

City of Springdale, Arkansas

Financial Statements and Independent Auditor's Reports

December 31, 2017

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City of Springdale, Arkansas
December 31, 2017

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City of Springdale, Arkansas
List of Elected and Appointed Officials
December 31, 2017

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	Colby Fulfer
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	Kathy Jaycox
Council Member – Ward 4	Mike Lawson

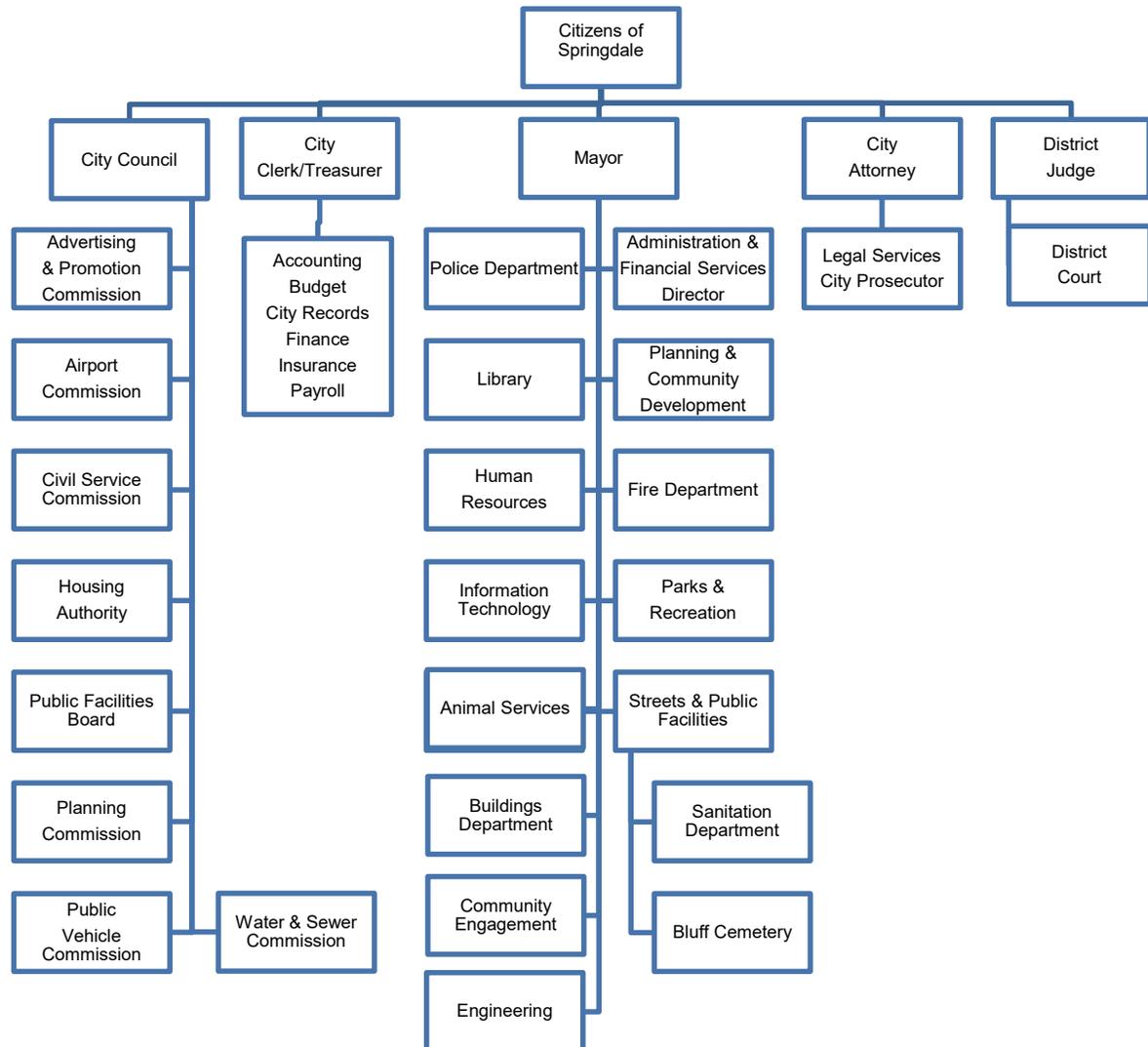
Appointed Officials:

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, 2017



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, 2017, 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, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in *Note 1* to the financial statements, in 2017 the City implemented the provisions of Governmental Accounting Standards Board Statement No. 81, *Irrevocable Split-Interest Agreements*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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 and schedules, budgetary comparison schedules and schedule of expenditures of state awards as well as the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The combining and individual fund statements and schedules, budgetary comparison schedules, schedule of expenditures of state awards and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual funds statements and schedules, budgetary comparison schedules, schedule of expenditures 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 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 27, 2018, 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 solely 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 effectiveness of the City's 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 27, 2018

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City of Springdale, Arkansas

Management's Discussion and Analysis

December 31, 2017

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, 2017. 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 at the close of 2017 by \$241 million (net position). Of this amount, \$229 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 million. The negative unrestricted net position of the governmental activities is due primarily to the \$38.5 million balance in net pension liabilities at year-end. The City's business-type activities have an unrestricted net position of \$0.302 million.
- The City's total net position increased by \$5.79 million in 2017. Net position of governmental activities increased by \$7.29 million in 2017, compared to a net increase of \$4.2 million in 2016. The change in net position is primarily due to a \$3.2 million increase in sales and use taxes, a \$1.7 million increase in operating grants and contributions, \$1.55 million in transfers in, offset by a \$2.9 million increase in public works expenses, \$1.76 million increase in culture and recreation expenses, and a \$0.68 million increase in pension expenses. The net position of the business-type activities decreased by \$1.5 million in 2017 as compared to a net increase of \$0.23 million in 2016. The change in net position is primarily due to the \$1.26 million transfer from the Aquatic Center to the General Fund.
- At the close of 2017, the City's governmental funds reported combined ending fund balances of \$47.1 million, which reflects an increase of \$1.5 million from the prior year, primarily due to a \$3.8 million increase in taxes, a \$2.2 million increase in operating grants and contributions, a \$6.8 million decrease in capital expenditures offset by a \$3.7 million increase in noncapital expenditures. The restricted portion of the fund balances is \$22.9 million; \$4.4 million of which is considered unspendable, and \$18.5 million that is restricted for capital expenditures, debt service, and other purposes. The remaining fund balance is classified as \$8.3 million committed for capital projects and other purposes, assigned of \$10.7 million, and unassigned fund balance of \$5.2 million.
- At the end of 2017, the unassigned fund balance of the General Fund was \$5.2 million, which represents 11% of the total governmental fund balances and is 12% of total general fund expenditures, including transfers. There was an decrease of \$0.77 million in the total general fund balance for 2017, compared to a \$0.78 million decrease in 2016. 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, 2017

- The City's total bonded indebtedness decreased by \$13.56 million during the current year. The key factors in this decrease were scheduled principal payments of \$7.49 million for Sales and Use Tax bonds, and the call and payment of \$6 million in principal payments for the 2013 Series Sales and Use Tax bonds from excess tax receipts.
- The City's net pension liability decreased \$1.32 million to \$38.5 million as of December 31, 2017. The net pension liability and the related net deferred inflows and outflows of resources are discussed in detail in *Note 6* on pages 60 and 61 of this report. Pension expense increased \$0.68 million to a total of \$6.1 million for 2017.
- The City's business-type component unit reported net position of \$273.4 million as of September 30, 2017, an increase of \$11.2 million compared to September 30, 2016. The increase is primarily due an increase of \$4.89 million in net capital assets largely due to current year capital asset purchases for water and sewer construction projects, \$3.7 million increase in contributed capital from developers, as well as an increase in operating revenues of \$1.2 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.

City of Springdale, Arkansas
Management's Discussion and Analysis (Continued)
December 31, 2017

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 20 and 21 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, 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 sixteen 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 twelve 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 22 through 25 of this report.

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

The basic proprietary fund financial statements can be found on pages 26 through 28 of this report.

City of Springdale, Arkansas
Management's Discussion and Analysis (Continued)
December 31, 2017

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 29 and 30 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 31 through 94 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 95 through 110 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 111 through 125 of this report.

Government-Wide Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$241 million at the close of the most recent fiscal year.

By far the largest portion of the City's net position, \$229 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.

City of Springdale, Arkansas
Management's Discussion and Analysis (Continued)
December 31, 2017

City of Springdale, Arkansas
Net Position
(Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 56,030	\$ 54,811	\$ 378	\$ 445	\$ 56,408	\$ 55,256
Capital assets	328,782	336,180	6,766	8,192	335,548	344,372
Total assets	384,812	390,991	7,144	8,637	391,956	399,628
Deferred outflows of resources	11,408	11,800	-	-	11,408	11,800
Current liabilities	11,469	12,533	63	61	11,532	12,594
Other liabilities	148,287	163,416	13	7	148,300	163,423
Total liabilities	159,756	175,949	76	68	159,832	176,017
Deferred inflows of resources	2,355	19	-	-	2,355	19
Net investment in capital assets	222,197	215,820	6,766	8,192	228,963	224,012
Restricted	22,216	22,174	-	-	22,216	22,174
Unrestricted	(10,304)	(11,171)	302	377	(10,002)	(10,794)
Total net position	\$ 234,109	\$ 226,823	\$ 7,068	\$ 8,569	\$ 241,177	\$ 235,392

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, \$1.3 million is restricted for capital projects, \$14.7 is restricted for debt service, and \$6.2 million is restricted for other purposes. The remaining balance of unrestricted net position is a deficit of \$10 million (4%).

It is important to note that the unrestricted net position of the City's business type activities of \$0.302 million may not be used to fund governmental activities.

Analysis of the City's Operations – Overall the City's net position increased by \$5.79 million during 2017. Total revenues increased by 10% between years. Sales tax revenue on a government-wide basis increased by 8%. Total expenses increased by 8% from 2016 to 2017.

Governmental activities – Governmental activities increased the City's net position by \$7.29 million. Key elements of this increase are as follows:

- Total revenues increased by \$7.02 million, due primarily to increases in sales and use taxes (\$3.24 million or 8%), and operating grants and contributions (\$1.7 million or 16%).
- 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.

City of Springdale, Arkansas
Management's Discussion and Analysis (Continued)
December 31, 2017

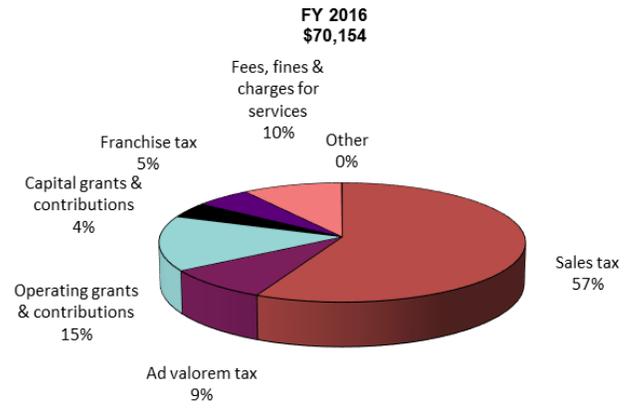
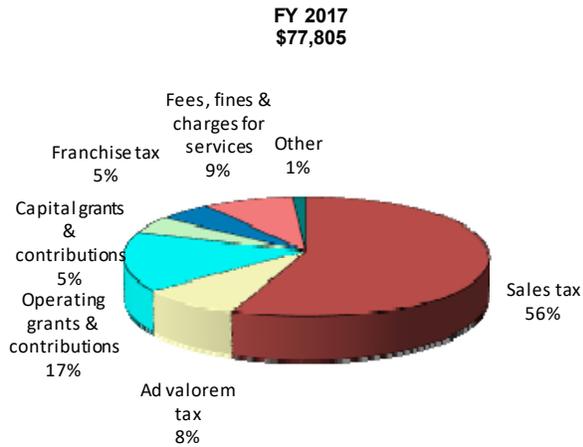
- Sales tax revenue allocated for governmental purposes reflects an 8% increase between years. The City's share of the county sales tax, accounted for in the General Fund, increased by 6%. The City's sales tax that is allocated for capital projects and accounted for in the Sales and Use Tax Fund increased 12% in 2017 from 2016, 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 2017 was 9%.
- Sales taxes provided \$43 million (56%) of the City's governmental revenue in 2017, while operating grants and contributions provided \$3 million (17%), capital grants and contributions provided \$3.5 million (5%), and ad valorem taxes provided \$6.38 million (8%).
- The transfer of \$1.16 million in assets of the City's Aquatic Center from a business-type activity to a governmental activity.
- Depreciation expense exceeded net capital asset acquisitions by \$7.27 million.
- The reported 2017 expenses increased by \$6.1 million (9%) from 2016, due primarily to increases in public works expenses (\$2.9 million), culture and recreation expenses (\$1.76 million) and public safety expenses (\$1.4 million) offset by a decrease in interest on long-term debt (\$0.53 million). The increase in public works expenses is primarily due to increases in spending for maintenance and capital assets. The increase in culture and recreation expenses is primarily due to expenses related to the opening of the new city park, expanded services for the Senior Center, and depreciation expense related to capital assets additions. The increase in public safety is primarily due to increases in OPEB and pension expenses for Fire and Police.

City of Springdale, Arkansas

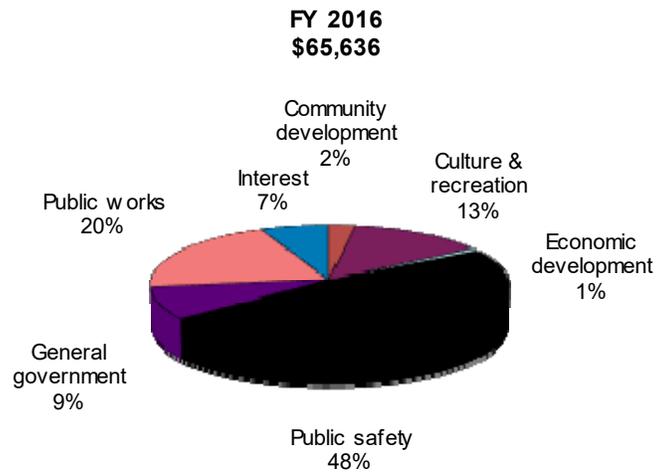
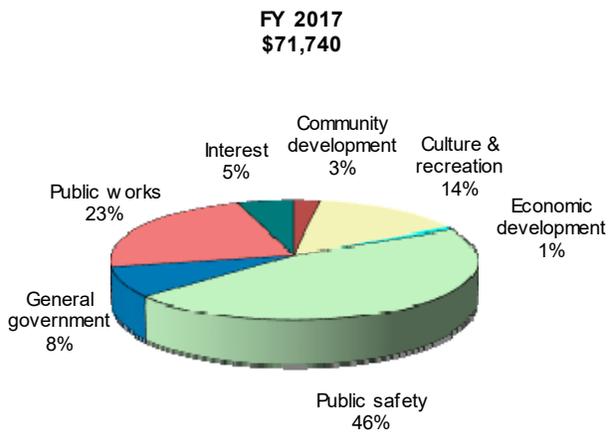
Management's Discussion and Analysis (Continued)

December 31, 2017

Changes in Net Position Revenues by Major Source Government Activities



Expenses by Major Activity (Amounts in Thousands)



City of Springdale, Arkansas
Management's Discussion and Analysis (Continued)
December 31, 2017

Business-type activities – Business-type activities decreased the City's net position by \$0.24 million, excluding the Aquatic Center's \$1.26 million transfer of assets to governmental activities.

The Municipal Airport revenues of \$0.55 million provided 77% of total revenues for business-type activities for 2017 while current year expenses of \$0.85 million were 86% of total expenses. Municipal Airport depreciation expense for 2017 was \$0.46 million.

Changes in Net Position
(Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues						
Fees, fines and charges for services	\$ 6,724	\$ 5,973	\$ 588	\$ 737	\$ 7,312	\$ 6,710
Operating grants and contributions	12,893	11,211	-	1	12,893	11,212
Capital grants and contributions	3,516	2,962	85	572	3,601	3,534
Total program revenues	<u>23,133</u>	<u>20,146</u>	<u>673</u>	<u>1,310</u>	<u>23,806</u>	<u>21,456</u>
General revenues						
Sales tax	43,259	40,021	44	38	43,303	40,059
Ad valorem tax	6,384	6,161	-	-	6,384	6,161
Franchise tax	4,016	3,777	-	-	4,016	3,777
Hotel/motel tax	474	462	-	-	474	462
Investment earnings (losses)	627	213	1	2	628	215
Gain (loss) on sale of assets	(88)	(624)	-	-	(88)	(624)
Refund of contributed capital	-	(2)	-	-	-	(2)
Total general revenues	<u>54,672</u>	<u>50,008</u>	<u>45</u>	<u>40</u>	<u>54,717</u>	<u>50,048</u>
Total revenues	<u>77,805</u>	<u>70,154</u>	<u>718</u>	<u>1,350</u>	<u>78,523</u>	<u>71,504</u>
Expenses						
General government	5,893	5,699	-	-	5,893	5,699
Community development	1,864	1,674	-	-	1,864	1,674
Culture and recreation	10,402	8,641	-	-	10,402	8,641
Economic development	659	529	-	-	659	529
Public safety	32,811	31,378	-	-	32,811	31,378
Public works	16,266	13,342	-	-	16,266	13,342
Interest on long-term debt	3,845	4,373	-	-	3,845	4,373
Municipal airport	-	-	854	937	854	937
Aquatic center	-	-	-	367	-	367
Sanitation	-	-	144	151	144	151
Total expenses	<u>71,740</u>	<u>65,636</u>	<u>998</u>	<u>1,455</u>	<u>72,738</u>	<u>67,091</u>
Increase (decrease) in net position						
before transfers	6,065	4,518	(280)	(105)	5,785	4,413
Transfers	1,221	(333)	(1,221)	333	-	-
Increase (decrease) in net position	<u>7,286</u>	<u>4,185</u>	<u>(1,501)</u>	<u>228</u>	<u>5,785</u>	<u>4,413</u>
Net position - January 1,	<u>226,823</u>	<u>222,638</u>	<u>8,569</u>	<u>8,341</u>	<u>235,392</u>	<u>230,979</u>
Net position - December 31	<u>\$ 234,109</u>	<u>\$ 226,823</u>	<u>\$ 7,068</u>	<u>\$ 8,569</u>	<u>\$ 241,177</u>	<u>\$ 235,392</u>

City of Springdale, Arkansas
Management's Discussion and Analysis (Continued)
December 31, 2017

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, 2017, the City's governmental funds combined fund balances were \$47.1 million, which reflects an increase of \$1.5 million from the prior year end. Of this amount, \$4.36 million (9%) is nonspendable, \$18.5 million (39%) represents fund balances restricted for capital projects, debt service, and other purposes, \$8.3 million (18%) is committed for capital projects, and \$10.7 million (23%) is assigned for specific uses by fund type. The remainder of the balance, \$5.2 million (11%), 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, 2017, the total fund balance of the General Fund was \$6.7 million of which \$5.2 million (77%) 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 12% of the total General Fund expenditures for 2017, including transfers out, while total fund balance represents 16% of that same amount.

During the 2017 fiscal year, the fund balance of the General Fund decreased by \$0.0077 million (0.1%). As a comparison, the 2017 adopted budget anticipated a 30% decrease in the unassigned general fund balance by the end of the year. The decrease for 2017 was due to the following:

- Total revenues for 2017, including transfers, increased by \$3.2 million or 8%. The primary reasons for the increase were due to increases in other grants and contributions (\$1.2 million) and taxes (\$1.3 million).
- The increase in revenues was offset by an increase in total expenditures, including transfers, between years of \$2.4 million or 6%. The primary reasons for the increase were due to increases in expenditures for culture and recreation (\$1 million or 32%) and public safety (\$1.1 million or 4 %).

The Street Fund is a special revenue fund that is presented as a major fund, and accounts for 9% of the total governmental fund balances. Revenues include property taxes dedicated to streets, bridges and associated drainage, as well as gasoline tax turnback from the state. The fund balance of the Street Fund increased \$1.81 million between years.

City of Springdale, Arkansas
Management's Discussion and Analysis (Continued)
December 31, 2017

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 increased by \$0.68 million between years.

The 2013 Bonds Debt Service Fund provided 25% of the total governmental fund balances at December 31, 2017. Revenues for 2017 for this fund include a one percent (1%) local sales tax pledged to debt service. During 2017, the City used tax receipts to call and redeem \$11.65 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, 2017, the net position of the Municipal Airport Fund was \$6.9 million, which accounts for 97% of the total net position of all proprietary funds. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

Budgetary Highlights

The final amended General Fund budget had total budgeted revenues of \$40.39 million (total revenues plus other financing sources) compared to the original budget total of \$40.06 million. Final amended appropriations (total expenditures plus transfers out) were \$42.75 million as compared to the original budget total of \$42.03 million. The net increase in budgeted revenues of \$334 thousand and appropriations of \$467 thousand is summarized briefly as follows:

- \$273 thousand increase in revenues and \$245 thousand appropriation for the Springdale Senior Center and Meals on Wheels Program. The City took over responsibility of this program from the Northwest Arkansas Area Agency on Aging effective July 2017.
- \$161 thousand appropriation for Police Department body cameras, in-car cameras and a new K-9 officer funded with Federal and State drug seizures/forfeiture funds.
- \$56 thousand increase in revenues and appropriations for expenditures for replacement of vehicles and equipment for the Police Department funded with insurance recoveries and auction proceeds.
- \$5 thousand increase in revenues and appropriations for bullet proof vests and helmets for the Fire Department funded by a grant.

City of Springdale, Arkansas
Management's Discussion and Analysis (Continued)
December 31, 2017

Total actual revenue received for the General Fund, including other financing sources, was \$42.6 million and was \$2.25 million or 6% more than final budget estimates. The positive budget variance was due primarily to favorable actual variances in taxes of \$898 thousand, fees and permits of \$235 thousand, federal and state grants of \$101 thousand, state insurance turnback of \$100 thousand, other intergovernmental revenues of \$95 thousand, other grants and contributions of \$1.062 million, other charges for goods and services of \$358 thousand, miscellaneous revenues of \$45 thousand, fines and forfeitures of \$49 thousand, and insurance recoveries and proceeds from sale of capital asset of \$151 thousand. These favorable variances were offset by unfavorable variances in ambulance fees of \$209 thousand, state turnback of \$16 thousand, and transfers in of \$618 thousand.

General fund actual expenditures, including transfers out, of \$42.6 million were 99.8% of the final amended budgeted appropriations. Actual expenditures were lower due to public safety being \$330 thousand less than budget, transfers out being \$111 thousand less than budget, and planning and community development actual expenditures being \$105 thousand less than budget. These favorable variances were offset by general government being \$325 thousand higher than budget, and culture and recreation expenditures being \$122 thousand higher than budget.

The budget and actual comparison schedules are located on pages 118 through 125.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for governmental and business-type activities as of December 31, 2017, amounted to \$336 million, net of accumulated depreciation. The decrease in capital assets related to governmental activities was \$7.4 million (2.2%). The City's investment in capital assets related to business-type activities decreased by \$1.4 million.

Major capital asset events during 2017 included the following:

- Land and easement additions totaled \$5.5 million.
- Infrastructure and land improvements increased \$16.95 million. The City completed several street improvements projects including Johnson Rd (\$11.3 million), and Cambridge St. drainage improvements (\$2.9 million).
- The City completed construction of the Walter Turnbow Park (part of the Razorback Greenway) during 2017 at a total cost of \$2.2 million. Improvements totaling \$1.27 million to Murphy Park were also completed during 2017, and included two new pavilions, pond improvements and new restrooms.
- The Fire Department completed construction of a three story four level live fire training facility at a total cost of \$366 thousand. Acquisition of vehicles and equipment for public safety totaling \$1.4 million.

City of Springdale, Arkansas
Management's Discussion and Analysis (Continued)
December 31, 2017

- Renovation of the historic Shiloh Meeting Hall building was completed during 2017, at a cost of \$671 thousand.
- Depreciation expense totaled \$14.9 million.

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	
	2017	2016	2017	2016	2017	2016
Land and easements	\$ 79,427	\$ 73,890	\$ 2,894	\$ 2,894	\$ 82,321	\$ 76,784
Land improvements	29,539	25,724	1,862	2,306	31,401	28,030
Buildings and improvements	50,107	50,114	1,186	2,133	51,293	52,247
Construction in progress	7,134	27,098	238	81	7,372	27,179
Infrastructure	145,705	142,214	-	-	145,705	142,214
Machinery and equipment	16,579	16,807	586	778	17,165	17,585
Intangibles	291	333	-	-	291	333
Total	\$ 328,782	\$ 336,180	\$ 6,766	\$ 8,192	\$ 335,548	\$ 344,372

Long-term debt. At December 31, 2017, the City had \$106 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 \$13.6 million, and was due to scheduled bond maturities during 2017 as well as the call of \$6 million of Series 2013 bonds with surplus tax receipts. The following table details the breakdown of this debt.

Long-term Debt
(Amounts in Thousands)

	Governmental Activities	
	2017	2016
Sales and Use Tax Refunding Bonds, Series 2013	\$ 48,995	\$ 60,160
Sales and Use Tax Bonds, Series 2012	56,045	58,370
Public Facilities Board Revenue Bond (Real Estate Acquisition Project)	1,031	1,099
	\$ 106,071	\$ 119,629

City of Springdale, Arkansas
Management's Discussion and Analysis (Continued)
December 31, 2017

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 personal 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 \$285 million. The City had no general obligation long-term debt, or any short-term debt at year end.

The City's business type component unit, Springdale Water and Sewer Commission, had outstanding long-term debt of \$2.34 million at September 30, 2017. The Commission retired \$205 thousand of these bonds during the year ended September 30, 2017.

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 8% compared to the prior year. Sales and use taxes received in 2017, including city sales and use taxes transferred in, increased 3% as compared to 2016. These taxes are a primary source of revenue for the General Fund, comprising 52% of the total revenue. The assessed values for property taxes, (for taxes to be collected in 2017) increased by 3% as compared to the prior year.

Building permits and inspection fees decreased \$92.6 thousand or 11% from 2016 to 2017. The number of building permits issued increased 16%, but revenues decreased due to decreased construction values, primarily due to a \$65 million children's hospital for which construction began in 2016. Commercial construction values increased \$15 million or 32% in 2017 compared to 2016, excluding the children's hospital. Residential single family housing construction values were up \$17.9 million or 23% compared to 2016. These increases reflect continued strength in the local housing and commercial construction markets.

The unemployment rate for December 2017 for the Fayetteville-Springdale-Rogers MSA remained unchanged at 2.7% compared to December 2016. The state's unemployment rate was 3.7% at December 2017, and the national unemployment rate was 4.1%.

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 in 2017 to be 79,599, or a 14.04% increase since 2010.

City of Springdale, Arkansas
Management's Discussion and Analysis (Continued)
December 31, 2017

The City Council adopted the 2018 budget on December 12, 2017 with General Fund projected revenues and transfers of \$44.6 million and projected expenditures and transfers of \$45.7 million. Budgeted expenditures increased by \$3.2 million, or 7.6% as compared to the 2017 budget, primarily due to a \$2 million increase in professional services related to the design of a new Criminal Justice/City Administration Complex, as well as salary increases and increased pension and health insurance costs that were factored into the budget. The overall City 2018 operating budget for all funds was \$55.4 million, which reflects an increase of 7.9% from the original 2017 budget, and a 6.9% 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>.

City of Springdale, Arkansas
Statement of Net Position
December 31, 2017

	Primary Government			Component Unit Water and Sewer Commission
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 9,368,879	\$ 264,970	\$ 9,633,849	\$ 33,533,357
Investments	11,575,715	49,560	11,625,275	15,793,277
Receivables, net of allowance for uncollectibles	1,520,253	63,687	1,583,940	3,940,842
Intergovernmental receivables	11,485,411	-	11,485,411	-
Internal balances	3,370	(9)	3,361	-
Due from fiduciary funds	106,657	25	106,682	-
Inventories	-	-	-	451,957
Prepaid assets	-	-	-	95,716
Note receivable	296,539	-	296,539	-
Assets held for resale	2,690,155	-	2,690,155	-
Restricted assets:				
Cash and cash equivalents	11,299,625	-	11,299,625	139,483
Investments	4,409,725	-	4,409,725	2,265,606
Interest receivable	4,701	-	4,701	-
Intergovernmental receivables	3,269,078	-	3,269,078	-
Capital assets:				
Nondepreciable	86,715,316	3,132,451	89,847,767	30,599,078
Depreciable, net of accumulated depreciation	242,066,791	3,633,876	245,700,667	196,889,971
Total Assets	384,812,215	7,144,560	391,956,775	283,709,287
Deferred Outflows of Resources				
Pensions	11,407,734	-	11,407,734	-
Other postemployment benefits	-	-	-	49,914
Total Deferred Outflows of Resources	11,407,734	-	11,407,734	49,914
Liabilities				
Accounts payable and accrued expenses	1,711,617	39,291	1,750,908	4,579,320
Due to fiduciary funds	4,861	-	4,861	-
Accrued interest payable	1,405,891	-	1,405,891	9,740
Customer deposits	240,677	-	240,677	-
Unearned revenue	238,153	20,346	258,499	-
Noncurrent liabilities:				
Due within one year	27,935	3,143	31,078	445,040
Current portion of long-term debt	7,840,000	-	7,840,000	215,000
Due in more than one year	148,286,627	13,145	148,299,772	5,140,952
Total Liabilities	159,755,761	75,925	159,831,686	10,390,052
Deferred Inflows of Resources				
Pensions	2,355,387	-	2,355,387	-
	2,355,387	-	2,355,387	-
Net Position				
Net investment in capital assets	222,196,596	6,766,327	228,962,923	225,149,049
Restricted for:				
Capital projects	1,289,614	-	1,289,614	-
Debt service	14,724,714	-	14,724,714	139,483
Other	6,201,490	-	6,201,490	-
Unrestricted	(10,303,613)	302,308	(10,001,305)	48,080,617
Total Net Position	\$ 234,108,801	\$ 7,068,635	\$ 241,177,436	\$ 273,369,149

City of Springdale, Arkansas
Statement of Activities
Year Ended December 31, 2017

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	\$ 3,127,507	\$ 294,735	\$ 1,126,149	\$ 495,000	\$ (1,211,623)	\$ -	\$ (1,211,623)	\$ -
City attorney	732,110	24,245	-	-	(707,865)	-	(707,865)	-
Information technology	1,002,782	-	-	-	(1,002,782)	-	(1,002,782)	-
District court	978,389	250,969	61,733	-	(665,687)	-	(665,687)	-
Bluff Cemetery	52,380	33,725	-	-	(18,655)	-	(18,655)	-
Community development								
Planning	368,104	30,604	6,372	-	(331,128)	-	(331,128)	-
Engineering	596,232	17,673	-	-	(578,559)	-	(578,559)	-
Community development and housing								
	899,931	123,387	796,365	-	19,821	-	19,821	-
Culture and recreation								
Parks and recreation	6,890,774	1,357,627	22,416	35,458	(5,475,273)	-	(5,475,273)	-
Senior centers	366,171	1,518	1,071,857	90,600	797,804	-	797,804	-
Public library	2,296,752	95,912	1,297,645	-	(903,195)	-	(903,195)	-
Shiloh Museum	847,829	24,424	117,787	-	(705,618)	-	(705,618)	-
Economic development	658,868	139,805	-	-	(519,063)	-	(519,063)	-
Public safety								
Animal services	833,575	67,442	437,393	-	(328,740)	-	(328,740)	-
Building inspection	579,806	780,574	-	-	200,768	-	200,768	-
Community engagement	364,638	284,482	-	-	(80,156)	-	(80,156)	-
Fire	14,173,651	1,791,257	780,213	-	(11,602,181)	-	(11,602,181)	-
Police	16,859,222	1,307,529	2,256,248	-	(13,295,445)	-	(13,295,445)	-
Public works	16,265,994	98,251	4,918,660	2,894,651	(8,354,432)	-	(8,354,432)	-
Debt service								
Interest on long-term debt	3,845,378	-	-	-	(3,845,378)	-	(3,845,378)	-
Total government activities	71,740,093	6,724,159	12,892,838	3,515,709	(48,607,387)	-	(48,607,387)	-

City of Springdale, Arkansas
Statement of Activities (Continued)
Year Ended December 31, 2017

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	\$ 853,736	\$ 420,001	\$ -	\$ 85,388	\$ -	\$ (348,347)	\$ (348,347)	\$ -
Sanitation	143,980	160,803	-	-	-	16,823	16,823	-
City attorney restitution	141	7,594	-	-	-	7,453	7,453	-
Total business-type activities	<u>997,857</u>	<u>588,398</u>	<u>-</u>	<u>85,388</u>	<u>-</u>	<u>(324,071)</u>	<u>(324,071)</u>	<u>-</u>
Total primary government	<u>\$ 72,737,950</u>	<u>\$ 7,312,557</u>	<u>\$ 12,892,838</u>	<u>\$ 3,601,097</u>	<u>(48,607,387)</u>	<u>(324,071)</u>	<u>(48,931,458)</u>	<u>-</u>
Component unit:								
Springdale Water and Sewer Commission	<u>\$ 27,431,188</u>	<u>\$ 30,284,541</u>	<u>\$ -</u>	<u>\$ 7,970,564</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,823,917</u>
General revenues (expenses):								
Sales tax					43,258,673	44,128	43,302,801	-
Ad valorem tax					6,383,535	-	6,383,535	-
Franchise tax					4,015,932	-	4,015,932	-
Hotel/motel tax					474,438	-	474,438	-
Unrestricted investment earnings					626,965	1,399	628,364	411,192
Loss on sale/disposal of assets					(87,618)	-	(87,618)	9,228
Transfers					1,221,221	(1,221,221)	-	-
Total general revenues and transfers					<u>55,893,146</u>	<u>(1,175,694)</u>	<u>54,717,452</u>	<u>420,420</u>
Change in net position					<u>7,285,759</u>	<u>(1,499,765)</u>	<u>5,785,994</u>	<u>11,244,337</u>
Net position beginning of year <i>(as restated)</i>					<u>226,823,042</u>	<u>8,568,400</u>	<u>235,391,442</u>	<u>262,124,812</u>
Net position end of year					<u>\$ 234,108,801</u>	<u>\$ 7,068,635</u>	<u>\$ 241,177,436</u>	<u>\$ 273,369,149</u>

City of Springdale, Arkansas

Balance Sheet – Governmental Funds

December 31, 2017

	General Fund	Street Fund	Sales and Use Tax Fund	2013 Bonds Debt Service Fund
Assets				
Cash and cash equivalents	\$ 3,246,638	\$ 2,535,106	\$ 1,883,623	\$ -
Investments	406,514	589,829	7,930,687	-
Accounts receivable, net	1,404,906	6,495	2,637	-
Interest receivable	261	2,365	53,290	-
Intergovernmental receivables, net	8,204,360	1,481,182	1,734,162	-
Note receivable	-	-	-	-
Due from other funds	1,316,210	667,089	1,587,666	-
Assets held for resale	-	-	-	-
Restricted assets:				
Cash and cash equivalents	729,000	-	-	9,271,214
Investments	-	-	-	-
Interest receivable	-	-	-	2,617
Intergovernmental receivables	-	-	-	2,434,887
Total Assets	<u>\$ 15,307,889</u>	<u>\$ 5,282,066</u>	<u>\$ 13,192,065</u>	<u>\$ 11,708,718</u>
Liabilities				
Accounts payable	\$ 401,078	\$ 137,872	\$ 294,822	\$ -
Salaries payable	613,304	50,455	-	-
Payable from restricted assets:				
Accounts payable	-	-	-	-
Due to other funds	1,589,238	-	1,892,833	-
Developer bonds payable	240,677	-	-	-
Unearned revenue	2,500	-	-	-
Total Liabilities	<u>2,846,797</u>	<u>188,327</u>	<u>2,187,655</u>	<u>-</u>
Deferred Inflows of Resources				
Remainder interest - P. Smith Trust	729,000	-	-	-
Unavailable revenue - property taxes	5,019,866	949,619	-	-
Total Deferred Inflows or Resources	<u>5,748,866</u>	<u>949,619</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable				
Assets held for resale	-	-	-	-
Cemetery perpetual care	-	-	-	-
Endowments	-	-	-	-
Restricted				
Court automation	-	-	-	-
Debt service	-	-	-	11,708,718
Public safety expenditures	506,475	-	-	-
Recreation and culture	151,200	-	-	-
Capital projects	-	-	1,289,614	-
Other	-	-	-	-
Committed	424,578	-	7,903,750	-
Assigned				
General fund	432,089	-	-	-
Special revenue funds	-	4,144,120	-	-
Capital project funds	-	-	1,811,046	-
Permanent fund	-	-	-	-
Unassigned	5,197,884	-	-	-
Total Fund Balances	<u>6,712,226</u>	<u>4,144,120</u>	<u>11,004,410</u>	<u>11,708,718</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 15,307,889</u>	<u>\$ 5,282,066</u>	<u>\$ 13,192,065</u>	<u>\$ 11,708,718</u>

The accompanying notes are an integral part of these financial statements

Other Governmental Funds	Total Governmental Funds
\$ 1,703,512	\$ 9,368,879
2,648,685	11,575,715
40,320	1,454,358
9,979	65,895
65,707	11,485,411
296,539	296,539
41,885	3,612,850
2,690,155	2,690,155
1,299,411	11,299,625
4,409,725	4,409,725
2,084	4,701
834,191	3,269,078
<u>\$ 14,042,193</u>	<u>\$ 59,532,931</u>
\$ 172,644	\$ 1,006,416
39,462	703,221
1,980	1,980
25,613	3,507,684
-	240,677
235,653	238,153
<u>475,352</u>	<u>5,698,131</u>
-	729,000
-	5,969,485
-	6,698,485
2,690,155	2,690,155
32,720	32,720
1,637,412	1,637,412
116,302	116,302
4,421,887	16,130,605
-	506,475
3,116	154,316
87,073	1,376,687
248,037	248,037
-	8,328,328
-	432,089
2,602,141	6,746,261
1,248,900	3,059,946
479,098	479,098
-	5,197,884
<u>13,566,841</u>	<u>47,136,315</u>
<u>\$ 14,042,193</u>	<u>\$ 59,532,931</u>

City of Springdale, Arkansas
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
December 31, 2017

Total fund balances – governmental funds \$ 47,136,315

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	\$ 46,721,469	
Easements	32,705,304	
Land improvements and infrastructure	276,776,200	
Buildings and improvements	76,450,028	
Machinery and equipment	46,249,204	
Intangibles	1,427,315	
Less accumulated depreciation	<u>(158,681,755)</u>	
	321,647,765	
Construction in progress	<u>7,134,342</u>	328,782,107

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. 6,698,485

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	\$ 111,251,205	
Accrued interest payable	1,405,891	
Compensated absences	2,406,548	
OPEB liabilities	4,007,218	
Net pension liabilities	<u>38,489,591</u>	(157,560,453)

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	\$ (2,355,387)	
Deferred outflows of resources related to pensions	<u>11,407,734</u>	<u>9,052,347</u>

Net position of governmental funds \$ 234,108,801

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City of Springdale, Arkansas
Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
Year Ended December 31, 2017

	General Fund	Street Fund	Sales and Use Tax Fund	2013 Bonds Debt Service Fund
Revenues				
Taxes	\$ 23,382,789	\$ 945,175	\$ 10,149,097	\$ 14,560,431
Fees and permits	1,262,608	17,450	-	-
Intergovernmental	4,139,503	4,914,239	666,512	-
Other grants and contributions	1,354,210	4,421	1,446,639	-
Charges for goods and services	2,910,404	32,460	-	-
Fines and forfeitures	919,477	-	-	-
Investment earnings (losses)	19,361	33,595	171,352	23,905
Miscellaneous	310,508	15,151	4,777	-
Total Revenues	<u>34,298,860</u>	<u>5,962,491</u>	<u>12,438,377</u>	<u>14,584,336</u>
Expenditures				
Current				
General government	4,365,765	-	-	-
Community development	929,498	-	-	-
Culture and recreation	4,326,189	-	-	-
Economic development	-	-	-	-
Public safety	29,242,116	-	-	-
Public works	-	4,195,265	-	-
Capital expenditures	1,852,072	520,014	3,671,164	-
Debt service				
Principal	-	-	-	11,165,000
Interest	-	-	-	2,515,819
Other fees	-	-	-	-
Agent fees	-	-	-	9,000
Total Expenditures	<u>40,715,640</u>	<u>4,715,279</u>	<u>3,671,164</u>	<u>13,689,819</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,416,780)</u>	<u>1,247,212</u>	<u>8,767,213</u>	<u>894,517</u>
Other Financing Sources (Uses)				
Transfers in	8,137,185	531,966	-	-
Transfers out	(1,935,826)	-	(8,084,931)	-
Proceeds from sale of capital assets	21,473	-	-	-
Insurance recoveries	186,280	28,413	-	-
Total Other Financing Sources (Uses)	<u>6,409,112</u>	<u>560,379</u>	<u>(8,084,931)</u>	<u>-</u>
Net Changes in Fund Balances	<u>(7,668)</u>	<u>1,807,591</u>	<u>682,282</u>	<u>894,517</u>
Fund Balances - Beginning of Year	<u>6,719,894</u>	<u>2,336,529</u>	<u>10,322,128</u>	<u>10,814,201</u>
Fund Balances - End of Year	<u>\$ 6,712,226</u>	<u>\$ 4,144,120</u>	<u>\$ 11,004,410</u>	<u>\$ 11,708,718</u>

The accompanying notes are an integral part of these financial statements

Nonmajor Governmental Funds	Total Governmental Funds
\$ 4,940,031	\$ 53,977,523
270,138	1,550,196
2,914,315	12,634,569
153,773	2,959,043
564,112	3,506,976
51,646	971,123
378,752	626,965
170,070	500,506
<u>9,442,837</u>	<u>76,726,901</u>
930,394	5,296,159
919,762	1,849,260
2,377,705	6,703,894
520,490	520,490
-	29,242,116
-	4,195,265
3,453,373	9,496,623
2,393,572	13,558,572
2,109,862	4,625,681
4,500	4,500
6,000	15,000
<u>12,715,658</u>	<u>75,507,560</u>
<u>(3,272,821)</u>	<u>1,219,341</u>
1,515,165	10,184,316
(111,305)	(10,132,062)
2,286	23,759
-	214,693
<u>1,406,146</u>	<u>290,706</u>
<u>(1,866,675)</u>	<u>1,510,047</u>
<u>15,433,516</u>	<u>45,626,268</u>
<u>\$ 13,566,841</u>	<u>\$ 47,136,315</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, 2017

Net change in fund balances – total governmental funds \$ 1,510,047

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 depreciation exceeds capital outlay in the current period are as follows:

Capital outlay	\$ 6,342,067	
Transfer in of capital assets	1,168,967	
Donated capital	90,600	
Depreciation expense	<u>(14,887,926)</u>	(7,286,292)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donated assets) is to decrease net position. (111,377)

Revenues that do not provide current financial resources, such as ad valorem taxes and an unconditional remainder interest in trust, 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. 884,055

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. (1,822,319)

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	\$ 13,558,572	
Amortization of premium on long-term debt	<u>553,073</u>	<u>14,111,645</u>

Changes in net position of governmental activities \$ 7,285,759

City of Springdale, Arkansas
Statement of Net Position – Proprietary Funds
December 31, 2017

	Enterprise Funds		
	Municipal Airport Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
Assets			
Current assets			
Cash and cash equivalents	\$ 193,907	\$ 71,063	\$ 264,970
Investments	-	49,560	49,560
Accounts receivable, net	28,651	34,960	63,611
Accrued interest	-	76	76
Due from other funds	-	25	25
Total current assets	222,558	155,684	378,242
Noncurrent assets			
Capital assets			
Land	2,893,846	-	2,893,846
Improvements other than buildings	8,003,041	-	8,003,041
Buildings and system	3,019,934	-	3,019,934
Machinery and equipment	954,604	233,272	1,187,876
Construction in progress	238,605	-	238,605
Less accumulated depreciation	(8,400,446)	(176,529)	(8,576,975)
Total capital assets, net of accumulated depreciation	6,709,584	56,743	6,766,327
Total noncurrent assets	6,709,584	56,743	6,766,327
Total assets	6,932,142	212,427	7,144,569
Liabilities			
Current liabilities			
Accounts payable	34,011	2,416	36,427
Salaries payable	1,440	1,424	2,864
Due to other funds	-	9	9
Unearned revenue	20,346	-	20,346
Total current liabilities	55,797	3,849	59,646
Noncurrent liabilities:			
Due within one year	-	3,143	3,143
Due in more than one year	10,571	2,574	13,145
Total noncurrent liabilities	10,571	5,717	16,288
Total liabilities	66,368	9,566	75,934
Net Position			
Net investment in capital assets	6,709,584	56,743	6,766,327
Unrestricted	156,190	146,118	302,308
Total net position	\$ 6,865,774	\$ 202,861	\$ 7,068,635

City of Springdale, Arkansas
Statement of Revenues, Expenses, and Changes in Net Position –
Proprietary Funds
Year Ended December 31, 2017

	Enterprise Funds		
	Municipal Airport Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
Operating Revenues			
Charges for services			
Fuel flowage fees	\$ 57,816	\$ -	\$ 57,816
Other service fees	17,191	168,397	185,588
Rental fees	342,599	-	342,599
Other revenue	2,395	-	2,395
Total operating revenues	<u>420,001</u>	<u>168,397</u>	<u>588,398</u>
Operating Expenses			
Personnel	96,292	106,055	202,347
Maintenance	110,906	-	110,906
Supplies	43,661	17,049	60,710
Other	140,222	2,740	142,962
Depreciation	462,655	18,277	480,932
Total operating expenses	<u>853,736</u>	<u>144,121</u>	<u>997,857</u>
Operating Income (Loss)	<u>(433,735)</u>	<u>24,276</u>	<u>(409,459)</u>
Nonoperating Revenues (Expenses)			
Sales taxes	44,128	-	44,128
Capital assets contributed to governmental activities	-	(1,168,967)	(1,168,967)
Investment earnings	1,368	31	1,399
Total nonoperating expense	<u>45,496</u>	<u>(1,168,936)</u>	<u>(1,123,440)</u>
Income (Loss) Before Capital Contributions and Transfers	<u>(388,239)</u>	<u>(1,144,660)</u>	<u>(1,532,899)</u>
Capital grants and contributions	85,388	-	85,388
Capital transfers in	25,430	-	25,430
Operating transfers in	29,286	-	29,286
Operating transfers out	<u>-</u>	<u>(106,970)</u>	<u>(106,970)</u>
Change in Net Position	(248,135)	(1,251,630)	(1,499,765)
Net Position - Beginning of Year	<u>7,113,909</u>	<u>1,454,491</u>	<u>8,568,400</u>
Net Position - End of Year	<u>\$ 6,865,774</u>	<u>\$ 202,861</u>	<u>\$ 7,068,635</u>

City of Springdale, Arkansas
Statement of Cash Flows – Proprietary Funds
Year Ended December 31, 2017

	Enterprise Funds		
	Municipal Airport Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 398,501	\$ 166,555	\$ 565,056
Payments to suppliers	(285,880)	(20,405)	(306,285)
Payments to employees	(88,127)	(104,547)	(192,674)
Net cash provided by operating activities	<u>24,494</u>	<u>41,603</u>	<u>66,097</u>
Cash Flows From Noncapital Financing Activities			
Sales taxes	45,676	-	45,676
Transfer from other funds	29,286	-	29,286
Transfer to other funds	-	(106,970)	(106,970)
Receipt (payment) of interfund balances	-	(2,018)	(2,018)
Net cash provided by (used in) noncapital financing activities	<u>74,962</u>	<u>(108,988)</u>	<u>(34,026)</u>
Cash Flows From Capital and Related Financing Activities			
Capital grant receipts	85,388	-	85,388
Purchases of capital assets	(198,794)	-	(198,794)
Net cash used in capital and related financing activities	<u>(113,406)</u>	<u>-</u>	<u>(113,406)</u>
Cash Flows From Investing Activities			
Proceeds from maturities of investments	-	(50,000)	(50,000)
Interest received	1,368	395	1,763
Net cash provided by (used in) investing activities	<u>1,368</u>	<u>(49,605)</u>	<u>(48,237)</u>
Net Decrease in Cash and Cash Equivalents	(12,582)	(116,990)	(129,572)
Cash and Cash Equivalents, January 1	<u>206,489</u>	<u>188,053</u>	<u>394,542</u>
Cash and Cash Equivalents, December 31	<u>\$ 193,907</u>	<u>\$ 71,063</u>	<u>\$ 264,970</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) Operating Activities			
Operating income (loss)	<u>\$ (433,735)</u>	<u>\$ 24,276</u>	<u>\$ (409,459)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation expense	462,655	18,277	480,932
(Increase) decrease in accounts receivable	(11,321)	(1,842)	(13,163)
Increase (decrease) in accounts payable	8,909	(616)	8,293
Increase (decrease) in salaries payable	220	(231)	(11)
Increase (decrease) in compensated absences	7,945	1,739	9,684
Decrease in deferred revenue	(10,179)	-	(10,179)
	<u>458,229</u>	<u>17,327</u>	<u>475,556</u>
Net Cash Provided By Operating Activities	<u>\$ 24,494</u>	<u>\$ 41,603</u>	<u>\$ 66,097</u>
Noncash Capital Financing Activities			
Transfer of capital assets from other fund	\$ 25,430	\$ -	\$ 25,430
Transfer of capital assets to other funds	\$ -	\$(1,168,967)	\$(1,168,967)
Transfer of non-capital assets from other funds	\$ 29,286	\$ -	\$ 29,286
Change in fair value of investments	\$ -	\$ (440)	\$ (440)

City of Springdale, Arkansas
Statement of Fiduciary Net Position – Fiduciary Funds
December 31, 2017

	Pension Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 1,688,424	\$ 1,087,378
Investments	15,330,421	-
Accounts receivable, net	1,116,254	462
Due from other funds	7,604	75,491
 Total Assets	 18,142,703	 \$ 1,163,331
 Liabilities		
Accounts payable	-	\$ 796,141
Accrued liabilities	7,141	182,274
Due to other funds	-	184,916
 Total Liabilities	 7,141	 \$ 1,163,331
 Net Position		
Net position restricted for pensions	\$ 18,135,562	

City of Springdale, Arkansas
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
Year Ended December 31, 2017

	Pension Trust Funds
Additions	
Employer contributions	
Taxes	\$ 1,096,152
State insurance turnback	221,191
Fines and court costs	116,372
Total employer contributions	1,433,715
Investment income	
Investment income	804,416
Net increase in fair value of investments	1,711,610
Total investment income	2,516,026
Less investment expenses	(137,250)
Net investment income	2,378,776
Total Additions	3,812,491
Deductions	
Benefits payments	2,457,189
Miscellaneous	296
Total Deductions	2,457,485
Change in Fiduciary Net Position	1,355,006
Net Position Restricted for Pensions, Beginning of Year	16,780,556
Net Position Restricted for Pensions, End of Year	\$ 18,135,562

City of Springdale, Arkansas

Notes to Financial Statements

December 31, 2017

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. These component units are further distinguished between Blended Component Units, presented as part of the primary government, and Discretely Presented Component Units, presented separately.

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 Foundation 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.

City of Springdale, Arkansas
Notes to Financial Statements
December 31, 2017

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, 2017. 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

Effective January 1, 2017, the City implemented GASB Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB 73). GASB 73 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 adoption of GASB 73 had no impact on any amounts reported by the City within any of the basic financial statements as listed in the table of contents. It did however, change the requirements for information disclosed in the notes to the financial statements and information required to be presented as required supplementary information.

City of Springdale, Arkansas
Notes to Financial Statements
December 31, 2017

The Commission implemented GASB Statement No. 75– *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75), effective October 1, 2016. The beginning net position has been restated to reflect the implementation of the new accounting standard, as follows:

	Statement of Activities
Net Position at October 1, 2016, as previously reported	\$ 262,259,179
Removal of net OPEB obligation as of October 1, 2016	38,808
Recording of total OPEB liability as of October 1, 2016	<u>(173,175)</u>
Net Position at October 1, 2016, as restated	\$ <u>262,124,812</u>

The City also implemented GASB Statement No. 81 – *Irrevocable Split-Interest Agreements* (GASB 81), effective January 1, 2017. GASB 81 was issued to enhance the comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary.

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 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.

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.

City of Springdale, Arkansas
Notes to Financial Statements
December 31, 2017

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.

Fund Financial Statements

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

The City reports the following major governmental funds:

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

The **Street Fund** is a special revenue fund which accounts for gasoline and road taxes received from state and country levies. Revenues are expended for maintenance, repair of streets, drainage systems, and traffic control systems as well as street lighting, landscaping, maintenance and construction of trails.

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 fund:

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

City of Springdale, Arkansas

Notes to Financial Statements

December 31, 2017

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 and the Public Facilities Board Fund.

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

Enterprise Funds – Accounts for the Sanitation Fund and the City Attorney Restitution Fund whose operations are financed primarily through user charges. The operations of the Aquatic Center Fund were moved to the General Fund at the beginning of the year.

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

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.

City of Springdale, Arkansas

Notes to Financial Statements

December 31, 2017

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 unearned revenues. Grants and similar aid to other organizations are recognized as expenses as soon as recipients have met all eligibility requirements. Amounts paid before all eligibility requirements have been met are reported as prepaid items.

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

Government Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included in the balance sheet. The statement of revenues, expenditures, and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in 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 Bluff Cemetery Fund.

City of Springdale, Arkansas

Notes to Financial Statements

December 31, 2017

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, 2017, the City Council adopted several supplemental appropriations.

Cash and Cash Equivalents

Cash includes demand deposits, savings accounts, and cash on hand. In order to facilitate cash management, the operating cash of certain funds is pooled into a common bank account. For reporting purposes 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.

Investment income includes dividend and interest income and the net change for the year in the fair value of investments. Investment income is credited to the fund from which the investments were made.

Inventories

Inventories consist of various fittings, couplings, pipe, etc., used in the customary operations of the Commission. All inventories are state at cost, which is determined on the historical average basis.

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

City of Springdale, Arkansas
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Accounts Receivable

For the primary government, ambulance fees, property tax receivables and airport hangar rent are shown net of an allowance for doubtful accounts. The Commission estimates most accounts receivable balances at September 30, 2017 to be materially collectible; therefore, no allowance has been recorded for doubtful accounts.

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, 2017, is as follows:

Cash and cash equivalents	\$ 11,299,625
Investments	4,409,725
Interest receivable	4,701
Intergovernmental receivables	<u>3,269,078</u>
Total restricted assets - governmental activities	<u><u>\$ 18,983,129</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, 2017, is as follows:

Cash - Lowell sewer expansion fund	\$ 38,278
Cash - Lowell sewer bond fund	101,205
Investments - certificates of deposit - meter deposits	<u>2,265,606</u>
Total restricted assets - component unit	<u><u>\$ 2,405,089</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 acquisition. Infrastructure capital assets contributed to the City by developers are recorded at acquisition values based upon the cost to construct by the developers. Land donated to the City is recorded at acquisition values based upon the county assessor values.

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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:

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

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.

City of Springdale, Arkansas
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Compensated Absences

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

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

Long-term Obligations

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

In the fund financial statements, governmental fund types recognize debt discounts and premium, 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

Primary Government

In addition to assets, the statement of net position and statement of fund net position include separate sections for deferred outflows of resources, which represent a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The City has two items that qualify for reporting in this category, each related to pensions. One is the amount of contributions made to the pension plans after the measurement date, and the other is comprised of the difference in investment experience between actual earning and projected earnings on pension plan investments, changes in assumptions and changes in proportion allocated to funds. Deferred outflows related to contributions made after the measurement date will be used in the next year to reduce net pension liability. The remaining amounts will be amortized to pension expense over future periods (*see Note 7*).

City of Springdale, Arkansas

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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) until that time. The City has two types of items reported as deferred inflows of resources, unavailable revenues and deferred inflows-pensions. Deferred inflows – pensions, consists of the difference between the expected and actual experience related to the pension plans as well as the difference in assumption changes. These amounts are amortized over future periods to pension expense (*see Note 7*). Unavailable revenue, which also qualifies for reporting in this category, arises under the modified accrual basis of accounting. Accordingly, these items are only reported in the governmental funds balance sheet. Governmental funds report unavailable revenue from property taxes and the remainder interest in a trust. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Component Unit

The Commission has one item that qualifies for reporting as a deferred outflow of resources. The item is related to the OPEB Plan and is comprised of the differences between expected and actual experience of the total OPEB liability and changes of assumptions. These amounts will be amortized to OPEB expense over future periods.

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, 2017, restricted net position of \$570,707 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).

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

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

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

Net Position/Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted (*e.g.*, restricted bond or grant proceeds) and unrestricted resources. 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 2017.

City of Springdale, Arkansas
Notes to Financial Statements
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Pensions

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

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

Basis of Accounting

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

Method Used to Determine Fair Value of Investments

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

City of Springdale, Arkansas
Notes to Financial Statements
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At December 31, 2017, none of the City’s bank balances were exposed to custodial credit risk. Also, at September 30, 2017, 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, 2017 (September 30, 2017 for the Commission), were as follows:

	Primary Government	Component Unit Water and Sewer Commission
Carrying value of deposits	\$ 14,952,391	\$ 51,730,123
Bank balance of deposits	\$ 16,287,328	\$ 52,357,026

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.

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

At December 31, 2017, 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	\$ 893,152	\$ 40,337	\$ 520,446	\$ 332,369	\$ -
U.S. agencies obligations	10,379,917	799,311	1,828,528	7,423,305	328,773
State/municipal bonds	640,852	-	490,620	9,853	140,379
Corporate bonds	1,465,805	292,679	222,060	612,981	338,085
Certificates of deposit	3,694,609	2,963,499	731,110	-	-
Money market funds	12,448,270	12,448,270	-	-	-
	29,522,605	\$ 16,544,096	\$ 3,792,764	\$ 8,378,508	\$ 807,237
Corporate stock	12,120,135				
Investment pools	1,754,688				
Other	416,263				
Total Investments	\$ 43,813,691				

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	\$ 40,337	\$ 40,337	\$ -	\$ -
U.S. agencies obligations	9,670,620	26,577	9,644,043	-
Municipal bonds	490,620	-	490,620	-
Corporate bonds	623,510	132,890	490,620	-
Total Debt Securities	\$ 10,825,087	\$ 199,804	\$ 10,625,283	\$ -
Equity securities	\$ 233,950	\$ 229,148	\$ 4,802	\$ -
Alternative investments	17,286	13,194	4,092	-
Beneficial interest in ARCF	\$ 1,754,688	\$ -	\$ -	\$ 1,754,688

City of Springdale, Arkansas
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<u>Pension Investments</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. Treasury notes and bonds	\$ 852,815	\$ 852,815	\$ -	\$ -
U.S. agencies obligations	709,297	709,297	-	-
State and municipal bonds	150,232	150,232	-	-
Corporate bonds	1,332,915	1,332,915	-	-
Total Debt Securities	<u>\$ 3,045,259</u>	<u>\$ 3,045,259</u>	<u>\$ -</u>	<u>\$ -</u>
Equity securities	\$ 11,886,185	\$ 11,886,185	\$ -	\$ -
Alternative investments	398,977	52,194	346,783	-

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 agencies were ranked AAA by Moody's at December 31, 2017. The Firemen's Fund held \$220,783 in corporate bonds at year end, with \$129,728 rated A, and \$91,055 rated BAA. Government agencies held at year end totaled \$121.

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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 \$2,824,355 at year end. Ratings for corporate bonds held ranged from AAA to BAA, and government treasuries and agencies were ranked AAA and AA by Moody's and Standard & Poor's. The Policemen's Fund held \$1,112,132 in corporate bonds at year end, with \$398,122 ranked AAA and \$452,581 ranked A, or 76% of total corporate bonds. The Policemen's Fund held \$261,429, or 24% ranked BAA. State bonds held totaled \$150,232, with \$75,594 ranked AAA, and \$74,638 ranked AA. U.S government treasuries and agencies held at year end totaled \$1,561,991.

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.

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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:

	Primary Government	Component Unit Water and Sewer Commission
Reported amount of deposits	\$ 14,952,391	\$ 51,730,123
Cash on hand	3,224	1,600
Investments classified as cash equivalents	12,448,270	-
Deposits classified as investments	<u>(3,694,609)</u>	<u>(18,058,883)</u>
	<u>\$ 23,709,276</u>	<u>\$ 33,672,840</u>
As reported on the government-wide statement of net position		
Cash and cash equivalents	\$ 9,633,849	\$ 33,533,357
Restricted cash and cash equivalents	<u>11,299,625</u>	<u>139,483</u>
	20,933,474	33,672,840
Cash and cash equivalents reported on the statement of fiduciary net position	<u>2,775,802</u>	<u>-</u>
	<u>\$ 23,709,276</u>	<u>\$ 33,672,840</u>
Carrying amount of investments	\$ 40,119,082	\$ -
Deposits classified as investments	<u>3,694,609</u>	<u>18,058,883</u>
Reported amount of investments	43,813,691	18,058,883
Investments classified as cash equivalents	<u>(12,448,270)</u>	<u>-</u>
	<u>\$ 31,365,421</u>	<u>\$ 18,058,883</u>
As reported on the government-wide statement of net position		
Investments	\$ 11,625,275	\$ 15,793,277
Restricted investments	<u>4,409,725</u>	<u>2,265,606</u>
	16,035,000	18,058,883
Investments reported on the statement of fiduciary net position	<u>15,330,421</u>	<u>-</u>
	<u>\$ 31,365,421</u>	<u>\$ 18,058,883</u>

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

Receivables as of December 31, 2017, for the City’s General Fund, Street Fund, and Sales and Use Tax Fund, 2013 Bonds Debt Service 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
Receivables						
Accounts	\$ 1,353,781	\$ 6,495	\$ 2,637	\$ -	\$ 40,320	\$ 1,403,233
Property taxes	5,733,259	1,084,151	-	-	1,840	6,819,250
Sales taxes	2,569,704	-	1,684,341	-	-	4,254,045
Franchise taxes	880,125	-	-	-	-	880,125
Grants	84,899	34,716	49,821	-	23,723	193,159
Intergovernmental	158,992	428,490	-	-	40,144	627,626
Interest	261	2,365	53,290	-	9,979	65,895
Restricted receivables						
Interest	-	-	-	2,617	2,084	4,701
Sales taxes	-	-	-	2,434,887	750,546	3,185,433
Grants	-	-	-	-	83,645	83,645
Gross receivables	<u>10,781,021</u>	<u>1,556,217</u>	<u>1,790,089</u>	<u>2,437,504</u>	<u>952,281</u>	<u>17,517,112</u>
Less: Allowance for uncollectibles	<u>(1,171,494)</u>	<u>(66,175)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,237,669)</u>
Net total receivables	<u><u>\$ 9,609,527</u></u>	<u><u>\$ 1,490,042</u></u>	<u><u>\$ 1,790,089</u></u>	<u><u>\$ 2,437,504</u></u>	<u><u>\$ 952,281</u></u>	<u><u>\$ 16,279,443</u></u>

Receivables as of December 31, 2017 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
Receivables			
Accounts	\$ 35,689	\$ 34,960	\$ 70,649
Sales taxes	6,012	-	6,012
Gross receivables	<u>41,701</u>	<u>34,960</u>	<u>76,661</u>
Less: Allowance for uncollectibles	<u>(13,050)</u>	<u>-</u>	<u>(13,050)</u>
Net total receivables	<u><u>\$ 28,651</u></u>	<u><u>\$ 34,960</u></u>	<u><u>\$ 63,611</u></u>

City of Springdale, Arkansas
Notes to Financial Statements
December 31, 2017

Receivables as of December 31, 2017 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	\$ 588,447	\$ 588,447	\$ 1,176,894	\$ -
Accounts	-	-	-	462
Interest	4,267	13,947	18,214	-
Gross receivables	592,714	602,394	1,195,108	462
Less: Allowance for uncollectibles	(39,427)	(39,427)	(78,854)	-
Net total receivables	<u>\$ 553,287</u>	<u>\$ 562,967</u>	<u>\$ 1,116,254</u>	<u>\$ 462</u>

Note Receivable

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

Changes in long-term receivables for the year ended December 31, 2017 for the primary government were as follows:

Governmental Activities	Balance, December 31, 2016	Increases	Decreases	Balance December 31, 2017	Due Within One Year
Note receivable					
Promissory note and second mortgage	<u>\$ 330,142</u>	<u>\$ -</u>	<u>\$ 33,603</u>	<u>\$ 296,539</u>	<u>\$ 296,539</u>

City of Springdale, Arkansas
Notes to Financial Statements
December 31, 2017

Note 4: Capital Assets

A summary of changes in capital assets for the year ended December 31, 2017 (September 30, 2017 for the Commission), is presented below:

<u>Governmental Activities</u>	Balance December 31, 2016	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2017
Capital assets, non-depreciable				
Land	\$ 41,345,708	\$ 5,375,761	\$ -	\$ 46,721,469
Easements	32,543,879	161,425	-	32,705,304
Museum buildings	504,927	-	350,726	154,201
Construction in progress	27,098,138	7,627,906	27,591,702	7,134,342
Total capital assets, non-depreciable	<u>101,492,652</u>	<u>13,165,092</u>	<u>27,942,428</u>	<u>86,715,316</u>
Capital assets, depreciable				
Land improvements	32,107,651	5,484,382	103,893	37,488,140
Infrastructure	227,717,314	11,570,746	-	239,288,060
Buildings and improvements	71,599,729	4,511,009	(185,089)	76,295,827
Machinery and equipment	43,292,386	3,438,253	481,435	46,249,204
Intangibles	1,396,240	36,981	5,906	1,427,315
Total capital assets, depreciable	<u>376,113,320</u>	<u>25,041,371</u>	<u>406,145</u>	<u>400,748,546</u>
Less accumulated depreciation				
Land improvements	6,383,410	1,317,316	(248,612)	7,949,338
Infrastructure	85,502,990	8,079,940	-	93,582,930
Buildings and improvements	21,991,188	2,480,654	(1,870,979)	26,342,821
Machinery and equipment	26,485,006	2,931,433	(253,948)	29,670,387
Intangibles	1,063,602	78,583	5,906	1,136,279
Total accumulated depreciation	<u>141,426,196</u>	<u>14,887,926</u>	<u>(2,367,633)</u>	<u>158,681,755</u>
Total governmental activities, net	<u>\$ 336,179,776</u>	<u>\$ 23,318,537</u>	<u>\$ 30,716,206</u>	<u>\$ 328,782,107</u>

City of Springdale, Arkansas
Notes to Financial Statements
December 31, 2017

	Balance December 31, 2016	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2017
<u>Business-type Activities</u>				
Capital assets, non-depreciable				
Land	\$ 2,893,846	\$ -	\$ -	\$ 2,893,846
Construction in progress	80,841	157,764	-	238,605
Total capital assets, non-depreciable	<u>2,974,687</u>	<u>157,764</u>	<u>-</u>	<u>3,132,451</u>
Capital assets, depreciable				
Land improvements	8,489,065	5,499	491,523	8,003,041
Buildings and improvements	5,858,274	31,617	2,869,957	3,019,934
Machinery and equipment	1,991,141	29,344	832,609	1,187,876
Total capital assets, depreciable	<u>16,338,480</u>	<u>66,460</u>	<u>4,194,089</u>	<u>12,210,851</u>
Less accumulated depreciation				
Land improvements	6,183,330	286,125	328,167	6,141,288
Buildings and improvements	3,725,251	117,614	2,008,644	1,834,221
Machinery and equipment	1,212,584	77,193	688,311	601,466
Total accumulated depreciation	<u>11,121,165</u>	<u>480,932</u>	<u>3,025,122</u>	<u>8,576,975</u>
Total business-type activities, net	<u>\$ 8,192,002</u>	<u>\$ (256,708)</u>	<u>\$ 1,168,967</u>	<u>\$ 6,766,327</u>
	Balance September 30, 2016	Additions and Transfers, Net	Retirements and Transfers, Net	Balance September 30, 2017
<u>Business-type Activities</u>				
<u>Component Unit</u>				
Capital assets, non-depreciable				
Land	\$ 2,988,263	\$ -	\$ -	\$ 2,988,263
Easements	4,008,190	1,115	(77,190)	4,086,495
Construction in progress	6,680,729	22,788,341	5,944,750	23,524,320
Total capital assets, non-depreciable	<u>13,677,182</u>	<u>22,789,456</u>	<u>5,867,560</u>	<u>30,599,078</u>
Capital assets, depreciable				
Buildings and improvements	5,779,075	-	10,659	5,768,416
Water and sewer systems	307,112,536	6,986,558	(5,734,717)	319,833,811
Machinery and equipment	5,538,961	311,903	(86,409)	5,937,273
Total capital assets, depreciable	<u>318,430,572</u>	<u>7,298,461</u>	<u>(5,810,467)</u>	<u>331,539,500</u>
Less accumulated depreciation				
Buildings and improvements	3,657,446	184,064	7,087	3,834,423
Water and sewer systems	119,025,977	7,691,650	-	126,717,627
Machinery and equipment	3,645,819	498,190	46,530	4,097,479
Total accumulated depreciation	<u>126,329,242</u>	<u>8,373,904</u>	<u>53,617</u>	<u>134,649,529</u>
Total component unit activities, net	<u>\$ 205,778,512</u>	<u>\$ 21,714,013</u>	<u>\$ 3,476</u>	<u>\$ 227,489,049</u>

City of Springdale, Arkansas
Notes to Financial Statements
December 31, 2017

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

Governmental Activities

General government	
Administration	\$ 317,782
Information technology	46,837
District Court	9,488
Bluff Cemetery	1,572
Community Development	
Planning	3,932
Community development and housing	3,451
Culture and recreation	
Parks and recreation	3,316,495
Senior centers	47,327
Public Library	148,637
Shiloh Museum	50,314
Public Safety	
Animal services	34,519
Building inspection	23,050
Community engagement	16,007
Fire	975,126
Police	598,560
Public Works	9,294,829
Total governmental activities	<u>14,887,926</u>

Business-type Activities

Municipal airport	462,655
Sanitation	18,277
Total business-type activities	<u>480,932</u>

Total depreciation expenses - primary government \$ 15,368,858

Component Unit

City of Springdale, Arkansas Water and Sewer Commission	<u><u>\$ 8,373,904</u></u>
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City of Springdale, Arkansas
Notes to Financial Statements
December 31, 2017

The City has active construction projects as of December 31, 2017. Total outstanding commitments under authorized contracts for capital projects of governmental funds are as follows:

<u>Primary Government</u>	Expenditures Incurred to December 31, 2017	Remaining Commitments at December 31, 2017
Governmental activities		
Capital Projects		
Streets and drainage projects	1,372,666	\$ 2,627,188
Parks and recreation	424,199	143,586
Total commitments - primary government	<u>\$ 1,796,865</u>	<u>\$ 2,770,774</u>

These commitments will be funded through City sales and use taxes and intergovernmental participations.

Business-type Component Unit

At September 30, 2017, the Commission had several construction and repair and maintenance projects in various stages of completion. Unfulfilled contract commitments of approximately \$7,027,000 remained open on the construction and improvement contracts still in progress at September 30, 2017.

Note 5: Long-term Liabilities

Changes in long-term liabilities for the year ended December 31, 2017, for the primary government were as follows:

Governmental Activities	Balance December 31, 2016	Increases	Decreases	Balance December 31, 2017	Due Within One Year
Bonds payable:					
Revenue bonds	\$ 119,629,473	\$ -	\$ 13,558,572	\$ 106,070,901	\$ 7,840,000
Add issuance premium	5,733,377	-	553,073	5,180,304	-
Bonds payable, net	<u>125,362,850</u>	<u>-</u>	<u>14,111,645</u>	<u>111,251,205</u>	<u>7,840,000</u>
Compensated absences	2,272,596	360,640	226,688	2,406,548	27,935
OPEB liability	3,503,472	503,746	-	4,007,218	-
Net pension liability	39,805,942	2,705,222	4,021,573	38,489,591	-
Total other long-term liabilities	<u>45,582,010</u>	<u>3,569,608</u>	<u>4,248,261</u>	<u>44,903,357</u>	<u>27,935</u>
Total	<u>\$ 170,944,860</u>	<u>\$ 3,569,608</u>	<u>\$ 18,359,906</u>	<u>\$ 156,154,562</u>	<u>\$ 7,867,935</u>

City of Springdale, Arkansas
Notes to Financial Statements
December 31, 2017

Business-type Activities	Balance December 31, 2016	Increases	Decreases	Balance December 31, 2017	Due Within One Year
Compensated absences	\$ 6,604	\$ 13,406	\$ 3,722	\$ 16,288	\$ 3,143
Total other long-term liabilities	<u>\$ 6,604</u>	<u>\$ 13,406</u>	<u>\$ 3,722</u>	<u>\$ 16,288</u>	<u>\$ 3,143</u>

Changes in long-term liabilities for the year ended September 30, 2017 for the City's discretely presented component unit were as follows:

Component Unit	Balance September 30, 2016 (As Restated)*	Increases	Decreases	Balance September 30, 2017	Due Within One Year
Bonds payable					
Revenue bonds, Series 2006	\$ 2,545,000	\$ -	\$ 205,000	\$ 2,340,000	\$ 215,000
Compensated absences	877,811	659,327	582,833	954,305	445,040
OPEB liability	173,175	70,710	2,804	241,081	-
Customer deposits	2,140,383	125,223	-	2,265,606	-
Total other long-term liabilities	<u>3,191,369</u>	<u>855,260</u>	<u>585,637</u>	<u>3,460,992</u>	<u>445,040</u>
Total	<u>\$ 5,736,369</u>	<u>\$ 855,260</u>	<u>\$ 790,637</u>	<u>\$ 5,800,992</u>	<u>\$ 660,040</u>

*As discussed in *Note 1*, the Commission implemented GASB Statement No. 75, effective October 1, 2016.

Sales and Use Tax Bonds – Governmental Activities

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

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

City of Springdale, Arkansas
Notes to Financial Statements
December 31, 2017

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

Series 2013 Bonds maturing July 1, 2025:

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

During 2017, the City used surplus tax receipts to call and redeem \$6,000,000 in Series 2013 bonds.

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 2017 was \$282,903.

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, 2017, the City held cash equivalents equal to \$1,055,065 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 30.3% results from pledged revenues from the 1% sales and use tax levied by the City totaling \$14,560,431 and the portion of pledged revenue stream for the bonds totaling \$4,411,333 for the year ended December 31, 2017.

Bond issue costs of \$708,296 were incurred in the issuance of the Series 2012 Bonds.

City of Springdale, Arkansas
Notes to Financial Statements
December 31, 2017

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

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

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

The Series 2012 Bonds were issued at a premium of \$4,721,820. This premium is being amortized over the life of the bonds using the effective interest method. Bond premium amortization for 2017 was \$270,170.

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, 2017, the City held cash equivalents equal to \$2,905,188 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 Bond and the pledging of the PFB revenues were approved by the City Council under City Resolution No. 132-15.

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
Notes to Financial Statements
December 31, 2017

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 2017. At December 31, 2017, the PFB held cash equivalents equal to \$251,108 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, 2017.

Bonds payable at December 31, 2017, 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	\$ 56,045,000
Sales and Use Tax Refunding Bonds	2013	2026	2.0 - 5.0%	A+	84,200,000	48,995,000
Revenue Bond	2015	2025	3.0%		1,160,000	1,030,901
						<u>\$ 106,070,901</u>

Debt service requirements for the governmental activities bonds at December 31, 2017 were as follows:

Primary Government	Principal	Interest	Total
2018	\$ 7,840,000	\$ 4,208,887	\$ 12,048,887
2019	8,195,000	3,951,722	12,146,722
2020	8,570,000	3,681,842	12,251,842
2021	9,040,000	3,308,541	12,348,541
2022	9,535,000	2,915,341	12,450,341
2023 - 2027	39,890,901	8,285,475	48,176,376
2028 - 2032	23,000,000	2,039,200	25,039,200
	<u>\$ 106,070,901</u>	<u>\$ 28,391,008</u>	<u>\$ 134,461,909</u>

Water and Sewer Revenue Bonds – Business-Type Component Unit

Series 2006

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

As of September 30, 2017, the outstanding principal was \$2,340,000.

City of Springdale, Arkansas
Notes to Financial Statements
December 31, 2017

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			
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	260,000	67,500	327,500
2023 - 2027	1,155,000	130,750	1,285,750
	<u>\$ 2,340,000</u>	<u>\$ 587,750</u>	<u>\$ 2,927,750</u>

Applicability of Federal Arbitrage Regulations

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

Based upon interim calculations, the City has no arbitrage liability as of December 31, 2017.

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. According, the bonds are not reported in the accompanying financial statements.

As of December 31, 2018, there was one series of Public Facilities Board Hospital Revenue Bonds outstanding with a principal balance of \$75,465,000.

City of Springdale, Arkansas
Notes to Financial Statements
December 31, 2017

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, 2017 are as follows:

	Interfund Receivables	Interfund Payables
<u>Primary Government</u>		
Governmental Funds		
General	\$ 1,316,210	\$ 1,589,238
Street	667,089	-
Sales and Use Tax	1,587,666	1,892,833
Nonmajor governmental funds	41,885	25,613
Total governmental funds	3,612,850	3,507,684
Enterprise Funds		
Nonmajor enterprise funds	25	9
Total enterprise funds	25	9
Fiduciary Funds		
	83,095	184,916
Total Primary Government	\$ 3,695,970	\$ 3,692,609

The difference in the interfund receivables/payables of \$3,361 for the primary government is due to the different year end of the Springdale Water and Sewer Commission (Component Unit).

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

City of Springdale, Arkansas
Notes to Financial Statements
December 31, 2017

Transfers in (out) for the year ended December 31, 2017 are as follows:

<u>Primary Government</u>	Transfers In	Transfers Out
Governmental Funds		
General	\$ 8,137,185	\$ 1,935,826
Street	531,966	-
Sales and Use Tax	-	8,084,931
Nonmajor governmental	1,515,165	111,305
Total governmental funds	<u>10,184,316</u>	<u>10,132,062</u>
Proprietary Funds		
Municipal Airport	54,716	-
Nonmajor proprietary funds	-	1,275,937
Total proprietary funds	<u>54,716</u>	<u>1,275,937</u>
Total Primary Government	<u>\$ 10,239,032</u>	<u>\$ 11,407,999</u>

The difference in transfers in (out) is due to the capital assets transferred out for the Aquatic Center, as that fund was merged into the General Fund in 2017. There is not a corresponding transfer in for the General Fund as governmental funds only report current assets and liabilities.

Note 7: Pension Plans

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

City of Springdale, Arkansas
Notes to Financial Statements
December 31, 2017

Membership Information

Membership of the single-employer pension plans and the defined contribution plan consisted of the following at December 31, 2017:

	Firemen's Relief and Pension Fund	Policemen's Pension and Relief Fund	Money Purchase Pension Plan
Retirees and beneficiaries receiving benefits	42	34	-
Active plan members	-	-	254
Total	<u>42</u>	<u>34</u>	<u>254</u>

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:

	Statement of Fiduciary Net Position	
	December 31, 2017	
	Firemen's Relief and Pension Fund	Policemen's Pension and Relief Fund
Assets		
Cash and equivalents	\$ 969,468	\$ 718,956
Investments	7,862,641	7,467,780
Accounts receivable	553,287	562,967
Due from other funds	-	7,604
Total Assets	<u>9,385,396</u>	<u>8,757,307</u>
Liabilities		
Accrued liabilities	<u>3,605</u>	<u>3,536</u>
Total Liabilities	<u>3,605</u>	<u>3,536</u>
Net Position		
Net position restricted for pensions	<u>\$ 9,381,791</u>	<u>\$ 8,753,771</u>

City of Springdale, Arkansas
Notes to Financial Statements
December 31, 2017

	Statement of Changes in Fiduciary Net Position	
	Firemen's Relief and Pension Fund	Policemen's Pension and Relief Fund
Additions		
Employer contributions	\$ 597,239	\$ 696,132
State insurance turnback - supplements	60,984	79,360
Net investment income	1,497,844	880,932
Total Additions	<u>2,156,067</u>	<u>1,656,424</u>
Deductions		
Benefit payments	1,173,919	1,144,466
Benefit payments - supplements	59,444	79,360
Miscellaneous	296	-
Total Deductions	<u>1,233,659</u>	<u>1,223,826</u>
Change in Fiduciary Net Position	922,408	432,598
Net Position Restricted for Pensions, Beginning of Year	<u>8,459,383</u>	<u>8,321,173</u>
Net Position Restricted for Pensions, End of Year	<u>\$ 9,381,791</u>	<u>\$ 8,753,771</u>

Plan Descriptions and Funding Information

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

	FRPF	PPRF	LOPFI	APERS	Total
Net pension liability	\$ 4,608,924	\$ 6,334,785	\$ 27,356,562	\$ 189,320	\$ 38,489,591
Deferred outflows of resources	157,735	264,991	7,508,072	50,537	7,981,335
Deferred outflows of resources - contributions	-	-	3,422,270	4,129	3,426,399
Deferred inflows of resources	918,775	467,681	916,874	52,057	2,355,387
Pension expense (reduction of expense)	129,251	437,063	5,548,314	22,252	6,136,880

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 2017 were \$658,223. The City's share of contributions was \$658,223, and included \$548,076 in property taxes and \$110,147 in state insurance premium taxes.

There are no asset concentrations over 5% as of December 31, 2017.

There were no active employees which were covered by the Plan for the year ended 2017.

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.

City of Springdale, Arkansas
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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 2017 were \$775,492. The City’s share of contributions was \$775,492, and included \$548,076 in property taxes, \$111,044 in state insurance premium taxes, and \$116,372 in fines and court costs.

The asset concentrations of over 5% are as follows:

Ishares MSCI EAFE Index Fund	\$ 848,009
Ishares Russell 2000 Growth Index Fund	462,411
SPDR S&P MidCap 400 UTSER1	923,972

There were no active employees which were covered by the Plan for the year ended 2017.

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 valuation was as of December 31, 2017. 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, 2017 was 5 years.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2007 to December 31, 2012.

City of Springdale, Arkansas
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Net Pension Liability

The components of the net pension liability of the City as of December 31, 2017, 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	12/31/2017	\$ 13,990,715	\$ 9,381,791	\$ 4,608,924	67.1%
Policemen's Relief and Pension Fund	12/31/2017	15,088,556	8,753,771	6,334,785	58.0%

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:

Long-term Expected Real Rate of Return		
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, 2017.

Target Allocation of Investments	
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, 2017.

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

Discount Rate

In the December 31, 2017 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)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2016	<u>\$ 14,471,593</u>	<u>\$ 8,459,383</u>	<u>\$ 6,012,210</u>
Changes for the Year			
Service Cost	-	-	-
Interest on Net Pension Liability	694,232	-	694,232
Difference between Expected and Actual Experience	(1,191)	-	(1,191)
Employer Contributions	-	597,239	(597,239)
Net Investment Income	-	1,497,844	(1,497,844)
Benefits and Refunds	(1,173,919)	(1,173,919)	-
Administrative Expenses	-	(296)	296
Other / Reconciliation	-	1,540	(1,540)
Net Changes	<u>(480,878)</u>	<u>922,408</u>	<u>(1,403,286)</u>
Balances at December 31, 2017	<u><u>\$ 13,990,715</u></u>	<u><u>\$ 9,381,791</u></u>	<u><u>\$ 4,608,924</u></u>

Policemen's Pension and Relief Fund (PPRF)

Change in Net Pension Liability - Policemen's Fund

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2016	<u>\$ 15,400,219</u>	<u>\$ 8,321,173</u>	<u>\$ 7,079,046</u>
Changes for the Year			
Service Cost	-	-	-
Interest on Net Pension Liability	741,399	-	741,399
Difference between Expected and Actual Experience	91,404	-	91,404
Employer Contributions	-	696,132	(696,132)
Net Investment Income (Loss)	-	880,932	(880,932)
Benefits and Refunds	(1,144,466)	(1,144,466)	-
Net Changes	<u>(311,663)</u>	<u>432,598</u>	<u>(744,261)</u>
Balances at December 31, 2017	<u><u>\$ 15,088,556</u></u>	<u><u>\$ 8,753,771</u></u>	<u><u>\$ 6,334,785</u></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:

		Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption		
		1% Decrease 4.00%	Current Single Rate Assumption 5.00%	1% Increase 6.00%
Firemen's Pension	City's Net Pension Liability	\$ 5,949,018	\$ 4,608,924	\$ 3,490,042
		1% Decrease 4.00%	Current Single Rate Assumption 5.00%	1% Increase 6.00%
Policemen's Pension	City's Net Pension Liability	\$ 7,906,892	\$ 6,334,785	\$ 5,030,149

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:

Plan	Fiscal Year Ended December 31,	Annual Money- weighted Rate of Return
Firemen's Pension	2017	18.36%
	2016	5.94%
	2015	0.53%
Policemen's Pension	2017	10.90%
	2016	6.80%
	2015	-2.61%

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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, Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions

For the year ended December 31, 2017, the City recognized a reduction in pension expense from its single-employer defined benefit plans of \$566,314. At December 31, 2017, the City reported net deferred outflows of resources and deferred inflows of resources related to these pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 422,726	\$ 1,386,456
Total	\$ 422,726	\$ 1,386,456

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, 2018. Other amounts reported as net deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	
2018	\$ (146,334)
2019	(146,334)
2020	(357,697)
2021	(313,365)
Total	\$ (963,730)

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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, 2017 employer and employee contributions to the plan were \$594,331 and \$297,163, respectively. Nonvested City contributions and investment earnings are forfeited when participants leave covered employment and are used to reduce City contributions.

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.

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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, 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 2017 was 23.00% for both paid firemen and for paid policemen. City contributions for 2017 were \$1,165,656 for paid firemen, and \$1,767,614 for paid policemen, and were equal to 100% of the required contributions. Employee contributions for 2017 were \$611,504 for paid firemen and \$192,132 for paid policemen. At December 31, 2017, there were 120 active paid firemen and 145 active paid policemen. Covered payroll was \$7,194,157 and \$7,685,276 for paid firemen and for paid policemen, respectively.

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

At December 31, 2017, the City reported a liability of \$27,356,562 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 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 the total employer contributions to the Plan of the group for the measurement period. At December 31, 2016, the City's proportion was 4.7949%, which was a 0.2472% decrease from the City proportion of 5.0422% at December 31, 2015.

For the year ended December 31, 2017, the City recognized pension expense of \$5,548,314. At December 31, 2017, 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	\$ 953,016	\$ 6,435
Changes of assumptions	1,457,906	-
Net difference between projected and actual earnings on pension plan investments	4,343,991	-
Changes in proportion	753,159	910,439
Contributions subsequent to the measurement date	<u>3,422,270</u>	<u>-</u>
Total	<u>\$ 10,930,342</u>	<u>\$ 916,874</u>

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$3,422,270 will be recognized as a reduction of the net pension liability for the year ending December 31, 2018. 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>	
2018	\$ 2,187,693
2019	2,188,232
2020	1,990,684
2021	<u>224,589</u>
Total	<u>\$ 6,591,198</u>

City of Springdale, Arkansas
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Actuarial Assumptions

The total pension liability in the December 31, 2016 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 (2.75 percent in prior year)
Wage inflation	3.75 percent (3.75 percent in prior year)
Salary increases	4.50 to 19.00 percent, including inflation (4.25 to 18.75 percent, including inflation, in prior year)
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation (7.75 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, 2016 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:

Long-term Expected Real Rate of Return

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

City of Springdale, Arkansas
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Discount Rate

In the December 31, 2016 actuarial valuation, a single discount rate of 7.75% 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:

	Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption		
	1% Decrease 6.75%	Current Single Rate Assumption 7.75%	1% Increase 8.75%
City’s proportionate share of the net pension liability	\$ 42,837,130	\$ 27,356,562	\$ 14,675,048

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. The district court judge became a state employee effective January 1, 2017. Therefore, the court clerk is the only employee who is a member of the Arkansas Public Employees’ Retirement System (APERS), a state administered defined benefit plan.

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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 \$57,835 for the fiscal year ended December 31, 2017.

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, 2017, 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	24.69%
School Division	4.00%

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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 for 2017 was 14.50% of covered employee's salaries from January 1, 2017 to June 30, 2017 and 14.75% from July 1, 2017 to December 31, 2017. Contributions made to the plan by employees and the City for the year ended December 31, 2017 amounted to \$2,892 and \$8,456, respectively.

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

At December 31, 2017, the City reported a liability of \$189,320 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the City's proportion was 0.00732623%, which is a decrease of 0.00033365% from its proportion as of June 30, 2016 of 0.01066276%.

For the year ended December 31, 2017, the City recognized pension expense of \$22,252. At December 31, 2017, 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	\$ 3,670	\$ 3,724
Changes of assumptions	30,461	-
Net difference between projected and actual earnings on pension plan investments	7,933	-
Change in proportions	8,473	48,333
Contributions subsequent to the measurement date	4,129	-
Total	<u>\$ 54,666</u>	<u>\$ 52,057</u>

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The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$4,129 will be recognized as a reduction of the net pension liability for the year ending December 31, 2018. 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>
2018	\$ (402)
2019	(721)
2020	(462)
2021	65
Total	<u>\$ (1,520)</u>

Actuarial Assumptions

The total pension liability in the June 30, 2017 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	7.15 percent (7.50 percent in prior year)
Salary increases	3.25 to 9.85 percent, including inflation (3.95 to 9.85 percent, including inflation, in prior year)
Investment rate of return	7.15 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, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2007 through June 30, 2012 and updated in conjunction with an Economic Assumption Review dated May 17, 2017.

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
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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:

Long-term Expected Real Rate of Return		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37%	5.97%
International Equity	24%	6.54%
Real Estate Related Assets	16%	4.59%
Absolute Return	5%	3.15%
Domestic Fund	18%	0.83%
Total	<u>100%</u>	

Discount Rate

In the June 30, 2017 actuarial valuation, a single discount rate of 7.15% 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 7.15%. 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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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 7.15 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 (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption		
	1% Decrease 6.15%	Current Single Rate Assumption 7.15%	1% Increase 8.15%
City’s proportionate share of the net pension liability	\$ 288,310	\$ 189,320	\$ 107,124

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.

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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, 2017, the year-end for the Commission, were \$273,116. Nonvested Commission contributions and investment earnings are forfeited when participants leave covered employment and are used to reduce Commission contributions.

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 2017. 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
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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, 2017, the date of the actuarial valuation, the plan has fourteen 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, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) over a period not to exceed thirty years.

The following table shows the components of the 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)	\$ 570,499
Interest on net OPEB obligation	157,656
Adjustment to annual required contribution	<u>(130,714)</u>
Annual OPEB cost	597,441
Total annual employer contribution (PAYGO cost)	<u>(93,695)</u>
Increase in net OPEB obligation	503,746
Net OPEB obligation – beginning of year	<u>3,503,472</u>
Net OPEB obligation – end of year	<u>\$ 4,007,218</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	\$ 367,629
Amortization of UAAL	178,303
Interest cost	<u>24,567</u>
Annual required contribution	<u>\$ 570,499</u>

City of Springdale, Arkansas
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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 2017 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2017	\$ 597,441	15.70%	\$ 4,007,218
12/31/2016	557,571	15.40%	3,503,472
12/31/2015	483,815	17.00%	3,031,860

Funded Status and Funding Progress

As of January 1, 2017, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$4,994,026, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,994,026. The covered payroll was \$23,013,037, and the ratio of the UAAL to the covered payroll was 21.7%.

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, 2017, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5% investment rate of return based upon funding the plan in the future, and an annual healthcare cost trend rate of 8.5% for 2018, 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, 2017, was thirty years.

City of Springdale, Arkansas
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Component Unit – Water and Sewer Commission

General Information about the OPEB Plan

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 this report.

Benefits Provided: There are no direct benefits provided to the retirees under the Plan. The only benefits provided are derived from the retiree receiving a lower premium for health insurance by being allowed to stay within the group coverage under the Commission until Medicare eligibility. Retirees are responsible for 100% of the premiums once included within the Plan.

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 \$412.03 per month to \$1,030.92 per month depending on the coverage elected. The Commission’s policy maintains that retirees must pay 100% of the cost of premiums. The cost of retiree healthcare benefits is financed on a pay-as-you-go basis and is recorded as an expense as liabilities are incurred.

Employees covered by benefit terms: At September 30, 2017, the following employees were covered by the benefit terms:

Total active participants	101
Total retiree participants	-
	101
	101

City of Springdale, Arkansas
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Total OPEB Liability

The Commission's total OPEB liability as of September 30, 2017 of \$241,081 was measured as of September 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial assumptions: The total OPEB liability in the September 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date:	September 30, 2017
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay - open group
Amortization period	30 years
Inflation	3.25%
Healthcare cost trend rates	Initially 9.00%, decreasing in .50% increments over 8 years to 5.00%.
Salary increases	3.25% for wage inflation plus merit/productivity growth ranging from .70% to 6.60% depending on age of the employee. The payroll growth assumption is based on the non-state rates shown in the Arkansas Public Employee Retirement System (APERS) actuarial valuation as of June 30, 2016.
Mortality	RPH-2016 Total Dataset Mortality Table fully generational using Scale MP-2016

The actuarial assumptions used in the September 30, 2017 valuation were based on the results of an informal statistical analysis for the period October 1, 2009 to September 30, 2013.

Discount Rate: The discount rate used to measure the total OPEB liability was 3.50 percent. As an unfunded plan, this rate was determined based on the yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). The indexes used in determining this rate include the Bond Buyer G.O. 20-Year Bond Municipal Bond Index, the S&P Municipal Bond 20-Year High Grade Rate Index and the Fidelity 20-Year G.O. Municipal Bond Index.

City of Springdale, Arkansas
Notes to Financial Statements
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Changes in the Total OPEB Liability

	2017
	Total OPEB Liability (a)
Balance at beginning of year	\$ 173,175
Changes for the year:	
Service cost	11,311
Interest	5,325
Changes in assumptions	10,082
Differences between expected and actual experience	43,992
Benefit payments	(2,804)
Net changes	67,906
Balance at end of year	\$ 241,081

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the total OPEB liability for the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate.

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	\$ 259,386	\$ 241,081	\$ 223,809

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the total OPEB liability for the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate.

	1% Decrease (8.00%)	Current Health Care Cost Trend Rate (9.00%)	1% Increase (10.00%)
Total OPEB liability	\$ 215,137	\$ 241,081	\$ 271,691

City of Springdale, Arkansas
Notes to Financial Statements
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OPEB Expenses and Deferred Outflows of Resources related to OPEB

For the year ended September 30, 2017, the Commission recognized OPEB expense of \$20,796. At September 30, 2017, the Commission reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 40,608
Change in assumptions	9,306
Total	\$ 49,914

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:

2018	\$ 4,160
2019	4,160
2020	4,160
2021	4,160
2022	4,160
Thereafter	29,114
	\$ 49,914

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.

City of Springdale, Arkansas
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There have been no significant reductions in insurance coverage from 2016 to 2017, nor have settlement amounts exceeded insurance coverage for each of the past three years.

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, 2017, property taxes receivable and related deferred inflows (unavailable revenue) of \$5,969,485 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 2017 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 \$7,178,000 of additional taxes could be raised per year based on the current year's assessed value of \$828,197,416 for real property and \$311,285,114 for personal property before the limit is reached.

City of Springdale, Arkansas
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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 \$12,667,170 for 2017 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 \$14,560,430 for 2017, and are included in the Sales and Use Tax Fund's (\$10,149,097) and 2012 Bonds Debt Service Fund's (\$4,411,333) 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 \$1,470,642 for 2017 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 \$14,560,431 for 2017, 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 \$27,169 and \$16,959, respectively, for 2017 and are included as non-operating revenue for the Municipal Airport Fund in the accompanying financial statements.

City of Springdale, Arkansas
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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, 2017, 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
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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 2017 is as follows:

	Assigned	Nonspendable
Endowment fund balance - beginning of year	\$ 57,166	\$ 1,414,575
Contributions	-	50,000
Available for distribution	60,110	(60,110)
Investment income (loss), net	-	232,947
Endowment fund balance - end of year	\$ 117,276	\$ 1,637,412

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, 2017.

City of Springdale, Arkansas
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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. 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.

City of Springdale, Arkansas
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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.

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.

GASB Statement No. 87 – *Leases*. This statement addresses the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognizing inflows or outflows of resources based on the payment provisions of the contract. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement is effective for periods beginning after December 15, 2019, with earlier application encouraged.

City of Springdale, Arkansas
Notes to Financial Statements
December 31, 2017

GASB Statement No. 88 – *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The objective of this statement is to improve the information related to debt that is disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements. This statement is effective for periods beginning after June 15, 2018, with earlier application encouraged.

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

Note 16: Subsequent Events

On May 17, 2018, the City of Springdale issued \$188,075,000 in City of Springdale, Arkansas Sales and Use Tax Refunding and Improvement Bonds, Series 2018. The bonds were issued for the following purposes: (a) to refund the City's outstanding Sales and Use Tax Refunding Bonds, Series 2013 - \$35,950,000, (b) financing all or a portion of the costs of streets and drainage improvements - \$76,175,000, (c) financing all or a portion of the costs of parks and recreational facilities - \$18,385,000, (d) financing all or a portion of the costs of equipment, apparatus and new facilities for the City's fire department - \$15,480,000, (e) financing all or a portion of the costs of the extension and renovation of the City Administration Building - \$37,150,000, and (f) financing all or a portion of the costs of a new animal shelter - \$4,935,000.

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Required Supplementary Information

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

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
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%
1/1/2017	-	4,994,026	4,994,026	0.0%	23,013,037	21.7%

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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total Pension Liability					
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	694,232	737,430	818,743	832,851	853,931
Benefit changes	-	-	-	-	-
Difference between actual & expected experience *	(1,191)	(420,129)	(1,250,687)	95,678	241,918
Assumption changes	-	-	-	-	-
Benefit payments	(1,173,919)	(1,188,622)	(1,199,986)	(1,221,414)	(1,813,464)
Refunds	-	-	-	-	-
Net Change in Total Pension Liability	<u>(480,878)</u>	<u>(871,321)</u>	<u>(1,631,930)</u>	<u>(292,885)</u>	<u>(717,615)</u>
Total Pension Liability - Beginning	<u>14,471,593</u>	<u>15,342,914</u>	<u>16,974,844</u>	<u>17,267,729</u>	<u>17,985,344</u>
Total Pension Liability - Ending (a)	<u>\$ 13,990,715</u>	<u>\$ 14,471,593</u>	<u>\$ 15,342,914</u>	<u>\$ 16,974,844</u>	<u>\$ 17,267,729</u>
Plan Fiduciary Net Position					
Contributions - employee	\$ -	\$ -	\$ -	\$ -	\$ 2,712
Contributions - employer	597,239	593,335	595,428	564,558	606,540
Net investment income (loss)	1,497,844	489,275	45,094	539,443	1,532,421
Benefit payments	(1,173,919)	(1,188,622)	(1,199,986)	(1,221,414)	(1,813,464)
Administrative expense	(296)	-	-	(25)	(292)
Other / reconciliation	1,540	-	-	-	-
Net Change in Plan Fiduciary Net Position	<u>922,408</u>	<u>(106,012)</u>	<u>(559,464)</u>	<u>(117,438)</u>	<u>327,917</u>
Plan Fiduciary Net Position - Beginning	<u>8,459,383</u>	<u>8,565,395</u>	<u>9,124,859</u>	<u>9,242,297</u>	<u>8,914,380</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 9,381,791</u>	<u>\$ 8,459,383</u>	<u>\$ 8,565,395</u>	<u>\$ 9,124,859</u>	<u>\$ 9,242,297</u>
Net Pension Liability (a) - (b)	<u>\$ 4,608,924</u>	<u>\$ 6,012,210</u>	<u>\$ 6,777,519</u>	<u>\$ 7,849,985</u>	<u>\$ 8,025,432</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	67.06%	58.46%	55.83%	53.76%	53.52%
Covered Employee Payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Net Pension Liability as a Percentage of Covered Employee Payroll	N/A	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

FY Ended December 31,	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
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
2017	1,358,714	597,239	761,475	-	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,	2017	2016	2015	2014	2013
Total Pension Liability					
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	741,399	758,914	809,001	822,232	834,870
Benefit changes	-	-	-	-	-
Difference between actual & expected experience *	91,404	35,255	(666,271)	57,613	56,839
Assumption changes	-	-	-	-	-
Benefit payments	(1,144,466)	(1,144,466)	(1,144,466)	(1,144,466)	(1,144,466)
Refunds	-	-	-	-	-
Net Change in Total Pension Liability	(311,663)	(350,297)	(1,001,736)	(264,621)	(252,757)
Total Pension Liability - Beginning	15,400,219	15,750,516	16,752,252	17,016,873	17,269,630
Total Pension Liability - Ending (a)	<u>\$ 15,088,556</u>	<u>\$ 15,400,219</u>	<u>\$ 15,750,516</u>	<u>\$ 16,752,252</u>	<u>\$ 17,016,873</u>
Plan Fiduciary Net Position					
Contributions - employee	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - employer	696,132	665,893	679,786	633,760	684,637
Net investment income (loss)	880,932	543,877	(176,004)	563,969	935,424
Benefit payments	(1,144,466)	(1,144,466)	(1,144,466)	(1,144,466)	(1,144,466)
Funeral benefit	-	-	(6,500)	-	-
Administrative expense	-	(258)	-	-	-
Net Change in Plan Fiduciary Net Position	432,598	65,046	(647,184)	53,263	475,595
Plan Fiduciary Net Position - Beginning	8,321,173	8,256,127	8,903,311	8,850,048	8,374,453
Plan Fiduciary Net Position - Ending (b)	<u>\$ 8,753,771</u>	<u>\$ 8,321,173</u>	<u>\$ 8,256,127</u>	<u>\$ 8,903,311</u>	<u>\$ 8,850,048</u>
Net Pension Liability (a) - (b)	<u>\$ 6,334,785</u>	<u>\$ 7,079,046</u>	<u>\$ 7,494,389</u>	<u>\$ 7,848,941</u>	<u>\$ 8,166,825</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	58.02%	54.03%	52.42%	53.15%	52.01%
Covered Employee Payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Net Pension Liability as a Percentage of Covered Employee Payroll	N/A	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

FY Ended December 31,	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
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	665,893	1,026,999	-	N/A
2017	1,599,260	696,132	903,128	-	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, 2017

Plan	Fiscal Year Ended December 31,	Annual Money- weighted Rate of Return
Firemen's Relief and Pension Fund	2017	18.36%
	2016	5.94%
	2015	0.53%
	2014	6.05%
Policemen's Pension and Relief Fund	2017	10.90%
	2016	6.80%
	2015	-2.61%
	2014	7.09%

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

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

<u>City fiscal year ended December 31,</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	4.7949%	5.0422%	4.6714%
City's proportionate share of the net pension liability	\$ 27,356,562	\$ 26,459,702	\$ 16,910,936
City's covered-employee payroll	\$ 14,879,433	\$ 14,400,195	\$ 14,276,230
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	183.85%	183.75%	118.46%
Plan fiduciary net position as a percentage of the total pension liability	72.49%	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.

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>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially required contribution	\$ 3,422,270	\$ 3,167,945 (1)	\$ 3,131,048
Contributions in relation to the actuarially determined contribution	<u>3,422,270</u>	<u>3,167,945</u>	<u>3,131,048</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 14,879,433	\$ 14,400,195	\$ 14,275,134
Contributions as a percentage of covered employee payroll	23.00%	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.

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>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.0073%	0.0107%	0.0099%
City's proportionate share of the net pension liability	\$ 189,320	\$ 254,984	\$ 182,965
City's covered-employee payroll	\$ 57,835	\$ 180,014	\$ 176,262
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	327.35%	141.65%	103.80%
Plan fiduciary net position as a percentage of the total pension liability	75.65%	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>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 8,456	\$ 26,064	\$ 27,053
Contributions in relation to the actuarially determined contribution	<u>8,456</u>	<u>26,064</u>	<u>27,053</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 57,835	\$ 179,754	\$ 184,976
Contributions as a percentage of covered employee payroll	14.62%	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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Sales	\$ 13,686,000	\$ 13,686,000	\$ 14,137,812	\$ 451,812
Ad valorem	4,898,500	4,898,500	5,229,045	330,545
Franchise	3,900,000	3,900,000	4,015,932	115,932
Fees and permits:				
Building permits	500,000	500,000	716,267	216,267
Occupation permits	162,100	162,100	165,588	3,488
Other	186,100	186,100	380,753	194,653
Intergovernmental:				
Federal and state grants	425,000	425,000	526,239	101,239
State turnback	1,622,850	1,622,850	1,606,941	(15,909)
State turnback-insurance	1,225,000	1,225,000	1,324,777	99,777
City and county	18,000	18,000	17,591	(409)
Other	568,820	568,820	663,955	95,135
Other grants and contributions	14,180	292,090	1,354,210	1,062,120
Charges for goods and services:				
Ambulance fees	1,850,000	1,850,000	1,641,123	(208,877)
Other revenues	1,091,000	1,091,000	1,269,281	178,281
Fines and forfeitures	870,500	870,500	919,477	48,977
Miscellaneous	284,950	284,950	329,869	44,919
Total Revenues	31,303,000	31,580,910	34,298,860	2,717,950
Expenditures				
General Government				
Administration				
Personnel	1,638,610	1,638,610	1,579,294	59,316
Buildings and equipment	129,500	129,500	136,381	(6,881)
Supplies	161,500	161,500	133,307	28,193
Other	577,000	577,000	533,045	43,955
Economic development	333,460	333,460	323,137	10,323
Capital	-	-	523,610	(523,610)
Total Administration Expenditures	2,840,070	2,840,070	3,228,774	(388,704)
City Attorney				
Personnel	680,350	680,350	681,499	(1,149)
Buildings and equipment	13,600	13,600	11,521	2,079
Supplies	13,000	13,000	10,394	2,606
Other	21,350	21,350	19,977	1,373
Total City Attorney Expenditures	728,300	728,300	723,391	4,909
Information Technology				
Personnel	449,280	449,280	436,980	12,300
Buildings and equipment	458,750	458,750	379,785	78,965
Supplies	10,000	10,000	5,905	4,095
Other	114,050	114,050	114,540	(490)
Capital	-	-	36,230	(36,230)
Total Information Technology Expenditures	1,032,080	1,032,080	973,440	58,640
Total General Government Expenditures	4,600,450	4,600,450	4,925,605	(325,155)

City of Springdale, Arkansas
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – General Fund (Continued)
Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Culture and Recreation				
Shiloh Museum				
Personnel	\$ 587,200	\$ 587,200	\$ 579,448	\$ 7,752
Buildings and equipment	40,700	40,700	34,510	6,190
Supplies	66,800	66,800	73,786	(6,986)
Other	18,900	18,900	22,920	(4,020)
Capital	-	-	5,406	(5,406)
Total Shiloh Museum Expenditures	<u>713,600</u>	<u>713,600</u>	<u>716,070</u>	<u>(2,470)</u>
Springdale Senior Centers				
Personnel	-	104,250	146,141	(41,891)
Buildings and equipment	5,100	14,550	29,070	(14,520)
Supplies	34,000	138,340	109,311	29,029
Other	11,700	34,960	30,093	4,867
Capital	-	3,750	10,287	(6,537)
Total Springdale Senior Centers Expenditures	<u>50,800</u>	<u>295,850</u>	<u>324,902</u>	<u>(29,052)</u>
Parks and Recreation				
Personnel	2,023,390	2,023,390	2,048,275	(24,885)
Buildings and equipment	564,200	564,200	502,940	61,260
Supplies	553,800	553,800	614,408	(60,608)
Other	111,830	111,830	135,287	(23,457)
Capital	85,000	85,000	127,765	(42,765)
Total Parks and Recreation Expenditures	<u>3,338,220</u>	<u>3,338,220</u>	<u>3,428,675</u>	<u>(90,455)</u>
Total Culture and Recreation Expenditures	<u>4,102,620</u>	<u>4,347,670</u>	<u>4,469,647</u>	<u>(121,977)</u>
Community Development:				
Planning and Community Development				
Personnel	362,120	362,120	323,832	38,288
Buildings and equipment	3,750	3,750	4,989	(1,239)
Supplies	8,500	8,500	5,381	3,119
Other	60,480	60,480	31,253	29,227
Capital	-	-	2,626	(2,626)
Total Planning and Community Development Expenditures	<u>434,850</u>	<u>434,850</u>	<u>368,081</u>	<u>66,769</u>

City of Springdale, Arkansas
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – General Fund (Continued)
Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Engineering				
Personnel	\$ 462,150	\$ 462,150	\$ 415,854	\$ 46,296
Buildings and equipment	6,500	6,500	9,549	(3,049)
Supplies	13,000	13,000	10,889	2,111
Other	120,600	120,600	127,751	(7,151)
Total Engineering Expenditures	<u>602,250</u>	<u>602,250</u>	<u>564,043</u>	<u>38,207</u>
Total Community Development Expenditures	<u>1,037,100</u>	<u>1,037,100</u>	<u>932,124</u>	<u>104,976</u>
Public Safety:				
Animal Services				
Personnel	524,830	524,830	532,951	(8,121)
Buildings and equipment	45,500	45,500	44,709	791
Supplies	106,500	106,500	135,583	(29,083)
Other	84,000	84,000	89,435	(5,435)
Capital	-	-	3,550	(3,550)
Total Animal Services Expenditures	<u>760,830</u>	<u>760,830</u>	<u>806,228</u>	<u>(45,398)</u>
Building Inspection				
Personnel	510,920	510,920	489,349	21,571
Buildings and equipment	10,000	10,000	6,865	3,135
Supplies	33,500	33,500	26,240	7,260
Other	32,500	32,500	34,846	(2,346)
Capital	23,000	23,000	17,995	5,005
Total Building Inspection Expenditures	<u>609,920</u>	<u>609,920</u>	<u>575,295</u>	<u>34,625</u>
Community Engagement / Code Enforcement				
Personnel	291,750	291,750	286,069	5,681
Buildings and equipment	12,280	12,280	6,135	6,145
Supplies	24,400	24,400	41,857	(17,457)
Other	27,900	27,900	12,787	15,113
Capital	26,170	26,170	5,379	20,791
Total Community Engagement Expenditures	<u>382,500</u>	<u>382,500</u>	<u>352,227</u>	<u>30,273</u>
Police				
Personnel	14,292,470	14,292,470	13,843,362	449,108
Buildings and equipment	318,150	318,150	363,579	(45,429)
Supplies	507,500	507,500	487,290	20,210
Other	465,500	616,260	938,208	(321,948)
Capital	557,130	623,740	729,482	(105,742)
Total Police Expenditures	<u>16,140,750</u>	<u>16,358,120</u>	<u>16,361,921</u>	<u>(3,801)</u>

City of Springdale, Arkansas
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – General Fund (Continued)
Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fire				
Personnel	\$ 10,762,110	\$ 10,762,110	\$ 10,514,947	\$ 247,163
Buildings and equipment	426,700	426,700	383,490	43,210
Supplies	763,000	768,360	580,459	187,901
Other	355,070	355,070	423,955	(68,885)
Capital	295,000	295,000	389,742	(94,742)
Total Fire Expenditures	<u>12,601,880</u>	<u>12,607,240</u>	<u>12,292,593</u>	<u>314,647</u>
Total Public Safety Expenditures	<u>30,495,880</u>	<u>30,718,610</u>	<u>30,388,264</u>	<u>330,346</u>
Total Expenditures	<u>40,236,050</u>	<u>40,703,830</u>	<u>40,715,640</u>	<u>(11,810)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(8,933,050)</u>	<u>(9,122,920)</u>	<u>(6,416,780)</u>	<u>2,729,760</u>
Other Financing Sources (Uses)				
Transfers in	8,755,000	8,755,000	8,137,185	(617,815)
Transfers out	(2,046,560)	(2,046,560)	(1,935,826)	110,734
Proceeds from sale of capital assets	-	14,875	21,473	6,598
Insurance recoveries	-	41,635	186,280	144,645
Total Other Financing Sources (Uses)	<u>6,708,440</u>	<u>6,764,950</u>	<u>6,409,112</u>	<u>(355,838)</u>
Net Change in Fund Balance	(2,224,610)	(2,357,970)	(7,668)	2,373,922
Fund Balance - Beginning of Year	<u>6,719,894</u>	<u>6,719,894</u>	<u>6,719,894</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 4,495,284</u>	<u>\$ 4,361,924</u>	<u>\$ 6,712,226</u>	<u>\$ 2,373,922</u>

City of Springdale, Arkansas
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – Street Fund
Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes				
Ad valorem	\$ 905,000	\$ 905,000	\$ 945,175	\$ 40,175
Fees and permits	2,500	2,500	17,450	14,950
Intergovernmental				
Federal and state grants	-	-	24,888	24,888
State turnback-street	4,598,500	4,598,500	4,869,143	270,643
Other	-	-	20,208	20,208
Other grants and contributions	-	-	4,421	4,421
Charges for goods and services				
Street signs	1,500	1,500	6,712	5,212
Street and curb cut repairs	15,000	15,000	25,748	10,748
Investment earnings (losses)	10,000	10,000	33,595	23,595
Miscellaneous	5,000	5,000	15,151	10,151
Total Revenues	<u>5,537,500</u>	<u>5,537,500</u>	<u>5,962,491</u>	<u>424,991</u>
Expenditures				
Public Works				
Street Fund				
Personnel	2,303,510	2,303,510	2,329,191	(25,681)
Buildings and equipment	187,450	187,450	176,875	10,575
Supplies	3,075,500	3,075,500	759,213	2,316,287
Regional support	265,000	265,000	265,000	-
Other	748,670	748,670	664,986	83,684
Capital	432,150	432,150	520,014	(87,864)
Total Public Works Expenditures	<u>7,012,280</u>	<u>7,012,280</u>	<u>4,715,279</u>	<u>2,297,001</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,474,780)	(1,474,780)	1,247,212	2,721,992
Other Financing Sources (Uses)				
Transfers in	471,470	471,470	531,966	60,496
Transfers out	(635,190)	(635,190)	-	635,190
Insurance recoveries	-	-	28,413	28,413
Total Other Financing Sources (Uses)	<u>(163,720)</u>	<u>(163,720)</u>	<u>560,379</u>	<u>724,099</u>
Net Change in Fund Balance	<u>(1,638,500)</u>	<u>(1,638,500)</u>	<u>1,807,591</u>	<u>3,446,091</u>
Fund Balances - Beginning of Year	<u>2,336,529</u>	<u>2,336,529</u>	<u>2,336,529</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 698,029</u>	<u>\$ 698,029</u>	<u>\$4,144,120</u>	<u>\$3,446,091</u>

City of Springdale, Arkansas
Notes to Required Supplementary Information
Year Ended December 31, 2017

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 budget of the General Fund was amended during 2017. 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, 2017

	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
Assets							
Cash and cash equivalents	\$ 157,882	\$ 468,826	\$ 193,376	\$ 119,662	\$ 82,222	\$ 210,382	\$ 2,988
Investments	-	117,276	209,005	-	964,584	408,166	-
Accounts receivable	-	3,150	24,855	-	-	-	-
Interest receivable	-	-	687	-	7,369	-	-
Intergovernmental receivables	1,840	-	-	40,144	-	-	23,723
Note receivable	-	-	-	-	-	-	-
Due from other funds	17,459	-	-	21,261	-	3,165	-
Assets held for resale	-	-	-	-	-	-	-
Restricted assets:							
Cash and cash equivalents	-	-	-	66,665	-	-	-
Investments	-	1,637,412	-	49,560	-	-	-
Intergovernmental receivables	-	-	-	-	-	-	-
Interest receivable	-	-	-	77	-	-	-
Total Assets	<u>\$ 177,181</u>	<u>\$ 2,226,664</u>	<u>\$ 427,923</u>	<u>\$ 297,369</u>	<u>\$ 1,054,175</u>	<u>\$ 621,713</u>	<u>\$ 26,711</u>
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 83,112	\$ 813	\$ 58,764	\$ 15,061	\$ -	\$ -	\$ 14,441
Salaries payable	24,590	54	-	13,134	-	-	1,530
Payable from restricted assets:							
Accounts payable	-	-	-	-	-	-	-
Due to other funds	3,165	-	-	-	3,289	9,159	10,000
Unearned revenue	-	175,673	-	-	59,980	-	-
Total Liabilities	<u>110,867</u>	<u>176,540</u>	<u>58,764</u>	<u>28,195</u>	<u>63,269</u>	<u>9,159</u>	<u>25,971</u>
Fund Balances							
Nonspendable	-	1,637,412	-	-	-	-	-
Restricted for:							
Court automation	-	-	-	116,302	-	-	-
Other purposes	-	-	-	-	-	3,116	-
Assigned	66,314	412,712	369,159	152,872	990,906	609,438	740
Total Fund Balances	<u>66,314</u>	<u>2,050,124</u>	<u>369,159</u>	<u>269,174</u>	<u>990,906</u>	<u>612,554</u>	<u>740</u>
Total Liabilities and Fund Balances	<u>\$ 177,181</u>	<u>\$ 2,226,664</u>	<u>\$ 427,923</u>	<u>\$ 297,369</u>	<u>\$ 1,054,175</u>	<u>\$ 621,713</u>	<u>\$ 26,711</u>

Capital Projects Funds		Debt Service Funds		Permanent Fund	Total
2012 Bonds Street Impr Construction Fund	Public Facilities Board Fund	2012 Bonds Debt Service Fund	Public Facilities Board Debt Service Fund	Bluff Cemetery Fund	Total Nonmajor Governmental Funds
\$ -	\$ 378,239	\$ -	\$ -	\$ 89,935	\$ 1,703,512
-	572,920	-	-	376,734	2,648,685
-	-	-	-	12,315	40,320
-	1,202	-	-	721	9,979
-	-	-	-	-	65,707
-	296,539	-	-	-	296,539
-	-	-	-	-	41,885
-	2,690,155	-	-	-	2,690,155
5,375	248,037	976,263	3,071	-	1,299,411
-	-	2,690,033	-	32,720	4,409,725
83,645	-	750,546	-	-	834,191
33	-	1,974	-	-	2,084
<u>\$ 89,053</u>	<u>\$ 4,187,092</u>	<u>\$ 4,418,816</u>	<u>\$ 3,071</u>	<u>\$ 512,425</u>	<u>\$ 14,042,193</u>
\$ -	\$ -	\$ -	\$ -	\$ 453	\$ 172,644
-	-	-	-	154	39,462
1,980	-	-	-	-	1,980
-	-	-	-	-	25,613
-	-	-	-	-	235,653
<u>1,980</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>607</u>	<u>475,352</u>
-	2,690,155	-	-	32,720	4,360,287
-	-	-	-	-	116,302
87,073	248,037	4,418,816	3,071	-	4,760,113
-	1,248,900	-	-	479,098	4,330,139
<u>87,073</u>	<u>4,187,092</u>	<u>4,418,816</u>	<u>3,071</u>	<u>511,818</u>	<u>13,566,841</u>
<u>\$ 89,053</u>	<u>\$ 4,187,092</u>	<u>\$ 4,418,816</u>	<u>\$ 3,071</u>	<u>\$ 512,425</u>	<u>\$ 14,042,193</u>

City of Springdale, Arkansas

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds Year Ended December 31, 2017

	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	Community Development Block Grant Fund
Revenues							
Taxes	\$ 54,260	\$ -	\$ 474,438	\$ -	\$ -	\$ -	\$ -
Fees and permits	-	19,335	-	250,803	-	-	-
Intergovernmental	1,270,571	7,705	-	61,733	-	-	792,806
Other grants and contributions	8,926	87,682	-	-	35,458	18,148	3,559
Charges for goods and services	-	22,438	-	-	369,644	-	-
Fines and forfeitures	51,646	-	-	-	-	-	-
Investment earnings (losses)	813	251,438	2,882	1,112	20,238	32,734	-
Miscellaneous	44,266	751	-	166	-	-	123,387
Total Revenues	<u>1,430,482</u>	<u>389,349</u>	<u>477,320</u>	<u>313,814</u>	<u>425,340</u>	<u>50,882</u>	<u>919,752</u>
Expenditures							
Current							
General government	-	-	-	879,586	-	-	-
Community development	-	-	-	-	-	-	919,762
Culture and recreation	2,116,474	77,959	-	-	158,921	24,351	-
Economic development	-	-	430,154	-	-	-	-
Capital expenditures	14,505	138,247	-	40,770	71,342	9,952	-
Debt service							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Other fees	-	-	-	-	-	-	-
Agent fees	-	-	-	-	-	-	-
Total Expenditures	<u>2,130,979</u>	<u>216,206</u>	<u>430,154</u>	<u>920,356</u>	<u>230,263</u>	<u>34,303</u>	<u>919,762</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(700,497)</u>	<u>173,143</u>	<u>47,166</u>	<u>(606,542)</u>	<u>195,077</u>	<u>16,579</u>	<u>(10)</u>
Other Financing Sources (Uses)							
Transfers in	699,860	-	-	704,000	-	-	-
Transfers out	-	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>699,860</u>	<u>-</u>	<u>-</u>	<u>704,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Changes in Fund Balances	(637)	173,143	47,166	97,458	195,077	16,579	(10)
Fund Balances - Beginning of Year	<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>
Fund Balances - End of Year	<u>\$ 66,314</u>	<u>\$ 2,050,124</u>	<u>\$ 369,159</u>	<u>\$ 269,174</u>	<u>\$ 990,906</u>	<u>\$ 612,554</u>	<u>\$ 740</u>

<u>Capital Projects Funds</u>		<u>Debt Service Funds</u>		<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>2012 Bonds Street Impr Construction Fund</u>	<u>Public Facilities Board Fund</u>	<u>2012 Bonds Debt Service Fund</u>	<u>Public Facilities Board Debt Service Fund</u>	<u>Bluff Cemetery Fund</u>	
\$ -	\$ -	\$ 4,411,333	\$ -	\$ -	\$ 4,940,031
-	-	-	-	-	270,138
781,500	-	-	-	-	2,914,315
-	-	-	-	-	153,773
-	138,305	-	-	33,725	564,112
-	-	-	-	-	51,646
3,291	18,862	39,782	-	7,600	378,752
-	1,500	-	-	-	170,070
<u>784,791</u>	<u>158,667</u>	<u>4,451,115</u>	<u>-</u>	<u>41,325</u>	<u>9,442,837</u>
-	-	-	-	50,808	930,394
-	-	-	-	-	919,762
-	-	-	-	-	2,377,705
-	90,336	-	-	-	520,490
3,050,179	128,378	-	-	-	3,453,373
-	-	2,325,000	68,572	-	2,393,572
-	-	2,070,087	39,775	-	2,109,862
-	-	4,500	-	-	4,500
-	-	6,000	-	-	6,000
<u>3,050,179</u>	<u>218,714</u>	<u>4,405,587</u>	<u>108,347</u>	<u>50,808</u>	<u>12,715,658</u>
<u>(2,265,388)</u>	<u>(60,047)</u>	<u>45,528</u>	<u>(108,347)</u>	<u>(9,483)</u>	<u>(3,272,821)</u>
-	-	-	111,305	-	1,515,165
-	(111,305)	-	-	-	(111,305)
2,286	-	-	-	-	2,286
<u>2,286</u>	<u>(111,305)</u>	<u>-</u>	<u>111,305</u>	<u>-</u>	<u>1,406,146</u>
(2,263,102)	(171,352)	45,528	2,958	(9,483)	(1,866,675)
<u>2,350,175</u>	<u>4,358,444</u>	<u>4,373,288</u>	<u>113</u>	<u>521,301</u>	<u>15,433,516</u>
<u>\$ 87,073</u>	<u>\$ 4,187,092</u>	<u>\$ 4,418,816</u>	<u>\$ 3,071</u>	<u>\$ 511,818</u>	<u>\$ 13,566,841</u>

City of Springdale, Arkansas
Combining Statement of Net Position –
Nonmajor Enterprise Funds
December 31, 2017

	Enterprise Funds			Total Nonmajor Enterprise Funds
	Aquatic Center Fund	City Attorney Restitution Fund	Sanitation Fund	
Assets				
Current assets				
Cash and cash equivalents	\$ -	\$ 3,079	\$ 67,984	\$ 71,063
Investments	-	-	49,560	49,560
Accounts receivable	-	-	34,960	34,960
Accrued interest	-	-	76	76
Due from other funds	-	25	-	25
Total current assets	<u>-</u>	<u>3,104</u>	<u>152,580</u>	<u>155,684</u>
Capital assets				
Machinery and equipment	-	-	233,272	233,272
Less accumulated depreciation	-	-	(176,529)	(176,529)
Total capital assets, net of accumulated depreciation	<u>-</u>	<u>-</u>	<u>56,743</u>	<u>56,743</u>
Total assets	<u>-</u>	<u>3,104</u>	<u>209,323</u>	<u>212,427</u>
Liabilities				
Current liabilities				
Accounts payable	-	-	2,416	2,416
Salaries payable	-	-	1,424	1,424
Due to other funds	-	9	-	9
Total current liabilities	<u>-</u>	<u>9</u>	<u>3,840</u>	<u>3,849</u>
Noncurrent liabilities				
Due within one year	-	-	3,143	3,143
Due in more than one year	-	-	2,574	2,574
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>5,717</u>	<u>5,717</u>
Total liabilities	<u>-</u>	<u>9</u>	<u>9,557</u>	<u>9,566</u>
Net Position				
Net investment in capital assets	-	-	56,743	56,743
Unrestricted	<u>-</u>	<u>3,095</u>	<u>143,023</u>	<u>146,118</u>
Total net position	<u>\$ -</u>	<u>\$ 3,095</u>	<u>\$ 199,766</u>	<u>\$ 202,861</u>

City of Springdale, Arkansas
Combining Statement of Revenues, Expenses, and Changes in Net Position –
Nonmajor Enterprise Funds
Year Ended December 31, 2017

	Enterprise Funds			Total Nonmajor Enterprise Funds
	Aquatic Center Fund	City Attorney Restitution Fund	Sanitation Fund	
Operating Revenues				
Charges for services				
Other service fees	\$ -	\$ 7,594	\$ 160,803	\$ 168,397
Total operating revenues	<u>-</u>	<u>7,594</u>	<u>160,803</u>	<u>168,397</u>
Operating Expenses				
Personnel	-	-	106,055	106,055
Supplies	-	141	16,908	17,049
Other	-	-	2,740	2,740
Depreciation	-	-	18,277	18,277
Total operating expenses	<u>-</u>	<u>141</u>	<u>143,980</u>	<u>144,121</u>
Operating Income	<u>-</u>	<u>7,453</u>	<u>16,823</u>	<u>24,276</u>
Nonoperating Revenues				
Capital assets contributed to governmental activities	(1,168,967)	-	-	(1,168,967)
Investment earnings	-	-	31	31
Total Nonoperating Revenues	<u>(1,168,967)</u>	<u>-</u>	<u>31</u>	<u>(1,168,936)</u>
Income Before Transfers	(1,168,967)	7,453	16,854	(1,144,660)
Transfers out	<u>(91,970)</u>	<u>(15,000)</u>	<u>-</u>	<u>(106,970)</u>
Change in Net Position	(1,260,937)	(7,547)	16,854	(1,251,630)
Net Position - Beginning of Year	<u>1,260,937</u>	<u>10,642</u>	<u>182,912</u>	<u>1,454,491</u>
Net Position - End of Year	<u>\$ -</u>	<u>\$ 3,095</u>	<u>\$ 199,766</u>	<u>\$ 202,861</u>

City of Springdale, Arkansas
Combining Statement of Cash Flows –
Nonmajor Enterprise Funds
Year Ended December 31, 2017

	Enterprise Funds			Total Nonmajor Enterprise Funds
	Aquatic Center Fund	City Attorney Restitution Fund	Sanitation Fund	
Cash Flows From Operating Activities				
Receipts from customers and users	\$ -	\$ 7,594	\$ 158,961	\$ 166,555
Payments to suppliers	(1,632)	(141)	(18,632)	(20,405)
Payments to employees	(350)	-	(104,197)	(104,547)
Net cash provided by (used in) operating activities	<u>(1,982)</u>	<u>7,453</u>	<u>36,132</u>	<u>41,603</u>
Cash Flows From Noncapital Financing Activities				
Transfer to other funds	(91,970)	(15,000)	-	(106,970)
Receipt (payment) of interfund balances	(2,131)	113	-	(2,018)
Net cash used in noncapital financing activities	<u>(94,101)</u>	<u>(14,887)</u>	<u>-</u>	<u>(108,988)</u>
Cash Flows From Investing Activities				
Purchase of investments	-	-	(50,000)	(50,000)
Interest received	-	-	395	395
Net cash used in investing activities	<u>-</u>	<u>-</u>	<u>(49,605)</u>	<u>(49,605)</u>
Net Decrease in Cash and Cash Equivalents	(96,083)	(7,434)	(13,473)	(116,990)
Cash and Cash Equivalents, January 1	<u>96,083</u>	<u>10,513</u>	<u>81,457</u>	<u>188,053</u>
Cash and Cash Equivalents, December 31	<u>\$ -</u>	<u>\$ 3,079</u>	<u>\$ 67,984</u>	<u>\$ 71,063</u>
Reconciliation of Operating Income to Net Cash Provided By (Used In) Operating Activities				
Operating income	\$ -	\$ 7,453	\$ 16,823	\$ 24,276
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	-	-	18,277	18,277
(Increase) decrease in accounts receivable	-	-	(1,842)	(1,842)
Increase (decrease) in accounts payable	(1,632)	-	1,016	(616)
Increase (decrease) in salaries payable	(183)	-	(48)	(231)
Increase (decrease) in compensated absences	(167)	-	1,906	1,739
Total adjustments	<u>(1,982)</u>	<u>-</u>	<u>19,309</u>	<u>17,327</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ (1,982)</u>	<u>\$ 7,453</u>	<u>\$ 36,132</u>	<u>\$ 41,603</u>
Noncash capital financing activities:				
Transfer of capital assets to other funds	\$(1,168,967)	\$ -	\$ -	\$(1,168,967)
Change in fair value of investments	\$ -	\$ -	\$ (440)	\$ (440)

City of Springdale, Arkansas
Combining Statement of Changes in Assets and Liabilities –
Agency Funds
Year Ended December 31, 2017

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
POLICE BOND AND FINE FUND				
Assets				
Cash	\$ 19,529	\$ 20	\$ -	\$ 19,549
Liabilities				
Due to other funds	12,807	20	-	12,827
Due to others	6,722	-	-	6,722
Total Liabilities	<u>\$ 19,529</u>	<u>\$ 20</u>	<u>\$ -</u>	<u>\$ 19,549</u>
 DISTRICT COURT FUND				
Assets				
Cash	\$ 539,679	\$ 3,168,297	\$ 3,195,413	\$ 512,563
Due from other funds	27,787	521	16,894	11,414
Total Assets	<u>567,466</u>	<u>3,168,818</u>	<u>3,212,307</u>	<u>523,977</u>
Liabilities				
Due to other funds	150,894	2,180,112	2,188,439	142,567
Due to others	416,572	971,813	1,006,975	381,410
Total Liabilities	<u>\$ 567,466</u>	<u>\$ 3,151,925</u>	<u>\$ 3,195,414</u>	<u>\$ 523,977</u>
 PAYROLL FUND				
Assets				
Cash	\$ 519,071	\$ 17,715,497	\$ 17,685,293	\$ 549,275
Accounts receivable	416	462	416	462
Total Assets	<u>519,487</u>	<u>17,715,959</u>	<u>17,685,709</u>	<u>549,737</u>
Liabilities				
Due to other funds	16,007	-	1,412	14,595
Accounts payable	335,220	6,107,762	6,090,114	352,868
Accrued liabilities	168,260	17,415,762	17,401,748	182,274
Total Liabilities	<u>\$ 519,487</u>	<u>\$ 23,523,524</u>	<u>\$ 23,493,274</u>	<u>\$ 549,737</u>

City of Springdale, Arkansas
Combining Statement of Changes in Assets and Liabilities –
Agency Funds (Continued)
Year Ended December 31, 2017

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
POLICE EVIDENCE FUND				
Assets				
Cash	\$ 2,337	\$ 61,808	\$ 58,154	\$ 5,991
Accounts receivable	1,835	-	1,835	-
Total Assets	<u>4,172</u>	<u>61,808</u>	<u>59,989</u>	<u>5,991</u>
Liabilities				
Due to other funds	3	11	-	14
Accounts payable	4,169	59,962	58,154	5,977
Total Liabilities	<u>\$ 4,172</u>	<u>\$ 59,973</u>	<u>\$ 58,154</u>	<u>\$ 5,991</u>
 ADMINISTRATION OF JUSTICE FUND				
Assets				
Cash	\$ -	\$ 962,833	\$ 962,833	\$ -
Due from other funds	69,763	64,077	69,763	64,077
Total Assets	<u>69,763</u>	<u>1,026,910</u>	<u>1,032,596</u>	<u>64,077</u>
Liabilities				
Due to other funds	14,913	14,913	14,913	14,913
Accounts payable	54,850	813,121	818,807	49,164
Total Liabilities	<u>\$ 69,763</u>	<u>\$ 828,034</u>	<u>\$ 833,720</u>	<u>\$ 64,077</u>
 ALL AGENCY FUNDS				
Assets				
Cash	\$ 1,080,616	\$ 21,908,455	\$ 21,901,693	\$ 1,087,378
Due from other funds	97,550	64,598	86,657	75,491
Accounts receivable	2,251	462	2,251	462
Total Assets	<u>1,180,417</u>	<u>21,973,515</u>	<u>21,990,601</u>	<u>1,163,331</u>
Liabilities				
Due to other funds	194,624	2,195,056	2,204,764	184,916
Accounts payable	817,533	7,952,658	7,974,050	796,141
Accrued liabilities	168,260	17,415,762	17,401,748	182,274
Total Liabilities	<u>\$ 1,180,417</u>	<u>\$ 27,563,476</u>	<u>\$ 27,580,562</u>	<u>\$ 1,163,331</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, 2017

	<u>Budgeted Amounts</u>		Actual Amounts	Variances
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes				
Sales	\$ 8,644,850	\$ 8,644,850	\$ 10,149,097	\$ 1,504,247
Intergovernmental	1,000,000	1,000,000	666,512	(333,488)
Other grants and contributions	-	-	1,446,639	1,446,639
Investment earnings	300,000	300,000	171,352	(128,648)
Miscellaneous	-	-	4,777	4,777
Total Revenues	<u>9,944,850</u>	<u>9,944,850</u>	<u>12,438,377</u>	<u>2,493,527</u>
Expenditures				
Capital Projects:				
Capital	<u>4,500,000</u>	<u>4,500,000</u>	<u>3,671,164</u>	<u>828,836</u>
Total Capital Projects Expenditures	<u>4,500,000</u>	<u>4,500,000</u>	<u>3,671,164</u>	<u>828,836</u>
Excess of Revenues Over Expenditures	<u>5,444,850</u>	<u>5,444,850</u>	<u>8,767,213</u>	<u>3,322,363</u>
Other Financing Sources (Uses)				
Transfers in	635,190	635,190	-	(635,190)
Transfers out	<u>(8,740,000)</u>	<u>(8,740,000)</u>	<u>(8,084,931)</u>	<u>655,069</u>
Total Other Financing Sources (Uses)	<u>(8,104,810)</u>	<u>(8,104,810)</u>	<u>(8,084,931)</u>	<u>19,879</u>
Net Change in Fund Balance	(2,659,960)	(2,659,960)	682,282	3,342,242
Fund Balances - Beginning of Year	<u>10,322,128</u>	<u>10,322,128</u>	<u>10,322,128</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 7,662,168</u>	<u>\$ 7,662,168</u>	<u>\$ 11,004,410</u>	<u>\$ 3,342,242</u>

City of Springdale, Arkansas
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – Public Library Fund
Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variances Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Ad valorem	\$ 50,000	\$ 50,000	\$ 54,260	\$ 4,260
Intergovernmental				
State grants	-	-	3,935	3,935
County aid	1,266,640	1,266,640	1,266,636	(4)
Other grants and contributions	11,140	11,140	8,926	(2,214)
Fines	50,000	50,000	51,646	1,646
Investment earnings	200	200	813	613
Miscellaneous	30,000	30,000	44,266	14,266
Total revenues	<u>1,407,980</u>	<u>1,407,980</u>	<u>1,430,482</u>	<u>22,502</u>
Expenditures				
Culture and recreation				
Public Library				
Personnel	1,346,110	1,346,110	1,299,540	46,570
Maintenance	202,650	202,650	174,228	28,422
Supplies	530,100	530,100	524,237	5,863
Other	121,200	121,200	118,469	2,731
Capital	15,000	15,000	14,505	495
Total Public Library expenditures	<u>2,215,060</u>	<u>2,215,060</u>	<u>2,130,979</u>	<u>84,081</u>
Excess (Deficiency) of Revenues				
Over Expenditures	(807,080)	(807,080)	(700,497)	106,583
Other Financing Sources				
Transfers in	807,080	807,080	699,860	(107,220)
Total Other Financing Sources (Uses)	<u>807,080</u>	<u>807,080</u>	<u>699,860</u>	<u>(107,220)</u>
Net Change in Fund Balance	-	-	(637)	(637)
Fund Balance -				
Beginning of Year	66,951	66,951	66,951	-
Fund Balance - End of Year	<u>\$ 66,951</u>	<u>\$ 66,951</u>	<u>\$ 66,314</u>	<u>\$ (637)</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, 2017

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final		Final Budget Positive (Negative)
Revenues				
Intergovernmental:				
Federal and state grants	\$ -	\$ -	\$ 7,705	\$ 7,705
Fees and permits:				
Fees and memberships	25,300	25,300	19,335	(5,965)
Other grants and contributions	3,500	3,500	87,682	84,182
Charges for goods and services	24,500	24,500	22,438	(2,062)
Investment earnings (losses)	1,500	1,500	251,438	249,938
Miscellaneous	200	200	751	551
Total revenues	<u>55,000</u>	<u>55,000</u>	<u>389,349</u>	<u>334,349</u>
Expenditures				
Culture and recreation				
Shiloh Museum				
Personnel	4,000	4,000	3,028	972
Maintenance	4,700	4,700	5,303	(603)
Supplies	3,300	3,300	5,577	(2,277)
Other	40,000	40,000	64,051	(24,051)
Capital	3,000	3,000	138,247	(135,247)
Total Shiloh Museum expenditures	<u>55,000</u>	<u>55,000</u>	<u>216,206</u>	<u>(161,206)</u>
Excess (Deficiency) of Revenues				
Over Expenditures	-	-	173,143	173,143
Net Change in Fund Balance	-	-	173,143	173,143
Fund Balance - Beginning of Year	<u>1,876,981</u>	<u>1,876,981</u>	<u>1,876,981</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 1,876,981</u>	<u>\$ 1,876,981</u>	<u>\$ 2,050,124</u>	<u>\$ 173,143</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, 2017

	Budgeted Amounts		Actual Amounts	Variances Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fees and permits				
Filing fees	\$ 132,000	\$ 132,000	\$ 146,198	\$ 14,198
Installment plan fees	60,000	60,000	104,605	44,605
Intergovernmental				
City/county aid	29,460	29,460	61,733	32,273
Investment earnings	1,000	1,000	1,112	112
Miscellaneous	-	-	166	166
Total revenues	222,460	222,460	313,814	91,354
Expenditures				
General government				
Court Costs				
Personnel	827,820	827,820	749,798	78,022
Maintenance	63,000	63,000	40,018	22,982
Supplies	50,500	50,500	29,521	20,979
Other	85,150	85,150	60,249	24,901
Capital	13,000	23,425	40,770	(17,345)
Total Court Costs expenditures	1,039,470	1,049,895	920,356	129,539
Excess (Deficiency) of Revenues Over Expenditures	(817,010)	(827,435)	(606,542)	220,893
Other Financing Sources				
Transfers in	768,010	768,010	704,000	(64,010)
Net Change in Fund Balance	(49,000)	(59,425)	97,458	156,883
Fund Balance - Beginning of Year	171,716	171,716	171,716	-
Fund Balance - End of Year	\$ 122,716	\$ 112,291	\$ 269,174	\$ 156,883

City of Springdale, Arkansas
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – Arvest Ball Park Fund
Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variances Final Budget Positive (Negative)
	Original	Final		
Revenues				
Rent	\$ 360,000	\$ 360,000	\$ 369,644	\$ 9,644
Other grants and contributions	-	-	35,458	35,458
Investment earnings	17,500	17,500	20,238	2,738
Total revenues	377,500	377,500	425,340	47,840
Expenditures				
Culture and recreation:				
Maintenance	160,000	160,000	105,389	54,611
Other	66,000	66,000	53,532	12,468
Capital	-	-	71,342	(71,342)
Total Arvest Ball Park expenditures	226,000	226,000	230,263	(4,263)
Excess (Deficiency) of Revenues Over Expenditures and Net Change in Fund Balance	151,500	151,500	195,077	43,577
Fund Balance - Beginning of Year	795,829	795,829	795,829	-
Fund Balance - End of Year	\$ 947,329	\$ 947,329	\$ 990,906	\$ 43,577

City of Springdale, Arkansas
Schedule of Revenues, Expenditures, and Changes in Net Position –
Budget and Actual – Municipal Airport Fund
Year Ended December 31, 2017

	Budgeted Amounts	
	Original	Final
Operating Revenues		
Rental fees	\$ 327,270	\$ 327,270
Fuel flowage fees	49,500	49,500
Other service fees	17,170	17,170
Miscellaneous	-	-
Total operating revenues	<u>393,940</u>	<u>393,940</u>
Operating Expenses		
Personnel	86,990	86,990
Maintenance	63,000	63,000
Supplies	54,750	54,750
Other	134,080	134,080
Depreciation expense	-	-
Total operating expenses	<u>338,820</u>	<u>338,820</u>
Operating Income (Loss)	<u>55,120</u>	<u>55,120</u>
Nonoperating Revenues (Expenditures)		
Sales taxes	33,400	33,400
Interest income	-	-
Capital expenditures	<u>(20,000)</u>	<u>(20,000)</u>
Net Nonoperating Revenues (Expenditures)	<u>13,400</u>	<u>13,400</u>
Income (Loss) Before Capital Contributions and Transfers	68,520	68,520
Capital grants and contributions	-	-
Capital transfers in	-	-
Operating transfers in	<u>-</u>	<u>-</u>
Change in Net Position	68,520	68,520
Net Position - Beginning of Year	<u>7,113,909</u>	<u>7,113,909</u>
Net Position - End of Year	<u><u>\$7,182,429</u></u>	<u><u>\$7,182,429</u></u>

Actual GAAP Basis	Adjustments to Budget Basis	Actual Budget Basis	Variances Final Budget Positive (Negative)
\$ 342,599	\$ -	\$ 342,599	\$ 15,329
57,816	-	57,816	8,316
17,191	-	17,191	21
2,395	-	2,395	2,395
<u>420,001</u>	<u>-</u>	<u>420,001</u>	<u>26,061</u>
96,292	-	96,292	(9,302)
110,906	-	110,906	(47,906)
43,661	-	43,661	11,089
140,222	-	140,222	(6,142)
462,655	(462,655)	-	-
<u>853,736</u>	<u>(462,655)</u>	<u>391,081</u>	<u>(52,261)</u>
<u>(433,735)</u>	<u>462,655</u>	<u>28,920</u>	<u>(26,200)</u>
44,128	-	44,128	10,728
1,368	-	1,368	1,368
-	(224,224)	(224,224)	(204,224)
<u>45,496</u>	<u>(224,224)</u>	<u>(178,728)</u>	<u>(192,128)</u>
(388,239)	238,431	(149,808)	(218,328)
85,388	-	85,388	85,388
25,430	-	25,430	25,430
29,286	-	29,286	29,286
(248,135)	238,431	(9,704)	(78,224)
<u>7,113,909</u>	<u>-</u>	<u>7,113,909</u>	<u>-</u>
<u>\$ 6,865,774</u>	<u>\$ 238,431</u>	<u>\$ 7,104,205</u>	<u>\$ (78,224)</u>

City of Springdale, Arkansas
Schedule of Revenues, Expenditures, and Changes in Net Position –
Budget and Actual – Sanitation Fund
Year Ended December 31, 2017

	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	101,940	101,940
Maintenance	1,000	1,000
Supplies	21,100	21,100
Other	4,300	4,300
Depreciation	-	-
Total operating expenses	<u>128,340</u>	<u>128,340</u>
Operating Income	<u>26,660</u>	<u>26,660</u>
Nonoperating Revenues (Expenditures)		
Interest income	<u>350</u>	<u>350</u>
Net Nonoperating Revenues (Expenditures)	<u>350</u>	<u>350</u>
Change in Net Position	27,010	27,010
Net Position - Beginning of Year	<u>182,912</u>	<u>182,912</u>
Net Position - End of Year	<u>\$ 209,922</u>	<u>\$ 209,922</u>

Actual GAAP Basis	Adjustments to Budget Basis	Actual Budget Basis	Variances Final Budget Positive (Negative)
\$ 160,803	\$ -	\$ 160,803	\$ 5,803
<u>160,803</u>	<u>-</u>	<u>160,803</u>	<u>5,803</u>
106,055	-	106,055	(4,115)
-	-	-	1,000
16,908	-	16,908	4,192
2,740	-	2,740	1,560
<u>18,277</u>	<u>(18,277)</u>	<u>-</u>	<u>-</u>
<u>143,980</u>	<u>(18,277)</u>	<u>125,703</u>	<u>2,637</u>
<u>16,823</u>	<u>18,277</u>	<u>35,100</u>	<u>8,440</u>
<u>31</u>	<u>-</u>	<u>31</u>	<u>(319)</u>
<u>31</u>	<u>-</u>	<u>31</u>	<u>(319)</u>
16,854	18,277	35,131	8,121
<u>182,912</u>	<u>-</u>	<u>182,912</u>	<u>-</u>
<u>\$ 199,766</u>	<u>\$ 18,277</u>	<u>\$ 218,043</u>	<u>\$ 8,121</u>

City of Springdale, Arkansas
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – Bluff Cemetery Fund
Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variances Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for goods				
Cemetery lots	\$ 40,000	\$ 40,000	\$ 33,725	\$ (6,275)
Investment earnings	6,200	6,200	7,600	1,400
Total revenues	46,200	46,200	41,325	(4,875)
Expenditures				
General government				
Cemetery				
Personnel	35,710	35,710	40,263	(4,553)
Maintenance	11,500	11,500	9,197	2,303
Supplies	-	-	428	(428)
Other	4,000	4,000	920	3,080
Capital	-	-	-	-
Total Bluff Cemetery expenditures	51,210	51,210	50,808	402
Net Change in Fund Balance	(5,010)	(5,010)	(9,483)	(4,473)
Fund Balance - Beginning of Year	521,301	521,301	521,301	-
Fund Balance - End of Year	\$ 516,291	\$ 516,291	\$ 511,818	\$ (4,473)

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, 2017.

- (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, 2017, 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 27, 2018

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

Independent Auditor's Report

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, 2017, 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 27, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this 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 27, 2018

Report on Compliance for the 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, 2017. 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 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 types 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, 2017.

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 types of 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 27, 2018

City of Springdale, Arkansas
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

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
<u>U.S. Department of Housing and Urban Development</u>					
<i>CDBG - Entitlement Grants Cluster</i>					
Community Development Block Grant/ Entitlement Grants	14.218	None	B-16-MC-05-0002	\$ 12,000	\$ 477,358
Community Development Block Grant/ Entitlement Grants	14.218	None	B-17-MC-05-0002	103,000	315,448
<i>Total CDBG - Entitlement Grants Cluster</i>				115,000	792,806
Total U.S. Department of Housing and Urban Development				115,000	792,806
<u>U.S. Department of Homeland Security</u>					
Federal Emergency Management Agency <i>Passed through Arkansas Department of Emergency Management</i>					
Disaster Grant - Road System Damage	97.036	4318-DR-AR	None	-	35,990
Total U.S. Department of Homeland Security				-	35,990
<u>U.S. Department of Transportation</u>					
Federal Aviation Administration Airport Improvement Program ASG Runway Pavement and Lighting Rehabilitation	20.106	None	3-05-0059-018-2017	-	85,388
<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-2017-03-02-32	None	-	22,268
State & Community Highway Safety	20.600	SE-2017-13-01-32	None	-	4,998
State & Community Highway Safety	20.600	OP-2018-03-02-31	None	-	6,413
State & Community Highway Safety	20.600	SE-2018-13-01-31	None	-	7,289
				-	40,968
National Priority Safety Program	20.616	M5X-2017-05-06-32	None	-	8,862
National Priority Safety Program	20.616	M5X-2018-05-06-31	None	-	6,548
				-	15,410
<i>Total Highway Safety Cluster</i>				-	56,378
<i>Highway Planning and Construction Cluster</i>					
<i>Passed through Arkansas Highway and Transportation Department</i>					
56th St Extension Project	20.205	FAP-STPU-9399(19)	None	-	174,876
Sanders Avenue Trailhead	20.205	FAP-TAPC-9399(20)	None	-	65,501
Don Tyson Parkway Extension Project	20.205	FAP-STPU-9399(23)	None	-	61,882
<i>Total Highway Planning and Construction Cluster</i>				-	302,259
Total U.S. Department of Transportation				-	444,025

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, 2017

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
<u>U.S. Department of Justice</u>					
Office of Community Oriented Policing Services					
COPS Hiring Program	16.710	None	2014UMWX0183	\$ -	\$ 198,043
COPS Hiring Program	16.710	None	2016UMWX0116	-	21,371
				<u>-</u>	<u>219,414</u>
Office of Juvenile Justice and Delinquency Prevention					
<i>Passed Through Arkansas State Police</i>					
Internet Crimes Against Children Task Force	16.543	2016-MC-FX-K013	None	-	9,858
Office of Justice Programs					
Bulletproof Vest Partnership Program	16.607	None	2015BUBX15078936	-	1,393
Bulletproof Vest Partnership Program	16.607	None	2016BUBX16081877	-	9,785
				<u>-</u>	<u>11,178</u>
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	2016-BC-BX-K082	None	-	27,954
Drug Enforcement Administration Task Force	N/A	None	None	-	20,512
				<u>-</u>	<u>288,916</u>
Total U.S. Department of Justice					
<u>U.S. Department of Commerce</u>					
<i>Economic Development Cluster</i>					
Economic Adjustment Assistance	11.307	None	08-79-05071	-	781,490
				<u>-</u>	<u>781,490</u>
Total U.S. Department of Commerce					
<u>Executive Office of the President</u>					
Office of National Drug Control Policy					
<i>Passed Through Washington County, AR</i>					
Gulf Coast High-Intensity Drug Trafficking Area	95.001	G17GC0004A	None	-	9,727
Gulf Coast High-Intensity Drug Trafficking Area	95.001	G16GC0004A	None	-	15,498
				<u>-</u>	<u>25,225</u>
				<u>-</u>	<u>25,225</u>
Total Executive Office of the President					
Total Expenditures of Federal Awards				<u>\$ 115,000</u>	<u>\$ 2,368,452</u>

City of Springdale, Arkansas
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

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, 2017. 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 position 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, 2017

State Awards	Grantor Number	State Expenditures
Arkansas Department of Health - Trama Section		
Trauma EMS Sustaining Grant		\$ 22,726
Arkansas Humanities Council		
Ozarks Journey; Instrument Makers of the Ozarks	AHC-16-020	6,205
The Arkansas Ozarks: 1920 to 1950	AHC-16-033	1,200
Department of Arkansas Heritage		
Arkansas Arts Council		
Arts on Tour - Tommy Terrific's Wacky Magic Show		120
Arts on Tour - Stevens Puppets		170
Arts on Tour - MomandPop		235
Arts on Tour - Kinder Songs		150
Arts on Tour - Storybook Strings		280
Collaborative Project Support		9,467
Boston Mountain Solid Waste District		
2015 Recycling Grant Award	SD15-07	1,092
Arkansas State Library		
State Aid to Public Library		
Scholarships for Qualified Education Expenses		2,700
Arkansas State Police		
Child Passenger Protection Fund	18X920405DAR17-18	1,882
<i>Passed through City of Fayetteville</i>		
Drug Law Enforcement Program	J-17-004-DF	15,721
Drug Law Enforcement Program	J-16-004-DF	2,077
		<u>\$ 64,025</u>
Other Assistance		Other Expenditures
<hr/>		
Passed through Area Agency on Aging		
Elderly Taxi Program - Cigarette Tax		<u>\$ 4,185</u>

City of Springdale, Arkansas
Schedule of Findings and Questioned Costs
Year Ended December 31, 2017

Section I - 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 disclosed:

Significant deficiency(ies) identified? Yes None Reported

Material weakness(es) identified? Yes No

3. Noncompliance considered material to the financial statements noted?

Yes No

Federal Awards

4. Internal control over compliance for major federal program:

Significant deficiency(ies) identified? Yes None Reported

Material weakness(es) identified? Yes No

5. Type of auditor's report on compliance for major federal program:

Unmodified Modified Adverse Disclaimer

6. Any audit findings required to be reported in accordance with 2 CFR 200.516(a)?

Yes No

City of Springdale, Arkansas
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2017

7. Identification of major federal program:

<u>Cluster/Program</u>	<u>CFDA Number</u>
Economic Development Cluster	11.307

8. The threshold used to distinguish between Type A and Type B programs: \$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, 2017

Section II – Financial Statement Findings

Reference Number	Finding
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No matters are reportable.

Section III – Federal Audit Findings and Questioned Costs

Reference Number	Finding
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No matters are reportable.

City of Springdale, Arkansas
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2017

Reference Number	Summary of Finding	Status
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No matters are reportable.