created by Act 364 of the 1981 General Assembly and is administered by the LOPFI Board of Trustees. The authority to establish and amend benefit provisions is set forth in Arkansas state statutes, and is vested in the Arkansas Legislature with the concurrence of the Governor. Employees hired after January 1, 1983, whose political subdivision had a retirement system in effect at July 1, 1981, are eligible to participate in the plan. LOPFI issues a publicly available financial report that includes financial statements and required supplementary information of the Plan, which may be obtained from the Arkansas Local Police and Fire Retirement System, P.O. Drawer 34164, Little Rock, Arkansas, 72203, or by calling (501) 682-1745.

*Benefits Provided*

LOPFI provides for a retirement benefit paid to the Member on a monthly basis. The monthly benefit is based on a formula provided by law for the Member's lifetime. The Member has several options in calculating the benefit, which is normally the result of these factors: age of retirement, retirement multiplier, amount of the credit services (years and months), and final average pay (FAP). Each option available to the member provides for a different calculation based on these factors.

*Contributions*

Contributions to LOPFI are made by both the Member and the employers. Member contribution rates are established by the LOPFI Board of Trustees. The employer contributions are actuarially determined on an annual basis. Contribution requirements are set forth in Arkansas state statute.

Participating firemen are required to contribute eight and one-half percent (8.5%) of annual covered salary. Participating policemen are required to contribute two and one-half percent (2.5%) of annual covered salary. The City is required to contribute at an actuarially determined rate of compensation, which for 2015 was 21.86% for paid firemen and 22.00% for paid policemen. City contributions for 2015 were \$1,480,265 for paid firemen, and \$1,650,783 for paid policemen, and were equal to 100% of the required contributions. Employee contributions for 2015 were \$575,584 for paid firemen and \$187,589 for paid policemen. At December 31, 2015, there were 115 active paid firemen and 140 active paid policemen. Covered payroll was \$6,771,571 and \$7,504,659 for paid firemen and for paid policemen, respectively.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2015, the City reported a liability of \$16,910,936 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the ratio of the City's actual contributions to the Plan during the measurement period to the total employer contributions to the Plan of the group for the measurement period. At December 31, 2014, the City's proportion was 4.6714%, which remained unchanged from the prior year.

For the year ended December 31, 2015, the City recognized pension expense of \$2,732,720. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 13,064
Net difference between projected and actual earnings on pension plan investments	356,542	-
Contributions subsequent to the measurement date	<u>3,131,048</u>	<u>-</u>
Total	<u>\$ 3,487,590</u>	<u>\$ 13,064</u>

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$3,131,048 will be recognized as a reduction of the net pension liability for the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2016	\$ 85,738
2017	85,738
2018	85,738
2019	<u>86,264</u>
Total	<u>\$ 343,478</u>

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

**Actuarial Assumptions**

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Actuarial cost method	Entry Age Normal
Price Inflation	3.0 percent
Wage Inflation	4.0 percent

Mortality rates were based on the RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a scale AA.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial study period for the period January 1, 2014 to December 31, 2014. As a result of the 2014 actuarial study, the expectation of life after disability was adjusted in the December 31, 2014 actuarial evaluation to more closely reflect actual experience.

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

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

<b>Long-term Expected Real Rate of Return</b>		
<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Fixed Income	30%	2.97%
International Fixed Income	6%	1.50%
Domestic Equity	33%	5.88%
Foreign Equity	7%	6.25%
Index	11%	6.73%
Alternative Investments	10%	6.13%
Cash	3%	-0.40%
Total	<u>100%</u>	

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

**Discount Rate**

In the December 31, 2014 actuarial valuation, a single discount rate of 8.0% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 8.0%. The projection of cash flows, based on assumptions made, found that the pension plan's net position was available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to the Changes in the Discount Rate**

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 8.00 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate:

	<b>Sensitivity of the Net Position Liability to the Single Discount Rate Assumption</b>		
	<b>1% Decrease</b>	<b>Current Single Rate Assumption</b>	<b>1% Increase</b>
	<b>7.00%</b>	<b>8.00%</b>	<b>9.00%</b>
City's proportionate share of the net pension liability	\$ 29,781,189	\$ 16,910,936	\$ 6,367,087

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued LOPFI financial report.

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

*Plan Description*

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

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

Benefits Provided

Benefits under APERS are calculated depending on the member's hire date, with retirees separated into two separate categories; the non-contributory plan applies to all persons hired prior to July 1, 2005, while the new contributory plan applies to all employees hired on or after July 1, 2005. Under both plans, a member may retire with full benefits at either the age of 65 with five years of service, or at any age with 28 years of service. The member may retire with reduced benefits at either the age of 55 with five years of service or at any age with 25 years of service. The reduction is equal to one-half of one percent for each month retirement precedes the normal retirement age or one-percent for each month below 28 years of actual service, whichever is less. Under the non-contributory plan, the benefit calculation is equal to a factor of 1.72% of the member's final average salary multiplied by the years and months of credited service. Under the new contributory plan, the benefit calculation is equal to a factor of 2.00% of the members final average salary multiplied by the years of credited service. Under each plan, an additional .5% of the member's final average salary is awarded for each year of credited service exceeding 28 years. The minimum monthly benefit is \$150, excluding any age and beneficiary option reductions.

Under both the non-contributory and contributory plan, the member's final average salary is the highest 36 calendar months of covered compensation. In addition, a cost-of-living adjustment of 3% annually is included in the current benefits.

Covered payroll for the district court judge and clerk covered under this plan totaled \$184,978 for the fiscal year ended December 31, 2015.

Contributions

The general financial objective of all Arkansas public employee retirement plans is to have rates of contribution that remain relatively level for Arkansas citizens from generation to generation. Contribution provisions applicable to the participating employers are established by the APERS' Board of Trustees and should be based on an independent actuary's determination of the rate required to fund the plan. The General Assembly, certain municipal and county elected officials, and certain agencies employing individuals in public safety positions must also remit additional contributions.

Employer contribution rates during the fiscal year ended June 30, 2015, as a percentage of active member payroll, are as follows:

State, County, Municipal, and Non-State Divisions:	14.76%
Wildlife and Military Department Civilian	
Firefighters Subdivisions	26.76%
District Judge Division	25.82%
School Division	4.00%

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
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Contributions to APERS are made by both the Member (under the contributory plan) and employers. Member contribution rates are established by the APERS Board of Trustees. The employer contributions are actuarially determined on an annual basis. The current employee contribution rate is 5 percent of covered payroll for each employee under the new contributory plan. The City contributed 14.76% of covered employee's salaries to the plan for the period January 1, 2015 to June 30, 2015 and 14.50% of covered employee's salaries from July 1, 2015 to December 31, 2015. Contributions made to the plan by employees and the City for the year ended December 31, 2015 amounted to \$9,249 and \$26,016, respectively.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2015, the City reported a liability of \$182,965 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the ratio of the City's actual contributions to the Plan during the measurement period to total employer contributions to the Plan for the measurement period. At June 30, 2015, the City's proportion was 0.00993437%, which is an increase of 0.00020921% from its proportion as of June 30, 2014 of 0.00972516%.

For the year ended December 31, 2015, the City recognized pension expense of \$22,535. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 11,995
Changes in assumptions	27,002	-
Net difference between projected and actual earnings on pension plan investments	-	9,078
Change in proportions	2,991	-
Contributions subsequent to the measurement date	13,921	-
Total	\$ 43,914	\$ 21,073

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$13,921 will be recognized as a reduction of the net pension liability for the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Net Deferred Outflows (Inflows)</u>
2016	\$ (617)
2017	(618)
2018	(3,129)
2019	13,284
Total	<u>\$ 8,920</u>

**Actuarial Assumptions**

The total pension liability in the June 30, 2015 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry Age Normal
Price inflation	2.50 percent
Wage inflation	3.25 percent
Discount rate	7.50 percent
Salary increases	3.95% - 9.85%
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on scale BB. The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2007 through June 30, 2012. As a result of the 2012 actuarial experience study, the expectation of life after disability was adjusted in the June 30, 2015 actuarial evaluation to more closely reflect actual experience.

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

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return for each major asset class are considered. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected price inflation. The long-term expected rates of return are shown in the table below:

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

**Long-term Expected Real Rate of Return**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Broad Domestic Equity	42%	6.82%
International Equity	25%	6.88%
Real Estate Related Assets	12%	3.07%
Absolute Return	5%	3.35%
Domestic Fund	16%	0.83%
Total	<u>100%</u>	

**Discount Rate**

In the June 30, 2015 actuarial valuation, a single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<b>Sensitivity of the Net Position Liability to the Single Discount Rate Assumption</b>		
	<b>1% Decrease</b>	<b>Current Single Rate Assumption</b>	<b>1% Increase</b>
	<b>6.50%</b>	<b>7.50%</b>	<b>8.50%</b>
City's proportionate share of the net pension liability	\$ 301,390	\$ 182,965	\$ 84,476

**Pension Plan – Discretely Presented Component Unit**

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

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

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

Employee's contributions are three percent (3%) of base monthly compensation. Employees may voluntarily contribute additional amounts up to ten percent (10%) of base monthly compensation. The employer contributes six percent (6%) of the employee's base monthly compensation for each plan participant. The Commission contributions for the year ended September 30, 2015, the year-end for the Commission, were \$230,488.

**Note 8: Deferred Compensation Plans**

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

The Plans, available to all full time City employees, permit them to defer until future years up to 25% of annual gross earnings not to exceed \$18,000 for 2015. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

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

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

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
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**Note 9: Other Postemployment Benefits (OPEB)**

***Plan Description***

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

***Funding Policy***

The contribution requirements of plan members are established by the City Council and may be amended as needed. Plan members pay the entire cost of monthly insurance premiums at the same rate charged to active employees and receive a benefit from the blended premium rate from all of the employees participating in the City's health insurance plans. The cost of retiree healthcare benefits is financed on a pay-as-you-go basis, and is recorded as an expense in the applicable fund as liabilities are incurred. As of January 1, 2015, the date of the actuarial valuation, the plan has 12 active participants who pay monthly premiums between \$391 for single coverage to \$1,025 for family coverage.

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

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

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

Annual required contribution (ARC)	\$ 463,587
Interest on net OPEB obligation	118,363
Adjustment to annual required contribution	<u>(98,135)</u>
Annual OPEB cost	483,815
Total annual employer contribution (PAYGO cost)	<u>(82,234)</u>
Increase in net OPEB obligation	401,581
Net OPEB obligation – beginning of year	<u>2,630,279</u>
Net OPEB obligation – end of year	<u><u>\$ 3,031,860</u></u>

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

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

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

Normal cost	\$ 303,377
Amortization of UAAL	140,247
Interest cost	19,963
 Annual required contribution	 \$ 463,587

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2015	\$ 483,815	17.00%	\$ 3,031,860
12/31/2014	594,436	12.7%	2,630,279
12/31/2013	509,863	14.8%	2,111,287

***Funded Status and Funding Progress***

As of January 1, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$3,928,120, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,928,120. The covered payroll was \$20,697,771, and the ratio of the UAAL to the covered payroll was 19.0%.

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

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

***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, 2015, 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 8.5% for 2016, reduced by decrements to an ultimate rate of 5.0% in 2023. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The amortization period at December 31, 2015, was 30 years.

***Discretely Presented Component Unit***

*Plan Description*

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

*Funding Policy*

The contribution requirements of plan members are established by the Commission and may be amended as needed. Retiree coverage is the same as the coverage provided to active Commission employees. Retirees pay premiums ranging from \$347.40 per month to \$876.42 per month depending on the coverage elected. The Commission's policy maintains that retirees must pay 100% of the cost of the premiums. The cost of retiree healthcare benefits is financed on a pay-as-you-go basis, and is recorded as an expense in the applicable fund as liabilities are incurred. There were no retirees covered under this plan at September 30, 2015.

*Annual OPEB Cost and Net Obligation*

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

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

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

Annual required contribution	\$ 13,833
Interest on net OPEB Obligation	541
Adjustment to annual required contribution	<u>(448)</u>
Annual OPEB cost	13,926
Total annual employer contribution (pay-as-you-go)	<u>(977)</u>
Increase in net OPEB obligation	12,949
Net OPEB Obligation – beginning of year	<u>12,013</u>
Net OPEB Obligation – end of year	<u><u>\$ 24,962</u></u>

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

Normal cost	\$ 8,974
Amortization of UAAL	4,263
Interest cost	<u>596</u>
Annual required contribution	<u><u>\$ 13,833</u></u>

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2015	\$ 13,926	7.02%	\$ 24,962

*Funded Status and Funding Progress*

As of October 1, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$119,405, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$119,405. The covered payroll was \$4,429,507, and the ratio of the UAAL to the covered payroll was 2.70%.

# City of Springdale, Arkansas

## Notes to Financial Statements

### December 31, 2015

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

#### *Actuarial Methods and Assumptions*

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

In the October 1, 2014 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5% investment rate of return based upon the Commission's rate of return on investments for 2014, and an annual healthcare cost trend rate of 8.5% for 2016, reduced by decrements of one-half percent annually to an ultimate rate of 5.0% after eight years. Both rates included a 3.0% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The amortization period at September 30, 2015, was thirty years.

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

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

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 2014 to 2015, nor have settlement amounts exceeded insurance coverage for each of the past three years.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
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***Discretely Presented Component Unit***

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

**Note 11: Property Taxes**

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

In the governmental funds, property taxes are measurable when levied even though not available. As a result, at December 31, 2015, property taxes receivable and related deferred inflows (unavailable revenue) of \$5,579,822 have been recorded in the governmental funds. In the government-wide statement of net position, delinquent taxes are recorded net of amounts considered uncollectible. The appraised value of taxable property upon which the property tax is levied is determined by the county assessor. The assessor estimates full market value and applies the statutory rate of 20 percent to arrive at assessed value.

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 2015 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 \$6,710,000 of additional taxes could be raised per year based on the current year's assessed value of \$788,817,470 for real property and \$276,333,720 for personal property before the limit is reached.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

**Note 12: Sales Taxes**

In October 1981, Washington County began assessing a 1% sales and use tax on retail sales in the county. Effective December 1, 2004, the tax rate increased to 1.25%. Each city in Washington County receives a portion of the tax based upon population of the city. Currently, the City receives approximately 25.29% of the county tax. The tax is collected by the state, and remitted to the City, net of a collection fee. Taxes for this purpose remitted to the City totaled \$11,459,106 for 2015 and are included in the General Fund's tax revenues in the accompanying financial statements.

In July 1992, the City began assessing a 1% sales and use tax on retail sales in the City, upon approval of the tax by the City's voters. Previously, revenues were used to fund capital improvement projects (50%) and general municipal operations and maintenance (50%). On November 29, 2012, the City issued the City of Springdale, Arkansas Sales and Use Tax Bonds, Series 2012 (see also Note 5). These bonds are secured by a first and prior pledge of revenues collected from the 1% sales and use tax levied by the City. The tax is collected by the state, and remitted to the City, net of a 3% collection fee. Beginning in December 2012, the tax is remitted to the bond trustee. Taxes not needed to fund debt service are then remitted to the City. Taxes for this purpose remitted to the City and bond trustee totaled \$12,691,446 for 2015, and are included in the Sales and Use Tax Fund's (\$8,459,564) and 2012 Bonds Debt Service Fund's (\$4,231,882) tax revenues in the accompanying financial statements.

In August 1998, Benton County began assessing a 1% sales and use tax on retail sales in the county. Each city in Benton County receives a portion of the tax based upon population of the city. Currently, the City receives approximately 2.96% of the county tax. The tax is collected by the state, and remitted to the City, net of a collection fee. Taxes for this purpose remitted to the City totaled \$1,251,346 for 2015 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 of Springdale, Arkansas Sales and Use Tax Refunding Bonds, Series 2013 (see also Note 5). This tax replaced the additional 1% sales and use tax which was pledged for payment of the principal and interest on the Series 2006 Bonds. The City began assessing the original tax in October 2003. The tax is collected by the state, and remitted to the City, net of a 3% collection fee. Taxes for this purpose remitted to the City totaled \$12,697,081 for 2015, and are included in the 2013 Bonds Debt Service Fund's tax revenues in the accompanying financial statements. This tax will sunset upon retirement of all related debt.

In April 2009, the Arkansas General Assembly passed Act 840 of 2009 regarding the disposition of city and county sales taxes on aviation fuel. The Act stated that money collected that is derived from a tax on aviation fuel that is not dedicated to a specific purpose shall be transmitted to the publically owned airport where the aviation fuel was sold. Therefore, beginning in July 2009, taxes collected on aviation fuel by the state are remitted to the City's Municipal Airport, net of a 3% collection fee. Taxes for this purpose remitted to the Airport for City and Washington County totaled \$18,788 and \$12,013, respectively, for 2015 and are included as non-operating revenue for the Municipal Airport Fund in the accompanying financial statements.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

**Note 13: Contingencies**

***Litigation***

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

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

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

***Contingencies***

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

***Discretely Presented Component Unit***

At various times, the Commission may be involved in litigation incidental to its operations. At September 30, 2015, the only outstanding legal proceedings pertain to the valuation of easements acquired by the Commission. Based upon management's assessment, any impact to the Commission's financial statements is not expected to be material.

**Note 14: Endowment**

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

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

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

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

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

Endowment fund balance and activity for 2015 is as follows:

	<u>Assigned</u>	<u>Nonspendable</u>
Endowment fund balance - beginning of year	\$ 89,827	\$ 1,403,201
Available for distribution	52,632	(52,632)
Investment income (loss), net	-	(82,935)
Endowment fund balance - end of year	\$ 142,459	\$ 1,267,634

***Funds with Deficiencies***

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the UPMIFA requires the City to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net position. There were no such deficiencies as of December 31, 2015.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

***Return Objectives and Risk Parameters***

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

***Strategies Employed for Achieving Objectives***

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

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

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

**Note 15: New GASB Standards**

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

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

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB 73). GASB 73 establishes requirements for defined benefit plans and defined contribution plans that are not within the scope of GASB 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as for the assets accumulated for purposes of providing those defined benefit pensions. The provisions of GASB 73 are effective principally for periods beginning after June 15, 2015 with earlier application encouraged. The City has not yet determined the potential impact, if any, this statement could have on its financial statements.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Other Than Pension Plans* (GASB 74): GASB 74 addresses the reporting requirements for Other Postemployment Benefit (OPEB) plans that administer benefits on behalf of government. GASB 74 replaces GASB Statement No. 43, *Financial Reporting for Postemployments Benefit Plans Other Than Pension Plans* and addresses the financial reporting of OPEB plans that are administered through trusts that meet certain criteria. GASB 74 requires the inclusion of a statement of fiduciary net position and a statement of changes in fiduciary net position in the financial reporting for the plan. GASB 74 also requires more extensive note disclosures and required supplementary information (RSI) related to the measurement of the OPEB liabilities and sets forth note disclosure requirements for defined contribution OPEB plans. GASB 74 is effective for financial statements for fiscal years beginning after June 15, 2016. The City has not yet determined the potential impact, if any, GASB 74 could have on its financial statements.

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

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

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

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

GASB 75 requires more extensive note disclosures and required supplementary information (RSI) about the OPEB liabilities. GASB 75 is effective for fiscal years beginning after June 15, 2017. Therefore, the statement will be effective for the City's year ending December 31, 2018. The City has not yet determined the potential impact, if any, GASB 75 could have on its financial statements.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB 76). This statement identifies the hierarchy of generally accepted accounting principles (GAAP) in the current governmental financial reporting environment and reduces the GAAP hierarchy into two categories and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. It supersedes the requirements of GASB 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement is effective for periods beginning after June 15, 2015, and should be applied retrospectively. The City has not yet determined the potential impact, if any, that this statement could have on its financial statements.

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

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

This statement will be effective for periods beginning after December 15, 2015, or the City’s year ending December 31, 2016. The effect of GASB 77 on the City has not been determined, but should not have a significant impact on the City’s overall net position.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* (GASB 78). This statement addresses a practice issue regarding the scope and applicability of GASB 68. This statement amends the scope and applicability of GASB 68 to exclude pensions provided to employees of state and local governmental employees through a cost-sharing multiple-employer defined benefit plan that is not a state or local governmental pension plan, is used to provide defined benefit pensions to both employees of the state and local governmental employers and to employees of employers that are not state or local governmental employers and has no predominant state or local employer, either individually or collectively with other state and local governmental employers that provide pensions through the pension plan.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

This Statement is effective for periods beginning after December 15, 2015. The City has not yet determined the potential impact, if any, that this statement could have on its financial statements.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* (GASB 79). This statement establishes criteria for an external investment pool to qualify for making the election to measure all investments at amortized costs for financial reporting purposes. If an external investment pool does not meet the criteria established by this statement, that pool should apply the provision under paragraph 16 of GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. This statement is effective for periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk and shadow pricing, which are effective for periods beginning after December 15, 2015.

The City has not yet determined the potential impact, if any, that this statement could have on its financial statements.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14* (GASB 80). This statement clarifies the financial statement presentation requirements for certain component units, amending the blending requirements established by paragraph 53 of GASB 14, *The Financial Reporting Entity*, as amended. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to GASB 39, *Determining Whether Certain Organizations are Component Units*. This statement is effective for periods beginning after June 15, 2016. The City has not yet determined the potential impact, if any, that this statement could have on its financial statements.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB 81). This statement provides recognition and measurement guidance for situations in which the government is a beneficiary of an irrevocable split-interest agreement. This statement is effective for periods beginning after December 15, 2016 and should be applied retroactively. The City does not currently have any irrevocable split-interest agreements and, therefore, does not believe that this statement will have any potential impact on its financial statements.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* (GASB 82). This statement addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement is effective for periods beginning after June 15, 2016, except in certain circumstances which extend the application date to the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The City has not yet determined the potential impact, if any, that this statement could have on its financial statements.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

GASB Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). This statement addresses asset retirement obligations (AROs) not previously addressed in GASB standards and is effective for reporting periods beginning after June 15, 2018. The City has not yet determined the potential impact, if any, that this statement could have on its financial statements.

**Note 16: Adoption of GASB 68**

GASB has issued the following statement which became effective for fiscal year 2015.

Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* – This statement changes the focus of pension accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liability that is reflected in the employer’s financial statements for an actuarially unfunded portion of pension benefits earned to date.

The implementation of GASB Statements No. 68 and 71 (as discussed in *Note 1*) resulted in the restatement of beginning net position for the recording of the beginning net pension liability and the beginning deferred outflows/inflows of resources as follows:

	<b>Government-wide Statement of Activities</b>
	<b>Governmental Activities</b>
Net position at January 1, 2015, as previously reported	\$ 221,451,872
Recording of net pension liability as of January 1, 2015	(21,060,934)
Recording of beginning deferred inflows/outflows of resources as of January 1, 2015	2,785,023
Net position at January 1, 2015, as restated	\$ 203,175,961

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

**Note 17: Prior Period Adjustment**

The City recorded a prior period adjustment in 2015 to correctly record a prior period transfer of land previously reported as assets held for resale in the Public Facilities Board Fund (a nonmajor capital projects fund) to capital assets of the governmental activities. Beginning fund balance was restated for the prior period adjustment as follows:

	<u><b>Governmental Funds</b></u>
<b>Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds</b>	
Fund Balance, Beginning of the Year, as previously reported	\$ 79,797,672
Prior Period Adjustment	<u>(333,654)</u>
Fund Balances, Beginning of the Year, as restated	<u><u>\$ 79,464,018</u></u>

There was no effect of the prior period adjustment on beginning net position of the governmental activities.

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## **Required Supplementary Information**

**City of Springdale, Arkansas**  
**Schedule of Funding Progress –**  
**Other Postemployment Benefit Plan**  
**Years Ended December 31,**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Plan Assets</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
1/1/2010	\$ -	\$ 2,986,785	\$ 2,986,785	0.0%	\$ 17,473,279	17.1%
1/1/2011	-	3,339,065	3,339,065	0.0%	18,172,210	18.4%
1/1/2012	-	3,687,335	3,687,335	0.0%	18,083,856	20.4%
1/1/2013	-	4,022,787	4,022,787	0.0%	18,807,210	21.4%
1/1/2014	-	4,582,144	4,582,144	0.0%	19,901,703	23.0%
1/1/2015	-	3,928,120	3,928,120	0.0%	20,697,771	19.0%

**City of Springdale, Arkansas**  
**Defined Benefit Pension Plans –**  
**Schedule of Changes in the City’s Net Pension Liability and Related Ratios –**  
**Firemen’s Pension and Relief Fund**

Fiscal Year Ended December 31,	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Total Pension Liability</b>			
Service cost	\$ -	\$ -	\$ -
Interest	818,743	832,851	853,931
Benefit changes	-	-	-
Difference between actual & expected experience *	(1,250,687)	95,678	241,918
Assumption changes	-	-	-
Benefit payments	(1,199,986)	(1,221,414)	(1,813,464)
Refunds	-	-	-
<b>Net Change in Total Pension Liability</b>	<u>(1,631,930)</u>	<u>(292,885)</u>	<u>(717,615)</u>
<b>Total Pension Liability - Beginning</b>	<u>16,974,844</u>	<u>17,267,729</u>	<u>17,985,344</u>
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 15,342,914</u>	<u>\$ 16,974,844</u>	<u>\$ 17,267,729</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - employee	\$ -	\$ -	\$ 2,712
Contributions - employer	651,148	614,946	644,464
Net investment income (loss)	45,094	539,443	1,532,418
Benefit payments	(1,199,986)	(1,221,414)	(1,813,464)
Supplements	(55,720)	(50,388)	(37,925)
Administrative expense	-	(25)	(292)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>(559,464)</u>	<u>(117,438)</u>	<u>327,913</u>
<b>Plan Fiduciary Net Position - Beginning</b>	<u>9,124,859</u>	<u>9,242,297</u>	<u>8,914,384</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 8,565,395</u>	<u>\$ 9,124,859</u>	<u>\$ 9,242,297</u>
<b>Net Pension Liability (a) - (b)</b>	<u>\$ 6,777,519</u>	<u>\$ 7,849,985</u>	<u>\$ 8,025,432</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	55.83%	53.76%	53.52%
<b>Covered Employee Payroll</b>	\$ -	\$ -	\$ -
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	N/A	N/A	N/A

\* Note: The 2015 experience includes the effects of a one-time adjustment to the spousal mortality in the cash flow valuation.

**City of Springdale, Arkansas**  
**Defined Benefit Pension Plans –**  
**Schedule of Contributions –**  
**Firemen’s Pension and Relief Fund**

<b>FY Ended December 31,</b>	<b>Actuarially Determined Contribution (ADC)</b>	<b>Actual Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Actual Contribution as a % of Covered Payroll</b>
2012	\$ 2,141,240	\$ 595,100	\$ 1,546,140	\$ -	N/A
2013	2,045,279	644,464	1,400,815	-	N/A
2014	1,809,537	614,946	1,194,591	-	N/A
2015	1,769,978	651,148	1,118,830	-	N/A

**Key Assumptions:**

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

Information in this schedule has been determined as of the City’s most recent fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present the available information.

**City of Springdale, Arkansas**  
**Defined Benefit Pension Plans –**  
**Schedule of Changes in the City’s Net Pension Liability and Related Ratios –**  
**Policemen’s Pension and Relief Fund**

Fiscal year ended December 31,	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Total Pension Liability</b>			
Service cost	\$ -	\$ -	\$ -
Interest	809,001	822,232	834,870
Benefit changes	-	-	-
Difference between actual & expected experience *	(666,271)	57,613	56,839
Assumption changes	-	-	-
Benefit payments	(1,144,466)	(1,144,466)	(1,144,466)
Refunds	-	-	-
<b>Net Change in Total Pension Liability</b>	(1,001,736)	(264,621)	(252,757)
<b>Total Pension Liability - Beginning</b>	<u>16,752,252</u>	<u>17,016,873</u>	<u>17,269,630</u>
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 15,750,516</u>	<u>\$ 16,752,252</u>	<u>\$ 17,016,873</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - employee	\$ -	\$ -	\$ -
Contributions - employer	732,796	685,840	737,647
Net investment income (loss)	(176,004)	563,969	935,424
Benefit payments	(1,144,466)	(1,144,466)	(1,144,466)
Supplements	-	(52,080)	(53,010)
Funeral benefit	(6,500)	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	(594,174)	53,263	475,595
<b>Plan Fiduciary Net Position - Beginning</b>	<u>8,903,311</u>	<u>8,850,048</u>	<u>8,374,453</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 8,309,137</u>	<u>\$ 8,903,311</u>	<u>\$ 8,850,048</u>
<b>Net Pension Liability (a) - (b)</b>	<u>\$ 7,441,379</u>	<u>\$ 7,848,941</u>	<u>\$ 8,166,825</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	52.75%	53.15%	52.01%
<b>Covered Employee Payroll</b>	\$ -	\$ -	\$ -
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	N/A	N/A	N/A

\* Note: The 2015 experience includes the effects of a one-time adjustment to the spousal mortality in the cash flow valuation.

**City of Springdale, Arkansas**  
**Defined Benefit Pension Plans –**  
**Schedule of Contributions –**  
**Policemen’s Pension and Relief Fund**

<b>FY Ended December 31,</b>	<b>Actuarially Determined Contribution (ADC)</b>	<b>Actual Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Actual Contribution as a % of Covered Payroll</b>
2012	\$ 2,152,920	\$ 681,684	\$ 1,471,236	\$ -	N/A
2013	2,005,643	737,647	1,267,996	-	N/A
2014	1,841,418	685,840	1,155,578	-	N/A
2015	1,761,283	732,796	1,028,487	-	N/A

**Key Assumptions:**

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

Information in this schedule has been determined as of the City’s most recent fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present the available information.

**City of Springdale, Arkansas**  
**Defined Benefit Pension Plans –**  
**Schedule of Investment Returns**  
**Year Ended December 31, 2015**

Plan	Fiscal Year Ended December 31,	Annual Money- weighted Rate of Return
Firemen's Relief and Pension Fund	2015	0.53%
	2014	6.05%
Policemen's Pension and Relief Fund	2015	-2.61%
	2014	7.09%

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

**City of Springdale, Arkansas**  
**Defined Benefit Pension Plans –**  
**Schedule of the City’s Proportionate Share of the Net**  
**Pension Liability – Local Fire and Relief Retirement System**

<u>City fiscal year ended December 31,</u>	<u>2015</u>
City's proportion of the net pension liability	4.6714%
City's proportionate share of the net pension liability	\$ 16,910,936
City's covered-employee payroll	\$ 14,276,230
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	118.46%
Plan fiduciary net position as a percentage of the total pension liability	79.14%

Information in this schedule has been determined as of the measurement date (December 31 of the year prior to the most recent fiscal year-end) of the City’s net pension liability.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present the available information.

**City of Springdale, Arkansas**  
**Defined Benefit Pension Plans –**  
**Schedule of Contributions –**  
**Local Fire and Relief Retirement System**

<u>City fiscal year ended December 31,</u>	<u>2015</u>
Actuarially determined statutorily	\$ 3,131,048
Contributions in relation to the statutorily determined contribution	<u>3,131,048</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	\$ 14,275,134
Contributions as a percentage of covered employee payroll	21.93%

Information in this schedule has been determined as of the most recent fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present the available information.

**City of Springdale, Arkansas**  
**Defined Benefit Pension Plans –**  
**Schedule of the City’s Proportionate Share of the Net**  
**Pension Liability – Arkansas Public Employees Retirement System**

<u>City fiscal year ended December 31,</u>	<u>2015</u>
City's proportion of the net pension liability	0.0099%
City's proportionate share of the net pension liability	\$ 182,965
City's covered-employee payroll	\$ 184,978
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	98.91%
Plan fiduciary net position as a percentage of the total pension liability	80.39%

Information in this schedule has been determined as of the City’s measurement date (June 30) of its net pension liability.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present the available information.

**City of Springdale, Arkansas**  
**Defined Benefit Pension Plans –**  
**Schedule of Contributions –**  
**Arkansas Public Employees Retirement System**

<b>City fiscal year ended December 31,</b>	<b>2015</b>
Statutorily determined contribution	\$ 26,016
Contributions in relation to the statutorily determined contribution	<u>26,016</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
Covered employee payroll	\$ 176,263
Contributions as a percentage of covered employee payroll	14.76%

Information in this schedule has been determined as of the City’s most recent fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present the available information.

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual – General Fund**  
**Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Sales	\$ 12,232,000	\$ 12,232,000	\$ 12,710,453	\$ 478,453
Ad valorem	4,803,500	4,803,500	4,874,103	70,603
Franchise	3,800,000	3,800,000	3,941,146	141,146
Fees and permits:				
Building permits	325,000	325,000	632,259	307,259
Occupation permits	140,000	140,000	154,508	14,508
Other	149,250	149,250	168,825	19,575
Intergovernmental:				
Federal and state grants	402,090	402,090	590,310	188,220
State turnback	1,447,850	1,447,850	1,572,228	124,378
State turnback-insurance	875,000	875,000	1,075,715	200,715
City and county	495,600	495,600	496,520	920
Other	561,520	561,520	649,115	87,595
Charges for goods and services:				
Ambulance fees	1,390,000	1,450,000	1,951,935	501,935
Other revenues	480,500	584,500	688,705	104,205
Fines and forfeitures	872,050	872,050	928,937	56,887
Miscellaneous	183,280	183,280	378,008	194,728
Total Revenues	<u>28,157,640</u>	<u>28,321,640</u>	<u>30,812,767</u>	<u>2,491,127</u>
Expenditures				
General Government				
Administration				
Personnel	1,317,250	1,317,250	1,332,396	(15,146)
Buildings and equipment	87,550	87,550	147,213	(59,663)
Supplies	143,000	143,000	153,837	(10,837)
Other	444,500	444,500	619,357	(174,857)
Economic development	242,460	242,460	217,497	24,963
Capital	-	-	24,950	(24,950)
Total Administration Expenditures	<u>2,234,760</u>	<u>2,234,760</u>	<u>2,495,250</u>	<u>(260,490)</u>
City Attorney				
Personnel	664,380	664,380	655,380	9,000
Buildings and equipment	14,000	14,000	11,829	2,171
Supplies	12,500	12,500	13,214	(714)
Other	21,400	21,400	19,036	2,364
Total City Attorney Expenditures	<u>712,280</u>	<u>712,280</u>	<u>699,459</u>	<u>12,821</u>
Information Technology				
Personnel	345,760	345,760	313,567	32,193
Buildings and equipment	344,600	344,600	359,203	(14,603)
Supplies	17,400	17,400	7,652	9,748
Other	123,480	123,480	70,289	53,191
Capital	20,000	20,000	5,459	14,541
Total Information Technology Expenditures	<u>851,240</u>	<u>851,240</u>	<u>756,170</u>	<u>95,070</u>
Total General Government Expenditures	<u>3,798,280</u>	<u>3,798,280</u>	<u>3,950,879</u>	<u>(152,599)</u>

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual – General Fund (Continued)**  
**Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Culture and Recreation				
Shiloh Museum				
Personnel	567,630	567,630	542,383	25,247
Buildings and equipment	34,200	34,200	34,656	(456)
Supplies	56,150	56,150	70,467	(14,317)
Other	16,350	16,350	20,079	(3,729)
Total Shiloh Museum Expenditures	<u>674,330</u>	<u>674,330</u>	<u>667,585</u>	<u>6,745</u>
Parks and Recreation				
Personnel	1,166,030	1,239,800	1,219,046	20,754
Buildings and equipment	212,750	225,750	311,207	(85,457)
Supplies	278,300	290,500	335,150	(44,650)
Other	76,160	79,160	87,799	(8,639)
Capital	257,500	257,500	220,319	37,181
Total Parks and Recreation Expenditures	<u>1,990,740</u>	<u>2,092,710</u>	<u>2,173,521</u>	<u>(80,811)</u>
Total Culture and Recreation Expenditures	<u>2,665,070</u>	<u>2,767,040</u>	<u>2,841,106</u>	<u>(74,066)</u>
Community Development:				
Planning and Community Development				
Personnel	357,730	357,730	351,672	6,058
Buildings and equipment	3,750	3,750	3,343	407
Supplies	7,000	7,000	7,376	(376)
Other	50,370	50,370	38,560	11,810
Total Planning and Community Development Expenditures	<u>418,850</u>	<u>418,850</u>	<u>400,951</u>	<u>17,899</u>
Engineering				
Personnel	458,510	458,510	440,509	18,001
Buildings and equipment	9,000	9,000	3,947	5,053
Supplies	14,000	14,000	10,720	3,280
Other	103,100	103,100	102,224	876
Total Engineering Expenditures	<u>584,610</u>	<u>584,610</u>	<u>557,400</u>	<u>27,210</u>
Total Community Development Expenditures	<u>1,003,460</u>	<u>1,003,460</u>	<u>958,351</u>	<u>45,109</u>

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual – General Fund (Continued)**  
**Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Safety:				
Animal Services				
Personnel	496,800	496,800	484,942	11,858
Buildings and equipment	42,500	42,500	40,173	2,327
Supplies	92,500	92,500	109,357	(16,857)
Other	69,500	69,500	85,740	(16,240)
Capital	39,000	39,000	38,746	254
Total Animal Services Expenditures	<u>740,300</u>	<u>740,300</u>	<u>758,958</u>	<u>(18,658)</u>
Building Inspection				
Personnel	509,690	509,690	496,199	13,491
Buildings and equipment	12,000	12,000	7,987	4,013
Supplies	35,750	35,750	28,418	7,332
Other	32,500	32,500	21,899	10,601
Capital	25,000	25,000	21,844	3,156
Total Building Inspection Expenditures	<u>614,940</u>	<u>614,940</u>	<u>576,347</u>	<u>38,593</u>
Community Engagement / Code Enforcement				
Personnel	262,580	262,580	277,784	(15,204)
Buildings and equipment	10,450	10,450	7,333	3,117
Supplies	27,320	27,320	17,616	9,704
Other	29,400	29,400	17,800	11,600
Capital	25,000	25,000	20,367	4,633
Total Community Engagement Expenditures	<u>354,750</u>	<u>354,750</u>	<u>340,900</u>	<u>13,850</u>
Police				
Personnel	13,456,680	13,545,410	13,132,444	412,966
Buildings and equipment	294,150	294,150	304,231	(10,081)
Supplies	572,000	572,000	443,997	128,003
Other	411,500	542,017	963,851	(421,834)
Capital	431,160	519,321	532,915	(13,594)
Total Police Expenditures	<u>15,165,490</u>	<u>15,472,898</u>	<u>15,377,438</u>	<u>95,460</u>
Fire				
Personnel	9,786,590	9,786,590	9,528,375	258,215
Buildings and equipment	345,560	413,998	521,247	(107,249)
Supplies	561,000	561,000	626,734	(65,734)
Other	310,000	370,000	362,204	7,796
Capital	230,000	230,000	105,234	124,766
Total Fire Expenditures	<u>11,233,150</u>	<u>11,361,588</u>	<u>11,143,794</u>	<u>217,794</u>
Total Public Safety Expenditures	<u>28,108,630</u>	<u>28,544,476</u>	<u>28,197,437</u>	<u>347,039</u>

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual – General Fund (Continued)**  
**Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Total Expenditures	<u>35,575,440</u>	<u>36,113,256</u>	<u>35,947,773</u>	<u>165,483</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(7,417,800)</u>	<u>(7,791,616)</u>	<u>(5,135,006)</u>	<u>2,656,610</u>
Other Financing Sources (Uses)				
Transfers in	8,395,000	8,395,000	6,369,521	(2,025,479)
Transfers out	(1,986,750)	(1,986,750)	(1,677,254)	309,496
Proceeds from sale of capital assets	-	41,478	97,705	56,227
Insurance recoveries	-	115,121	120,042	4,921
Total Other Financing Sources (Uses)	<u>6,408,250</u>	<u>6,564,849</u>	<u>4,910,014</u>	<u>(1,654,835)</u>
Net Change in Fund Balance	(1,009,550)	(1,226,767)	(224,992)	1,001,775
Fund Balance - Beginning of Year	<u>7,724,425</u>	<u>7,724,425</u>	<u>7,724,425</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 6,714,875</u>	<u>\$ 6,497,658</u>	<u>\$ 7,499,433</u>	<u>\$ 1,001,775</u>

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual – Street Fund**  
**Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	Variances Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Ad valorem	\$ 899,700	\$ 899,700	\$ 901,546	\$ 1,846
Fees and permits	2,500	2,500	3,145	645
Intergovernmental				
State turnback-street	4,605,600	4,605,600	4,662,837	57,237
Other	-	-	20,173	20,173
Charges for goods and services				
Street signs	500	500	1,600	1,100
Street and curb cut repairs	20,000	20,000	20,754	754
Other	-	-	1,110	1,110
Investment earnings (losses)	7,500	7,500	14,242	6,742
Miscellaneous	5,000	5,000	56,774	51,774
Total Revenues	<u>5,540,800</u>	<u>5,540,800</u>	<u>5,682,181</u>	<u>141,381</u>
Expenditures				
Public Works				
Street Fund				
Personnel	2,355,650	2,355,650	2,329,989	25,661
Buildings and equipment	172,500	172,500	185,953	(13,453)
Supplies	2,186,500	2,336,500	1,102,085	1,234,415
Regional support	240,000	265,000	265,000	-
Other	934,500	1,046,500	2,390,993	(1,344,493)
Capital	664,500	664,500	711,195	(46,695)
Total Public Works Expenditures	<u>6,553,650</u>	<u>6,840,650</u>	<u>6,985,215</u>	<u>(144,565)</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,012,850)	(1,299,850)	(1,303,034)	(3,184)
Other Financing Sources (Uses)				
Transfers in	637,320	637,320	432,024	(205,296)
Proceeds from sale of capital assets	-	-	16,305	16,305
Insurance recoveries	-	-	43,471	43,471
Total Other Financing Sources (Uses)	<u>637,320</u>	<u>637,320</u>	<u>491,800</u>	<u>(145,520)</u>
Net Change in Fund Balance	<u>(375,530)</u>	<u>(662,530)</u>	<u>(811,234)</u>	<u>(148,704)</u>
Fund Balances - Beginning of Year	<u>2,618,638</u>	<u>2,618,638</u>	<u>2,618,638</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 2,243,108</u>	<u>\$ 1,956,108</u>	<u>\$ 1,807,404</u>	<u>\$ (148,704)</u>

**City of Springdale, Arkansas**  
**Notes to Required Supplementary Information**  
**Year Ended December 31, 2015**

**Stewardship, Compliance and Accountability**

***Budgetary Information***

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

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

The original budgets of the General and Street Funds were amended during 2015. 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**  
**Combining Balance Sheet – Nonmajor Governmental Funds**  
**December 31, 2015**

<u>Assets</u>	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	\$ 79,144	\$ 367,155	\$ 192,482	\$ 18,486	\$ 1,147,580	\$ 1,207
Investments	-	142,459	105,000	-	704,822	-
Accounts receivable	-	-	33,147	337	-	-
Interest receivable	-	-	82	-	2,685	-
Intergovernmental receivables	1,805	-	-	37,279	-	-
Note receivable	-	-	-	-	-	-
Due from other funds	-	-	-	11,759	-	-
Assets held for resale	-	-	-	-	-	-
Restricted assets:						
Cash and cash equivalents	-	-	-	186,293	-	-
Investments	-	1,267,634	-	-	-	-
Intergovernmental receivables	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 80,949</b>	<b>\$ 1,777,248</b>	<b>\$ 330,711</b>	<b>\$ 254,154</b>	<b>\$ 1,855,087</b>	<b>\$ 1,207</b>
 <u>Liabilities and Fund Balances</u>						
<b>Liabilities</b>						
Accounts payable	\$ 34,711	\$ 741	\$ 22,005	\$ 7,769	\$ -	\$ 134
Salaries payable	13,164	46	-	9,947	-	1,035
Payable from restricted assets:						
Accounts payable	-	-	-	-	-	-
Due to other funds	6,641	-	-	16,174	-	10,300
Unearned revenue	-	-	-	-	58,090	-
<b>Total Liabilities</b>	<b>54,516</b>	<b>787</b>	<b>22,005</b>	<b>33,890</b>	<b>58,090</b>	<b>11,469</b>
 <b>Fund Balances</b>						
Nonspendable	-	1,267,634	-	-	-	-
Restricted for:						
Court automation	-	-	-	186,293	-	-
Grant expenditures	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-
Assigned	26,433	508,827	308,706	33,971	1,796,997	(10,262)
<b>Total Fund Balances</b>	<b>26,433</b>	<b>1,776,461</b>	<b>308,706</b>	<b>220,264</b>	<b>1,796,997</b>	<b>(10,262)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 80,949</b>	<b>\$ 1,777,248</b>	<b>\$ 330,711</b>	<b>\$ 254,154</b>	<b>\$ 1,855,087</b>	<b>\$ 1,207</b>

Capital Projects Funds			Debt Service Funds		Permanent Funds		Total
2012 Bonds Parks Impr Construction Fund	2012 Bonds Fire Impr Construction Fund	Public Facilities Board Fund	2012 Bonds Debt Service Fund	Public Facilities Board Debt Service Fund	Bluff Cemetery Fund	Public Library Board Foundation Fund	Nonmajor Governmental Funds
\$ -	\$ -	\$ 620,025	\$ -	\$ -	\$ 32,236	\$ 541,856	\$ 3,000,171
-	-	562,361	-	-	480,568	-	1,995,210
-	-	-	-	-	11,890	-	45,374
-	-	442	-	-	2,027	-	5,236
-	-	-	-	-	-	-	39,084
-	-	365,658	-	-	-	-	365,658
-	-	-	-	-	-	6,641	18,400
-	-	2,802,846	-	-	-	-	2,802,846
2,169,194	321,318	249,907	980,257	100	-	13,514	3,920,583
-	-	-	2,670,995	-	32,720	-	3,971,349
-	-	-	714,045	-	-	-	714,045
118	-	-	1,070	-	-	-	1,188
<u>\$ 2,169,312</u>	<u>\$ 321,318</u>	<u>\$ 4,601,239</u>	<u>\$ 4,366,367</u>	<u>\$ 100</u>	<u>\$ 559,441</u>	<u>\$ 562,011</u>	<u>\$ 16,879,144</u>
\$ -	\$ -	\$ 1,814	\$ -	\$ -	\$ 2,051	\$ -	\$ 69,225
-	-	-	-	-	123	-	24,315
940,161	-	-	-	-	-	-	940,161
-	-	-	-	-	16,000	-	49,115
-	-	-	-	-	-	-	58,090
<u>940,161</u>	<u>-</u>	<u>1,814</u>	<u>-</u>	<u>-</u>	<u>18,174</u>	<u>-</u>	<u>1,140,906</u>
-	-	3,168,504	-	-	32,720	-	4,468,858
-	-	-	-	-	-	-	186,293
-	-	-	-	-	-	10,893	10,893
1,229,151	321,318	249,907	4,366,367	100	-	2,621	6,169,464
-	-	1,181,014	-	-	508,547	548,497	4,902,730
<u>1,229,151</u>	<u>321,318</u>	<u>4,599,425</u>	<u>4,366,367</u>	<u>100</u>	<u>541,267</u>	<u>562,011</u>	<u>15,738,238</u>
<u>\$ 2,169,312</u>	<u>\$ 321,318</u>	<u>\$ 4,601,239</u>	<u>\$ 4,366,367</u>	<u>\$ 100</u>	<u>\$ 559,441</u>	<u>\$ 562,011</u>	<u>\$ 16,879,144</u>

**City of Springdale, Arkansas**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2015**

	Special Revenue Funds					
	Public Library <u>Fund</u>	Shiloh Museum Board <u>Fund</u>	Advertising and Promotion <u>Fund</u>	District Court Costs <u>Fund</u>	Arvest Ball Park <u>Fund</u>	Community Development Block Grant <u>Fund</u>
Revenues						
Taxes	\$ 55,788	\$ -	\$ 437,530	\$ -	\$ -	\$ -
Fees and permits	-	26,107	-	177,154	-	-
Intergovernmental	1,173,506	9,467	-	111,869	-	798,139
Charges for goods and services	-	15,574	-	-	359,403	-
Fines and forfeitures	59,897	-	-	-	-	-
Investment earnings (losses)	349	(65,908)	1,281	2,359	32,335	-
Miscellaneous	35,209	40,330	-	268	-	88,763
Total Revenues	<u>1,324,749</u>	<u>25,570</u>	<u>438,811</u>	<u>291,650</u>	<u>391,738</u>	<u>886,902</u>
Expenditures						
Current						
General government	-	-	-	897,460	-	-
Community development	-	-	-	-	-	888,307
Culture and recreation	1,895,312	78,406	-	-	217,524	-
Economic development	-	-	371,007	-	-	-
Public works	-	-	-	-	-	-
Capital expenditures	-	-	15,732	-	-	1,800
Debt service						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Other fees	-	-	-	-	-	-
Bond issue costs	-	-	-	-	-	-
Agent fees	-	-	-	-	-	-
Total Expenditures	<u>1,895,312</u>	<u>78,406</u>	<u>386,739</u>	<u>897,460</u>	<u>217,524</u>	<u>890,107</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(570,563)</u>	<u>(52,836)</u>	<u>52,072</u>	<u>(605,810)</u>	<u>174,214</u>	<u>(3,205)</u>
Other Financing Sources (Uses)						
Transfers in	567,580	-	-	627,650	-	-
Transfers out	-	-	-	-	-	-
Proceeds from issuance of bonds	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>567,580</u>	<u>-</u>	<u>-</u>	<u>627,650</u>	<u>-</u>	<u>-</u>
Net Changes in Fund Balances	(2,983)	(52,836)	52,072	21,840	174,214	(3,205)
Fund Balances - Beginning of Year - <i>Restated</i>	<u>29,416</u>	<u>1,829,297</u>	<u>256,634</u>	<u>198,424</u>	<u>1,622,783</u>	<u>(7,057)</u>
Fund Balances - End of Year	<u>\$ 26,433</u>	<u>\$ 1,776,461</u>	<u>\$ 308,706</u>	<u>\$ 220,264</u>	<u>\$ 1,796,997</u>	<u>\$ (10,262)</u>

Capital Projects Funds				Debt Service Funds		Permanent Funds		Total Nonmajor Governmental Funds
2006 Bonds Street Impr Construction Fund	2012 Bonds Parks Impr Construction Fund	2012 Bonds Fire Impr Construction Fund	Public Facilities Board Fund	2012 Bonds Debt Service Fund	Public Facilities Board Debt Service Fund	Bluff Cemetery Fund	Public Library Board Foundation Fund	
\$ -	\$ -	\$ -	\$ -	\$ 4,231,882	\$ -	\$ -	\$ -	\$ 4,725,200
-	-	-	-	-	-	-	-	203,261
-	-	-	-	-	-	-	-	2,092,981
-	-	-	769,900	-	-	38,625	-	1,183,502
-	-	-	-	-	-	-	-	59,897
7	4,234	670	14,772	37,649	-	7,476	234	35,458
-	-	397,641	-	-	-	-	256,030	818,241
<u>7</u>	<u>4,234</u>	<u>398,311</u>	<u>784,672</u>	<u>4,269,531</u>	<u>-</u>	<u>46,101</u>	<u>256,264</u>	<u>9,118,540</u>
-	-	-	-	-	-	53,723	-	951,183
-	-	-	-	-	-	-	-	888,307
-	-	-	-	-	-	-	19,285	2,210,527
-	-	-	365,335	-	-	-	-	736,342
-	-	-	-	-	-	-	-	-
-	9,466,659	4,414,469	-	-	-	-	-	13,898,660
-	-	-	-	2,045,000	-	-	-	2,045,000
-	-	-	-	2,154,688	-	-	-	2,154,688
-	-	-	-	3,300	-	-	-	3,300
-	-	-	29,500	-	-	-	-	29,500
12	-	-	-	6,000	-	-	-	6,012
<u>12</u>	<u>9,466,659</u>	<u>4,414,469</u>	<u>394,835</u>	<u>4,208,988</u>	<u>-</u>	<u>53,723</u>	<u>19,285</u>	<u>22,923,519</u>
(5)	(9,462,425)	(4,016,158)	389,837	60,543	-	(7,622)	236,979	(13,804,979)
-	363,760	-	-	-	100	-	-	1,559,090
-	-	-	(100)	-	-	-	-	(100)
-	-	-	1,160,000	-	-	-	-	1,160,000
-	363,760	-	1,159,900	-	100	-	-	2,718,990
(5)	(9,098,665)	(4,016,158)	1,549,737	60,543	100	(7,622)	236,979	(11,085,989)
5	10,327,816	4,337,476	3,049,688	4,305,824	-	548,889	325,032	26,824,227
<u>\$ -</u>	<u>\$ 1,229,151</u>	<u>\$ 321,318</u>	<u>\$ 4,599,425</u>	<u>\$ 4,366,367</u>	<u>\$ 100</u>	<u>\$ 541,267</u>	<u>\$ 562,011</u>	<u>\$ 15,738,238</u>

**City of Springdale, Arkansas**  
**Combining Statement of Net Position –**  
**Nonmajor Enterprise Funds**  
**December 31, 2015**

	Enterprise Funds			Total Nonmajor Proprietary Funds
	Parks Soccer Program Fund	City Attorney Restitution Fund	Sanitation Fund	
<u>Assets</u>				
Current assets				
Cash and cash equivalents	\$ -	\$ 15,429	\$ 54,820	\$ 70,249
Accounts receivable	-	-	31,239	31,239
Due from other funds	-	304	-	304
Total current assets	<u>-</u>	<u>15,733</u>	<u>86,059</u>	<u>101,792</u>
Capital assets				
Machinery and equipment	-	-	233,272	233,272
Less accumulated depreciation	<u>-</u>	<u>-</u>	<u>(134,925)</u>	<u>(134,925)</u>
Total capital assets, net of accumulated depreciation	<u>-</u>	<u>-</u>	<u>98,347</u>	<u>98,347</u>
Total assets	<u>-</u>	<u>15,733</u>	<u>184,406</u>	<u>200,139</u>
<u>Liabilities</u>				
Current liabilities				
Accounts payable	-	-	2,064	2,064
Salaries payable	-	-	1,420	1,420
Due to other funds	<u>-</u>	<u>17</u>	<u>-</u>	<u>17</u>
Total current liabilities	<u>-</u>	<u>17</u>	<u>3,484</u>	<u>3,501</u>
Noncurrent liabilities				
Compensated absences	<u>-</u>	<u>-</u>	<u>3,963</u>	<u>3,963</u>
Total liabilities	<u>-</u>	<u>17</u>	<u>7,447</u>	<u>7,464</u>
<u>Net Position</u>				
Net investment in capital assets	-	-	98,347	98,347
Unrestricted	<u>-</u>	<u>15,716</u>	<u>78,612</u>	<u>94,328</u>
Total net position	<u>\$ -</u>	<u>\$ 15,716</u>	<u>\$ 176,959</u>	<u>\$ 192,675</u>

**City of Springdale, Arkansas**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position –**  
**Nonmajor Enterprise Funds**  
**Year Ended December 31, 2015**

	Enterprise Funds			Total Nonmajor Proprietary Funds
	Parks Soccer Program Fund	City Attorney Restitution Fund	Sanitation Fund	
Operating Revenues				
Charges for services				
Other service fees	\$ -	\$ 11,753	\$ 156,820	\$ 168,573
Total operating revenues	<u>-</u>	<u>11,753</u>	<u>156,820</u>	<u>168,573</u>
Operating Expenses				
Personnel	-	-	126,074	126,074
Maintenance	-	-	640	640
Supplies	-	383	19,057	19,440
Other	-	5,000	7,065	12,065
Depreciation	-	-	23,327	23,327
Total operating expenses	<u>-</u>	<u>5,383</u>	<u>176,163</u>	<u>181,546</u>
Operating Income (Loss)	<u>-</u>	<u>6,370</u>	<u>(19,343)</u>	<u>(12,973)</u>
Nonoperating Revenues (Expenses)				
Loss on disposal of assets	(51,328)	-	-	(51,328)
Investment earnings	-	-	364	364
Total Nonoperating Revenues (Expenses)	<u>(51,328)</u>	<u>-</u>	<u>364</u>	<u>(50,964)</u>
Income (Loss) Before Transfers	(51,328)	6,370	(18,979)	(63,937)
Operating transfers out	<u>(8,798)</u>	<u>(15,000)</u>	<u>-</u>	<u>(23,798)</u>
Change in Net Position	(60,126)	(8,630)	(18,979)	(87,735)
Net Position - Beginning of Year	<u>60,126</u>	<u>24,346</u>	<u>195,938</u>	<u>280,410</u>
Net Position - End of Year	<u>\$ -</u>	<u>\$ 15,716</u>	<u>\$ 176,959</u>	<u>\$ 192,675</u>

**City of Springdale, Arkansas**  
**Combining Statement of Cash Flows –**  
**Nonmajor Enterprise Funds**  
**Year Ended December 31, 2015**

	Enterprise Funds			Total Nonmajor Proprietary Funds
	Parks Soccer Program Fund	City Attorney Restitution Fund	Sanitation Fund	
Cash Flows From Operating Activities				
Receipts from customers and users	\$ -	\$ 11,753	\$ 149,514	\$ 161,267
Payments to suppliers	-	(5,383)	(28,119)	(33,502)
Payments to employees	(3,047)	-	(127,385)	(130,432)
Net cash provided by (used in) operating activities	<u>(3,047)</u>	<u>6,370</u>	<u>(5,990)</u>	<u>(2,667)</u>
Cash Flows From Noncapital Financing Activities				
Transfer to other funds	(8,798)	(15,000)	-	(23,798)
Receipt (payment) of interfund balances	-	(176)	-	(176)
Net cash provided by (used in) noncapital financing activities	<u>(8,798)</u>	<u>(15,176)</u>	<u>-</u>	<u>(23,974)</u>
Cash Flows From Investing Activities				
Interest received	-	-	364	364
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>364</u>	<u>364</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(11,845)	(8,806)	(5,626)	(26,277)
Cash and Cash Equivalents, January 1	<u>11,845</u>	<u>24,235</u>	<u>60,446</u>	<u>96,526</u>
Cash and Cash Equivalents, December 31	<u>\$ -</u>	<u>\$ 15,429</u>	<u>\$ 54,820</u>	<u>\$ 70,249</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities				
Operating income (loss)	\$ -	\$ 6,370	\$ (19,343)	\$ (12,973)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	-	-	23,327	23,327
(Increase) in accounts receivable	-	-	(7,306)	(7,306)
Increase (decrease) in accounts payable	-	-	(1,357)	(1,357)
Increase in salaries payable	(972)	-	(2,976)	(3,948)
Increase (decrease) in compensated absences	(2,075)	-	1,665	(410)
Total adjustments	<u>(3,047)</u>	<u>-</u>	<u>13,353</u>	<u>10,306</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ (3,047)</u>	<u>\$ 6,370</u>	<u>\$ (5,990)</u>	<u>\$ (2,667)</u>
<b>Noncash capital financing activities:</b>				
Transfer of capital assets to other fund	\$ (51,328)	\$ -	\$ -	\$ (51,328)

**City of Springdale, Arkansas**  
**Combining Statement of Changes in Assets and Liabilities –**  
**Agency Funds**  
**Year Ended December 31, 2015**

	Balance <u>12/31/2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/2015</u>
<b>POLICE BOND AND FINE FUND</b>				
Assets				
Cash	\$ <u>19,490</u>	\$ <u>20</u>	\$ <u>-</u>	\$ <u>19,510</u>
Liabilities				
Due to other funds	12,768	20	-	12,788
Due to others	<u>6,722</u>	<u>-</u>	<u>-</u>	<u>6,722</u>
Total Liabilities	\$ <u>19,490</u>	\$ <u>20</u>	\$ <u>-</u>	\$ <u>19,510</u>
<b>DISTRICT COURT FUND</b>				
Assets				
Cash	\$ 621,996	\$ 2,819,877	\$ 2,733,998	\$ 707,875
Accounts receivable	2,011,101	2,410,479	2,333,023	2,088,557
Due from other funds	<u>18,653</u>	<u>9,103</u>	<u>168</u>	<u>27,588</u>
Total Assets	<u>2,651,750</u>	<u>5,239,459</u>	<u>5,067,189</u>	<u>2,824,020</u>
Liabilities				
Due to other funds	156,537	2,079,720	2,051,113	185,144
Due to others	<u>2,495,213</u>	<u>823,591</u>	<u>679,928</u>	<u>2,638,876</u>
Total Liabilities	\$ <u>2,651,750</u>	\$ <u>2,903,311</u>	\$ <u>2,731,041</u>	\$ <u>2,824,020</u>
<b>PAYROLL FUND</b>				
Assets				
Cash	\$ 861,331	\$ 17,549,797	\$ 17,869,255	\$ 541,873
Accounts receivable	<u>674</u>	<u>64</u>	<u>674</u>	<u>64</u>
Total Assets	<u>862,005</u>	<u>17,549,861</u>	<u>17,869,929</u>	<u>541,937</u>
Liabilities				
Due to other funds	18,000	-	-	18,000
Accounts payable	746,904	17,703,834	18,090,358	360,380
Accrued liabilities	<u>97,101</u>	<u>6,443,099</u>	<u>6,376,643</u>	<u>163,557</u>
Total Liabilities	\$ <u>862,005</u>	\$ <u>24,146,933</u>	\$ <u>24,467,001</u>	\$ <u>541,937</u>

**City of Springdale, Arkansas**  
**Combining Statement of Changes in Assets and Liabilities –**  
**Agency Funds (Continued)**  
**Year Ended December 31, 2015**

	Balance <u>12/31/2014</u>	Additions	Deletions	Balance <u>12/31/2015</u>
<b>POLICE EVIDENCE FUND</b>				
Assets				
Cash	\$ 41,440	\$ 51,000	\$ 51,380	\$ 41,060
Liabilities				
Due to other funds	92	48	-	140
Accounts payable	41,348	50,940	51,368	40,920
Total Liabilities	\$ 41,440	\$ 50,988	\$ 51,368	\$ 41,060
<b>ADMINISTRATION OF JUSTICE FUND</b>				
Assets				
Cash	\$ 48,680	\$ 940,977	\$ 989,657	\$ -
Due from other funds	74,508	956,475	940,978	90,005
Total Assets	123,188	1,897,452	1,930,635	90,005
Liabilities				
Due to other funds	17,488	176,386	178,961	14,913
Accounts payable	105,700	746,906	777,514	75,092
Total Liabilities	\$ 123,188	\$ 923,292	\$ 956,475	\$ 90,005
<b>ALL AGENCY FUNDS</b>				
Assets				
Cash	\$ 1,592,937	\$ 21,361,671	\$ 21,644,290	\$ 1,310,318
Due from other funds	93,161	965,578	941,146	117,593
Accounts receivable	2,011,775	2,410,543	2,333,697	2,088,621
Total Assets	3,697,873	24,737,792	24,919,133	3,516,532
Liabilities				
Due to other funds	204,885	2,256,174	2,230,074	230,985
Accounts payable	3,395,887	19,325,271	19,599,168	3,121,990
Accrued liabilities	97,101	6,443,099	6,376,643	163,557
Total Liabilities	\$ 3,697,873	\$ 28,024,544	\$ 28,205,885	\$ 3,516,532

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance –**  
**Budget and Actual – Sales and Use Tax Fund**  
**Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts	Variances Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Sales	\$ 8,552,050	\$ 8,552,050	\$ 8,459,564	\$ (92,486)
Intergovernmental	1,320,000	1,320,000	944,035	(375,965)
Investment earnings	208,000	208,000	210,294	2,294
Miscellaneous	-	-	1,272,942	1,272,942
Total Revenues	<u>10,080,050</u>	<u>10,080,050</u>	<u>10,886,835</u>	<u>806,785</u>
Expenditures				
Capital Projects:				
Capital	<u>5,000,000</u>	<u>5,000,000</u>	<u>4,069,849</u>	<u>930,151</u>
Total Capital Projects Expenditures	<u>5,000,000</u>	<u>5,000,000</u>	<u>4,069,849</u>	<u>930,151</u>
Excess of Revenues Over Expenditures	<u>5,080,050</u>	<u>5,080,050</u>	<u>6,816,986</u>	<u>1,736,936</u>
Other Financing Sources (Uses)				
Transfers in	-	-	50,000	50,000
Transfers out	(8,380,000)	(8,380,000)	(8,957,277)	(577,277)
Refund of contributed capital	-	-	(21,344)	(21,344)
Total Other Financing Sources (Uses)	<u>(8,380,000)</u>	<u>(8,380,000)</u>	<u>(8,928,621)</u>	<u>(548,621)</u>
Net Change in Fund Balance	(3,299,950)	(3,299,950)	(2,111,635)	1,188,315
Fund Balances - Beginning of Year	<u>16,040,975</u>	<u>16,040,975</u>	<u>16,040,975</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 12,741,025</u>	<u>\$ 12,741,025</u>	<u>\$ 13,929,340</u>	<u>\$ 1,188,315</u>

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance –**  
**Budget and Actual – Public Library Fund**  
**Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts	Variances Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Ad valorem	\$ 45,000	\$ 45,000	\$ 55,788	\$ 10,788
Intergovernmental				
State grants	-	-	16,690	16,690
County aid	1,158,880	1,158,880	1,156,816	(2,064)
Fines	60,000	60,000	59,897	(103)
Investment earnings	200	200	349	149
Miscellaneous	30,000	30,000	35,209	5,209
Total revenues	<u>1,294,080</u>	<u>1,294,080</u>	<u>1,324,749</u>	<u>30,669</u>
Expenditures				
Culture and recreation				
Public Library				
Personnel	1,193,480	1,193,480	1,130,488	62,992
Maintenance	186,950	186,950	198,200	(11,250)
Supplies	488,500	488,500	476,951	11,549
Other	74,700	74,700	89,673	(14,973)
Total Public Library expenditures	<u>1,943,630</u>	<u>1,943,630</u>	<u>1,895,312</u>	<u>48,318</u>
Excess (Deficiency) of Revenues Over Expenditures	(649,550)	(649,550)	(570,563)	78,987
Other Financing Sources				
Transfers in	649,550	649,550	567,580	(81,970)
Total Other Financing Sources (Uses)	<u>649,550</u>	<u>649,550</u>	<u>567,580</u>	<u>(81,970)</u>
Net Change in Fund Balance	-	-	(2,983)	(2,983)
Fund Balance - Beginning of Year	<u>29,416</u>	<u>29,416</u>	<u>29,416</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 29,416</u>	<u>\$ 29,416</u>	<u>\$ 26,433</u>	<u>\$ (2,983)</u>

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance –**  
**Budget and Actual – Shiloh Museum Board Fund**  
**Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	Variances Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental:				
Federal and state grants	\$ -	\$ -	\$ 9,467	\$ 9,467
Fees and permits:				
Fees and memberships	22,500	22,500	26,107	3,607
Charges for goods and services	10,000	10,000	15,574	5,574
Investment earnings (losses)	1,000	1,000	(65,908)	(66,908)
Miscellaneous	13,010	13,010	40,330	27,320
Total revenues	<u>46,510</u>	<u>46,510</u>	<u>25,570</u>	<u>(20,940)</u>
<b>Expenditures</b>				
Culture and recreation				
Shiloh Museum				
Personnel	8,750	8,750	11,550	(2,800)
Maintenance	3,600	3,600	13,119	(9,519)
Supplies	5,500	5,500	6,488	(988)
Other	26,280	26,280	47,249	(20,969)
Capital	2,500	2,500	-	2,500
Total Shiloh Museum expenditures	<u>46,630</u>	<u>46,630</u>	<u>78,406</u>	<u>(31,776)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(120)</u>	<u>(120)</u>	<u>(52,836)</u>	<u>(52,716)</u>
Net Change in Fund Balance	(120)	(120)	(52,836)	(52,716)
Fund Balance - Beginning of Year	<u>1,829,297</u>	<u>1,829,297</u>	<u>1,829,297</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 1,829,177</u>	<u>\$ 1,829,177</u>	<u>\$ 1,776,461</u>	<u>\$ (52,716)</u>

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance –**  
**Budget and Actual – District Court Costs Fund**  
**Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variances
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Revenues</b>				
Fees and permits				
Filing fees	\$ 120,000	\$ 120,000	\$ 132,689	\$ 12,689
Installment plan fees	45,000	45,000	44,465	(535)
Intergovernmental				
City/county aid	97,190	97,190	111,869	14,679
Investment earnings	1,000	1,000	2,359	1,359
Miscellaneous	-	-	268	268
Total revenues	<u>263,190</u>	<u>263,190</u>	<u>291,650</u>	<u>28,460</u>
<b>Expenditures</b>				
General government				
Court Costs				
Personnel	855,070	855,070	815,061	40,009
Maintenance	47,000	47,000	17,941	29,059
Supplies	31,500	31,500	27,316	4,184
Other	69,500	69,500	37,142	32,358
Total Court Costs expenditures	<u>1,003,070</u>	<u>1,003,070</u>	<u>897,460</u>	<u>105,610</u>
Excess (Deficiency) of Revenues Over Expenditures	(739,880)	(739,880)	(605,810)	134,070
Other Financing Sources				
Transfers in	<u>699,880</u>	<u>699,880</u>	<u>627,650</u>	<u>(72,230)</u>
Net Change in Fund Balance	(40,000)	(40,000)	21,840	61,840
Fund Balance - Beginning of Year	<u>198,424</u>	<u>198,424</u>	<u>198,424</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 158,424</u>	<u>\$ 158,424</u>	<u>\$ 220,264</u>	<u>\$ 61,840</u>

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance –**  
**Budget and Actual – Arvest Ball Park Fund**  
**Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	Variances
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues				
Rent	\$ 360,000	\$ 360,000	\$ 359,403	\$ (597)
Investment earnings	<u>20,600</u>	<u>20,600</u>	<u>32,335</u>	<u>11,735</u>
Total revenues	<u>380,600</u>	<u>380,600</u>	<u>391,738</u>	<u>11,138</u>
Expenditures				
Culture and recreation:				
Maintenance	80,000	80,000	151,785	(71,785)
Other	<u>70,000</u>	<u>70,000</u>	<u>65,739</u>	<u>4,261</u>
Total Arvest Ball Park expenditures	<u>150,000</u>	<u>150,000</u>	<u>217,524</u>	<u>(67,524)</u>
Excess (Deficiency) of Revenues Over Expenditures and Net Change in Fund Balance	230,600	230,600	174,214	(56,386)
Fund Balance - Beginning of Year	<u>1,622,783</u>	<u>1,622,783</u>	<u>1,622,783</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 1,853,383</u>	<u>\$ 1,853,383</u>	<u>\$ 1,796,997</u>	<u>\$ (56,386)</u>

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures, and Changes in Net Position –**  
**Budget and Actual – Municipal Airport Fund**  
**Year Ended December 31, 2015**

	Budgeted Amounts	
	Original	Final
Operating Revenues		
Rental fees	\$ 272,610	\$ 272,610
Fuel flowage fees	42,000	42,000
Other service fees	15,810	15,810
Total operating revenues	330,420	330,420
Operating Expenses		
Personnel	83,580	83,580
Maintenance	65,400	65,400
Supplies	56,400	56,400
Other	123,350	123,350
Depreciation expense	-	-
Total operating expenses	328,730	328,730
Operating Income (Loss)	1,690	1,690
Nonoperating Revenues (Expenditures)		
Sales taxes	26,400	26,400
Interest income	-	-
Loss on disposal of assets	-	-
Capital expenditures	(30,000)	(30,000)
Net Nonoperating Revenues (Expenditures)	(3,600)	(3,600)
Income (Loss) Before Capital Contributions and Transfers	(1,910)	(1,910)
Capital grants and contributions	-	-
Transfers in	-	-
Change in Net Position	(1,910)	(1,910)
Net Position - Beginning of Year	6,288,500	6,288,500
Net Position - End of Year	\$ 6,286,590	\$ 6,286,590

Actual <u>GAAP Basis</u>	Adjustments to <u>Budget Basis</u>	Actual <u>Budget Basis</u>	Variance Final Budget Positive <u>(Negative)</u>
\$ 270,424	\$ -	\$ 270,424	\$ (2,186)
49,586	-	49,586	7,586
15,892	-	15,892	82
<u>335,902</u>	<u>-</u>	<u>335,902</u>	<u>5,482</u>
85,586	-	85,586	(2,006)
61,468	-	61,468	3,932
49,710	-	49,710	6,690
139,781	-	139,781	(16,431)
338,755	(338,755)	-	-
<u>675,300</u>	<u>(338,755)</u>	<u>336,545</u>	<u>(7,815)</u>
<u>(339,398)</u>	<u>338,755</u>	<u>(643)</u>	<u>(2,333)</u>
30,802	-	30,802	4,402
239	-	239	239
(103,415)	103,415	-	-
-	(1,020,477)	(1,020,477)	(990,477)
<u>(72,374)</u>	<u>(917,062)</u>	<u>(989,436)</u>	<u>(985,836)</u>
(411,772)	(578,307)	(990,079)	(988,169)
851,079	-	851,079	851,079
65,179	-	65,179	65,179
504,486	(578,307)	(73,821)	(71,911)
6,288,500	-	6,288,500	-
<u>\$ 6,792,986</u>	<u>\$ (578,307)</u>	<u>\$ 6,214,679</u>	<u>\$ (71,911)</u>

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures, and Changes in Net Position –**  
**Budget and Actual – Aquatic Center Fund**  
**Year Ended December 31, 2015**

	Budgeted Amounts	
	Original	Final
Operating Revenues		
Charges for goods and services		
Activity fees	\$ 180,000	\$ 180,000
Concessions	2,500	2,500
Rental fees	-	-
Other revenue	500	500
Total operating revenues	183,000	183,000
Operating Expenses		
Personnel	147,330	147,330
Maintenance	74,200	74,200
Supplies	57,300	57,300
Other	3,400	3,400
Depreciation expense	-	-
Total operating expenses	282,230	282,230
Operating Income (Loss)	(99,230)	(99,230)
Nonoperating Revenues (Expenditures)		
Investment income	1,800	1,800
Contributions	-	-
Capital expenditures	(34,000)	(34,000)
Net Nonoperating Revenues (Expenditures)	(32,200)	(32,200)
Change in Net Position	(131,430)	(131,430)
Net Position - Beginning of Year	1,546,531	1,546,531
Net Position - End of Year	\$ 1,415,101	\$ 1,415,101

<u>Actual GAAP Basis</u>	<u>Adjustments to Budget Basis</u>	<u>Actual Budget Basis</u>	<u>Variances Final Budget Positive (Negative)</u>
\$ 181,365	\$ -	\$ 181,365	\$ 1,365
35,966	-	35,966	33,466
1,112	-	1,112	1,112
48	-	48	(452)
<u>218,491</u>	<u>-</u>	<u>218,491</u>	<u>35,491</u>
150,539	-	150,539	(3,209)
30,488	-	30,488	43,712
70,665	-	70,665	(13,365)
4,006	-	4,006	(606)
155,916	(155,916)	-	-
<u>411,614</u>	<u>(155,916)</u>	<u>255,698</u>	<u>26,532</u>
<u>(193,123)</u>	<u>155,916</u>	<u>(37,207)</u>	<u>62,023</u>
1,787	-	1,787	(13)
50	-	50	50
-	(37,375)	(37,375)	(3,375)
<u>1,837</u>	<u>(37,375)</u>	<u>(35,538)</u>	<u>(3,338)</u>
(191,286)	118,541	(72,745)	58,685
<u>1,546,531</u>	<u>-</u>	<u>1,546,531</u>	<u>-</u>
<u>\$ 1,355,245</u>	<u>\$ 118,541</u>	<u>\$ 1,473,786</u>	<u>\$ 58,685</u>

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures, and Changes in Net Position –**  
**Budget and Actual – Parks Soccer Program Fund**  
**Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
Operating Revenues		
Charges for services		
Activity fees	\$ 104,000	\$ -
Total operating revenues	<u>104,000</u>	<u>-</u>
Operating Expenses		
Personnel	73,770	-
Maintenance	13,000	-
Supplies	12,200	-
Other	3,000	-
Depreciation	-	-
Total operating expenses	<u>101,970</u>	<u>-</u>
Operating Income (Loss)	<u>2,030</u>	<u>-</u>
Nonoperating Revenues (Expenditures)		
Loss on disposal of assets	<u>-</u>	<u>-</u>
Income (Loss) Before Transfers	2,030	-
Operating transfers out	<u>-</u>	<u>-</u>
Change in Net Position	2,030	-
Net Position - Beginning of Year	<u>60,126</u>	<u>60,126</u>
Net Position - End of Year	<u>\$ 62,156</u>	<u>\$ 60,126</u>

<u>Actual GAAP Basis</u>	<u>Adjustments to Budget Basis</u>	<u>Actual Budget Basis</u>	<u>Variances Final Budget Positive (Negative)</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(51,328)</u>	<u>-</u>	<u>(51,328)</u>	<u>(51,328)</u>
<u>(51,328)</u>	<u>-</u>	<u>(51,328)</u>	<u>(51,328)</u>
<u>(8,798)</u>	<u>-</u>	<u>(8,798)</u>	<u>(8,798)</u>
<u>(60,126)</u>	<u>-</u>	<u>(60,126)</u>	<u>(60,126)</u>
<u>60,126</u>	<u>-</u>	<u>60,126</u>	<u>-</u>
\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>(60,126)</u></u>

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures, and Changes in Net Position –**  
**Budget and Actual – Sanitation Fund**  
**Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
Operating Revenues		
Charges for services		
Bulky waste fees	\$ 153,500	\$ 153,500
Miscellaneous	-	-
Total operating revenues	<u>153,500</u>	<u>153,500</u>
Operating Expenses		
Personnel	116,180	116,180
Maintenance	1,000	1,000
Supplies	22,600	22,600
Other	4,400	4,400
Depreciation	-	-
Total operating expenses	<u>144,180</u>	<u>144,180</u>
Operating Income	<u>9,320</u>	<u>9,320</u>
Nonoperating Revenues (Expenditures)		
Interest income	<u>500</u>	<u>500</u>
Net Nonoperating Revenues (Expenditures)	<u>500</u>	<u>500</u>
Change in Net Position	9,820	9,820
Net Position - Beginning of Year	<u>195,938</u>	<u>195,938</u>
Net Position - End of Year	<u>\$ 205,758</u>	<u>\$ 205,758</u>

<u>Actual GAAP Basis</u>	<u>Adjustments to Budget Basis</u>	<u>Actual Budget Basis</u>	<u>Variances Final Budget Positive (Negative)</u>
\$ 156,320	\$ -	\$ 156,320	\$ 2,820
500	-	500	500
<u>156,820</u>	<u>-</u>	<u>156,820</u>	<u>3,320</u>
126,074	-	126,074	(9,894)
640	-	640	360
19,057	-	19,057	3,543
7,065	-	7,065	(2,665)
23,327	(23,327)	-	-
<u>176,163</u>	<u>(23,327)</u>	<u>152,836</u>	<u>(8,656)</u>
<u>(19,343)</u>	<u>23,327</u>	<u>3,984</u>	<u>(5,336)</u>
<u>364</u>	<u>-</u>	<u>364</u>	<u>(136)</u>
<u>364</u>	<u>-</u>	<u>364</u>	<u>(136)</u>
(18,979)	23,327	4,348	(5,472)
<u>195,938</u>	<u>-</u>	<u>195,938</u>	<u>-</u>
<u>\$ 176,959</u>	<u>\$ 23,327</u>	<u>\$ 200,286</u>	<u>\$ (5,472)</u>

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance –**  
**Budget and Actual – Bluff Cemetery Fund**  
**Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts	Variances Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for goods				
Cemetery lots	\$ 22,500	\$ 22,500	\$ 38,625	\$ 16,125
Investment earnings	6,000	6,000	7,476	1,476
Total revenues	<u>28,500</u>	<u>28,500</u>	<u>46,101</u>	<u>17,601</u>
Expenditures				
General government				
Cemetery				
Personnel	40,590	40,590	32,328	8,262
Maintenance	8,100	8,100	20,248	(12,148)
Supplies	-	-	63	(63)
Other	4,000	4,000	1,084	2,916
Capital	15,850	15,850	-	15,850
Total Bluff Cemetery expenditures	<u>68,540</u>	<u>68,540</u>	<u>53,723</u>	<u>14,817</u>
Net Change in Fund Balance	(40,040)	(40,040)	(7,622)	32,418
Fund Balance - Beginning of Year	<u>548,889</u>	<u>548,889</u>	<u>548,889</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 508,849</u>	<u>\$ 508,849</u>	<u>\$ 541,267</u>	<u>\$ 32,418</u>

## Independent Accountants' Report on Compliance With Certain State Acts

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

We have examined management's assertions that the City of Springdale, Arkansas complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the year ended December 31, 2015.

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

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

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

In our opinion, the City of Springdale, Arkansas complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2015.

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

*BKD, LLP*

Rogers, Arkansas  
January 20, 2017

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Springdale, Arkansas, (the City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 20, 2017, which contained emphasis of matters paragraphs regarding a change in accounting principle and the correction of an error in prior financial statements.

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a significant deficiency in internal control.

### ***Compliance and Other Matters***

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

### ***The City's Response to Finding***

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We also noted certain matters that we reported to the City's management in a separate letter dated January 20, 2017.

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

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

**BKD, LLP**

Rogers, Arkansas  
January 20, 2017

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

### Independent Auditor's Report

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

#### Report on Compliance for Major Federal Program

We have audited the compliance of the City of Springdale, Arkansas (the City) with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2015. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Management is responsible for compliance with federal statutes, regulations, contracts and the terms and conditions of its federal awards applicable to its federal programs.

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

Our responsibility is to express an opinion on compliance for the City's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion for the major federal program. However, our audit does not provide a legal determination on the City's compliance.

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

In our opinion, the City of Springdale, Arkansas complied, in all material respects, with the type of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2015.

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

The management of the City of Springdale, Arkansas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**BKD, LLP**

Rogers, Arkansas  
January 20, 2017

**City of Springdale, Arkansas**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2015**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Grant or Other Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b><u>U.S. Department of Housing and Urban Development</u></b>					
Community Development Block Grant/ Entitlement Grants	14.218	None	B-15-MC-05-0002	\$ 50,000	\$ 798,139
<b>Total U.S. Department of Housing and Urban Development</b>				<u>50,000</u>	<u>798,139</u>
<b><u>U.S. Department of Transportation</u></b>					
Federal Aviation Administration Airport Improvement Program ASG Terminal Access Drive	20.106	None	3-05-0059-017-2014	-	273,019
<b><i>Highway Safety Cluster</i></b>					
<i>Federal Highway Administration</i>					
<i>Passed through Arkansas State Police</i>					
Selective Traffic Enforcement Project					
State & Community Highway Safety	20.600	OP-2015-03-02-28	None	-	9,263
State & Community Highway Safety	20.600	SE-2015-13-01-28	None	-	623
State & Community Highway Safety	20.600	OP-2016-03-02-29	None	-	1,680
State & Community Highway Safety	20.600	SE-2016-13-01-29	None	-	462
				<u>-</u>	<u>12,028</u>
National Priority Safety Program	20.616	M8DDLE-2015-08-02-28	None	-	66
National Priority Safety Program	20.616	M5X-2015-05-06-28	None	-	99
National Priority Safety Program	20.616	M5X-2016-05-06-29	None	-	1,540
				<u>-</u>	<u>1,705</u>
<b>Total Highway Safety Cluster</b>				<u>-</u>	<u>13,733</u>
<b><i>Highway Planning and Construction Cluster</i></b>					
<i>Passed through Arkansas Highway and Transportation Department</i>					
Johnson Road Improvements - Hwy 412 to Interstate 540	20.205	FAP-HPP-STP-9399(14)	None	-	672,335
56th St Extension Project	20.205	FAP-STPU-9399(19)	None	-	1,700
Springdale Shiloh Trail (ATEP-11)(S)	20.205	FAP-STPE-ENHN (470)	None	-	270,000
<b>Total Highway Planning and Construction Cluster</b>				<u>-</u>	<u>944,035</u>
<b>Total U.S. Department of Transportation</b>				<u>-</u>	<u>1,230,787</u>

**City of Springdale, Arkansas**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended December 31, 2015**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Grant or Other Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Justice</b>					
Office of Community Oriented Policing Services					
COPS Hiring Program	16.710	None	2014UMWX0183	\$ -	\$ 164,091
COPS Hiring Program	16.710	None	2011UMWX0012	-	33,514
				<u>-</u>	<u>197,605</u>
Office of Juvenile Justice and Delinquency Prevention					
<i>Passed Through Arkansas State Police</i>					
Internet Crimes Against Children Task Force	16.543	2013-MC-FX-K026	None	-	9,160
Office of Justice Programs					
Bulletproof Vest Partnership Program	16.607	None	2015BUBX14073604	-	19,071
Office of Justice Programs' Bureau of Justice Assistance					
<i>Passed Through City of Fayetteville, AR</i>					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0512	None	-	28,943
				<u>-</u>	<u>28,943</u>
<b>Total U.S. Department of Justice</b>				<u>-</u>	<u>254,779</u>
<b>Executive Office of the President</b>					
Office of National Drug Control Policy					
<i>Passed Through Washington County, AR</i>					
Gulf Coast High-Intensity Drug Trafficking Area	95.001	G15GC0004A	None	-	24,574
Gulf Coast High-Intensity Drug Trafficking Area	95.001	G14GC0004A	None	-	14,066
				<u>-</u>	<u>38,640</u>
Drug Enforcement Administration Task Force	16.738	None	2015-J15-004-15	-	16,659
				<u>-</u>	<u>16,659</u>
<b>Total Executive Office of the President</b>				<u>-</u>	<u>55,299</u>
<b>Total Expenditures of Federal Awards</b>				<u>\$ 50,000</u>	<u>\$ 2,339,004</u>

The accompanying notes are an integral part of this schedule.

**City of Springdale, Arkansas**  
**Notes to Schedules of Expenditures of Federal Awards**  
**Year Ended December 31, 2015**

**Notes to Schedule**

1. The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the City of Springdale, Arkansas (“the City”) under programs of the federal government for the year ended December 31, 2015. The accompanying notes are an integral part of this Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City.
2. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87 or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**City of Springdale, Arkansas**  
**Schedule of Expenditures of State Awards**  
**Year Ended December 31, 2015**

<b>State Awards</b>	<b>Grantor Number</b>	<b>State Expenditures</b>
<b>AR Department of Aeronautics</b>		
State Airport Aid Grant (Enclosure of Open T-Hangar)	3348-14	\$ 81,000
State Airport Aid Grant (Paving)	3444-15	497,060
<b>Arkansas Economic Development Commission</b>		
Economic Infrastructure Fund Grant (American Tubing)	EIF 201601	150,000
<b>Arkansas Department of Health - Trama Section</b>		
Trauma EMS Sustaining Grant		24,679
<b>Department of Arkansas Heritage</b>		
<b>Arkansas Arts Council</b>		
Arts on Tour - Afrique Aya	FY15-608-209	370
Arts on Tour		120
<b>Arkansas State Library</b>		
State Aid to Public Libraries		
Scholarships for Qualified Education Expenses		16,200
<b>Arkansas State Police</b>		
Child Passenger Protection Fund		19,561
<i>Passed through City of Fayetteville</i>		
Drug Law Enforcement Program		15,000
Drug Law Enforcement Program	J-15-014	9,377
Drug Law Enforcement Program	J-14-014	23,884
		<u>\$ 837,251</u>
<b>Other Assistance</b>		
Passed through Area Agency on Aging		
Elderly Taxi Program - Cigarette Tax		<u>\$ 5,236</u>

**City of Springdale, Arkansas**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2015**

**Summary of Auditor's Results**

*Financial Statements*

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was (were):  
 Unmodified       Modified       Adverse       Disclaimer
  
2. The independent auditor's report on internal control over financial reporting described:  
Significant deficiency(ies)?       Yes       None Reported  
Material weakness(es)?       Yes       No
  
3. Noncompliance considered material to the financial statements was disclosed by the audit?       Yes       No

*Federal Awards*

4. The independent auditor's report on internal control over compliance for major federal awards programs described:  
Significant deficiency(ies)?       Yes       None Reported  
Material weakness(es)?       Yes       No
  
5. The opinion(s) expressed in the independent auditor's report on compliance for major federal awards was (were):  
 Unmodified       Modified       Adverse       Disclaimer
  
6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)?       Yes       No

**City of Springdale, Arkansas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2015**

7. The City's major program was:

<u>Cluster/Program</u>	<u>CFDA Number</u>
Community Development Block Grants/Entitlement Grants	14.218

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. The City qualified as a low-risk auditee?

Yes       No

**City of Springdale, Arkansas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2015**

***Findings Required to be Reported by Government Auditing Standards***

<b>Reference Number</b>	<b>Finding</b>
2015-001	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal controls over financial reporting.</p> <p>Condition – The City recorded a prior period adjustment to correctly record a prior period transfer of land previously reported as assets held for resale in the Public Facilities Board Fund (a nonmajor capital projects fund) to capital assets of the governmental activities.</p> <p>Context – Accurate financials statements are critical to managing operations and communicating financial position and results of operations to interested parties.</p> <p>Effect – Material misstatements in the financial statements could result from errors that occur and are not detected and/or corrected in a timely manner.</p> <p>Cause – The controls currently in place are not adequate or are not functioning effectively.</p> <p>Recommendation – We recommend that the City evaluate and implement enhancements to its controls, to the extent necessary, to ensure that accurate financial statements are produced.</p> <p>Views of Responsible Officials and Planned Corrective Actions – The City will review its current procedures and consider areas for improvement to prevent and detect future misstatements.</p>

**City of Springdale, Arkansas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2015**

**Findings Required to be Reported by the Uniform Guidance**

**Reference  
Number**

**Finding**

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No matters are reportable.

**City of Springdale, Arkansas**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended December 31, 2015**

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

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