

City of Springdale, Arkansas

Financial Statements and Independent Auditor's Reports

December 31, 2018

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City of Springdale, Arkansas
December 31, 2018

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City of Springdale, Arkansas
List of Elected and Appointed Officials
December 31, 2018

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

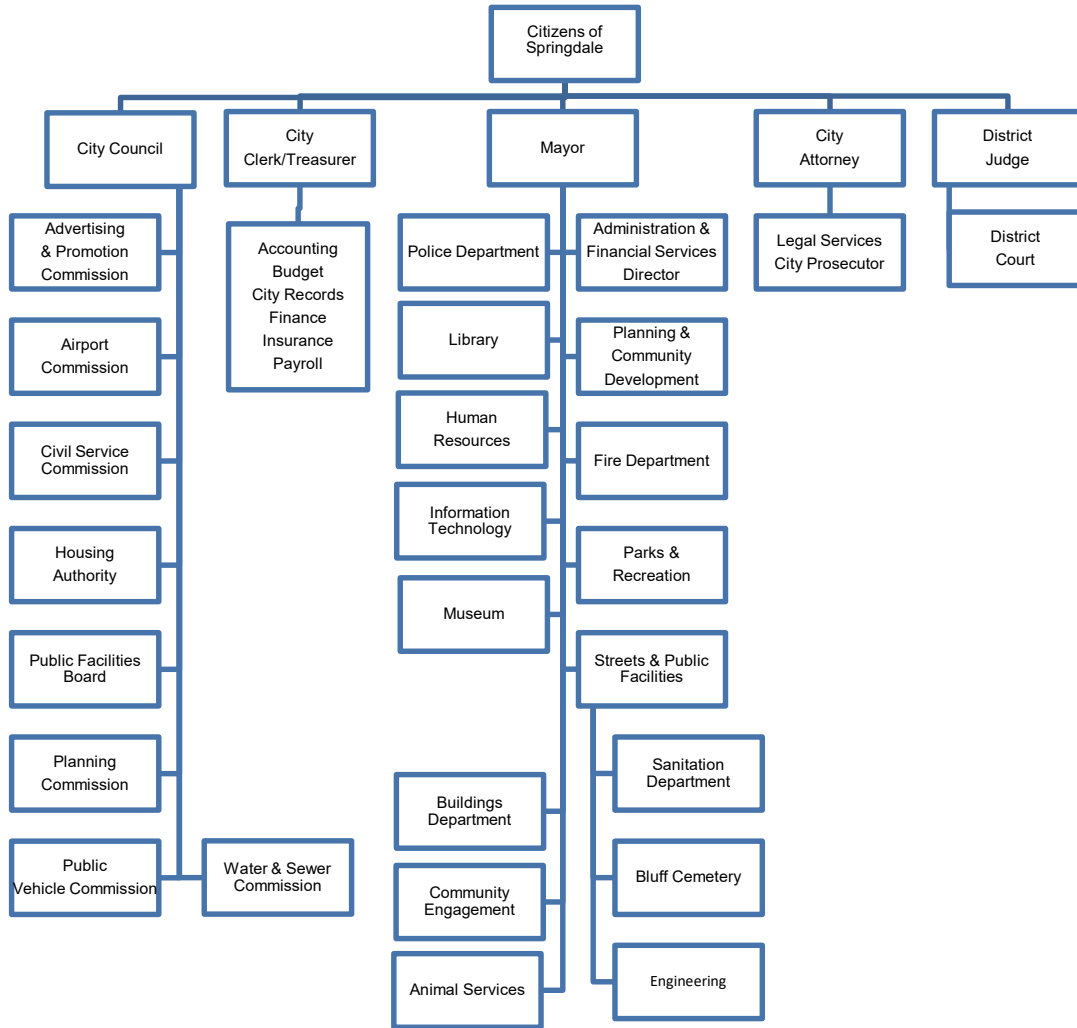
Appointed Officials:

Administrative and Financial Services	Wyman D. Morgan
Animal Services	Courtney Kremer
Chief Building Official	Mike Chamlee
Engineering and Public Works	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
Water and Wastewater	Heath Ward

City of Springdale, Arkansas

Organizational Chart

December 31, 2018



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, 2018, 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, 2018, 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 2018 the City implemented the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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
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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, 2019, 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, 2019

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City of Springdale, Arkansas

Management's Discussion and Analysis

December 31, 2018

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, 2018. 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 exceeded total liabilities and deferred inflows of resources at the close of 2018 by \$250 million (net position). Of this amount, \$248 million is invested in capital assets, and \$19.8 million is restricted for capital expenditures, debt service, unspendable endowment funds, and other purposes. Unrestricted net position available for meeting the City's emergency and unexpected obligations reported a deficit of \$18.2 million, due primarily to the \$45.9 million balance in net pension liabilities at year-end. The City's business-type activities have an unrestricted net position of \$140 thousand.
- The City's total net position increased by \$11.6 million in 2018. Net position of governmental activities increased by \$9.5 million in 2018, compared to a net increase of \$7.29 million in 2017. The net position of the business-type activities increased by \$2.09 million in 2018 as compared to a net decrease of \$1.5 million in 2017.
- At the close of 2018, the City's governmental funds reported combined ending fund balances of \$195.2 million, which reflects an increase of \$148 million from the prior year, primarily due to the issuance of \$188 million in sales and use tax refunding and improvement bonds. The restricted portion of the fund balances is \$171.5 million; \$4.1 million of which is considered unspendable, and \$167.4 million that is restricted for capital expenditures, debt service, and other purposes. The remaining fund balance is classified as \$7.5 million committed for capital projects and other purposes, assigned of \$12.3 million, and unassigned fund balance of \$3.8 million.
- At the end of 2018, the unassigned fund balance of the General Fund was \$3.8 million, which represents 2% of the total governmental fund balances and is 9% of total general fund expenditures, including transfers. There was a decrease of \$.89 million in the total general fund balance for 2018, compared to a \$.77 million decrease in 2017. The unassigned portion is available for use to support operations, funding for special projects and equipment replacement funding.
- The City's total bonded indebtedness increased by \$135.28 million during the current year. The key factors in this increase were the issuance of \$188 million in Sales and Use Tax Refunding and Improvement Bonds (Series 2018), offset by the call and payment of \$48.99 in principal for the 2013 Series Sales and Use Tax bonds from bond proceeds (\$45.09 million) and excess tax receipts (\$3.9 million).

City of Springdale, Arkansas
Management's Discussion and Analysis (Continued)
December 31, 2018

- The City's net pension liability increased \$7.38 million to \$45.87 million as of December 31, 2018. The net pension liability and the related net deferred inflows and outflows of resources are discussed in detail in *Note 7* on pages 63 - 82 of this report. Pension expense increased \$1.8 million to a total of \$7.97 million for 2018.
- The City's OPEB liability decreased \$1.95 million to \$4.86 million as of December 31, 2018. The OPEB liability and the related net deferred inflows and outflows of resources are discussed in detail in *Note 9* on pages 83 - 90 of this report. OPEB expense for 2018 was \$311 thousand.
- The City's business-type component unit reported net position of \$286.7 million as of September 30, 2018, an increase of \$13.3 million compared to September 30, 2017. The increase is primarily due an increase of \$11.39 million in net capital assets largely due to capital contributions of \$1.47 million in water line improvements, \$4.2 million in wastewater improvements, and \$4.77 million for the sludge drying facilities project at the wastewater treatment plant, as well as an increase in operating revenues of \$1 million as a result of the rate increase of \$.05 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 government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a provide-sector business. 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).

City of Springdale, Arkansas
Management's Discussion and Analysis (Continued)
December 31, 2018

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

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

The government-wide financial statements are located on pages 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 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 twenty individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and change in fund balances for the General Fund, Street Fund, Sales and Use Tax Fund, the 2018 Bonds Street Improvement Construction Fund, the 2018 Bonds Criminal Justice and Administration Complex Construction Fund, and the 2018 Bonds Debt Service Fund. Data from the remaining fourteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

City of Springdale, Arkansas
Management's Discussion and Analysis (Continued)
December 31, 2018

The basic governmental fund financial statements are located on pages 22 through 25 of this report.

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.

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 96 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 postemployment benefits to its employees. *Required supplementary information* is located on pages 97 through 113 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 114 through 128 of this report.

Government-Wide Financial 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 \$250 million at the close of the most recent fiscal year.

City of Springdale, Arkansas
Management's Discussion and Analysis (Continued)
December 31, 2018

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 206,312	\$ 56,030	\$ 231	\$ 378	\$ 206,543	\$ 56,408
Capital assets	337,255	328,782	9,017	6,766	346,272	335,548
Total assets	543,567	384,812	9,248	7,144	552,815	391,956
Deferred outflows of resources	15,139	11,408	-	-	15,139	11,408
Current liabilities	14,157	11,469	76	63	14,233	11,532
Other liabilities	299,579	148,287	15	13	299,594	148,300
Total liabilities	313,736	159,756	91	76	313,827	159,832
Deferred inflows of resources	4,124	2,355	-	-	4,124	2,355
Net investment in capital assets	239,352	222,197	9,017	6,766	248,369	228,963
Restricted	19,844	22,216	-	-	19,844	22,216
Unrestricted	(18,350)	(10,304)	140	302	(18,210)	(10,002)
Total net position	\$ 240,846	\$ 234,109	\$ 9,157	\$ 7,068	\$ 250,003	\$ 241,177

By far the largest portion of the City's net position, \$248 million (99%) reflects its investment in capital assets (e.g. land, buildings, machinery, infrastructure and equipment), plus unspent bond proceeds, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending, and with the exception of business type assets, do not generate direct revenue for the City. They do represent an obligation on the part of the City to maintain these assets into the future. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since capital assets themselves cannot be used to liquidate liabilities.

An additional portion of the City's net position (\$19.8 million or 8%) represents resources that are subject to restrictions as to how they may be used. Of the total restricted net position, \$3.5 million is restricted for capital projects, \$11.1 million is restricted for debt service, and \$5.2 million is restricted for other purposes. The remaining balance of unrestricted net position is a deficit of \$18.2 million (-7%).

It is important to note that the unrestricted net position of the City's business type activities of \$0.14 million may not be used to fund governmental activities.

Overall the City's net position increased by \$11.6 million during 2018. Total revenues increased by \$12.4 million (16%) between years. Sales tax revenue on a government-wide basis increased by \$1.9 million (4%), and capital grants and contributions increased by \$6.97 million (256%). Total expenses increased by \$3.97 (5%) from 2017 to 2018. The changes in net position are shown in the following schedule.

City of Springdale, Arkansas
Management's Discussion and Analysis (Continued)
December 31, 2018

Changes in Net Position
(Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues						
Fees, fines and charges for services	\$ 6,582	\$ 6,724	\$ 589	\$ 588	\$ 7,171	\$ 7,312
Operating grants and contributions	12,248	12,893	-	-	12,248	12,893
Capital grants and contributions	10,488	3,516	2,320	85	12,808	3,601
Total program revenues	29,318	23,133	2,909	673	32,227	23,806
General revenues						
Sales tax	45,174	43,259	39	44	45,213	43,303
Ad valorem tax	6,523	6,384	-	-	6,523	6,384
Franchise tax	4,239	4,016	-	-	4,239	4,016
Hotel/motel tax	468	474	-	-	468	474
Investment earnings (losses)	2,521	627	2	1	2,523	628
Gain (loss) on sale of assets	(255)	(88)	(30)	-	(285)	(88)
Refund of contributed capital	-	-	-	-	-	-
Total general revenues	58,670	54,672	11	45	58,681	54,717
Total revenues	87,988	77,805	2,920	718	90,908	78,523
Expenses						
General government	8,308	5,893	-	-	8,308	5,893
Community development	1,823	1,864	-	-	1,823	1,864
Culture and recreation	11,212	10,402	-	-	11,212	10,402
Economic development	553	659	-	-	553	659
Public safety	35,907	32,811	-	-	35,907	32,811
Public works	14,201	16,266	-	-	14,201	16,266
Interest on long-term debt	6,192	3,845	-	-	6,192	3,845
Municipal airport	-	-	952	854	952	854
Sanitation	-	-	129	144	129	144
Total expenses	78,196	71,740	1,081	998	79,277	72,738
Increase (decrease) in net position						
before transfers	9,792	6,065	1,839	(280)	11,631	5,785
Transfers	(250)	1,221	250	(1,221)	-	-
Increase (decrease) in net position	9,542	7,286	2,089	(1,501)	11,631	5,785
Net position - January 1,	234,109	226,823	7,068	8,569	241,177	235,392
Prior period adjustment*	(2,805)	-	-	-	(2,805)	-
Net Position - January 1, restated	231,304	226,823	7,068	8,569	238,372	235,392
Net position - December 31	\$ 240,846	\$ 234,109	\$ 9,157	\$ 7,068	\$ 250,003	\$ 241,177

*The cumulative effect of applying GASB Statement No. 75, *Accounting and Reporting for Postemployment Benefits Other Than Pensions* resulted in the beginning net position for 2018 being restated. Prior year comparative information has not been restated for the adoption of GASB 75.

City of Springdale, Arkansas
Management's Discussion and Analysis (Continued)
December 31, 2018

Governmental activities – Governmental activities increased the City's net position by \$12.1 million. Key elements of this increase are as follows:

- Total revenues increased by \$10.2 million, due primarily to increases in operating grants and contributions (\$6.97 million or 195%), investment earnings (\$1.89 million or 302%) and sales and use taxes (\$1.9 million or 4%).
- Ad valorem (property) taxes increased by \$0.14 million (2%) due to an increase in the assessed valuations from both new construction and increases in existing values.
- Sales tax revenue allocated for governmental purposes reflects a 4% increase between years. The City's share of the county sales tax, accounted for in the General Fund, increased by 5%. The City's sales tax that is allocated for capital projects and accounted for in the Sales and Use Tax Fund increased 7% in 2018 from 2017, 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 2018 was 4%.
- Sales taxes provided \$45 million (51%) of the City's governmental revenue in 2018, while operating grants and contributions provided \$12 million (14%), capital grants and contributions provided \$10.48 million (12%), and ad valorem taxes provided \$6.5 million (7%).
- Capital outlay and donated capital assets exceeded depreciation expense by \$8.85 million.
- The reported 2018 expenses increased by \$6.46 million (9%) from 2017, due primarily to increases in interest on long-term debt (\$2.35 million), general government expenses (\$2.4 million), public safety expenses (\$3.1 million) and culture and recreation expenses (\$.81 million) offset by a decrease in public works (\$2.1 million). Interest on long-term debt increased due to the issuance of \$188 million in Series 2018 Bonds. General government expenses increased primarily due to debt issuance costs (\$2.48 million). Public safety expenses increased primarily due to annual salary and benefit increases. Public works expenses decreased primarily due to a decrease in capital asset expenses.

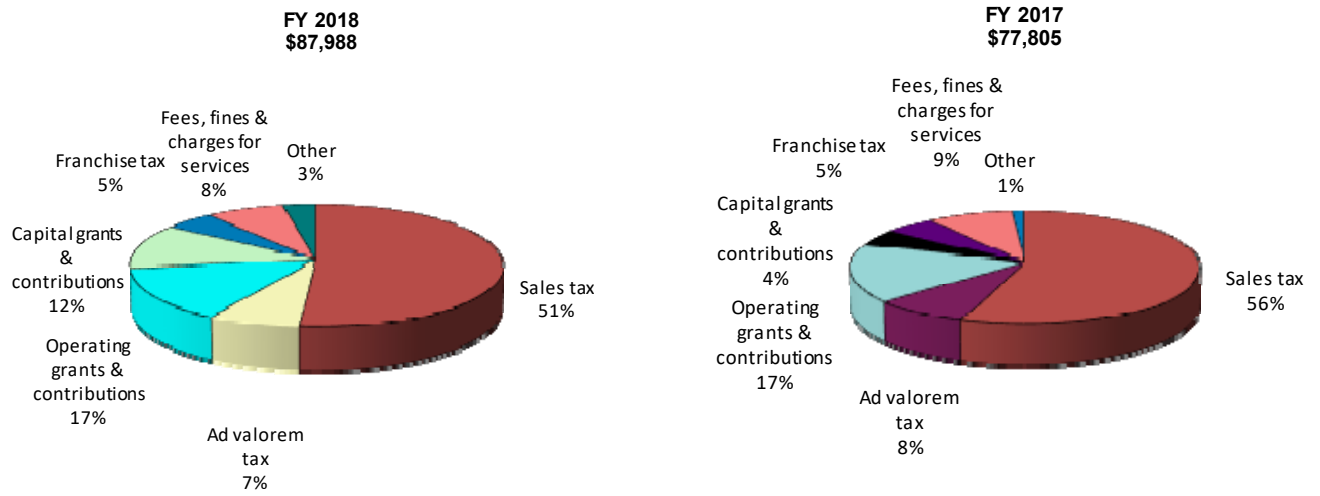
City of Springdale, Arkansas

Management's Discussion and Analysis (Continued)

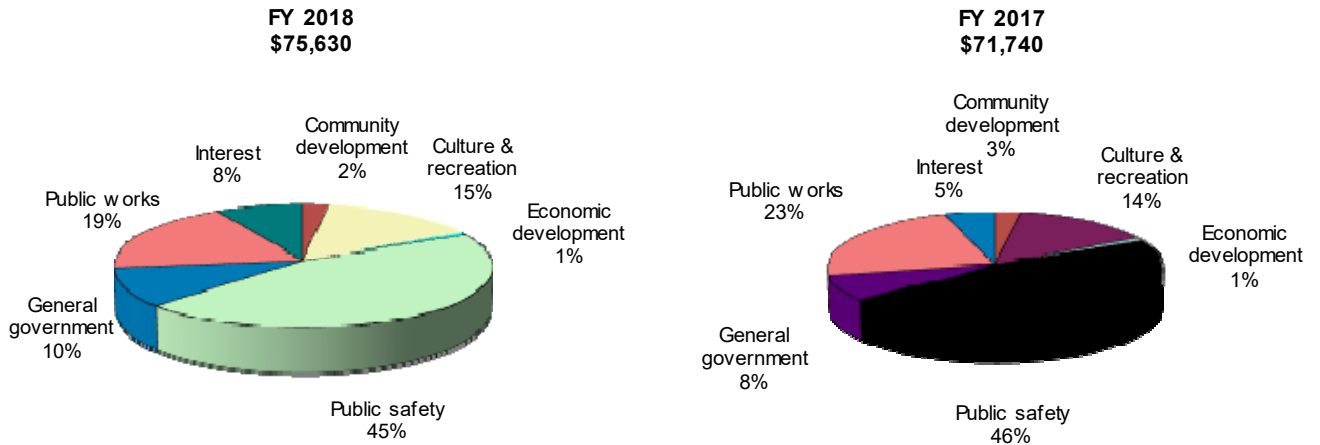
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A chart of revenues by major source for governmental activities is presented below.

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, 2018

Business-type activities – Business-type activities increased the City's net position by \$2.1 million,

The Municipal Airport revenues of \$3.0 million provided 95% of total revenues for business-type activities for 2018 while current year expenses of \$0.95 million were 88% of total expenses. Municipal Airport depreciation expense for 2018 was \$0.53 million.

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, 2018, the City's governmental funds combined fund balances were \$195 million, which reflects an increase of \$148 million from the prior year end. Of this amount, \$4.1 million (2%) is nonspendable, \$167 million (86%) represents fund balances restricted for capital projects, debt service, and other purposes, \$7.5 million (4%) is committed for capital projects, and \$12.28 million (6%) is assigned for specific uses by fund type. The remainder of the balance, \$3.8 million (2%), 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, 2018, the total fund balance of the General Fund was \$5.8 million of which \$3.8 million (66%) 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 9% of the total General Fund expenditures for 2018, including transfers out, while total fund balance represents 13% of that same amount.

During the 2018 fiscal year, the fund balance of the General Fund decreased by \$0.892 million (0.13%). As a comparison, the 2018 adopted budget anticipated a 15% decrease in the unassigned general fund balance by the end of the year. The decrease for 2018 was due to the following:

- Total revenues for 2018, including transfers, increased by \$1.99 million or 5%. The primary reasons for the increase were due to increases in other grants and contributions (\$1.1 million) and taxes (\$.999 million), offset by a decrease in transfers in of \$.53 million or -7%.
- The increase in revenues was offset by an increase in total expenditures, including transfers, between years of \$2.88 million or 7%. The primary reasons for the increase were due to increases in expenditures for culture and recreation (\$.627 million or 14%) and public safety (\$1.9 million or 7%).

City of Springdale, Arkansas
Management's Discussion and Analysis (Continued)
December 31, 2018

The Street Fund is a special revenue fund that is presented as a major fund, and accounts for 2% of the total governmental fund balances. Revenues include property taxes dedicated to streets, bridges and associated drainage, as well as gasoline tax turnback from the state. The fund balance of the Street Fund decreased \$.614 million between years.

The Sales and Use Tax Fund is a capital projects fund that is presented as a major fund and accounts for 6% 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 \$1.01 million between years.

The 2018 Bonds Street Improvement and Criminal Justice and Administration Complex Construction Funds provided 59% of the total governmental fund balances at December 31, 2018. The net increase in fund balances during 2018 was \$115.9 million, and was the result of issuing bonds, and spending bond proceeds on capital improvements and bond issue costs.

The 2018 Bonds Debt Service fund provided 5% of the total governmental fund balances at December 31, 2018. Revenues for 2018 for this fund include a one percent (1%) local sales tax pledged to debt service. During 2018, the City used excess tax receipts to call and redeem \$1 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, 2018, the net position of the Municipal Airport Fund was \$8.9 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 \$45.1 million (total revenues plus other financing sources) compared to the original budget total of \$44.85 million. Final amended appropriations (total expenditures plus transfers out) were \$46.9 million as compared to the original budget total of \$45.9 million. The net increase in budgeted revenues of \$263,000 and appropriations of \$971,830 is summarized briefly as follows:

- \$25,000 increase in appropriations for Springdale Animal Services for a new cargo van.
- \$73,500 increase in appropriations for the Police Department for a new fitness test and a new K-9 officer funded with Federal and State drug seizures/forfeiture funds.
- \$106,880 increase in revenues and appropriations for expenditures for replacement of vehicles and equipment for the Police Department funded with insurance recoveries and auction proceeds.
- \$73,800 increase in appropriations for an Area Rae Detection Kit for the Fire Department funded with Act 833 funds.
- \$482,250 increase in appropriations for two ambulances and one power cot funded with the Ambulance Equipment Replacement Fund.
- \$60,000 increase in revenues and appropriations for the Buildings Department for building demolition services.

City of Springdale, Arkansas
Management's Discussion and Analysis (Continued)
December 31, 2018

- \$96,400 increase in revenues and appropriations for Administration for a Northwest Arkansas Council grant.
- \$54,000 increase in appropriations for a needs assessment for the Springdale Senior Center funded with contributions.

Total actual revenue received for the General Fund, including other financing sources, was \$44.6 million and was \$475 thousand or 1% less than final budget estimates. General Fund actual expenditures, including transfers out, of \$45.5 million were 97% of the final amended budgeted appropriations. The final amended budget projected a \$1.8 million decrease in fund balance, while the actual resulted in a fund balance decrease of \$892 thousand. Specific revenue and expenditure variances are as follows:

- Property tax revenue was \$5,351,326, while the final budgeted amount was \$5,100,000. The excess revenues over the budget (\$251,326) can be attributed to an increase in assessed values of \$29.6 million or 3%.
- Franchise taxes were \$4,239,607, while the final budgeted amount was \$3,960,000. The excess revenues over the budget (\$279,607), mainly due to electric/gas utility companies performing better than expected.
- License fees and permits were \$1,065,541, while the final budgeted amount was \$944,550. The excess revenues over budget (\$120,991) were due to an increase in building permit fees collected.
- Federal and state grant revenue exceeded the final budgeted amount (\$222,690) by \$276,103 due to grant revenue received but not budgeted in 2018 for the Police Department and the Senior Center.
- Other intergovernmental revenues were \$902,935, while the final budgeted amount was \$623,250. The excess revenues over the budget (\$279,685) were primarily due to the funding of two additional School Resource Officers by the Springdale School District during 2018.
- Charges for goods and services other than ambulance fees exceeded the final budgeted amount (\$1,334,140) by \$233,633. The primary reason for the increase was due to Police Department overtime worked by off-duty officers being paid for by businesses in the City.
- Fines and forfeitures revenues were less than the final budget by \$102,082 as Police Department fines and fees collected through the District Court were less than anticipated.
- Transfers in were \$7,605,367, while the final budgeted amount was \$9,568,500. The transfers in were \$1,963,133 less than budget, as the City chose not to transfer any of the additional funds budgeted from the Sales and Use Tax Fund in excess of the 50% city sales and use taxes received for 2018.
- With the exception of Parks and Recreation, citywide personnel costs had a remaining budgeted balance of \$375,375 due to open positions and attrition during the year.
- Parks and Recreation personnel costs exceeded the final budget of \$2,952,090 by \$145,833. The primary reason was due to expenditures for temporary personnel being higher than anticipated.
- The Springdale Senior Center's expenditures were \$709,471, and exceeded the final budget (\$584,290) by \$125,181. This is due to the increase in number of citizens served by the Center (approximately 60% higher attendance and citizens served by Meals on Wheels since the City took over the Center in July 2017). These expenditures were paid by revenue (grants and contributions) received by the Center.

City of Springdale, Arkansas
Management's Discussion and Analysis (Continued)
December 31, 2018

- Total Culture and Recreation expenditures of \$5,176,213 exceeded the final budgeted amount by \$453,053. The primary differences included personnel costs (discussed above), supplies purchased for resale were \$33,922 greater than budget, athletic supplies were \$24,356 greater than budget, and electricity/natural gas expenditures were \$33,922 greater than amounts budgeted. In addition, capital expenditures of \$223,367 were not anticipated and not included in the 2018 budget.
- Total Police Department expenditures of \$16,926,737 exceeded the final budgeted amount by \$57,307 (less than 1%).

The budget and actual comparison schedules are located on pages 108 through 113.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for governmental and business-type activities as of December 31, 2018 amounted to \$346 million, net of accumulated depreciation. The increase in capital assets related to governmental activities was \$8.47 million (2.6%). The City's investment in capital assets related to business-type activities increased by \$2.25 million.

The following table summarizes the City's capital assets.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land and easements	\$ 86,945	\$ 79,427	\$ 3,125	\$ 2,894	\$ 90,070	\$ 82,321
Land improvements	28,726	29,539	3,649	1,862	32,375	31,401
Buildings and improvements	47,960	50,107	1,537	1,186	49,497	51,293
Construction in progress	16,494	7,134	88	238	16,582	7,372
Infrastructure	141,016	145,705	-	-	141,016	145,705
Machinery and equipment	15,888	16,579	618	586	16,506	17,165
Intangibles	226	291	-	-	226	291
Total	\$ 337,255	\$ 328,782	\$ 9,017	\$ 6,766	\$ 346,272	\$ 335,548

Major capital asset events during 2018 included the following:

- Donated land and easements totaled \$5.6 million.
- Infrastructure and land improvements increased \$4.3 million. The City completed the Emma Ave. Streetscapes project which totaled \$2.3 million, along with several smaller construction projects.
- Construction in progress increased \$9.4 million. Major projects in progress included Dean's Trail Phase I (\$2.9 million), the Criminal Justice/Administration Complex (\$1.3 million), Fire Station No. 7 (\$1.5 million), and down payments for Fire apparatus (\$2.1 million).
- The Springdale Municipal Airport completed the Airport Runway Pavement Rehabilitation and Lighting Reconstruction project which totaled \$2.45 million.
- Depreciation expense totaled \$15.67 million.

City of Springdale, Arkansas
Management's Discussion and Analysis (Continued)
December 31, 2018

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

Long-term debt. At December 31, 2018, the City had \$241 million of long-term bonds outstanding, secured solely by City sales and use taxes and revenues and receipts of the City of Springdale Public Facilities Board. The City's total bonded debt increased by \$135 million. In May 2018, the City issued \$188 million in Sales and Use Tax Refunding and Improvement Bonds (Series 2018). This addition was offset by the call and payment of \$48.99 million of principal for the 2013 Series Sales and Use Tax bonds from bond proceeds (\$45.09 million) and excess tax receipts (\$3.9 million). The City also used excess tax receipts to call and redeem \$1 million in Series 2018 bonds.

The following table details the breakdown of this debt.

Long-term Debt
(Amounts in Thousands)

	Governmental Activities	
	2018	2017
Sales and Use Tax Refunding and Improvement Bonds, Series 2018	\$ 187,075	\$ -
Sales and Use Tax Refunding Bonds, Series 2013	-	48,995
Sales and Use Tax Bonds, Series 2012	53,575	56,045
Public Facilities Board Revenue Bond (Real Estate Acquisition Project)	700	1,031
	\$ 241,350	\$ 106,071

The City maintains bond ratings from Standard and Poor's of AA for the Series 2018 Bonds and an A+ rating for the Series 2012 Bonds.

Under Arkansas statutes, the City is allowed to issue, with voter approval, general obligation debt up to 20% of total assessed valuation of real and person property within the city limits. The City is also allowed to issue short-term debt (maturities of less than five years) up to 5% of the total assessed valuation. The City's current debt limit for both is \$292 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 \$2.125 million at September 30, 2018. The Commission retired \$215 thousand of these bonds during the year ended September 30, 2018.

Additional information on the City's long-term debt can be found in *Note 5* located on pages 54 through 61 of this report.

City of Springdale, Arkansas
Management's Discussion and Analysis (Continued)
December 31, 2018

Economic Factors and the Next Year's Budget

The current unemployment rate for the Fayetteville-Springdale-Rogers MSA remained unchanged at the end of 2018 at 2.7% compared to 2017. This compares favorably to the state's unemployment rate of 3.7% and the national average unemployment rate of 3.9%.

The City's population, according to the revised 2010 census, was 70,747, and showed 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 2018 to be 81,029 or a 15% increase since 2010.

City wide revenue was up \$12.4 million, or 16% compared to last year. Increases were experienced in sales taxes, property taxes, franchise taxes, investment earnings and capital grants and contributions.

Total revenues for the General Fund, including transfers, increased by 5% compared to the prior year. Sales and use taxes received in 2018, including city sales and use taxes transferred in, increased 1% as compared to 2017. These taxes are a primary source of revenue for the General Fund, comprising 50% of the total revenue. The assessed values for property taxes, (for taxes to be collected in 2018) increased by 3% as compared to the prior year.

Building permits and inspection fees increased \$3,364 or 0.4% from 2017 to 2018. The number of building permits issued decreased by 183 or 23%, but revenues increased due to increased construction values of \$14 million. Commercial construction values increased \$48.6 million or 58% in 2018 compared to 2017. Construction began on the new Washington County campus for the Northwest Arkansas Community College, as well a new Mercy Clinic in Springdale. Residential single family housing construction values were down \$34.6 million or 35% compared to 2017.

The City Council adopted the 2019 budget on December 11, 2018, with General Fund projected revenues and transfers of \$48 million and projected expenditures and transfers of \$49 million. Budgeted revenues increased \$2.9 million, or 6.4% compared to the final amended 2018 budget, primarily due to the increase in the amount transferred in from the Sales and Use Tax Fund. Budgeted expenditures increased by \$2.2 million, or 4.7% as compared to the 2018 budget, primarily due salary increases and increased pension and health insurance costs that were factored into the budget. The overall City 2019 operating budget for all funds was \$56.9 million, which reflects an increase of 2.6% from the original 2018 budget, and a 2.1% increase from the final amended budget.

Request for Information

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

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

City of Springdale, Arkansas
Statement of Net Position
December 31, 2018

	Primary Government			Component Unit Water and Sewer Commission
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 9,469,978	\$ 122,459	\$ 9,592,437	\$ 14,238,564
Investments	12,017,136	49,590	12,066,726	35,880,946
Receivables, net of allowance for uncollectibles	1,209,331	451,360	1,660,691	4,629,396
Intergovernmental receivables	11,967,129	-	11,967,129	-
Internal balances	393,494	(392,015)	1,479	-
Due from fiduciary funds	104,148	170	104,318	-
Inventories	-	-	-	513,509
Prepaid assets	14,027	-	14,027	108,932
Assets held for resale	2,619,422	-	2,619,422	-
Other assets	-	-	-	-
Restricted assets:				
Cash and cash equivalents	15,482,560	-	15,482,560	170,131
Investments	149,043,816	-	149,043,816	2,390,073
Interest receivable	717,410	-	717,410	-
Accounts receivable	-	-	-	-
Intergovernmental receivables	3,272,977	-	3,272,977	-
Capital assets:				
Nondepreciable	103,593,761	3,213,109	106,806,870	31,526,275
Depreciable, net of accumulated depreciation	233,661,482	5,803,904	239,465,386	207,352,941
Total Assets	543,566,671	9,248,577	552,815,248	296,810,767
Deferred Outflows of Resources				
Pensions	15,138,685	-	15,138,685	-
Other postemployment benefits	-	-	-	73,819
Total Deferred Outflows of Resources	15,138,685	-	15,138,685	73,819
Total Assets and Deferred Outflows of Resources	\$ 558,705,356	\$ 9,248,577	\$ 567,953,933	\$ 296,884,586
Liabilities				
Accounts payable and accrued expenses	3,627,454	60,635	3,688,089	4,325,337
Due to fiduciary funds	49,839	-	49,839	-
Accrued interest payable	2,298,505	-	2,298,505	8,854
Customer deposits	279,995	-	279,995	-
Unearned revenue	1,025,683	15,893	1,041,576	-
Noncurrent liabilities:				
Due within one year	120,039	-	120,039	491,999
Current portion of long-term debt	6,755,000	-	6,755,000	225,000
Due in more than one year	299,579,042	14,776	299,593,818	5,115,920
Total Liabilities	313,735,557	91,304	313,826,861	10,167,110
Deferred Inflows of Resources				
Pensions	1,666,950	-	1,666,950	-
Other postemployment benefits	2,138,169	-	2,138,169	12,598
Loss on bond refunding	318,909	-	318,909	-
	4,124,028	-	4,124,028	12,598
Net Position				
Net investment in capital assets	239,351,739	9,017,013	248,368,752	236,754,216
Restricted for:				
Capital projects	3,535,108	-	3,535,108	-
Debt service	11,123,752	-	11,123,752	170,131
Other	5,184,734	-	5,184,734	-
Unrestricted	(18,349,562)	140,260	(18,209,302)	49,780,531
Total Net Position	\$ 240,845,771	\$ 9,157,273	\$ 250,003,044	\$ 286,704,878

City of Springdale, Arkansas
Statement of Activities
Year Ended December 31, 2018

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	\$ 5,584,692	\$ 315,169	\$ 1,124,614	\$ 1,379,590	\$ (2,765,319)	\$ -	\$ (2,765,319)	\$ -	-
City attorney	750,997	21,554	-	-	(729,443)	-	(729,443)	-	-
Information technology	999,519	-	-	-	(999,519)	-	(999,519)	-	-
District court	921,509	258,193	32,820	-	(630,496)	-	(630,496)	-	-
Bluff Cemetery	51,446	55,000	-	-	3,554	-	3,554	-	-
Community development									
Planning	391,370	37,560	3,185	-	(350,625)	-	(350,625)	-	-
Engineering	528,119	17,785	-	-	(510,334)	-	(510,334)	-	-
Community development and housing	902,945	-	958,273	-	55,328	-	55,328	-	-
Culture and recreation									
Parks and recreation	7,229,250	1,344,070	18,669	5,492,086	(374,425)	-	(374,425)	-	-
Senior centers	751,719	13,360	366,797	-	(371,562)	-	(371,562)	-	-
Public library	2,324,999	88,727	1,305,611	-	(930,661)	-	(930,661)	-	-
Shiloh Museum	906,110	43,163	75,924	185,673	(601,350)	-	(601,350)	-	-
Economic development	553,065	2,485	-	-	(550,580)	-	(550,580)	-	-
Public safety									
Animal services	823,004	52,623	27,888	29,714	(712,779)	-	(712,779)	-	-
Building inspection	633,676	781,412	-	-	147,736	-	147,736	-	-
Community engagement	341,711	143,490	-	-	(198,221)	-	(198,221)	-	-
Fire	14,576,208	1,735,648	837,793	-	(12,002,767)	-	(12,002,767)	-	-
Police	19,532,328	1,538,597	2,418,483	27,000	(15,548,248)	-	(15,548,248)	-	-
Public works	14,201,041	133,293	5,078,223	3,373,493	(5,616,032)	-	(5,616,032)	-	-
Debt service									
Interest on long-term debt	6,191,932	-	-	-	(6,191,932)	-	(6,191,932)	-	-
Total government activities	78,195,640	6,582,129	12,248,280	10,487,556	(48,877,675)	-	(48,877,675)	-	-

City of Springdale, Arkansas
Statement of Activities (Continued)
Year Ended December 31, 2018

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	\$ 951,972	\$ 419,147	\$ -	\$ 2,320,491	\$ -	\$ 1,787,666	\$ 1,787,666	\$ -
Sanitation	129,570	162,060	-	-	-	32,490	32,490	-
City attorney restitution	204	7,596	-	-	-	7,392	7,392	-
Total business-type activities	<u>1,081,746</u>	<u>588,803</u>	<u>-</u>	<u>2,320,491</u>	<u>-</u>	<u>1,827,548</u>	<u>1,827,548</u>	<u>-</u>
Total primary government	<u>\$ 79,277,386</u>	<u>\$ 7,170,932</u>	<u>\$ 12,248,280</u>	<u>\$ 12,808,047</u>	<u>(48,877,675)</u>	<u>1,827,548</u>	<u>(47,050,127)</u>	<u>-</u>
Component unit:								
Springdale Water and Sewer Commission	<u>\$ 29,199,317</u>	<u>\$ 31,289,437</u>	<u>\$ -</u>	<u>\$ 10,528,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,618,194</u>
General revenues (expenses):								
Sales tax					45,173,653	38,822	45,212,475	-
Ad valorem tax					6,522,906	-	6,522,906	-
Franchise tax					4,239,607	-	4,239,607	-
Hotel/motel tax					468,099	-	468,099	-
Unrestricted investment earnings					2,520,870	2,264	2,523,134	668,796
Loss on sale/disposal of assets					(254,988)	(30,163)	(285,151)	48,739
Transfers					(250,167)	250,167	-	-
Total general revenues and transfers					<u>58,419,980</u>	<u>261,090</u>	<u>58,681,070</u>	<u>717,535</u>
Change in net position					<u>9,542,305</u>	<u>2,088,638</u>	<u>11,630,943</u>	<u>13,335,729</u>
Net position beginning of year, as previously reported					234,108,801	7,068,635	241,177,436	273,369,149
Adoption of GASB 75 (Note 1)					<u>(2,805,335)</u>	<u>-</u>	<u>(2,805,335)</u>	<u>-</u>
Net position beginning of year (as restated)					<u>231,303,466</u>	<u>7,068,635</u>	<u>238,372,101</u>	<u>273,369,149</u>
Net position end of year					<u>\$ 240,845,771</u>	<u>\$ 9,157,273</u>	<u>\$ 250,003,044</u>	<u>\$ 286,704,878</u>

City of Springdale, Arkansas
Balance Sheet – Governmental Funds
December 31, 2018

	General Fund	Street Fund	Sales and Use Tax Fund	2018 Bonds Street Impr Construction Fund
Assets				
Cash and cash equivalents	\$ 3,389,422	\$ 3,346,465	\$ 1,323,561	\$ -
Investments	1,414,696	589,368	7,107,638	-
Accounts receivable, net	1,068,197	11,177	9,600	-
Interest receivable	8,534	2,508	54,034	-
Intergovernmental receivables, net	8,373,002	1,470,043	2,011,848	-
Due from other funds	1,831,663	34,182	2,946,449	-
Assets held for resale	-	-	-	-
Other assets	7,727	-	-	-
Restricted assets:				
Cash and cash equivalents	413,147	-	-	1,633,364
Investments	-	-	-	75,414,655
Interest receivable	-	-	-	366,020
Intergovernmental receivables	-	-	-	-
Due from other funds	-	-	-	-
Total Assets	\$ 16,506,388	\$ 5,453,743	\$ 13,453,130	\$ 77,414,039
Liabilities				
Accounts payable	\$ 570,545	\$ 904,089	\$ 144,546	\$ -
Salaries payable	703,191	47,150	-	-
Payable from restricted assets:				
Accounts payable	-	-	-	455,992
Due to other funds	-	-	-	-
Due to other funds	3,033,440	-	1,292,495	-
Developer bonds payable	279,995	-	-	-
Unearned revenue	961,917	-	-	-
Total Liabilities	5,549,088	951,239	1,437,041	455,992
Deferred Inflows of Resources				
Unavailable revenue - property taxes	5,137,556	972,029	-	-
Total Deferred Inflows or Resources	5,137,556	972,029	-	-
Fund Balances				
Nonspendable				
Assets held for resale	-	-	-	-
Cemetery perpetual care	-	-	-	-
Endowments	-	-	-	-
Other	7,727	-	-	-
Restricted				
Court automation	-	-	-	-
Debt service	-	-	-	-
Public safety expenditures	527,890	-	-	-
Recreation and culture	104,200	-	-	-
Capital projects	-	-	1,224,943	76,958,047
Other	-	-	-	-
Committed	428,135	-	7,099,075	-
Assigned				
General fund	902,716	-	-	-
Special revenue funds	-	3,530,475	-	-
Capital project funds	-	-	3,692,071	-
Permanent fund	-	-	-	-
Unassigned	3,849,076	-	-	-
Total Fund Balances	5,819,744	3,530,475	12,016,089	76,958,047
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 16,506,388	\$ 5,453,743	\$ 13,453,130	\$ 77,414,039

The accompanying notes are an integral part of these financial statements

2018 Bonds			
Crim Justice & Admin Complex Construction Fund			
2018 Bonds Debt Service Fund	2018 Bonds Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,410,530	\$ 9,469,978
-	-	2,905,434	12,017,136
-	-	45,501	1,134,475
-	-	9,780	74,856
-	-	112,236	11,967,129
-	-	23,790	4,836,084
-	-	2,619,422	2,619,422
-	-	6,300	14,027
2,672,461	6,482,958	4,280,630	15,482,560
36,068,235	-	37,560,926	149,043,816
185,810	6,242	159,338	717,410
-	2,581,030	691,947	3,272,977
-	-	6,259	6,259
<u>\$ 38,926,506</u>	<u>\$ 9,070,230</u>	<u>\$ 49,832,093</u>	<u>\$ 210,656,129</u>
\$ -	\$ -	\$ 123,856	\$ 1,743,036
-	-	50,681	801,022
-	-	-	-
-	-	647,792	1,103,784
-	-	15	15
-	-	68,590	4,394,525
-	-	-	279,995
-	-	73,090	1,035,007
<u>-</u>	<u>-</u>	<u>964,024</u>	<u>9,357,384</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>6,109,585</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>6,109,585</u>
-	-	2,619,422	2,619,422
-	-	32,720	32,720
-	-	1,449,782	1,449,782
-	-	6,300	14,027
-	-	184,133	184,133
-	9,070,230	4,352,027	13,422,257
-	-	-	527,890
-	-	-	104,200
38,926,506	-	35,811,632	152,921,128
-	-	252,560	252,560
-	-	-	7,527,210
-	-	-	902,716
-	-	2,819,554	6,350,029
-	-	848,971	4,541,042
-	-	490,968	490,968
-	-	-	3,849,076
<u>38,926,506</u>	<u>9,070,230</u>	<u>48,868,069</u>	<u>195,189,160</u>
<u>\$ 38,926,506</u>	<u>\$ 9,070,230</u>	<u>\$ 49,832,093</u>	<u>\$ 210,656,129</u>

City of Springdale, Arkansas
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
December 31, 2018

Total fund balances – governmental funds \$ 195,189,160

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	\$ 53,162,047	
Easements	33,783,449	
Land improvements and infrastructure	280,296,684	
Buildings and improvements	76,693,719	
Machinery and equipment	46,757,798	
Intangibles	1,236,477	
Less accumulated depreciation	<u>(171,168,995)</u>	
	320,761,179	
Construction in progress	<u>16,494,064</u>	337,255,243

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.

6,118,909

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	253,239,681	
Accrued interest payable	2,298,505	
Compensated absences	2,457,950	
OPEB liabilities	4,865,750	
Net pension liabilities	<u>45,870,312</u>	(308,732,198)

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 outflows of resources related to pensions	(15,138,685)	
Deferred inflows of resources related to pensions	1,666,950	
Deferred outflows of resources related to OPEB	2,138,169	
Deferred outflows of resources related to bond refunding	<u>318,909</u>	<u>11,014,657</u>

Net position of governmental funds \$ 240,845,771

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City of Springdale, Arkansas
Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
Year Ended December 31, 2018

	General Fund	Street Fund	Sales and Use Tax Fund	2018 Bonds Street Impr Construction Fund
Revenues				
Taxes	\$ 24,382,241	\$ 976,115	\$ 10,834,393	\$ -
Fees and permits	1,065,541	30,745	-	-
Intergovernmental	4,451,711	5,532,059	379,440	-
Other grants and contributions	2,474,042	1,823,500	301,789	-
Charges for goods and services	3,185,809	65,934	-	-
Fines and forfeitures	830,068	-	-	-
Investment earnings (losses)	27,124	39,030	105,177	1,171,651
Miscellaneous	351,226	4,694	-	129
Total Revenues	<u>36,767,762</u>	<u>8,472,077</u>	<u>11,620,799</u>	<u>1,171,780</u>
Expenditures				
Current				
General government	4,442,757	-	-	-
Community development	926,245	-	-	-
Culture and recreation	4,952,846	-	-	-
Economic development	-	-	-	-
Public safety	31,180,075	-	-	-
Public works	-	4,311,670	-	-
Capital expenditures	2,320,547	5,175,988	2,833,973	3,040,088
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issue costs	-	-	-	1,005,069
Other fees	-	-	-	-
Agent fees	-	-	-	-
Total Expenditures	<u>43,822,470</u>	<u>9,487,658</u>	<u>2,833,973</u>	<u>4,045,157</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(7,054,708)</u>	<u>(1,015,581)</u>	<u>8,786,826</u>	<u>(2,873,377)</u>
Other Financing Sources (Uses)				
Transfers in	7,605,367	332,639	64,289	86,338
Transfers out	(1,712,428)	-	(7,845,754)	-
Proceeds from issuance of bonds	-	-	-	76,175,000
Premium on bonds sold	-	-	-	3,570,086
Payment to refunded bonds escrow agent	-	-	-	-
Contributed capital	-	-	6,318	-
Proceeds from sale of capital assets	79,231	37,505	-	-
Insurance recoveries	190,056	31,792	-	-
Total Other Financing Sources (Uses)	<u>6,162,226</u>	<u>401,936</u>	<u>(7,775,147)</u>	<u>79,831,424</u>
Net Changes in Fund Balances	(892,482)	(613,645)	1,011,679	76,958,047
Fund Balances - Beginning of Year	<u>6,712,226</u>	<u>4,144,120</u>	<u>11,004,410</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 5,819,744</u>	<u>\$ 3,530,475</u>	<u>\$ 12,016,089</u>	<u>\$ 76,958,047</u>

The accompanying notes are an integral part of these financial statements

2018 Bonds			
Crim Justice & Admin Complex Construction	2018 Bonds Debt Service	Nonmajor Governmental	Total Governmental
Fund	Fund	Funds	Funds
\$ -	\$ 13,006,643	\$ 7,064,773	\$ 56,264,165
-	-	279,558	1,375,844
-	-	2,101,102	12,464,312
-	-	277,635	4,876,966
-	-	453,682	3,705,425
-	-	43,878	873,946
562,566	119,008	496,314	2,520,870
-	-	223,524	579,573
<u>562,566</u>	<u>13,125,651</u>	<u>10,940,466</u>	<u>82,661,101</u>
-	-	973,485	5,416,242
-	-	919,812	1,846,057
-	-	2,364,557	7,317,403
-	-	553,065	553,065
-	-	-	31,180,075
-	-	-	4,311,670
37,595	-	5,176,303	18,584,494
-	1,000,000	6,700,901	7,700,901
-	2,955,540	3,132,663	6,088,203
489,172	474,575	512,685	2,481,501
-	-	11,300	11,300
-	5,250	9,001	14,251
<u>526,767</u>	<u>4,435,365</u>	<u>20,353,772</u>	<u>85,505,162</u>
<u>35,799</u>	<u>8,690,286</u>	<u>(9,413,306)</u>	<u>(2,844,061)</u>
-	8,921,454	1,680,312	18,690,399
-	(86,338)	(9,296,046)	(18,940,566)
37,150,000	35,950,000	38,800,000	188,075,000
1,740,707	1,683,303	1,816,550	8,810,646
-	(46,088,475)	-	(46,088,475)
-	-	-	6,318
-	-	5,000	121,736
-	-	-	221,848
<u>38,890,707</u>	<u>379,944</u>	<u>33,005,816</u>	<u>150,896,906</u>
38,926,506	9,070,230	23,592,510	148,052,845
-	-	25,275,559	47,136,315
<u>\$ 38,926,506</u>	<u>\$ 9,070,230</u>	<u>\$ 48,868,069</u>	<u>\$ 195,189,160</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, 2018

Net change in fund balances – total governmental funds \$ 148,052,845

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	\$ 18,025,332	
Donated capital	5,957,409	
Depreciation expense	<u>(15,132,881)</u>	8,849,860

The net effect of various miscellaneous transactions involving capital assets (*i.e.* sales and trade-ins) is to decrease net position. (376,724)

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. (579,576)

Deferred inflows/outflows of resource related to the net pension and OPEB liabilities, and other deferred inflows/outflows of resources are not due and payable in the current period and, therefore are not reported in the funds statements. This is the amount by which the deferred inflows/outflows of resources changed during the current year. 1,962,310

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. (6,059,025)

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

Debt issued	(188,075,000)	
Premium on long-term debt	(8,810,646)	
Principal payments	7,700,901	
Payment to escrow agent for refunding	46,088,475	
Amortization of deferred inflow on bond refunding	115,272	
Amortization of premium on long-term debt	<u>673,613</u>	<u>(142,307,385)</u>

Changes in net position of governmental activities \$ 9,542,305

City of Springdale, Arkansas
Statement of Net Position – Proprietary Funds
December 31, 2018

	Enterprise Funds		
	Municipal Airport Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
Assets			
Current assets			
Cash and cash equivalents	\$ 1,691	\$ 120,768	\$ 122,459
Investments	-	49,590	49,590
Accounts receivable, net	414,719	36,565	451,284
Accrued interest	-	76	76
Due from other funds	-	170	170
Total current assets	<u>416,410</u>	<u>207,169</u>	<u>623,579</u>
Noncurrent assets			
Capital assets			
Land	3,124,745	-	3,124,745
Improvements other than buildings	8,794,488	-	8,794,488
Buildings and system	3,494,173	-	3,494,173
Machinery and equipment	980,471	233,272	1,213,743
Construction in progress	88,364	-	88,364
Less accumulated depreciation	<u>(7,508,744)</u>	<u>(189,756)</u>	<u>(7,698,500)</u>
Total capital assets, net of accumulated depreciation	<u>8,973,497</u>	<u>43,516</u>	<u>9,017,013</u>
Total noncurrent assets	<u>8,973,497</u>	<u>43,516</u>	<u>9,017,013</u>
Total assets	<u>9,389,907</u>	<u>250,685</u>	<u>9,640,592</u>
Liabilities			
Current liabilities			
Accounts payable	54,492	1,936	56,428
Salaries payable	2,328	1,879	4,207
Due to other funds	392,000	15	392,015
Unearned revenue	<u>15,893</u>	<u>-</u>	<u>15,893</u>
Total current liabilities	<u>464,713</u>	<u>3,830</u>	<u>468,543</u>
Noncurrent liabilities:			
Due within one year	-	-	-
Due in more than one year	<u>12,251</u>	<u>2,525</u>	<u>14,776</u>
Total noncurrent liabilities	<u>12,251</u>	<u>2,525</u>	<u>14,776</u>
Total liabilities	<u>476,964</u>	<u>6,355</u>	<u>483,319</u>
Net Position			
Net investment in capital assets	8,973,497	43,516	9,017,013
Unrestricted	<u>(60,554)</u>	<u>200,814</u>	<u>140,260</u>
Total net position	<u>\$ 8,912,943</u>	<u>\$ 244,330</u>	<u>\$ 9,157,273</u>

City of Springdale, Arkansas
Statement of Revenues, Expenses, and Changes in Net Position –
Proprietary Funds
Year Ended December 31, 2018

	Enterprise Funds		
	Municipal Airport Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
Operating Revenues			
Charges for services			
Fuel flowage fees	\$ 54,058	\$ -	\$ 54,058
Other service fees	17,170	169,656	186,826
Rental fees	347,679	-	347,679
Other revenue	240	-	240
Total operating revenues	<u>419,147</u>	<u>169,656</u>	<u>588,803</u>
Operating Expenses			
Personnel	97,213	86,458	183,671
Maintenance	105,447	14,150	119,597
Supplies	53,125	12,846	65,971
Other	164,458	3,093	167,551
Depreciation	531,729	13,227	544,956
Total operating expenses	<u>951,972</u>	<u>129,774</u>	<u>1,081,746</u>
Operating Income (Loss)	<u>(532,825)</u>	<u>39,882</u>	<u>(492,943)</u>
Nonoperating Revenues (Expenses)			
Sales taxes	38,822	-	38,822
Gain (loss) on sale/disposal of assets	(30,163)	-	(30,163)
Investment earnings	677	1,587	2,264
Total nonoperating revenues (expenses)	<u>9,336</u>	<u>1,587</u>	<u>10,923</u>
Income (Loss) Before Capital Contributions and Transfers	<u>(523,489)</u>	<u>41,469</u>	<u>(482,020)</u>
Capital grants and contributions	2,320,491	-	2,320,491
Capital transfers in	221,324	-	221,324
Operating transfers in	<u>28,843</u>	<u>-</u>	<u>28,843</u>
Change in Net Position	2,047,169	41,469	2,088,638
Net Position - Beginning of Year	<u>6,865,774</u>	<u>202,861</u>	<u>7,068,635</u>
Net Position - End of Year	<u>\$ 8,912,943</u>	<u>\$ 244,330</u>	<u>\$ 9,157,273</u>

City of Springdale, Arkansas
Statement of Cash Flows – Proprietary Funds
Year Ended December 31, 2018

	Enterprise Funds		
	Municipal Airport Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 413,970	\$ 168,051	\$ 582,021
Payments to suppliers	(302,549)	(30,569)	(333,118)
Payments to employees	(94,645)	(89,195)	(183,840)
Net cash provided by operating activities	<u>16,776</u>	<u>48,287</u>	<u>65,063</u>
Cash Flows From Noncapital Financing Activities			
Sales taxes	39,225	-	39,225
Transfer from other funds	28,843	-	28,843
Receipt (payment) of interfund balances	392,000	(139)	391,861
Net cash provided by (used in) noncapital financing activities	<u>460,068</u>	<u>(139)</u>	<u>459,929</u>
Cash Flows From Capital and Related Financing Activities			
Capital transfers from other funds	221,324	-	221,324
Capital grant receipts	1,934,744	-	1,934,744
Proceeds from sale of capital assets	5,602	-	5,602
Purchases of capital assets	(2,831,407)	-	(2,831,407)
Net cash used in capital and related financing activities	<u>(669,737)</u>	<u>-</u>	<u>(669,737)</u>
Cash Flows From Investing Activities			
Interest received	677	1,557	2,234
Net cash provided by investing activities	<u>677</u>	<u>1,557</u>	<u>2,234</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(192,216)	49,705	(142,511)
Cash and Cash Equivalents, January 1	<u>193,907</u>	<u>71,063</u>	<u>264,970</u>
Cash and Cash Equivalents, December 31	<u>\$ 1,691</u>	<u>\$ 120,768</u>	<u>\$ 122,459</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	<u>\$ (532,825)</u>	<u>\$ 39,882</u>	<u>\$ (492,943)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation expense	531,729	13,227	544,956
(Increase) decrease in accounts receivable	(724)	(1,605)	(2,329)
Increase (decrease) in accounts payable	20,481	(480)	20,001
Increase (decrease) in salaries payable	888	455	1,343
Increase (decrease) in compensated absences	1,680	(3,192)	(1,512)
Decrease in deferred revenue	(4,453)	-	(4,453)
	<u>549,601</u>	<u>8,405</u>	<u>558,006</u>
Net Cash Provided by Operating Activities	<u>\$ 16,776</u>	<u>\$ 48,287</u>	<u>\$ 65,063</u>
Noncash Investing, Capital and Financing Activities			
Change in fair value of investments	\$ -	\$ 30	\$ 30

City of Springdale, Arkansas
Statement of Fiduciary Net Position – Fiduciary Funds
December 31, 2018

	Pension Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 900,270	\$ 1,084,646
Investments	14,275,620	-
Accounts receivable, net	1,143,733	-
Due from other funds	52,263	71,510
Total Assets	16,371,886	\$ 1,156,156
Liabilities		
Accounts payable	-	\$ 848,665
Accrued liabilities	7,152	129,239
Due to other funds	-	178,252
Total Liabilities	7,152	\$ 1,156,156
Net Position		
Net position restricted for pensions	\$ 16,364,734	

City of Springdale, Arkansas
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
Year Ended December 31, 2018

	Pension Trust Funds
Additions	
Employer contributions	
Taxes	\$ 1,122,596
State insurance turnback	192,420
Fines and court costs	107,047
Total employer contributions	1,422,063
Investment income	
Investment income	1,039,558
Net decrease in fair value of investments	(1,629,014)
Total investment income (loss)	(589,456)
Less investment expenses	(150,556)
Net investment income (loss)	(740,012)
Total Additions	682,051
Deductions	
Benefits payments	2,446,079
Funeral benefit	6,500
Miscellaneous	300
Total Deductions	2,452,879
Change in Fiduciary Net Position	(1,770,828)
Net Position Restricted for Pensions, Beginning of Year	18,135,562
Net Position Restricted for Pensions, End of Year	\$ 16,364,734

City of Springdale, Arkansas

Notes to Financial Statements

December 31, 2018

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

The accompanying government-wide financial statements present the financial statements of the City 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.

The City's primary government consists of those funds or organizations that make up the legal entity for which it is financially responsible. Under these criteria, the following are included in the primary government reporting entity:

Blended Component Units – Governmental

The Springdale Public Library Board Foundation (Foundation) is a tax-exempt organization whose purpose 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. The members of the Board of Directors are those persons who are Trustees of the Springdale Public Library. The trustees are appointed by the Mayor, and approved by the City Council. Separate financial statements are not prepared for the Foundation.

The City of Springdale Public Facilities Board (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, 2018

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, 2018. 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, 2018, the City implemented GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). The requirements of this statement will improve the decision-usefulness of information in governmental entities financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire other postemployment benefits (OPEB) liability and a more comprehensive measure of OPEB expense. GASB 75 requires more extensive note disclosures and required supplementary information (RSI) about the OPEB liabilities.

The beginning net position has been restated to reflect the implementation of the new accounting standard, as follows:

	Governmental Activities
Net position at January 1, 2018, as previously reported	\$ 234,108,801
Elimination of OPEB obligation at January 1, 2018 as previously reported	4,007,218
Recording of total OPEB liability at January 1, 2018	(6,812,553)
Adjustment to beginning net position for implementation of GASB 75	(2,805,335)
Net position at January 1, 2018, as restated	\$ 231,303,466

City of Springdale, Arkansas

Notes to Financial Statements

December 31, 2018

GASB Statement No. 85 – *Omnibus 2017*, which is effective for the City as of January 1, 2018. 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 had no major effect on the City's financial statements in 2018.

GASB Statement No. 86 – *Certain Debt Extinguishment Issues*, which is effective for the City as of January 1, 2018. 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 had no effect on the City's financial statements in 2018.

Government-wide and Fund Financial Statements

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

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.

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.

City of Springdale, Arkansas
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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 county levies. Revenues are expended for maintenance, repair of streets, drainage systems, and traffic control systems as well as street lighting, landscaping, and 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 *2018 Bonds Street Improvements Construction Fund* is a capital projects fund which accounts for financial resources, provided from the sale of the City's Sales and Use Tax Refunding and Improvements Bonds, Series 2018, utilized for major construction, renovation, expansion and improvement of the City's streets (see also *Note 5*).

The *2018 Bonds Criminal Justice and Administration Complex Construction Fund* is a capital projects fund which accounts for financial resources, provided from the sale of the City's Sales and Use Tax Refunding and Improvements Bonds, Series 2018, utilized for the extension and renovation of the City Administration Building to house the City's Police Department, Police and Fire Dispatch Center, Office of the City Attorney, the State District Court, and other City Administration departments (see also *Note 5*).

The *2018 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 proprietary fund:

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

Additionally, the City reports the following fund types:

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources, other than capital projects, that are legally restricted to expenditures for specified purposes. The City's 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.

City of Springdale, Arkansas
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Capital Projects Funds – The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment, other than those financed by enterprise funds. The City’s nonmajor capital projects funds are the 2012 Bonds Street Improvement Construction Fund, the Public Facilities Board Fund, the 2018 Bonds Parks and Recreation Improvements Construction Fund, the 2018 Bonds Fire Department Improvements Construction Fund, and the 2018 Bonds Animal Shelter Improvements Construction Fund.

Debt Service Funds – The debt service funds are 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, the 2013 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.

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

Permanent Trust Fund – 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.

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

City of Springdale, Arkansas
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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.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included in the 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, 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. Budgets are also adopted by the City Council for specific capital projects, which are carried forward until completed. All annual appropriations lapse at year end.

City of Springdale, Arkansas

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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, 2018, 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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Prepays

Payments made to vendors for services that will benefit periods beyond December 31, 2018, are recorded as prepaid expenditures in governmental fund and prepaid expenses in proprietary funds.

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, 2018 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, 2018, is as follows:

Cash and cash equivalents	\$ 15,482,560
Investments	149,043,816
Interest receivable	717,410
Intergovernmental receivables	<u>3,272,977</u>
Total restricted assets - governmental activities	<u><u>\$168,516,763</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, 2018, is as follows:

Cash - Lowell sewer expansion fund	\$ 51,196
Cash - Lowell sewer bond fund	118,935
Investments - certificates of deposit - meter deposits	<u>2,390,073</u>
Total restricted assets - component unit	<u><u>\$ 2,560,204</u></u>

City of Springdale, Arkansas
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Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets acquired or constructed since 1980, are reported in the government-wide financial statements and the fund financial statements for proprietary funds. Purchased or constructed assets are valued at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of acquisition. Infrastructure capital assets contributed to the City by developers are recorded at acquisition values based upon the cost to construct by the developers (Level 3 input). Land donated to the City is recorded at acquisition values based upon the county assessor values (Level 2 input).

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

City of Springdale, Arkansas

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Collections

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

Compensated Absences

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

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

Long-term Obligations

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

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

City of Springdale, Arkansas
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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 deferred outflows related to pension and OPEB plans, consisting of the amount of contributions made to the pension plans after the measurement date, and the difference in investment experience between actual earnings and projected earnings on pension plan investments, changes in assumptions and changes in proportion allocated to funds for pension and OPEB plans. Deferred outflows related to contributions made to the pension plan 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 and OPEB expense over future periods (*see Notes 7 and 9*).

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 a deferred inflow for the loss on a bond refunding, which is the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized to interest expense over the shorter of the life of the refunded or new debt. In addition, the City has two types of items reported as deferred inflows of resources, unavailable revenues and deferred inflows related to pensions and OPEB. Deferred inflows for pensions and OPEB consists of the difference between the expected and actual experience related to the pension and OPEB plans as well as the difference in assumption changes. These amounts are amortized over future periods to pension and OPEB expense (*see Notes 7 and 9*). Unavailable revenue, which also qualifies for reporting in this category, arises under the modified accrual basis of accounting. Accordingly, this item is only reported in the governmental funds balance sheet. Governmental funds report unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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. The Commission has one item that qualifies for reporting as a deferred inflow of resources. The item is related to the OPEB Plan and is comprised of changes of assumptions. These amounts will be amortized to OPEB expense over future periods.

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Notes to Financial Statements
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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, 2018, restricted net position of \$712,023 was restricted by enabling legislation. Unrestricted net position is the net position that does not meet the above definitions of “net investment in capital assets” or “restricted net position”.

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

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

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

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

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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 2018.

Pensions

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

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

Basis of Accounting

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

City of Springdale, Arkansas
Notes to Financial Statements
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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.

Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the total liability, deferred outflows of resources and deferred inflows of resources, and expense associated with the City's OPEB Plan, information has been determined on the same basis as they are reported by the OPEB plan. For this purpose, the City recognizes benefit payments when due and payable with the benefit terms.

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.

State law requires that deposits in financial institutions be collateralized with federal depository insurance and other acceptable collateral in specific amounts. No legal opinion has been obtained regarding the enforceability of any of the collateral agreements. The Foundation is not required to follow state law regarding collateralization of deposits, and does not have a deposit policy for custodial credit risk.

At December 31, 2018, the City had bank balances of \$18,601,946, none of which were exposed to custodial credit risk. The carrying value of these deposits as of December 31, 2018, was \$17,689,334. Also, at September 30, 2018, the Commission had deposits with a carrying value of \$52,678,114, none of which 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.

City of Springdale, Arkansas

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Investments

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

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

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

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

City of Springdale, Arkansas
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At December 31, 2018, 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	\$ 85,102,316	\$ 56,145,155	\$ 28,718,438	\$ 238,723	\$ -
U.S. agencies obligations	71,869,637	19,425,537	44,661,619	7,220,922	561,559
State/municipal bonds	642,482	-	490,650	83,162	68,670
Corporate bonds	1,077,265	151,332	103,001	586,181	236,751
Certificates of deposit	3,583,130	2,119,220	1,463,910	-	-
Money market funds	12,950,593	12,950,593	-	-	-
	175,225,423	\$ 90,791,837	\$ 75,437,618	\$ 8,128,988	\$ 866,980
Corporate stock	11,064,925				
Investment pools	1,631,059				
Other	415,348				
Total Investments	\$ 188,336,755				

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	\$ 84,186,822	\$ -	\$ 84,186,822	\$ -
U.S. agencies obligations	70,848,117	71,660	70,776,457	-
Municipal bonds	490,650	-	490,650	-
Corporate bonds	151,332	151,332	-	-
Total Debt Securities	\$ 155,676,921	\$ 222,992	\$ 155,453,929	\$ -
Equity securities	\$ 199,878	\$ 195,870	\$ 4,008	\$ -
Alternative investments	19,554	15,555	3,999	-
Beneficial interest in ARCF	\$ 1,631,059	\$ -	\$ -	\$ 1,631,059
Pension Investments	Fair Value	Level 1	Level 2	Level 3
U.S. Treasury notes and bonds	\$ 915,494	\$ 915,494	\$ -	\$ -
U.S. agencies obligations	1,021,520	1,021,520	-	-
State and municipal bonds	151,832	151,832	-	-
Corporate bonds	925,933	925,933	-	-
Total Debt Securities	\$ 3,014,779	\$ 3,014,779	\$ -	\$ -
Equity securities	\$ 10,865,047	\$ 10,865,047	\$ -	\$ -
Alternative investments	395,794	46,905	348,889	-

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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 government agencies were ranked AAA by Moody's at December 31, 2018. The Firemen's Fund held \$58 in Government agencies at year end.

The Policemen's Fund policy is for plan assets to be invested in investment grade bonds rated BBB or better; no less than 85% of corporate bonds and commercial paper investments be A rated or higher; and no more than 15% of securities may be invested in corporate bonds with a rating of BAA or less. Fixed income securities totaled \$3,014,721 at year end. Ratings for corporate bonds held ranged from AAA to BAA, and government treasuries and agencies were ranked AAA by Moody's and Standard & Poor's. The Policemen's Fund held \$925,933 in corporate bonds at year end, with \$142,053 ranked AAA, \$94,698 ranked AA, and \$385,206 ranked A, or 67% of total corporate bonds. The Policemen's Fund held \$303,976, or 33% ranked BAA. State bonds held totaled \$151,832, with \$63,529 ranked AAA, and \$88,303 ranked AA. U.S government treasuries and agencies held at year end totaled \$1,936,956.

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).

City of Springdale, Arkansas
Notes to Financial Statements
December 31, 2018

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.

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	\$ 17,689,334	\$ 52,678,114
Cash on hand	3,116	1,600
Investments classified as cash equivalents	12,950,593	-
Deposits classified as investments	(3,583,130)	(38,271,019)
	\$ 27,059,913	\$ 14,408,695
As reported on the government-wide statement of net position		
Cash and cash equivalents	\$ 9,592,437	\$ 14,238,564
Restricted cash and cash equivalents	15,482,560	170,131
	25,074,997	14,408,695
Cash and cash equivalents reported on the statement of fiduciary net position	1,984,916	-
	\$ 27,059,913	\$ 14,408,695
Carrying amount of investments	\$ 184,753,625	\$ -
Deposits classified as investments	3,583,130	38,271,019
Reported amount of investments	188,336,755	38,271,019
Investments classified as cash equivalents	(12,950,593)	-
	\$ 175,386,162	\$ 38,271,019
As reported on the government-wide statement of net position		
Investments	\$ 12,066,726	\$ 35,880,946
Restricted investments	149,043,816	2,390,073
	161,110,542	38,271,019
Investments reported on the statement of fiduciary net position	14,275,620	-
	\$ 175,386,162	\$ 38,271,019

City of Springdale, Arkansas
Notes to Financial Statements
December 31, 2018

Note 3: Receivables

Receivables as of December 31, 2018 for the City's General Fund, Street Fund, Capital Projects Funds, 2018 Bonds Debt Service Fund, and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental Funds	General Fund	Street Fund	Capital Projects Funds	2018 Bonds Debt Service Fund	Nonmajor Governmental Funds	Total
Receivables						
Accounts	\$ 794,558	\$ 11,177	\$ 9,600	\$ -	\$ 39,901	\$ 855,236
Property taxes	5,868,506	1,109,952	-	-	1,874	6,980,332
Sales taxes	2,572,707	-	1,889,083	-	-	4,461,790
Franchise taxes	804,639	-	-	-	-	804,639
Grants	100,696	-	122,765	-	8,300	231,761
Intergovernmental	181,507	427,830	-	-	107,662	716,999
Interest	8,534	2,508	54,034	-	9,939	75,015
Restricted receivables						
Interest	-	-	551,830	6,242	159,179	717,251
Sales taxes	-	-	-	2,581,030	691,947	3,272,977
Gross receivables	<u>10,331,147</u>	<u>1,551,467</u>	<u>2,627,312</u>	<u>2,587,272</u>	<u>1,018,802</u>	<u>18,116,000</u>
Less: Allowance for uncollectibles	<u>(881,414)</u>	<u>(67,739)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(949,153)</u>
Net total receivables	<u>\$ 9,449,733</u>	<u>\$ 1,483,728</u>	<u>\$ 2,627,312</u>	<u>\$ 2,587,272</u>	<u>\$ 1,018,802</u>	<u>\$ 17,166,847</u>

Receivables as of December 31, 2018 for the City's enterprise funds, including the applicable allowances for uncollectible accounts, are as follows:

Proprietary Funds	Municipal Airport Fund	Other Enterprise Funds	Total
Receivables			
Accounts	\$ 24,137	\$ 36,565	\$ 60,702
Sales taxes	5,609	-	5,609
Grants	<u>400,763</u>	<u>-</u>	<u>400,763</u>
Gross receivables	<u>430,509</u>	<u>36,565</u>	<u>467,074</u>
Less: Allowance for uncollectibles	<u>(15,790)</u>	<u>-</u>	<u>(15,790)</u>
Net total receivables	<u>\$ 414,719</u>	<u>\$ 36,565</u>	<u>\$ 451,284</u>

City of Springdale, Arkansas
Notes to Financial Statements
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Receivables as of December 31, 2018 for the City’s fiduciary funds, including the applicable allowances for uncollectible accounts, are as follows:

Fiduciary Funds	Fire Pension Fund	Police Pension Fund	Total Pension Trust Funds
Receivables			
Property taxes	\$ 602,472	\$ 602,472	\$ 1,204,944
Accounts	-	-	-
Interest	-	19,491	19,491
Gross receivables	<u>602,472</u>	<u>621,963</u>	<u>1,224,435</u>
Less: Allowance for uncollectibles	<u>(40,351)</u>	<u>(40,351)</u>	<u>(80,702)</u>
Net total receivables	<u><u>\$ 562,121</u></u>	<u><u>\$ 581,612</u></u>	<u><u>\$ 1,143,733</u></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 note was paid in full on April 10, 2018.

Changes in long-term receivables for the year ended December 31, 2018 for the primary government were as follows:

Governmental Activities	Balance, January 1, 2018	Increases	Decreases	Balance December 31, 2018	Due Within One Year
Note receivable					
Promissory note and second mortgage	<u>\$ 296,539</u>	<u>\$ -</u>	<u>\$ 296,539</u>	<u>\$ -</u>	<u>\$ -</u>

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

A summary of changes in capital assets for the year ended December 31, 2018 (September 30, 2018 for the Commission), is presented below:

<u>Governmental Activities</u>	Balance January 1, 2018	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2018
Capital assets, non-depreciable				
Land	\$ 46,721,469	\$ 6,440,578	\$ -	\$ 53,162,047
Easements	32,705,304	1,078,145	-	33,783,449
Museum buildings	154,201	-	-	154,201
Construction in progress	7,134,342	16,906,741	7,547,019	16,494,064
Total capital assets, non-depreciable	<u>86,715,316</u>	<u>24,425,464</u>	<u>7,547,019</u>	<u>103,593,761</u>
Capital assets, depreciable				
Land improvements	37,488,140	608,753	16,760	38,080,133
Infrastructure	239,288,060	3,701,631	773,140	242,216,551
Buildings and improvements	76,295,827	388,564	144,873	76,539,518
Machinery and equipment	46,249,204	2,417,858	1,909,264	46,757,798
Intangibles	1,427,315	4,120	194,958	1,236,477
Total capital assets, depreciable	<u>400,748,546</u>	<u>7,120,926</u>	<u>3,038,995</u>	<u>404,830,477</u>
Less accumulated depreciation				
Land improvements	7,949,338	1,406,645	1,675	9,354,308
Infrastructure	93,582,930	8,202,823	585,469	101,200,284
Buildings and improvements	26,342,821	2,512,557	121,565	28,733,813
Machinery and equipment	29,670,387	2,941,868	1,741,974	30,870,281
Intangibles	1,136,279	68,988	194,958	1,010,309
Total accumulated depreciation	<u>158,681,755</u>	<u>15,132,881</u>	<u>2,645,641</u>	<u>171,168,995</u>
Total governmental activities, net	<u>\$ 328,782,107</u>	<u>\$ 16,413,509</u>	<u>\$ 7,940,373</u>	<u>\$ 337,255,243</u>

City of Springdale, Arkansas
Notes to Financial Statements
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	Balance January 1, 2018	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2018
Business-type Activities				
Capital assets, non-depreciable				
Land	\$ 2,893,846	\$ 230,899	\$ -	\$ 3,124,745
Construction in progress	238,605	1,803	152,044	88,364
Total capital assets, non-depreciable	<u>3,132,451</u>	<u>232,702</u>	<u>152,044</u>	<u>3,213,109</u>
Capital assets, depreciable				
Land improvements	8,003,041	2,132,928	1,341,481	8,794,488
Buildings and improvements	3,019,934	484,352	10,113	3,494,173
Machinery and equipment	1,187,876	133,470	107,603	1,213,743
Total capital assets, depreciable	<u>12,210,851</u>	<u>2,750,750</u>	<u>1,459,197</u>	<u>13,502,404</u>
Less accumulated depreciation				
Land improvements	6,141,288	331,437	1,327,036	5,145,689
Buildings and improvements	1,834,221	133,114	10,113	1,957,222
Machinery and equipment	601,466	80,405	86,282	595,589
Total accumulated depreciation	<u>8,576,975</u>	<u>544,956</u>	<u>1,423,431</u>	<u>7,698,500</u>
Total business-type activities, net	<u>\$ 6,766,327</u>	<u>\$ 2,438,496</u>	<u>\$ 187,810</u>	<u>\$ 9,017,013</u>
	Balance October 1, 2017	Additions and Transfers, Net	Retirements and Transfers, Net	Balance September 30, 2018
Business-type Activities				
Component Unit				
Capital assets, non-depreciable				
Land	\$ 2,988,263	\$ 285,626	\$ -	\$ 3,273,889
Easements	4,086,495	255,433	-	4,341,928
Construction in progress	23,524,320	15,126,978	14,740,840	23,910,458
Total capital assets, non-depreciable	<u>30,599,078</u>	<u>15,668,037</u>	<u>14,740,840</u>	<u>31,526,275</u>
Capital assets, depreciable				
Buildings and improvements	5,768,416	6,350	-	5,774,766
Water and sewer systems	319,833,811	18,980,763	-	338,814,574
Machinery and equipment	5,937,273	325,925	76,600	6,186,598
Total capital assets, depreciable	<u>331,539,500</u>	<u>19,313,038</u>	<u>76,600</u>	<u>350,775,938</u>
Less accumulated depreciation				
Buildings and improvements	3,834,423	184,040	-	4,018,463
Water and sewer systems	126,717,627	8,153,942	-	134,871,569
Machinery and equipment	4,097,479	512,005	76,519	4,532,965
Total accumulated depreciation	<u>134,649,529</u>	<u>8,849,987</u>	<u>76,519</u>	<u>143,422,997</u>
Total component unit activities, net	<u>\$ 227,489,049</u>	<u>\$ 26,131,088</u>	<u>\$ 14,740,921</u>	<u>\$ 238,879,216</u>

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

Governmental Activities

General government	
Administration	\$ 307,930
Information technology	30,397
District Court	11,055
Bluff Cemetery	1,571
Community Development	
Planning	3,110
Community development and housing	2,302
Culture and recreation	
Parks and recreation	3,370,239
Senior centers	57,380
Public Library	159,336
Shiloh Museum	69,778
Public Safety	
Animal services	32,899
Building inspection	24,335
Community engagement	17,979
Fire	998,212
Police	618,624
Public Works	9,427,734
Total governmental activities	<u>15,132,881</u>

Business-type Activities

Municipal airport	531,729
Sanitation	13,227
Total business-type activities	<u>544,956</u>

Total depreciation expenses - primary government	<u>\$ 15,677,837</u>
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Component Unit

City of Springdale, Arkansas Water and Sewer Commission	<u>\$ 8,849,987</u>
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City of Springdale, Arkansas
Notes to Financial Statements
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The City has active construction projects as of December 31, 2018. Total outstanding commitments under authorized contracts for capital projects of governmental funds are as follows:

<u>Primary Government</u>	Expenditures Incurred to December 31, 2018	Remaining Commitments at December 31, 2018
Governmental activities		
Capital Projects		
Streets and drainage projects	\$ 2,061,760	\$ 3,389,694
Parks and recreation	773,477	519,308
Fire stations	1,368,625	1,692,074
Animal shelter building	106,556	283,069
Total commitments - primary government	<u>\$ 4,310,418</u>	<u>\$ 5,884,145</u>

These commitments will be funded through City sales and use taxes, proceeds from the sales of the 2018 Series Bonds, and intergovernmental participations.

Business-type Component Unit

At September 30, 2018, the Commission had several construction and repair and maintenance projects in various stages of completion. Unfulfilled contract commitments of approximately \$12,810,000 remained open on the construction and improvement contracts still in progress at September 30, 2018.

Note 5: Long-term Liabilities

Changes in long-term liabilities for the year ended December 31, 2018, for the primary government were as follows:

Governmental Activities	Balance January 1, 2018 (As restated)	Increases	Decreases	Balance December 31, 2018	Due Within One Year
Bonds payable:					
Revenue bonds	\$ 106,070,901	\$ 188,075,000	\$ 52,795,901	\$ 241,350,000	\$ 6,755,000
Add issuance premium	5,180,304	8,810,646	2,101,269	11,889,681	-
Bonds payable, net	<u>111,251,205</u>	<u>196,885,646</u>	<u>54,897,170</u>	<u>253,239,681</u>	<u>6,755,000</u>
Compensated absences	2,406,548	365,696	293,906	2,478,338	20,388
OPEB liability	6,812,553	738,300	2,685,103	4,865,750	99,651
Net pension liability	38,489,591	24,172,402	16,791,681	45,870,312	-
Total other long-term liabilities	<u>47,708,692</u>	<u>25,276,398</u>	<u>19,770,690</u>	<u>53,214,400</u>	<u>120,039</u>
Total	<u>\$ 158,959,897</u>	<u>\$ 222,162,044</u>	<u>\$ 74,667,860</u>	<u>\$ 306,454,081</u>	<u>\$ 6,875,039</u>

City of Springdale, Arkansas
Notes to Financial Statements
December 31, 2018

Business-type Activities	Balance January 1, 2018	Increases	Decreases	Balance December 31, 2018	Due Within One Year
Compensated absences	\$ 16,288	\$ -	\$ 1,512	\$ 14,776	\$ -
Total other long-term liabilities	<u>\$ 16,288</u>	<u>\$ -</u>	<u>\$ 1,512</u>	<u>\$ 14,776</u>	<u>\$ -</u>

Changes in long-term liabilities for the year ended September 30, 2018 for the City's discretely presented component unit were as follows:

Component Unit	Balance October 1, 2017	Increases	Decreases	Balance September 30, 2018	Due Within One Year
Water and Sewer Commission					
Bonds payable					
Revenue bonds, Series 2006	\$ 2,340,000	\$ -	\$ 215,000	\$ 2,125,000	\$ 225,000
Compensated absences	954,305	705,443	632,087	1,027,661	491,999
OPEB liability	241,081	63,502	14,398	290,185	-
Customer deposits	2,265,606	124,467	-	2,390,073	-
Total other long-term liabilities	<u>3,460,992</u>	<u>893,412</u>	<u>646,485</u>	<u>3,707,919</u>	<u>491,999</u>
Total	<u>\$ 5,800,992</u>	<u>\$ 893,412</u>	<u>\$ 861,485</u>	<u>\$ 5,832,919</u>	<u>\$ 716,999</u>

Sales and Use Tax Bonds – Governmental Activities

On May 17, 2018, the City issued \$188,075,000 in City of Springdale, Arkansas, Sales and Use Tax Refunding and Improvement Bonds, Series 2018, dated May 17, 2018. The interest rates on the bonds range from 3.0% to 5.0%, payable semiannually, and maturity dates range from April 1, 2019 to April 1, 2043. The Series 2018 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. The issuance of the Series 2018 Bonds and the pledging of the tax was approved by the City Council under City Ordinance No. 5223 adopted on November 28, 2017. Voters approved the issuance of the bonds and the pledging of the tax at a special election held February 13, 2018. The tax will expire after the bonds have been paid or provision is made therefore, in accordance with Arkansas statutes.

The 2018 Series Bonds were issued for the purpose of financing the following projects.

City of Springdale, Arkansas
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Bonds in the amount of \$76,175,000 were for the purpose of financing the costs of new streets, roads and bridges or improvements to existing streets, roads and bridges. Bonds in the amount of \$18,385,000 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 \$15,480,000 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. Bonds in the amount of \$37,180,000 were issued to finance the costs of the extension and renovation of the City Administration Building to house the City's Police, Police and Fire Dispatch, City Attorney, State District Court and other City Administration departments, including necessary radio equipment, furniture, fixtures, land acquisition and parking improvements. Bonds in the amount of \$4,935,000 were issued to finance the costs of a new animal shelter, including necessary furniture, fixtures, land acquisition and parking improvements. Expenses incurred to issue the bonds were paid from the bond proceeds of the above projects.

Bonds in the amount of \$35,950,000 were issued to current refund the outstanding Series 2013 Bonds, to pay a premium for a municipal bond debt service reserve insurance policy, and to pay expenses of issuing the bonds. The net carrying amount of the 2013 Series Bonds exceeded the reacquisition price by \$434,181. This amount is recorded as a deferred inflow of resources, and is being amortized over the remaining life of the refunded debt. The City incurred an economic loss (difference between the present values of the debt service payments on the new and old debt) of \$480,043.

The Bonds are subject to extraordinary redemption from proceeds of the Series 2018 Bonds not needed 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 April 1, 2024, 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 2018 Bonds maturing on April 1 in the years 2037, 2041 and 2043 are subject to mandatory sinking fund redemption on April 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 2018 Bonds maturing April 1, 2037:

<u>Years</u>	<u>Principal Amount</u>
2035	\$8,535,000
2036	8,965,000
2037 (Maturity)	9,410,000

City of Springdale, Arkansas
Notes to Financial Statements
December 31, 2018

Series 2018 Bonds maturing April 1, 2041:

<u>Years</u>	<u>Principal Amount</u>
2038	\$9,885,000
2039	10,240,000
2040	10,605,000
2041 (Maturity)	10,990,000

Series 2018 Bonds maturing April 1, 2043:

<u>Years</u>	<u>Principal Amount</u>
2042	\$11,385,000
2043 (Maturity)	11,725,000

The Series 2018 Bonds were issued at a premium of \$8,810,646. This premium is being amortized over the life of the bonds using the effective interest method. Bond premium amortization for 2018 was \$237,450.

The City is required to maintain a debt service reserve equal to one-half of the maximum annual debt service requirements on the Series 2018 Bonds as originally issued. The debt service reserve was funded solely with a municipal bond debt service reserve insurance policy.

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 ranged from 2.0% to 5.0% payable semiannually, and maturity dates ranged from January 1, 2014 to July 1, 2027. The Series 2013 Bonds were not general obligations of the City, but were 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 Series 2013 Bonds were issued to refund the Series 2006 Bonds, to fund a debt service reserve, and to pay expenses of issuing the 2013 Series Bonds.

The Series 2013 Bonds were issued at a premium of \$2,874,047. This premium was being amortized over the life of the bonds using the effective interest method. Bond premium amortization for 2018 was \$133,461.

During 2018, the City used surplus tax receipts to call and redeem \$1,000,000 in Series 2013 Bonds. The Series 2013 Bonds were fully retired on July 1, 2018, using proceeds from the Series 2018 Bonds.

City of Springdale, Arkansas
Notes to Financial Statements
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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 28.7% results from pledged revenues from the 1% sales and use tax levied by the City totaling \$15,191,173 and the portion of pledged revenue stream for the bonds totaling \$4,356,780 for the year ended December 31, 2018.

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

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

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

The Series 2012 Bonds were issued at a premium of \$4,721,820. This premium is being amortized over the life of the bonds using the effective interest method. Bond premium amortization for 2018 was \$302,461.

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, 2018, the City held investments equal to \$2,957,514 in the 2012 Series Bonds Debt Service Reserve Fund.

Public Facilities Board Bond – Governmental Activities

On December 30, 2015, the City of Springdale Public Facilities Board 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 3.75% through December 30, 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 bonds is equal to the default rate, which is set at 10.00%. Interest is payable semiannually.

City of Springdale, Arkansas
Notes to Financial Statements
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The PBF Revenue Bond is not a general obligation of the City, but is 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 PBF Revenue Bond and the pledging of the PBF revenues were approved by the City Council under Resolution No. 132-15.

The PBF 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.

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 2018. At December 31, 2018, the PFB held cash equal to \$252,516 in 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, 2018.

Bonds payable at December 31, 2018, 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% - 5.0%	AA-	\$ 66,275,000	\$ 53,575,000
Revenue Bond	2015	2025	3.0%		1,160,000	700,000
Sales and Use Tax Refunding & Impr Bonds	2018	2043	3.0% - 5.0%	AA	188,075,000	187,075,000
						<u>\$ 241,350,000</u>

Debt service requirements for bonds outstanding at December 31, 2018 were as follows:

Primary Government	Principal	Interest	Total
2019	\$ 6,755,000	\$ 9,817,794	\$ 16,572,794
2020	7,105,000	9,559,066	16,664,066
2021	7,500,000	9,253,639	16,753,639
2022	7,920,000	8,931,691	16,851,691
2023	8,355,000	8,593,307	16,948,307
2024 - 2028	50,405,000	36,351,538	86,756,538
2029 - 2033	54,440,000	24,644,531	79,084,531
2034 - 2038	44,925,000	14,258,920	59,183,920
2039 - 2043	53,945,000	4,389,390	58,334,390
	<u>\$ 241,350,000</u>	<u>\$ 125,799,876</u>	<u>\$ 367,149,876</u>

City of Springdale, Arkansas
Notes to Financial Statements
December 31, 2018

The following is a summary of pledged revenues of the City for the year ended December 31, 2018.

Debt	Revenue Pledged	Total Pledged Revenue	Portion of Pledged Revenue Stream	Percentage Portion of Pledged Revenue Stream	Remaining Principal, Interest and Fees	Period Revenue Will Not Be Available for Other Purposes
Primary Government						
Sales and Use Tax Bonds, Series 2018	Sales and Use Tax	\$ 13,006,644	\$ 13,006,644	100.0%	\$ 296,461,016	Until 2043
Sales and Use Tax Bonds, Series 2012 Revenue Bond	Sales and Use Tax Revenues and receipts with respect to the land and improvements owned by the Fund	15,191,173	4,356,780	28.7%	70,099,110	Until 2032
		295,907	295,907	100.0%	883,750	Until 2025

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.

As of September 30, 2018, the outstanding principal was \$2,125,000.

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			
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	275,000	54,250	329,250
2024 - 2026	880,000	76,500	956,500
	<u>\$ 2,125,000</u>	<u>\$ 473,500</u>	<u>\$ 2,598,500</u>

City of Springdale, Arkansas
Notes to Financial Statements
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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, 2018.

Conduit Debt Obligations

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

The City's current conduit debt consists of the City of Springdale, Arkansas Public Facilities Board bonds in the amount of \$75,465,000 issued in 2016. The outstanding principle payable at December 31, 2018 is \$73,375,000.

Note 6: Individual Fund Disclosures

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

The General Fund and Sales and Use Tax Fund have interfund receivables and payables primarily related to city sales taxes collected which are transferred to the General Fund for operations and maintenance.

City of Springdale, Arkansas
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Interfund receivables and payables as of December 31, 2018 are as follows:

	Interfund Receivables	Interfund Payables
<u>Primary Government</u>		
Governmental Funds		
General	\$ 1,831,663	\$ 3,033,440
Street	34,182	-
Sales and Use Tax	2,946,449	1,292,495
Nonmajor governmental funds	30,049	68,605
Total governmental funds	4,842,343	4,394,540
Enterprise Funds		
Municipal Airport	-	392,000
Nonmajor enterprise funds	170	15
Total enterprise funds	170	392,015
Fiduciary Funds	123,773	178,252
Total Primary Government	\$ 4,966,286	\$ 4,964,807

The difference in the interfund receivables/payables of \$1,479 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
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Transfers in (out) for the year ended December 31, 2018 are as follows:

<u>Primary Government</u>	Transfers In	Transfers Out
Governmental Funds		
General	\$ 7,605,367	\$ 1,712,428
Street	332,639	-
Sales and Use Tax	64,289	7,845,754
2018 Bonds Street Improvement Construction	86,338	-
2018 Bonds Debt Service	8,921,454	86,338
Nonmajor governmental	<u>1,680,312</u>	<u>9,296,046</u>
Total governmental funds	<u>18,690,399</u>	<u>18,940,566</u>
Proprietary Funds		
Municipal Airport	<u>250,167</u>	<u>-</u>
Total Primary Government	<u>\$ 18,940,566</u>	<u>\$ 18,940,566</u>

Note 7: Pension Plans

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

City of Springdale, Arkansas
Notes to Financial Statements
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Membership Information

Membership of the single-employer pension plans and the defined contribution plan consisted of the following at December 31, 2018:

	Firemen's Relief and Pension Fund	Policemen's Pension and Relief Fund	Money Purchase Pension Plan
Retirees and beneficiaries receiving benefits	41	34	-
Active plan members	-	-	262
Total	<u>41</u>	<u>34</u>	<u>262</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, 2018	
	Firemen's Relief and Pension Fund	Policemen's Pension and Relief Fund
Assets		
Cash and equivalents	\$ 656,955	\$ 243,315
Investments	7,318,180	6,957,440
Accounts receivable	562,121	581,612
Due from other funds	<u>22,332</u>	<u>29,931</u>
Total Assets	<u>8,559,588</u>	<u>7,812,298</u>
Liabilities		
Accrued liabilities	<u>3,616</u>	<u>3,536</u>
Total Liabilities	<u>3,616</u>	<u>3,536</u>
Net Position		
Net position restricted for pensions	<u>\$ 8,555,972</u>	<u>\$ 7,808,762</u>

City of Springdale, Arkansas
Notes to Financial Statements
December 31, 2018

	Statement of Changes in Fiduciary Net Position	
	Firemen's Relief and Pension Fund	Policemen's Pension and Relief Fund
Additions		
Employer contributions	\$ 593,753	\$ 690,283
State insurance turnback - supplements	49,987	88,040
Net investment income	(255,686)	(484,326)
Total Additions	388,054	293,997
Deductions		
Benefit payments	1,164,881	1,144,466
Benefit payments - supplements	48,692	88,040
Miscellaneous	300	6,500
Total Deductions	1,213,873	1,239,006
Change in Fiduciary Net Position	(825,819)	(945,009)
Net Position Restricted for Pensions, Beginning of Year	9,381,791	8,753,771
Net Position Restricted for Pensions, End of Year	\$ 8,555,972	\$ 7,808,762

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	\$ 4,911,197	\$ 6,895,609	\$ 33,995,179	\$ 68,327	\$ 45,870,312
Deferred outflows of resources	-	516,707	10,883,870	13,585	11,414,162
Deferred outflows of resources - contributions	-	-	3,719,909	4,614	3,724,523
Deferred inflows of resources	38,291	-	1,521,964	106,695	1,666,950
Pension expense (reduction of expense)	173,276	531,709	7,290,179	(20,843)	7,974,321

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

Notes to Financial Statements

December 31, 2018

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 2018 were \$643,740. The City's share of contributions was \$643,740, and included \$561,298 in property taxes and \$82,442 in state insurance premium taxes.

The asset concentrations of over 5% are as follows:

Microsoft Corp.	\$526,539
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There were no active employees which were covered by the Plan for the year ended 2018.

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
Notes to Financial Statements
December 31, 2018

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 2018 were \$778,323. The City’s share of contributions was \$778,323, and included \$561,298 in property taxes, \$109,978 in state insurance premium taxes, and \$107,047 in fines and court costs.

The asset concentrations of over 5% are as follows:

Ishares MSCI EAFE Index Fund	\$ 699,952
Ishares Russell 2000 Growth Index Fund	383,088
SPDR S&P MidCap 400 UTSER1	782,705

There were no active employees which were covered by the Plan for the year ended 2018.

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, 2018. 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, 2018 was 5 years.

City of Springdale, Arkansas
Notes to Financial Statements
December 31, 2018

Net Pension Liability

The components of the net pension liability of the City 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	12/31/2018	\$ 13,467,169	\$ 8,555,972	\$ 4,911,197	63.5%
Policemen's Relief and Pension Fund	12/31/2018	14,704,371	7,808,762	6,895,609	53.1%

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, 2018.

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
Notes to Financial Statements
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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, 2018.

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, 2018 actuarial valuation, a single discount rate of 5.0% was used to measure the total pension liability. This single discount rate was based on the weighted average expected rate of return on pension plan investments of 5.0%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Springdale, Arkansas
Notes to Financial Statements
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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 January 1, 2018	<u>\$ 13,990,715</u>	<u>\$ 9,381,791</u>	<u>\$ 4,608,924</u>
Changes for the Year			
Service Cost	-	-	-
Interest on Net Pension Liability	670,414	-	670,414
Difference between Expected and Actual Experience	(29,079)	-	(29,079)
Employer Contributions	-	593,753	(593,753)
Net Investment Income	-	(255,686)	255,686
Benefits and Refunds	(1,164,881)	(1,164,881)	-
Administrative Expenses	-	(300)	300
Other / Reconciliation	-	1,295	(1,295)
Net Changes	<u>(523,546)</u>	<u>(825,819)</u>	<u>302,273</u>
Balances at December 31, 2018	<u><u>\$ 13,467,169</u></u>	<u><u>\$ 8,555,972</u></u>	<u><u>\$ 4,911,197</u></u>

Policemen's Pension and Relief Fund (PPRF)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2018	<u>\$ 15,088,556</u>	<u>\$ 8,753,771</u>	<u>\$ 6,334,785</u>
Changes for the Year			
Service Cost	-	-	-
Interest on Net Pension Liability	725,816	-	725,816
Difference between Expected and Actual Experience	34,465	-	34,465
Employer Contributions	-	690,283	(690,283)
Net Investment Income (Loss)	-	(484,326)	484,326
Benefits and Refunds	(1,144,466)	(1,144,466)	-
Supplements Benefits	-	-	-
Administrative Expenses	-	(6,500)	6,500
Net Changes	<u>(384,185)</u>	<u>(945,009)</u>	<u>560,824</u>
Balances at December 31, 2018	<u><u>\$ 14,704,371</u></u>	<u><u>\$ 7,808,762</u></u>	<u><u>\$ 6,895,609</u></u>

City of Springdale, Arkansas
Notes to Financial Statements
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Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

		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	\$ 6,172,434	\$ 4,911,197	\$ 3,857,332
		1% Decrease 4.00%	Current Single Rate Assumption 5.00%	1% Increase 6.00%
Policemen's Pension	City's Net Pension Liability	\$ 8,390,141	\$ 6,895,609	\$ 5,653,239

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 Relief and Pension Fund	2018	-2.82%
	2017	18.36%
	2016	5.94%
Policemen's Pension and Relief Fund	2018	-5.69%
	2017	10.90%
	2016	6.80%

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

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

For the year ended December 31, 2018, the City recognized an increase in pension expense from its single-employer defined benefit plans of \$704,985. At December 31, 2018, 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
Firemen's Pension		
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 38,291
Policemen's Pension		
Net difference between projected and actual earnings on pension plan investments	\$ 516,707	\$ -

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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Firemen's Pension	Policemen's Pension
2019	\$ (12,716)	\$ 190,335
2020	(91,584)	57,840
2021	(75,998)	86,586
2022	142,007	181,946
Total	\$ (38,291)	\$ 516,707

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

Plan Description

The Money Purchase Pension Plan (Money Purchase Plan) is a defined contribution plan, established on October 1, 1999, by City Ordinance No. 2933. The Money Purchase Plan is qualified under Section 401(a) of the Internal Revenue Code. 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, 2018 employer and employee contributions to the plan were \$607,860 and \$303,932, respectively.

Benefits Provided

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

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

City of Springdale, Arkansas
Notes to Financial Statements
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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 2018 was 23.50% for both paid firemen and for paid policemen. City contributions for 2018 were \$1,764,396 for paid firemen, and \$1,955,513 for paid policemen, and were equal to 100% of the required contributions. Employee contributions for 2018 were \$638,186 for paid firemen and \$208,033 for paid policemen. At December 31, 2018, there were 121 active paid firemen and 142 active paid policemen. Covered payroll was \$7,508,071 and \$8,323,706 for paid firemen and for paid policemen, respectively.

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

At December 31, 2018, the City reported a liability of \$33,995,179 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 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 the total employer contributions to the Plan of the group for the measurement period. At December 31, 2017, the City's proportion was 4.78403%, which was a 0.01087% decrease from the City proportion of 4.7949% at December 31, 2016.

For the year ended December 31, 2018, the City recognized pension expense of \$7,290,179. At December 31, 2018, 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	\$ 1,701,935	\$ 2,941
Changes of assumptions	8,691,191	-
Net difference between projected and actual earnings on pension plan investments	-	793,844
Changes in proportion	490,744	725,179
Contributions subsequent to the measurement date	<u>3,719,909</u>	<u>-</u>
Total	<u>\$ 14,603,779</u>	<u>\$ 1,521,964</u>

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$3,719,909 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>	
2019	\$ 3,905,588
2020	2,786,370
2021	1,483,150
2022	<u>1,186,798</u>
Total	<u>\$ 9,361,906</u>

City of Springdale, Arkansas
Notes to Financial Statements
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Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Actuarial cost method	Entry Age Normal
Price inflation	2.75 percent (3.0 percent in prior year)
Wage inflation	3.75 percent
Salary increases	4.25 to 18.75 percent, including inflation (4.5 to 19.0 percent, including inflation, in prior year)
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table Projected to 2017 Table, set forward two years for men. Disability post-retirement mortality was assumed to be the same as standard post-retirement mortality set forward an additional 10 years.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Allocation-Weighted Long-Term Expected Real Rate of Return
Fixed Income	28%	0.9%	0.25%
Domestic Equity	42%	5.3%	2.23%
Foreign Equity	20%	7.0%	1.40%
Alternative Investments	10%	6.2%	0.62%
Total	100%		4.50%
Expected Inflation			2.50%
Total Return			7.00%

City of Springdale, Arkansas
Notes to Financial Statements
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Discount Rate

In the December 31, 2017 actuarial valuation, a single discount rate of 7.00% 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 7.00%. 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 7.00 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption		
	1% Decrease 6.00%	Current Single Rate Assumption 7.00%	1% Increase 8.00%
	City’s proportionate share of the net pension liability	\$ 53,544,447	\$ 33,995,179

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.

City of Springdale, Arkansas
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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 clerk covered under this plan totaled \$60,144 for the fiscal year ended December 31, 2018.

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, 2018, as a percentage of active member payroll, are as follows:

State, County, Municipal, and Non-State Divisions:	14.75%
Wildlife and Military Department Civilian	
Firefighters Subdivisions	26.75%
District Judge Division	25.55%
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 City's contribution rate for 2018 was 14.75% of covered employee's salaries from January 1, 2018 to June 30, 2018, and 15.32% from July 1, 2018 to December 31, 2018. Contributions made to the plan by employees and the City for the year ended December 31, 2018 amounted to \$2,901 and \$8,558, respectively.

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

At December 31, 2018, the City reported a liability of \$68,327 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018, the City's proportion was 0.003097423%, which is a decrease of 0.0042288% from its proportion as of June 30, 2017 of 0.00732623%.

For the year ended December 31, 2018, the City recognized a reduction of pension expense of \$20,843. At December 31, 2018, 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	\$ 1,087	\$ 717
Changes of assumptions	7,774	4,225
Net difference between projected and actual earnings on pension plan investments	-	1,729
Change in proportions	4,724	100,024
Contributions subsequent to the measurement date	<u>4,614</u>	<u>-</u>
Total	<u>\$ 18,199</u>	<u>\$ 106,695</u>

City of Springdale, Arkansas
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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>
2019	\$ (210,399)
2020	(92,828)
2021	145,909
2022	64,208
Total	<u>\$ (93,110)</u>

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry Age Normal
Price inflation	2.50 percent
Wage inflation	3.25 percent
Discount rate	7.15 percent
Salary increases	3.25 to 9.85 percent, including inflation
Investment rate of return	7.15 percent, net of pension plan investment expense, including inflation including inflation, in prior year)

Mortality rates were based on the RP-2014 weighted generational mortality tables for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-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	100%	
Total Real Rate of Return		4.71%
Plus: Price Inflation - Actuary's Assumption		2.50%
Less: Investment Expenses (Passive)		0.00%
Net Expected Return		7.21%

Discount Rate

In the June 30, 2018 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	\$ 111,711	\$ 68,327	\$ 35,539

Pension Plan – Component Unit

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

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

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

Employee’s contributions are three percent (3%) of base monthly compensation. Employees may voluntarily contribute additional amounts up to ten percent (10%) of base monthly compensation. The employer contributes six percent (6%) of the employee’s base monthly compensation for each plan participant. The Commission contributions for the year ended September 30, 2018, the year-end for the Commission, were \$263,305.

City of Springdale, Arkansas
Notes to Financial Statements
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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 \$18,500 for 2018. 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

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 separate financial statements for the plan, but all required information is presented in this report. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

City of Springdale, Arkansas
Notes to Financial Statements
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Funding Policy

Funding Policy: The benefit payment requirements of plan members are established by the City Council and may be amended as needed. Plan members pay 100% of the 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 City funds the Plan on a pay-as-you-go basis. Expenses are recorded in the applicable fund as liabilities are incurred. As of December 31, 2018, the date of the actuarial valuation, the plan has 19 retirees who pay monthly premiums between \$363 for single coverage to \$998 for family coverage. Retirees contributed \$119,300 of the total current year cost, which equaled the total benefits paid by the City for 2018.

Employees covered by benefit terms – at December 31, 2018, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	19
Inactive plan members entitled to but not receiving benefit payments	-
Active members	536
Total	555

Total OPEB Liability – The City's total OPEB liability of \$4,865,750 was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Methods and Assumptions:

Discount rate	4.11% (3.44% in prior year) based upon the 20 year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher
Salary increases	General - 2.0%-5.0%; Police - 5.0%-6.0%; Fire - 3.5%-5.5%
Inflation rate	3.0 % per year
Healthcare cost trend rates	8.0% for 2019 decreasing annually to ultimate rate of 4.5% for 2026
Cost method	<p>Allocation of Actuarial Present Value of Future Benefits for services prior and after the Measurement Date was determined using Entry Age Normal Level % of Salary Method where:</p> <ul style="list-style-type: none"> • Service Cost of each individual participant, payable from date of employment to date of retirement, is sufficient to pay for the participant's benefit at retirement; and • Annual Service Cost is a constant percentage of the participant's salary that is assumed to increase according to the Payroll Growth.
Mortality	Healthy Retirees: SOA RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018 (RPH-2018 table is created based on RPH-2014 mortality tables with 8 years of MP-2014 mortality improvement backed out, projected to 2018 using MP-2018 improvement.)

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Changes of Assumptions:

Mortality table for healthy retirees has been updated from RPH-2015 Total Dataset Mortality Table fully generational using MP-2015 to SOA RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018. The turnover rate assumption for general, police, and fire employees has been updated based on the City's April 2019 experience study. The retirement rate assumption for general, police, and fire employees has been updated based on the City's April 2019 experience study. The PPO and HDHP election rate assumption has been updated based on the City's April 2019 experience study. The spousal coverage assumption for active employees has been updated based on the City's April 2019 experience study.

Changes in Total OPEB Liability

Balance at beginning of year		\$ <u>6,812,553</u>
Changes for the year:		
Service Cost		489,156
Interest		249,144
Differences between expected and actual experience		(159,014)
Changes of assumptions		(2,406,789)
Benefit payments		<u>(119,300)</u>
Net change in total OPEB liability		<u>(1,946,803)</u>
Balance at end of year		\$ <u><u>4,865,750</u></u>

Sensitivity of the Total OPEB Liability to the Discount Rate – The following represents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it was calculated using a discount rate that is 1-percentage-point lower (3.11%) or 1-percentage-point higher (5.11%) than the current discount rate:

<i>Sensitivity of the Total OPEB Liability to Changes in the Discount Rate</i>			
	1% Decrease 3.11%	Discount Rate 4.11%	1% Increase 5.11%
Total OPEB Liability	\$ 5,470,362	\$ 4,865,750	\$ 4,340,172

City of Springdale, Arkansas
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Sensitivity of the Total OPEB Liability to the Healthcare Cost Trend Rates – The following represents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it was calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates			
	1% Decrease (7% decreasing to 3.5%)	Healthcare Cost Trend Rates (8% decreasing to 4.5%)	1% Increase (9% decreasing to 5.5%)
Total OPEB Liability	\$ 4,283,781	\$ 4,865,750	\$ 5,552,397

OPEB Expense and Deferred Inflows of Resources Related to OPEB – For the year ended December 31, 2018, the City reported OPEB expense of \$310,666. At December 31, 2018, the City reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows
Differences between expected and actual experience	\$ 132,512
Changes of assumptions	2,005,657
Total	\$ 2,138,169

The balances as of December 31, 2018 of the deferred inflows of resources will be recognized in OPEB expense in the future fiscal years as follows:

Year Ending December 31,	Net Deferred Outflows (Inflows)
2019	\$ (427,634)
2020	(427,634)
2021	(427,634)
2022	(427,634)
2023	(427,633)
Total	\$ (2,138,169)

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 \$473 per month to \$1,095 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, 2018, the following employees were covered by the benefit terms:

Total active participants	101
Total retiree participants	-
	101
	101

Total OPEB Liability

The Commission’s total OPEB liability as of September 30, 2018 of \$290,185 was measured as of September 30, 2018, and was determined by an actuarial valuation as of that date.

City of Springdale, Arkansas
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Actuarial assumptions: The total OPEB liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date:	September 30, 2018
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 8.50%, 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, 2018 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 4.18 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.

Changes in the Total OPEB Liability

Balance at beginning of year	\$ 241,081
Changes for the year:	
Service cost	18,933
Interest	9,100
Changes in assumptions	(14,398)
Differences between expected and actual experience	35,469
Benefit payments	-
Net changes	<u>49,104</u>
Balance at end of year	<u><u>\$ 290,185</u></u>

City of Springdale, Arkansas
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Changes of assumptions and other inputs reflect a change in the discount rate from 3.50% in 2017 to 4.18% in 2018.

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 (3.18%)	Discount Rate (4.18%)	1% Increase (5.18%)
Total OPEB liability	\$ 311,563	\$ 290,185	\$ 270,155

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: 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 healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the healthcare cost trend rates.

	1% Decrease	Current Health Care Cost Trend Rates	1% Increase
Total OPEB liability	\$ 259,072	\$ 290,185	\$ 326,910

OPEB Expenses and Deferred Outflows of Resources related to OPEB

For the year ended September 30, 2018, the Commission recognized OPEB expense of \$37,797. At September 30, 2018, the Commission reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 65,842	\$ -
Change in assumptions	7,977	12,598
Total	\$ 73,819	\$ 12,598

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Amounts reported as deferred outflows of resources and deferred inflows of resources at September 30, 2018, related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30,	Net Deferred Outflows (Inflows)
2019	\$ 9,764
2020	9,764
2021	9,764
2022	9,764
2023	9,764
Thereafter	12,401
	\$ 61,221

Note 10: Risk Management

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

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

There have been no significant reductions in insurance coverage from 2017 to 2018, 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.

City of Springdale, Arkansas
Notes to Financial Statements
December 31, 2018

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, 2018, property taxes receivable and related deferred inflows (unavailable revenue) of \$6,109,585 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 2018 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 \$7,347,000 of additional taxes could be raised per year based on the current year's assessed value of \$848,986,200 for real property and \$316,229,397 for personal property before the limit is reached.

Note 12: Sales Taxes

In October 1981, Washington County began assessing a 1% sales and use tax on retail sales in the county. Effective December 1, 2004, the tax rate increased to 1.25%. Each city in Washington County receives a portion of the tax based upon population of the city. Currently, the City receives approximately 25.29% of the county tax. The tax is collected by the state, and remitted to the City, net of a collection fee. Taxes for this purpose remitted to the City totaled \$13,322,183 for 2018 and are included in the General Fund's tax revenues in the accompanying financial statements.

City of Springdale, Arkansas
Notes to Financial Statements
December 31, 2018

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 \$15,191,173 for 2018, and are included in the Sales and Use Tax Fund's (\$10,834,393) and 2012 Bonds Debt Service Fund's (\$4,356,780) 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 \$1,469,125 for 2018 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 \$15,191,172 for 2018, and are included in the 2018 Bonds Debt Service Fund's (\$13,006,643) and the 2013 Bonds Debt Service Fund's (\$2,184,529) tax revenues in the accompanying financial statements. This tax will sunset upon retirement of all related debt.

In April 2009, the Arkansas General Assembly passed Act 840 of 2009 regarding the disposition of city and county sales taxes on aviation fuel. The Act stated that money collected that is derived from a tax on aviation fuel that is not dedicated to a specific purpose shall be transmitted to the publically owned airport where the aviation fuel was sold. Therefore, beginning in July 2009, taxes collected on aviation fuel by the state are remitted to the City's Municipal Airport, net of a 3% collection fee. Taxes for this purpose remitted to the Airport for City and Washington County totaled \$23,917 and \$14,905, respectively, for 2018 and are included as non-operating revenue for the Municipal Airport Fund in the accompanying financial statements.

City of Springdale, Arkansas
Notes to Financial Statements
December 31, 2018

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, 2018, the only outstanding legal proceedings pertain to the valuation of easements acquired by the Commission. Based upon management's assessment, any impact to the Commission's financial statements is not expected to be material.

Note 14: Endowment

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

City of Springdale, Arkansas
Notes to Financial Statements
December 31, 2018

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 2018 is as follows:

	Assigned	Nonspendable
Endowment fund balance - beginning of year	\$ 117,276	\$ 1,637,412
Contributions	-	-
Available for distribution	64,001	(64,001)
Investment income (loss), net	-	(123,629)
Endowment fund balance - end of year	\$ 181,277	\$ 1,449,782

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, 2018.

City of Springdale, Arkansas
Notes to Financial Statements
December 31, 2018

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. 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.

City of Springdale, Arkansas
Notes to Financial Statements
December 31, 2018

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.

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.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objective of this statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This statement is effective for periods beginning after December 15, 2019, with earlier application encouraged.

GASB Statement No. 90 – *Majority Equity Interests*. The objective of this statement is to provide consistency in the reporting of majority equity interests and improve the relevance of information related to certain component units. This statement is effective for periods beginning after December 15, 2018, with earlier application encouraged.

GASB Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations and related note disclosures.

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

Note 16: Subsequent Events

Subsequent to year-end, the Springdale Youth Center building was sold, and the City purchased a building to be used as the Springdale Recreational Center.

Also subsequent to year end, the City sold buildings that house the Springdale Police Department Criminal Investigation Division, the Buildings Department, the Information Technology Department and the City gym. The City will continue to operate these buildings until the new Criminal Justice Building and new City Administration Building are built.

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Required Supplementary Information

City of Springdale, Arkansas
Schedule of Changes in the City's Total OPEB Liability and Related Ratios
Other Postemployment Benefit Healthcare Plan

Total OPEB Liability	<u>2018</u>
Service cost	\$ 489,156
Interest	249,144
Differences between expected and actual experience	(159,014)
Changes of assumptions or other inputs	(2,406,789)
Benefit payments	<u>(119,300)</u>
Net change in total OPEB liability	(1,946,803)
Total OPEB liability - beginning	<u>6,812,553</u>
Total OPEB liability - ending	<u><u>\$ 4,865,750</u></u>
Covered-employee payroll	\$ 23,941,017
Total OPEB liability as a percentage of covered-employee payroll	20.3%

Notes to Schedule:

Changes in assumptions:

- 1) Discount rate - 3.44 percent as of January 1, 2018 to 4.11 percent as of December 31, 2018
- 2) Mortality table for healthy retirees has been updated from RPH-2015 Total Dataset Mortality Table fully generational using MP-2015 to SOA RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018.
- 3) The turnover rate assumption for general, police, and fire employees has been updated based on the City's April 2019 experience study.
- 4) The retirement rate assumption for general, police, and fire employees has been updated based on the City's April 2019 experience study.
- 5) The PPO and HDHP election rate assumption has been updated based on the City's April 2019 experience study.
- 6) The spousal coverage assumption for active employees has been updated based on the City's April 2019 experience study.
- 7) Health care trend rates have been updated to an initial rate of 8.0 percent decreasing by 0.5 percent annually to an ultimate rate of 4.5 percent.

No assets accumulated in a trust that meets the criteria of paragraph 4 of GASB No. 75.

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 75, the City will only present available information.

City of Springdale, Arkansas
Schedule of Changes in the Commission's Total OPEB Liability
and Related Ratios
Other Postemployment Benefit Healthcare Plan

	<u>2018</u>	<u>2017</u>
Total OPEB Liability		
Service cost	\$ 18,933	\$ 11,311
Interest	9,100	5,325
Differences between expected and actual experience	35,469	43,992
Changes of assumptions	(14,398)	10,082
Benefit payments	<u>-</u>	<u>(2,804)</u>
Net Change in Total OPEB Liability	49,104	67,906
Total OPEB Liability - Beginning	<u>241,081</u>	<u>173,175</u>
Total OPEB Liability - Ending	<u><u>\$ 290,185</u></u>	<u><u>\$ 241,081</u></u>
Covered-Employee Payroll	\$ 5,386,565	\$ 5,217,012
Commission's Net OPEB Liability as a Percentage of Covered-Employee Payroll	5.39%	4.62%

Notes to Schedule:

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 75, the Commission will only present available information.

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,	2018	2017	2016	2015	2014	2013
Total Pension Liability						
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	670,414	694,232	737,430	818,743	832,851	853,931
Benefit changes	-	-	-	-	-	-
Difference between actual & expected experience *	(29,079)	(1,191)	(420,129)	(1,250,687)	95,678	241,918
Assumption changes	-	-	-	-	-	-
Benefit payments	(1,164,881)	(1,173,919)	(1,188,622)	(1,199,986)	(1,221,414)	(1,813,464)
Refunds	-	-	-	-	-	-
Net Change in Total Pension Liability	(523,546)	(480,878)	(871,321)	(1,631,930)	(292,885)	(717,615)
Total Pension Liability - Beginning	13,990,715	14,471,593	15,342,914	16,974,844	17,267,729	17,985,344
Total Pension Liability - Ending (a)	\$ 13,467,169	\$ 13,990,715	\$ 14,471,593	\$ 15,342,914	\$ 16,974,844	\$ 17,267,729
Plan Fiduciary Net Position						
Contributions - employee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,712
Contributions - employer	593,753	597,239	593,335	595,428	564,558	606,540
Net investment income (loss)	(255,686)	1,497,844	489,275	45,094	539,443	1,532,421
Benefit payments	(1,164,881)	(1,173,919)	(1,188,622)	(1,199,986)	(1,221,414)	(1,813,464)
Administrative expense	(300)	(296)	-	-	(25)	(292)
Other / reconciliation	1,295	1,540	-	-	-	-
Net Change in Plan Fiduciary Net Position	(825,819)	922,408	(106,012)	(559,464)	(117,438)	327,917
Plan Fiduciary Net Position - Beginning	9,381,791	8,459,383	8,565,395	9,124,859	9,242,297	8,914,380
Plan Fiduciary Net Position - Ending (b)	\$ 8,555,972	\$ 9,381,791	\$ 8,459,383	\$ 8,565,395	\$ 9,124,859	\$ 9,242,297
Net Pension Liability (a) - (b)	\$ 4,911,197	\$ 4,608,924	\$ 6,012,210	\$ 6,777,519	\$ 7,849,985	\$ 8,025,432
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.53%	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	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
2018	1,042,598	593,753	448,845	-	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,	2018	2017	2016	2015	2014	2013
Total Pension Liability						
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	725,816	741,399	758,914	809,001	822,232	834,870
Benefit changes	-	-	-	-	-	-
Difference between actual & expected experience *	34,465	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)	(1,144,466)
Refunds	-	-	-	-	-	-
Net Change in Total Pension Liability	(384,185)	(311,663)	(350,297)	(1,001,736)	(264,621)	(252,757)
Total Pension Liability - Beginning	15,088,556	15,400,219	15,750,516	16,752,252	17,016,873	17,269,630
Total Pension Liability - Ending (a)	\$ 14,704,371	\$ 15,088,556	\$ 15,400,219	\$ 15,750,516	\$ 16,752,252	\$ 17,016,873
Plan Fiduciary Net Position						
Contributions - employee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - employer	690,283	696,132	665,893	679,786	633,760	684,637
Net investment income (loss)	(484,326)	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)	(1,144,466)
Funeral benefit	(6,500)	-	-	(6,500)	-	-
Administrative expense	-	-	(258)	-	-	-
Net Change in Plan Fiduciary Net Position	(945,009)	432,598	65,046	(647,184)	53,263	475,595
Plan Fiduciary Net Position - Beginning	8,753,771	8,321,173	8,256,127	8,903,311	8,850,048	8,374,453
Plan Fiduciary Net Position - Ending (b)	\$ 7,808,762	\$ 8,753,771	\$ 8,321,173	\$ 8,256,127	\$ 8,903,311	\$ 8,850,048
Net Pension Liability (a) - (b)	\$ 6,895,609	\$ 6,334,785	\$ 7,079,046	\$ 7,494,389	\$ 7,848,941	\$ 8,166,825
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	53.11%	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	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
2018	1,431,737	690,283	741,454	-	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%

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

Plan	Fiscal Year Ended December 31,	Annual Money- weighted Rate of Return
Firemen's Relief and Pension Fund	2018	-2.82%
	2017	18.36%
	2016	5.94%
	2015	0.53%
	2014	6.05%
Policemen's Pension and Relief Fund	2018	-5.69%
	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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	4.78403%	4.7949%	5.0422%	4.6714%
City's proportionate share of the net pension liability	\$ 33,995,179	\$ 27,356,562	\$ 26,459,702	\$ 16,910,936
City's covered-employee payroll	\$ 14,879,433	\$ 14,400,195	\$ 14,275,134	\$ 12,487,950
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	228.47%	189.97%	185.36%	135.42%
Plan fiduciary net position as a percentage of the total pension liability	72.49%	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.

Assumption changes for 2016 include a decrease in price inflation from 3.00 to 2.75 percent; a decrease in wage inflation from 4.00 to 3.75 percent; a decrease in salary increases from 4.50 to 19.00 percent to 4.25 to 18.75 percent; and a decrease in the investment rate of return from 8.00 to 7.75 percent.

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

<u>City fiscal year ended December 31,</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially required contribution	\$ 3,719,909	\$ 3,422,270	\$ 3,167,945 (1)	\$ 3,131,048
Contributions in relation to the actuarially determined contribution	<u>3,719,909</u>	<u>3,422,270</u>	<u>3,167,945</u>	<u>3,131,048</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 15,831,777	\$ 14,879,433	\$ 14,400,195	\$ 14,275,134
Contributions as a percentage of covered employee payroll	23.50%	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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.0031%	0.0073%	0.0107%	0.0099%
City's proportionate share of the net pension liability	\$ 68,327	\$ 189,320	\$ 254,984	\$ 182,965
City's covered-employee payroll	\$ 58,017	\$ 148,688	\$ 180,014	\$ 176,262
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	117.77%	127.33%	141.65%	103.80%
Plan fiduciary net position as a percentage of the total pension liability	79.59%	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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 9,043	\$ 8,456	\$ 26,064	\$ 27,053
Contributions in relation to the actuarially determined contribution	<u>9,043</u>	<u>8,456</u>	<u>26,064</u>	<u>27,053</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 60,144	\$ 57,835	\$ 179,754	\$ 184,976
Contributions as a percentage of covered employee payroll	15.04%	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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Sales	\$ 14,718,000	\$ 14,718,000	\$ 14,791,308	\$ 73,308
Ad valorem	5,100,000	5,100,000	5,351,326	251,326
Franchise	3,900,000	3,960,000	4,239,607	279,607
Fees and permits:				
Building permits	600,000	600,000	715,164	115,164
Occupation permits	168,600	168,600	171,632	3,032
Other	175,950	175,950	178,745	2,795
Intergovernmental:				
Federal and state grants	222,690	222,690	498,703	276,013
State turnback	1,617,770	1,617,770	1,633,678	15,908
State turnback-insurance	1,377,700	1,377,700	1,398,667	20,967
City and county	17,590	17,590	17,728	138
Other	623,250	623,250	902,935	279,685
Other grants and contributions	2,444,810	2,541,210	2,474,042	(67,168)
Charges for goods and services:				
Ambulance fees	1,675,000	1,675,000	1,618,036	(56,964)
Other revenues	1,334,140	1,334,140	1,567,773	233,633
Fines and forfeitures	932,150	932,150	830,068	(102,082)
Miscellaneous	378,350	378,350	378,350	-
Total Revenues	35,286,000	35,442,400	36,767,762	1,325,362
Expenditures				
General Government				
Administration				
Personnel	1,704,130	1,704,130	1,633,630	70,500
Buildings and equipment	131,100	131,100	96,325	34,775
Supplies	154,500	154,500	155,049	(549)
Other	2,636,860	2,733,260	549,772	2,183,488
Economic development	322,660	322,660	323,552	(892)
Capital	-	-	1,391,993	(1,391,993)
Total Administration Expenditures	4,949,250	5,045,650	4,150,321	895,329
City Attorney				
Personnel	709,720	709,720	705,963	3,757
Buildings and equipment	13,600	13,600	12,312	1,288
Supplies	13,000	13,000	7,882	5,118
Other	21,350	21,350	21,184	166
Total City Attorney Expenditures	757,670	757,670	747,341	10,329
Information Technology				
Personnel	479,940	479,940	448,234	31,706
Buildings and equipment	458,700	458,700	404,394	54,306
Supplies	10,000	10,000	7,669	2,331
Other	114,650	114,650	76,791	37,859
Capital	-	-	19,759	(19,759)
Total Information Technology Expenditures	1,063,290	1,063,290	956,847	106,443
Total General Government Expenditures	6,770,210	6,866,610	5,854,509	1,012,101

City of Springdale, Arkansas
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – General Fund (Continued)
Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Culture and Recreation				
Shiloh Museum				
Personnel	\$ 633,130	\$ 633,130	\$ 608,845	\$ 24,285
Buildings and equipment	36,800	36,800	46,505	(9,705)
Supplies	76,000	76,000	74,727	1,273
Other	20,400	20,400	27,330	(6,930)
Capital	-	-	9,337	(9,337)
Total Shiloh Museum Expenditures	<u>766,330</u>	<u>766,330</u>	<u>766,744</u>	<u>(414)</u>
Springdale Senior Centers				
Personnel	302,540	302,540	325,719	(23,179)
Buildings and equipment	22,050	22,050	60,750	(38,700)
Supplies	172,000	172,000	241,460	(69,460)
Other	33,700	87,700	61,022	26,678
Capital	-	-	20,520	(20,520)
Total Springdale Senior Centers Expenditures	<u>530,290</u>	<u>584,290</u>	<u>709,471</u>	<u>(125,181)</u>
Parks and Recreation				
Personnel	2,016,420	2,016,420	2,163,359	(146,939)
Buildings and equipment	596,200	596,200	504,729	91,471
Supplies	631,020	631,020	708,424	(77,404)
Other	128,900	128,900	129,976	(1,076)
Capital	-	-	193,510	(193,510)
Total Parks and Recreation Expenditures	<u>3,372,540</u>	<u>3,372,540</u>	<u>3,699,998</u>	<u>(327,458)</u>
Total Culture and Recreation Expenditures	<u>4,669,160</u>	<u>4,723,160</u>	<u>5,176,213</u>	<u>(453,053)</u>
Community Development:				
Planning and Community Development				
Personnel	365,370	365,370	350,037	15,333
Buildings and equipment	3,750	3,750	10,538	(6,788)
Supplies	7,500	7,500	6,470	1,030
Other	60,480	60,480	21,489	38,991
Capital	-	-	-	-
Total Planning and Community Development Expenditures	<u>437,100</u>	<u>437,100</u>	<u>388,534</u>	<u>48,566</u>

City of Springdale, Arkansas
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – General Fund (Continued)
Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Engineering				
Personnel	\$ 475,080	\$ 475,080	\$ 439,487	\$ 35,593
Buildings and equipment	6,000	6,000	4,418	1,582
Supplies	13,000	13,000	7,295	5,705
Other	106,700	106,700	86,511	20,189
Total Engineering Expenditures	<u>600,780</u>	<u>600,780</u>	<u>537,711</u>	<u>63,069</u>
Total Community Development Expenditures	<u>1,037,880</u>	<u>1,037,880</u>	<u>926,245</u>	<u>111,635</u>
Public Safety:				
Animal Services				
Personnel	556,700	556,700	519,699	37,001
Buildings and equipment	45,700	45,700	43,734	1,966
Supplies	116,000	116,000	136,171	(20,171)
Other	85,700	85,700	85,728	(28)
Capital	-	25,000	24,941	59
Total Animal Services Expenditures	<u>804,100</u>	<u>829,100</u>	<u>810,273</u>	<u>18,827</u>
Building Inspection				
Personnel	496,480	496,480	491,950	4,530
Buildings and equipment	10,000	10,000	5,594	4,406
Supplies	34,750	34,750	27,325	7,425
Other	32,500	92,500	83,492	9,008
Capital	-	-	-	-
Total Building Inspection Expenditures	<u>573,730</u>	<u>633,730</u>	<u>608,361</u>	<u>25,369</u>
Community Engagement / Code Enforcement				
Personnel	307,660	307,660	282,024	25,636
Buildings and equipment	13,310	13,310	8,087	5,223
Supplies	39,720	39,720	18,071	21,649
Other	32,400	32,400	9,835	22,565
Capital	-	-	-	-
Total Community Engagement Expenditures	<u>393,090</u>	<u>393,090</u>	<u>318,017</u>	<u>75,073</u>
Police				
Personnel	15,162,000	15,162,000	15,015,202	146,798
Buildings and equipment	351,150	351,150	332,875	18,275
Supplies	519,500	519,500	557,054	(37,554)
Other	551,200	612,200	896,173	(283,973)
Capital	105,200	224,580	125,433	99,147
Total Police Expenditures	<u>16,689,050</u>	<u>16,869,430</u>	<u>16,926,737</u>	<u>(57,307)</u>

City of Springdale, Arkansas
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – General Fund (Continued)
Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fire				
Personnel	\$ 11,084,950	\$ 11,084,950	\$ 11,080,429	\$ 4,521
Buildings and equipment	461,000	461,000	449,397	11,603
Supplies	791,250	791,250	663,373	127,877
Other	390,660	390,660	473,862	(83,202)
Capital	190,170	746,220	535,054	211,166
Total Fire Expenditures	<u>12,918,030</u>	<u>13,474,080</u>	<u>13,202,115</u>	<u>271,965</u>
Total Public Safety Expenditures	<u>31,378,000</u>	<u>32,199,430</u>	<u>31,865,503</u>	<u>333,927</u>
Total Expenditures	<u>43,855,250</u>	<u>44,827,080</u>	<u>43,822,470</u>	<u>1,004,610</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(8,569,250)</u>	<u>(9,384,680)</u>	<u>(7,054,708)</u>	<u>2,329,972</u>
Other Financing Sources (Uses)				
Transfers in	9,568,500	9,568,500	7,605,367	(1,963,133)
Transfers out	(2,093,550)	(2,093,550)	(1,712,428)	381,122
Proceeds from sale of capital assets	-	52,700	79,231	26,531
Insurance recoveries	-	54,180	190,056	135,876
Total Other Financing Sources (Uses)	<u>7,474,950</u>	<u>7,581,830</u>	<u>6,162,226</u>	<u>(1,419,604)</u>
Net Change in Fund Balance	(1,094,300)	(1,802,850)	(892,482)	910,368
Fund Balance - Beginning of Year	<u>6,712,226</u>	<u>6,712,226</u>	<u>6,712,226</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 5,617,926</u>	<u>\$ 4,909,376</u>	<u>\$ 5,819,744</u>	<u>\$ 910,368</u>

City of Springdale, Arkansas
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – Street Fund
Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes				
Ad valorem	\$ 938,400	\$ 938,400	\$ 976,115	\$ 37,715
Fees and permits	4,000	4,000	30,745	26,745
Intergovernmental				
Federal and state grants	-	519,000	555,441	36,441
State turnback-street	4,737,400	4,737,400	4,976,618	239,218
Other	-	1,823,500	1,823,500	-
Other grants and contributions	-	-	-	-
Charges for goods and services				
Street signs	2,000	2,000	6,487	4,487
Street and curb cut repairs	24,500	24,500	26,347	1,847
Other	-	-	33,100	33,100
Investment earnings (losses)	14,300	14,300	39,030	24,730
Miscellaneous	7,000	7,000	4,694	(2,306)
Total Revenues	<u>5,727,600</u>	<u>8,070,100</u>	<u>8,472,077</u>	<u>401,977</u>
Expenditures				
Public Works				
Street Fund				
Personnel	2,367,470	2,367,470	2,397,917	(30,447)
Buildings and equipment	214,000	214,000	250,215	(36,215)
Supplies	3,230,100	1,230,100	876,435	353,665
Regional support	265,000	280,000	280,000	-
Other	810,650	1,225,650	507,103	718,547
Capital	367,990	6,295,490	5,175,988	1,119,502
Total Public Works Expenditures	<u>7,255,210</u>	<u>11,612,710</u>	<u>9,487,658</u>	<u>2,125,052</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,527,610)	(3,542,610)	(1,015,581)	2,527,029
Other Financing Sources (Uses)				
Transfers in	514,900	514,900	332,639	(182,261)
Transfers out	-	-	-	-
Developers contributions	-	-	-	-
Proceeds from sale of capital assets	-	-	37,505	37,505
Insurance recoveries	-	-	31,792	31,792
Total Other Financing Sources (Uses)	<u>514,900</u>	<u>514,900</u>	<u>401,936</u>	<u>(112,964)</u>
Net Change in Fund Balance	<u>(1,012,710)</u>	<u>(3,027,710)</u>	<u>(613,645)</u>	<u>2,414,065</u>
Fund Balances - Beginning of Year	<u>4,144,120</u>	<u>4,144,120</u>	<u>4,144,120</u>	<u>-</u>
Fund Balances - End of Year	<u>\$3,131,410</u>	<u>\$1,116,410</u>	<u>\$3,530,475</u>	<u>\$2,414,065</u>

City of Springdale, Arkansas
Notes to Required Supplementary Information
Year Ended December 31, 2018

Stewardship, Compliance and Accountability

Budgetary Information

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

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

The original budgets of the General and Street Funds were amended during 2018. 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.

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

City of Springdale, Arkansas
Combining Balance Sheet – Nonmajor Governmental Funds
December 31, 2018

	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	\$ 86,062	\$ 309,133	\$ 101,824	\$ 91,520	\$ 54,372	\$ 209,968	\$ 1,847
Investments	-	181,277	279,392	-	1,240,578	400,059	-
Accounts receivable	-	5,600	27,891	-	-	-	-
Interest receivable	-	-	1,092	-	5,515	-	-
Intergovernmental receivables	4,574	-	-	11,973	141	-	95,548
Due from other funds	-	-	-	20,509	1,980	1,301	-
Assets held for resale	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-
Restricted assets:							
Cash and cash equivalents	-	-	-	36,949	-	4,275	-
Investments	-	1,449,782	-	147,025	-	-	-
Intergovernmental receivables	-	-	-	-	-	-	-
Interest receivable	-	-	-	159	-	-	-
Due from other funds	-	-	-	-	-	-	-
Total Assets	\$ 90,636	\$ 1,945,792	\$ 410,199	\$ 308,135	\$ 1,302,586	\$ 615,603	\$ 97,395
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 49,928	\$ 27,027	\$ 17,262	\$ 16,002	\$ 10,271	\$ -	\$ 910
Salaries payable	27,802	-	-	21,047	-	-	1,832
Payable from restricted assets:							
Accounts payable	-	-	-	-	-	-	-
Accrued interest	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Due to other funds	1,301	-	-	-	3,289	-	64,000
Unearned revenue	-	-	-	-	61,390	11,700	-
Total Liabilities	79,031	27,027	17,262	37,049	74,950	11,700	66,742
Fund Balances							
Nonspendable	-	1,449,782	-	-	-	-	-
Restricted for:							
Court automation	-	-	-	184,133	-	-	-
Capital projects	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	3,116	-
Committed	-	-	-	-	-	-	-
Assigned	11,605	468,983	392,937	86,953	1,227,636	600,787	30,653
Total Fund Balances	11,605	1,918,765	392,937	271,086	1,227,636	603,903	30,653
Total Liabilities and Fund Balances	\$ 90,636	\$ 1,945,792	\$ 410,199	\$ 308,135	\$ 1,302,586	\$ 615,603	\$ 97,395

2012 Bonds Street Impr Construction Fund	Capital Projects Funds					Debt Service Funds			Permanent Fund	Total Nonmajor Governmental Funds
	Public Facilities Board Fund	2018 Bonds Parks & Rec Impr Construction Fund	2018 Bonds Fire Dept Impr Construction Fund	2018 Bonds Animal Shelter Construction Fund	Public Facilities			Bluff Cemetery Fund		
					2012 Bonds Debt Service Fund	Board Debt Service Fund	2013 Bonds Debt Service Fund			
\$ -	\$ 452,033	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 103,771	\$ 1,410,530	
-	394,546	-	-	-	-	-	-	409,582	2,905,434	
-	-	-	-	-	-	-	-	12,010	45,501	
-	2,392	-	-	-	-	-	-	781	9,780	
-	-	-	-	-	-	-	-	-	112,236	
-	-	-	-	-	-	-	-	-	23,790	
-	2,619,422	-	-	-	-	-	-	-	2,619,422	
-	6,300	-	-	-	-	-	-	-	6,300	
-	249,444	1,458,261	958,191	606,416	964,023	3,071	-	-	4,280,630	
-	-	17,202,101	11,892,564	4,179,369	2,690,085	-	-	-	37,560,926	
-	-	-	-	-	691,947	-	-	-	691,947	
-	-	90,635	50,248	15,395	2,901	-	-	-	159,338	
-	-	6,259	-	-	-	-	-	-	6,259	
<u>\$ -</u>	<u>\$ 3,724,137</u>	<u>\$ 18,757,256</u>	<u>\$ 12,901,003</u>	<u>\$ 4,801,180</u>	<u>\$ 4,348,956</u>	<u>\$ 3,071</u>	<u>\$ -</u>	<u>\$ 526,144</u>	<u>\$ 49,832,093</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,456	\$ 123,856	
-	-	-	-	-	-	-	-	-	50,681	
-	-	280,837	353,516	13,439	-	-	-	-	647,792	
-	-	-	-	-	-	-	-	-	-	
-	-	7	-	8	-	-	-	-	15	
-	-	-	-	-	-	-	-	-	68,590	
-	-	-	-	-	-	-	-	-	73,090	
-	-	280,844	353,516	13,447	-	-	-	2,456	964,024	
-	2,625,722	-	-	-	-	-	-	32,720	4,108,224	
-	-	-	-	-	-	-	-	-	184,133	
-	-	18,476,412	12,547,487	4,787,733	-	-	-	-	35,811,632	
-	-	-	-	-	4,348,956	3,071	-	-	4,352,027	
-	249,444	-	-	-	-	-	-	-	252,560	
-	-	-	-	-	-	-	-	-	-	
-	848,971	-	-	-	-	-	-	490,968	4,159,493	
-	3,724,137	18,476,412	12,547,487	4,787,733	4,348,956	3,071	-	523,688	48,868,069	
<u>\$ -</u>	<u>\$ 3,724,137</u>	<u>\$ 18,757,256</u>	<u>\$ 12,901,003</u>	<u>\$ 4,801,180</u>	<u>\$ 4,348,956</u>	<u>\$ 3,071</u>	<u>\$ -</u>	<u>\$ 526,144</u>	<u>\$ 49,832,093</u>	

City of Springdale, Arkansas
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
Nonmajor Governmental Funds
Year Ended December 31, 2018

	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	\$ 55,365	\$ -	\$ 468,099	\$ -	\$ -	\$ -	\$ -
Fees and permits	-	21,597	-	257,961	-	-	-
Intergovernmental	1,286,424	2,000	-	32,820	-	-	779,858
Other grants and contributions	260	254,841	-	-	-	18,927	3,607
Charges for goods and services	-	20,291	-	-	378,391	-	-
Fines and forfeitures	43,878	-	-	-	-	-	-
Investment earnings (losses)	1,061	(103,510)	4,292	3,109	10,578	(19,698)	-
Miscellaneous	44,849	1,150	-	232	-	-	174,808
Total Revenues	<u>1,431,837</u>	<u>196,369</u>	<u>472,391</u>	<u>294,122</u>	<u>388,969</u>	<u>(771)</u>	<u>958,273</u>
Expenditures							
Current							
General government	-	-	-	923,610	-	-	-
Community development	-	-	-	-	-	-	919,812
Culture and recreation	2,133,353	71,085	-	-	152,239	7,880	-
Economic development	-	-	448,613	-	-	-	-
Capital expenditures	37,293	256,643	-	-	-	-	8,548
Debt service							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Other fees	-	-	-	-	-	-	-
Bond issue costs	-	-	-	-	-	-	-
Agent fees	-	-	-	-	-	-	-
Total Expenditures	<u>2,170,646</u>	<u>327,728</u>	<u>448,613</u>	<u>923,610</u>	<u>152,239</u>	<u>7,880</u>	<u>928,360</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(738,809)</u>	<u>(131,359)</u>	<u>23,778</u>	<u>(629,488)</u>	<u>236,730</u>	<u>(8,651)</u>	<u>29,913</u>
Other Financing Sources (Uses)							
Transfers in	684,100	-	-	631,400	-	-	-
Transfers out	-	-	-	-	-	-	-
Proceeds from issuance of bonds	-	-	-	-	-	-	-
Premium on bonds sold	-	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-
Insurance recoveries	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>684,100</u>	<u>-</u>	<u>-</u>	<u>631,400</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Changes in Fund Balances	(54,709)	(131,359)	23,778	1,912	236,730	(8,651)	29,913
Fund Balances - Beginning 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>
Fund Balances - End of Year	<u>\$ 11,605</u>	<u>\$ 1,918,765</u>	<u>\$ 392,937</u>	<u>\$ 271,086</u>	<u>\$ 1,227,636</u>	<u>\$ 603,903</u>	<u>\$ 30,653</u>

Capital Projects Funds					Debt Service Funds			Permanent Fund	Total
2012 Bonds Street Impr Construction Fund	Public Facilities Board Fund	2018 Bonds Parks & Rec Impr Construction Fund	2018 Bonds Fire Dept Impr Construction Fund	2018 Bonds Animal Shelter Construction Fund	2012 Bonds Debt Service Fund	Public Facilities Board Debt Service Fund	2013 Bonds Debt Service Fund	Bluff Cemetery Fund	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,356,780	\$ -	\$ 2,184,529	\$ -	\$ 7,064,773
-	-	-	-	-	-	-	-	-	279,558
-	-	-	-	-	-	-	-	-	2,101,102
-	-	-	-	-	-	-	-	-	277,635
-	-	-	-	-	-	-	-	55,000	453,682
-	-	-	-	-	-	-	-	-	43,878
33	13,604	252,473	176,150	60,858	81,437	-	9,182	6,745	496,314
-	2,485	-	-	-	-	-	-	-	223,524
<u>33</u>	<u>16,089</u>	<u>252,473</u>	<u>176,150</u>	<u>60,858</u>	<u>4,438,217</u>	<u>-</u>	<u>2,193,711</u>	<u>61,745</u>	<u>10,940,466</u>
-	-	-	-	-	-	-	-	49,875	973,485
-	-	-	-	-	-	-	-	-	919,812
-	-	-	-	-	-	-	-	-	2,364,557
-	104,452	-	-	-	-	-	-	-	553,065
92,105	-	778,591	3,629,303	373,820	-	-	-	-	5,176,303
-	-	-	-	-	2,470,000	330,901	3,900,000	-	6,700,901
-	-	-	-	-	2,027,277	33,911	1,071,475	-	3,132,663
-	-	-	-	-	4,800	-	6,500	-	11,300
-	-	242,681	205,066	64,938	-	-	-	-	512,685
1	-	-	-	-	6,000	-	3,000	-	9,001
<u>92,106</u>	<u>104,452</u>	<u>1,021,272</u>	<u>3,834,369</u>	<u>438,758</u>	<u>4,508,077</u>	<u>364,812</u>	<u>4,980,975</u>	<u>49,875</u>	<u>20,353,772</u>
<u>(92,073)</u>	<u>(88,363)</u>	<u>(768,799)</u>	<u>(3,658,219)</u>	<u>(377,900)</u>	<u>(69,860)</u>	<u>(364,812)</u>	<u>(2,787,264)</u>	<u>11,870</u>	<u>(9,413,306)</u>
-	-	-	-	-	-	364,812	-	-	1,680,312
-	(374,592)	-	-	-	-	-	(8,921,454)	-	(9,296,046)
-	-	18,385,000	15,480,000	4,935,000	-	-	-	-	38,800,000
-	-	860,211	725,706	230,633	-	-	-	-	1,816,550
5,000	-	-	-	-	-	-	-	-	5,000
-	-	-	-	-	-	-	-	-	-
<u>5,000</u>	<u>(374,592)</u>	<u>19,245,211</u>	<u>16,205,706</u>	<u>5,165,633</u>	<u>-</u>	<u>364,812</u>	<u>(8,921,454)</u>	<u>-</u>	<u>33,005,816</u>
(87,073)	(462,955)	18,476,412	12,547,487	4,787,733	(69,860)	-	(11,708,718)	11,870	23,592,510
87,073	4,187,092	-	-	-	4,418,816	3,071	11,708,718	511,818	25,275,559
<u>\$ -</u>	<u>\$ 3,724,137</u>	<u>\$ 18,476,412</u>	<u>\$ 12,547,487</u>	<u>\$ 4,787,733</u>	<u>\$ 4,348,956</u>	<u>\$ 3,071</u>	<u>\$ -</u>	<u>\$ 523,688</u>	<u>\$ 48,868,069</u>

City of Springdale, Arkansas
Combining Statement of Net Position –
Nonmajor Enterprise Funds
December 31, 2018

	Enterprise Funds		
	City Attorney Restitution Fund	Sanitation Fund	Total Nonmajor Enterprise Funds
Assets			
Current assets			
Cash and cash equivalents	\$ 10,332	\$ 110,436	\$ 120,768
Investments	-	49,590	49,590
Accounts receivable	-	36,565	36,565
Accrued interest	-	76	76
Due from other funds	170	-	170
Total current assets	<u>10,502</u>	<u>196,667</u>	<u>207,169</u>
Capital assets			
Machinery and equipment	-	233,272	233,272
Less accumulated depreciation	-	(189,756)	(189,756)
Total capital assets, net of accumulated depreciation	<u>-</u>	<u>43,516</u>	<u>43,516</u>
Total assets	<u>10,502</u>	<u>240,183</u>	<u>250,685</u>
Liabilities			
Current liabilities			
Accounts payable	-	1,936	1,936
Salaries payable	-	1,879	1,879
Due to other funds	15	-	15
Total current liabilities	<u>15</u>	<u>3,815</u>	<u>3,830</u>
Noncurrent liabilities			
Due within one year	-	-	-
Due in more than one year	-	2,525	2,525
Total noncurrent liabilities	<u>-</u>	<u>2,525</u>	<u>2,525</u>
Total liabilities	<u>15</u>	<u>6,340</u>	<u>6,355</u>
Net Position			
Net investment in capital assets	-	43,516	43,516
Unrestricted	<u>10,487</u>	<u>190,327</u>	<u>200,814</u>
Total net position	<u>\$ 10,487</u>	<u>\$ 233,843</u>	<u>\$ 244,330</u>

City of Springdale, Arkansas
Combining Statement of Revenues, Expenses, and Changes in Net Position –
Nonmajor Enterprise Funds
Year Ended December 31, 2018

	Enterprise Funds		
	City Attorney Restitution Fund	Sanitation Fund	Total Nonmajor Enterprise Funds
Operating Revenues			
Charges for services			
Other service fees	\$ 7,596	\$ 162,060	\$ 169,656
Total operating revenues	<u>7,596</u>	<u>162,060</u>	<u>169,656</u>
Operating Expenses			
Personnel	-	86,458	86,458
Maintenance	-	14,150	14,150
Supplies	204	12,642	12,846
Other	-	3,093	3,093
Depreciation	-	13,227	13,227
Total operating expenses	<u>204</u>	<u>129,570</u>	<u>129,774</u>
Operating Income	<u>7,392</u>	<u>32,490</u>	<u>39,882</u>
Nonoperating Revenues			
Capital assets contributed to governmental activities	-	-	-
Investment earnings	-	1,587	1,587
Total Nonoperating Revenues	<u>-</u>	<u>1,587</u>	<u>1,587</u>
Income Before Transfers	7,392	34,077	41,469
Capital contributions	-	-	-
Capital transfers out	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	7,392	34,077	41,469
Net Position - Beginning of Year	<u>3,095</u>	<u>199,766</u>	<u>202,861</u>
Net Position - End of Year	<u>\$ 10,487</u>	<u>\$ 233,843</u>	<u>\$ 244,330</u>

City of Springdale, Arkansas
Combining Statement of Cash Flows –
Nonmajor Enterprise Funds
Year Ended December 31, 2018

	Enterprise Funds		
	City Attorney Restitution Fund	Sanitation Fund	Total Nonmajor Enterprise Funds
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 7,596	\$ 160,455	\$ 168,051
Payments to suppliers	(204)	(30,365)	(30,569)
Payments to employees	-	(89,195)	(89,195)
Net cash provided by (used in) operating activities	<u>7,392</u>	<u>40,895</u>	<u>48,287</u>
Cash Flows From Noncapital Financing Activities			
Transfer to other funds	-	-	-
Receipt (payment) of interfund balances	(139)	-	(139)
Net cash provided by (used in) noncapital financing activities	<u>(139)</u>	<u>-</u>	<u>(139)</u>
Cash Flows From Investing Activities			
Purchase of investments	-	-	-
Interest received	-	1,557	1,557
Net cash provided by investing activities	<u>-</u>	<u>1,557</u>	<u>1,557</u>
Net Increase (Decrease) in Cash and Cash Equivalents	7,253	42,452	49,705
Cash and Cash Equivalents, January 1	<u>3,079</u>	<u>67,984</u>	<u>71,063</u>
Cash and Cash Equivalents, December 31	<u>\$ 10,332</u>	<u>\$ 110,436</u>	<u>\$ 120,768</u>
Reconciliation of Operating Income to Net Cash Provided By (Used In) Operating Activities			
Operating income	\$ 7,392	\$ 32,490	\$ 39,882
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	-	13,227	13,227
(Increase) decrease in accounts receivable	-	(1,605)	(1,605)
Increase (decrease) in accounts payable	-	(480)	(480)
Increase (decrease) in salaries payable	-	455	455
Increase (decrease) in compensated absences	-	(3,192)	(3,192)
Total adjustments	<u>-</u>	<u>8,405</u>	<u>8,405</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 7,392</u>	<u>\$ 40,895</u>	<u>\$ 48,287</u>
Noncash activities:			
Change in fair value of investments	\$ -	\$ 30	\$ 30

City of Springdale, Arkansas
Combining Statement of Changes in Assets and Liabilities –
Agency Funds
Year Ended December 31, 2018

	Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018
POLICE BOND AND FINE FUND				
Assets				
Cash	\$ 19,549	\$ 19	\$ -	\$ 19,568
Liabilities				
Due to other funds	12,827	19	-	12,846
Due to others	6,722	-	-	6,722
Total Liabilities	<u>\$ 19,549</u>	<u>\$ 19</u>	<u>\$ -</u>	<u>\$ 19,568</u>
DISTRICT COURT FUND				
Assets				
Cash	\$ 512,563	\$ 2,649,280	\$ 2,673,522	\$ 488,321
Due from other funds	11,414	-	-	11,414
Total Assets	<u>523,977</u>	<u>2,649,280</u>	<u>2,673,522</u>	<u>499,735</u>
Liabilities				
Due to other funds	142,567	1,878,393	1,884,872	136,088
Due to others	381,410	771,186	788,949	363,647
Total Liabilities	<u>\$ 523,977</u>	<u>\$ 2,649,579</u>	<u>\$ 2,673,821</u>	<u>\$ 499,735</u>
PAYROLL FUND				
Assets				
Cash	\$ 549,275	\$ 18,699,265	\$ 18,684,658	\$ 563,882
Accounts receivable	462	-	462	-
Total Assets	<u>549,737</u>	<u>18,699,265</u>	<u>18,685,120</u>	<u>563,882</u>
Liabilities				
Due to other funds	14,595	-	220	14,375
Accounts payable	352,868	6,892,352	6,824,952	420,268
Accrued liabilities	182,274	18,338,825	18,391,860	129,239
Total Liabilities	<u>\$ 549,737</u>	<u>\$ 25,231,177</u>	<u>\$ 25,217,032</u>	<u>\$ 563,882</u>

City of Springdale, Arkansas
Combining Statement of Changes in Assets and Liabilities –
Agency Funds (Continued)
Year Ended December 31, 2018

	Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018
POLICE EVIDENCE FUND				
Assets				
Cash	\$ 5,991	\$ 76,592	\$ 69,708	\$ 12,875
Accounts receivable	-	-	-	-
Total Assets	<u>5,991</u>	<u>76,592</u>	<u>69,708</u>	<u>12,875</u>
Liabilities				
Due to other funds	14	15	-	29
Accounts payable	5,977	76,577	69,708	12,846
Total Liabilities	<u>\$ 5,991</u>	<u>\$ 76,592</u>	<u>\$ 69,708</u>	<u>\$ 12,875</u>
 ADMINISTRATION OF JUSTICE FUND				
Assets				
Cash	\$ -	\$ 770,413	\$ 770,413	\$ -
Due from other funds	64,077	60,096	64,077	60,096
Total Assets	<u>64,077</u>	<u>830,509</u>	<u>834,490</u>	<u>60,096</u>
Liabilities				
Due to other funds	14,913	14,914	14,913	14,914
Accounts payable	49,164	620,272	624,254	45,182
Total Liabilities	<u>\$ 64,077</u>	<u>\$ 635,186</u>	<u>\$ 639,167</u>	<u>\$ 60,096</u>
 ALL AGENCY FUNDS				
Assets				
Cash	\$ 1,087,378	\$ 22,195,569	\$ 22,198,301	\$ 1,084,646
Due from other funds	75,491	60,096	64,077	71,510
Accounts receivable	462	-	462	-
Total Assets	<u>1,163,331</u>	<u>22,255,665</u>	<u>22,262,840</u>	<u>1,156,156</u>
Liabilities				
Due to other funds	184,916	1,893,341	1,900,005	178,252
Accounts payable	796,141	8,360,387	8,307,863	848,665
Accrued liabilities	182,274	18,338,825	18,391,860	129,239
Total Liabilities	<u>\$ 1,163,331</u>	<u>\$ 28,592,553</u>	<u>\$ 28,599,728</u>	<u>\$ 1,156,156</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, 2018

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes				
Sales	\$ 10,601,000	\$ 10,601,000	\$ 10,834,393	\$ 233,393
Intergovernmental	-	-	379,440	379,440
Other grants and contributions	-	-	301,789	301,789
Investment earnings	179,700	179,700	105,177	(74,523)
Miscellaneous	-	-	-	-
Total Revenues	<u>10,780,700</u>	<u>10,780,700</u>	<u>11,620,799</u>	<u>840,099</u>
Expenditures				
Capital Projects:				
Capital	<u>3,200,000</u>	<u>3,200,000</u>	<u>2,833,973</u>	<u>366,027</u>
Total Capital Projects Expenditures	<u>3,200,000</u>	<u>3,200,000</u>	<u>2,833,973</u>	<u>366,027</u>
Excess of Revenues Over Expenditures	<u>7,580,700</u>	<u>7,580,700</u>	<u>8,786,826</u>	<u>1,206,126</u>
Other Financing Sources (Uses)				
Transfers in	-	-	64,289	64,289
Transfers out	(9,568,500)	(9,568,500)	(7,845,754)	1,722,746
Refund of contributed capital	-	-	6,318	6,318
Total Other Financing Sources (Uses)	<u>(9,568,500)</u>	<u>(9,568,500)</u>	<u>(7,775,147)</u>	<u>1,793,353</u>
Net Change in Fund Balance	(1,987,800)	(1,987,800)	1,011,679	2,999,479
Fund Balances - Beginning of Year	<u>11,004,410</u>	<u>11,004,410</u>	<u>11,004,410</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 9,016,610</u>	<u>\$ 9,016,610</u>	<u>\$ 12,016,089</u>	<u>\$ 2,999,479</u>

City of Springdale, Arkansas
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – Public Library Fund
Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variances Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Ad valorem	\$ 50,000	\$ 50,000	\$ 55,365	\$ 5,365
Intergovernmental				
State grants	-	-	5,400	5,400
County aid	1,281,030	1,281,030	1,281,024	(6)
Other grants and contributions	-	-	260	260
Fines	45,000	45,000	43,878	(1,122)
Investment earnings	300	300	1,061	761
Miscellaneous	33,500	33,500	44,849	11,349
Total revenues	<u>1,409,830</u>	<u>1,409,830</u>	<u>1,431,837</u>	<u>22,007</u>
Expenditures				
Culture and recreation				
Public Library				
Personnel	1,367,200	1,367,200	1,332,139	35,061
Maintenance	202,750	202,750	198,782	3,968
Supplies	549,600	549,600	498,913	50,687
Other	111,200	111,200	103,519	7,681
Capital	-	-	37,293	(37,293)
Total Public Library expenditures	<u>2,230,750</u>	<u>2,230,750</u>	<u>2,170,646</u>	<u>60,104</u>
Excess (Deficiency) of Revenues Over Expenditures	(820,920)	(820,920)	(738,809)	82,111
Other Financing Sources				
Transfers in	820,920	820,920	684,100	(136,820)
Total Other Financing Sources (Uses)	<u>820,920</u>	<u>820,920</u>	<u>684,100</u>	<u>(136,820)</u>
Net Change in Fund Balance	-	-	(54,709)	(54,709)
Fund Balance - Beginning of Year	<u>66,314</u>	<u>66,314</u>	<u>66,314</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 66,314</u>	<u>\$ 66,314</u>	<u>\$ 11,605</u>	<u>\$ (54,709)</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, 2018

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final		Final Budget Positive (Negative)
Revenues				
Intergovernmental:				
Federal and state grants	\$ -	\$ -	\$ 2,000	\$ 2,000
Fees and permits:				
Fees and memberships	20,000	20,000	21,597	1,597
Other grants and contributions	4,000	4,000	254,841	250,841
Charges for goods and services	17,500	17,500	20,291	2,791
Investment earnings (losses)	1,500	1,500	(103,510)	(105,010)
Miscellaneous	600	600	1,150	550
Total revenues	<u>43,600</u>	<u>43,600</u>	<u>196,369</u>	<u>152,769</u>
Expenditures				
Culture and recreation				
Shiloh Museum				
Personnel	3,800	3,800	3,060	740
Maintenance	3,000	3,000	8,348	(5,348)
Supplies	2,750	2,750	2,574	176
Other	31,050	31,050	57,103	(26,053)
Capital	3,000	3,000	256,643	(253,643)
Total Shiloh Museum expenditures	<u>43,600</u>	<u>43,600</u>	<u>327,728</u>	<u>(284,128)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>(131,359)</u>	<u>(131,359)</u>
Net Change in Fund Balance	-	-	(131,359)	(131,359)
Fund Balance - Beginning of Year	<u>2,050,124</u>	<u>2,050,124</u>	<u>2,050,124</u>	<u>-</u>
Fund Balance - End of Year	<u>\$2,050,124</u>	<u>\$2,050,124</u>	<u>\$1,918,765</u>	<u>\$ (131,359)</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, 2018

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final		Final Budget Positive (Negative)
Revenues				
Fees and permits				
Filing fees	\$ 140,000	\$ 140,000	\$ 153,636	\$ 13,636
Installment plan fees	103,200	103,200	104,325	1,125
Intergovernmental				
City/county aid	59,320	59,320	32,820	(26,500)
Investment earnings	1,000	1,000	3,109	2,109
Miscellaneous	-	-	232	232
Total revenues	<u>303,520</u>	<u>303,520</u>	<u>294,122</u>	<u>(9,398)</u>
Expenditures				
General government				
Court Costs				
Personnel	947,050	947,050	785,574	161,476
Maintenance	68,500	68,500	38,077	30,423
Supplies	55,500	55,500	35,184	20,316
Other	147,000	147,000	64,775	82,225
Capital	3,000	3,000	-	3,000
Total Court Costs expenditures	<u>1,221,050</u>	<u>1,221,050</u>	<u>923,610</u>	<u>297,440</u>
Excess (Deficiency) of Revenues Over Expenditures	(917,530)	(917,530)	(629,488)	288,042
Other Financing Sources				
Transfers in	<u>757,730</u>	<u>757,730</u>	<u>631,400</u>	<u>(126,330)</u>
Net Change in Fund Balance	(159,800)	(159,800)	1,912	161,712
Fund Balance - Beginning of Year	<u>269,174</u>	<u>269,174</u>	<u>269,174</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 109,374</u>	<u>\$ 109,374</u>	<u>\$ 271,086</u>	<u>\$ 161,712</u>

City of Springdale, Arkansas
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – Arvest Ball Park Fund
Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variances Final Budget Positive (Negative)
	Original	Final		
Revenues				
Rent	\$ 370,000	\$ 370,000	\$ 378,391	\$ 8,391
Other grants and contributions	-	-	-	-
Investment earnings	18,400	18,400	10,578	(7,822)
Total revenues	<u>388,400</u>	<u>388,400</u>	<u>388,969</u>	<u>569</u>
Expenditures				
Culture and recreation:				
Maintenance	171,700	171,700	103,722	67,978
Other	55,000	55,000	48,517	6,483
Capital	-	-	-	-
Total Arvest Ball Park expenditures	<u>226,700</u>	<u>226,700</u>	<u>152,239</u>	<u>74,461</u>
Excess (Deficiency) of Revenues Over Expenditures and Net Change in Fund Balance	161,700	161,700	236,730	75,030
Fund Balance - Beginning of Year	<u>990,906</u>	<u>990,906</u>	<u>990,906</u>	<u>-</u>
Fund Balance - End of Year	<u>\$1,152,606</u>	<u>\$1,152,606</u>	<u>\$1,227,636</u>	<u>\$ 75,030</u>

City of Springdale, Arkansas
Schedule of Revenues, Expenditures, and Changes in Net Position –
Budget and Actual – Municipal Airport Fund
Year Ended December 31, 2018

	Budgeted Amounts	
	Original	Final
Operating Revenues		
Rental fees	\$ 337,770	\$ 337,770
Fuel flowage fees	49,500	49,500
Other service fees	17,170	17,170
Miscellaneous	-	-
Total operating revenues	<u>404,440</u>	<u>404,440</u>
Operating Expenses		
Personnel	91,860	91,860
Maintenance	71,500	71,500
Supplies	54,750	54,750
Other	145,520	145,520
Depreciation expense	-	-
Total operating expenses	<u>363,630</u>	<u>363,630</u>
Operating Income (Loss)	<u>40,810</u>	<u>40,810</u>
Nonoperating Revenues (Expenditures)		
Sales taxes	51,400	51,400
Interest income	-	-
Contributions	-	-
Federal and state grants	-	-
Loss on disposal of assets	-	-
Insurance recoveries	-	-
Capital expenditures	(20,000)	(20,000)
Net Nonoperating Revenues (Expenditures)	<u>31,400</u>	<u>31,400</u>
Income (Loss) Before Capital Contributions and Transfers	72,210	72,210
Capital grants and contributions	-	-
Capital transfers in	-	-
Operating transfers in	-	-
Change in Net Position	72,210	72,210
Net Position - Beginning of Year	<u>6,865,774</u>	<u>6,865,774</u>
Net Position - End of Year	<u>\$6,937,984</u>	<u>\$6,937,984</u>

Actual GAAP Basis	Adjustments to Budget Basis	Actual Budget Basis	Variances Final Budget Positive (Negative)
\$ 347,679	\$ -	\$ 347,679	\$ 9,909
54,058	-	54,058	4,558
17,170	-	17,170	-
240	-	240	240
<u>419,147</u>	<u>-</u>	<u>419,147</u>	<u>14,707</u>
97,213	-	97,213	(5,353)
105,447	-	105,447	(33,947)
53,125	-	53,125	1,625
164,458	-	164,458	(18,938)
531,729	(531,729)	-	-
<u>951,972</u>	<u>(531,729)</u>	<u>420,243</u>	<u>(56,613)</u>
<u>(532,825)</u>	<u>531,729</u>	<u>(1,096)</u>	<u>(41,906)</u>
38,822	-	38,822	(12,578)
677	-	677	677
-	-	-	-
-	-	-	-
(30,163)	-	(30,163)	(30,163)
-	-	-	-
-	(2,983,452)	(2,983,452)	(2,963,452)
<u>9,336</u>	<u>(2,983,452)</u>	<u>(2,974,116)</u>	<u>(3,005,516)</u>
(523,489)	(2,451,723)	(2,975,212)	(3,047,422)
2,320,491	-	2,320,491	2,320,491
221,324	-	221,324	221,324
28,843	-	28,843	28,843
2,047,169	(2,451,723)	(404,554)	(476,764)
<u>6,865,774</u>	<u>-</u>	<u>6,865,774</u>	<u>-</u>
<u>\$ 8,912,943</u>	<u>\$ (2,451,723)</u>	<u>\$ 6,461,220</u>	<u>\$ (476,764)</u>

City of Springdale, Arkansas
Schedule of Revenues, Expenditures, and Changes in Net Position –
Budget and Actual – Sanitation Fund
Year Ended December 31, 2018

	Budgeted Amounts	
	Original	Final
Operating Revenues		
Charges for services		
Bulky waste fees	\$ 157,000	\$ 157,000
Total operating revenues	<u>157,000</u>	<u>157,000</u>
Operating Expenses		
Personnel	97,860	97,860
Maintenance	1,000	1,000
Supplies	21,100	21,100
Other	4,300	4,300
Depreciation	-	-
Total operating expenses	<u>124,260</u>	<u>124,260</u>
Operating Income	<u>32,740</u>	<u>32,740</u>
Nonoperating Revenues (Expenditures)		
Interest income	<u>400</u>	<u>400</u>
Net Nonoperating Revenues (Expenditures)	<u>400</u>	<u>400</u>
Change in Net Position	33,140	33,140
Net Position - Beginning of Year	<u>199,766</u>	<u>199,766</u>
Net Position - End of Year	<u>\$ 232,906</u>	<u>\$ 232,906</u>

Actual GAAP Basis	Adjustments to Budget Basis	Actual Budget Basis	Variances Final Budget Positive (Negative)
<u>\$ 162,060</u>	<u>\$ -</u>	<u>\$ 162,060</u>	<u>\$ 5,060</u>
<u>162,060</u>	<u>-</u>	<u>162,060</u>	<u>5,060</u>
86,458	-	86,458	11,402
14,150	-	14,150	(13,150)
12,642	-	12,642	8,458
3,093	-	3,093	1,207
<u>13,227</u>	<u>(13,227)</u>	<u>-</u>	<u>-</u>
<u>129,570</u>	<u>(13,227)</u>	<u>116,343</u>	<u>7,917</u>
<u>32,490</u>	<u>13,227</u>	<u>45,717</u>	<u>12,977</u>
<u>1,587</u>	<u>-</u>	<u>1,587</u>	<u>1,187</u>
<u>1,587</u>	<u>-</u>	<u>1,587</u>	<u>1,187</u>
34,077	13,227	47,304	14,164
<u>199,766</u>	<u>-</u>	<u>199,766</u>	<u>-</u>
<u>\$ 233,843</u>	<u>\$ 13,227</u>	<u>\$ 247,070</u>	<u>\$ 14,164</u>

City of Springdale, Arkansas
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – Bluff Cemetery Fund
Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final		Final Budget Positive (Negative)
Revenues				
Charges for goods				
Cemetery lots	\$ 20,000	\$ 20,000	\$ 55,000	\$ 35,000
Investment earnings	7,050	7,050	6,745	(305)
Total revenues	<u>27,050</u>	<u>27,050</u>	<u>61,745</u>	<u>34,695</u>
Expenditures				
General government				
Cemetery				
Personnel	47,050	47,050	37,221	9,829
Maintenance	12,500	12,500	385	12,115
Supplies	-	-	-	-
Other	4,000	4,000	12,269	(8,269)
Capital	-	-	-	-
Total Bluff Cemetery expenditures	<u>63,550</u>	<u>63,550</u>	<u>49,875</u>	<u>13,675</u>
Net Change in Fund Balance	(36,500)	(36,500)	11,870	48,370
Fund Balance - Beginning of Year	<u>511,818</u>	<u>511,818</u>	<u>511,818</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 475,318</u>	<u>\$ 475,318</u>	<u>\$ 523,688</u>	<u>\$ 48,370</u>

Independent Accountant's Report on Compliance With Certain State Acts

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

We have examined management's assertions that the City of Springdale, Arkansas complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the year ended December 31, 2018.

- (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, 2018, 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, 2019

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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, 2018, 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, 2019, which contained an "Emphasis of Matter" paragraph regarding a change in accounting principles.

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, 2019

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Springdale, Arkansas' (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2018. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City 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 each of its major federal programs for the year ended December 31, 2018.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each 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, 2019

City of Springdale, Arkansas
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

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-18-MC-05-0002	\$ 85,000	\$ 231,631
Community Development Block Grant/ Entitlement Grants	14.218	None	B-17-MC-05-0002	-	530,623
<i>Total CDBG - Entitlement Grants Cluster</i>				85,000	762,254
Total U.S. Department of Housing and Urban Development				85,000	762,254
<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	-	99,420
Total U.S. Department of Homeland Security				-	99,420
<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	-	120,045
	20.106	None	3-05-0059-018-2018	-	1,969,425
				-	2,089,470
<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-2018-03-02-31	None	-	24,186
State & Community Highway Safety	20.600	SE-2018-13-01-31	None	-	6,509
State & Community Highway Safety	20.600	OP-2019-02-02-27	None	-	6,660
State & Community Highway Safety	20.600	SE-2019-01-01-27	None	-	8,910
				-	46,265
National Priority Safety Program	20.616	M5X-2018-05-06-31	None	-	18,647
National Priority Safety Program	20.616	M5X-2019-06-06-27	None	-	4,172
				-	22,819
<i>Total Highway Safety Cluster</i>				-	69,084
<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	-	263,342
Lake Springdale Trailhead	20.205	FAP-TAPU-9399(18)	None	-	10,248
Sanders Avenue Trailhead	20.205	FAP-TAPC-9399(20)	None	-	24,448
Dean's Trail - Phase 1	20.205	FAP-TAPU-9399(22)	None	-	506,745
Don Tyson Parkway Extension Project	20.205	FAP-STPU-9399(23)	None	-	219,576
<i>Total Highway Planning and Construction Cluster</i>				-	1,024,359
Total U.S. Department of Transportation				-	3,182,913

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, 2018

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	2016UMWX0116	\$ -	\$ 41,662
Office of Juvenile Justice and Delinquency Prevention <i>Passed Through Arkansas State Police</i> Internet Crimes Against Children Task Force	16.543	ICAC16-10	None	-	1,321
Office of Justice Programs Bulletproof Vest Partnership Program	16.607	None	2017BUBX17085305	-	9,976
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 16.738	2016-BC-BX-K082 2017-DJ-BX-0215	None None	- - -	45,742 29,302 75,044
Drug Enforcement Administration Task Force	N/A	None	None	-	31,497
Total U.S. Department of Justice				-	159,500
<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	G18GC0004A	None	-	13,669
Gulf Coast High-Intensity Drug Trafficking Area	95.001	G17GC0004A	None	-	14,115
				-	27,784
Total Executive Office of the President				-	27,784
Total Expenditures of Federal Awards				\$ 85,000	\$ 4,231,871

City of Springdale, Arkansas
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

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, 2018. 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 the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. 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, 2018

State Awards	Grantor Number	State Expenditures
Arkansas Department of Aeronautics		
State Airport Aid Grant - Runway Pavement and Lighting Rehabilitation	3718-18	\$ 22,826
State Airport Aid Grant - VASI Replacement with PAPI	3619-17	90,450
Arkansas Department of Health - Trauma Section		
Trauma EMS Sustaining Grant		20,463
Trauma EMS Sustaining Grant		18,325
Boston Mountain Solid Waste District		
2015 Recycling Grant Award	SD15-07	12,012
Arkansas State Library		
State Aid to Public Library		
Scholarships for Qualified Education Expenses		5,400
Washington County Department of Emergency Management		
Master Breacher course - Reimbursement	DHS Arkansas HSGP 17	8,657
Arkansas State Police		
Child Passenger Protection Fund	18X920405DAR17-18	1,975
Child Passenger Protection Fund	18X9204020AR17-18	118
<i>Passed through City of Fayetteville</i>		
Drug Law Enforcement Program	FY2018-19	17,142
Drug Law Enforcement Program	FY2017-18	11,853
		<u>\$ 209,221</u>

City of Springdale, Arkansas
Schedule of Findings and Questioned Costs
Year Ended December 31, 2018

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) were:

Unmodified Modified Adverse Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)? Yes None Reported
Material weakness(es)? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit?

Yes No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards programs described:

Significant deficiency(ies)? Yes None Reported
Material weakness(es)? Yes No

5. The opinion(s) expressed in the independent auditor's report on compliance for major federal award programs were:

Unmodified Modified Adverse Disclaimer

6. The audit disclosed findings required to be reported with 2 CFR 200.516(a)?

Yes No

City of Springdale, Arkansas
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2018

7. The City's major programs were:

Cluster/Program	CFDA Number
CDBG Entitlement Grants Cluster	14.218
Airport Improvement Program	20.106

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

9. The City qualified as a low-risk auditee? Yes No

City of Springdale, Arkansas
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2018

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, 2018

Reference Number	Summary of Finding	Status
	No matters are reportable.	