

# **City of Springdale, Arkansas**

Financial Statements and Independent Auditor's Reports

December 31, 2016

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**City of Springdale, Arkansas**  
**December 31, 2016**

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**City of Springdale, Arkansas**  
**List of Elected and Appointed Officials**  
**December 31, 2016**

**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

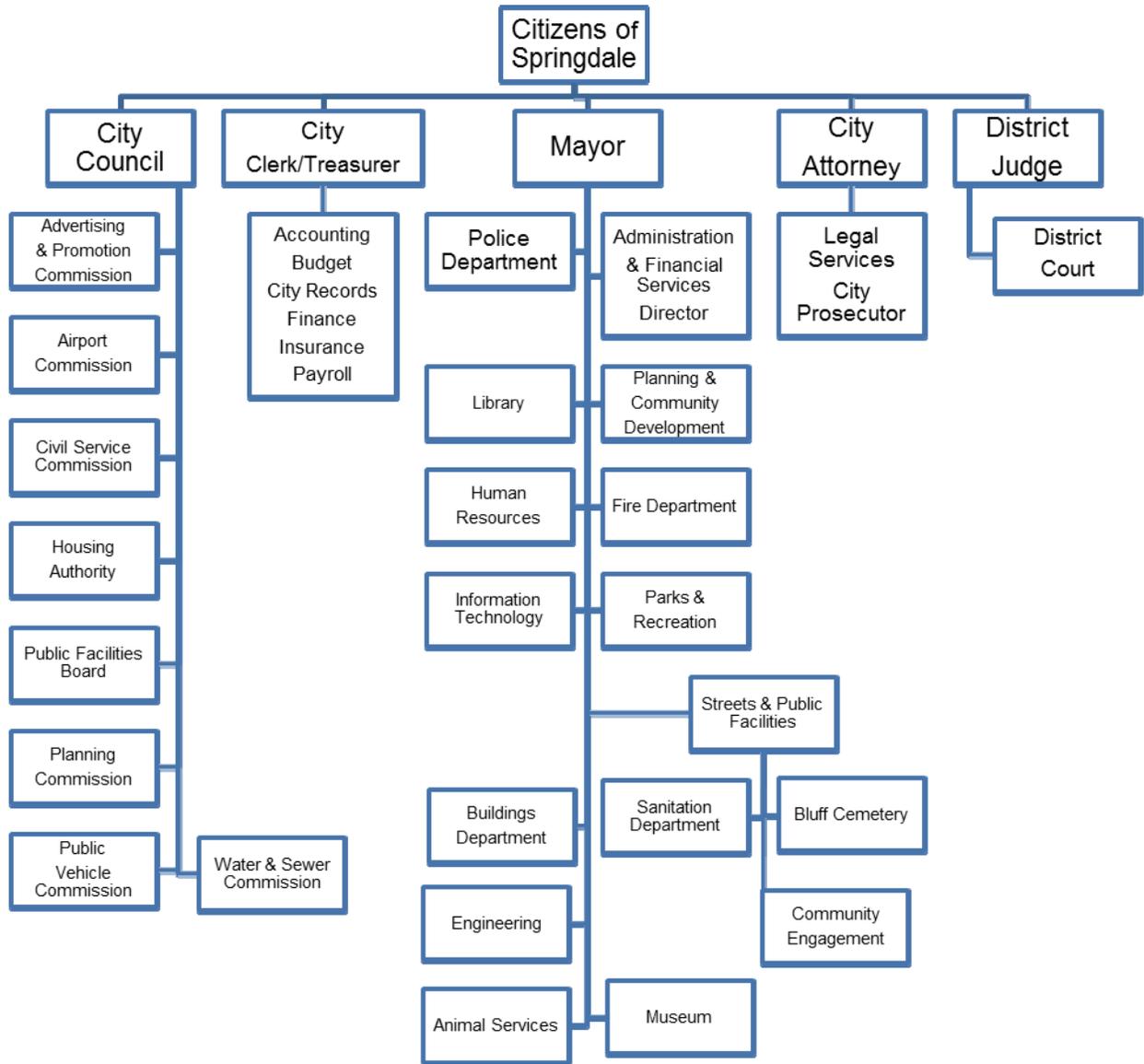
**Appointed Officials:**

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, 2016



## 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, 2016, 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, 2016, 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.

### ***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.

#### *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 and combining and individual fund statements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basis 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 which is required by Uniform Guidance, 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual funds statements, budgetary comparison schedules, schedule of state awards and the schedule of expenditure of federal awards information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Honorable Mayor and  
City Council  
City of Springdale, Arkansas  
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The introductory section 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 September 29, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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  
September 29, 2017

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# City of Springdale, Arkansas

## Management's Discussion and Analysis

### December 31, 2016

As management of the City of Springdale, we offer this narrative overview and analysis of the financial activities and financial position of the City for the year ended December 31, 2016. Overall, the financial health and well-being of a city lies in the willingness of its citizens and property owners to pay adequate taxes and other fees combined with the leadership and vision of the government's elected and appointed officials to spend those revenues strategically so that the City's service levels, assets and the City's desirability will be maintained not just for the current year but well into the future. We encourage readers of the financial statements to consider the information presented here 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 2016 by \$235 million (net position). Of this amount, \$224 million is invested in capital assets, and \$22.2 million is restricted for capital expenditures, debt service, unspendable endowment funds, and other purposes. The component of net position unrestricted and available for meeting the City's emergency and unexpected obligations reported a deficit of \$10.8 million. The negative unrestricted net position of the governmental activities is due primarily to the \$39.8 million balance in net pension liabilities at year-end. The City's business-type activities have an unrestricted net position of \$0.376 million.
- The City's total net position increased by \$4.4 million in 2016. Net position of governmental activities increased by \$4.2 million in 2016, compared to a net increase of \$19.5 million in 2015. The change in net position is primarily due to a \$10.6 million decrease in contributed capital and an \$8.4 million increase in net pension liabilities. The net position of the business-type activities increased by \$0.23 million in 2016 as compared to a net increase of \$0.23 million in 2015.
- At the close of 2016, the City's governmental funds reported combined ending fund balances of \$45.6 million, which reflects a decrease of \$8.7 million from the prior year, primarily due to expenditures for capital projects utilizing bond proceeds received in prior years. The restricted portion of the fund balances is \$23.8 million; \$4.1 million of which is considered unspendable, and \$19.7 million that is restricted for capital expenditures, debt service, and other purposes. The remaining fund balance is classified as \$8.4 million committed for capital projects and other purposes, assigned of \$5.9 million, and unassigned fund balance of \$6.0 million.
- At the end of 2016, the unassigned fund balance of the General Fund was \$5.9 million, which represents 13% of the total governmental fund balances and is 15% of total general fund expenditures, including transfers. There was a decrease of \$0.78 million in the total general fund balance for 2016, compared to \$0.23 million decrease in 2015. The unassigned portion is available for use to support operations, funding for special projects and equipment replacement funding.

# City of Springdale, Arkansas

## Management's Discussion and Analysis (Continued)

### December 31, 2016

- The City's total bonded indebtedness decreased by \$12.1 million during the current year. The key factors in this decrease were scheduled principal payments of \$7.2 million for Sales and Use Tax bonds, and the call and payment of \$4.9 million in principal payments for the 2013 Series Sales and Use Tax bonds from excess tax receipts.
- The City's business-type component unit reported net position of \$262.3 million as of September 30, 2016, an increase of \$8.1 million compared to September 30, 2015. The increase is primarily due an increase of \$3.7 million in contributed capital from developers, as well as an increase in operating revenues of \$1.55 million as a result of the rate increase of \$.10 per 1,000 gallons for both water and sewer.

#### 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, city attorney restitution, and the bulky waste pick up program.

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

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

**City of Springdale, Arkansas**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2016**

**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, proprietary 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, and the 2013 Bonds Debt Service Fund. Data from the remaining fourteen 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. The City's four *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, 2016**

**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 pensions and 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**  
**(Amounts in Thousands)**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 54,811	\$ 65,510	\$ 445	\$ 328	\$ 55,256	\$ 65,838
Capital assets	336,180	334,530	8,192	8,117	344,372	342,647
Total assets	<u>390,991</u>	<u>400,040</u>	<u>8,637</u>	<u>8,445</u>	<u>399,628</u>	<u>408,485</u>
Deferred outflows of resources	11,800	4,376	-	-	11,800	4,376
Current liabilities	12,533	14,573	61	96	12,594	14,669
Other liabilities	163,416	167,171	7	8	163,423	167,179
Total liabilities	<u>175,949</u>	<u>181,744</u>	<u>68</u>	<u>104</u>	<u>176,017</u>	<u>181,848</u>
Deferred inflows of resources	19	34	-	-	19	34
Net investment in capital assets	215,820	202,614	8,192	8,117	224,012	210,731
Restricted	22,174	25,743	-	-	22,174	25,743
Unrestricted	(11,171)	(5,719)	377	224	(10,794)	(5,495)
Total net position	<u>\$ 226,823</u>	<u>\$ 222,638</u>	<u>\$ 8,569</u>	<u>\$ 8,341</u>	<u>\$ 235,392</u>	<u>\$ 230,979</u>

**City of Springdale, Arkansas**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2016**

Of the City's net position, \$224 million (95%) reflects its investment in capital assets (e.g. land, buildings, machinery, infrastructure and equipment), 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, and with the exception of business-type assets, do not generate direct revenue for the City. They do represent an obligation on the part of the City to maintain these assets into the future. 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 (\$22.2 million or 9%) represents resources that are subject to restrictions as to how they may be used. Of the total restricted net position, \$3.9 million is restricted for capital projects, \$13.6 is restricted for debt service, and \$4.7 million is restricted for other purposes. The remaining balance of unrestricted net position is a deficit of \$10.8 million (5%).

It is important to note that the net position of the City's business-type activities of \$0.377 million may not be used to fund governmental activities.

**Analysis of the City's Operations** – Overall the City's net position increased by \$4.41 million during 2016. Total revenues decreased by 13% between years. Sales tax revenue on a government-wide basis increased by 5%. Total expenses increased by 8% from 2015 to 2016.

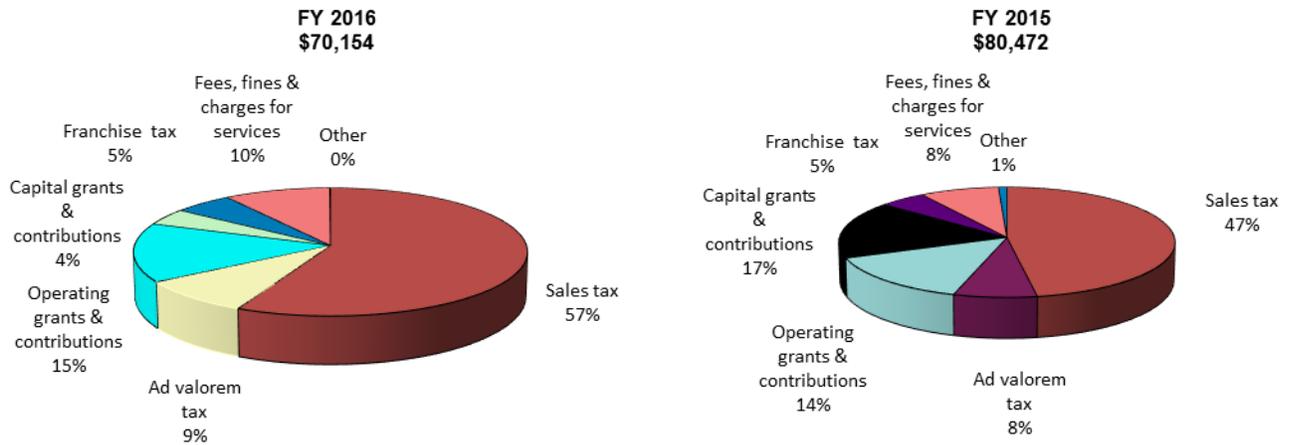
**Governmental activities** – Governmental activities increased the City's net position by \$4.2 million. Key elements of this increase are as follows:

- Total revenues decreased by \$10.3 million, due primarily to decreases in donations of capital assets \$10.7 million (78%).
- Fees, fines and charges for services decreased by \$0.66 million (10%), due primarily to a decrease in industrial park land sold and ambulance fees, offset by increases in parks revenues and building inspection permits.
- Ad valorem (property) taxes increased by \$0.22 million (4%) due to an increase in the assessed valuations from both new construction and increases in existing values.
- Sales tax revenue allocated for governmental purposes reflects a 5% increase between years. The City's share of the county sales tax, accounted for in the General Fund, increased by 5%. The City's sales tax that is allocated for capital projects and accounted for in the Sales and Use Tax Fund increased 7% in 2016 from 2015, in part 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 2016 was 5%.

**City of Springdale, Arkansas**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2016**

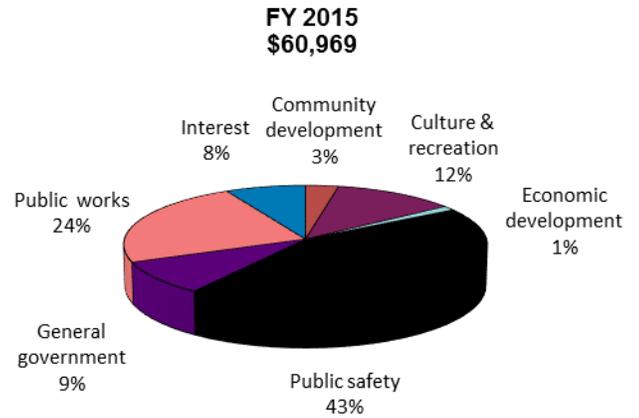
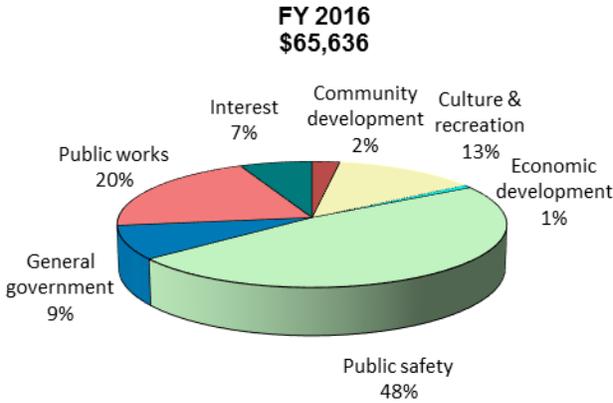
- Sales taxes provided \$40 million (57%) of the City's governmental revenue in 2016, while operating grants and contributions provided \$10.45 million (15%), capital grants and contributions provided \$2.96 million (4%), and ad valorem taxes provided \$6.16 million (9%).
- Net capital asset acquisitions exceeded depreciation expense by \$2.32 million.
- The reported 2016 expenses increased by \$4.67 million (8%) from 2015, due primarily to increases in public safety expenses (\$4.9 million) and culture and recreation expenses (\$1.4 million) offset by decreases in public works (\$0.96 million), community development (\$0.27 million) and interest on long-term debt (\$0.37 million). The increase in public safety expenses is primarily due to personnel costs from staffing additions and increases in the purchase of small equipment. The increase in culture and recreation expenses is primarily due to additional sports programs and expenses related to the opening of the new city park.

**Changes in Net Position**  
**Governmental Activities**  
**Revenues by Major Source**  
**(Amounts in Thousands)**



**City of Springdale, Arkansas**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2016**

**Expenses by Major Activity**  
**(Amounts in Thousands)**



**Business-type activities** – Business-type activities increased the City's net position by \$0.23 million.

The Municipal Airport revenues of \$0.98 million provided 73% of total revenues for business-type activities for 2016 while current year expenses of \$0.94 million were 64% of total expenses. Municipal Airport depreciation expense for 2016 was \$0.418 million.

Aquatic Center revenues of \$0.20 million provided 15% of total revenues of business-type activities while current year expenses of \$0.37 million were 26% of total expenses. Aquatic Center depreciation expense for 2016 was \$0.159 million.

**City of Springdale, Arkansas**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2016**

**Changes in Net Position**  
**(Amounts in Thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
Program revenues						
Fees, fines and charges for services	\$ 5,973	\$ 6,636	\$ 737	\$ 723	\$ 6,710	\$ 7,359
Operating grants and contributions	11,211	11,491	1	-	11,212	11,491
Capital grants and contributions	2,962	13,651	572	851	3,534	14,502
Total program revenues	<u>20,146</u>	<u>31,778</u>	<u>1,310</u>	<u>1,574</u>	<u>21,456</u>	<u>33,352</u>
General revenues						
Sales tax	40,021	38,099	38	31	40,059	38,130
Ad valorem tax	6,161	5,942	-	-	6,161	5,942
Franchise tax	3,777	3,941	-	-	3,777	3,941
Hotel/motel tax	462	437	-	-	462	437
Investment earnings (losses)	213	323	2	2	215	325
Gain (loss) on sale of assets	(624)	(27)	-	(154)	(624)	(181)
Refund of contributed capital	(2)	(21)	-	-	(2)	(21)
Total general revenues	<u>50,008</u>	<u>48,694</u>	<u>40</u>	<u>(121)</u>	<u>50,048</u>	<u>48,573</u>
Total revenues	<u>70,154</u>	<u>80,472</u>	<u>1,350</u>	<u>1,453</u>	<u>71,504</u>	<u>81,925</u>
<b>Expenses</b>						
General government	5,699	5,583	-	-	5,699	5,583
Community development	1,674	1,942	-	-	1,674	1,942
Culture and recreation	8,641	7,227	-	-	8,641	7,227
Economic development	529	736	-	-	529	736
Public safety	31,378	26,446	-	-	31,378	26,446
Public works	13,342	14,297	-	-	13,342	14,297
Interest on long-term debt	4,373	4,738	-	-	4,373	4,738
Municipal airport	-	-	937	675	937	675
Aquatic center	-	-	367	412	367	412
Sanitation	-	-	151	176	151	176
City attorney restitution	-	-	-	5	-	5
Total expenses	<u>65,636</u>	<u>60,969</u>	<u>1,455</u>	<u>1,268</u>	<u>67,091</u>	<u>62,237</u>
Increase (decrease) in net position before transfers	4,518	19,503	(105)	185	4,413	19,688
Transfers	(333)	(41)	333	41	-	-
Increase (decrease) in net position	<u>4,185</u>	<u>19,462</u>	<u>228</u>	<u>226</u>	<u>4,413</u>	<u>19,688</u>
Net position - January 1,	<u>222,638</u>	<u>203,176</u>	<u>8,341</u>	<u>8,115</u>	<u>230,979</u>	<u>211,291</u>
Net position - December 31	<u>\$ 226,823</u>	<u>\$ 222,638</u>	<u>\$ 8,569</u>	<u>\$ 8,341</u>	<u>\$ 235,392</u>	<u>\$ 230,979</u>

**City of Springdale, Arkansas**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2016**

**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, 2016, the City's governmental funds combined fund balances were \$45.6 million, which reflects a decrease of \$8.7 million from the prior year end. The decrease is due primarily to a decrease of \$8.2 million in the balances restricted and committed for construction projects. Of this amount, \$4.1 million (9%) is nonspendable, \$19.7 million (43%) represents fund balances restricted for capital projects, debt service, and other purposes, \$8.4 million (18%) is committed for capital projects, and \$7.5 million (16%) is assigned for specific uses by fund type. The remainder of the balance, \$5.95 million (13%), 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, 2016, the total fund balance of the General Fund was \$6.7 million of which \$5.95 million (89%) 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 15% of the total General Fund expenditures for 2016, including transfers out, while total fund balance represents 17% of that same amount.

During the 2016 fiscal year, the fund balance of the General Fund decreased by \$0.78 million (10%). As a comparison, the 2016 adopted budget anticipated a 22% decrease in the unassigned general fund balance by the end of the year. Key factors in the 2016 decrease are as follows:

- Total revenues for 2016, including transfers, increased by \$2.04 million or 5%. The primary reasons for the increase were due to increases in transfers in (\$1.9 million or 30%), taxes (\$0.51 million or 2%), fees and permits (\$0.18 million or 19%), and miscellaneous revenues (\$0.17 million or 48%). These increases were offset by decreases in intergovernmental revenues (\$0.45 million or 10%), and charges for goods and services (\$0.20 million or 8%).
- The increase in revenues was offset by an increase in total expenditures, including transfers, between years of \$2.6 million or 7%. The primary reasons for the increase were due to increases in expenditures for culture and recreation (\$0.67 million or 25%), public safety (\$0.65 million or 2%), and capital expenditures (\$1.0 million or 103%).

The Street Fund is a special revenue fund that is presented as a major fund, and accounts for 5% 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 \$0.53 million between years.

**City of Springdale, Arkansas**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2016**

The Sales and Use Tax Fund is a capital projects fund that is presented as a major fund and accounts for 23% 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 \$3.6 million between years.

The 2013 Bonds Debt Service Fund provided 24% of the total governmental fund balances at December 31, 2016. Revenues for 2016 for this fund include a one percent (1%) local sales tax pledged to debt service. During 2016, the City used tax receipts to call and redeem \$9.9 million 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, 2016, the net position of the Municipal Airport Fund was \$7.1 million and the net position of the Aquatic Center Fund was \$1.26 million. 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 \$38.7 million (total revenues plus other financing sources) compared to the original budget total of \$38.63 million. Final amended appropriations (total expenditures plus transfers out) were \$41 million as compared to the original budget total of \$40.25 million. The net increase in appropriations of \$748 thousand is summarized briefly as follows:

- \$164 thousand appropriation for the building security access project, replacement of vehicles and equipment, and operational supplies and equipment for the Police Department, funded with Federal and State drug seizures/forfeiture funds, insurance recoveries and auction proceeds.
- \$418 thousand appropriation for two new ambulances for the Fire Department funded from ambulance fee revenues reserved funds.
- \$118.5 thousand appropriation for three additional firefighters.
- \$20.4 thousand increase in appropriations to fund a new GIS employee for the Information Technology Department.
- \$26.8 thousand increase in appropriations to fund four new maintenance positions for three months for Administration.

**City of Springdale, Arkansas**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2016**

Total actual revenue received for the General Fund, including other financing sources, was \$39.4 million and was \$0.74 million or 2% more than final budget estimates. The positive budget variance was due primarily to increases in fees and permits of \$426 thousand, federal and state grants of \$148 thousand, state turnback of \$122 thousand, state insurance turnback of \$281 thousand, other charges for goods and services of \$245 thousand, miscellaneous revenues of \$295 thousand, ad valorem taxes of \$65 thousand, fines and forfeitures of \$66 thousand, and insurance recoveries and proceeds from sale of capital asset of \$89 thousand. These increases were offset by decreases in ambulance fees of \$415 thousand, transfers in of \$342 thousand, franchise taxes of \$173 thousand, and \$72 in other intergovernmental revenues.

General fund actual expenditures, including transfers out, of \$40.221 million were 98% of the final amended budgeted expenditures. Actual expenditures were lower due to general government being \$450 thousand less than budget, public safety being \$279 thousand less than budget, transfers out being \$147 thousand less than budget, and planning and community development actual expenditures being \$108 thousand less than budget. These decreases were offset by culture and recreation expenditures being \$208 thousand higher than budget.

The General Fund budget and actual comparison schedules are located on pages 104 through 107.

**Capital Assets and Debt Administration**

**Capital Assets.** The City's investment in capital assets for governmental and business-type activities as of December 31, 2016 amounted to \$344 million, net of accumulated depreciation. The increase in capital assets related to governmental activities was \$1.6 million (0.5%). The City's investment in capital assets related to business-type activities increased by \$.75 million (0.9%).

Major capital asset events during 2016 included the following:

- Land and easement additions totaled \$7.3 million.
- Infrastructure and land improvements increased \$23.5 million, including \$20 million transferred from construction in progress. The City completed several street improvements projects including 56<sup>th</sup> St. from Don Tyson Parkway to Bleaux Ave. (\$9.2 million), Don Tyson Parkway – Hylton to Habberton (\$3.4 million), and Don Tyson Parkway – 40<sup>th</sup> St. to Carley (\$2.5 million).
- The City completed construction of the 83 acre C. L. and Willie George Park during 2016 at a total cost of \$13.1 million. Sports amenities include one football field, three tennis courts, four baseball fields and six soccer fields. The park also includes paved walking trails, two pavilions, two play structures, a Splash Pad, and a separate dog park. Improvements totaling \$430 thousand to Bobby Hopper Park were also completed during 2016, and included a new pavilion and renovated soccer fields.
- Acquisition of vehicles and equipment for public safety totaling \$2.1 million.
- Depreciation expense totaled \$13.8 million.

**City of Springdale, Arkansas**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2016**

Additional information on the City's capital assets is located in *Note 4* on pages 51 through 54 of this report.

**Capital Assets, Net of Accumulated Depreciation**  
**(Amounts in Thousands)**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land and Easements	\$ 73,890	\$66,588	\$ 2,894	\$2,789	\$ 76,784	\$ 69,377
Land improvements	25,724	18,001	2,306	1,824	28,030	19,825
Buildings and improvements	50,114	49,416	2,133	1,807	52,247	51,223
Construction in progress	27,098	50,629	81	964	27,179	51,593
Infrastructure	142,214	135,261	-	-	142,214	135,261
Machinery and equipment	16,807	14,316	778	733	17,585	15,049
Intangibles	333	319	-	-	333	319
<b>Total</b>	<b>\$ 336,180</b>	<b>\$ 334,530</b>	<b>\$ 8,192</b>	<b>\$ 8,117</b>	<b>\$ 344,372</b>	<b>\$ 342,647</b>

**Long-term debt.** At December 31, 2016, the City had \$120 million 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 \$12.1 million, and was due to scheduled bond maturities during 2016 as well as the call of \$4.8 million of Series 2012 bonds. The following table details the breakdown of this debt.

**Long-term Debt**  
**(Amounts in Thousands)**

	Governmental Activities	
	2016	2015
Sales and Use Tax Refunding Bonds, Series 2013	\$ 60,160	\$ 70,060
Sales and Use Tax Bonds, Series 2012	58,370	60,555
Public Facilities Board Revenue Bond (Real Estate Acquisition Project)	1,099	1,160
	<b>\$ 119,629</b>	<b>\$ 131,775</b>

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 \$277 million. The City had no general obligation long-term debt, or any short-term debt at year end.

**City of Springdale, Arkansas**  
**Management's Discussion and Analysis (Continued)**  
**December 31, 2016**

The City's business-type component unit, Springdale Water and Sewer Commission, had outstanding long-term debt of \$2.545 million at September 30, 2016. The Commission retired \$195 thousand of these bonds during the year ended September 30, 2016.

Additional information on the City's long-term debt can be found in *Note 5* located on pages 54 through 59 of this report.

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

Total revenues for the General Fund, including transfers, increased by 2% compared to the prior year. Sales and use taxes received in 2016, including city sales and use taxes transferred in, increased 5% as compared to 2015 collections. These taxes are a primary source of revenue for the General Fund, comprising 51% of the total revenue. The assessed values for property taxes, (for taxes to be collected in 2017) increased by 4% as compared to the prior year.

Building permits and inspection fees increased 25% from 2015 to 2016. The number of building permits issued remained relatively unchanged, but revenues increased due to increased construction values. Commercial construction values increased \$42.6 million or 61% in 2016 compared to 2015. Residential single family housing construction values were up \$3.7 million or 5% compared to 2015. These increases reflect continued strength in the local housing and commercial construction markets.

The unemployment rate for December 2016 for the Fayetteville-Springdale-Rogers MSA was 2.7% compared to 3.2% at December 2015. The state's unemployment rate was 4% at December 2016, and the national unemployment rate was 4.9%.

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, 2016 to be 78,557, or an 11% increase since 2010.

The City Council adopted the 2017 budget on December 13, 2016 with General Fund projected revenues and transfers of \$39.8 million and projected expenditures and transfers of \$42 million. Budgeted expenditures increased by \$1.05 million, or 3% as compared to the 2016 budget, primarily due to salary increases and increased pension and health insurance costs that were factored into the budget, as well as increases in buildings and equipment maintenance. The overall City 2017 operating budget for all funds was \$51.3 million, which reflects an increase of 3% from the original 2016 budget, and a 1% increase from the final amended budget.

**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, 2016**

	<b>Primary Government</b>			<b>Component Unit Water and Sewer Commission</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>Assets</b>				
Cash and cash equivalents	\$ 6,833,019	\$ 394,542	\$ 7,227,561	\$ 42,302,099
Investments	11,875,719	-	11,875,719	16,265,684
Receivables, net of allowance for uncollectibles	1,238,383	52,143	1,290,526	3,776,270
Intergovernmental receivables	11,549,188	-	11,549,188	-
Internal balances	2,268	(2,149)	119	-
Due from fiduciary funds	110,608	-	110,608	-
Inventories	-	-	-	630,150
Prepaid assets	20,913	-	20,913	88,256
Note receivable	330,142	-	330,142	-
Assets held for resale	2,678,121	-	2,678,121	-
Restricted assets:				
Cash and cash equivalents	11,215,618	-	11,215,618	98,245
Investments	4,141,440	-	4,141,440	2,140,383
Interest receivable	4,112	-	4,112	-
Accounts receivable	1,509,695	-	1,509,695	-
Intergovernmental receivables	3,301,978	-	3,301,978	-
Capital assets:				
Nondepreciable	101,492,652	2,974,687	104,467,339	13,677,182
Depreciable, net of accumulated depreciation	234,687,124	5,217,315	239,904,439	192,101,330
<b>Total Assets</b>	<b>390,990,980</b>	<b>8,636,538</b>	<b>399,627,518</b>	<b>271,079,599</b>
<b>Deferred outflows of resources - pension related</b>	<b>11,800,254</b>	<b>-</b>	<b>11,800,254</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	2,544,531	31,009	2,575,540	3,207,814
Due to fiduciary funds	28,492	-	28,492	-
Accrued interest payable	1,633,121	-	1,633,121	10,604
Customer deposits	243,903	-	243,903	-
Unearned revenue	553,580	30,525	584,105	-
Noncurrent liabilities:				
Due within one year	39,523	-	39,523	376,011
Current portion of long-term debt	7,490,000	-	7,490,000	205,000
Due in more than one year	163,415,337	6,604	163,421,941	5,020,991
<b>Total Liabilities</b>	<b>175,948,487</b>	<b>68,138</b>	<b>176,016,625</b>	<b>8,820,420</b>
<b>Deferred inflows of resources - pension related</b>	<b>19,705</b>	<b>-</b>	<b>19,705</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	215,819,657	8,192,002	224,011,659	203,233,512
Restricted for:				
Capital projects	3,889,545	-	3,889,545	-
Debt service	13,554,481	-	13,554,481	98,245
Other	4,729,768	-	4,729,768	-
Unrestricted	(11,170,409)	376,398	(10,794,011)	58,927,422
<b>Total Net Position</b>	<b>\$ 226,823,042</b>	<b>\$ 8,568,400</b>	<b>\$ 235,391,442</b>	<b>\$ 262,259,179</b>

**City of Springdale, Arkansas**  
**Statement of Activities**  
**Year Ended December 31, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	Water and Sewer Commission
Primary government:								
Governmental activities								
General government								
Administration	\$ 2,972,497	\$ 317,242	\$ 1,130,560	\$ -	\$ (1,524,695)	\$ -	\$ (1,524,695)	\$ -
City attorney	719,317	24,228	-	-	(695,089)	-	(695,089)	-
Information technology	906,544	-	-	-	(906,544)	-	(906,544)	-
District court	1,037,621	201,591	124,209	-	(711,821)	-	(711,821)	-
Bluff Cemetery	62,711	40,475	-	-	(22,236)	-	(22,236)	-
Community development								
Planning	393,010	35,700	-	-	(357,310)	-	(357,310)	-
Engineering	544,422	14,000	-	-	(530,422)	-	(530,422)	-
Community development and housing	736,783	5,436	766,280	-	34,933	-	34,933	-
Culture and recreation								
Parks and recreation	5,601,066	1,017,640	32,710	81,750	(4,468,966)	-	(4,468,966)	-
Public library	2,209,079	81,705	1,259,849	-	(867,525)	-	(867,525)	-
Shiloh Museum	830,814	58,088	38,440	-	(734,286)	-	(734,286)	-
Economic development	529,070	125,890	-	-	(403,180)	-	(403,180)	-
Public safety								
Animal services	788,100	71,600	20,333	-	(696,167)	-	(696,167)	-
Building inspection	596,661	870,094	-	-	273,433	-	273,433	-
Community engagement	351,107	177,961	-	-	(173,146)	-	(173,146)	-
Fire	12,547,609	1,547,979	731,590	-	(10,268,040)	-	(10,268,040)	-
Police	17,093,990	1,336,649	2,094,813	19,400	(13,643,128)	-	(13,643,128)	-
Public works	13,341,872	46,405	5,012,415	2,861,097	(5,421,955)	-	(5,421,955)	-
Debt service								
Interest on long-term debt	4,373,192	-	-	-	(4,373,192)	-	(4,373,192)	-
<b>Total government activities</b>	<b>65,635,465</b>	<b>5,972,683</b>	<b>11,211,199</b>	<b>2,962,247</b>	<b>(45,489,336)</b>	<b>-</b>	<b>(45,489,336)</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, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	Water and Sewer Commission
Business type activities								
Municipal airport	\$ 937,369	\$ 371,750	\$ -	\$ 571,875	\$ -	\$ 6,256	\$ 6,256	\$ -
Aquatic Center	367,564	198,771	710	-	-	(168,083)	(168,083)	-
Sanitation	151,595	157,164	-	-	-	5,569	5,569	-
City attorney restitution	176	10,102	-	-	-	9,926	9,926	-
Total business-type activities	<u>1,456,704</u>	<u>737,787</u>	<u>710</u>	<u>571,875</u>	<u>-</u>	<u>(146,332)</u>	<u>(146,332)</u>	<u>-</u>
Total primary government	<u>\$ 67,092,169</u>	<u>\$ 6,710,470</u>	<u>\$ 11,211,909</u>	<u>\$ 3,534,122</u>	<u>(45,489,336)</u>	<u>(146,332)</u>	<u>(45,635,668)</u>	<u>-</u>
Component unit: Springdale Water and Sewer Commission	<u>\$ 26,252,998</u>	<u>\$ 29,076,682</u>	<u>\$ -</u>	<u>\$ 4,893,972</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,717,656</u>
General revenues (expenses):								
Sales tax					40,020,943	38,426	40,059,369	-
Ad valorem tax					6,160,770	-	6,160,770	-
Franchise tax					3,777,200	-	3,777,200	-
Hotel/motel tax					461,572	-	461,572	-
Unrestricted investment earnings					213,053	2,308	215,361	346,755
Loss on sale/disposal of assets					(624,158)	-	(624,158)	17,999
Refund of contributed capital					(2,000)	-	(2,000)	-
Transfers					(333,091)	333,091	-	-
Total general revenues and transfers					<u>49,674,289</u>	<u>373,825</u>	<u>50,048,114</u>	<u>364,754</u>
Change in net position					<u>4,184,953</u>	<u>227,493</u>	<u>4,412,446</u>	<u>8,082,410</u>
Net position beginning of year					<u>222,638,089</u>	<u>8,340,907</u>	<u>230,978,996</u>	<u>254,166,769</u>
Net position end of year					<u>\$ 226,823,042</u>	<u>\$ 8,568,400</u>	<u>\$ 235,391,442</u>	<u>\$ 262,249,179</u>

# City of Springdale, Arkansas

## Balance Sheet – Governmental Funds

### December 31, 2016

Assets	General Fund	Street Fund	Sales and Use Tax Fund	2013 Bonds Debt Service Fund
Cash and cash equivalents	\$ 3,285,936	\$ 1,210,071	\$ 358,113	\$ -
Investments	405,592	807,666	8,688,636	-
Accounts receivable, net	1,147,859	1,526	-	-
Interest receivable	261	1,398	43,076	-
Intergovernmental receivables, net	8,089,091	1,438,822	1,948,381	-
Note receivable	-	-	-	-
Due from other funds	1,290,165	7,532	1,731,129	-
Assets held for resale	-	-	-	-
Other assets	12,308	-	-	-
Restricted assets:				
Cash and cash equivalents	-	-	-	8,461,803
Investments	-	-	-	-
Interest receivable	-	-	-	2,435
Accounts receivable, net	-	-	-	-
Intergovernmental receivables	-	-	-	2,349,963
<b>Total Assets</b>	<b>\$ 14,231,212</b>	<b>\$ 3,467,015</b>	<b>\$ 12,769,335</b>	<b>\$ 10,814,201</b>
<b>Liabilities</b>				
Accounts payable	\$ 425,329	\$ 139,608	\$ 1,267,827	\$ -
Salaries payable	503,402	37,655	-	-
Payable from restricted assets:				
Accounts payable	-	-	-	-
Due to other funds	-	-	-	-
Due to other funds	953,879	28,598	1,179,380	-
Developer bonds payable	243,903	-	-	-
Unearned revenue	495,000	-	-	-
<b>Total Liabilities</b>	<b>2,621,513</b>	<b>205,861</b>	<b>2,447,207</b>	<b>-</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	4,889,805	924,625	-	-
<b>Fund Balances</b>				
Nonspendable				
Assets held for resale	-	-	-	-
Cemetery perpetual care	-	-	-	-
Endowments	-	-	-	-
Other	12,308	-	-	-
Restricted				
Court automation	-	-	-	-
Debt service	-	-	-	10,814,201
Grants	-	-	-	-
Public safety expenditures	410,612	-	-	-
Recreation and culture	58,200	-	-	-
Capital projects	-	-	1,289,614	-
Other	-	-	-	-
Committed	260,164	-	8,102,970	-
Assigned				
General fund	28,186	-	-	-
Special revenue funds	-	2,336,529	-	-
Capital project funds	-	-	929,544	-
Permanent fund	-	-	-	-
Unassigned	5,950,424	-	-	-
<b>Total Fund Balances</b>	<b>6,719,894</b>	<b>2,336,529</b>	<b>10,322,128</b>	<b>10,814,201</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 14,231,212</b>	<b>\$ 3,467,015</b>	<b>\$ 12,769,335</b>	<b>\$ 10,814,201</b>

The accompanying notes are an integral part of these financial statements

Other Governmental Funds	Total Governmental Funds
\$ 1,978,899	\$ 6,833,019
1,973,825	11,875,719
38,192	1,187,577
6,133	50,868
72,832	11,549,126
330,142	330,142
22,511	3,051,337
2,678,121	2,678,121
8,605	20,913
2,753,815	11,215,618
4,141,440	4,141,440
1,677	4,112
1,509,695	1,509,695
952,015	3,301,978
<u>\$ 16,467,902</u>	<u>\$ 57,749,665</u>
\$ 83,679	\$ 1,916,443
27,616	568,673
59,415	59,415
763,973	763,973
41,123	2,202,980
-	243,903
58,580	553,580
<u>1,034,386</u>	<u>6,308,967</u>
<u>-</u>	<u>5,814,430</u>
2,678,121	2,678,121
32,720	32,720
1,414,575	1,414,575
8,605	20,913
109,232	109,232
4,373,401	15,187,602
2,279	2,279
-	410,612
3,116	61,316
2,350,175	3,639,789
249,756	249,756
-	8,363,134
-	28,186
1,708,108	4,044,637
1,424,267	2,353,811
1,079,161	1,079,161
-	5,950,424
<u>15,433,516</u>	<u>45,626,268</u>
<u>\$ 16,467,902</u>	<u>\$ 57,749,665</u>

**City of Springdale, Arkansas**  
**Reconciliation of the Balance Sheet of**  
**Governmental Funds to the Statement of Net Position**  
**December 31, 2016**

Total fund balances – governmental funds \$ 45,626,268

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

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

Land	\$ 41,345,708	
Easements	32,543,879	
Land improvements and infrastructure	259,824,965	
Buildings and improvements	72,104,656	
Machinery and equipment	43,292,386	
Intangibles	1,396,240	
Less accumulated depreciation	<u>(141,426,196)</u>	
	309,081,638	
Construction in progress	<u>27,098,138</u>	336,179,776

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. 5,814,430

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	\$ 125,362,850	
Accrued interest payable	1,633,121	
Compensated absences	2,272,596	
OPEB liabilities	3,503,472	
Net pension liabilities	<u>39,805,942</u>	(172,577,981)

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	\$ (19,705)	
Deferred outflows of resources related to pensions	<u>11,800,254</u>	<u>11,780,549</u>

Net position of governmental funds \$ 226,823,042

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**City of Springdale, Arkansas**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances – Governmental Funds**  
**Year Ended December 31, 2016**

	General Fund	Street Fund	Sales and Use Tax Fund	2013 Bonds Debt Service Fund
<b>Revenues</b>				
Taxes	\$ 22,034,215	\$ 919,576	\$ 9,028,108	\$ 13,360,338
Fees and permits	1,139,000	2,774	-	-
Intergovernmental	3,937,178	4,737,479	1,951,066	-
Charges for goods and services	2,436,795	21,333	-	-
Fines and forfeitures	950,907	-	-	-
Investment earnings (losses)	11,387	(2,538)	28,110	24,071
Miscellaneous	516,301	12,518	613,743	-
Total Revenues	<u>31,025,783</u>	<u>5,691,142</u>	<u>11,621,027</u>	<u>13,384,409</u>
<b>Expenditures</b>				
Current				
General government	4,095,165	-	-	-
Community development	943,702	-	-	-
Culture and recreation	3,288,862	-	-	-
Economic development	-	-	-	-
Public safety	28,129,017	-	-	-
Public works	-	4,068,288	-	-
Capital expenditures	1,970,459	923,644	7,439,865	-
Debt service				
Principal	-	-	-	9,900,000
Interest	-	-	-	2,870,459
Other fees	-	-	-	-
Agent fees	-	-	-	9,000
Total Expenditures	<u>38,427,205</u>	<u>4,991,932</u>	<u>7,439,865</u>	<u>12,779,459</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(7,401,422)</u>	<u>699,210</u>	<u>4,181,162</u>	<u>604,950</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	8,266,288	466,356	636,671	-
Transfers out	(1,794,216)	(636,671)	(8,423,045)	-
Refund of contributed capital	-	-	(2,000)	-
Proceeds from sale of capital assets	43,372	-	-	-
Insurance recoveries	106,439	230	-	-
Total Other Financing Sources (Uses)	<u>6,621,883</u>	<u>(170,085)</u>	<u>(7,788,374)</u>	<u>-</u>
<b>Net Changes in Fund Balances</b>	<u>(779,539)</u>	<u>529,125</u>	<u>(3,607,212)</u>	<u>604,950</u>
<b>Fund Balances - Beginning of Year</b>	<u>7,499,433</u>	<u>1,807,404</u>	<u>13,929,340</u>	<u>10,209,251</u>
<b>Fund Balances - End of Year</b>	<u>\$ 6,719,894</u>	<u>\$ 2,336,529</u>	<u>\$ 10,322,128</u>	<u>\$ 10,814,201</u>

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

<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 4,843,640	\$ 50,185,877
224,460	1,366,234
2,236,501	12,862,224
556,842	3,014,970
47,292	998,199
152,023	213,053
215,847	1,358,409
<u>8,276,605</u>	<u>69,998,966</u>
1,041,390	5,136,555
757,054	1,700,756
2,246,303	5,535,165
529,070	529,070
-	28,129,017
-	4,068,288
5,934,685	16,268,653
2,245,527	12,145,527
2,157,431	5,027,890
3,300	3,300
6,002	15,002
<u>14,920,762</u>	<u>78,559,223</u>
<u>(6,644,157)</u>	<u>(8,560,257)</u>
1,432,186	10,801,501
(280,660)	(11,134,592)
-	(2,000)
774	44,146
-	106,669
<u>1,152,300</u>	<u>(184,276)</u>
<u>(5,491,857)</u>	<u>(8,744,533)</u>
<u>20,925,373</u>	<u>54,370,801</u>
<u>\$ 15,433,516</u>	<u>\$ 45,626,268</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, 2016

Net change in fund balances – total governmental funds \$ (8,744,533)

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

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	\$ 15,670,417	
Donated capital	463,424	
Depreciation expense	<u>(13,815,637)</u>	2,318,204

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donated assets) is to decrease net position. (668,304)

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. 234,608

Expenses that do not require current financial resources, such as compensated absences, other post-employment benefits ("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. (1,592,214)

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

Principal payments	\$ 12,145,527	
Amortization of premium on long-term debt	<u>491,665</u>	<u>12,637,192</u>

Changes in net position of governmental activities \$ 4,184,953

**City of Springdale, Arkansas**  
**Statement of Net Position – Proprietary Funds**  
**December 31, 2016**

	Enterprise Funds			
	Municipal Airport Fund	Aquatic Center Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 206,489	\$ 96,083	\$ 91,970	\$ 394,542
Accounts receivable, net	18,878	-	33,118	51,996
Due from other funds	-	-	147	147
Total current assets	<u>225,367</u>	<u>96,083</u>	<u>125,235</u>	<u>446,685</u>
Noncurrent assets				
Capital assets				
Land	2,893,846	-	-	2,893,846
Improvements other than buildings	7,997,541	491,524	-	8,489,065
Buildings and system	3,000,312	2,857,962	-	5,858,274
Machinery and equipment	925,261	832,608	233,272	1,991,141
Construction in progress	80,841	-	-	80,841
Less accumulated depreciation	<u>(7,949,786)</u>	<u>(3,013,127)</u>	<u>(158,252)</u>	<u>(11,121,165)</u>
Total capital assets, net of accumulated depreciation	<u>6,948,015</u>	<u>1,168,967</u>	<u>75,020</u>	<u>8,192,002</u>
Total noncurrent assets	<u>6,948,015</u>	<u>1,168,967</u>	<u>75,020</u>	<u>8,192,002</u>
Total assets	<u>7,173,382</u>	<u>1,265,050</u>	<u>200,255</u>	<u>8,638,687</u>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	25,102	1,632	1,400	28,134
Salaries payable	1,220	183	1,472	2,875
Due to other funds	-	2,131	18	2,149
Unearned revenue	30,525	-	-	30,525
Total current liabilities	<u>56,847</u>	<u>3,946</u>	<u>2,890</u>	<u>63,683</u>
Noncurrent liabilities:				
Compensated absences	2,626	167	3,811	6,604
Total noncurrent liabilities	<u>2,626</u>	<u>167</u>	<u>3,811</u>	<u>6,604</u>
Total liabilities	<u>59,473</u>	<u>4,113</u>	<u>6,701</u>	<u>70,287</u>
<b>Net Position</b>				
Net investment in capital assets	6,948,015	1,168,967	75,020	8,192,002
Unrestricted	<u>165,894</u>	<u>91,970</u>	<u>118,534</u>	<u>376,398</u>
Total net position	<u>\$ 7,113,909</u>	<u>\$ 1,260,937</u>	<u>\$ 193,554</u>	<u>\$ 8,568,400</u>

**City of Springdale, Arkansas**  
**Statement of Revenues, Expenses, and Changes in Net Position –**  
**Proprietary Funds**  
**Year Ended December 31, 2016**

	Enterprise Funds			
	Municipal Airport Fund	Aquatic Center Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
<b>Operating Revenues</b>				
Charges for services				
Activity fees	\$ -	\$ 165,541	\$ -	\$ 165,541
Concession	-	28,678	-	28,678
Fuel flowage fees	52,312	-	-	52,312
Other service fees	17,170	-	167,266	184,436
Rental fees	302,268	3,250	-	305,518
Other revenue	-	1,302	-	1,302
<b>Total Operating Revenues</b>	<u>371,750</u>	<u>198,771</u>	<u>167,266</u>	<u>737,787</u>
<b>Operating Expenses</b>				
Personnel	83,681	108,628	114,069	306,378
Maintenance	259,078	25,229	-	284,307
Supplies	45,392	70,151	11,799	127,342
Other	131,390	4,377	2,576	138,343
Depreciation	417,828	159,179	23,327	600,334
Total operating expenses	<u>937,369</u>	<u>367,564</u>	<u>151,771</u>	<u>1,456,704</u>
<b>Operating Income (Loss)</b>	<u>(565,619)</u>	<u>(168,793)</u>	<u>15,495</u>	<u>(718,917)</u>
<b>Nonoperating Revenues (Expenses)</b>				
Sales taxes	38,426	-	-	38,426
Contributions	-	710	-	710
Investment earnings	723	1,201	384	2,308
Total nonoperating revenues	<u>39,149</u>	<u>1,911</u>	<u>384</u>	<u>41,444</u>
<b>Income (Loss) Before Capital Contributions and Transfers</b>	<u>(526,470)</u>	<u>(166,882)</u>	<u>15,879</u>	<u>(677,473)</u>
<b>Capital grants and contributions</b>	571,875	-	-	571,875
<b>Capital transfers in</b>	245,350	72,574	-	317,924
<b>Operating transfers in</b>	30,167	-	-	30,167
<b>Operating transfers out</b>	<u>-</u>	<u>-</u>	<u>(15,000)</u>	<u>(15,000)</u>
<b>Changes in Net Position</b>	320,922	(94,308)	879	227,493
<b>Net Position - Beginning of Year</b>	<u>6,792,987</u>	<u>1,355,245</u>	<u>192,675</u>	<u>8,340,907</u>
<b>Net Position - End of Year</b>	<u>\$ 7,113,909</u>	<u>\$ 1,260,937</u>	<u>\$ 193,554</u>	<u>\$ 8,568,400</u>

**City of Springdale, Arkansas**  
**Statement of Cash Flows – Proprietary Funds**  
**Year Ended December 31, 2016**

	Enterprise Funds			
	Municipal Airport Fund	Aquatic Center Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 383,566	\$ 198,772	\$ 165,387	\$ 747,725
Payments to suppliers	(336,424)	(99,283)	(15,039)	(450,746)
Payments to employees	(75,710)	(109,618)	(114,169)	(299,497)
Net cash provided by (used in) operating activities	<u>(28,568)</u>	<u>(10,129)</u>	<u>36,179</u>	<u>(2,518)</u>
Cash Flows From Noncapital Financing Activities				
Sales taxes	37,748	-	-	37,748
Contributions	-	710	-	710
Transfer from other funds	5,367	-	-	5,367
Transfer to other funds	-	-	(15,000)	(15,000)
Receipt (payment) of interfund balances	-	2,131	158	2,289
Net cash provided by (used in) noncapital financing activities	<u>43,115</u>	<u>2,841</u>	<u>(14,842)</u>	<u>31,114</u>
Cash Flows From Capital and Related Financing Activities				
Capital grant receipts	191,354	-	-	191,354
Purchases of capital assets	(83,965)	-	-	(83,965)
Net cash provided by (used in) capital and related financing activities	<u>107,389</u>	<u>-</u>	<u>-</u>	<u>107,389</u>
Cash Flows From Investing Activities				
Proceeds from maturities of investments	-	85,000	-	85,000
Interest received	723	849	384	1,956
Net cash provided by (used in) investing activities	<u>723</u>	<u>85,849</u>	<u>384</u>	<u>86,956</u>
Net Increase (Decrease) in Cash and Cash Equivalents	122,659	78,561	21,721	222,941
Cash and Cash Equivalents, January 1	<u>83,830</u>	<u>17,522</u>	<u>70,249</u>	<u>171,601</u>
Cash and Cash Equivalents, December 31	<u>\$ 206,489</u>	<u>\$ 96,083</u>	<u>\$ 91,970</u>	<u>\$ 394,542</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) Operating Activities				
Operating income (loss)	<u>\$ (565,619)</u>	<u>\$ (168,793)</u>	<u>\$ 15,495</u>	<u>\$ (718,917)</u>
Adjustments to reconcile operating income to net cash provided by (used in) operating activities				
Depreciation expense	417,828	159,179	23,327	600,334
(Increase) decrease in accounts receivable	(5,455)	-	(1,879)	(7,334)
Increase (decrease) in accounts payable	106,817	475	(664)	106,628
Increase (decrease) in salaries payable	349	52	52	453
Increase (decrease) in compensated absences	241	(1,042)	(152)	(953)
Decrease in deferred revenue	17,271	-	-	17,271
	<u>537,051</u>	<u>158,664</u>	<u>20,684</u>	<u>716,399</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ (28,568)</u>	<u>\$ (10,129)</u>	<u>\$ 36,179</u>	<u>\$ (2,518)</u>
Noncash Capital Financing Activities				
Transfer of capital assets to other fund	\$ 245,350	\$ 72,574	\$ -	\$ 317,924
Contributed capital asset	\$ 408,000	\$ -	\$ -	\$ 408,000
Transfer of non-capital assets from other funds	\$ 24,800	\$ -	\$ -	\$ 24,800
Change in fair value of investments	\$ -	\$ (393)	\$ -	\$ (393)

**City of Springdale, Arkansas**  
**Statement of Fiduciary Net Position – Fiduciary Funds**  
**December 31, 2016**

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,703,452	\$ 1,080,616
Investments	13,943,171	-
Accounts receivable, net	1,126,291	2,251
Due from other funds	<u>14,811</u>	<u>97,550</u>
 Total Assets	 <u>16,787,725</u>	 <u><u>\$ 1,180,417</u></u>
 <b>Liabilities</b>		
Accounts payable	\$ -	\$ 817,533
Accrued liabilities	7,169	168,260
Due to other funds	<u>-</u>	<u>194,624</u>
 Total Liabilities	 <u>7,169</u>	 <u><u>\$ 1,180,417</u></u>
 <b>Net Position</b>		
Net position restricted for pensions	<u><u>\$ 16,780,556</u></u>	

**City of Springdale, Arkansas**  
**Statement of Changes in Fiduciary Net Position – Fiduciary Funds**  
**Year Ended December 31, 2016**

	<b>Pension Trust Funds</b>
<b>Additions</b>	
Employer contributions	
Taxes	\$ 1,060,782
State insurance turnback	218,072
Fines and court costs	111,190
Total employer contributions	1,390,044
Investment income	
Investment income	576,025
Net increase in fair value of investments	596,686
Total investment income	1,172,711
Less investment expenses	(139,559)
Net investment income	1,033,152
Total Additions	2,423,196
<b>Deductions</b>	
Benefits payments	2,463,904
Miscellaneous	258
Total Deductions	2,464,162
<b>Change in Fiduciary Net Position</b>	(40,966)
<b>Net Position Restricted for Pensions, Beginning of Year</b>	16,821,522
<b>Net Position Restricted for Pensions, End of Year</b>	\$ 16,780,556

# City of Springdale, Arkansas

## Notes to Financial Statements

### December 31, 2016

#### **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, 2016

#### **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, 2016. 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. 72 – Fair Value Measurement and Application***

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 72 – *Fair Value Measurement and Application*, for 2016. The statement enhances comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The statement also enhances fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on the government's financial position.

# City of Springdale, Arkansas

## Notes to Financial Statements

### December 31, 2016

The adoption of this statement resulted in more expanded disclosures as they relate to City held investments and donated capital assets within a fair value hierarchy. However, the Statement had no impact on any amounts reported by the City within any of the basic financial statements as listed in the table of contents.

#### ***GASB Statement No. 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments***

The City implemented GASB Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, for 2016. The statement was issued to simplify the structure of the hierarchy of Generally Accepted Accounting Principles (GAAP). The GAAP hierarchy identifies the sources of guidance that state and local governments follow when preparing financial statements in conformity with GAAP and lists the order of priority for pronouncements to which a government should look for guidance. Additionally, the Statement had no impact on any amounts reported by the City within any of the basic financial statements as listed in the table of contents.

#### ***GASB Statement No. 77 – Tax Abatement Disclosures***

Effective January 1, 2016, the City implemented GASB Statement No. 77, *Tax Abatement Disclosures*. This statement includes the disclosure of additional information allowing financial statements users to be better equipped to understand how tax abatements affect a government's future ability to raise resources and meet its financial obligations and understand the impact that those abatements have on the government's financial position and economic condition.

Implementation of GASB Statement No. 77 has not resulted in additional disclosures as they relate to tax abatements held by the City. The City has no tax abatement programs. Therefore, Statement had no impact on any amounts reported by the City within any of the basic financial statements as listed in the table of contents.

#### ***GASB Statement No. 78 – Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans***

The City implemented GASB Statement No. 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, for 2016. The statement was issued to address an issue regarding the scope and applicability of GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions*. The issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The City adopted GASB Statement No. 68 in 2015; however, the expanded scope had no effect on any amounts reported by the City within any of the basic financial statements as listed in the table of contents.

#### ***GASB Statement No. 79 – Certain External Investment Pools and Pool Participants***

The City implemented GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants*, in 2016. The statement was issued to establish criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. Adoption of the Statement had no impact on any amounts reported by the City within any of the basic financial statements as listed in the table of contents.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2016**

***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.

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.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2016**

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

The City reports the following major enterprise funds:

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

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

Additionally, the City reports the following nonmajor fund types:

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

# City of Springdale, Arkansas

## Notes to Financial Statements

### December 31, 2016

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

**Pension 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). The City must act in accordance with the terms of specific bequests made to the Cemetery.

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

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

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

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

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

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

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

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.

# **City of Springdale, Arkansas**

## **Notes to Financial Statements**

### **December 31, 2016**

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 spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of general long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The City generally considers revenues reported in the governmental funds to be available if they are collected within sixty (60) days after year-end.

Principal revenue sources considered susceptible to accrual include property (ad valorem) taxes, sales taxes, utility franchise fees, grant revenues and investment earnings. Other revenues, such as fines and forfeitures, are considered to be measurable and available only when cash is received by the City. Expenditures generally are recorded when the related fund liability is incurred as under the accrual basis of accounting, except for principal and interest on long-term debt, claims and judgments, 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, Arvest BallPark, the Sales and Use Tax Capital Projects Fund, the City's proprietary funds, except for the City Attorney Hot Check Fund, and the Buff 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, 2016, the City Council adopted several supplemental appropriations.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2016**

***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 both the City and the Commission consider all investments with original maturities of ninety (90) days or less at the date of purchase as cash equivalents.

***Investments and Investment Income***

Certificates of deposit and money market investments that mature within one year of the date of acquisition are recorded at amortized cost, which approximates fair value. All other investments are recorded at fair value with the resulting gains and losses recognized in the current period. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy consists of three input levels. Level 1 inputs are quoted prices in active markets, Level 2 inputs are significant other observable inputs other than quoted prices and Level 3 are unobservable inputs.

The Shiloh Museum Board Fund has invested funds with the Arkansas Community Foundation, Inc. (ARCF) which pools funds from many nonprofit organizations together in order to maximize the returns on investments. ARCF categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles, which consists of the three input levels noted above. 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.

The Commission's investments consist of liquid money market funds and certificates of deposit with original maturities greater than 90 days. Certificates of deposit are recorded at amortized cost.

***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, 2016 to be materially collectible; therefore, no allowance has been recorded for these balances.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2016**

**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, 2016, is as follows:

Cash and cash equivalents	\$11,215,618
Investments	4,141,440
Interest receivable	4,112
Accounts receivable, net	1,509,695
Intergovernmental receivables	<u>3,301,978</u>
Total restricted assets - governmental activities	<u><u>\$20,172,843</u></u>

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

The balance of the Commission's restricted assets as of September 30, 2016, is as follows:

Cash - Lowell sewer expansion fund	\$ 39,779
Cash - Lowell sewer bond fund	58,466
Investments - certificates of deposit - meter deposits	<u>2,140,383</u>
Total restricted assets - component unit	<u><u>\$ 2,238,628</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 acquisition value on the date of donation. Infrastructure capital assets contributed to the City by developers are recorded at acquisition values based upon the cost to construct by the developers (Level 3 input). Land donated to the City is recorded at acquisition values based upon the county assessor values (Level 2 input).

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2016**

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

***Collections***

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

***Compensated Absences***

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

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2016**

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, as well as debt issuance costs, during the current period. The face amount of the debt issued, discounts given, and premiums received are reported as other financing sources (uses). Issuance costs, whether or not withheld from the actual proceeds received, are reported as debt service expenditures.

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position and statement of fund net position include separate sections for deferred outflows of resources, which represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense/expenditure/reduction of liability) until that time. The City's deferred outflows of resources represent pension items that will be recognized in a future reporting period.

In addition to liabilities, the statement of net position and the balance sheet – governmental funds report a separate section for deferred inflows of resources, which represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue/reduction of expenses) 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. 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 pension items that will be recognized in a future reporting period.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2016**

***Net Position/Fund Balance***

Net position represents 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, 2016, restricted net position of \$519,843 was restricted by enabling legislation. Unrestricted net position is the net position that does not meet the above definitions of “net investment in capital assets” or “restricted net position.”

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

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2016**

***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. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied. For projects funded by tax-exempt debt proceeds and other sources, the debt proceeds are used first.

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). It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. The City depletes committed amounts first, followed by assigned amounts, then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

***Impairment of Capital Assets***

The City is required to evaluate prominent events or changes in circumstances affecting long-lived assets to determine whether an impairment of its assets has occurred. A capital asset is considered impaired if both (a) the decline in service utility is large in magnitude and (b) the event is outside the normal life cycle of the capital asset. Based upon management's assessment, no triggering events or changes in circumstances occurred during 2016.

***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.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2016**

*Method Used to Determine Fair Value of Investments*

The fair value of investments other than mutual funds is determined using quoted market prices (Level 1 input). 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.

**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. No legal opinion has been obtained regarding the enforceability of any of the collateral agreements. 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, 2016, none of the City's bank balances were exposed to custodial credit risk. Also, at September 30, 2016, 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, 2016 (September 30, 2016 for the Commission), were as follows:

	<b>Primary Government</b>	<b>Component Unit Water and Sewer Commission</b>
Carrying value of deposits	<u>\$ 17,307,515</u>	<u>\$ 60,804,811</u>
Bank balance of deposits	<u>\$ 18,564,877</u>	<u>\$ 60,972,257</u>

# City of Springdale, Arkansas

## Notes to Financial Statements

### December 31, 2016

#### ***Investments***

The City's investment policy states that the City may invest operating and capital improvement funds in instruments and securities authorized by Arkansas state statutes. Permissible investments include U.S. Treasury and agency obligations, or other obligations secured by the U.S. Government; obligations issued by the Arkansas State Board of Education; prerefunded municipal bonds; federal funds maturing in less than one year; demand, savings or time deposits of any depository institution chartered in the United States; warrants of political subdivisions of the state of Arkansas; repurchase agreements; money market funds; corporate debt obligations; and revenue bonds of any state, municipality or political subdivision of the United States.

Funds held by the City's Trustee for the credit of the Construction Funds, 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.

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.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2016**

At December 31, 2016, 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	\$ 705,353	\$ -	\$ 317,137	\$ 147,543	\$ 240,673
U.S. agencies obligations	11,105,793	221,945	3,123,606	6,975,399	784,843
State/municipal bonds	633,720	-	488,915	9,632	135,173
Corporate bonds	1,304,392	-	578,958	468,374	257,060
Certificates of deposit	3,622,649	1,418,448	2,204,201	-	-
Money market funds	7,538,657	7,538,657	-	-	-
	24,910,564	\$ 9,179,050	\$ 6,712,817	\$ 7,600,948	\$ 1,417,749
Corporate stock	10,708,899				
Investment pools	1,471,741				
Other	407,783				
Total Investments	\$ 37,498,987				

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy consists of three input levels. Level 1 inputs are quoted prices in active markets; Level 2 inputs are significant other observable inputs other than quoted prices and Level 3 inputs are unobservable inputs. The City's investments are categorized below.

City Investments	Fair Value	Quoted Prices in	Significant Other	Significant
		Active Markets	Observable Inputs	Unobservable Inputs
		Level 1	Level 2	Level 3
U.S. Treasury notes	\$ 258,496	\$ 258,496	\$ -	\$ -
U.S. agencies obligations	10,134,567	-	10,134,567	-
Municipal bonds	488,915	-	488,915	-
Corporate bonds	7,982	-	7,982	-
Total Debt Securities	\$ 10,889,960	\$ 258,496	\$ 10,631,464	\$ -
Beneficial interest in ARCF	\$ 1,414,575	\$ -	\$ -	\$ 1,414,575
Pension Investments	Fair Value	Level 1	Level 2	Level 3
U.S. Treasury notes and bonds	\$ 446,857	\$ 446,857	\$ -	\$ -
U.S. agencies obligations	971,226	971,226	-	-
State and municipal bonds	144,805	144,805	-	-
Corporate bonds	1,296,410	1,296,410	-	-
Total Debt Securities	\$ 2,859,298	\$ 2,859,298	\$ -	\$ -
Equity securities	\$ 10,708,899	\$ 10,708,899	\$ -	\$ -
Alternative investments	323,063	-	323,063	-

# **City of Springdale, Arkansas**

## **Notes to Financial Statements**

### **December 31, 2016**

#### ***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%.

#### ***Credit Risk***

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

The Firemen's Fund policy is that common stock must carry an investment grade of medium or A or better; and fixed income securities must be investment grade or better. Investments in corporate bonds ranged between A and BAA, and government treasury and agencies were ranked AAA by Moody's at December 31, 2016. The Firemen's Fund held \$289,772 in corporate bonds at year end, with \$54,764 rated A and \$235,008 rated BAA. Government agencies held at year end totaled \$212, and U.S. Treasury bonds held at year end were \$58,641.

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 \$2,510,674 at year end. Ratings for corporate bonds held ranged from AAA to BAA, and government treasuries and agencies were ranked AAA to AA by Moody's and Standard & Poor's. The Policemen's Fund held \$1,006,639 in corporate bonds at year end, with \$260,394 ranked AAA, \$57,374 ranked AA, and \$430,658 ranked A, or 74% of total corporate bonds. The Policemen's Fund held \$258,212, or 26% ranked BAA. State bonds held totaled \$144,805, with \$64,309 ranked AAA and \$80,497 ranked AA. U.S. government treasuries and agencies held at year end totaled \$1,359,230.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
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***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>Component Unit Water and Sewer Commission</b>
Reported amount of deposits	\$ 17,307,515	\$ 60,804,811
Cash on hand	3,724	1,600
Investments classified as cash equivalents	7,538,657	-
Deposits classified as investments	(3,622,649)	(18,406,067)
	\$ 21,227,247	\$ 42,400,344
As reported on the government-wide statement of net position		
Cash and cash equivalents	\$ 7,227,561	\$ 42,302,099
Restricted cash and cash equivalents	11,215,618	98,245
	18,443,179	42,400,344
Cash and cash equivalents reported on the statement of fiduciary net position	2,784,068	-
	\$ 21,227,247	\$ 42,400,344
Carrying amount of investments	\$ 33,876,338	\$ -
Deposits classified as investments	3,622,649	18,406,067
Reported amount of investments	37,498,987	18,406,067
Investments classified as cash equivalents	(7,538,657)	-
	\$ 29,960,330	\$ 18,406,067
As reported on the government-wide statement of net position		
Investments	\$ 11,875,719	\$ 16,265,684
Restricted investments	4,141,440	2,140,383
	16,017,159	18,406,067
Investments reported on the statement of fiduciary net position	13,943,171	-
	\$ 29,960,330	\$ 18,406,067

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

Receivables as of December 31, 2016, for the City’s General Fund, Street Fund, and Sales and Use Tax Fund, and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental	General Fund	Street Fund	Sales and Use Tax Fund	2013 Bonds Debt Service Fund	Other Governmental Funds	Total
<b>Receivables</b>						
Accounts	\$ 1,227,023	\$ 1,526	\$ -	\$ -	\$ 38,192	\$ 1,266,741
Property taxes	5,728,860	1,091,034	-	-	3,986	6,823,880
Sales taxes	2,383,916	-	1,616,448	-	-	4,000,364
Franchise taxes	765,836	-	-	-	-	765,836
Grants	153,766	9,828	331,933	-	20,939	516,466
Intergovernmental	154,682	402,718	-	-	47,907	605,307
Interest	261	1,398	43,076	-	6,133	50,868
<b>Restricted receivables</b>						
Accounts	-	-	-	-	1,509,695	1,509,695
Interest	-	-	-	2,435	1,677	4,112
Sales taxes	-	-	-	2,349,963	733,515	3,083,478
Grants	-	-	-	-	218,500	218,500
Gross receivables	<u>10,414,344</u>	<u>1,506,504</u>	<u>1,991,457</u>	<u>2,352,398</u>	<u>2,580,544</u>	<u>18,845,247</u>
Less: Allowance for uncollectibles	<u>(1,177,133)</u>	<u>(64,758)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,241,891)</u>
Net total receivables	<u>\$ 9,237,211</u>	<u>\$ 1,441,746</u>	<u>\$ 1,991,457</u>	<u>\$ 2,352,398</u>	<u>\$ 2,580,544</u>	<u>\$ 17,603,356</u>

Receivables as of December 31, 2016 for the City’s enterprise funds, including the applicable allowances for uncollectible accounts, are as follows:

Business-Type Activities	Municipal Airport Fund	Other Enterprise Funds	Total
<b>Receivables</b>			
Accounts	\$ 20,608	\$ 33,118	\$ 53,726
Sales taxes	<u>7,560</u>	<u>-</u>	<u>7,560</u>
Gross receivables	<u>28,168</u>	<u>33,118</u>	<u>61,286</u>
Less: Allowance for uncollectibles	<u>(9,290)</u>	<u>-</u>	<u>(9,290)</u>
Net total receivables	<u>\$ 18,878</u>	<u>\$ 33,118</u>	<u>\$ 51,996</u>

**City of Springdale, Arkansas**  
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Receivables as of December 31, 2016 for the City's fiduciary funds, including the applicable allowances for uncollectible accounts, are as follows:

Fiduciary	Fire Pension Fund	Police Pension Fund	Total Pension Trust Funds	District Court Agency Fund
Receivables				
Property taxes	\$ 590,298	\$ 590,298	\$ 1,180,596	\$ -
Accounts	-	-	-	2,251
Interest	7,071	15,430	22,501	-
Gross receivables	<u>597,369</u>	<u>605,728</u>	<u>1,203,097</u>	<u>2,251</u>
Less: Allowance for uncollectibles	<u>(38,403)</u>	<u>(38,403)</u>	<u>(76,806)</u>	<u>-</u>
Net total receivables	<u>\$ 558,966</u>	<u>\$ 567,325</u>	<u>\$ 1,126,291</u>	<u>\$ 2,251</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 2016, 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, 2016 for the primary government were as follows:

Governmental Activities	Balance, December 31, 2015	Increases	Decreases	Balance December 31, 2016	Due Within One Year
Note receivable					
Promissory note and second mortgage	<u>\$ 365,658</u>	<u>\$ -</u>	<u>\$ 35,516</u>	<u>\$ 330,142</u>	<u>\$ 36,720</u>

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
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**Note 4: Capital Assets**

A summary of changes in capital assets for the year ended December 31, 2016 (September 30, 2016 for the Commission), is presented below:

<u>Governmental Activities</u>	Balance December 31, 2015	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2016
Capital assets, non-depreciable				
Land	\$ 34,519,522	\$ 6,826,186	\$ -	\$ 41,345,708
Easements	32,068,207	475,672	-	32,543,879
Museum buildings	504,927	-	-	504,927
Construction in progress	50,628,522	12,597,513	36,127,897	27,098,138
Total capital assets, non-depreciable	<u>117,721,178</u>	<u>19,899,371</u>	<u>36,127,897</u>	<u>101,492,652</u>
Capital assets, depreciable				
Land improvements	23,372,330	8,740,421	5,100	32,107,651
Infrastructure	213,007,406	14,709,908	-	227,717,314
Buildings and improvements	68,661,709	2,992,358	54,338	71,599,729
Machinery and equipment	39,717,264	5,857,427	2,282,305	43,292,386
Intangibles	1,317,838	85,923	7,521	1,396,240
Total capital assets, depreciable	<u>346,076,547</u>	<u>32,386,037</u>	<u>2,349,264</u>	<u>376,113,320</u>
Less accumulated depreciation				
Land improvements	5,371,808	1,015,070	3,468	6,383,410
Infrastructure	77,746,459	7,756,531	-	85,502,990
Buildings and improvements	19,750,308	2,273,093	32,213	21,991,188
Machinery and equipment	25,400,869	2,698,225	1,614,088	26,485,006
Intangibles	998,405	72,718	7,521	1,063,602
Total accumulated depreciation	<u>129,267,849</u>	<u>13,815,637</u>	<u>1,657,290</u>	<u>141,426,196</u>
Total governmental activities, net	<u>\$ 334,529,876</u>	<u>\$ 38,469,771</u>	<u>\$ 36,819,871</u>	<u>\$ 336,179,776</u>

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
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	Balance December 31, 2015	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2016
<u>Business-type Activities</u>				
Capital assets, non-depreciable				
Land	\$ 2,788,631	\$ 105,215	\$ -	\$ 2,893,846
Construction in progress	964,550	4,972	888,681	80,841
Total capital assets, non-depreciable	<u>3,753,181</u>	<u>110,187</u>	<u>888,681</u>	<u>2,974,687</u>
Capital assets, depreciable				
Land improvements	7,715,376	773,689	-	8,489,065
Buildings and improvements	5,365,697	539,603	47,026	5,858,274
Machinery and equipment	1,922,336	140,893	72,088	1,991,141
Total capital assets, depreciable	<u>15,003,409</u>	<u>1,454,185</u>	<u>119,114</u>	<u>16,338,480</u>
Less accumulated depreciation				
Land improvements	5,891,528	291,802	-	6,183,330
Buildings and improvements	3,558,731	213,546	47,026	3,725,251
Machinery and equipment	1,189,686	94,986	72,088	1,212,584
Total accumulated depreciation	<u>10,639,945</u>	<u>600,334</u>	<u>119,114</u>	<u>11,121,165</u>
Total business-type activities, net	<u>\$ 8,116,645</u>	<u>\$ 964,038</u>	<u>\$ 888,681</u>	<u>\$ 8,192,002</u>
	Balance September 30, 2015	Additions and Transfers, Net	Retirements and Transfers, Net	Balance September 30, 2016
<u>Business-type Activities</u>				
<u>Component Unit</u>				
Capital assets, non-depreciable				
Land	\$ 3,088,695	\$ -	\$ 100,432	\$ 2,988,263
Easements	3,639,426	2,146	(366,618)	4,008,190
Construction in progress	5,608,306	8,313,848	7,241,425	6,680,729
Total capital assets, non-depreciable	<u>12,336,427</u>	<u>8,315,994</u>	<u>6,975,239</u>	<u>13,677,182</u>
Capital assets, depreciable				
Buildings and improvements	5,768,123	10,952	-	5,779,075
Water and sewer systems	295,952,502	4,460,057	(6,699,977)	307,112,536
Machinery and equipment	5,201,898	281,803	(55,260)	5,538,961
Total capital assets, depreciable	<u>306,922,523</u>	<u>4,752,812</u>	<u>(6,755,237)</u>	<u>318,430,572</u>
Less accumulated depreciation				
Buildings and improvements	3,473,853	183,593	-	3,657,446
Water and sewer systems	111,668,545	7,426,269	68,837	119,025,977
Machinery and equipment	3,229,949	446,274	30,404	3,645,819
Total accumulated depreciation	<u>118,372,347</u>	<u>8,056,136</u>	<u>99,241</u>	<u>126,329,242</u>
Total component unit activities, net	<u>\$ 200,886,603</u>	<u>\$ 5,012,670</u>	<u>\$ 120,761</u>	<u>\$ 205,778,512</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	\$ 323,378
Information technology	49,576
District Court	5,862
Bluff Cemetery	1,572
Community Development	
Planning	3,932
Community development and housing	4,844
Culture and recreation	
Parks and recreation	2,804,132
Public Library	152,647
Shiloh Museum	50,044
Public Safety	
Animal services	36,123
Building inspection	20,507
Community engagement	12,408
Fire	901,131
Police	560,452
Public Works	8,889,029
Total governmental activities	<u>13,815,637</u>

Business-type Activities

Municipal airport	417,828
Aquatic Center	159,179
Sanitation	23,327
Total business-type activities	<u>600,334</u>

Total depreciation expenses - primary government \$ 14,415,971

Component Unit

City of Springdale, Arkansas Water and Sewer Commission	<u>\$ 8,056,136</u>
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**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
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The City has active construction projects as of December 31, 2016. Total outstanding commitments under authorized contracts for capital projects of governmental funds are as follows:

<u>Primary Government</u>	Expenditures Incurred to December 31, 2016	Remaining Commitments at December 31, 2016
Governmental activities		
Capital Projects		
Streets and drainage projects	\$ 6,572,323	\$ 5,133,912
Parks and recreation	522,606	1,321,379
Total commitments - primary government	<u>\$ 7,094,929</u>	<u>\$ 6,455,291</u>

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

***Business-type Component Unit***

At September 30, 2016, the Commission had several construction and repair and maintenance projects in various stages of completion. Unfulfilled contract commitments of approximately \$18,950,700 remained open on the construction and improvement contracts still in progress at September 30, 2016.

**Note 5: Long-Term Liabilities**

Changes in long-term liabilities for the year ended December 31, 2016, for the primary government were as follows:

Governmental Activities	Balance December 31, 2015	Increases	Decreases	Balance December 31, 2016	Due Within One Year
Bonds payable:					
Revenue bonds	\$ 131,775,000	\$ -	\$ 12,145,527	\$ 119,629,473	\$ 7,490,000
Add issuance premium	6,225,042	-	491,665	5,733,377	-
Bonds payable, net	<u>138,000,042</u>	<u>-</u>	<u>12,637,192</u>	<u>125,362,850</u>	<u>7,490,000</u>
Compensated absences	1,991,364	460,034	178,802	2,272,596	39,523
OPEB liability	3,031,860	471,612	-	3,503,472	-
Net pension liability	31,365,809	9,620,785	1,180,652	39,805,942	-
Total other long-term liabilities	<u>36,389,033</u>	<u>10,552,431</u>	<u>1,359,454</u>	<u>45,582,010</u>	<u>39,523</u>
Total	<u>\$ 174,389,075</u>	<u>\$ 10,552,431</u>	<u>\$ 13,996,646</u>	<u>\$ 170,944,860</u>	<u>\$ 7,529,523</u>

**City of Springdale, Arkansas**  
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Business-type Activities	Balance December 31, 2015	Increases	Decreases	Balance December 31, 2016	Due Within One Year
Compensated absences	\$ 7,557	\$ 1,366	\$ 2,319	\$ 6,604	\$ -
Total other long-term liabilities	<u>\$ 7,557</u>	<u>\$ 1,366</u>	<u>\$ 2,319</u>	<u>\$ 6,604</u>	<u>\$ -</u>

Changes in long-term liabilities for the year ended September 30, 2016 for the City's discretely presented component unit were as follows:

Component Unit	Balance September 30, 2015	Increases	Decreases	Balance September 30, 2016	Due Within One Year
<b>Water and Sewer Commission</b>					
Bonds payable					
Revenue bonds, Series 2006	\$ 2,740,000	\$ -	\$ 195,000	\$ 2,545,000	\$ 205,000
Compensated absences	800,966	622,231	545,386	877,811	376,011
OPEB liability	24,962	13,846	-	38,808	-
Total other long-term liabilities	<u>825,928</u>	<u>636,077</u>	<u>545,386</u>	<u>916,619</u>	<u>376,011</u>
Total	<u>\$ 3,565,928</u>	<u>\$ 636,077</u>	<u>\$ 740,386</u>	<u>\$ 3,461,619</u>	<u>\$ 581,011</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 percentage portion of pledged revenues for the Series 2013 Bonds of 81% results from pledged revenues from the 1% sales and use tax levied by the City totaling \$13,360,338 and the portion of pledged revenue stream for the bonds totaling \$10,814,201 for the year ended December 31, 2016. 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.

During 2016, the City used surplus tax receipts to call and redeem \$4,885,000 in Series 2013 bonds.

Series 2013 Bonds maturing July 1, 2025:

<b>Years</b>	<b>Principal Amount</b>
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. Bond premium amortization for 2016 was \$248,268.

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, 2016, the City held cash equivalents equal to \$1,055,060 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 percentage portion of pledged revenues for the Series 2012 bonds of 33% results from pledged revenues from the 1% sales and use tax levied by the City totaling \$13,360,338 and the portion of pledged revenue stream for the bonds totaling \$4,373,401 for the year ended December 31, 2016.

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

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

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

The Series 2012 Bonds were issued at a premium of \$4,721,820. This premium is being amortized over the life of the bonds using the effective interest method. Bond premium amortization for 2016 was \$243,397.

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, 2016, the City held cash equivalents equal to \$2,905,285 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 Revenues 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 Bond was issued to finance the acquisition of three separate tracts of land for the purpose of securing and developing industry within the City.

**City of Springdale, Arkansas**  
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The PFB is required to maintain an average deposit relationship of \$250,000 in an account with the purchaser of the bond which was met during 2016. At December 31, 2016, the PFB held cash equivalents equal to \$249,870 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, 2016.

Bonds payable at December 31, 2016, were as follows:

Primary Government	Issue Year	Final Maturity	Interest Rates	Bond Rating	Original Issue	Total Outstanding
Sales and Use Tax Bonds	2012	2032	1.1% - 5.01%	AA-	\$ 66,275,000	\$ 58,370,000
Sales and Use Tax Refunding Bonds	2013	2027	2.0 - 5.0%	A+	84,200,000	60,160,000
Revenue Bond	2015	2025	3.0%		1,160,000	1,099,473
						<u>\$ 119,629,473</u>

Debt service requirements for the governmental activities bonds at December 31, 2016 were as follows:

Primary Government	Principal	Interest	Total
2017	\$ 7,490,000	\$ 4,694,949	\$ 12,184,949
2018	7,840,000	4,445,539	12,285,539
2019	8,195,000	4,188,374	12,383,374
2020	8,570,000	3,918,494	12,488,494
2021	9,040,000	3,545,194	12,585,194
2022 - 2026	51,099,473	11,567,061	62,666,534
2027 - 2031	25,020,000	2,972,000	27,992,000
2032	2,375,000	71,250	2,446,250
	<u>\$ 119,629,473</u>	<u>\$ 35,402,861</u>	<u>\$ 155,032,334</u>

**Water and Sewer Revenue Bonds – 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.

As of September 30, 2016, the outstanding principal was \$2,545,000.

**City of Springdale, Arkansas**  
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Maturities of revenue bonds payable for the City’s component unit for subsequent fiscal years are as follows:

Component Unit	Principal	Interest	Total
Water and Sewer Commission			
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	250,000	80,000	330,000
2022 - 2025	1,415,000	198,250	1,613,250
	<u>\$ 2,545,000</u>	<u>\$ 712,375</u>	<u>\$ 3,257,375</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, 2016.

***Conduit Debt Obligations***

From time to time, the City has issued various bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial, commercial, health care and other facilities deemed to be in the public interest. Industrial and commercial bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Health care facilities bonds are secured by a pledge of the gross receipts of the corporation and are payable solely from the pledged revenues. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds.

The City's current conduit debt consists of the City of Springdale, Arkansas Public Facilities Board bonds in the amount of \$75,465,000 issued in 2016. The outstanding principle payable at December 31, 2016 is \$75,465,000.

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**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.

Interfund receivables and payables as of December 31, 2016 are as follows:

	Interfund Receivables	Interfund Payables
<u>Primary Government</u>		
Governmental Funds		
General	\$ 1,290,165	\$ 953,879
Street	7,532	28,598
Sales and Use Tax	1,731,129	1,179,380
Nonmajor governmental funds	22,511	805,096
Total governmental funds	3,051,337	2,966,953
Enterprise Funds		
Aquatic Center	-	2,131
Nonmajor enterprise funds	147	18
Total enterprise funds	147	2,149
Fiduciary Funds	112,361	194,624
Total Primary Government	\$ 3,163,845	\$ 3,163,726

The difference in the interfund receivables/payables of \$119 for the primary government is due to the different year end of the Springdale Water and Sewer Commission (Component Unit).

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

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Transfers in (out) for the year ended December 31, 2016 are as follows:

<u>Primary Government</u>	Transfers In	Transfers Out
<u>Governmental Funds</u>		
General	\$ 8,266,288	\$ 1,794,216
Street	466,356	636,671
Sales and Use Tax	636,671	8,423,045
Nonmajor governmental	1,432,186	280,660
Total governmental funds	<u>10,801,501</u>	<u>11,134,592</u>
<u>Proprietary Funds</u>		
Municipal Airport	275,517	-
Aquatic Center	72,574	-
Nonmajor proprietary funds	-	15,000
Total proprietary funds	<u>348,091</u>	<u>15,000</u>
 Total Primary Government	 <u>\$ 11,149,592</u>	 <u>\$ 11,149,592</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 each 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, 2016:

	<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	43	34	-
Active plan members	-	-	239
<b>Total</b>	<b>43</b>	<b>34</b>	<b>239</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, 2016</b>	
	<b>Firemen's Relief and Pension Fund</b>	<b>Policemen's Pension and Relief Fund</b>
<b>Assets</b>		
Cash and equivalents	\$ 1,413,481	\$ 289,971
Investments	6,490,569	7,452,602
Accounts receivable	558,966	567,325
Due from other funds	-	14,811
<b>Total Assets</b>	<b>8,463,016</b>	<b>8,324,709</b>
<b>Liabilities</b>		
Accrued liabilities	3,633	3,536
<b>Total Liabilities</b>	<b>3,633</b>	<b>3,536</b>
<b>Net Position</b>		
Net position restricted for pensions	<b>\$ 8,459,383</b>	<b>\$ 8,321,173</b>

**City of Springdale, Arkansas**  
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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>		
Employer contributions	\$ 593,335	\$ 665,893
State insurance turnback - supplements	64,476	66,340
Net investment income	489,275	543,877
<b>Total Additions</b>	<b>1,147,086</b>	<b>1,276,110</b>
<b>Deductions</b>		
Benefit payments	1,188,622	1,144,466
Benefit payments - supplements	64,476	66,340
Miscellaneous	-	258
<b>Total Deductions</b>	<b>1,253,098</b>	<b>1,211,064</b>
<b>Change in Fiduciary Net Position</b>	(106,012)	65,046
<b>Net Position Restricted for Pensions, Beginning of Year</b>	<b>8,565,395</b>	<b>8,256,127</b>
<b>Net Position Restricted for Pensions, End of Year</b>	<b>\$ 8,459,383</b>	<b>\$ 8,321,173</b>

***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	\$ 6,012,210	\$ 7,079,046	\$ 26,459,702	\$ 254,984	\$ 39,805,942
Deferred outflows of resources	174,258	282,502	8,085,141	76,521	8,618,422
Deferred outflows of resources - contributions	-	-	3,167,945	13,887	3,181,832
Deferred inflows of resources	-	-	10,434	9,271	19,705
Pension expense (reduction of expense)	(30,793)	498,028	4,948,587	41,702	5,457,524

***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 2016 were \$657,811. The City's share of contributions was \$657,811, and included \$64,476 in state insurance turnback - supplements and \$593,335 in employer contributions.

There are no asset concentrations over 5% as of December 31, 2016.

There were no active employees which were covered by the Plan for the year ended 2016.

***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 2016 were \$732,233. The City’s share of contributions was \$732,233, and included \$66,430 in state insurance turnback – supplements and \$665,893 in employer contributions.

The asset concentrations of over 5% are as follows:

Ishares MSCI EAFE	\$ 768,386
Ishares Russell 2000 Growth index Fund	538,186
SPDR S&P MidCap 400	1,068,426

There were no active employees which were covered by the Plan for the year ended 2016.

**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 annually and the last evaluation was as of December 31, 2016. 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, 2016 was 5 years.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2017 to December 31, 2012.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
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**Net Pension Liability**

The components of the net pension liability of the City as of December 31, 2016, were as follows:

Plan	Measurement Date	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	12/31/2016	\$ 14,471,593	\$ 8,459,383	\$ 6,012,210	58.5%
Policemen's Relief and Pension Fund	12/31/2016	15,400,219	8,321,173	7,079,046	54.0%

**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>		
Asset Class	Target Allocation	Long-term Expected Rate of Return
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, 2016.

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

**City of Springdale, Arkansas**  
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***Policemen's Pension and Relief 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. The investment strategy of the plan is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income. The primary objective in investment management is to emphasize long-term growth of principal while avoiding excess risk. The secondary objective is the preservation of capital – the emphasis is placed on minimizing return volatility rather than maximizing total return. The following was the Board's adopted asset allocation policy as of December 31, 2016.

<b>Target Allocation of Investments</b>	
<b>Asset Class</b>	<b>Policemen's Pension</b>
Domestic Fixed Income	30% - 50%
Domestic Equity	40% - 65%
Cash	0% - 20%

**Discount Rate**

In the December 31, 2016 actuarial valuation, a single discount rate of 5.0% was used to measure the total pension liability. This single discount rate was based on the weighted average expected rate of return on pension plan investments of 5.0%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**City of Springdale, Arkansas**  
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**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, 2015</b>	\$ 15,342,914	\$ 8,565,395	\$ 6,777,519
<b>Changes for the Year</b>			
Service Cost	-	-	-
Interest on Net Pension Liability	737,430	-	737,430
Difference between Expected and Actual Experience	(420,129)	-	(420,129)
Employer Contributions	-	593,335	(593,335)
State insurance turnback - supplements	64,476	64,476	-
Net Investment Income	-	489,275	(489,275)
Benefits and Refunds	(1,253,098)	(1,253,098)	-
Net Changes	(871,321)	(106,012)	(765,309)
<b>Balances at December 31, 2016</b>	<u>\$ 14,471,593</u>	<u>\$ 8,459,383</u>	<u>\$ 6,012,210</u>

***Policemen's Pension and Relief Fund (PPRF)***

**Change in Net Pension Liability - Policemen's Fund**

	<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, 2015</b>	\$ 15,750,516	\$ 8,256,127	\$ 7,494,389
<b>Changes for the Year</b>			
Service Cost	-	-	-
Interest on Net Pension Liability	758,914	-	758,914
Difference between Expected and Actual Experience	35,255	-	35,255
Employer Contributions	-	665,893	(665,893)
State insurance turnback - supplements	66,340	66,340	-
Net Investment Income (Loss)	-	543,877	(543,877)
Benefits and Refunds	(1,210,806)	(1,210,806)	-
Administrative Expenses	-	(258)	258
Net Changes	(350,297)	65,046	(415,343)
<b>Balances at December 31, 2016</b>	<u>\$ 15,400,219</u>	<u>\$ 8,321,173</u>	<u>\$ 7,079,046</u>

**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 the FRPF and PPRF plans 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>Current Single</b>		
		<b>1% Decrease 4.00%</b>	<b>Rate Assumption 5.00%</b>	<b>1% Increase 6.00%</b>
<b>Firemen's Pension</b>	City's Net Pension Liability	\$ 7,430,685	\$ 6,012,210	\$ 4,827,688
		<b>Current Single</b>		
		<b>1% Decrease 4.00%</b>	<b>Rate Assumption 5.00%</b>	<b>1% Increase 6.00%</b>
<b>Policemen's Pension</b>	City's Net Pension Liability	\$ 8,721,387	\$ 7,079,046	\$ 5,717,305

**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	2016	5.94%
	2015	0.53%
Policemen's Pension	2016	6.80%
	2015	-2.61%

**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, 2016, the City recognized a reduction in pension expense from its single-employer defined benefit plans of \$467,235. At December 31, 2016, the City reported net 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	\$ 456,760
Total	\$ 456,760

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, 2017. Other amounts reported as net deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending December 31,</b>	
2017	\$ 167,031
2018	167,031
2019	167,031
2020	(44,333)
Total	\$ 456,760

**City of Springdale, Arkansas**  
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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. Plan assets are held in trust and administered by Voya Financial, Inc. (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, 2016 employer and employee contributions to the plan were \$549,263 and \$274,631, 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 internet at [www.lopfi-prb.com](http://www.lopfi-prb.com), or by contacting 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 2016 was 22.00% for both paid firemen and for paid policemen. City contributions for 2016 were \$1,526,177 for paid firemen, and \$1,641,768 for paid policemen, and were equal to 100% of the required contributions. Employee contributions for 2016 were \$589,821 for paid firemen and \$186,566 for paid policemen. At December 31, 2016, there were 115 active paid firemen and 140 active paid policemen. Covered payroll was \$6,937,167 and \$7,463,028 for paid firemen and for paid policemen, respectively.

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

At December 31, 2016, the City reported a liability of \$26,459,702 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 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 the total employer contributions to the Plan of the group for the measurement period. At December 31, 2015, the City's proportion was 5.0422%, which is an increase of 0.3708% from the City's proportion of 4.6714% at December 31, 2014.

For the year ended December 31, 2016, the City recognized pension expense of \$4,948,587. At December 31, 2016, 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	\$ 279,908	\$ 10,434
Changes of assumptions	2,067,208	-
Net difference between projected and actual earnings on pension plan investments	4,722,451	-
Changes in proportion	1,015,574	-
Contributions subsequent to the measurement date	<u>3,167,945</u>	<u>-</u>
Total	<u>\$ 11,253,086</u>	<u>\$ 10,434</u>

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$3,167,945 will be recognized as a reduction of the net pension liability for the year ending December 31, 2017. 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>	
2017	\$ 2,069,887
2018	2,069,887
2019	2,070,454
2020	<u>1,864,479</u>
Total	<u>\$ 8,074,707</u>

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2016**

**Actuarial Assumptions**

The total pension liability in the December 31, 2015 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	2.75 percent (3.00 percent in prior year)
Wage inflation	3.75 percent (4.00 percent in prior year)
Salary increases	4.25 to 18.75 percent, including inflation (4.50 to 19.00 percent, including inflation, in prior year)
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation (8.00 percent, including inflation, in prior year)

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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 to December 31, 2011.

**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	100%	

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2016**

**Discount Rate**

In the December 31, 2015 actuarial valuation, a single discount rate of 7.75% (8.0% in prior year) 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 7.75%. 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 7.75 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 (6.75 percent) or 1-percentage-point higher (8.75 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>6.75%</b>	<b>7.75%</b>	<b>8.75%</b>
City's proportionate share of the net pension liability	\$ 41,636,521	\$ 26,459,702	\$ 13,747,264

**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**  
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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 \$179,754 for the fiscal year ended December 31, 2016.

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 Plan year ended June 30, 2016, as a percentage of active member payroll, are as follows:

State, County, Municipal, and Non-State Divisions:	14.50%
Wildlife and Military Department Civilian	
Firefighters Subdivisions	26.50%
District Judge Division	25.55%
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 employer contribution rate was 14.50% of covered payroll in 2016. Contributions made to the plan by employees and the City for the year ended December 31, 2016 amounted to \$8,988 and \$26,064, respectively.

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

At December 31, 2016, the City reported a liability of \$254,984 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the City's proportion was 0.01066276%, which is an increase of 0.00072839% from its proportion as of June 30, 2015 of 0.00993437%.

For the year ended December 31, 2016, the City recognized pension expense of \$41,702. At December 31, 2016, 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	\$ 44,518	\$ 9,147
Changes of assumptions	19,540	-
Net difference between projected and actual earnings on pension plan investments	241	-
Change in proportions	12,222	124
Contributions subsequent to the measurement date	<u>13,887</u>	<u>-</u>
Total	<u>\$ 90,408</u>	<u>\$ 9,271</u>

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
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The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$13,887 will be recognized as a reduction of the net pension liability for the year ending December 31, 2017. 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>
2017	\$ 16,143
2018	16,171
2019	15,781
2020	13,579
2021	5,576
Total	<u>\$ 67,250</u>

**Actuarial Assumptions**

The total pension liability in the June 30, 2016 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 (2.5 percent in prior year)
Wage inflation	3.25 percent (3.25percent in prior year)
Discount rate	7.50 percent (7.50 percent in prior year)
Salary increases	3.95 to 9.85 percent, including inflation (3.95 to 9.85 percent, including inflation, in prior year)
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation (7.50 percent, including inflation, in prior year)

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, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2007 through June 30, 2012.

**Pension Plan Fiduciary Net Position**

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

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
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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. 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:

<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>
Broad Domestic Equity	38%	6.82%
International Equity	24%	6.88%
Real Estate Related Assets	16%	3.07%
Absolute Return	5%	3.35%
Domestic Fund	17%	0.83%
Total	100%	

**Discount Rate**

In the June 30, 2016 actuarial valuation, a single discount rate of 7.50% (7.50% in prior year) 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.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
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**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	\$ 385,981	\$ 254,984	\$ 145,962

***Pension Plan – Component Unit***

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

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

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, 2016, the year-end for the Commission, were \$252,563.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2016**

**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 2016. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

***Deferred Compensation Plan – 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.

**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.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2016**

***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, 2016, the date of the actuarial valuation, the plan has 12 active participants who pay monthly premiums between \$329 for single coverage to \$905 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)	\$ 534,255
Interest on net OPEB obligation	136,434
Adjustment to annual required contribution	<u>(113,118)</u>
Annual OPEB cost	557,571
Total annual employer contribution (PAYGO cost)	<u>(85,959)</u>
Increase in net OPEB obligation	471,612
Net OPEB obligation – beginning of year	<u>3,031,860</u>
Net OPEB obligation – end of year	<u><u>\$ 3,503,472</u></u>

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	\$ 350,123
Amortization of UAAL	161,126
Interest cost	<u>23,006</u>
Annual required contribution	<u><u>\$ 534,255</u></u>

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
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The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years are as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
12/31/2016	\$ 557,571	15.42%	\$ 3,503,472
12/31/2015	483,815	17.00%	3,031,860
12/31/2014	594,436	12.70%	2,630,279

***Funded Status and Funding Progress***

As of January 1, 2016, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$4,512,937, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,512,937. The covered payroll was \$22,127,920, and the ratio of the UAAL to the covered payroll was 20.4%.

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

***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, 2016, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5% investment rate of return based upon funding the plan in the future, and an annual healthcare cost trend rate of 9.0% for 2017, reduced by decrements to an ultimate rate of 5.0% in 2025. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The amortization period at December 31, 2016, was 30 years.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2016**

***Component Unit – Water and Sewer Commission***

*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 \$383 per month to \$965 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, 2016.

*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, 2016**

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	\$ 14,768
Interest on net OPEB Obligation	1,123
Adjustment to annual required contribution	<u>(931)</u>
Annual OPEB cost	14,960
Total annual employer contribution (pay-as-you-go)	<u>(1,114)</u>
Increase in net OPEB obligation	13,846
Net OPEB Obligation – beginning of year	<u>24,962</u>
Net OPEB Obligation – end of year	<u><u>\$ 38,808</u></u>

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

Normal cost	\$ 9,378
Amortization of UAAL	636
Interest cost	<u>4,754</u>
Annual required contribution	<u><u>\$ 14,768</u></u>

The Commission’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2016	\$ 14,960	7.40%	\$ 38,808
9/30/2015	13,926	7.00%	24,962
9/30/2014	12,909	690.00%	12,013

*Funded Status and Funding Progress*

As of October 1, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$133,157, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$133,157. The covered payroll was \$4,606,687, and the ratio of the UAAL to the covered payroll was 2.89%.

# City of Springdale, Arkansas

## Notes to Financial Statements

### December 31, 2016

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, 2015 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 2015, and an annual healthcare cost trend rate of 8.0% for 2017, 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, 2016, was 30 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 2015 to 2016, 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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***Component Unit – Water and Sewer Commission***

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. The Commission purchases commercial insurance for claims arising from such matters other than medical malpractice and employee health claims. 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, 2016, property taxes receivable and related deferred inflows (unavailable revenue) of \$5,814,430 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 2016 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 \$6,990,000 of additional taxes could be raised per year based on the current year's assessed value of \$810,132,675 for real property and \$299,779,208 for personal property before the limit is reached.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2016**

**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 \$11,986,721 for 2016 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 \$13,360,338 for 2016, and are included in the Sales and Use Tax Fund's (\$9,028,108) and 2012 Bonds Debt Service Fund's (\$4,332,230) 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 \$1,313,546 for 2016 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 \$13,360,338 for 2016, 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 \$23,725 and \$14,701, respectively, for 2016 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, 2016**

**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.

***Component Unit – Water and Sewer Commission***

At various times, the Commission may be involved in litigation incidental to its operations. At September 30, 2016, 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, 2016**

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 2016 is as follows:

	Assigned	Nonspendable
Endowment fund balance - beginning of year	\$ 142,459	\$ 1,267,634
Available for distribution	(85,293)	85,293
Investment income (loss), net	-	61,648
Endowment fund balance - end of year	\$ 57,166	\$ 1,414,575

***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, 2016.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2016**

***Return Objectives and Risk Parameters***

The City's endowment is held by Arkansas Community Foundation, Inc. (ARCF) who has been granted variance power. These endowment funds are subject to the investment policies of ARCF. ARCF's investment strategy seeks to preserve the value of funds under management and to provide growth and income to support the charitable purposes for which endowment funds were created. Endowment assets are invested in a manner intended to produce a long-term average return, after inflation and net of investment and administrative costs, that exceeds charitable spending.

***Strategies Employed for Achieving Objectives***

To satisfy its long-term rate-of-return objectives, ARCF 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). Through a strategic assets allocation intended to achieve return objectives while minimizing risk, assets are invested in a diversified mix of equities, fixed-income instruments, cash and alternative classes such as hedge funds and private equity investments.

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

In accordance with the City's agreement with ARCF, the City is subject to the spending policy of ARCF. ARCF's spending policy provides an annual distribution of 4% of the grant making dollar's average ending market value of the previous 20 trailing quarters (if available), as calculated on the first day of ARCF's fiscal year. The averaging method is designed to smooth charitable spending over time and protect the fund from the effect of inflation and investment return fluctuations.

**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. 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) was issued to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The requirements of GASB 73 are effective for periods beginning after June 30, 2016.

GASB Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74) was issued to improve the usefulness of information about postemployment benefits other than pension (other postemployment benefits of OPEB) included in the general purpose external financial reports of state and local governments. The requirements of GASB 74 are effective for periods beginning after June 30, 2016.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2016**

GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions* (GASB 75) was issued to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The requirements of GASB 75 are effective for periods beginning after June 30, 2017.

GASB Statement No. 80 – *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14* (GASB 80) was issued to amend the blending requirements for the financial statement presentation of component units of all state and local governments. The requirements of GASB 80 are effective for periods beginning after June 15, 2016.

GASB Statement No. 81 – *Irrevocable Split-Interest Agreements*. This statement was issued to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions of GASB 81 are effective for periods beginning after December 15, 2016, and would be applied retroactively. GASB 81 is not anticipated to impact the City's financial statements since the City does not have any irrevocable split-interest agreements.

GASB Statement No. 82 – *Pension Issues-an amendment of GASB Statements No. 67, No.68, and No. 73*. The objective of this statement is to address issues regarding (1) the presentation of payroll-related measures in the supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contributions requirements. The provisions of GASB 82 are 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 provisions of GASB 82 would be applied on a prospective basis.

GASB Statement No. 83 – *Certain Asset Retirement Obligations*. The statement addresses issues in accounting and financial reporting for certain asset retirement obligations (AROs), including establishing criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This statement is effective for periods beginning after June 15, 2018, with earlier application encouraged.

GASB Statement No. 84 – *Fiduciary Activities*. This statement provides for greater consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. This statement is effective for periods beginning after December 15, 2018, with earlier application encouraged.

GASB Statement No. 85 – *Omnibus 2017*. This statement addresses practice issues that have been identified during implementation and application of certain GASB standards and addresses a variety of topics, including issues related to blending component units, goodwill, fair value measurement and postemployment benefits. This statement is effective for periods beginning after June 15, 2017, with earlier application encouraged.

**City of Springdale, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2016**

GASB Statement No. 86 – *Certain Debt Extinguishment Issues*. The statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement is effective for periods beginning after June 15, 2017, with earlier application encouraged.

The City has not yet determined the potential impact of implementing the above statements.

**Note 16: Subsequent Events**

During April 2017, the City sustained significant damage to various infrastructure as a result of flooding. The preliminary damage assessment estimated the cost to repair the damage to be approximately \$3,375,000. On June 15, 2017, the President declared a major disaster (FEMA-4318-DR) in Arkansas, therefore the City anticipates that Federal Emergency Management Administration (FEMA) funds will be received to offset a portion of the repair costs.

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## **Required Supplementary Information**

**City of Springdale, Arkansas**  
**Schedule of Funding Progress –**  
**Other Postemployment Benefit Plan**

<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%
1/1/2016	-	4,512,937	4,512,937	0.0%	22,127,920	20.4%

**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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Total Pension Liability</b>				
Service cost	\$ -	\$ -	\$ -	\$ -
Interest	737,430	818,743	832,851	853,931
Benefit changes	-	-	-	-
Difference between actual & expected experience *	(420,129)	(1,250,687)	95,678	241,918
Assumption changes	-	-	-	-
Benefit payments	(1,188,622)	(1,199,986)	(1,221,414)	(1,813,464)
Refunds	-	-	-	-
<b>Net Change in Total Pension Liability</b>	<u>(871,321)</u>	<u>(1,631,930)</u>	<u>(292,885)</u>	<u>(717,615)</u>
<b>Total Pension Liability - Beginning</b>	<u>15,342,914</u>	<u>16,974,844</u>	<u>17,267,729</u>	<u>17,985,344</u>
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 14,471,593</u>	<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	593,335	595,428	564,558	606,540
State insurance turnback - supplements	64,476	55,720	50,388	37,925
Net investment income (loss)	489,275	45,094	539,443	1,532,421
Benefit payments	(1,253,098)	(1,255,706)	(1,271,802)	(1,851,389)
Administrative expense	-	-	(25)	(292)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>(106,012)</u>	<u>(559,464)</u>	<u>(117,438)</u>	<u>327,917</u>
<b>Plan Fiduciary Net Position - Beginning</b>	<u>8,565,395</u>	<u>9,124,859</u>	<u>9,242,297</u>	<u>8,914,380</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 8,459,383</u>	<u>\$ 8,565,395</u>	<u>\$ 9,124,859</u>	<u>\$ 9,242,297</u>
<b>Net Pension Liability (a) - (b)</b>	<u>\$ 6,012,210</u>	<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>	58.46%	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	N/A

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

Information in this schedule has been determined as of the measurement date (December 31 of the current 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 available information.

**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	606,540	1,438,739	-	N/A
2014	1,809,537	564,311	1,245,226	-	N/A
2015	1,769,978	595,428	1,174,550	-	N/A
2016	1,531,255	593,335	937,920	-	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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Total Pension Liability</b>				
Service cost	\$ -	\$ -	\$ -	\$ -
Interest	758,914	809,001	822,232	834,870
Benefit changes	-	-	-	-
Difference between actual & expected experience *	35,255	(666,271)	57,613	56,839
Assumption changes	-	-	-	-
Benefit payments	(1,144,466)	(1,144,466)	(1,144,466)	(1,144,466)
Refunds	-	-	-	-
<b>Net Change in Total Pension Liability</b>	(350,297)	(1,001,736)	(264,621)	(252,757)
<b>Total Pension Liability - Beginning</b>	<u>15,750,516</u>	<u>16,752,252</u>	<u>17,016,873</u>	<u>17,269,630</u>
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 15,400,219</u>	<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	665,893	679,786	633,760	684,637
State insurance turnback - supplements	66,340	53,010	52,080	53,010
Net investment income (loss)	543,877	(176,004)	563,969	935,424
Benefit payments	(1,210,806)	(1,197,476)	(1,196,546)	(1,197,476)
Funeral benefit	-	(6,500)	-	-
Administrative expense	(258)	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	65,046	(647,184)	53,263	475,595
<b>Plan Fiduciary Net Position - Beginning</b>	<u>8,256,127</u>	<u>8,903,311</u>	<u>8,850,048</u>	<u>8,374,453</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 8,321,173</u>	<u>\$ 8,256,127</u>	<u>\$ 8,903,311</u>	<u>\$ 8,850,048</u>
<b>Net Pension Liability (a) - (b)</b>	<u>\$ 7,079,046</u>	<u>\$ 7,494,389</u>	<u>\$ 7,848,941</u>	<u>\$ 8,166,825</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	54.03%	52.42%	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	N/A

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

Information in this schedule has been determined as of the measurement date (December 31 of the current 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 available information.

**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	684,637	1,321,006	-	N/A
2014	1,841,418	633,760	1,207,658	-	N/A
2015	1,761,283	679,786	1,081,497	-	N/A
2016	1,692,892	432,233	1,260,659	-	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, 2016**

Plan	Fiscal Year Ended December 31,	Annual Money- weighted Rate of Return
Firemen's Relief and Pension Fund	2016	5.94%
	2015	0.53%
	2014	6.05%
Policemen's Pension and Relief Fund	2016	6.80%
	2015	-2.61%
	2014	7.09%

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

<u>City fiscal year ended December 31,</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	5.0422% (1)	4.6714%
City's proportionate share of the net pension liability	\$ 26,459,702	\$ 16,910,936
City's covered-employee payroll	\$ 14,400,195	\$ 14,276,230
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	183.75%	118.46%
Plan fiduciary net position as a percentage of the total pension liability	72.92%	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.

(1): Assumption changes for 2016 include a decrease in price inflation from 3.00 to 2.75 percent; a decrease in wage inflation from 4.00 to 3.75 percent; a decrease in salary increases from 4.50 to 19 percent to 4.25 to 18.75 percent; and a decrease in the investment rate of return from 8.00 to 7.75 percent.

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

<u>City fiscal year ended December 31,</u>	<u>2016</u>	<u>2015</u>
Actuarially determined statutorily Contributions in relation to the statutorily determined contribution	\$ 3,167,945 (1)	\$ 3,131,048
	<u>3,167,945</u>	<u>3,131,048</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 14,400,195	\$ 14,275,134
Contributions as a percentage of covered employee payroll	22.00%	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.

(1): Assumption changes for 2016 include a decrease in price inflation from 3.00 to 2.75 percent; a decrease in wage inflation from 4.00 to 3.75 percent; a decrease in salary increases from 4.50 to 19 percent to 4.25 to 18.75 percent; and a decrease in the investment rate of return from 8.00 to 7.75 percent.

**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>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.0107%	0.0099%
City's proportionate share of the net pension liability	\$ 254,984	\$ 182,965
City's covered-employee payroll	\$ 180,014	\$ 176,262
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	141.65%	103.80%
Plan fiduciary net position as a percentage of the total pension liability	75.50%	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**

<u>City fiscal year ended December 31,</u>	<u>2016</u>	<u>2015</u>
Statutorily determined contribution	\$ 26,064	\$ 27,053
Contributions in relation to the statutorily determined contribution	<u>26,064</u>	<u>27,053</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 179,754	\$ 184,976
Contributions as a percentage of covered employee payroll	14.50%	14.63%

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, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes				
Sales	\$ 13,294,050	\$ 13,294,050	\$ 13,300,267	\$ 6,217
Ad valorem	4,892,000	4,892,000	4,956,748	64,748
Franchise	3,950,000	3,950,000	3,777,200	(172,800)
Fees and permits:				
Building permits	415,000	415,000	798,932	383,932
Occupation permits	145,000	145,000	160,859	15,859
Other	152,750	152,750	179,209	26,459
Intergovernmental:				
Federal and state grants	318,000	348,000	465,629	117,629
State turnback	1,487,000	1,486,700	1,609,225	122,525
State turnback-insurance	975,000	975,000	1,256,212	281,212
City and county	18,000	18,000	29,711	11,711
Other	660,320	630,620	576,401	(54,219)
Charges for goods and services:				
Ambulance fees	1,900,000	1,900,000	1,485,420	(414,580)
Other revenues	641,000	706,000	951,375	245,375
Fines and forfeitures	884,500	884,500	950,907	66,407
Miscellaneous	289,840	232,320	527,688	295,368
<b>Total Revenues</b>	<u>30,022,460</u>	<u>30,029,940</u>	<u>31,025,783</u>	<u>995,843</u>
<b>Expenditures</b>				
<b>General Government</b>				
<b>Administration</b>				
Personnel	1,467,510	1,494,330	1,400,782	93,548
Buildings and equipment	116,050	116,050	115,658	392
Supplies	161,500	161,500	139,371	22,129
Other	888,000	888,000	570,783	317,217
Economic development	323,240	323,240	316,434	6,806
Capital	-	-	9,468	(9,468)
<b>Total Administration Expenditures</b>	<u>2,956,300</u>	<u>2,983,120</u>	<u>2,552,496</u>	<u>430,624</u>
<b>City Attorney</b>				
Personnel	667,480	667,480	665,664	1,816
Buildings and equipment	13,600	13,600	11,929	1,671
Supplies	12,500	12,500	12,133	367
Other	23,000	23,000	16,110	6,890
<b>Total City Attorney Expenditures</b>	<u>716,580</u>	<u>716,580</u>	<u>705,836</u>	<u>10,744</u>
<b>Information Technology</b>				
Personnel	362,430	382,870	346,036	36,834
Buildings and equipment	358,700	358,700	358,995	(295)
Supplies	14,700	14,700	7,601	7,099
Other	95,500	95,500	133,669	(38,169)
Capital	20,000	20,000	17,015	2,985
<b>Total Information Technology Expenditures</b>	<u>851,330</u>	<u>871,770</u>	<u>863,316</u>	<u>8,454</u>
<b>Total General Government Expenditures</b>	<u>4,524,210</u>	<u>4,571,470</u>	<u>4,121,648</u>	<u>449,822</u>

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual – General Fund (Continued)**  
**Year Ended December 31, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Culture and Recreation				
Shiloh Museum				
Personnel	\$ 576,550	\$ 576,550	\$ 574,314	\$ 2,236
Buildings and equipment	35,700	35,700	26,213	9,487
Supplies	62,700	62,700	67,498	(4,798)
Other	17,350	17,350	19,413	(2,063)
Total Shiloh Museum Expenditures	<u>692,300</u>	<u>692,300</u>	<u>687,438</u>	<u>4,862</u>
Parks and Recreation				
Personnel	1,568,040	1,568,040	1,566,407	1,633
Buildings and equipment	324,900	324,900	454,179	(129,279)
Supplies	374,300	374,300	477,506	(103,206)
Other	88,910	88,910	103,332	(14,422)
Capital	403,000	403,000	370,589	32,411
Total Parks and Recreation Expenditures	<u>2,759,150</u>	<u>2,759,150</u>	<u>2,972,013</u>	<u>(212,863)</u>
Total Culture and Recreation Expenditures	<u>3,451,450</u>	<u>3,451,450</u>	<u>3,659,451</u>	<u>(208,001)</u>
Community Development:				
Planning and Community Development				
Personnel	356,480	356,480	355,286	1,194
Buildings and equipment	3,750	3,750	3,388	362
Supplies	8,000	8,000	5,349	2,651
Other	60,480	60,480	22,732	37,748
Total Planning and Community Development Expenditures	<u>428,710</u>	<u>428,710</u>	<u>386,755</u>	<u>41,955</u>
Engineering				
Personnel	461,910	461,910	411,876	50,034
Buildings and equipment	8,500	8,500	5,563	2,937
Supplies	13,000	13,000	10,047	2,953
Other	139,920	139,920	129,461	10,459
Total Engineering Expenditures	<u>623,330</u>	<u>623,330</u>	<u>556,947</u>	<u>66,383</u>
Total Community Development Expenditures	<u>1,052,040</u>	<u>1,052,040</u>	<u>943,702</u>	<u>108,338</u>

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual – General Fund (Continued)**  
**Year Ended December 31, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Safety:				
Animal Services				
Personnel	\$ 501,400	\$ 501,400	\$ 479,464	\$ 21,936
Buildings and equipment	42,500	42,500	57,069	(14,569)
Supplies	105,000	105,000	124,015	(19,015)
Other	82,500	82,500	89,614	(7,114)
Total Animal Services Expenditures	<u>731,400</u>	<u>731,400</u>	<u>750,162</u>	<u>(18,762)</u>
Building Inspection				
Personnel	502,370	502,370	492,740	9,630
Buildings and equipment	15,050	15,050	10,108	4,942
Supplies	34,250	34,250	25,287	8,963
Other	32,500	32,500	47,767	(15,267)
Capital	25,000	25,000	22,995	2,005
Total Building Inspection Expenditures	<u>609,170</u>	<u>609,170</u>	<u>598,897</u>	<u>10,273</u>
Community Engagement / Code Enforcement				
Personnel	314,240	314,240	284,701	29,539
Buildings and equipment	12,200	12,200	12,250	(50)
Supplies	25,600	25,600	22,636	2,964
Other	25,500	25,500	23,236	2,264
Capital	43,800	43,800	46,632	(2,832)
Total Community Engagement Expenditures	<u>421,340</u>	<u>421,340</u>	<u>389,455</u>	<u>31,885</u>
Police				
Personnel	13,994,700	13,994,700	13,351,822	642,878
Buildings and equipment	318,150	318,150	378,717	(60,567)
Supplies	492,000	492,000	430,500	61,500
Other	409,500	496,207	905,238	(409,031)
Capital	724,290	801,510	816,831	(15,321)
Total Police Expenditures	<u>15,938,640</u>	<u>16,102,567</u>	<u>15,883,108</u>	<u>219,459</u>
Fire				
Personnel	10,043,820	10,162,290	10,115,710	46,580
Buildings and equipment	386,350	386,350	302,240	84,110
Supplies	630,000	630,000	567,238	62,762
Other	334,000	334,000	408,665	(74,665)
Capital	186,000	604,000	686,929	(82,929)
Total Fire Expenditures	<u>11,580,170</u>	<u>12,116,640</u>	<u>12,080,782</u>	<u>35,858</u>
Total Public Safety Expenditures	<u>29,280,720</u>	<u>29,981,117</u>	<u>29,702,404</u>	<u>278,713</u>

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual – General Fund (Continued)**  
**Year Ended December 31, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Total Expenditures	\$ 38,308,420	\$ 39,056,077	\$ 38,427,205	\$ 628,872
Excess (Deficiency) of Revenues Over Expenditures	(8,285,960)	(9,026,137)	(7,401,422)	1,624,715
Other Financing Sources (Uses)				
Transfers in	8,608,500	8,608,500	8,266,288	(342,212)
Transfers out	(1,941,480)	(1,941,480)	(1,794,216)	147,264
Proceeds from sale of capital assets	-	18,330	43,372	25,042
Insurance recoveries	-	42,420	106,439	64,019
Total Other Financing Sources (Uses)	6,667,020	6,727,770	6,621,883	(105,887)
Net Change in Fund Balance	(1,618,940)	(2,298,367)	(779,539)	1,518,828
Fund Balance - Beginning of Year	7,499,433	7,499,433	7,499,433	-
Fund Balance - End of Year	\$ 5,880,493	\$ 5,201,066	\$ 6,719,894	\$ 1,518,828

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual – Street Fund**  
**Year Ended December 31, 2016**

	Budgeted Amounts		Actual Amounts	Variances Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Ad valorem	\$ 904,500	\$ 904,500	\$ 919,576	\$ 15,076
Fees and permits	3,500	3,500	2,774	(726)
Intergovernmental				
Federal and state grants	-	-	25,527	25,527
State turnback-street	4,598,500	4,598,500	4,699,795	101,295
Other	-	-	12,157	12,157
Charges for goods and services				
Street signs	500	500	1,522	1,022
Street and curb cut repairs	24,000	24,000	19,811	(4,189)
Investment earnings (losses)	17,200	17,200	(2,538)	(19,738)
Miscellaneous	4,000	4,000	12,518	8,518
Total Revenues	<u>5,552,200</u>	<u>5,552,200</u>	<u>5,691,142</u>	<u>138,942</u>
Expenditures				
Public Works				
Street Fund				
Personnel	2,374,180	2,374,180	2,269,049	105,131
Buildings and equipment	173,950	175,450	170,081	5,369
Supplies	2,326,500	2,356,000	874,349	1,481,651
Regional support	265,000	265,000	265,000	-
Other	1,060,170	836,670	489,809	346,861
Capital	609,860	802,360	923,644	(121,284)
Total Public Works Expenditures	<u>6,809,660</u>	<u>6,809,660</u>	<u>4,991,932</u>	<u>1,817,728</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,257,460)	(1,257,460)	699,210	1,956,670
Other Financing Sources (Uses)				
Transfers in	505,130	505,130	466,356	(38,774)
Transfers out	(1,000,000)	(1,000,000)	(636,671)	363,329
Insurance recoveries	-	-	230	230
Total Other Financing Sources (Uses)	<u>(494,870)</u>	<u>(494,870)</u>	<u>(170,085)</u>	<u>324,785</u>
Net Change in Fund Balance	<u>(1,752,330)</u>	<u>(1,752,330)</u>	<u>529,125</u>	<u>2,281,455</u>
Fund Balances - Beginning of Year	<u>1,807,404</u>	<u>1,807,404</u>	<u>1,807,404</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 55,074</u>	<u>\$ 55,074</u>	<u>\$2,336,529</u>	<u>\$2,281,455</u>

**City of Springdale, Arkansas**  
**Notes to Required Supplementary Information**  
**Year Ended December 31, 2016**

**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 2016. The *Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual* for these two funds present the original and revised budget amounts in comparison to the actual amounts of revenues and expenditures for the current year.

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**Combining and Individual Fund Financial Statements and  
Schedules and Budgetary Comparison Schedules**

**City of Springdale, Arkansas**  
**Combining Balance Sheet – Nonmajor Governmental Funds**  
**December 31, 2016**

	Special Revenue Funds						
	Public Library Fund	Shiloh Museum Board Fund	Advertising and Promotion Fund	District Court Costs Fund	Arvest Ballpark Fund	Public Library Board Foundation Fund	Community Development Block Grant Fund
<b>Assets</b>							
Cash and cash equivalents	\$ 103,604	\$ 411,786	\$ 168,160	\$ 27,703	\$ 36,334	\$ 588,229	\$ 3,427
Investments	-	57,166	138,650	-	836,617	-	-
Accounts receivable	399	-	26,083	-	-	-	-
Interest receivable	-	-	100	-	4,910	-	-
Intergovernmental receivables	3,986	-	-	47,907	-	-	20,939
Note receivable	-	-	-	-	-	-	-
Due from other funds	-	-	-	18,941	1,219	2,351	-
Assets held for resale	-	-	-	-	-	-	-
Other assets	-	-	-	2,305	-	-	-
Restricted assets:							
Cash and cash equivalents	-	-	-	109,232	-	5,395	-
Investments	-	1,414,575	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-	-	-
Intergovernmental receivables	-	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-
Total Assets	<u>\$ 107,989</u>	<u>\$ 1,883,527</u>	<u>\$ 332,993</u>	<u>\$ 206,088</u>	<u>\$ 879,080</u>	<u>\$ 595,975</u>	<u>\$ 24,366</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 18,240	\$ 6,546	\$ 11,000	\$ 12,467	\$ 22,572	\$ -	\$ 1,840
Salaries payable	20,447	-	-	5,532	-	-	1,476
Payable from restricted assets:							
Accounts payable	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Due to other funds	2,351	-	-	16,373	2,099	-	20,300
Unearned revenue	-	-	-	-	58,580	-	-
Total Liabilities	<u>41,038</u>	<u>6,546</u>	<u>11,000</u>	<u>34,372</u>	<u>83,251</u>	<u>-</u>	<u>23,616</u>
<b>Fund Balances</b>							
Nonspendable	-	1,414,575	-	2,305	-	-	-
Restricted for:							
Court automation	-	-	-	109,232	-	-	-
Grant expenditures	-	-	-	-	-	2,279	-
Other purposes	-	-	-	-	-	3,116	-
Assigned	66,951	462,406	321,993	60,179	795,829	590,580	750
Total Fund Balances	<u>66,951</u>	<u>1,876,981</u>	<u>321,993</u>	<u>171,716</u>	<u>795,829</u>	<u>595,975</u>	<u>750</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 107,989</u>	<u>\$ 1,883,527</u>	<u>\$ 332,993</u>	<u>\$ 206,088</u>	<u>\$ 879,080</u>	<u>\$ 595,975</u>	<u>\$ 24,366</u>

Capital Projects Funds				Debt Service Funds		Permanent Fund	Total Nonmajor Governmental Funds
2012 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	
\$ -	\$ -	\$ -	\$ 537,350	\$ -	\$ -	\$ 102,306	\$ 1,978,899
-	-	-	566,374	-	-	375,018	1,973,825
-	-	-	-	-	-	11,710	38,192
-	-	-	401	-	-	722	6,133
-	-	-	-	-	-	-	72,832
-	-	-	330,142	-	-	-	330,142
-	-	-	-	-	-	-	22,511
-	-	-	2,678,121	-	-	-	2,678,121
-	-	-	6,300	-	-	-	8,605
1,444,975	-	-	249,756	944,344	113	-	2,753,815
-	-	-	-	2,694,145	-	32,720	4,141,440
1,509,695	-	-	-	-	-	-	1,509,695
218,500	-	-	-	733,515	-	-	952,015
393	-	-	-	1,284	-	-	1,677
<u>\$ 3,173,563</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,368,444</u>	<u>\$ 4,373,288</u>	<u>\$ 113</u>	<u>\$ 522,476</u>	<u>\$ 16,467,902</u>
\$ -	\$ -	\$ -	\$ 10,000	\$ -	\$ -	\$ 1,014	\$ 83,679
-	-	-	-	-	-	161	27,616
59,415	-	-	-	-	-	-	59,415
763,973	-	-	-	-	-	-	763,973
-	-	-	-	-	-	-	41,123
-	-	-	-	-	-	-	58,580
<u>823,388</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>1,175</u>	<u>1,034,386</u>
-	-	-	2,684,421	-	-	32,720	4,134,021
-	-	-	-	-	-	-	109,232
-	-	-	-	-	-	-	2,279
2,350,175	-	-	249,756	4,373,288	113	-	6,976,448
-	-	-	1,424,267	-	-	488,581	4,211,536
<u>2,350,175</u>	<u>-</u>	<u>-</u>	<u>4,358,444</u>	<u>4,373,288</u>	<u>113</u>	<u>521,301</u>	<u>15,433,516</u>
<u>\$ 3,173,563</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,368,444</u>	<u>\$ 4,373,288</u>	<u>\$ 113</u>	<u>\$ 522,476</u>	<u>\$ 16,467,902</u>

**City of Springdale, Arkansas**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2016**

	Special Revenue Funds					
	Public Library Fund	Shiloh Museum Board Fund	Advertising and Promotion Fund	District Court Costs Fund	Arvest Ball Park Fund	Public Library Board Foundation Fund
<b>Revenues</b>						
Taxes	\$ 49,838	\$ -	\$ 461,572	\$ -	\$ -	\$ -
Fees and permits	-	23,008	-	201,452	-	-
Intergovernmental	1,193,352	5,000	-	124,209	-	-
Charges for goods and services	-	29,739	-	-	361,928	-
Fines and forfeitures	47,292	-	-	-	-	-
Investment earnings (losses)	485	78,713	112	1,376	(11,946)	269
Miscellaneous	34,719	37,332	-	139	-	66,191
<b>Total Revenues</b>	<u>1,325,686</u>	<u>173,792</u>	<u>461,684</u>	<u>327,176</u>	<u>349,982</u>	<u>66,460</u>
<b>Expenditures</b>						
Current						
General government	-	-	-	980,251	-	-
Community development	-	-	-	-	-	-
Culture and recreation	1,977,205	65,093	-	-	171,509	32,496
Economic development	-	-	448,397	-	-	-
Capital expenditures	6,073	8,179	-	25,223	1,179,641	-
Debt service						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Other fees	-	-	-	-	-	-
Agent fees	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>1,983,278</u>	<u>73,272</u>	<u>448,397</u>	<u>1,005,474</u>	<u>1,351,150</u>	<u>32,496</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(657,592)</u>	<u>100,520</u>	<u>13,287</u>	<u>(678,298)</u>	<u>(1,001,168)</u>	<u>33,964</u>
<b>Other Financing Sources (Uses)</b>						
Transfers in	698,110	-	-	629,750	-	-
Transfers out	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>698,110</u>	<u>-</u>	<u>-</u>	<u>629,750</u>	<u>-</u>	<u>-</u>
<b>Net Changes in Fund Balances</b>	40,518	100,520	13,287	(48,548)	(1,001,168)	33,964
<b>Fund Balances - Beginning of Year</b>	<u>26,433</u>	<u>1,776,461</u>	<u>308,706</u>	<u>220,264</u>	<u>1,796,997</u>	<u>562,011</u>
<b>Fund Balances - End of Year</b>	<u>\$ 66,951</u>	<u>\$ 1,876,981</u>	<u>\$ 321,993</u>	<u>\$ 171,716</u>	<u>\$ 795,829</u>	<u>\$ 595,975</u>

Community Development Block Grant Fund	Capital Projects Funds				Debt Service Funds		Permanent Fund	Total Nonmajor Governmental Funds
	2012 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	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,332,230	\$ -	\$ -	\$ 4,843,640
-	-	-	-	-	-	-	-	224,460
695,440	218,500	-	-	-	-	-	-	2,236,501
-	-	-	-	124,700	-	-	40,475	556,842
-	-	-	-	-	-	-	-	47,292
-	8,587	1,880	190	17,761	53,898	-	698	152,023
76,276	-	-	-	1,190	-	-	-	215,847
<u>771,716</u>	<u>227,087</u>	<u>1,880</u>	<u>190</u>	<u>143,651</u>	<u>4,386,128</u>	<u>-</u>	<u>41,173</u>	<u>8,276,605</u>
-	-	-	-	-	-	-	61,139	1,041,390
757,054	-	-	-	-	-	-	-	757,054
-	-	-	-	-	-	-	-	2,246,303
-	-	-	-	80,673	-	-	-	529,070
3,650	3,064,964	1,230,947	321,447	94,561	-	-	-	5,934,685
-	-	-	-	-	2,185,000	60,527	-	2,245,527
-	-	-	-	-	2,113,788	43,643	-	2,157,431
-	-	-	-	-	3,300	-	-	3,300
-	-	-	2	-	6,000	-	-	6,002
<u>760,704</u>	<u>3,064,964</u>	<u>1,230,947</u>	<u>321,449</u>	<u>175,234</u>	<u>4,308,088</u>	<u>104,170</u>	<u>61,139</u>	<u>14,920,762</u>
<u>11,012</u>	<u>(2,837,877)</u>	<u>(1,229,067)</u>	<u>(321,259)</u>	<u>(31,583)</u>	<u>78,040</u>	<u>(104,170)</u>	<u>(19,966)</u>	<u>(6,644,157)</u>
-	143	-	-	-	-	104,183	-	1,432,186
-	-	(84)	(59)	(209,398)	(71,119)	-	-	(280,660)
-	774	-	-	-	-	-	-	774
<u>-</u>	<u>917</u>	<u>(84)</u>	<u>(59)</u>	<u>(209,398)</u>	<u>(71,119)</u>	<u>104,183</u>	<u>-</u>	<u>1,152,300</u>
11,012	(2,836,960)	(1,229,151)	(321,318)	(240,981)	6,921	13	(19,966)	(5,491,857)
<u>(10,262)</u>	<u>5,187,135</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>20,925,373</u>
\$ 750	\$ 2,350,175	\$ -	\$ -	\$ 4,358,444	\$ 4,373,288	\$ 113	\$ 521,301	\$ 15,433,516

**City of Springdale, Arkansas**  
**Combining Statement of Net Position –**  
**Nonmajor Enterprise Funds**  
**December 31, 2016**

	Enterprise Funds		
	City Attorney Restitution Fund	Sanitation Fund	Total Nonmajor Enterprise Funds
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 10,513	\$ 81,457	\$ 91,970
Accounts receivable	-	33,118	33,118
Due from other funds	147	-	147
Total current assets	<u>10,660</u>	<u>114,575</u>	<u>125,235</u>
Capital assets			
Machinery and equipment	-	233,272	233,272
Less accumulated depreciation	-	<u>(158,252)</u>	<u>(158,252)</u>
Total capital assets, net of accumulated depreciation	<u>-</u>	<u>75,020</u>	<u>75,020</u>
Total assets	<u>10,660</u>	<u>189,595</u>	<u>200,255</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	-	1,400	1,400
Salaries payable	-	1,472	1,472
Due to other funds	18	-	18
Total current liabilities	<u>18</u>	<u>2,872</u>	<u>2,890</u>
Noncurrent liabilities			
Compensated absences	-	3,811	3,811
Total liabilities	<u>18</u>	<u>6,683</u>	<u>6,701</u>
<b>Net Position</b>			
Net investment in capital assets	-	75,020	75,020
Unrestricted	<u>10,642</u>	<u>107,892</u>	<u>118,534</u>
Total net position	<u>\$ 10,642</u>	<u>\$ 182,912</u>	<u>\$ 193,554</u>

**City of Springdale, Arkansas**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position –**  
**Nonmajor Enterprise Funds**  
**Year Ended December 31, 2016**

	Enterprise Funds		Total Nonmajor Enterprise Funds
	City Attorney Restitution Fund	Sanitation Fund	
<b>Operating Revenues</b>			
Charges for services			
Other service fees	\$ 10,102	\$ 157,164	\$ 167,266
Total operating revenues	<u>10,102</u>	<u>157,164</u>	<u>167,266</u>
<b>Operating Expenses</b>			
Personnel	-	114,069	114,069
Supplies	176	11,623	11,799
Other	-	2,576	2,576
Depreciation	-	23,327	23,327
Total operating expenses	<u>176</u>	<u>151,595</u>	<u>151,771</u>
<b>Operating Income</b>	<u>9,926</u>	<u>5,569</u>	<u>15,495</u>
<b>Nonoperating Revenues</b>			
Investment earnings	-	384	384
Total Nonoperating Revenues	<u>-</u>	<u>384</u>	<u>384</u>
<b>Income Before Transfers</b>	9,926	5,953	15,879
<b>Transfers out</b>	<u>(15,000)</u>	<u>-</u>	<u>(15,000)</u>
<b>Change in Net Position</b>	(5,074)	5,953	879
<b>Net Position - Beginning of Year</b>	<u>15,716</u>	<u>176,959</u>	<u>192,675</u>
<b>Net Position - End of Year</b>	<u>\$ 10,642</u>	<u>\$ 182,912</u>	<u>\$ 193,554</u>

**City of Springdale, Arkansas**  
**Combining Statement of Cash Flows –**  
**Nonmajor Enterprise Funds**  
**Year Ended December 31, 2016**

	Enterprise Funds		
	City Attorney Restitution Fund	Sanitation Fund	Total Nonmajor Enterprise Funds
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 10,102	\$ 155,285	\$ 165,387
Payments to suppliers	(176)	(14,863)	(15,039)
Payments to employees	-	(114,169)	(114,169)
Net cash provided by (used in) operating activities	<u>9,926</u>	<u>26,253</u>	<u>36,179</u>
Cash Flows From Noncapital Financing Activities			
Transfer to other funds	(15,000)	-	(15,000)
Receipt (payment) of interfund balances	158	-	158
Net cash provided by (used in) noncapital financing activities	<u>(14,842)</u>	<u>-</u>	<u>(14,842)</u>
Cash Flows From Investing Activities			
Interest received	-	384	384
Net cash provided by investing activities	<u>-</u>	<u>384</u>	<u>384</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(4,916)	26,637	21,721
Cash and Cash Equivalents, January 1	<u>15,429</u>	<u>54,820</u>	<u>70,249</u>
Cash and Cash Equivalents, December 31	<u>\$ 10,513</u>	<u>\$ 81,457</u>	<u>\$ 91,970</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities			
Operating income (loss)	<u>\$ 9,926</u>	<u>\$ 5,569</u>	<u>\$ 15,495</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	-	23,327	23,327
(Increase) in accounts receivable	-	(1,879)	(1,879)
Increase (decrease) in accounts payable	-	(664)	(664)
Increase in salaries payable	-	52	52
Increase (decrease) in compensated absences	-	(152)	(152)
Total adjustments	<u>-</u>	<u>20,684</u>	<u>20,684</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 9,926</u>	<u>\$ 26,253</u>	<u>\$ 36,179</u>

**City of Springdale, Arkansas**  
**Combining Statement of Changes in Assets and Liabilities –**  
**Agency Funds**  
**Year Ended December 31, 2016**

	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016
<b>POLICE BOND AND FINE FUND</b>				
Assets				
Cash	\$ 19,510	\$ 19	\$ -	\$ 19,529
Liabilities				
Due to other funds	12,788	19	-	12,807
Due to others	6,722	-	-	6,722
Total Liabilities	<u>\$ 19,510</u>	<u>\$ 19</u>	<u>\$ -</u>	<u>\$ 19,529</u>
 <b>DISTRICT COURT FUND</b>				
Assets				
Cash	\$ 707,875	\$ 2,873,874	\$ 3,042,070	\$ 539,679
Accounts receivable	2,088,557	-	2,088,557	-
Due from other funds	27,588	513	314	27,787
Total Assets	<u>2,824,020</u>	<u>2,874,387</u>	<u>5,130,941</u>	<u>567,466</u>
Liabilities				
Due to other funds	185,144	2,051,865	2,086,115	150,894
Due to others	2,638,876	822,022	3,044,326	416,572
Total Liabilities	<u>\$ 2,824,020</u>	<u>\$ 2,873,887</u>	<u>\$ 5,130,441</u>	<u>\$ 567,466</u>
 <b>PAYROLL FUND</b>				
Assets				
Cash	\$ 541,873	\$ 16,914,002	\$ 16,936,804	\$ 519,071
Accounts receivable	64	708	356	416
Total Assets	<u>541,937</u>	<u>16,914,710</u>	<u>16,937,160</u>	<u>519,487</u>
Liabilities				
Due to other funds	18,000	-	1,993	16,007
Accounts payable	360,380	6,007,353	6,032,513	335,220
Accrued liabilities	163,557	16,658,342	16,653,639	168,260
Total Liabilities	<u>\$ 541,937</u>	<u>\$ 22,665,695</u>	<u>\$ 22,688,145</u>	<u>\$ 519,487</u>

**City of Springdale, Arkansas**  
**Combining Statement of Changes in Assets and Liabilities –**  
**Agency Funds (Continued)**  
**Year Ended December 31, 2016**

	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016
<b>POLICE EVIDENCE FUND</b>				
Assets				
Cash	\$ 41,060	\$ 82,378	\$ 121,101	\$ 2,337
Accounts receivable	-	1,835	-	1,835
Total Assets	<u>41,060</u>	<u>84,213</u>	<u>121,101</u>	<u>4,172</u>
Liabilities				
Due to other funds	140	43	180	3
Accounts payable	40,920	84,170	120,921	4,169
Total Liabilities	<u>\$ 41,060</u>	<u>\$ 84,213</u>	<u>\$ 121,101</u>	<u>\$ 4,172</u>
 <b>ADMINISTRATION OF JUSTICE FUND</b>				
Assets				
Cash	\$ -	\$ 972,771	\$ 972,771	\$ -
Due from other funds	90,005	950,015	970,257	69,763
Total Assets	<u>90,005</u>	<u>1,922,786</u>	<u>1,943,028</u>	<u>69,763</u>
Liabilities				
Due to other funds	14,913	178,961	178,961	14,913
Accounts payable	75,092	771,054	791,296	54,850
Total Liabilities	<u>\$ 90,005</u>	<u>\$ 950,015</u>	<u>\$ 970,257</u>	<u>\$ 69,763</u>
 <b>ALL AGENCY FUNDS</b>				
Assets				
Cash	\$ 1,310,318	\$ 20,843,044	\$ 21,072,746	\$ 1,080,616
Due from other funds	117,593	950,528	970,571	97,550
Accounts receivable	2,088,621	2,543	2,088,913	2,251
Total Assets	<u>3,516,532</u>	<u>21,796,115</u>	<u>24,132,230</u>	<u>1,180,417</u>
Liabilities				
Due to other funds	230,985	2,230,888	2,267,249	194,624
Accounts payable	3,121,990	7,684,599	9,989,056	817,533
Accrued liabilities	163,557	16,658,342	16,653,639	168,260
Total Liabilities	<u>\$ 3,516,532</u>	<u>\$ 26,573,829</u>	<u>\$ 28,909,944</u>	<u>\$ 1,180,417</u>

**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, 2016**

	<u>Budgeted Amounts</u>		Actual Amounts	Variances
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes				
Sales	\$ 8,842,090	\$ 8,842,090	\$ 9,028,108	\$ 186,018
Intergovernmental	1,000,000	1,000,000	1,951,066	951,066
Investment earnings	150,000	150,000	28,110	(121,890)
Miscellaneous	-	-	613,743	613,743
Total Revenues	<u>9,992,090</u>	<u>9,992,090</u>	<u>11,621,027</u>	<u>1,628,937</u>
Expenditures				
Capital Projects:				
Capital	<u>5,351,280</u>	<u>5,351,280</u>	<u>7,439,865</u>	<u>(2,088,585)</u>
Total Capital Projects Expenditures	<u>5,351,280</u>	<u>5,351,280</u>	<u>7,439,865</u>	<u>(2,088,585)</u>
Excess of Revenues Over Expenditures	<u>4,640,810</u>	<u>4,640,810</u>	<u>4,181,162</u>	<u>(459,648)</u>
Other Financing Sources (Uses)				
Transfers in	1,000,000	1,000,000	636,671	(363,329)
Transfers out	(8,603,450)	(8,603,450)	(8,423,045)	180,405
Refund of contributed capital	-	-	(2,000)	(2,000)
Total Other Financing Sources (Uses)	<u>(7,603,450)</u>	<u>(7,603,450)</u>	<u>(7,788,374)</u>	<u>(184,924)</u>
Net Change in Fund Balance	(2,962,640)	(2,962,640)	(3,607,212)	(644,572)
Fund Balances - Beginning of Year	<u>13,929,340</u>	<u>13,929,340</u>	<u>13,929,340</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 10,966,700</u>	<u>\$ 10,966,700</u>	<u>\$ 10,322,128</u>	<u>\$ (644,572)</u>

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance –**  
**Budget and Actual – Public Library Fund**  
**Year Ended December 31, 2016**

	Budgeted Amounts		Actual Amounts	Variances Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Ad valorem	\$ 47,500	\$ 47,500	\$ 49,838	\$ 2,338
Intergovernmental				
State grants	-	-	120	120
County aid	1,155,510	1,155,510	1,193,232	37,722
Fines	60,000	60,000	47,292	(12,708)
Investment earnings	200	200	485	285
Miscellaneous	30,000	30,000	34,719	4,719
Total revenues	<u>1,293,210</u>	<u>1,293,210</u>	<u>1,325,686</u>	<u>32,476</u>
Expenditures				
Culture and recreation				
Public Library				
Personnel	1,260,270	1,260,270	1,226,681	33,589
Maintenance	189,950	189,950	179,563	10,387
Supplies	511,000	511,000	491,224	19,776
Other	81,300	81,300	79,737	1,563
Capital	-	-	6,073	(6,073)
Total Public Library expenditures	<u>2,042,520</u>	<u>2,042,520</u>	<u>1,983,278</u>	<u>59,242</u>
Excess (Deficiency) of Revenues Over Expenditures	(749,310)	(749,310)	(657,592)	91,718
Other Financing Sources				
Transfers in	749,310	749,310	698,110	(51,200)
Total Other Financing Sources (Uses)	<u>749,310</u>	<u>749,310</u>	<u>698,110</u>	<u>(51,200)</u>
Net Change in Fund Balance	-	-	40,518	40,518
Fund Balance - Beginning of Year	<u>26,433</u>	<u>26,433</u>	<u>26,433</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 26,433</u>	<u>\$ 26,433</u>	<u>\$ 66,951</u>	<u>\$ 40,518</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, 2016**

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final		Final Budget Positive (Negative)
<b>Revenues</b>				
Intergovernmental:				
Federal and state grants	\$ -	\$ -	\$ 5,000	\$ 5,000
Fees and permits:				
Fees and memberships	25,000	25,000	23,008	(1,992)
Charges for goods and services	12,000	12,000	29,739	17,739
Investment earnings (losses)	1,000	1,000	78,713	77,713
Miscellaneous	9,100	9,100	37,332	28,232
Total revenues	<u>47,100</u>	<u>47,100</u>	<u>173,792</u>	<u>126,692</u>
<b>Expenditures</b>				
Culture and recreation				
Shiloh Museum				
Personnel	7,010	7,010	4,070	2,940
Maintenance	2,700	2,700	876	1,824
Supplies	4,600	4,600	4,215	385
Other	24,300	24,300	55,932	(31,632)
Capital	6,500	6,500	8,179	(1,679)
Total Shiloh Museum expenditures	<u>45,110</u>	<u>45,110</u>	<u>73,272</u>	<u>(28,162)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,990</u>	<u>1,990</u>	<u>100,520</u>	<u>98,530</u>
Net Change in Fund Balance	1,990	1,990	100,520	98,530
Fund Balance - Beginning of Year	<u>1,776,461</u>	<u>1,776,461</u>	<u>1,776,461</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 1,778,451</u>	<u>\$ 1,778,451</u>	<u>\$ 1,876,981</u>	<u>\$ 98,530</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, 2016**

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final		Final Budget Positive (Negative)
Revenues				
Fees and permits				
Filing fees	\$ 127,500	\$ 127,500	\$ 135,157	\$ 7,657
Installment plan fees	45,500	45,500	66,295	20,795
Intergovernmental				
City/county aid	107,710	107,710	124,209	16,499
Investment earnings	1,000	1,000	1,376	376
Miscellaneous	-	-	139	139
Total revenues	<u>281,710</u>	<u>281,710</u>	<u>327,176</u>	<u>45,466</u>
Expenditures				
General government				
Court Costs				
Personnel	841,600	841,600	820,714	20,886
Maintenance	104,500	104,500	95,269	9,231
Supplies	32,500	32,500	29,898	2,602
Other	86,650	86,650	34,370	52,280
Capital	24,250	24,250	25,223	(973)
Total Court Costs expenditures	<u>1,089,500</u>	<u>1,089,500</u>	<u>1,005,474</u>	<u>84,026</u>
Excess (Deficiency) of Revenues Over Expenditures	(807,790)	(807,790)	(678,298)	129,492
Other Financing Sources				
Transfers in	<u>687,040</u>	<u>687,040</u>	<u>629,750</u>	<u>(57,290)</u>
Net Change in Fund Balance	(120,750)	(120,750)	(48,548)	72,202
Fund Balance - Beginning of Year	<u>220,264</u>	<u>220,264</u>	<u>220,264</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 99,514</u>	<u>\$ 99,514</u>	<u>\$ 171,716</u>	<u>\$ 72,202</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, 2016**

	Budgeted Amounts		Actual Amounts	Variances Final Budget Positive (Negative)
	Original	Final		
Revenues				
Rent	\$ 360,000	\$ 360,000	\$ 361,928	\$ 1,928
Investment earnings	16,000	16,000	(11,946)	(27,946)
Total revenues	<u>376,000</u>	<u>376,000</u>	<u>349,982</u>	<u>(26,018)</u>
Expenditures				
Culture and recreation:				
Maintenance	131,000	131,000	105,770	25,230
Other	66,000	66,000	65,739	261
Capital	550,000	550,000	1,179,641	(629,641)
Total Arvest Ball Park expenditures	<u>747,000</u>	<u>747,000</u>	<u>1,351,150</u>	<u>(604,150)</u>
Excess (Deficiency) of Revenues Over Expenditures and Net Change in Fund Balance	(371,000)	(371,000)	(1,001,168)	(630,168)
Fund Balance - Beginning of Year	<u>1,796,997</u>	<u>1,796,997</u>	<u>1,796,997</u>	<u>-</u>
Fund Balance - End of Year	<u><u>\$ 1,425,997</u></u>	<u><u>\$ 1,425,997</u></u>	<u><u>\$ 795,829</u></u>	<u><u>\$ (630,168)</u></u>

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures, and Changes in Net Position –**  
**Budget and Actual – Municipal Airport Fund**  
**Year Ended December 31, 2016**

	Budgeted Amounts	
	Original	Final
Operating Revenues		
Rental fees	\$ 267,870	\$ 267,870
Fuel flowage fees	44,500	44,500
Other service fees	15,810	15,810
Total operating revenues	<u>328,180</u>	<u>328,180</u>
Operating Expenses		
Personnel	85,990	85,990
Maintenance	68,500	68,500
Supplies	56,400	56,400
Other	127,350	127,350
Depreciation expense	-	-
Total operating expenses	<u>338,240</u>	<u>338,240</u>
Operating Income (Loss)	<u>(10,060)</u>	<u>(10,060)</u>
Nonoperating Revenues (Expenditures)		
Sales taxes	25,200	25,200
Interest income	-	-
Capital expenditures	-	-
Net Nonoperating Revenues (Expenditures)	<u>25,200</u>	<u>25,200</u>
Income (Loss) Before Capital Contributions and Transfers	15,140	15,140
Capital grants and contributions	-	-
Capital transfers in	9,950	9,950
Operating transfers in	<u>-</u>	<u>-</u>
Change in Net Position	25,090	25,090
Net Position - Beginning of Year	<u>6,792,987</u>	<u>6,792,987</u>
Net Position - End of Year	<u>\$ 6,818,077</u>	<u>\$ 6,818,077</u>

Actual GAAP Basis	Adjustments to Budget Basis	Actual Budget Basis	Variances Final Budget Positive (Negative)
\$ 302,268	\$ -	\$ 302,268	\$ 34,398
52,312	-	52,312	7,812
17,170	-	17,170	1,360
<u>371,750</u>	<u>-</u>	<u>371,750</u>	<u>43,570</u>
83,681	-	83,681	2,309
259,078	-	259,078	(190,578)
45,392	-	45,392	11,008
131,390	-	131,390	(4,040)
417,828	(417,828)	-	-
<u>937,369</u>	<u>(417,828)</u>	<u>519,541</u>	<u>(181,301)</u>
<u>(565,619)</u>	<u>417,828</u>	<u>(147,791)</u>	<u>(137,731)</u>
38,426	-	38,426	13,226
723	-	723	723
-	(82,965)	(82,965)	(82,965)
<u>39,149</u>	<u>(82,965)</u>	<u>(43,816)</u>	<u>(69,016)</u>
(526,470)	334,863	(191,607)	(206,747)
571,875	-	571,875	571,875
245,350	-	245,350	235,400
30,167	-	30,167	30,167
320,922	334,863	655,785	630,695
6,792,987	-	6,792,987	-
<u>\$ 7,113,909</u>	<u>\$ 334,863</u>	<u>\$ 7,448,772</u>	<u>\$ 630,695</u>

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures, and Changes in Net Position –**  
**Budget and Actual – Aquatic Center Fund**  
**Year Ended December 31, 2016**

	Budgeted Amounts	
	Original	Final
Operating Revenues		
Charges for goods and services		
Activity fees	\$ 212,560	\$ 212,560
Concessions	40,000	40,000
Rental fees	-	-
Other revenue	3,200	3,200
Total operating revenues	<u>255,760</u>	<u>255,760</u>
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	<u>282,230</u>	<u>282,230</u>
Operating Income (Loss)	<u>(26,470)</u>	<u>(26,470)</u>
Nonoperating Revenues (Expenditures)		
Investment income	1,800	1,800
Contributions	-	-
Capital expenditures	(34,000)	(34,000)
Net Nonoperating Revenues (Expenditures)	<u>(32,200)</u>	<u>(32,200)</u>
Income (Loss) before Transfers	(58,670)	(58,670)
Capital transfers in	-	-
Change in Net Position	(58,670)	(58,670)
Net Position - Beginning of Year	<u>1,355,245</u>	<u>1,355,245</u>
Net Position - End of Year	<u>\$ 1,296,575</u>	<u>\$ 1,296,575</u>

Actual GAAP Basis	Adjustments to Budget Basis	Actual Budget Basis	Variances Final Budget Positive (Negative)
\$ 165,541	\$ -	\$ 165,541	\$ (47,019)
28,678	-	28,678	(11,322)
3,250	-	3,250	3,250
1,302	-	1,302	(1,898)
<u>198,771</u>	<u>-</u>	<u>198,771</u>	<u>(56,989)</u>
108,628	-	108,628	38,702
25,229	-	25,229	48,971
70,151	-	70,151	(12,851)
4,377	-	4,377	(977)
159,179	(159,179)	-	-
<u>367,564</u>	<u>(159,179)</u>	<u>208,385</u>	<u>73,845</u>
<u>(168,793)</u>	<u>159,179</u>	<u>(9,614)</u>	<u>16,856</u>
1,201	-	1,201	(599)
710	-	710	710
-	-	-	34,000
<u>1,911</u>	<u>-</u>	<u>1,911</u>	<u>34,111</u>
(166,882)	159,179	(7,703)	50,967
<u>72,574</u>	<u>-</u>	<u>72,574</u>	<u>72,574</u>
(94,308)	159,179	64,871	123,541
<u>1,355,245</u>	<u>-</u>	<u>1,355,245</u>	<u>-</u>
<u>\$ 1,260,937</u>	<u>\$ 159,179</u>	<u>\$ 1,420,116</u>	<u>\$ 123,541</u>

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures, and Changes in Net Position –**  
**Budget and Actual – Sanitation Fund**  
**Year Ended December 31, 2016**

	Budgeted Amounts	
	Original	Final
Operating Revenues		
Charges for services		
Bulky waste fees	\$ 155,000	\$ 155,000
Total operating revenues	<u>155,000</u>	<u>155,000</u>
Operating Expenses		
Personnel	128,670	128,670
Maintenance	1,000	1,000
Supplies	21,250	21,250
Other	4,300	4,300
Depreciation	-	-
Total operating expenses	<u>155,220</u>	<u>155,220</u>
Operating Income	<u>(220)</u>	<u>(220)</u>
Nonoperating Revenues (Expenditures)		
Interest income	<u>400</u>	<u>400</u>
Net Nonoperating Revenues (Expenditures)	<u>400</u>	<u>400</u>
Change in Net Position	180	180
Net Position - Beginning of Year	<u>176,959</u>	<u>176,959</u>
Net Position - End of Year	<u>\$ 177,139</u>	<u>\$ 177,139</u>

Actual GAAP Basis	Adjustments to Budget Basis	Actual Budget Basis	Variances Final Budget Positive (Negative)
<u>\$ 157,164</u>	<u>\$ -</u>	<u>\$ 157,164</u>	<u>\$ 2,164</u>
<u>157,164</u>	<u>-</u>	<u>157,164</u>	<u>2,164</u>
114,069	-	114,069	14,601
-	-	-	1,000
11,623	-	11,623	9,627
2,576	-	2,576	1,724
<u>23,327</u>	<u>(23,327)</u>	<u>-</u>	<u>-</u>
<u>151,595</u>	<u>(23,327)</u>	<u>128,268</u>	<u>26,952</u>
<u>5,569</u>	<u>23,327</u>	<u>28,896</u>	<u>29,116</u>
<u>384</u>	<u>-</u>	<u>384</u>	<u>(16)</u>
<u>384</u>	<u>-</u>	<u>384</u>	<u>(16)</u>
5,953	23,327	29,280	29,100
<u>176,959</u>	<u>-</u>	<u>176,959</u>	<u>-</u>
<u>\$ 182,912</u>	<u>\$ 23,327</u>	<u>\$ 206,239</u>	<u>\$ 29,100</u>

**City of Springdale, Arkansas**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance –**  
**Budget and Actual – Bluff Cemetery Fund**  
**Year Ended December 31, 2016**

	Budgeted Amounts		Actual Amounts	Variances Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for goods				
Cemetery lots	\$ 28,500	\$ 28,500	\$ 40,475	\$ 11,975
Investment earnings	6,000	6,000	698	(5,302)
Total revenues	<u>34,500</u>	<u>34,500</u>	<u>41,173</u>	<u>6,673</u>
Expenditures				
General government				
Cemetery				
Personnel	46,540	46,540	40,782	5,758
Maintenance	8,100	8,100	17,925	(9,825)
Supplies	-	-	63	(63)
Other	4,000	4,000	2,369	1,631
Capital	15,850	15,850	-	15,850
Total Bluff Cemetery expenditures	<u>74,490</u>	<u>74,490</u>	<u>61,139</u>	<u>13,351</u>
Net Change in Fund Balance	(39,990)	(39,990)	(19,966)	20,024
Fund Balance - Beginning of Year	<u>541,267</u>	<u>541,267</u>	<u>541,267</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 501,277</u>	<u>\$ 501,277</u>	<u>\$ 521,301</u>	<u>\$ 20,024</u>

## Independent Accountant's 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, 2016.

- (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 its assertion. Our responsibility is to express an opinion on management's assertion about the City's compliance with the aforementioned requirements above based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion about compliance with the specified requirements is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about whether management's assertion is fairly stated, in all material respects. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide 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, management's assertion that the City of Springdale, Arkansas complied with the aforementioned requirements during the year ended December 31, 2016, is fairly stated in all material respects.

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  
September 29, 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 29, 2017.

### ***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. However, material weaknesses may exist that have not been identified.

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

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

We also noted certain matters that we reported to the City's management in a separate letter dated September 29, 2017.

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

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

**BKD, LLP**

Rogers, Arkansas  
September 29, 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 City of Springdale, Arkansas' (the City) compliance 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, 2016. 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

## ***Opinion on the 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, 2016.

## **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  
September 29, 2017

**City of Springdale, Arkansas**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2016**

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>					
<i>CDBG - Entitlement Grants Cluster</i>					
Community Development Block Grant/ Entitlement Grants	14.218	None	B-15-MC-05-0002	\$ -	\$ 342,603
Community Development Block Grant/ Entitlement Grants	14.218	None	B-16-MC-05-0002	51,000	281,298
<i>Total CDBG - Entitlement Grants Cluster</i>				51,000	623,901
<b>Total U.S. Department of Housing and Urban Development</b>				51,000	623,901
<b><u>U.S. Department of Homeland Security</u></b>					
Federal Emergency Management Agency <i>Passed through Arkansas Department of Emergency Management</i>					
Disaster Grant - Road System Damage	97.036	4254-DR-AR	None	-	15,699
<b>Total U.S. Department of Homeland Security</b>				-	15,699
<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	-	41,016
<i>Highway Safety Cluster</i>					
Federal Highway Administration <i>Passed through Arkansas State Police</i>					
Selective Traffic Enforcement Project					
State & Community Highway Safety	20.600	OP-2016-03-02-29	None	-	28,921
State & Community Highway Safety	20.600	SE-2016-13-01-29	None	-	4,461
State & Community Highway Safety	20.600	OP-2017-03-02-32	None	-	7,732
				-	41,114
National Priority Safety Program	20.616	M5X-2016-05-06-29	None	-	13,460
National Priority Safety Program	20.616	M5X-2017-05-06-32	None	-	6,129
				-	19,589
<i>Total Highway Safety Cluster</i>				-	60,703
<i>Highway Planning and Construction Cluster</i>					
<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	-	1,678,781
56th St Extension Project	20.205	FAP-STPU-9399(19)	None	-	38,901
Lake Springdale Trailhead	20.205	FAP-TAPU-9399(18)	None	-	2,991
Sanders Avenue Trailhead	20.205	FAP-TAPC-9399(20)	None	-	160,873
<i>Total Highway Planning and Construction Cluster</i>				-	1,881,546
<b>Total U.S. Department of Transportation</b>				-	1,983,265

The accompanying notes are an integral part of this schedule.

**City of Springdale, Arkansas**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended December 31, 2016**

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 Justice</u></b>					
Office of Community Oriented Policing Services COPS Hiring Program	16.710	None	2014UMWX0183	\$ -	\$ 200,960
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	-	8,748
Office of Justice Programs Bulletproof Vest Partnership Program	16.607	None	2015BUBX15078936	-	13,314
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	-	31,014
Drug Enforcement Administration Task Force	N/A	None	None	-	17,616
<b>Total U.S. Department of Justice</b>				<b>-</b>	<b>271,652</b>
<b><u>U.S. Department of Commerce</u></b>					
<i>Economic Development Cluster</i> Economic Adjustment Assistance	11.307	None	08-79-05071	-	218,500
<i>Total Economic Development Cluster</i>				<b>-</b>	<b>218,500</b>
<b>Total U.S. Department of Commerce</b>				<b>-</b>	<b>218,500</b>
<b><u>Executive Office of the President</u></b>					
Office of National Drug Control Policy <i>Passed Through Washington County, AR</i> Gulf Coast High-Intensity Drug Trafficking Area	95.001	G16GC0004A	None	-	17,690
Gulf Coast High-Intensity Drug Trafficking Area	95.001	G15GC0004A	None	-	15,408
				-	33,098
<b>Total Executive Office of the President</b>				<b>-</b>	<b>33,098</b>
<b>Total Expenditures of Federal Awards</b>				<b>\$ 51,000</b>	<b>\$ 3,146,115</b>

**City of Springdale, Arkansas**  
**Notes to Schedules of Expenditures of Federal Awards**  
**Year Ended December 31, 2016**

**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, 2016. 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, 2016**

State Awards	Grantor Number	State Expenditures
<b>AR Department of Aeronautics</b>		
State Airport Aid Grant (Terminal Access Road)	3542-16	\$ 82,859
<b>Arkansas Department of Parks &amp; Tourism</b>		
2015 Springdale Multi-Park Improvement Grant	A-10653-14-WA	125,000
<b>Arkansas Department of Health - Trama Section</b>		
Trauma EMS Sustaining Grant		22,607
<b>Arkansas Highway and Transportation Department</b>		
State Aid to Cities Project	C76037	274,936
<b>Arkansas Humanities Council</b>		
Ozarks Journey; Instrument Makers of the Ozarks	AHC-16-020	5,000
<b>Department of Arkansas Heritage</b>		
<b>Arkansas Arts Council</b>		
Arts on Tour - Tommy Terrific's Wacky Magic Show		120
<b>Boston Mountain Solid Waste District</b>		
2015 Recycling Grant Award	SD15-07	9,828
<b>Northwest Arkansas Economic Development District</b>		
General Improvement Fund	74-88-89-90-01-16	40,000
<b>Arkansas State Police</b>		
Child Passenger Protection Fund	18X920405DAR17	17,000
<i>Passed through City of Fayetteville</i>		
Drug Law Enforcement Program	J-16-004-DF	28,750
Drug Law Enforcement Program	J-15-004-DF	6,942
		<u>\$ 613,042</u>

**City of Springdale, Arkansas**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2016**

**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:  
 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, 2016**

7. The City's major program was:

<u>Cluster/Program</u>	<u>CFDA Number</u>
Highway Planning and Construction Cluster	20.205

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, 2016**

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

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

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

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

**City of Springdale, Arkansas**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended December 31, 2016**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
2015-001	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.  Corrective Action was taken.	Fully Corrected