

CITY OF SPRINGDALE, ARKANSAS

December 31, 2013

**Financial Statements
and
Supplemental Schedules**

With

Independent Auditor's Reports

CITY OF SPRINGDALE, ARKANSAS

December 31, 2013

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CITY OF SPRINGDALE, ARKANSAS
List of Elected and Appointed Officials
December 31, 2013

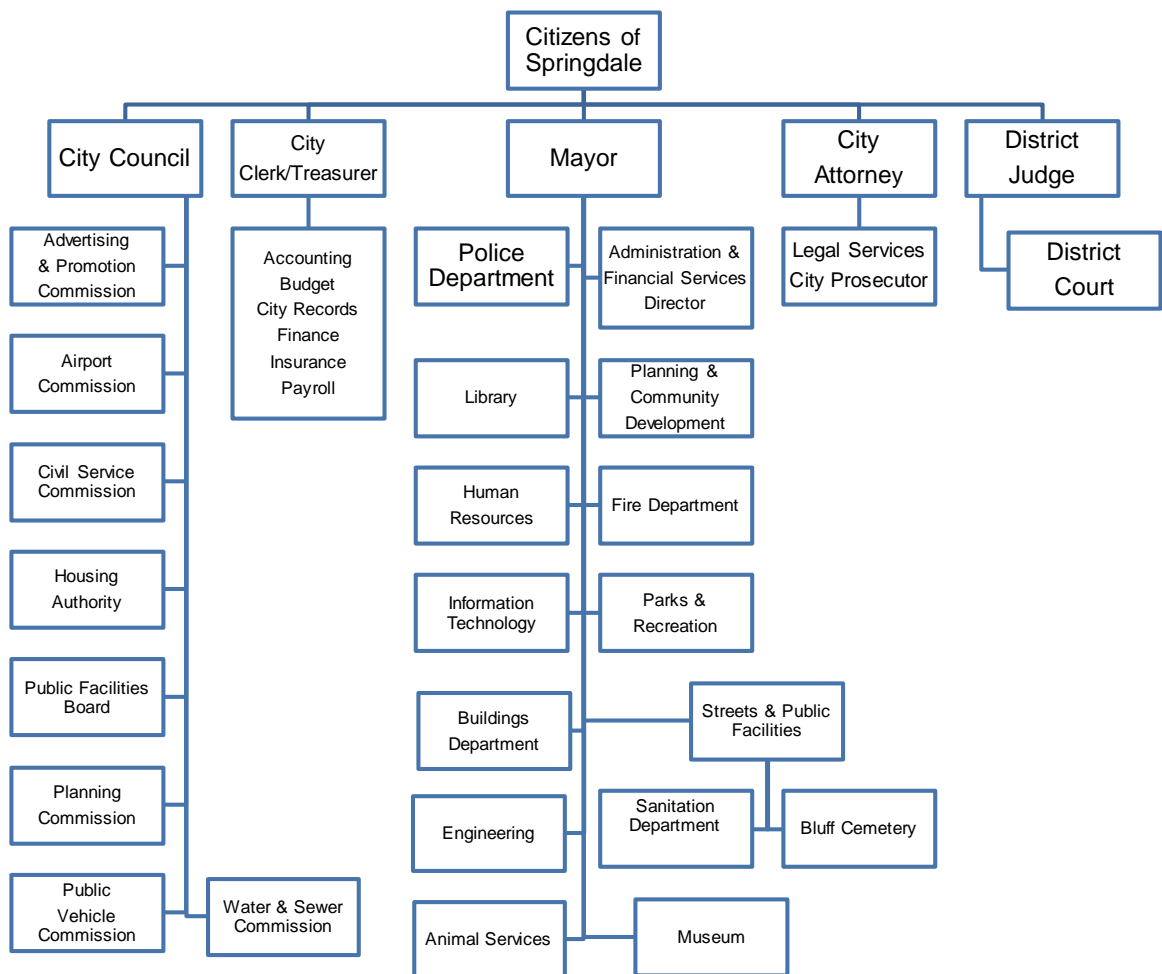
Elected Officials:

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

Appointed Officials:

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

CITY OF SPRINGDALE, ARKANSAS
Organizational Chart
December 31, 2013



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 basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Springdale, Arkansas as of and for the year ended December 31, 2013, and the related notes to the basic financial statements which collectively comprise the City's basic financial statements 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Springdale, Arkansas as of December 31, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements, budgetary comparison schedules, schedule of expenditures of state awards and the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local governments and Non-Profit Organizations*, listed as supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2014, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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Rogers, Arkansas
September 12, 2014

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CITY OF SPRINGDALE, ARKANSAS
Management's Discussion and Analysis
December 31, 2013

The following narrative overview and analysis of the City of Springdale's financial activities for the year ended December 31, 2013, is provided for the readers of the financial statements to consider in conjunction with all other information provided in this report.

Financial Highlights

- Total assets of the City of Springdale exceeded total liabilities at the close of 2013 by \$226,632,546 (net position). Of this amount, \$194,522,222 is invested in capital assets, \$17,500,069 is restricted for capital expenditures, debt service, unspendable endowment funds, and other purposes, and \$14,610,255 is considered unrestricted. The unrestricted net position of the City's governmental activities is \$14,188,040, and may be used to meet the obligations to citizens and creditors. The City's business-type activities have an unrestricted net position of \$422,215.
- In 2013, the City's total net position increased by \$3,994,520. The net position of governmental activities increased by \$4,398,559 in 2013, compared to a net increase of \$5,138,688 in 2012. The net position of the business-type activities decreased by \$404,039 in 2013 as compared to a net increase of \$200,744 in 2012.
- At the close of 2013, the City of Springdale's governmental funds reported combined ending fund balances of \$96,646,082, which reflects a decrease of \$18,370,225 from the prior year, primarily due to expenditures for capital projects utilizing sales and use taxes and bond proceeds received in prior years. The restricted portion of the fund balances is \$68,632,438; \$3,399,499 of which is considered nonspendable, and \$65,232,939 that is restricted for capital expenditures, debt service, and other purposes. The remaining fund balance is classified as \$9,948,637 committed for capital projects and other purposes, assigned of \$12,308,290, and unassigned fund balance of \$5,756,717.
- At the end of 2013, the unassigned fund balance of the General Fund was \$5,756,717, which represents 6% of the total governmental fund balances and is 18% of total general fund expenditures. There was a decrease of \$765,869 in the total general fund balance for 2013, compared to \$307,722 increase in 2012. The unassigned portion is available for use to support operations, funding for special projects and equipment replacement funding.
- The City's total bonded indebtedness decreased by \$12,185,000 in 2013. The decrease is the result of the call and maturity of \$7,810,000 of outstanding bonds during 2013, and the refunding of \$88,575,000 of the Sales and Use Tax Bonds, Series 2006. The decrease was offset by the issuance of \$84,200,000 in Sales and Use Tax Refunding Bonds, Series 2013.
- The City's business-type component unit reported net position of \$246,637,402 as of September 30, 2013, an increase of \$5,975,482 compared to September 30, 2012.

CITY OF SPRINGDALE, ARKANSAS
Management's Discussion and Analysis (cont.)
December 31, 2013

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

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

CITY OF SPRINGDALE, ARKANSAS
Management's Discussion and Analysis (cont.)
December 31, 2013

Fund Financial Statements

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

Governmental funds – *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains nineteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and change in fund balances for the General Fund, Street Fund, Sales and Use Tax Fund, the 2012 Street Improvement Construction Fund, the 2012 Parks Improvements Construction Fund, and the 2006 Bonds Debt Service Fund. Data from the remaining thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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

CITY OF SPRINGDALE, ARKANSAS
Management's Discussion and Analysis (cont.)
December 31, 2013

Fiduciary funds – *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 28 and 29 of this report.

Notes to the basic financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements are located on pages 30 through 72 of this report.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees and budgetary comparison schedules to demonstrate compliance with the annual budgets. *Required supplementary information* is located on pages 73 through 79 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 80 through 86 of this report.

Government – Wide Financial Analysis

Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 106,278,558	\$ 123,056,054	\$ 484,112	\$ 639,454	\$ 106,762,670	\$ 123,695,508
Capital assets	288,776,268	276,473,153	7,357,326	7,585,255	296,133,594	284,058,408
Total assets	<u>395,054,826</u>	<u>399,529,207</u>	<u>7,841,438</u>	<u>8,224,709</u>	<u>402,896,264</u>	<u>407,753,916</u>
Deferred outflows of resources	-	476,258	-	-	-	476,258
Current liabilities	10,801,481	11,617,138	56,005	36,278	10,857,486	11,653,416
Other liabilities	165,400,340	173,933,881	5,892	4,851	165,406,232	173,938,732
Total liabilities	<u>176,201,821</u>	<u>185,551,019</u>	<u>61,897</u>	<u>41,129</u>	<u>176,263,718</u>	<u>185,592,148</u>
Net investment in capital assets	187,164,896	166,539,313	7,357,326	7,585,255	194,522,222	174,124,568
Restricted	17,500,069	20,121,923	-	-	17,500,069	20,121,923
Unrestricted	14,188,040	27,793,210	422,215	598,325	14,610,255	28,391,535
Total net position	<u>\$ 218,853,005</u>	<u>\$ 214,454,446</u>	<u>\$ 7,779,541</u>	<u>\$ 8,183,580</u>	<u>\$ 226,632,546</u>	<u>\$ 222,638,026</u>

CITY OF SPRINGDALE, ARKANSAS
Management's Discussion and Analysis (cont.)
December 31, 2013

Of the City's net position, \$194,522,222 (86%) reflects its investment in capital assets (*e.g.* land, buildings, machinery, infrastructure and equipment), plus unspent bond proceeds, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since capital assets themselves cannot be used to liquidate liabilities.

An additional portion of the City's net position (\$17,500,069 or 8%) represents resources that are subject to restrictions as to how they may be used. Of the total restricted net position, \$4,720,817 is restricted for capital projects, \$8,567,079 is restricted for debt service, and \$4,212,173 is restricted for other purposes. The remaining balance is unrestricted net position (\$14,610,255 or 6%) that may be used to meet the government's ongoing obligations to citizens and creditors.

It is important to note that although the total spendable unrestricted net position is \$14,610,255, the net position of the City's business type activities of \$422,215 may not be used to fund governmental activities.

The City's net position increased by \$3,944,520 during 2013. Total revenues increased by 2% between years. Sales tax revenue on a government-wide basis increased by 2%. Total expenses increased by 4% from 2012 to 2013.

Governmental activities – Governmental activities increased the City's net position by \$4,398,559. The main elements of this increase are:

- Total revenues for 2013 increased by \$1,876,311. This was offset by the increase in total expenditures between years of \$2,870,245.
- Capital grants and contributions increased by \$2,180,737 (37%), primarily due to federal grant revenue for the Don Tyson Parkway/I49 interchange project, and donations of land and easements for city trails.
- Net capital asset acquisitions exceeded depreciation expense by \$12,312,122.
- Investment earnings decreased by \$1,925,712, primarily due to the adjustment of investments to market value (unrealized losses) at year end, but also due in part to a lower volume of invested funds.
- Sales tax revenue allocated for governmental purposes reflects a 2% increase between years. The City's share of the county sales tax, accounted for in the General Fund, increased by 2%. The City's sales tax that is allocated for capital projects and accounted for in the Sales and Use Tax Fund decreased 36% in 2013 from 2012, due to the allocation of taxes for debt service for the Sales and Use Tax Bonds, Series 2012. The total city sales tax increase for 2013 was 2%.

CITY OF SPRINGDALE, ARKANSAS
Management's Discussion and Analysis (cont.)
December 31, 2013

Sales taxes provided \$32,003,771 (51%) of the City's governmental revenue in 2013, while operating grants and contributions provided \$9,868,682 (16%), capital grants and contributions provided \$8,145,524 (13%), and ad valorem taxes provided \$5,683,201 (9%).

The reported 2013 expenses were up \$2,870,245 over 2012, due primarily to increases in public safety expenses (\$1,728,745), general government expenses (\$537,484), and culture and recreation expenses (\$232,786).

Business-type activities – Business-type activities decreased the City's net position by \$404,039.

The Municipal Airport revenues of \$520,750 provided 56% of total revenues for business-type activities for 2013 while current year expenses of \$612,016 were 47% of total expenses. Municipal Airport depreciation expense for 2013 was \$296,751.

Aquatic Center revenues of \$170,762 provided 18% of total revenues of business-type activities while current year expenses of \$403,965 were 31% of total expenses. Aquatic Center depreciation expense for 2013 was \$152,303.

CITY OF SPRINGDALE, ARKANSAS
Management's Discussion and Analysis (cont.)
December 31, 2013

City of Springdale
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues						
Fees, fines and charges for services	\$ 4,881,062	\$ 4,720,764	\$ 731,651	\$ 789,510	\$ 5,612,713	\$ 5,510,274
Operating grants and contributions	9,868,682	8,875,793	-	34,321	9,868,682	8,910,114
Capital grants and contributions	8,145,524	5,964,787	159,179	434,691	8,304,703	6,399,478
Total program revenues	<u>22,895,268</u>	<u>19,561,344</u>	<u>890,830</u>	<u>1,258,522</u>	<u>23,786,098</u>	<u>20,819,866</u>
General revenues						
Sales tax	32,003,771	31,334,090	26,921	24,233	32,030,692	31,358,323
Ad valorem tax	5,683,201	5,780,842	-	-	5,683,201	5,780,842
Franchise tax	3,645,437	3,405,688	-	-	3,645,437	3,405,688
Hotel/motel tax	337,552	313,045	-	-	337,552	313,045
Investment earnings (losses)	(1,393,092)	532,620	2,599	4,225	(1,390,493)	536,845
Gain (loss) on sale of assets	49,626	(26,147)	5,000	369	54,626	(25,778)
Loss on bond refunding	(476,258)	(32,288)	-	-	(476,258)	(32,288)
Total general revenues	<u>39,850,237</u>	<u>41,307,850</u>	<u>34,520</u>	<u>28,827</u>	<u>39,884,757</u>	<u>41,336,677</u>
Total revenues	<u>62,745,505</u>	<u>60,869,194</u>	<u>925,350</u>	<u>1,287,349</u>	<u>63,670,855</u>	<u>62,156,543</u>
Expenses						
General government	6,250,185	5,712,701	-	-	6,250,185	5,712,701
Community development	1,666,684	1,531,447	-	-	1,666,684	1,531,447
Culture and recreation	6,318,264	6,085,478	-	-	6,318,264	6,085,478
Economic development	500,506	313,976	-	-	500,506	313,976
Public safety	27,251,085	25,522,340	-	-	27,251,085	25,522,340
Public works	12,015,574	11,995,857	-	-	12,015,574	11,995,857
Interest on long-term debt	4,359,648	4,329,902	-	-	4,359,648	4,329,902
Municipal airport	-	-	612,016	606,692	612,016	606,692
Aquatic center	-	-	403,965	397,758	403,965	397,758
Parks soccer program	-	-	147,840	115,860	147,840	115,860
Sanitation	-	-	142,829	127,365	142,829	127,365
City attorney restitution	-	-	7,739	1,735	7,739	1,735
Total expenses	<u>58,361,946</u>	<u>55,491,701</u>	<u>1,314,389</u>	<u>1,249,410</u>	<u>59,676,335</u>	<u>56,741,111</u>
Increase (decrease) in net position before transfers	4,383,559	5,377,493	(389,039)	37,939	3,994,520	5,415,432
Transfers	15,000	(238,805)	(15,000)	162,805	-	(76,000)
Increase (decrease) in net position	<u>4,398,559</u>	<u>5,138,688</u>	<u>(404,039)</u>	<u>200,744</u>	<u>3,994,520</u>	<u>5,339,432</u>
Net position - January 1	<u>214,454,446</u>	<u>209,315,758</u>	<u>8,183,580</u>	<u>7,982,836</u>	<u>222,638,026</u>	<u>217,298,594</u>
Net position - December 31	<u>\$ 218,853,005</u>	<u>\$ 214,454,446</u>	<u>\$ 7,779,541</u>	<u>\$ 8,183,580</u>	<u>\$ 226,632,546</u>	<u>\$ 222,638,026</u>

CITY OF SPRINGDALE, ARKANSAS
Management's Discussion and Analysis (cont.)
December 31, 2013

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, 2013, the City's governmental funds combined fund balances were \$96,646,082, which reflects a decrease of \$18,370,225 from the prior year end. The decrease is due primarily to capital expenditures in the Sales and Use Tax and 2012 Street Improvement Construction Funds. Of this amount, \$3,399,499 is nonspendable, \$65,232,939 represents fund balances restricted for capital projects, debt service, and other purposes, \$9,948,637 is committed for capital projects, and \$12,308,290 is assigned for specific uses by fund type. The remainder of the balance, \$5,756,717, 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, 2013, the total fund balance of the General Fund was \$6,835,149 of which \$5,756,717 (84%) was unassigned. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balances and total fund balances to total fund expenditures, including transfers out. Unassigned fund balance represents approximately 17% of the total General Fund expenditures for 2013, including transfers out, while total fund balance represents 20% of that same amount.

During the 2013 fiscal year, the fund balance of the General Fund decreased by \$765,869. Key factors in the 2013 decrease are as follows:

- Total revenues for 2013, including transfers, increased by \$1,257,646 or 4%. The main reasons for the increase were due to increases in taxes (\$517,749 or 3%), miscellaneous revenues (\$481,897 or 160%), and intergovernmental revenues (\$216,294 or 6%).
- The increase in revenues was offset by an increase in total expenditures, including transfers, between years of \$2,331,237 or 7%. The main reason for the increase was due to an increase in personnel costs (\$3,572,289 or 16%), offset by a decrease in expenditures for economic development (\$194,050 or 48%).

The Street Fund is a special revenue fund that is presented as a major fund, and accounts for 1% of the total governmental fund balances. Revenues include property taxes dedicated to streets, bridges and associated drainage, as well as gasoline tax turnback from the state. The fund balance of the Street Fund decreased \$48,855 between years.

CITY OF SPRINGDALE, ARKANSAS
Management's Discussion and Analysis (cont.)
December 31, 2013

The Sales and Use Tax Fund is a capital projects fund that is presented as a major fund and accounts for 18% 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 2012, a one percent (1%) local sales tax was pledged for debt service for the Sales and Use Tax Bonds, Series 2012. The fund balance decreased by \$6,725,203 between 2012 and 2013, due in part to a decrease in revenues as \$4,370,484 of local sales taxes went to debt service for the 2012 Series Bonds. Capital expenditures increased by \$2,758,194 between years.

The 2012 Street and Parks Improvements Construction Funds are capital projects funds that are presented as major funds, and together account for 47% of the total governmental fund balances. These funds account for capital projects approved by voters that include new street construction and improvements to existing streets, as well as the construction of two new city parks and improvements to existing parks. For 2013, revenues included \$3,382,276 in federal grants for the Don Tyson Parkway/I49 Interchange project, and capital expenditures for both funds totaled \$9,717,738.

The 2006 Bonds Debt Service Fund provided less than 1% of the total governmental fund balances at December 31, 2013. Revenues for 2013 for this fund included the one percent (1%) local sales tax pledged to debt service. During 2013, the City used tax receipts to call and redeem \$6,040,000 in bonds. The City used bond proceeds from the City of Springdale, Arkansas Sales and Use Tax Refunding Bonds, Series 2013 and debt service reserve funds to call and redeem the remaining outstanding 2006 Series bonds in the amount of \$88,575,000. This fund was effectively closed as of the end of 2013.

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, 2013, the net position of the Municipal Airport Fund was \$5,716,088 and the net position of the Aquatic Center Fund was \$1,744,449. These two funds account for 96% 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 \$31,318,762 (total revenues plus other financing sources) compared to the original budget total of \$31,133,610. Final amended appropriations (total expenditures plus transfers out) were \$33,049,487 as compared to the original budget total of \$31,991,860. The net increase in appropriations of \$1,057,627 is summarized briefly as follows:

- \$26,000 appropriation for a new generator for the John Powell Senior Center.
- \$13,810 appropriation for power lifts to assist disabled citizens in accessing the pool at the Aquatic Center.
- \$270,825 increase in appropriations for replacement vehicles for the administration, buildings and police departments.

CITY OF SPRINGDALE, ARKANSAS
Management's Discussion and Analysis (cont.)
December 31, 2013

- \$13,690 increase in appropriations for the City Attorney's office to change a part-time position to a full time position.
- \$58,910 for Fire Department equipment funded by a \$58,000 state grant.
- \$45,802 appropriation for a new police department vehicle and equipment, to be paid with unclaimed seized funds and insurance recoveries.
- \$9,000 increase in appropriations for increased staffing at the Youth Center.
- \$390,000 appropriation for the purchase of two new ambulances for the Fire Department, to be paid for with funds on hand in the Ambulance Equipment Replacement Fund.
- \$104,300 increase in appropriations for operational supplies and equipment for the Police Department, partially funded with unclaimed seized funds and federal drug seizures/forfeiture funds.
- \$116,000 increase in appropriations for replacement and upgrade of Fire Department fire hoses, nozzles, respirators and other equipment, to be paid from funds on hand in the Fire Act 833 Fund.
- \$12,500 increase in appropriations for professional grant writing services for the Parks and Recreation Department.
- \$3,800 decrease in appropriations when the Engineering Department was split out from the Planning and Community Development Department.

Total actual revenue received for the General Fund, including other financing sources, was \$32,881,420 and was \$1,562,658, or 5% more than final budget estimates. The positive budget variance was due primarily to increases in franchise taxes of \$144,437, building permits of \$125,336, federal and state grants of \$584,233, state insurance turnback of \$170,600, other intergovernmental revenues of \$103,870, other miscellaneous revenues of \$527,666, and city and county revenues of \$82,420. These increases were offset by decreases in county sales taxes of \$121,719, ambulance fees of \$88,675, and transfers in of \$93,950.

General fund actual expenditures, including transfers out, of \$33,647,289 were 102% of the final amended budgeted expenditures. Actual expenditures were higher due to general government expenditures being \$411,117 higher than budget, public safety actual expenditures being \$260,311 higher than budget, and culture and recreation expenditures being \$916 higher than budget. These increases were offset by planning and community development actual expenditures being \$69,312 less than budget, and transfers out being \$5,230 less than budget.

CITY OF SPRINGDALE, ARKANSAS
Management's Discussion and Analysis (cont.)
December 31, 2013

The budget and actual comparison schedules are located on pages 75 through 79.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for governmental and business-type activities as of December 31, 2013 amounted to \$296,133,594, net of accumulated depreciation. The increase in capital assets related to governmental activities was \$12,303,115 (4%). The City's investment in capital assets related to business-type activities decreased by \$227,929 (3%).

Major capital asset events during 2013 included the following:

- Land and easement additions totaled \$1,195,547, including \$70,682 in donated easements.
- Construction in progress increased \$16,054,718. Of this amount, \$7,590,942 was for the Don Tyson Parkway-I49 Interchange, and \$5,034,918 was for Johnson Road improvements.
- Infrastructure and land improvements transferred from construction in progress totaled \$6,067,062.
- Buildings and other improvements additions were \$1,245,379.
- Vehicles and equipment additions were \$2,741,333.
- Depreciation expense totaled \$12,241,782.

Additional information on the City's capital assets is located in Note 4 on pages 48 through 51 of this report.

City of Springdale
Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land & easements	\$ 57,072,514	\$ 55,876,967	\$ 2,788,631	\$ 2,788,631	\$ 59,861,145	\$ 58,665,598
Land improvements	7,270,095	7,282,676	1,838,910	2,062,108	9,109,005	9,344,784
Buildings & improvements	45,856,834	46,422,489	2,020,834	2,185,656	47,877,668	48,608,145
Construction in progress	29,948,761	13,894,043	217,539	17,332	30,166,300	13,911,375
Infrastructure	135,965,136	140,497,576	-	-	135,965,136	140,497,576
Machinery & equipment	12,515,514	12,312,002	491,412	531,528	13,006,926	12,843,530
Intangibles	147,414	187,400	-	-	147,414	187,400
Total	\$ 288,776,268	\$ 276,473,153	\$ 7,357,326	\$ 7,585,255	\$ 296,133,594	\$ 284,058,408

CITY OF SPRINGDALE, ARKANSAS
Management's Discussion and Analysis (cont.)
December 31, 2013

Long-term debt. At December 31, 2013, the City had \$148,705,000 of long-term bonds outstanding, secured solely by City sales and use taxes. The City's total bonded debt decreased by \$12,185,000. In October 2013, the City issued \$84,200,000 in sales and use tax bonds to refund the Series 2006 Sales and Use Tax Refunding and Improvement Bonds. The increase was offset by the call and maturity of outstanding sales and use tax bonds that totaled \$96,385,000. The following table details the breakdown of this debt.

City of Springdale, Arkansas
Long-Term Debt

	Governmental Activities	
	2013	2012
Sales and Use Tax Refunding Bonds, Series 2013	\$ 84,200,000	\$ -
Sales and Use Tax Bonds, Series 2012	64,505,000	66,275,000
Sales and Use Tax Refunding and Improvement Bonds, Series 2006	-	94,615,000
	\$ 148,705,000	\$ 160,890,000

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

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 \$255,462,452. The City had no general obligation long-term debt, nor any short-term debt at year end.

The City's business type component unit, Springdale Water and Sewer Commission, had outstanding long-term debt of \$3,100,000 at September 30, 2013. The Commission retired \$110,000 of these bonds during the year ended September 30, 2013.

Additional information on the City's long-term debt can be found in Note 5 located on pages 51 through 56 of this report.

CITY OF SPRINGDALE, ARKANSAS
Management's Discussion and Analysis (cont.)
December 31, 2013

Economic Factors and the Next Year's Budget

According to the U.S. Bureau of Labor Statistics, in 2013 the Northwest Arkansas metro area ranked fourth in the country in terms of the annual moving average in job growth. The unemployment rate for December 2013 for the Fayetteville-Springdale-Rogers MSA was 4.9% compared to 5.1% at December 2012. The state's unemployment rate was 7.4% at December 2013, and the national unemployment rate was 6.7%. During 2013, total non-farm jobs for this MSA increased by 8,900 to end the year at 224,400.

The City's population, according to the revised 2010 census, showed that the City grew by 8,288 or 13% during the period between 2005 and 2010. The U.S. Census Bureau estimates the City's population at the end of 2013 to be 75,229, or a 6.3% increase since 2010.

The number of building permits issued for 2013 was roughly equal to 2012. Permit fees were up due to increased construction values, which were up \$26,529,000 or 40% compared to 2012.

Total revenues for the General Fund, including transfers, increased by 4% compared to the prior year. Sales and use taxes received in 2013, including city sales and use taxes transferred in, increased 3% as compared to 2012 collections. 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 2014) increased by 5% as compared to the prior year.

The City Council adopted the 2014 budget on November 27, 2013 with General Fund projected revenues and transfers of \$34,163,080 and projected expenditures and transfers of \$34,570,612. Budgeted expenditures increased by \$2,758,572, or 9% as compared to the 2013 budget, primarily due to salary increases and increased pension and health insurance costs that were factored into the budget. The overall City 2014 operating budget for all funds was \$44,168,762, and represented an increase of 8% from 2013. This increase was primarily due to personnel costs increases which were offset by capital expenditure decreases. Total personnel budget increases were \$2,060,330.

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, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 7,407,086	\$ 180,324	\$ 7,587,410	\$ 2,070,399
Investments	18,654,732	158,469	18,813,201	45,958,838
Receivables, net of allowance for uncollectibles	1,357,058	147,594	1,504,652	3,687,130
Intergovernmental receivables	10,166,700	-	10,166,700	-
Internal balances	2,520	(2,520)	-	-
Due from fiduciary funds	91,688	245	91,933	-
Inventories	-	-	-	649,931
Prepaid assets	-	-	-	64,660
Note receivable	166,000	-	166,000	-
Assets held for resale	2,064,564	-	2,064,564	-
Restricted assets:				
Cash and cash equivalents	37,308,904	-	37,308,904	51,412
Investments	24,097,336	-	24,097,336	1,625,285
Interest receivable	46,463	-	46,463	-
Intergovernmental receivables	4,915,507	-	4,915,507	-
Capital assets:				
Nondepreciable	87,526,202	3,006,170	90,532,372	14,879,346
Depreciable, net of accumulated depreciation	201,250,066	4,351,156	205,601,222	186,055,474
Total Assets	395,054,826	7,841,438	402,896,264	255,042,475
Liabilities				
Accounts payable and accrued expenses	3,821,478	47,252	3,868,730	3,666,803
Due to fiduciary funds	45,755	-	45,755	-
Accrued interest payable	1,174,203	-	1,174,203	12,985
Customer deposits	322,883	-	322,883	1,625,285
Unearned revenue	52,550	8,753	61,303	-
Noncurrent liabilities:				
Due within one year	4,612	-	4,612	-
Current portion of long-term debt	5,380,000	-	5,380,000	175,000
Due in more than one year	165,400,340	5,892	165,406,232	2,925,000
Total Liabilities	176,201,821	61,897	176,263,718	8,405,073
Net Position				
Net investment in capital assets	187,164,896	7,357,326	194,522,222	197,834,820
Restricted for:				
Capital projects	4,720,817	-	4,720,817	-
Debt service	8,567,079	-	8,567,079	51,412
Other	4,212,173	-	4,212,173	-
Unrestricted	14,188,040	422,215	14,610,255	48,751,170
Total Net Position	\$ 218,853,005	\$ 7,779,541	\$ 226,632,546	\$ 246,637,402

The accompanying notes are an integral part of these financial statements

CITY OF SPRINGDALE, ARKANSAS
Statement of Activities
Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			Component Unit
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	
Primary government:								
Governmental activities								
General government								
Administration	\$ 3,894,342	\$ 376,923	\$ 1,507,047	\$ 68,100	\$ (1,942,272)	\$ -	\$ (1,942,272)	\$ -
City Attorney	663,926	25,574	-	-	(638,352)	-	(638,352)	-
Information technology	776,286	-	-	-	(776,286)	-	(776,286)	-
District Court	844,887	162,083	91,760	-	(591,044)	-	(591,044)	-
Bluff Cemetery	70,744	29,575	-	-	(41,169)	-	(41,169)	-
Capital projects	-	510	-	7,541,039	7,541,549	-	7,541,549	-
Community development								
Planning	408,507	30,853	-	350,000	(27,654)	-	(27,654)	-
Engineering	410,989	-	-	-	(410,989)	-	(410,989)	-
Community development and housing	847,188	53,156	805,440	-	11,408	-	11,408	-
Culture and recreation								
Parks and recreation	3,495,315	589,338	12,557	-	(2,893,420)	-	(2,893,420)	-
Public Library	2,088,083	96,356	1,181,175	-	(810,552)	-	(810,552)	-
Shiloh Museum	734,866	106,627	195,668	18,971	(413,600)	-	(413,600)	-
Economic development	500,506	54,750	-	-	(445,756)	-	(445,756)	-
Public safety								
Animal services	664,590	75,638	9,939	-	(579,013)	-	(579,013)	-
Building inspection and code enforcement	827,898	487,426	-	-	(340,472)	-	(340,472)	-
Fire	11,807,733	1,429,070	856,946	58,762	(9,462,955)	-	(9,462,955)	-
Police	13,950,864	1,254,619	1,491,836	37,970	(11,166,439)	-	(11,166,439)	-
Public works	12,015,574	108,564	3,716,314	70,682	(8,120,014)	-	(8,120,014)	-
Debt service								
Interest on long-term debt	4,359,648	-	-	-	(4,359,648)	-	(4,359,648)	-
Total government activities	<u>58,361,946</u>	<u>4,881,062</u>	<u>9,868,682</u>	<u>8,145,524</u>	<u>(35,466,678)</u>	<u>-</u>	<u>(35,466,678)</u>	<u>-</u>
Business type activities								
Municipal airport	612,016	328,864	-	159,179	-	(123,973)	(123,973)	-
Aquatic Center	403,965	169,545	-	-	-	(234,420)	(234,420)	-
Parks soccer program	147,840	98,364	-	-	-	(49,476)	(49,476)	-
Sanitation	142,829	114,733	-	-	-	(28,096)	(28,096)	-
City attorney restitution	7,739	20,145	-	-	-	12,406	12,406	-
Total business-type activities	<u>1,314,389</u>	<u>731,651</u>	<u>-</u>	<u>159,179</u>	<u>-</u>	<u>(423,559)</u>	<u>(423,559)</u>	<u>-</u>
Total primary government	<u>\$ 59,676,335</u>	<u>\$ 5,612,713</u>	<u>\$ 9,868,682</u>	<u>\$ 8,304,703</u>	<u>(35,466,678)</u>	<u>(423,559)</u>	<u>(35,890,237)</u>	<u>-</u>
Component unit:								
Springdale Water and Sewer Commission	<u>\$ 23,068,039</u>	<u>\$ 25,617,618</u>	<u>\$ -</u>	<u>\$ 3,220,585</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,770,164</u>
General revenues:								
Sales tax					32,003,771	26,921	32,030,692	-
Ad valorem tax					5,683,201	-	5,683,201	-
Franchise tax					3,645,437	-	3,645,437	-
Hotel/motel tax					337,552	-	337,552	-
Unrestricted investment earnings (losses)					(1,393,092)	2,599	(1,390,493)	170,252
Gain on sale/disposal of assets					49,626	5,000	54,626	35,066
Loss on bond refunding					(476,258)	-	(476,258)	-
Transfers					15,000	(15,000)	-	-
Total general revenues and transfers					<u>39,865,237</u>	<u>19,520</u>	<u>39,884,757</u>	<u>205,318</u>
Change in net position					4,398,559	(404,039)	3,994,520	5,975,482
Net position beginning of year					<u>214,454,446</u>	<u>8,183,580</u>	<u>222,638,026</u>	<u>240,661,920</u>
Net position end of year					<u>\$ 218,853,005</u>	<u>\$ 7,779,541</u>	<u>\$ 226,632,546</u>	<u>\$ 246,637,402</u>

The accompanying notes are an integral part of these financial statements

CITY OF SPRINGDALE, ARKANSAS
Balance Sheet – Governmental Funds
December 31, 2013

<u>Assets</u>	General <u>Fund</u>	Street <u>Fund</u>	Sales and Use Tax <u>Fund</u>	2012 Street Improvement Construction <u>Fund</u>
Cash and cash equivalents	\$ 3,392,258	\$ 933,929	\$ 946,142	\$ -
Investments	1,016,347	216,803	15,301,274	-
Accounts receivable, net	1,226,916	4,570	-	-
Interest receivable	3,396	863	78,367	-
Intergovernmental receivables, net	6,990,616	1,311,379	1,841,194	-
Note receivable	-	-	-	-
Due from other funds	931,327	220	751,146	-
Assets held for resale	-	-	-	-
Restricted assets:				
Cash and cash equivalents	-	-	-	19,863,502
Investments	-	-	-	11,547,892
Interest receivable	-	-	-	26,443
Intergovernmental receivables	-	-	-	2,541,783
Due from other funds	-	-	-	-
Total Assets	\$ <u>13,560,860</u>	\$ <u>2,467,764</u>	\$ <u>18,918,123</u>	\$ <u>33,979,620</u>
Liabilities				
Accounts payable	\$ 348,816	\$ 60,863	\$ 573,095	\$ -
Salaries payable	1,044,239	88,120	-	-
Payable from restricted assets:				
Accounts payable	-	-	-	1,421,712
Accrued interest	-	-	-	-
Due to other funds	-	-	-	-
Due to other funds	505,707	197,122	850,040	-
Developer bonds payable	305,195	-	-	-
Other liabilities	-	17,688	-	-
Unearned revenue	-	-	-	-
Total Liabilities	<u>2,203,957</u>	<u>363,793</u>	<u>1,423,135</u>	<u>1,421,712</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	<u>4,521,754</u>	<u>854,379</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable				
Assets held for resale	-	-	-	-
Cemetery perpetual care	-	-	-	-
Endowments	-	-	-	-
Long-term notes receivable	-	-	-	-
Restricted				
Court automation	-	-	-	-
Debt service	-	-	-	-
Grants	-	-	-	-
Public safety expenditures	544,902	-	-	-
Recreation and culture	39,800	-	-	-
Capital projects	-	-	823,988	32,557,908
Committed				
Public safety	171,595	-	-	-
Capital projects	-	-	9,777,042	-
Assigned				
General fund	322,135	-	-	-
Special revenue funds	-	1,249,592	-	-
Capital project funds	-	-	6,893,958	-
Permanent funds	-	-	-	-
Unassigned	<u>5,756,717</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>6,835,149</u>	<u>1,249,592</u>	<u>17,494,988</u>	<u>32,557,908</u>
Total Liabilities, Deferred Inflows and Fund Balances	\$ <u>13,560,860</u>	\$ <u>2,467,764</u>	\$ <u>18,918,123</u>	\$ <u>33,979,620</u>

2012 Parks Improvements Construction Fund	2006 Bonds Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 2,134,757	\$ 7,407,086
-	-	2,120,308	18,654,732
510	-	28,181	1,260,177
-	-	14,255	96,881
-	-	23,511	10,166,700
-	-	166,000	166,000
-	-	16,827	1,699,520
-	-	2,064,564	2,064,564
5,884,856	23	11,560,523	37,308,904
6,857,926	-	5,691,518	24,097,336
15,993	-	4,027	46,463
-	-	2,373,724	4,915,507
1,508	-	-	1,508
<u>\$ 12,760,793</u>	<u>\$ 23</u>	<u>\$ 26,198,195</u>	<u>\$ 107,885,378</u>
\$ -	\$ -	\$ 99,834	\$ 1,082,608
-	-	74,746	1,207,105
-	-	114,665	1,536,377
-	-	9,065	9,065
-	-	92,294	92,294
-	-	7,412	1,560,281
-	-	-	305,195
-	-	-	17,688
-	-	52,550	52,550
<u>-</u>	<u>-</u>	<u>450,566</u>	<u>5,863,163</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>5,376,133</u>
-	-	2,064,564	2,064,564
-	-	32,720	32,720
-	-	1,136,215	1,136,215
-	-	166,000	166,000
-	-	224,090	224,090
-	23	9,732,194	9,732,217
-	-	3,882	3,882
-	-	-	544,902
-	-	-	39,800
12,760,793	-	8,545,359	54,688,048
-	-	-	171,595
-	-	-	9,777,042
-	-	-	322,135
-	-	2,028,158	3,277,750
-	-	942,676	7,836,634
-	-	871,771	871,771
-	-	-	5,756,717
<u>12,760,793</u>	<u>23</u>	<u>25,747,629</u>	<u>96,646,082</u>
<u>\$ 12,760,793</u>	<u>\$ 23</u>	<u>\$ 26,198,195</u>	<u>\$ 107,885,378</u>

The accompanying notes are an integral part of these financial statements

CITY OF SPRINGDALE, ARKANSAS
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
December 31, 2013

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

Total fund balances – governmental funds		\$ 96,646,082
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 30,151,478	
Easements	26,921,036	
Land improvements and infrastructure	210,498,520	
Buildings and improvements	61,676,331	
Machinery and equipment	35,023,851	
Intangibles	1,097,782	
Less accumulated depreciation	<u>(106,541,491)</u>	
	258,827,507	
Construction in progress	<u>29,948,761</u>	288,776,268

Some revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year end and are not considered available. On the accrual basis, those revenues are recognized regardless of when they are collected.

5,376,133

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

Sales tax bonds payable, net	156,126,155	
Accrued interest payable	1,165,138	
Compensated absences	1,706,068	
OPEB liabilities	2,111,287	
Net pension obligation	<u>10,836,830</u>	<u>(171,945,478)</u>

Total net position of governmental funds		<u><u>\$ 218,853,005</u></u>
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CITY OF SPRINGDALE, ARKANSAS
Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
Year Ended December 31, 2013

	General Fund	Street Fund	Sales and Use Tax Fund	2012 Street Improvement Construction Fund
Revenues				
Taxes	\$ 19,402,236	\$ 874,652	\$ 6,061,570	\$ -
Fees and permits	689,653	4,670	-	-
Intergovernmental	3,906,310	3,713,564	3,971,482	3,382,276
Charges for goods and services	1,858,006	19,573	-	-
Fines and forfeitures	985,861	-	-	-
Investment earnings (losses)	(48,007)	(23,658)	(1,249,332)	36,884
Miscellaneous	782,253	86,373	147,281	-
Total Revenues	<u>27,576,312</u>	<u>4,675,174</u>	<u>8,931,001</u>	<u>3,419,160</u>
Expenditures				
Current				
General government	3,889,357	-	-	-
Community development	815,258	-	-	-
Culture and recreation	2,169,843	-	-	-
Economic development	-	-	-	-
Public safety	24,279,990	-	-	-
Public works	-	3,770,023	-	-
Capital expenditures	1,067,161	1,071,188	11,623,339	9,140,593
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issue costs	-	-	-	-
Other fees	-	-	-	-
Agent fees	-	-	-	-
Total Expenditures	<u>32,221,609</u>	<u>4,841,211</u>	<u>11,623,339</u>	<u>9,140,593</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,645,297)</u>	<u>(166,037)</u>	<u>(2,692,338)</u>	<u>(5,721,433)</u>
Other Financing Sources (Uses)				
Transfers in	5,211,050	287,160	1,163,185	-
Transfers out	(1,425,680)	(197,122)	(5,196,050)	-
Proceeds from issuance of bonds	-	-	-	-
Premium on bonds sold	-	-	-	-
Payment to refunded bonds escrow agent	-	-	-	-
Proceeds from sale of capital assets	32,187	26,446	-	-
Insurance recoveries	61,871	698	-	-
Total Other Financing Sources (Uses)	<u>3,879,428</u>	<u>117,182</u>	<u>(4,032,865)</u>	<u>-</u>
Net Changes in Fund Balances	(765,869)	(48,855)	(6,725,203)	(5,721,433)
Fund Balances - Beginning of Year	<u>7,601,018</u>	<u>1,298,447</u>	<u>24,220,191</u>	<u>38,279,341</u>
Fund Balances - End of Year	<u>\$ 6,835,149</u>	<u>\$ 1,249,592</u>	<u>\$ 17,494,988</u>	<u>\$ 32,557,908</u>

2012 Parks Improvements Construction <u>Fund</u>	2006 Bonds Debt Service <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
\$ -	\$ 6,093,377	\$ 9,112,149	\$ 41,543,984
-	-	185,700	880,023
-	-	2,031,373	17,005,005
-	-	418,536	2,296,115
-	-	68,341	1,054,202
14,094	19,301	(73,321)	(1,324,039)
510	-	366,866	1,383,283
<u>14,604</u>	<u>6,112,678</u>	<u>12,109,644</u>	<u>62,838,573</u>
-	-	925,273	4,814,630
-	-	865,707	1,680,965
-	-	2,098,683	4,268,526
-	-	500,506	500,506
-	-	-	24,279,990
-	-	-	3,770,023
577,145	-	788,306	24,267,732
-	9,634,753	1,770,000	11,404,753
-	5,331,400	2,054,884	7,386,284
-	-	1,039,041	1,039,041
-	4,600	-	4,600
-	13,500	8,250	21,750
<u>577,145</u>	<u>14,984,253</u>	<u>10,050,650</u>	<u>83,438,800</u>
<u>(562,541)</u>	<u>(8,871,575)</u>	<u>2,058,994</u>	<u>(20,600,227)</u>
-	-	1,237,465	7,898,860
-	(98,945)	(966,063)	(7,883,860)
-	84,200,000	-	84,200,000
-	780,247	2,093,800	2,874,047
-	(84,980,247)	-	(84,980,247)
-	-	-	58,633
-	-	-	62,569
<u>-</u>	<u>(98,945)</u>	<u>2,365,202</u>	<u>2,230,002</u>
(562,541)	(8,970,520)	4,424,196	(18,370,225)
<u>13,323,334</u>	<u>8,970,543</u>	<u>21,323,433</u>	<u>115,016,307</u>
<u>\$ 12,760,793</u>	<u>\$ 23</u>	<u>\$ 25,747,629</u>	<u>\$ 96,646,082</u>

The accompanying notes are an integral part of these financial statements

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, 2013

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

Net change in fund balances – total governmental funds \$ (18,370,225)

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. This is the amount by which capital outlays exceed depreciation expense in the current period

Capital outlay	\$ 23,909,560	
Donated capital	168,753	
Depreciation expense	<u>(11,766,191)</u>	12,312,122

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donated assets) is to decrease net position. (9,007)

Revenues that do not provide current financial resources, such as ad valorem taxes, are not reported as revenues for the funds, but are reported as revenues in the statement of activities. This is the change in the amount of deferred ad valorem taxes reported in the governmental fund statements. 125,977

Expenses that do not require current financial resources, such as compensated absences, OPEB liabilities, net pension obligation, and accrued interest payable, are not reported as expenditures in the funds, but are reported as expenses in the statement of activities. (329,229)

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

Debt issued	(84,200,000)	
Premium on long-term debt	(2,874,047)	
Principal payments	11,404,753	
Payment to escrow agent for refunding	84,980,247	
Amortization of loss on bond refunding	(476,258)	
Amortization of premium on long-term debt	<u>1,834,226</u>	<u>10,668,921</u>

Changes in net position of governmental activities \$ 4,398,559

CITY OF SPRINGDALE, ARKANSAS
Statement of Net Position – Proprietary Funds
December 31, 2013

	Enterprise Funds			Total Proprietary Funds
	Municipal Airport Fund	Aquatic Center Fund	Nonmajor Enterprise Funds	
<u>Assets</u>				
Current assets				
Cash and cash equivalents	\$ 8,683	\$ 72,330	\$ 99,311	\$ 180,324
Investments	-	158,469	-	158,469
Accounts receivable, net	120,154	-	27,377	147,531
Accrued interest	-	63	-	63
Due from other funds	-	-	245	245
Total current assets	<u>128,837</u>	<u>230,862</u>	<u>126,933</u>	<u>486,632</u>
Noncurrent assets				
Capital assets				
Land	2,788,631	-	-	2,788,631
Improvements other than buildings	6,972,787	491,524	21,376	7,485,687
Buildings and system	2,365,005	2,857,962	-	5,222,967
Machinery and equipment	693,226	816,824	333,158	1,843,208
Construction in progress	217,539	-	-	217,539
Less accumulated depreciation	<u>(7,400,186)</u>	<u>(2,649,885)</u>	<u>(150,635)</u>	<u>(10,200,706)</u>
Total capital assets, net of accumulated depreciation	<u>5,637,002</u>	<u>1,516,425</u>	<u>203,899</u>	<u>7,357,326</u>
Total noncurrent assets	<u>5,637,002</u>	<u>1,516,425</u>	<u>203,899</u>	<u>7,357,326</u>
Total assets	<u>5,765,839</u>	<u>1,747,287</u>	<u>330,832</u>	<u>7,843,958</u>
<u>Liabilities</u>				
Current liabilities				
Accounts payable	36,542	1,284	1,059	38,885
Salaries payable	2,914	467	4,986	8,367
Due to other funds	-	-	2,520	2,520
Unearned revenue	8,753	-	-	8,753
Total current liabilities	<u>48,209</u>	<u>1,751</u>	<u>8,565</u>	<u>58,525</u>
Noncurrent liabilities:				
Compensated absences	1,542	1,087	3,263	5,892
Total liabilities	<u>49,751</u>	<u>2,838</u>	<u>11,828</u>	<u>64,417</u>
<u>Net Position</u>				
Net investment in capital assets	5,637,002	1,516,425	203,899	7,357,326
Unrestricted	<u>79,086</u>	<u>228,024</u>	<u>115,105</u>	<u>422,215</u>
Total net position	<u>\$ 5,716,088</u>	<u>\$ 1,744,449</u>	<u>\$ 319,004</u>	<u>\$ 7,779,541</u>

The accompanying notes are an integral part of these financial statements

CITY OF SPRINGDALE, ARKANSAS
Statement of Revenues, Expenses, and Changes in Net Position –
Proprietary Funds
Year Ended December 31, 2013

	Enterprise Funds			Total Proprietary Funds
	Municipal Airport Fund	Aquatic Center Fund	Nonmajor Enterprise Funds	
Operating Revenues				
Charges for services				
Activity fees	\$ -	\$ 168,759	\$ 98,364	\$ 267,123
Concession	-	200	-	200
Fuel flowage fees	43,216	-	-	43,216
Other service fees	-	-	133,878	133,878
Rental fees	269,838	460	-	270,298
Other revenue	15,810	126	-	15,936
Total Operating Revenues	<u>328,864</u>	<u>169,545</u>	<u>232,242</u>	<u>730,651</u>
Operating Expenses				
Personnel	78,959	151,483	174,276	404,718
Maintenance	58,401	39,794	30,867	129,062
Supplies	59,055	57,479	53,817	170,351
Other	118,850	2,906	8,551	130,307
Depreciation	296,751	152,303	30,897	479,951
Total Operating Expenses	<u>612,016</u>	<u>403,965</u>	<u>298,408</u>	<u>1,314,389</u>
Operating Income (Loss)	<u>(283,152)</u>	<u>(234,420)</u>	<u>(66,166)</u>	<u>(583,738)</u>
Nonoperating Revenues (Expenses)				
Sales taxes	26,921	-	-	26,921
Gain on sale of assets	5,000	-	-	5,000
Investment earnings	786	1,217	596	2,599
Insurance recoveries	-	-	1,000	1,000
Total Nonoperating Revenues	<u>32,707</u>	<u>1,217</u>	<u>1,596</u>	<u>35,520</u>
Income (Loss) Before Capital Grants and Contributions	<u>(250,445)</u>	<u>(233,203)</u>	<u>(64,570)</u>	<u>(548,218)</u>
Capital grants and contributions	159,179	-	-	159,179
Transfers out	-	-	(15,000)	(15,000)
Changes in Net Position	(91,266)	(233,203)	(79,570)	(404,039)
Net Position - Beginning of Year	<u>5,807,354</u>	<u>1,977,652</u>	<u>398,574</u>	<u>8,183,580</u>
Net Position - End of Year	<u>\$ 5,716,088</u>	<u>\$ 1,744,449</u>	<u>\$ 319,004</u>	<u>\$ 7,779,541</u>

The accompanying notes are an integral part of these financial statements

CITY OF SPRINGDALE, ARKANSAS
Statement of Cash Flows – Proprietary Funds
Year Ended December 31, 2013

	Enterprise Funds			Total Proprietary Funds
	Municipal Airport Fund	Aquatic Center Fund	Nonmajor Enterprise Funds	
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 104,109	\$ 169,545	\$ 229,670	\$ 503,324
Payments to suppliers	(214,354)	(99,847)	(94,653)	(408,854)
Payments to employees	(77,865)	(151,088)	(172,620)	(401,573)
Miscellaneous revenues	-	-	285	285
Net cash provided by (used in) operating activities	<u>(188,110)</u>	<u>(81,390)</u>	<u>(37,318)</u>	<u>(306,818)</u>
Cash Flows From Noncapital Financing Activities				
Sales taxes	27,272	-	-	27,272
Insurance recoveries	-	-	1,000	1,000
Transfer to other funds	-	-	(15,000)	(15,000)
Receipt (payment) of interfund balances	-	-	2,593	2,593
Net cash provided by (used in) noncapital financing activities	<u>27,272</u>	<u>-</u>	<u>(11,407)</u>	<u>15,865</u>
Cash Flows From Capital and Related Financing Activities				
Capital contributions	6,850	-	-	6,850
Capital grant receipts	263,145	-	-	263,145
Proceeds from sale of capital assets	5,000	-	-	5,000
Purchases of capital assets	(220,743)	(31,279)	-	(252,022)
Net cash provided by (used in) capital and related financing activities	<u>54,252</u>	<u>(31,279)</u>	<u>-</u>	<u>22,973</u>
Cash Flows From Investing Activities				
Proceeds from maturities of investments	-	221,000	-	221,000
Purchase of investments	-	(134,203)	-	(134,203)
Interest received	786	3,190	596	4,572
Net cash provided by (used in) investing activities	<u>786</u>	<u>89,987</u>	<u>596</u>	<u>91,369</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(105,800)	(22,682)	(48,129)	(176,611)
Cash and Cash Equivalents, January 1	114,483	95,012	147,440	356,935
Cash and Cash Equivalents, December 31	<u>\$ 8,683</u>	<u>\$ 72,330</u>	<u>\$ 99,311</u>	<u>\$ 180,324</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities				
Operating income (loss)	\$ (283,152)	\$ (234,420)	\$ (66,166)	\$ (583,738)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities				
Depreciation expense	296,751	152,303	30,897	479,951
Increase in accounts receivable	(221,512)	-	(2,287)	(223,799)
Increase (decrease) in accounts payable	21,952	332	(1,418)	20,866
Increase in salaries payable	401	55	1,648	2,104
Increase in compensated absences	693	340	8	1,041
Decrease in deferred revenue	(3,243)	-	-	(3,243)
	<u>95,042</u>	<u>153,030</u>	<u>28,848</u>	<u>276,920</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ (188,110)</u>	<u>\$ (81,390)</u>	<u>\$ (37,318)</u>	<u>\$ (306,818)</u>
Noncash Capital Financing Activities				
Change in fair value of investments	\$ -	\$ (2,569)	\$ -	\$ (2,569)

The accompanying notes are an integral part of these financial statements

CITY OF SPRINGDALE, ARKANSAS
Statement of Fiduciary Net Position – Fiduciary Funds
December 31, 2013

	<u>Firemen's Relief and Pension Fund</u>	<u>Policemen's Pension and Relief Fund</u>	<u>Agency Funds</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 1,055,598	\$ 180,007	\$ 1,341,722
Investments	7,640,396	8,107,231	-
Accounts receivable, net	531,257	538,551	1,888,712
Due from other funds	<u>18,738</u>	<u>27,745</u>	<u>81,769</u>
Total Assets	<u>9,245,989</u>	<u>8,853,534</u>	<u>\$ 3,312,203</u>
 <u>Liabilities</u>			
Accounts payable	3,692	3,486	\$ 3,137,773
Due to other funds	<u>-</u>	<u>-</u>	<u>174,430</u>
Total Liabilities	<u>3,692</u>	<u>3,486</u>	<u>\$ 3,312,203</u>
 <u>Net Position</u>			
Held in trust for pension benefits	<u>\$ 9,242,297</u>	<u>\$ 8,850,048</u>	

The accompanying notes are an integral part of these financial statements

CITY OF SPRINGDALE, ARKANSAS
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
Year Ended December 31, 2013

	<u>Firemen's Relief and Pension Fund</u>	<u>Policemen's Pension and Relief Fund</u>
Additions		
Contributions		
Taxes	\$ 503,412	\$ 503,412
Intergovernmental	138,341	121,765
Fines and court costs	-	112,470
Employer	2,712	-
Plan members	2,712	-
Total contributions	<u>647,177</u>	<u>737,647</u>
Investment income		
Investment earnings	591,443	315,123
Net increase in fair value of investments	<u>1,037,231</u>	<u>663,877</u>
Total investment earnings	1,628,674	979,000
Less investment expenses	<u>(96,253)</u>	<u>(43,576)</u>
Net investment earnings	<u>1,532,421</u>	<u>935,424</u>
Total Additions	<u>2,179,598</u>	<u>1,673,071</u>
Deductions		
Benefits payments	1,851,389	1,197,476
Miscellaneous	<u>292</u>	<u>-</u>
Total Deductions	<u>1,851,681</u>	<u>1,197,476</u>
Change in Net Position	327,917	475,595
Net Position - Beginning of Year	<u>8,914,380</u>	<u>8,374,453</u>
Net Position - End of Year	<u>\$ 9,242,297</u>	<u>\$ 8,850,048</u>

The accompanying notes are an integral part of these financial statements

CITY OF SPRINGDALE, ARKANSAS**Notes to Financial Statements****December 31, 2013****1. Summary of Significant Accounting Policies**

- a. Nature of operations** - 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 and building inspection), streets, health and social services, culture-recreation, public improvements, planning and zoning, general administrative services, bulky waste disposal, and water and waste water services. Citizens elect the Mayor and eight City Council members at large; however, the City Council members must reside in the ward they represent. The Mayor and City Council are responsible for setting City policy.

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

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

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

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

CITY OF SPRINGDALE, ARKANSAS**Notes to Financial Statements****December 31, 2013**

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

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

- d. 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, 2013. Financial statements of the Commission can be obtained from the Commission’s administrative office located at 526 Oak Avenue, Springdale Arkansas 72764.
- e. Related organizations** - The City’s Mayor and Council are also responsible for appointing members of the boards or commissions of other organizations, but the City’s accountability for those organizations does not extend beyond making the appointments. These related organizations are as follows: the Housing Authority of the City of Springdale and the Shiloh Historic District Planning Commission.
- f. Change in accounting principles** - Effective January 1, 2013, the City implemented the following new financial and accounting reporting standards issued by GASB:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. This statement modifies existing requirements under GASB Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments*, for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosures.

CITY OF SPRINGDALE, ARKANSAS**Notes to Financial Statements****December 31, 2013**

GASB Statement No. 66 – *Technical Corrections – 2012*. This statement enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. GASB 66 amends both GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

The adoption of GASB Statements No. 61 and 66 did not have a material effect on the financial statements in the current year and had no effect on previously issued financial statements.

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

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information on all of the nonfiduciary activities of the primary government and its component units. Fiduciary activities are excluded from the government-wide statements because they cannot be used to support the City's own programs.

The statement of net position presents the financial position of the governmental and business-type activities of the City and its discretely presented component unit at year end.

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

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

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

CITY OF SPRINGDALE, ARKANSAS**Notes to Financial Statements****December 31, 2013***Fund Financial Statements*

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

The City reports the following major governmental funds:

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

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

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

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

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

The **2006 Series Bonds Debt Service Fund** accounts for resources from one-half of the City's two percent (2%) local sales and use tax and payments made for long-term debt principal, interest and related costs of governmental funds debt (see also Note 5).

CITY OF SPRINGDALE, ARKANSAS**Notes to Financial Statements****December 31, 2013**

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

Capital Projects Funds – The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment, other than those financed by enterprise funds. The City's nonmajor capital projects funds are the 2006 Street Improvement Construction Fund, the 2012 Fire Improvement Construction Fund, and the Public Facilities Board Fund.

Debt Service Funds – The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The City's nonmajor debt service funds are the 2012 Bonds Debt Service Fund and the 2013 Bonds Debt Service Fund (see also Note 5).

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

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

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

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

CITY OF SPRINGDALE, ARKANSAS**Notes to Financial Statements****December 31, 2013**

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

Government-wide, Proprietary and Fiduciary Funds

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

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

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

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

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

CITY OF SPRINGDALE, ARKANSAS**Notes to Financial Statements****December 31, 2013***Government Fund Financial Statements*

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

- i. 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, Parks Activity Fund, the Sales and Use Tax Capital Projects Fund, the 2012 Bonds Debt Service Fund, the City's proprietary funds, except for the City Attorney Hot Check Fund, and the Bluff Cemetery Fund. Budgets are also adopted by the City Council for specific capital projects, which are carried forward until completed. All annual appropriations lapse at year end.

All budget amounts included in these financial statements and the accompanying supplementary information reflect the original budgets and the final amended budgets (which have been adjusted for legally authorized revisions during the year). During the year ended December 31, 2013, the City Council adopted several supplemental appropriations.

- j. Cash and cash equivalents** - Cash includes demand deposits, savings accounts, and cash on hand. In order to facilitate cash management, the operating cash of certain funds is pooled into a common bank account. For reporting purposes the City considers all investments with original maturities of ninety (90) days or less at the date of purchase as cash equivalents.
- k. Investments and investment income** - All investments are carried at fair value. Fair value is determined using quoted market prices. Income earned on investments is recorded in the funds in which the investments are recorded. Investment income includes interest, dividends, and the net change for the year in the fair value of investments carried at fair value.

CITY OF SPRINGDALE, ARKANSAS

Notes to Financial Statements

December 31, 2013

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

- l. Accounts receivable** - For the primary government, ambulance fees, property tax receivables and airport hangar rent are shown net of an allowance for uncollectibles. The Commission estimates the accounts receivable at September 30, 2013 to be materially collectible; therefore no allowance has been recorded.
- m. Inventories** - Inventories consist primarily of waterline and sewer materials used in the customary operations of the Commission. All inventories are stated at cost, as determined using the historical average method of accounting. The costs of governmental fund type inventories are recorded as expenditures when purchased.
- n. Prepaid items** – Prepaid balances are for payments made by the City in the current year to provide for goods or services occurring in the subsequent fiscal year.
- o. Restricted assets** – Certain assets are classified as restricted on the statement of net position because their use is subject to external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

The balance of the restricted assets accounts in the Primary Government as of December 31, 2013 is as follows:

Cash and cash equivalents	\$	37,308,904
Investments		24,097,336
Interest receivable		46,463
Intergovernmental receivables		4,915,507
Total restricted assets - governmental activities	\$	66,368,210

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

CITY OF SPRINGDALE, ARKANSAS

Notes to Financial Statements

December 31, 2013

The balance of the Commission's restricted assets as of September 30, 2013 is as follows:

Cash - Lowell Sewer expansion Fund	\$	21,161
Cash - Series 2006 Bond Fund		30,251
Investments - certificates of deposit - customer deposits		<u>1,625,285</u>
Total restricted assets - component unit	\$	<u><u>1,676,697</u></u>

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

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

<u>Capital Assets</u>	<u>Years</u>
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**Notes to Financial Statements****December 31, 2013**

- q. Deferred outflows of resources** – In addition to assets, the statement of net position includes a separate section for deferred outflows of resources, which represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has no types of items that qualify for reporting in this category.
- r. 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.
- s. Compensated absences** - The City allows employees to accumulate earned, but unused vacation and sick leave. Upon termination, any accumulated unused vacation will be paid to the employees. Accumulated, but unused sick leave is paid to employees upon retirement, up to a maximum of 60 days, provided that the payment does not exceed three months' salary.

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. The Commission accrues a liability for compensated absences as incurred.

- t. Long-term obligations** - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in governmental activities and component units. These amounts are also reported as liabilities in the fund financial statements for proprietary funds. In governmental funds, long-term liabilities are only recorded to the extent that they are due and payable. Bond premiums and discounts are deferred and amortized over the life of the related debt using the effective interest method. For the City's component unit, the straight-line method is used. Long-term debt is reported net of the applicable bond premium or discount.

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

CITY OF SPRINGDALE, ARKANSAS**Notes to Financial Statements****December 31, 2013**

- u. Deferred inflows of resources** – In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources, which represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, *unavailable revenue*, which arises under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is only reported in the 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.
- v. Net position/fund balance** – Net position represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources in the government-wide and proprietary fund statements. Net position is classified in three components. Net investment in capital assets, consists of capital assets net of accumulated depreciation, and reduced by the outstanding balances of any debt attributable to the acquisition, construction, or improvement of these assets. Restricted net position is the amount that is restricted for a particular purpose by creditors, grantors, or contributors external to the City, or by laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation. 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, 2013, restricted net position of \$768,992 was restricted by enabling legislation. Unrestricted net position is the net position that does not meet the above definitions of “net investment in capital assets” or “restricted net position.”

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

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

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The Mayor or his designee may assign fund balance. The 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.

CITY OF SPRINGDALE, ARKANSAS**Notes to Financial Statements****December 31, 2013**

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

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

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

- x. **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 2013.
- y. **Estimates** - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from these estimates.

CITY OF SPRINGDALE, ARKANSAS
Notes to Financial Statements
December 31, 2013

2. Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City and its component units' (except as noted below) deposit policies for custodial credit risk require compliance with the provisions of state law, which requires collateralization of all deposits in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). These deposits are required to be collateralized with bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Arkansas. The Foundation is not required to follow state law regarding collateralization of deposits, and does not have a deposit policy for custodial credit risk. At December 31, 2013, the City's bank balances were not exposed to custodial credit risk, with the exception of the Public Facilities Board Fund. At December 31, 2013, \$450,694 of the PFB's total bank balances of \$942,477 were uninsured and uncollateralized. Also, at September 30, 2013, none of the Commission's bank balances were exposed to custodial credit risk.

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

The bank balances and carrying amount of the City's deposits held as of December 31, 2013 (September 30, 2013 for the Commission), were as follows:

	<u>Primary Government</u>	<u>Discrete Component Unit</u>
Carrying value of deposits	\$ <u>24,709,180</u>	\$ <u>49,704,334</u>
Bank balance of deposits	\$ <u>25,086,161</u>	\$ <u>49,719,302</u>

CITY OF SPRINGDALE, ARKANSAS

Notes to Financial Statements

December 31, 2013

Investments

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

At December 31, 2013, 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	\$ 607,034	\$ 267,153	\$ 321,690	\$ -	\$ 18,191
U.S. agencies obligations	28,713,463	6,584,537	7,940,991	8,519,264	5,668,671
Municipal bonds	510,395	201,340	309,055	-	-
Corporate bonds	2,125,244	112,760	1,218,272	605,600	188,612
Certificates of deposit	13,360,866	4,554,124	8,806,742	-	-
Money market funds	36,122,927	36,122,927	-	-	-
	81,439,929	\$ 47,842,841	\$ 18,596,750	\$ 9,124,864	\$ 5,875,474
Corporate stock	11,747,440				
Investment pools	1,196,015				
Other	397,707				
Total Investments	\$ 94,781,091				

CITY OF SPRINGDALE, ARKANSAS**Notes to Financial Statements****December 31, 2013**

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

The pension funds investment policies address interest rate risk by managing asset allocation. The 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%.

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

The Firemen's Fund policy is that common stock must carry an investment grade of medium or A or better; and fixed income securities must be investment grade or better. Investments in corporate bonds ranged between A and BAA, and government treasury and agencies were ranked AAA and AA, respectively, by Moody's at December 31, 2013. The Firemen's Fund held \$659,198 in corporate bonds at year end, with \$236,579 rated A, \$34,853 rated BA, and \$387,766 rated BAA. Government agencies held at year end totaled \$81,496, and U.S. Treasury bonds held at year end were \$66,613.

The Policemen's Fund policy is for plan assets to be invested in investment grade bonds rated BBB or better; no less than 85% of corporate bonds and commercial paper investments be A rated or higher; and no more than 15% of securities may be invested in corporate bonds with a rating of BAA or less. Fixed income securities totaled \$2,853,203 at year end. Ratings for corporate bonds held ranged from AAA to BBB, and government treasuries and agencies were ranked AAA by Moody's and Standard & Poor's. The Policemen's Fund held \$1,545,669 in corporate bonds at year end, with \$282,627 ranked AAA, \$169,315 ranked AA, \$818,577 ranked A, or 82% of total corporate bonds. The Policemen's Fund held \$118,268, or 8% ranked BA, and \$156,882, or 10% ranked BBB. U.S. government treasuries and agencies held at year end totaled \$1,307,534.

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

CITY OF SPRINGDALE, ARKANSAS

Notes to Financial Statements

December 31, 2013

- d. 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:

	<u>Primary Government</u>	<u>Component Unit</u>
Reported amount of deposits	\$ 24,709,180	\$ 49,704,334
Cash on hand	2,400	1,600
Investments classified as cash equivalents	36,122,927	(47,584,123)
Deposits classified as investments	(13,360,866)	-
	<u>\$ 47,473,641</u>	<u>\$ 2,121,811</u>
As reported on the government-wide statement of net position		
Cash and cash equivalents	\$ 7,587,410	\$ 2,070,399
Restricted cash and cash equivalents	37,308,904	51,412
	<u>44,896,314</u>	<u>2,121,811</u>
Cash and cash equivalents reported on the statement of fiduciary net position		
	<u>2,577,327</u>	-
	<u>\$ 47,473,641</u>	<u>\$ 2,121,811</u>
Carrying amount of investments		
Deposits classified as investments	\$ 81,420,225	\$ -
Reported amount of investments	13,360,866	47,584,123
Investments classified as cash equivalents	94,781,091	47,584,123
	(36,122,927)	-
	<u>\$ 58,658,164</u>	<u>\$ 47,584,123</u>
As reported on the government-wide statement of net position		
Investments	\$ 18,813,201	\$ 45,958,838
Restricted investments	24,097,336	1,625,285
	<u>42,910,537</u>	<u>47,584,123</u>
Investments reported on the statement of fiduciary net position		
	<u>15,747,627</u>	-
	<u>\$ 58,658,164</u>	<u>\$ 47,584,123</u>

CITY OF SPRINGDALE, ARKANSAS

Notes to Financial Statements

December 31, 2013

3. Receivables

Receivables as of December 31, 2013 for the City's General Fund, Street Fund, major Capital Projects Funds in the aggregate, and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

<u>Governmental</u>	<u>General Fund</u>	<u>Street Fund</u>	<u>Capital Projects Funds</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Receivables					
Accounts	\$ 4,527,669	\$ 4,570	\$ 510	\$ 28,181	\$ 4,560,930
Property taxes	5,159,868	990,844		1,605	6,152,317
Sales taxes	1,890,056	-	1,003,326	-	2,893,382
Franchise taxes	786,945	-	-	-	786,945
Grants	77,655	-	807,508	-	885,163
Intergovernmental	176,122	381,035	30,360	21,906	609,423
Interest	3,396	863	78,367	14,255	96,881
Other	31,302	-	-	-	31,302
Restricted receivables					
Interest	-	-	42,436	4,027	46,463
Sales taxes	-	-	-	2,373,724	2,373,724
Grants	-	-	2,541,783	-	2,541,783
Gross receivables	<u>12,653,013</u>	<u>1,377,312</u>	<u>4,504,290</u>	<u>2,443,698</u>	<u>20,978,313</u>
Less: Allowance for uncollectibles	<u>(4,432,085)</u>	<u>(60,500)</u>	<u>-</u>	<u>-</u>	<u>(4,492,585)</u>
Net total receivables	<u>\$ 8,220,928</u>	<u>\$ 1,316,812</u>	<u>\$ 4,504,290</u>	<u>\$ 2,443,698</u>	<u>\$ 16,485,728</u>

Receivables as of December 31, 2013 for the City's proprietary funds, including the applicable allowances for uncollectible accounts, are as follows:

<u>Proprietary</u>	<u>Municipal Airport Fund</u>	<u>Other Proprietary Funds</u>	<u>Total</u>
Receivables			
Accounts	\$ 9,449	\$ 27,377	\$ 36,826
Sales taxes	4,319	-	4,319
Grants	110,816	-	110,816
Gross receivables	<u>124,584</u>	<u>27,377</u>	<u>151,961</u>
Less: Allowance for uncollectibles	<u>(4,430)</u>	<u>-</u>	<u>(4,430)</u>
Net total receivables	<u>\$ 120,154</u>	<u>\$ 27,377</u>	<u>\$ 147,531</u>

CITY OF SPRINGDALE, ARKANSAS

Notes to Financial Statements

December 31, 2013

Receivables as of December 31, 2013 for the City's fiduciary funds, including the applicable allowances for uncollectible accounts, are as follows:

<u>Fiduciary</u>	<u>Fire Pension Fund</u>	<u>Police Pension Fund</u>	<u>District Court Agency Fund</u>
Receivables			
Property taxes	\$ 557,773	\$ 557,773	\$ -
Account	-	-	1,881,970
Interest	<u>10,918</u>	<u>18,212</u>	<u>-</u>
Gross receivables	568,691	575,985	1,881,970
Less: Allowance for uncollectibles	<u>(37,434)</u>	<u>(37,434)</u>	<u>-</u>
Net total receivables	<u>\$ 531,257</u>	<u>\$ 538,551</u>	<u>\$ 1,881,970</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 agreed to advance up to \$400,000, at an interest rate of 3.25% per annum, with interest only due monthly the first year, then principal and interest due monthly until maturity, with principal amortized over a period of ten (10) years. The balance of the unpaid note is due in full at maturity, December 19, 2018.

Changes in long-term receivables for the year ended December 31, 2013 for the primary government were as follows:

<u>Governmental Activities</u>	<u>Balance, December 31, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2013</u>	<u>Due Within One Year</u>
Note receivable					
Promissory note and second mortgage	\$ -	\$ 166,000	\$ -	\$ 166,000	\$ -

CITY OF SPRINGDALE, ARKANSAS
Notes to Financial Statements
December 31, 2013

4. Capital Assets

A summary of changes in capital assets for the year ended December 31, 2013 (September 30, 2013 for the Commission), is presented below:

	Balance December 31, <u>2012</u>	Additions and Transfers, <u>Net</u>	Retirements and Transfers, <u>Net</u>	Balance December 31, <u>2013</u>
<u>Governmental Activities</u>				
Capital assets, non-depreciable				
Land	\$ 29,343,025	\$ 808,453	\$ -	\$ 30,151,478
Easements	26,533,942	387,094	-	26,921,036
Museum buildings	504,927	-	-	504,927
Construction in progress	13,894,043	22,672,867	6,618,149	29,948,761
Total capital assets, non-depreciable	<u>70,275,937</u>	<u>23,868,414</u>	<u>6,618,149</u>	<u>87,526,202</u>
Capital assets, depreciable				
Land improvements	11,196,484	395,753	-	11,592,237
Infrastructure	196,459,977	2,446,306	-	198,906,283
Buildings and improvements	60,001,014	1,245,379	74,989	61,171,404
Machinery and equipment	32,826,906	2,741,333	544,388	35,023,851
Intangibles	1,073,164	24,618	-	1,097,782
Total capital assets, depreciable	<u>301,557,545</u>	<u>6,853,389</u>	<u>619,377</u>	<u>307,791,557</u>
Less accumulated depreciation				
Land improvements	3,913,808	408,334	-	4,322,142
Infrastructure	55,962,401	6,978,746	-	62,941,147
Buildings and improvements	14,083,452	1,809,511	73,466	15,819,497
Machinery and equipment	20,514,904	2,504,996	511,563	22,508,337
Intangibles	885,764	64,604	-	950,368
Total accumulated depreciation	<u>95,360,329</u>	<u>11,766,191</u>	<u>585,029</u>	<u>106,541,491</u>
Total governmental activities, net	<u>\$ 276,473,153</u>	<u>\$ 18,955,612</u>	<u>\$ 6,652,497</u>	<u>\$ 288,776,268</u>

CITY OF SPRINGDALE, ARKANSAS

Notes to Financial Statements

December 31, 2013

	Balance December 31, <u>2012</u>	Additions and Transfers, <u>Net</u>	Retirements and Transfers, <u>Net</u>	Balance December 31, <u>2013</u>
<u>Business-type Activities</u>				
Capital assets, non-depreciable				
Land	\$ 2,788,631	\$ -	\$ -	\$ 2,788,631
Construction in progress	17,332	200,207	-	217,539
Total capital assets, non-depreciable	<u>2,805,963</u>	<u>200,207</u>	<u>-</u>	<u>3,006,170</u>
Capital assets, depreciable				
Land improvements	7,485,687	-	-	7,485,687
Buildings and improvements	5,214,700	15,700	7,433	5,222,967
Machinery and equipment	1,807,093	36,115	-	1,843,208
Total capital assets, depreciable	<u>14,507,480</u>	<u>51,815</u>	<u>7,433</u>	<u>14,551,862</u>
Less accumulated depreciation				
Land improvements	5,423,579	223,198	-	5,646,777
Buildings and improvements	3,029,044	180,522	7,433	3,202,133
Machinery and equipment	1,275,565	76,231	-	1,351,796
Total accumulated depreciation	<u>9,728,188</u>	<u>479,951</u>	<u>7,433</u>	<u>10,200,706</u>
Total business-type activities, net	<u>\$ 7,585,255</u>	<u>\$ (227,929)</u>	<u>\$ -</u>	<u>\$ 7,357,326</u>

	Balance September 30, <u>2012</u>	Additions and Transfers, <u>Net</u>	Retirements and Transfers, <u>Net</u>	Balance September 30, <u>2013</u>
<u>Business-type Activities</u>				
<u>Component Unit</u>				
Capital assets, non-depreciable				
Land	\$ 3,579,476	\$ 10,474	\$ -	\$ 3,589,950
Easements	2,835,171	83,489	-	2,918,660
Construction in progress	4,749,317	8,690,616	5,069,197	8,370,736
Total capital assets, non-depreciable	<u>11,163,964</u>	<u>8,784,579</u>	<u>5,069,197</u>	<u>14,879,346</u>
Capital assets, depreciable				
Buildings and improvements	5,609,062	1,918	-	5,610,980
Water and sewer systems	272,888,491	7,417,808	318,008	279,988,291
Machinery and equipment	4,432,842	583,102	103,966	4,911,978
Total capital assets, depreciable	<u>282,930,395</u>	<u>8,002,828</u>	<u>421,974</u>	<u>290,511,249</u>
Less accumulated depreciation				
Buildings and improvements	2,920,271	186,672	-	3,106,943
Water and sewer systems	91,057,861	6,945,536	318,008	97,685,389
Machinery and equipment	3,502,708	260,713	99,978	3,663,443
Total accumulated depreciation	<u>97,480,840</u>	<u>7,392,921</u>	<u>417,986</u>	<u>104,455,775</u>
Total component unit activities, net	<u>\$ 196,613,519</u>	<u>\$ 9,394,486</u>	<u>\$ 5,073,185</u>	<u>\$ 200,934,820</u>

CITY OF SPRINGDALE, ARKANSAS

Notes to Financial Statements

December 31, 2013

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

Governmental Activities

General government	
Administration	\$ 153,378
Information technology	41,336
District Court	1,982
Bluff Cemetery	3,768
Community Development	
Planning	823
Engineering	1,353
Community development and housing	4,291
Culture and recreation	
Parks and recreation	2,003,476
Public Library	164,507
Shiloh Museum	48,917
Public Safety	
Animal services	27,578
Building and code enforcement	19,513
Fire	516,070
Police	518,872
Public Works	<u>8,255,967</u>
Total governmental activities	<u>11,761,831</u>

Business-type Activities

Municipal airport	296,751
Aquatic Center	152,303
Parks soccer program	7,570
Sanitation	<u>23,327</u>
Total business-type activities	<u>479,951</u>

Total depreciation expenses - primary government \$ 12,241,782

Component Unit

City of Springdale, Arkansas Water and Sewer Commission	\$ <u>7,392,921</u>
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CITY OF SPRINGDALE, ARKANSAS

Notes to Financial Statements

December 31, 2013

The City has active construction projects as of December 31, 2013. Total outstanding commitments under authorized contracts for capital projects of governmental funds are as follows:

	Expenditures Incurred to December 31, <u>2013</u>	Remaining Commitments at December 31, <u>2013</u>
<u>Primary Government</u>		
Governmental activities		
Capital Projects		
Streets and drainage projects	\$ 9,509,170	\$ 11,630,042
Parks and recreation	395,642	330,349
Fire stations	<u>98,653</u>	<u>157,847</u>
Total commitments - primary government	\$ <u>10,003,465</u>	\$ <u>12,118,238</u>

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

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended December 31, 2013 for the primary government were as follows:

	Balance, December 31, <u>2012</u>	Increases	Decreases	Balance December 31, <u>2013</u>	Due Within <u>One Year</u>
<u>Governmental Activities</u>					
Bonds payable:					
Sales and Use Tax Bonds	\$ 160,890,000	\$ 84,200,000	\$ 96,385,000	\$ 148,705,000	\$ 5,380,000
Add issuance premium	6,381,334	2,874,047	1,834,226	7,421,155	-
Bonds payable, net	<u>167,271,334</u>	<u>87,074,047</u>	<u>98,219,226</u>	<u>156,126,155</u>	<u>5,380,000</u>
Compensated absences	1,663,551	220,622	173,493	1,710,680	4,612
OPEB liabilities	1,676,775	434,512	-	2,111,287	-
Net pension obligation	9,796,051	1,040,779	-	10,836,830	-
Total other long-term liabilities	<u>13,136,377</u>	<u>1,695,913</u>	<u>173,493</u>	<u>14,658,797</u>	<u>4,612</u>
Total	\$ <u>180,407,711</u>	\$ <u>88,769,960</u>	\$ <u>98,392,719</u>	\$ <u>170,784,952</u>	\$ <u>5,384,612</u>
	Balance, December 31, <u>2012</u>	Increases	Decreases	Balance December 31, <u>2013</u>	Due Within <u>One Year</u>
<u>Business-type Activities</u>					
Compensated absences	\$ <u>4,851</u>	\$ <u>1,041</u>	\$ <u>-</u>	\$ <u>5,892</u>	\$ <u>-</u>

CITY OF SPRINGDALE, ARKANSAS

Notes to Financial Statements

December 31, 2013

Changes in long-term liabilities for the year ended September 30, 2013 for the City's discretely presented component unit were as follows:

City of Springdale, Arkansas <u>Water and Sewer Commission</u>	Balance September 30, <u>2012</u>	<u>Increases</u>	<u>Decreases</u>	Balance September 30, <u>2013</u>	Due Within <u>One Year</u>
Bonds payable					
Revenue bonds, Series 2006	\$ <u>3,210,000</u>	\$ <u>-</u>	\$ <u>110,000</u>	\$ <u>3,100,000</u>	\$ <u>175,000</u>

Sales and Use Tax Bonds – Governmental Activities

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

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

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

CITY OF SPRINGDALE, ARKANSAS

Notes to Financial Statements

December 31, 2013

Series 2013 Bonds maturing July 1, 2025:

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

The Series 2013 Bonds were issued at a premium of \$2,874,047. This premium is being amortized over the life of the bonds using the effective interest method. Bond issue costs of \$1,039,041 were incurred in the issuance of the Series 2013 Bonds.

The City is required to maintain a debt service reserve equal to one-half of the maximum annual debt service requirements on the Series 2013 Bonds as originally issued. A portion of the debt service reserve was funded with Series 2013 Bond proceeds. The balance of the debt service reserve was funded with an insurance policy. The amount of the Debt Service Reserve Policy is \$2,976,728. At December 31, 2013, the City held cash equivalents equal to \$1,055,308 in the Debt Service Reserve Fund.

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

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

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

CITY OF SPRINGDALE, ARKANSAS

Notes to Financial Statements

December 31, 2013

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

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

The City is required to maintain a debt service reserve equal to one-half of the maximum annual debt service requirements on the Series 2012 Bonds as originally issued. At December 31, 2013, the City held cash equivalents equal to \$2,899,025 in the 2012 Series Bonds Debt Service Reserve Fund.

On October 26, 2006, the City issued \$124,045,000 in City of Springdale, Arkansas, Sales and Use Tax Refunding and Improvement Bonds, Series 2006, dated October 1, 2006. The interest rates on the bonds ranged from 4% to 5%, payable semiannually, and maturity dates ranged from January 1, 2007 to July 1, 2027. The Series 2006 Bonds were payable solely from a 1% sales and use tax levied by the City and approved by citizens at a special election held on July 11, 2006. These bonds were refunded with the issuance of the 2013 Series Bonds, and the outstanding balance of \$88,575,000 was called and redeemed on October 2, 2013.

Debt service requirements for the Sales and Use Tax Bonds at December 31, 2013 were as follows:

<u>Primary Government</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 5,380,000	\$ 4,638,245	\$ 10,018,245
2015	6,910,000	5,348,612	12,258,612
2016	7,200,000	5,161,762	12,361,762
2017	7,490,000	4,967,612	12,457,612
2018	7,840,000	4,718,202	12,558,202
2019 - 2023	38,665,000	17,569,255	56,234,255
2024 - 2028	56,935,000	10,682,775	67,617,775
2029 - 2032	18,285,000	1,254,900	19,539,900
	<u>\$ 148,705,000</u>	<u>\$ 54,341,363</u>	<u>\$ 203,046,363</u>

CITY OF SPRINGDALE, ARKANSAS

Notes to Financial Statements

December 31, 2013

Water and Sewer Revenue Bonds – Business-Type Component Unit

Series 2006

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

Bond issue costs of \$30,000 were incurred in the issuance of these bonds. These costs were being amortized over the life of the bonds using the straight line method. Effective October 1, 2012, the Commission implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result, the remaining bond issue costs of \$7,813 were amortized in 2013.

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

<u>Component Unit</u>		<u>Principal</u>		<u>Interest</u>		<u>Total</u>
<u>Springdale Water and Sewer</u>						
2014	\$	175,000	\$	152,750	\$	327,750
2015		185,000		143,875		328,875
2016		195,000		134,500		329,500
2017		205,000		124,625		329,625
2018		215,000		114,250		329,250
2019 - 2023		1,245,000		397,000		1,642,000
2024 - 2026		<u>880,000</u>		<u>76,500</u>		<u>956,500</u>
	\$	<u>3,100,000</u>	\$	<u>1,143,500</u>	\$	<u>4,243,500</u>

Applicability of Federal Arbitrage Regulations

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

Based upon interim calculations, the City has no arbitrage liability as of December 31, 2013.

CITY OF SPRINGDALE, ARKANSAS**Notes to Financial Statements****December 31, 2013***Conduit Debt Obligations*

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

The City has no outstanding conduit debt obligations at December 31, 2013.

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 Sales and Use Tax Fund and the 2006 Bonds Street Improvement Construction Fund have interfund receivables and payables related to grant matching funds for the Johnson Rd. improvements project. The General Fund and Sales and Use Tax Fund have interfund receivables and payables primarily related to city sales taxes collected which are transferred to the General Fund for operations and maintenance. The Street Fund and Sales and Use Tax Fund have interfund receivables and payables related to the Street Fund's share of the cost of a capital asset paid for by the Sales and Use Tax Fund.

CITY OF SPRINGDALE, ARKANSAS
Notes to Financial Statements
December 31, 2013

Interfund receivables and payables as of December 31, 2013 are as follows:

<u>Primary Government</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Funds		
General	\$ 931,327	\$ 505,707
Street	220	197,122
Sales and Use Tax	751,146	850,040
2012 Bonds Parks Improvement Construction	1,508	-
Non-major governmental funds	16,827	99,706
Total governmental funds	<u>1,701,028</u>	<u>1,652,575</u>
Proprietary Funds	245	2,520
Fiduciary Funds	<u>128,252</u>	<u>174,430</u>
Total	<u>\$ 1,829,525</u>	<u>\$ 1,829,525</u>

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

Transfers in (out) for the year ended December 31, 2013 are as follows:

<u>Primary Government</u>	<u>Transfers</u>	
	<u>In</u>	<u>Out</u>
Governmental Funds		
General	\$ 5,211,050	\$ 1,425,680
Street	287,160	197,122
Sales and Use Tax	1,163,185	5,196,050
Non-major governmental funds	1,237,465	1,065,008
Total governmental funds	<u>7,898,860</u>	<u>7,883,860</u>
Proprietary funds	<u>-</u>	<u>15,000</u>
Total	<u>\$ 7,898,860</u>	<u>\$ 7,898,860</u>

CITY OF SPRINGDALE, ARKANSAS

Notes to Financial Statements

December 31, 2013

7. Pension Plans

Substantially all of the City's employees receive retirement benefits. The City sponsors two single-employer defined benefit plans and one defined contribution plan. The City also contributes to the Local Police and Fire Retirement System (LOPFI), 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. Separate financial reports are not issued for each plan.

Summary of Significant Accounting Policies

Basis of Accounting

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

Method Used to Determine Fair Value of Investments

The fair value of investments is determined using quoted market prices as determined by the custodial agent.

Membership Information

Membership of each Plan consisted of the following at December 31, 2013:

	Firemen's Relief and Pension <u>Fund</u>	Policemen's Pension and Relief <u>Fund</u>	Money Purchase Pension <u>Plan</u>
Retirees and beneficiaries receiving benefits	46	34	-
Active plan members	-	-	218
Total	<u>46</u>	<u>34</u>	<u>218</u>

CITY OF SPRINGDALE, ARKANSAS**Notes to Financial Statements****December 31, 2013***Plan Descriptions and Funding Information***Firemen's Relief and Pension Fund**

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

The 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 2013 were \$647,177. The City's share of contributions was \$644,465, and included \$503,412 in property taxes, \$138,341 in state insurance premium taxes, and employer contribution match of \$2,712.

As of December 31, 2012, the most recent actuarial valuation date, the Firemen's Fund was 49.6% funded. The actuarial accrued liability for benefits was \$17,985,344 and the actuarial (market) value of assets was \$8,914,384 resulting in an actuarial unfunded accrued liability of \$9,070,960. The covered payroll (annual payroll of active employees covered by the plan) was \$134,633, and the ratio of the unfunded actuarial liability to annual covered payroll was 6737.5%.

Policemen's Pension and Relief Fund

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

CITY OF SPRINGDALE, ARKANSAS**Notes to Financial Statements****December 31, 2013**

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.

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. Employer and employee contributions are no longer required as there are no active employees. Participant contributions are returned without interest if the participant terminates covered employment. Accounting and administrative services are performed by personnel of the City at no charge to the Fund. Total contributions to the Fund in 2013 were \$737,647. The City's share of contributions was \$737,647, and included \$503,412 in property taxes, \$121,765 in state insurance premium taxes, and \$112,470 in fines and court costs.

The Policemen's Fund as of December 31, 2012, the most recent actuarial valuation date, was 48.5% funded. The actuarial accrued liability for benefits was \$17,269,630, and the actuarial (market) value of assets was \$8,374,453, resulting in an actuarial unfunded accrued liability of \$8,895,177. The Policemen's fund has no covered payroll as there are no active employees.

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

CITY OF SPRINGDALE, ARKANSAS

Notes to Financial Statements

December 31, 2013

Actuarial Methods and Assumptions

The annual required contributions to the Plans for 2013 were determined as a part of actuarial studies as of December 31, 2012, using the entry age normal actuarial cost method. The actuarial assumptions included (a) 5% investment rate of return, (b) projected salary increases ranging from 4% to 8% per year, and (c) postretirement benefit increases of 0%. Items (a) and (b) included an inflation component of 4%. The actuarial value of assets was determined using the market value of investments.

Three-Year Trend Information

	<u>Year Ended</u>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
Firemen's Relief and Pension Fund	12/31/2011	\$ 1,298,144	41.8%	\$ 4,638,413
	12/31/2012	1,327,313	44.8%	5,370,626
	12/31/2013	1,102,865	55.0%	5,866,952
	<u>Year Ended</u>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
Policemen's Pension and Relief Fund	12/31/2011	\$ 1,661,640	41.2%	\$ 3,582,899
	12/31/2012	1,524,210	44.7%	4,425,425
	12/31/2013	1,122,090	55.7%	4,969,878

Actuarial valuations for the Policemen's and Firemen's Funds are performed bi-annually. Listed below are the City's projected annual pension cost and the net pension obligations as of December 31, 2013.

	2013 Annual Pension Cost and <u>Net Pension Obligation</u>	
	<u>Firemen's Relief and Pension Fund</u>	<u>Policemen's Pension and Relief Fund</u>
Annual required contributions	\$ 2,045,278	\$ 2,005,643
Interest on net pension obligation	268,531	221,271
Adjustment to annual required contribution	1,210,944	997,824
Annual pension cost	1,102,865	1,229,090
Contributions made	606,539	684,637
Increase in net pension obligation	496,326	544,453
Net pension obligation, beginning of year	5,370,626	4,425,425
Net pension obligation, end of year	\$ <u>5,866,952</u>	\$ <u>4,969,878</u>

CITY OF SPRINGDALE, ARKANSAS**Notes to Financial Statements****December 31, 2013**

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

Money Purchase Pension Plan

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

The plan covers all 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, 2013 employer and employee contributions to the plan were \$484,057 and \$242,011, respectively.

An employee who meets the eligibility requirements may become a plan participant as of the first day of the pay period following thirty (30) days of employment. Participants are vested 100% in their employee contributions and interest earned thereon. 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 55, but no later than age 65. The plan also provides for disability and survivor benefits. Benefits are paid by the Trustee upon the direction of the Administrator under one or more options such as a single lump sum payment or an annuity.

Cost-Sharing Multiple-Employer Defined Benefit Pension Plans

The *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. The authority to establish and amend benefit provisions is set forth in Arkansas state statutes, and is vested in the Arkansas Legislature with the concurrence of the Governor. Employees hired after January 1, 1983, whose political subdivision had a retirement system in effect at July 1, 1981, are eligible to participate in the plan. LOPFI issues a publicly available financial report that includes financial statements and required supplementary information of the Plan, which may be obtained from the Arkansas Local Police and Fire Retirement System, P.O. Drawer 34164, Little Rock, Arkansas, 72203.

CITY OF SPRINGDALE, ARKANSAS**Notes to Financial Statements****December 31, 2013**

Contribution requirements are set forth in Arkansas state statute. Participating firemen are required to contribute eight and one-half percent (8.5%) of annual covered salary. Participating policemen are required to contribute two and one-half percent (2.5%) of annual covered salary. The City is required to contribute at an actuarially determined rate, which for 2013 was 19.86% for paid firemen and 21.05% for paid policemen. City contributions for 2013 were \$1,255,121 for paid firemen, and \$1,298,388 for paid policemen, and were equal to 100% of the required contributions. Employee contributions for 2013 were \$538,250 for paid firemen, and \$153,937 for paid policemen. At December 31, 2013, there were 109 active paid firemen and 125 active paid policemen. Covered payroll was \$6,319,842 and \$6,168,108, respectively.

District Judges and Court Clerk's Retirement System

On January 1, 2005, the district judge became a member of the Arkansas District Judges Retirement System (ADJRS), a state administered defined benefit plan. Effective July 1, 2007 all powers, duties and plan liabilities of ADJRS were transferred to 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 and clerk are members of the Arkansas Public Employees' Retirement System (APERS), a state administered defined benefit plan. Employer contributions for 2013 were 13.86% of covered payroll for January through June, and 14.24% of covered payroll from July through December; the employee contribution rate was 5%. The annual pension cost and covered payroll for 2013 were \$24,653 and \$173,086, respectively. Employee contributions for 2013 were \$8,466.

Pension Plan – Discretely Presented Component Unit

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

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.

CITY OF SPRINGDALE, ARKANSAS**Notes to Financial Statements****December 31, 2013**

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, 2013 were \$198,380.

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

The Plans, available to all full time City employees, permit them to defer until future years up to 25% of annual gross earnings not to exceed \$17,500 for 2013. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Deferred Compensation Plan – Discretely Presented Component Unit

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

9. Other Postemployment Benefits (OPEB)*Plan Description*

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

CITY OF SPRINGDALE, ARKANSAS

Notes to Financial Statements

December 31, 2013

Funding Policy

The contribution requirements of plan members are established by the City Council and may be amended as needed. Plan members pay the entire cost of monthly insurance premiums at the same rate charged to active employees and receive a benefit from the blended premium rate from all of the employees participating in the City's health insurance plans. The cost of retiree healthcare benefits is financed on a pay-as-you-go basis, and is recorded as an expense in the applicable fund as liabilities are incurred. As of December 31, 2013, the date of the most recent actuarial valuation, the plan has 17 active participants who pay monthly premiums between \$411 for single coverage to \$1,148 for family coverage.

Annual OPEB Cost and net OPEB Obligation

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

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

Annual required contribution (ARC)	\$ 496,968
Interest on net OPEB obligation	75,455
Adjustment to annual required contribution	<u>(62,560)</u>
Annual OPEB cost	509,863
Total annual employer contribution (PAYGO cost)	<u>(75,351)</u>
Increase in net OPEB obligation	434,512
Net OPEB obligation – beginning of year	<u>1,676,775</u>
Net OPEB obligation – end of year	<u><u>\$ 2,111,287</u></u>

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

CITY OF SPRINGDALE, ARKANSAS

Notes to Financial Statements

December 31, 2013

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

Normal cost	\$ 331,941
Amortization of UAAL	143,626
Interest cost	<u>21,401</u>
Annual required contribution	<u><u>\$ 496,968</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2013	\$ 509,863	14.8%	\$ 2,111,287
12/31/2012	485,857	14.2%	1,676,775
12/31/2011	437,595	17.9%	1,260,047

Funded Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$4,022,787, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,022,787. The covered payroll was \$18,807,210, and the ratio of the UAAL to the covered payroll was 21.4%.

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

Actuarial Methods and Assumptions

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

CITY OF SPRINGDALE, ARKANSAS**Notes to Financial Statements****December 31, 2013**

In the December 31, 2013, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5% investment rate of return based upon funding the plan in the future, and an annual healthcare cost trend rate of 8.5% for 2014, reduced by decrements to an ultimate rate of 5.0% in 2021. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The amortization period at December 31, 2013 was 30 years.

Discretely Presented Component Unit

The Commission does not offer post-employment benefits and does not offer postretirement benefits other than pensions.

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 2012 to 2013, nor have settlement amounts exceeded insurance coverage for each of the past three years. However, the deductible per incident increased from \$1,000 to \$50,000 in 2012 due to the number and amount of claims incurred for 2012.

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.

CITY OF SPRINGDALE, ARKANSAS**Notes to Financial Statements****December 31, 2013**

In the governmental funds, property taxes are measurable when levied even though not available. As a result, at December 31, 2013, property taxes receivable and related deferred inflows (unavailable revenue) of \$5,376,133 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 2013 to finance the above operations was \$0.57 per \$100 of assessed valuation on real and personal property, leaving a tax margin of \$0.63 per \$100 of assessed valuation on real and personal property. Approximately \$6,438,000 of additional taxes could be raised per year based on the current year's assessed value of \$766,446,534 for real property and \$255,403,275 for personal property before the limit is reached.

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 25.09% of the county tax. The tax is collected by the state, and remitted to the City, net of a collection fee. Taxes for this purpose remitted to the City totaled \$10,124,493 for 2013 and are included in the General Fund's tax revenues in the accompanying financial statements.

In July 1992, the City began assessing a 1% sales and use tax on retail sales in the City, upon approval of the tax by the City's voters. Previously, revenues were used to fund capital improvement projects (50%) and general municipal operations and maintenance (50%). On November 29, 2012, the City issued the City of Springdale, Arkansas Sales and Use Tax Bonds, Series 2012 (see also Note 5). These bonds are secured by a first and prior pledge of revenues collected from the 1% sales and use tax levied by the City. The tax is collected by the state, and remitted to the City, net of a 3% collection fee. Beginning in December 2012, the tax is remitted to the bond trustee. Taxes not needed to fund debt service are then remitted to the City. Taxes for this purpose remitted to the City and bond trustee totaled \$10,432,052 for 2013, and are included in the Sales and Use Tax Fund's (\$6,061,568) and 2012 Bonds Debt Service Fund's (\$4,370,484) tax revenues in the accompanying financial statements.

In August 1998, Benton County began assessing a 1% sales and use tax on retail sales in the county. Each city in Benton County receives a portion of the tax based upon population of the city. Currently, the City receives approximately 2.74% of the county tax. The tax is collected by the state, and remitted to the City, net of a collection fee. Taxes for this purpose remitted to the City totaled \$999,788 for 2013 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, 2013**

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 \$10,447,436 for 2013, and are included in the 2006 Bonds Debt Service Fund's (\$6,093,377) and the 2013 Bonds Debt Service Fund's (\$4,354,059) 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 \$15,383 and \$11,538, respectively, for 2013 and are included as non-operating revenue for the Municipal Airport Fund in the accompanying financial statements.

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.

CITY OF SPRINGDALE, ARKANSAS

Notes to Financial Statements

December 31, 2013

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.

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 2013 is as follows:

	<u>Assigned</u>	<u>Nonspendable</u>
Endowment fund balance - beginning of year	\$ 33,400	\$ 1,134,069
Contributions	-	4,700
Distributions	(33,400)	-
Available for distribution	59,800	(59,800)
Investment income, net	-	57,246
	<u>59,800</u>	<u>1,136,215</u>
Endowment fund balance - end of year	<u>\$ 59,800</u>	<u>\$ 1,136,215</u>

CITY OF SPRINGDALE, ARKANSAS**Notes to Financial Statements****December 31, 2013***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, 2013.

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

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:

CITY OF SPRINGDALE, ARKANSAS**Notes to Financial Statements****December 31, 2013**

GASB Statement No. 67, *Financial Reporting for Pension Plans*. The objective of this statement is to improve financial reporting by state and local governmental pension plans. This statement amends GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosure for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosure*, as they relate to pension plans that are administered through trusts that meet certain criteria. The provisions of GASB Statement No. 67 are effective for financial statements for fiscal years beginning after June 15, 2013. The City has not yet determined the potential impact, if any, this statement could have on its financial statements.

GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions*. This statement amends GASB Statement No. 27 – *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of GASB Statement No. 50 – *Pension Disclosures*. The objective of this statement is to improve financial reporting by state and local governmental pension plans. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The provisions of GASB 68 are effective for financial statements for fiscal years beginning after June 15, 2014. The City has not yet determined the potential impact, if any; this statement could have on its financial statements.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards related to government combinations, which includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations, and disposals of government operations. This statement becomes effective for financial statements for periods beginning after December 15, 2013, and should be applied on a prospective basis. The City has not yet determined the potential impact, if any; this statement could have on its financial statements.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The requirements of this statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend and receive nonexchange financial guarantees. The statement will also enhance the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. The provisions of GASB 70 are effective for periods beginning after December 15, 2013, and are required to be applied retroactively. The City has not yet determined the potential impact, if any; this statement could have on its financial statements.

GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*, related to amounts associated with contributions to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of GASB 71 are required to be applied simultaneously with the provisions of Statement 68. The City has not yet determined the potential impact, if any; this statement could have on its financial statements.

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CITY OF SPRINGDALE, ARKANSAS
Schedule of Funding Progress – Pension and OPEB Plans
Year Ended December 31, 2013

	Actuarial Valuation Date	Actuarial (Market) Value of Assets (a)
Firemen's Relief and Pension Fund	12/31/2008	\$ 8,308,514
	a 12/31/2009	9,228,871
	12/31/2010	9,570,815
	12/31/2011	8,670,331
	12/31/2012	8,914,384
Policemen's Pension and Relief Fund	12/31/2008	\$ 7,165,028
	a 12/31/2009	8,264,893
	12/31/2010	8,583,703
	12/31/2011	8,075,992
	12/31/2012	8,374,453
Other Postemployment Benefit Plan (OPEB) Healthcare Plan	1/1/2009	\$ -
	1/1/2010	-
	1/1/2011	-
	1/1/2012	-
	1/1/2013	-

a. Includes change in assumptions to 5% discount rate and 83GAM mortality

	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded Accrued Liability (UAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
\$	13,912,477	\$ 5,603,963	59.7%	\$ -	N/A
	18,480,675	9,251,804	49.9%	-	N/A
	18,349,773	8,778,958	52.2%	-	N/A
	18,166,888	9,496,557	47.7%	-	N/A
	17,985,344	9,070,960	49.6%	-	N/A
\$	14,835,889	\$ 7,670,861	48.3%	\$ -	N/A
	18,223,504	9,958,611	45.4%	-	N/A
	17,981,358	9,397,655	47.7%	-	N/A
	17,624,352	9,548,360	45.8%	-	N/A
	17,269,630	8,895,177	48.5%	-	N/A
\$	2,620,006	\$ 2,620,006	0.0%	\$ 16,248,385	16.1%
	2,986,785	2,986,785	0.0%	17,473,279	17.1%
	3,339,065	3,339,065	0.0%	18,172,210	18.4%
	3,687,335	3,687,335	0.0%	18,083,856	20.4%
	4,022,787	4,022,787	0.0%	18,807,210	21.4%

CITY OF SPRINGDALE, ARKANSAS
Schedule of Employer Contributions –
Defined Benefit Pension Plans
Year Ended December 31, 2013

	<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
Firemen's Relief and Pension Fund	12/31/2009	\$ 1,227,736	48.9%
	12/31/2010	2,086,054	24.8%
	12/31/2011	1,979,439	27.4%
	12/31/2012	2,141,240	27.8%
	12/31/2013	2,045,278	29.7%
Policemen's Pension and Relief Fund	12/31/2009	\$ 1,679,439	45.4%
	12/31/2010	2,245,422	29.0%
	12/31/2011	2,118,940	32.3%
	12/31/2012	2,152,920	31.7%
	12/31/2013	2,005,643	34.1%

CITY OF SPRINGDALE, ARKANSAS
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – General Fund
Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Sales	\$ 11,246,000	\$ 11,246,000	\$ 11,124,281	\$ (121,719)
Ad valorem	4,598,000	4,598,000	4,632,518	34,518
Franchise	3,488,500	3,501,000	3,645,437	144,437
Fees and permits:				
Building permits	275,000	275,000	400,336	125,336
Occupation permits	135,000	135,000	137,626	2,626
Other	149,500	149,500	151,691	2,191
Intergovernmental:				
Federal and state grants	189,000	247,000	831,233	584,233
State turnback	1,505,250	1,505,250	1,465,857	(39,393)
State turnback-insurance	600,000	600,000	770,600	170,600
City and county	330,000	330,000	412,420	82,420
Other	322,330	322,330	426,200	103,870
Charges for services:				
Ambulance fees	1,475,000	1,475,000	1,386,325	(88,675)
Other service fees	454,200	454,200	471,681	17,481
Fines and forfeitures	862,500	944,809	985,861	41,052
Miscellaneous	198,330	206,580	734,246	527,666
Total Revenues	<u>25,828,610</u>	<u>25,989,669</u>	<u>27,576,312</u>	<u>1,586,643</u>
Expenditures				
General Government				
Administration				
Personnel	1,487,270	1,182,600	1,238,661	(56,061)
Buildings and equipment	432,700	97,300	86,671	10,629
Supplies	154,500	150,550	136,741	13,809
Other	480,820	470,220	923,689	(453,469)
Economic development	237,200	237,200	213,349	23,851
Capital	20,550	20,675	55,405	(34,730)
Total Administration Expenditures	<u>2,813,040</u>	<u>2,158,545</u>	<u>2,654,516</u>	<u>(495,971)</u>
City Attorney				
Personnel	640,660	654,350	624,773	29,577
Buildings and equipment	13,000	13,000	10,572	2,428
Supplies	11,700	11,700	13,854	(2,154)
Other	20,880	20,880	16,548	4,332
Total City Attorney Expenditures	<u>686,240</u>	<u>699,930</u>	<u>665,747</u>	<u>34,183</u>
Information Technology				
Personnel	-	302,670	193,648	109,022
Buildings and equipment	-	335,400	341,980	(6,580)
Supplies	-	3,950	964	2,986
Other	-	12,600	87,907	(75,307)
Capital	-	20,550	-	20,550
Total Information Technology Expenditures	<u>-</u>	<u>675,170</u>	<u>624,499</u>	<u>50,671</u>
Total General Government Expenditures	<u>3,499,280</u>	<u>3,533,645</u>	<u>3,944,762</u>	<u>(411,117)</u>

CITY OF SPRINGDALE, ARKANSAS
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – General Fund (cont.)
Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (cont.)				
Culture and Recreation				
Shiloh Museum				
Personnel	\$ 516,240	\$ 516,240	\$ 508,379	\$ 7,861
Buildings and equipment	32,200	32,200	29,122	3,078
Supplies	46,450	46,450	53,691	(7,241)
Other	14,100	14,100	16,115	(2,015)
Capital	-	-	7,400	(7,400)
Total Shiloh Museum Expenditures	<u>608,990</u>	<u>608,990</u>	<u>614,707</u>	<u>(5,717)</u>
Parks and Recreation				
Personnel	1,037,290	1,046,290	1,003,386	42,904
Buildings and equipment	193,450	193,450	209,629	(16,179)
Supplies	260,800	260,800	284,152	(23,352)
Other	68,050	80,550	65,369	15,181
Capital	25,000	51,000	64,753	(13,753)
Total Parks and Recreation Expenditures	<u>1,584,590</u>	<u>1,632,090</u>	<u>1,627,289</u>	<u>4,801</u>
Total Culture and Recreation Expenditures	<u>2,193,580</u>	<u>2,241,080</u>	<u>2,241,996</u>	<u>(916)</u>
Community Development:				
Planning and Community Development				
Personnel	707,720	368,160	350,985	17,175
Buildings and equipment	16,000	7,050	4,983	2,067
Supplies	22,000	8,500	10,868	(2,368)
Other	136,500	127,220	41,868	85,352
Total Planning and Community Development Expenditures	<u>882,220</u>	<u>510,930</u>	<u>408,704</u>	<u>102,226</u>
Engineering				
Personnel	-	341,910	319,280	22,630
Buildings and equipment	-	8,950	2,950	6,000
Supplies	-	13,500	6,680	6,820
Other	-	9,280	77,644	(68,364)
Total Engineering Expenditures	<u>-</u>	<u>373,640</u>	<u>406,554</u>	<u>(32,914)</u>
Total Community Development Expenditures	<u>882,220</u>	<u>884,570</u>	<u>815,258</u>	<u>69,312</u>
Public Safety:				
Animal Services				
Personnel	483,650	483,650	441,847	41,803
Buildings and equipment	41,500	41,500	44,849	(3,349)
Supplies	67,500	67,500	88,693	(21,193)
Other	52,500	52,500	61,523	(9,023)
Capital	50,000	50,000	-	50,000
Total Animal Services Expenditures	<u>695,150</u>	<u>695,150</u>	<u>636,912</u>	<u>58,238</u>

CITY OF SPRINGDALE, ARKANSAS
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – General Fund (cont.)
Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (cont.)				
Building Inspection				
Personnel	\$ 704,780	\$ 704,780	\$ 711,952	\$ (7,172)
Buildings and equipment	12,200	12,200	10,003	2,197
Supplies	51,500	51,500	40,702	10,798
Other	61,300	61,300	64,933	(3,633)
Capital	-	37,150	42,000	(4,850)
Total Building Inspection Expenditures	<u>829,780</u>	<u>866,930</u>	<u>869,590</u>	<u>(2,660)</u>
Police				
Personnel	11,378,970	11,378,970	11,080,677	298,293
Buildings and equipment	272,250	272,250	269,165	3,085
Supplies	583,050	612,059	482,143	129,916
Other	361,000	458,000	714,840	(256,840)
Capital	-	237,093	450,249	(213,156)
Total Police Expenditures	<u>12,595,270</u>	<u>12,958,372</u>	<u>12,997,074</u>	<u>(38,702)</u>
Fire				
Personnel	8,792,820	8,792,820	9,179,351	(386,531)
Buildings and equipment	306,700	306,700	255,962	50,738
Supplies	521,150	540,150	554,544	(14,394)
Other	245,000	274,480	278,806	(4,326)
Capital	-	524,680	447,354	77,326
Total Fire Expenditures	<u>9,865,670</u>	<u>10,438,830</u>	<u>10,716,017</u>	<u>(277,187)</u>
Total Public Safety Expenditures	<u>23,985,870</u>	<u>24,959,282</u>	<u>25,219,593</u>	<u>(260,311)</u>
Total Expenditures	<u>30,560,950</u>	<u>31,618,577</u>	<u>32,221,609</u>	<u>(603,032)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,732,340)</u>	<u>(5,628,908)</u>	<u>(4,645,297)</u>	<u>983,611</u>
Other Financing Sources (Uses)				
Transfers in	5,305,000	5,305,000	5,211,050	(93,950)
Transfers out	(1,430,910)	(1,430,910)	(1,425,680)	5,230
Proceeds from sale of capital assets	-	-	32,187	32,187
Insurance recoveries	-	24,093	61,871	37,778
Total Other Financing Sources (Uses)	<u>3,874,090</u>	<u>3,898,183</u>	<u>3,879,428</u>	<u>(18,755)</u>
Net Change in Fund Balance	(858,250)	(1,730,725)	(765,869)	964,856
Fund Balances - Beginning of Year	<u>7,601,018</u>	<u>7,601,018</u>	<u>7,601,018</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 6,742,768</u>	<u>\$ 5,870,293</u>	<u>\$ 6,835,149</u>	<u>\$ 964,856</u>

CITY OF SPRINGDALE, ARKANSAS
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – Street Fund
Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts	Variances Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Ad valorem	\$ 817,000	\$ 817,000	\$ 874,652	\$ 57,652
Fees and permits	2,300	2,300	4,670	2,370
Intergovernmental				
State turnback-street	3,250,000	3,250,000	3,713,564	463,564
Charges for goods and services				
Street signs	500	500	2,907	2,407
Street and curb cut repairs	12,000	12,000	16,666	4,666
Other	500	500	-	(500)
Investment earnings (losses)	11,000	11,000	(23,658)	(34,658)
Miscellaneous	5,000	69,150	86,373	17,223
Total Revenues	4,098,300	4,162,450	4,675,174	512,724
Expenditures				
Public Works				
Street Fund				
Personnel	2,237,300	2,237,300	2,223,241	14,059
Buildings and equipment	146,750	146,750	206,927	(60,177)
Supplies	1,125,000	1,189,150	832,742	356,408
Other	1,063,500	1,063,500	507,113	556,387
Capital	468,100	468,100	1,071,188	(603,088)
Total Public Works Expenditures	5,040,650	5,104,800	4,841,211	263,589
Excess (Deficiency) of Revenues Over Expenditures	(942,350)	(942,350)	(166,037)	776,313
Other Financing Sources (Uses)				
Transfers in	275,430	275,430	287,160	11,730
Transfers out	-	-	(197,122)	(197,122)
Proceeds from sale of capital assets	-	-	26,446	26,446
Insurance recoveries	-	-	698	698
Total Other Financing Sources (Uses)	275,430	275,430	117,182	(158,248)
Net Change in Fund Balance	(666,920)	(666,920)	(48,855)	618,065
Fund Balances - Beginning of Year	1,298,447	1,298,447	1,298,447	-
Fund Balances - End of Year	\$ 631,527	\$ 631,527	\$ 1,249,592	\$ 618,065

CITY OF SPRINGDALE, ARKANSAS
Notes to Required Supplementary Information
Year Ended December 31, 2013

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 2013. The *Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual* for these two funds present the original and revised budget amounts in comparison to the actual amounts of revenues and expenditures for the current year.

CITY OF SPRINGDALE, ARKANSAS
Combining Balance Sheet – Nonmajor Governmental Funds
December 31, 2013

<u>Assets</u>	Special Revenue Funds					
	Public Library Fund	Shiloh Museum Board Fund	Advertising and Promotion Fund	District Court Costs Fund	Arvest Ballpark Fund	Community Development Block Grant Fund
Cash and cash equivalents	\$ 124,178	\$ 338,058	\$ 106,169	\$ 186,732	\$ 229,063	\$ 10,284
Investments	-	59,800	70,000	85,928	1,207,008	-
Accounts receivable	-	-	16,141	-	-	-
Interest receivable	-	-	43	171	10,920	-
Intergovernmental receivables	1,605	-	-	21,906	-	-
Note receivable	-	-	-	-	-	-
Due from other funds	1,039	-	-	11,576	-	-
Assets held for resale	-	-	-	-	-	-
Restricted assets:						
Cash and cash equivalents	-	-	-	-	-	-
Investments	-	1,136,215	-	-	-	-
Intergovernmental receivables	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-
Total Assets	\$ 126,822	\$ 1,534,073	\$ 192,353	\$ 306,313	\$ 1,446,991	\$ 10,284
<u>Liabilities and Fund Balances</u>						
Liabilities						
Accounts payable	\$ 54,500	\$ 750	\$ 26,679	\$ 13,285	\$ -	\$ 513
Salaries payable	40,220	395	-	29,449	-	3,659
Payable from restricted assets:						
Accounts payable	-	-	-	-	-	-
Accrued interest	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Due to other funds	3,087	-	-	3,286	-	-
Unearned revenue	-	-	-	-	52,550	-
Total Liabilities	97,807	1,145	26,679	46,020	52,550	4,172
Fund Balances						
Nonspendable	-	1,136,215	-	-	-	-
Restricted for:						
Court automation	-	-	-	224,090	-	-
Grant expenditures	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-
Assigned	29,015	396,713	165,674	36,203	1,394,441	6,112
Total Fund Balances	29,015	1,532,928	165,674	260,293	1,394,441	6,112
Total Liabilities and Fund Balances	\$ 126,822	\$ 1,534,073	\$ 192,353	\$ 306,313	\$ 1,446,991	\$ 10,284

Capital Projects Funds			Debt Service Funds		Permanent Funds		Total Nonmajor Governmental Funds
2006 Bonds Street Impr Construction Fund	2012 Bonds Fire Impr Construction Fund	Public Facilities Board Fund	2012 Bonds Debt Service Fund	2013 Bonds Debt Service Fund	Bluff Cemetery Fund	Public Library Board Foundation Fund	
\$ -	\$ -	\$ 754,577	-	\$ -	\$ 66,422	\$ 319,274	\$ 2,134,757
-	-	187,899	-	-	509,673	-	2,120,308
-	-	-	-	-	12,040	-	28,181
-	-	200	-	-	2,921	-	14,255
-	-	-	-	-	-	-	23,511
-	-	166,000	-	-	-	-	166,000
-	-	-	-	-	1,125	3,087	16,827
-	-	2,064,564	-	-	-	-	2,064,564
546,168	6,207,137	-	900,185	3,907,033	-	-	11,560,523
-	1,916,304	-	2,638,999	-	-	-	5,691,518
-	-	-	683,965	1,689,759	-	-	2,373,724
119	1,590	-	1,070	1,248	-	-	4,027
<u>\$ 546,287</u>	<u>\$ 8,125,031</u>	<u>\$ 3,173,240</u>	<u>\$ 4,224,219</u>	<u>\$ 5,598,040</u>	<u>\$ 592,181</u>	<u>\$ 322,361</u>	<u>\$ 26,198,195</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,107	\$ -	\$ 99,834
-	-	-	-	-	1,023	-	74,746
-	33,665	-	-	81,000	-	-	114,665
-	-	-	-	9,065	-	-	9,065
92,294	-	-	-	-	-	-	92,294
-	-	-	-	-	-	1,039	7,412
-	-	-	-	-	-	-	52,550
<u>92,294</u>	<u>33,665</u>	<u>-</u>	<u>-</u>	<u>90,065</u>	<u>5,130</u>	<u>1,039</u>	<u>450,566</u>
-	-	2,230,564	-	-	32,720	-	3,399,499
-	-	-	-	-	-	-	224,090
-	-	-	-	-	-	3,882	3,882
453,993	8,091,366	-	4,224,219	5,507,975	-	-	18,277,553
-	-	942,676	-	-	554,331	317,440	3,842,605
<u>453,993</u>	<u>8,091,366</u>	<u>3,173,240</u>	<u>4,224,219</u>	<u>5,507,975</u>	<u>587,051</u>	<u>321,322</u>	<u>25,747,629</u>
<u>\$ 546,287</u>	<u>\$ 8,125,031</u>	<u>\$ 3,173,240</u>	<u>\$ 4,224,219</u>	<u>\$ 5,598,040</u>	<u>\$ 592,181</u>	<u>\$ 322,361</u>	<u>\$ 26,198,195</u>

CITY OF SPRINGDALE, ARKANSAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
Nonmajor Governmental Funds
Year Ended December 31, 2013

	Special Revenue Funds					
	Public Library Fund	Shiloh Museum Board Fund	Advertising and Promotion Fund	District Court Costs Fund	Arvest Ball Park Fund	Community Development Block Grant Fund
Revenues						
Taxes	\$ 50,054	\$ -	\$ 337,552	\$ -	\$ -	\$ -
Fees and permits	-	24,417	-	161,283	-	-
Intergovernmental	1,112,013	-	-	91,760	-	787,600
Charges for goods and services	-	10,208	-	-	324,003	-
Fines and forfeitures	68,341	-	-	-	-	-
Investment earnings (losses)	602	70,454	879	(8,674)	(96,156)	-
Miscellaneous	28,863	197,893	-	800	-	70,996
Total Revenues	<u>1,259,873</u>	<u>302,972</u>	<u>338,431</u>	<u>245,169</u>	<u>227,847</u>	<u>858,596</u>
Expenditures						
Current						
General government	-	-	-	858,297	-	-
Community development	-	-	-	-	-	865,707
Culture and recreation	1,837,672	58,506	-	-	116,811	-
Economic development	-	-	343,527	-	-	-
Capital expenditures	35,729	38,539	-	-	35,497	5,500
Debt service						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Bond issue costs	-	-	-	-	-	-
Agent fees	-	-	-	-	-	-
Total Expenditures	<u>1,873,401</u>	<u>97,045</u>	<u>343,527</u>	<u>858,297</u>	<u>152,308</u>	<u>871,207</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(613,528)</u>	<u>205,927</u>	<u>(5,096)</u>	<u>(613,128)</u>	<u>75,539</u>	<u>(12,611)</u>
Other Financing Sources (Uses)						
Transfers in	561,535	-	-	576,985	-	-
Transfers out	-	-	-	-	-	-
Premium on bonds sold	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>561,535</u>	<u>-</u>	<u>-</u>	<u>576,985</u>	<u>-</u>	<u>-</u>
Net Changes in Fund Balances	(51,993)	205,927	(5,096)	(36,143)	75,539	(12,611)
Fund Balances - Beginning of Year	<u>81,008</u>	<u>1,327,001</u>	<u>170,770</u>	<u>296,436</u>	<u>1,318,902</u>	<u>18,723</u>
Fund Balances - End of Year	<u>\$ 29,015</u>	<u>\$ 1,532,928</u>	<u>\$ 165,674</u>	<u>\$ 260,293</u>	<u>\$ 1,394,441</u>	<u>\$ 6,112</u>

Capital Projects Funds			Debt Service Funds		Permanent Funds		Total Nonmajor Governmental Funds
2006 Bonds Street Impr Construction Fund	2012 Bonds Fire Impr Construction Fund	Public Facilities Board Fund	2012 Bonds Debt Service Fund	2013 Bonds Debt Service Fund	Bluff Cemetery Fund	Public Library Board Foundation Fund	
\$ -	\$ -	\$ -	\$ 4,370,484	\$ 4,354,059	\$ -	\$ -	\$ 9,112,149
-	-	-	-	-	-	-	185,700
40,000	-	-	-	-	-	-	2,031,373
-	-	54,750	-	-	29,575	-	418,536
-	-	-	-	-	-	-	68,341
6,508	6,702	4,930	(39,896)	2,462	(21,324)	192	(73,321)
-	-	-	-	-	-	68,314	366,866
<u>46,508</u>	<u>6,702</u>	<u>59,680</u>	<u>4,330,588</u>	<u>4,356,521</u>	<u>8,251</u>	<u>68,506</u>	<u>12,109,644</u>
-	-	-	-	-	66,976	-	925,273
-	-	-	-	-	-	-	865,707
-	-	-	-	-	-	85,694	2,098,683
-	-	156,979	-	-	-	-	500,506
99,700	455,672	-	-	-	-	117,669	788,306
-	-	-	1,770,000	-	-	-	1,770,000
-	-	-	2,054,884	-	-	-	2,054,884
-	-	-	-	1,039,041	-	-	1,039,041
-	-	-	6,000	2,250	-	-	8,250
<u>99,700</u>	<u>455,672</u>	<u>156,979</u>	<u>3,830,884</u>	<u>1,041,291</u>	<u>66,976</u>	<u>203,363</u>	<u>10,050,650</u>
<u>(53,192)</u>	<u>(448,970)</u>	<u>(97,299)</u>	<u>499,704</u>	<u>3,315,230</u>	<u>(58,725)</u>	<u>(134,857)</u>	<u>2,058,994</u>
-	-	-	-	98,945	-	-	1,237,465
(966,025)	-	-	(38)	-	-	-	(966,063)
(966,025)	-	-	(38)	2,093,800	-	-	2,093,800
<u>(966,025)</u>	<u>-</u>	<u>-</u>	<u>(38)</u>	<u>2,192,745</u>	<u>-</u>	<u>-</u>	<u>2,365,202</u>
(1,019,217)	(448,970)	(97,299)	499,666	5,507,975	(58,725)	(134,857)	4,424,196
<u>1,473,210</u>	<u>8,540,336</u>	<u>3,270,539</u>	<u>3,724,553</u>	<u>-</u>	<u>645,776</u>	<u>456,179</u>	<u>21,323,433</u>
<u>\$ 453,993</u>	<u>\$ 8,091,366</u>	<u>\$ 3,173,240</u>	<u>\$ 4,224,219</u>	<u>\$ 5,507,975</u>	<u>\$ 587,051</u>	<u>\$ 321,322</u>	<u>\$ 25,747,629</u>

CITY OF SPRINGDALE, ARKANSAS
Combining Statement of Net Position –
Nonmajor Enterprise Funds
December 31, 2013

	Enterprise Funds			Total Nonmajor Enterprise Funds
	Parks Soccer Program Fund	City Attorney Restitution Fund	Sanitation Fund	
<u>Assets</u>				
Current assets				
Cash and cash equivalents	\$ 1,401	\$ 25,945	\$ 71,965	\$ 99,311
Accounts receivable	-	-	27,377	27,377
Due from other funds	-	245	-	245
Total current assets	<u>1,401</u>	<u>26,190</u>	<u>99,342</u>	<u>126,933</u>
Capital assets				
Land improvements	21,376	-	-	21,376
Machinery and equipment	80,415	19,471	233,272	333,158
Less accumulated depreciation	<u>(42,893)</u>	<u>(19,471)</u>	<u>(88,271)</u>	<u>(150,635)</u>
Total capital assets, net of accumulated depreciation	<u>58,898</u>	<u>-</u>	<u>145,001</u>	<u>203,899</u>
Total assets	<u>60,299</u>	<u>26,190</u>	<u>244,343</u>	<u>330,832</u>
<u>Liabilities</u>				
Current liabilities				
Accounts payable	-	-	1,059	1,059
Salaries payable	892	-	4,094	4,986
Due to other funds	<u>2,500</u>	<u>20</u>	<u>-</u>	<u>2,520</u>
Total current liabilities	<u>3,392</u>	<u>20</u>	<u>5,153</u>	<u>8,565</u>
Noncurrent liabilities				
Compensated absences	<u>1,518</u>	<u>-</u>	<u>1,745</u>	<u>3,263</u>
Total liabilities	<u>4,910</u>	<u>20</u>	<u>6,898</u>	<u>11,828</u>
<u>Net Position</u>				
Net investment in capital assets	58,898	-	145,001	203,899
Unrestricted	<u>(3,509)</u>	<u>26,170</u>	<u>92,444</u>	<u>115,105</u>
Total net position	<u>\$ 55,389</u>	<u>\$ 26,170</u>	<u>\$ 237,445</u>	<u>\$ 319,004</u>

CITY OF SPRINGDALE, ARKANSAS
Combining Statement of Revenues, Expenses, and Changes in Net Position –
Nonmajor Enterprise Funds
Year Ended December 31, 2013

	Enterprise Funds			Total Nonmajor Enterprise Funds
	Parks Soccer Program Fund	City Attorney Restitution Fund	Sanitation Fund	
Operating Revenues				
Charges for services				
Activity fees	\$ 98,364	\$ -	\$ -	\$ 98,364
Other service fees	-	20,145	113,733	133,878
Total operating revenues	<u>98,364</u>	<u>20,145</u>	<u>113,733</u>	<u>232,242</u>
Operating Expenses				
Personnel	76,598	-	97,678	174,276
Maintenance	29,676	-	1,191	30,867
Supplies	33,996	1,269	18,552	53,817
Other	-	6,470	2,081	8,551
Depreciation	7,570	-	23,327	30,897
Total operating expenses	<u>147,840</u>	<u>7,739</u>	<u>142,829</u>	<u>298,408</u>
Operating Income (Loss)	<u>(49,476)</u>	<u>12,406</u>	<u>(29,096)</u>	<u>(66,166)</u>
Nonoperating Revenues				
Insurance recoveries	-	-	1,000	1,000
Investment earnings	67	-	529	596
Total Nonoperating Revenues	<u>67</u>	<u>-</u>	<u>1,529</u>	<u>1,596</u>
Income (Loss) Before Transfers	<u>(49,409)</u>	<u>12,406</u>	<u>(27,567)</u>	<u>(64,570)</u>
Transfers out	<u>-</u>	<u>(15,000)</u>	<u>-</u>	<u>(15,000)</u>
Change in Net Position	(49,409)	(2,594)	(27,567)	(79,570)
Net Position - Beginning of Year	<u>104,798</u>	<u>28,764</u>	<u>265,012</u>	<u>398,574</u>
Net Position - End of Year	<u>\$ 55,389</u>	<u>\$ 26,170</u>	<u>\$ 237,445</u>	<u>\$ 319,004</u>

CITY OF SPRINGDALE, ARKANSAS
Combining Statement of Cash Flows –
Nonmajor Enterprise Funds
Year Ended December 31, 2013

	Enterprise Funds			Total Nonmajor Enterprise Funds
	Parks Soccer Program Fund	City Attorney Restitution Fund	Sanitation Fund	
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 98,364	\$ 20,145	\$ 111,161	\$ 229,670
Payments to suppliers	(64,369)	(7,739)	(22,545)	(94,653)
Payments to employees	(76,022)	-	(96,598)	(172,620)
Miscellaneous revenues	-	-	285	285
Net cash provided by (used in) operating activities	<u>(42,027)</u>	<u>12,406</u>	<u>(7,697)</u>	<u>(37,318)</u>
Cash Flows From Noncapital Financing Activities				
Insurance recoveries	-	-	1,000	1,000
Transfer to other funds	-	(15,000)	-	(15,000)
Receipt (payment) of interfund balances	2,500	93	-	2,593
Net cash provided by (used in) noncapital financing activities	<u>2,500</u>	<u>(14,907)</u>	<u>1,000</u>	<u>(11,407)</u>
Cash Flows From Investing Activities				
Interest received	67	-	529	596
Net cash provided by investing activities	<u>67</u>	<u>-</u>	<u>529</u>	<u>596</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(39,460)	(2,501)	(6,168)	(48,129)
Cash and Cash Equivalents, January 1	<u>40,861</u>	<u>28,446</u>	<u>78,133</u>	<u>147,440</u>
Cash and Cash Equivalents, December 31	<u>\$ 1,401</u>	<u>\$ 25,945</u>	<u>\$ 71,965</u>	<u>\$ 99,311</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities				
Operating income (loss)	\$ (49,476)	\$ 12,406	\$ (29,096)	\$ (66,166)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	7,570	-	23,327	30,897
(Increase) in accounts receivable	-	-	(2,287)	(2,287)
Increase (decrease) in accounts payable	(697)	-	(721)	(1,418)
Increase in salaries payable	97	-	1,551	1,648
Increase (decrease) in compensated absences	479	-	(471)	8
Total adjustments	<u>7,449</u>	<u>-</u>	<u>21,399</u>	<u>28,848</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ (42,027)</u>	<u>\$ 12,406</u>	<u>\$ (7,697)</u>	<u>\$ (37,318)</u>

CITY OF SPRINGDALE, ARKANSAS
Combining Statement of Changes in Assets and Liabilities –
Agency Funds
Year Ended December 31, 2013

	Balance 12/31/2012	<u>Additions</u>	<u>Deletions</u>	Balance 12/31/2013
POLICE BOND AND FINE FUND				
Assets				
Cash	\$ 19,434	\$ 36	\$ -	\$ 19,470
Liabilities				
Due to other funds	12,712	36	-	12,748
Due to others	6,722	-	-	6,722
Total Liabilities	<u>\$ 19,434</u>	<u>\$ 36</u>	<u>\$ -</u>	<u>\$ 19,470</u>
 DISTRICT COURT FUND				
Assets				
Cash	\$ 564,407	\$ 2,716,527	\$ 2,716,843	\$ 564,091
Accounts receivable	1,745,525	2,821,277	2,684,832	1,881,970
Due from other funds	12,254	4,335	1,859	14,730
Total Assets	<u>2,322,186</u>	<u>5,542,139</u>	<u>5,403,534</u>	<u>2,460,791</u>
Liabilities				
Due to other funds	137,455	134,661	138,149	133,967
Due to others	2,184,731	2,215,958	2,073,865	2,326,824
Total Liabilities	<u>\$ 2,322,186</u>	<u>\$ 2,350,619</u>	<u>\$ 2,212,014</u>	<u>\$ 2,460,791</u>
 PAYROLL FUND				
Assets				
Cash	\$ 629,641	\$ 14,591,500	\$ 14,485,669	\$ 735,472
Accounts receivable	-	6,742	-	6,742
Total Assets	<u>629,641</u>	<u>14,591,500</u>	<u>14,485,669</u>	<u>735,472</u>
Liabilities				
Due to other funds	5,000	8,000	-	13,000
Accounts payable	624,641	12,862,568	12,757,995	729,214
Total Liabilities	<u>\$ 629,641</u>	<u>\$ 12,870,568</u>	<u>\$ 12,757,995</u>	<u>\$ 742,214</u>

CITY OF SPRINGDALE, ARKANSAS
Combining Statement of Changes in Assets and Liabilities –
Agency Funds (cont.)
Year Ended December 31, 2013

	Balance 12/31/2012	Additions	Deletions	Balance 12/31/2013
POLICE EVIDENCE FUND				
Assets				
Cash	\$ 59,206	\$ 65	\$ 36,582	\$ 22,689
Liabilities				
Due to other funds	7,590	65	7,590	65
Accounts payable	51,616	-	28,992	22,624
Total Liabilities	\$ 59,206	\$ 65	\$ 36,582	\$ 22,689
ADMINISTRATION OF JUSTICE FUND				
Assets				
Cash	\$ -	\$ 1,036,095	\$ 1,036,095	\$ -
Due from other funds	67,097	1,036,037	1,036,095	67,039
Total Assets	67,097	2,072,132	2,072,190	67,039
Liabilities				
Due to other funds	14,306	175,797	175,453	14,650
Accounts payable	52,791	860,241	860,643	52,389
Total Liabilities	\$ 67,097	\$ 1,036,038	\$ 1,036,096	\$ 67,039
ALL AGENCY FUNDS				
Assets				
Cash	\$ 1,272,688	\$ 18,344,223	\$ 18,275,189	\$ 1,341,722
Due from other funds	79,351	1,040,372	1,037,954	81,769
Accounts receivable	1,745,525	2,828,019	2,684,832	1,888,712
Total Assets	3,097,564	22,212,614	21,997,975	3,312,203
Liabilities				
Due to other funds	177,063	318,559	321,192	174,430
Accounts payable	2,920,501	15,938,767	15,721,495	3,137,773
Total Liabilities	\$ 3,097,564	\$ 16,257,326	\$ 16,042,687	\$ 3,312,203

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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variances
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues				
Taxes				
Sales	\$ 6,898,450	\$ 6,898,450	\$ 6,061,570	\$ (836,880)
Intergovernmental	5,600,500	5,600,500	3,971,482	(1,629,018)
Investment earnings (losses)	200,000	200,000	(1,249,332)	(1,449,332)
Miscellaneous	-	-	147,281	147,281
Total Revenues	<u>12,698,950</u>	<u>12,698,950</u>	<u>8,931,001</u>	<u>(3,767,949)</u>
Expenditures				
Capital Projects:				
Capital	9,480,450	9,480,450	11,623,339	(2,142,889)
Total Capital Projects Expenditures	<u>9,480,450</u>	<u>9,480,450</u>	<u>11,623,339</u>	<u>(2,142,889)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,218,500</u>	<u>3,218,500</u>	<u>(2,692,338)</u>	<u>(5,910,838)</u>
Other Financing Sources (Uses)				
Transfers in	1,280,000	1,280,000	1,163,185	(116,815)
Transfers out	(5,290,000)	(5,290,000)	(5,196,050)	93,950
Total Other Financing Sources (Uses)	<u>(4,010,000)</u>	<u>(4,010,000)</u>	<u>(4,032,865)</u>	<u>(22,865)</u>
Net Change in Fund Balance	(791,500)	(791,500)	(6,725,203)	(5,933,703)
Fund Balances - Beginning of Year	<u>24,220,191</u>	<u>24,220,191</u>	<u>24,220,191</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 23,428,691</u>	<u>\$ 23,428,691</u>	<u>\$ 17,494,988</u>	<u>\$ (5,933,703)</u>

CITY OF SPRINGDALE, ARKANSAS
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – 2006 Bonds Debt Service Fund
Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes:				
Sales	\$ 10,594,100	\$ 10,594,100	\$ 6,093,377	\$ (4,500,723)
Investment earnings	15,000	15,000	19,301	4,301
Total Revenues	<u>10,609,100</u>	<u>10,609,100</u>	<u>6,112,678</u>	<u>(4,496,422)</u>
Expenditures				
Debt Service:				
Principal	4,700,000	4,700,000	9,634,753	(4,934,753)
Interest	4,324,400	4,324,400	5,331,400	(1,007,000)
Other fees	6,000	6,000	4,600	1,400
Agent fees	18,000	18,000	13,500	4,500
Total Debt Service Expenditures	<u>9,048,400</u>	<u>9,048,400</u>	<u>14,984,253</u>	<u>(5,935,853)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,560,700</u>	<u>1,560,700</u>	<u>(8,871,575)</u>	<u>(10,432,275)</u>
Other Financing Sources (Uses)				
Transfers out	-	-	(98,945)	(98,945)
Refunding bonds issued	-	-	84,200,000	84,200,000
Premium on bonds sold	-	-	780,247	780,247
Payment to escrow agent	-	-	(84,980,247)	(84,980,247)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(98,945)</u>	<u>(98,945)</u>
Net Change in Fund Balance	1,560,700	1,560,700	(8,970,520)	(10,531,220)
Fund Balances - Beginning of Year	<u>8,970,543</u>	<u>8,970,543</u>	<u>8,970,543</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 10,531,243</u>	<u>\$ 10,531,243</u>	<u>\$ 23</u>	<u>\$ (10,531,220)</u>

CITY OF SPRINGDALE, ARKANSAS
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – Public Library Fund
Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts	Variances Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Ad valorem	\$ 45,000	\$ 45,000	\$ 50,054	\$ 5,054
Intergovernmental				
State grants	-	-	1,318	1,318
County aid	1,110,700	1,110,700	1,110,695	(5)
Fines	70,000	70,000	68,341	(1,659)
Investment earnings	150	150	602	452
Miscellaneous	27,500	27,500	28,863	1,363
Total revenues	<u>1,253,350</u>	<u>1,253,350</u>	<u>1,259,873</u>	<u>6,523</u>
Expenditures				
Culture and recreation				
Public Library				
Personnel	1,111,530	1,111,530	1,087,775	23,755
Maintenance	209,660	209,660	197,150	12,510
Supplies	488,100	488,100	474,161	13,939
Other	77,050	77,050	78,586	(1,536)
Capital	-	-	35,729	(35,729)
Total Public Library expenditures	<u>1,886,340</u>	<u>1,886,340</u>	<u>1,873,401</u>	<u>12,939</u>
Excess (Deficiency) of Revenues Over Expenditures	(632,990)	(632,990)	(613,528)	19,462
Other Financing Sources				
Transfers in	574,620	574,620	561,535	(13,085)
Total Other Financing Sources (Uses)	<u>574,620</u>	<u>574,620</u>	<u>561,535</u>	<u>(13,085)</u>
Net Change in Fund Balance	(58,370)	(58,370)	(51,993)	6,377
Fund Balance - Beginning of Year	<u>81,008</u>	<u>81,008</u>	<u>81,008</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 22,638</u>	<u>\$ 22,638</u>	<u>\$ 29,015</u>	<u>\$ 6,377</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	Variances
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues				
Fees and permits:				
Fees and memberships	\$ 20,000	\$ 20,000	\$ 24,417	\$ 4,417
Charges for goods and services	6,000	6,000	10,208	4,208
Investment earnings	300	300	70,454	70,154
Miscellaneous	6,100	6,100	197,893	191,793
Total revenues	<u>32,400</u>	<u>32,400</u>	<u>302,972</u>	<u>270,572</u>
Expenditures				
Culture and recreation				
Shiloh Museum				
Personnel	5,000	5,000	6,103	(1,103)
Maintenance	800	800	2,097	(1,297)
Supplies	4,200	4,200	3,318	882
Other	14,500	14,500	46,988	(32,488)
Capital	7,900	7,900	38,539	(30,639)
Total Shiloh Museum expenditures	<u>32,400</u>	<u>32,400</u>	<u>97,045</u>	<u>(64,645)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>205,927</u>	<u>205,927</u>
Net Change in Fund Balance	-	-	205,927	205,927
Fund Balance - Beginning of Year	<u>1,327,001</u>	<u>1,327,001</u>	<u>1,327,001</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 1,327,001</u>	<u>\$ 1,327,001</u>	<u>\$ 1,532,928</u>	<u>\$ 205,927</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, 2013

	Budgeted Amounts		Actual Amounts	Variances
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues				
Fees and permits				
Filing fees	\$ 115,000	\$ 115,000	\$ 125,033	\$ 10,033
Installment plan fees	40,000	40,000	36,250	(3,750)
Intergovernmental				
City/county aid	90,260	90,260	91,760	1,500
Investment earnings	3,500	3,500	(8,674)	(12,174)
Miscellaneous	-	-	800	800
Total revenues	<u>248,760</u>	<u>248,760</u>	<u>245,169</u>	<u>(3,591)</u>
Expenditures				
General government				
Court Costs				
Personnel	728,020	729,770	730,772	(1,002)
Maintenance	10,500	19,250	18,320	930
Supplies	19,500	44,686	52,060	(7,374)
Other	31,600	66,440	57,145	9,295
Total Court Costs expenditures	<u>789,620</u>	<u>860,146</u>	<u>858,297</u>	<u>1,849</u>
Excess (Deficiency) of Revenues Over Expenditures	(540,860)	(611,386)	(613,128)	(1,742)
Other Financing Sources				
Transfers in	<u>580,860</u>	<u>580,860</u>	<u>576,985</u>	<u>(3,875)</u>
Net Change in Fund Balance	40,000	(30,526)	(36,143)	(5,617)
Fund Balance - Beginning of Year	<u>296,436</u>	<u>296,436</u>	<u>296,436</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 336,436</u>	<u>\$ 265,910</u>	<u>\$ 260,293</u>	<u>\$ (5,617)</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, 2013

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final		Final Budget Positive (Negative)
Revenues				
Rent	\$ 318,000	\$ 318,000	\$ 324,003	\$ 6,003
Investment earnings	26,850	26,850	(96,156)	(123,006)
Total revenues	<u>344,850</u>	<u>344,850</u>	<u>227,847</u>	<u>(117,003)</u>
Expenditures				
Culture and recreation:				
Maintenance	100,000	100,000	53,337	46,663
Other	56,500	56,500	63,474	(6,974)
Capital	195,000	195,000	35,497	159,503
Total Arvest Ball Park expenditures	<u>351,500</u>	<u>351,500</u>	<u>152,308</u>	<u>199,192</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(6,650)</u>	<u>(6,650)</u>	<u>75,539</u>	<u>82,189</u>
Net Change in Fund Balance	(6,650)	(6,650)	75,539	82,189
Fund Balance - Beginning of Year	<u>1,318,902</u>	<u>1,318,902</u>	<u>1,318,902</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 1,312,252</u>	<u>\$ 1,312,252</u>	<u>\$ 1,394,441</u>	<u>\$ 82,189</u>

CITY OF SPRINGDALE, ARKANSAS
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – 2012 Bonds Debt Service Fund
Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes:				
Sales	\$ 3,681,550	\$ 3,681,550	\$ 4,370,484	\$ 688,934
Investment earnings	5,000	5,000	(39,896)	(44,896)
Total Revenues	<u>3,686,550</u>	<u>3,686,550</u>	<u>4,330,588</u>	<u>644,038</u>
Expenditures				
Debt Service:				
Principal	1,185,000	1,185,000	1,770,000	(585,000)
Interest	2,478,550	2,478,550	2,054,884	423,666
Agent fees	12,000	12,000	6,000	6,000
Total Debt Service Expenditures	<u>3,675,550</u>	<u>3,675,550</u>	<u>3,830,884</u>	<u>(155,334)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>11,000</u>	<u>11,000</u>	<u>499,704</u>	<u>488,704</u>
Other Financing Sources (Uses)				
Transfers out	<u>-</u>	<u>-</u>	<u>(38)</u>	<u>38</u>
Net Change in Fund Balance	11,000	11,000	499,666	488,742
Fund Balances - Beginning of Year	<u>3,724,553</u>	<u>3,724,553</u>	<u>3,724,553</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 3,735,553</u>	<u>\$ 3,735,553</u>	<u>\$ 4,224,219</u>	<u>\$ 488,742</u>

CITY OF SPRINGDALE, ARKANSAS
Schedule of Revenues, Expenditures, and Changes in Net Position –
Budget and Actual – Municipal Airport Fund
Year Ended December 31, 2013

	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
Operating Revenues		
Rental fees	\$ 256,820	\$ 256,820
Fuel flowage fees	40,500	40,500
Other service fees	16,310	16,310
Miscellaneous	-	-
Total operating revenues	<u>313,630</u>	<u>313,630</u>
Operating Expenses		
Personnel	78,650	78,650
Maintenance	62,700	62,700
Supplies	50,900	50,900
Other	109,330	109,330
Depreciation expense	-	-
Total operating expenses	<u>301,580</u>	<u>301,580</u>
Operating Income (Loss)	<u>12,050</u>	<u>12,050</u>
Nonoperating Revenues (Expenditures)		
Sales taxes	24,700	24,700
Interest income	-	-
Gain on sale of assets	-	-
Capital expenditures	-	-
Net Nonoperating Revenues (Expenditures)	<u>24,700</u>	<u>24,700</u>
Income (Loss) Before Capital Contributions	<u>36,750</u>	<u>36,750</u>
Capital grants and contributions	<u>-</u>	<u>-</u>
Change in Net Position	36,750	36,750
Net Position - Beginning of Year	<u>5,807,354</u>	<u>5,807,354</u>
Net Position - End of Year	<u>\$ 5,844,104</u>	<u>\$ 5,844,104</u>

	Actual <u>GAAP Basis</u>	Adjustments to <u>Budget Basis</u>	Actual <u>Budget Basis</u>	Variances Final Budget Positive <u>(Negative)</u>
\$	269,838	\$ -	\$ 269,838	\$ 13,018
	43,216	-	43,216	2,716
	15,810	-	15,810	(500)
	-	-	-	-
	<u>328,864</u>	<u>-</u>	<u>328,864</u>	<u>15,234</u>
	78,959	-	78,959	(309)
	58,401	-	58,401	4,299
	59,055	-	59,055	(8,155)
	118,850	-	118,850	(9,520)
	296,751	(296,751)	-	-
	<u>612,016</u>	<u>(296,751)</u>	<u>315,265</u>	<u>(13,685)</u>
	<u>(283,152)</u>	<u>296,751</u>	<u>13,599</u>	<u>1,549</u>
	26,921	-	26,921	2,221
	786	-	786	786
	5,000	-	5,000	5,000
	-	(220,743)	(220,743)	(220,743)
	<u>32,707</u>	<u>(220,743)</u>	<u>(188,036)</u>	<u>(212,736)</u>
	<u>(250,445)</u>	<u>76,008</u>	<u>(174,437)</u>	<u>(211,187)</u>
	<u>159,179</u>	<u>-</u>	<u>159,179</u>	<u>159,179</u>
	(91,266)	76,008	(15,258)	(52,008)
	<u>5,807,354</u>	<u>-</u>	<u>5,807,354</u>	<u>-</u>
\$	<u><u>5,716,088</u></u>	<u><u>76,008</u></u>	<u><u>5,792,096</u></u>	<u><u>(52,008)</u></u>

CITY OF SPRINGDALE, ARKANSAS
Schedule of Revenues, Expenditures, and Changes in Net Position –
Budget and Actual – Aquatic Center Fund
Year Ended December 31, 2013

	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
Operating Revenues		
Charges for goods and services		
Activity fees	\$ 200,000	\$ 200,000
Concessions	7,000	7,000
Rental fees	-	-
Other revenue	1,000	1,000
Total operating revenues	<u>208,000</u>	<u>208,000</u>
Operating Expenses		
Personnel	154,160	154,160
Maintenance	94,500	94,500
Supplies	56,300	56,300
Other	4,000	4,000
Depreciation expense	-	-
Total operating expenses	<u>308,960</u>	<u>308,960</u>
Operating Income (Loss)	<u>(100,960)</u>	<u>(100,960)</u>
Nonoperating Revenues (Expenditures)		
Investment income	2,400	2,400
Capital expenditures	<u>(6,700)</u>	<u>(20,510)</u>
Net Nonoperating Revenues (Expenditures)	<u>(4,300)</u>	<u>(18,110)</u>
Change in Net Position	(105,260)	(119,070)
Net Position - Beginning of Year	<u>1,977,652</u>	<u>1,977,652</u>
Net Position - End of Year	<u>\$ 1,872,392</u>	<u>\$ 1,858,582</u>

<u>Actual GAAP Basis</u>	<u>Adjustments to Budget Basis</u>	<u>Actual Budget Basis</u>	Variances Final Budget Positive <u>(Negative)</u>
\$ 168,759	\$ -	\$ 168,759	\$ (31,241)
200	-	200	(6,800)
460	-	460	460
126	-	126	(874)
<u>169,545</u>	<u>-</u>	<u>169,545</u>	<u>(38,455)</u>
151,483	-	151,483	2,677
39,794	-	39,794	54,706
57,479	-	57,479	(1,179)
2,906	-	2,906	1,094
152,303	(152,303)	-	-
<u>403,965</u>	<u>(152,303)</u>	<u>251,662</u>	<u>57,298</u>
<u>(234,420)</u>	<u>152,303</u>	<u>(82,117)</u>	<u>18,843</u>
1,217	-	1,217	(1,183)
-	(31,279)	(31,279)	(10,769)
<u>1,217</u>	<u>(31,279)</u>	<u>(30,062)</u>	<u>(11,952)</u>
(233,203)	121,024	(112,179)	6,891
<u>1,977,652</u>	<u>-</u>	<u>1,977,652</u>	<u>-</u>
<u>\$ 1,744,449</u>	<u>\$ 121,024</u>	<u>\$ 1,865,473</u>	<u>\$ 6,891</u>

CITY OF SPRINGDALE, ARKANSAS
Schedule of Revenues, Expenditures, and Changes in Net Position –
Budget and Actual – Parks Soccer Program Fund
Year Ended December 31, 2013

	Budgeted Amounts	
	Original	Final
Operating Revenues		
Charges for services		
Activity fees	\$ 90,000	\$ 90,000
Total operating revenues	90,000	90,000
Operating Expenses		
Personnel	62,830	62,830
Maintenance	15,000	15,000
Supplies	17,300	17,300
Other	3,300	3,300
Depreciation	-	-
Total operating expenses	98,430	98,430
Operating Income (Loss)	(8,430)	(8,430)
Nonoperating Revenues (Expenditures)		
Interest income	250	250
Capital expenditures	(30,000)	(30,000)
Net Nonoperating Revenues (Expenditures)	(29,750)	(29,750)
Change in Net Position	(38,180)	(38,180)
Net Position - Beginning of Year	104,798	104,798
Net Position - End of Year	\$ 66,618	\$ 66,618

<u>Actual GAAP Basis</u>	<u>Adjustments to Budget Basis</u>	<u>Actual Budget Basis</u>	Variances Final Budget Positive (Negative)
\$ <u>98,364</u>	\$ <u>-</u>	\$ <u>98,364</u>	\$ <u>8,364</u>
<u>98,364</u>	<u>-</u>	<u>98,364</u>	<u>8,364</u>
76,598	-	76,598	(13,768)
29,676	-	29,676	(14,676)
33,996	-	33,996	(16,696)
-	-	-	3,300
7,570	(7,570)	-	-
<u>147,840</u>	<u>(7,570)</u>	<u>140,270</u>	<u>(41,840)</u>
<u>(49,476)</u>	<u>7,570</u>	<u>(41,906)</u>	<u>(33,476)</u>
67	-	67	(183)
<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
<u>67</u>	<u>-</u>	<u>67</u>	<u>29,817</u>
(49,409)	7,570	(41,839)	(3,659)
<u>104,798</u>	<u>-</u>	<u>104,798</u>	<u>-</u>
\$ <u><u>55,389</u></u>	\$ <u><u>7,570</u></u>	\$ <u><u>62,959</u></u>	\$ <u><u>(3,659)</u></u>

CITY OF SPRINGDALE, ARKANSAS
Schedule of Revenues, Expenditures, and Changes in Net Position –
Budget and Actual – Sanitation Fund
Year Ended December 31, 2013

	Budgeted Amounts	
	Original	Final
Operating Revenues		
Charges for services		
Bulky waste fees	\$ 109,560	\$ 109,560
Miscellaneous	-	-
Total operating revenues	109,560	109,560
Operating Expenses		
Personnel	103,610	103,610
Maintenance	1,000	1,000
Supplies	16,600	16,600
Other	2,200	2,200
Depreciation	-	-
Total operating expenses	123,410	123,410
Operating Income	(13,850)	(13,850)
Nonoperating Revenues (Expenditures)		
Interest income	500	500
Insurance recoveries	-	-
Net Nonoperating Revenues (Expenditures)	500	500
Income (Loss) Before Transfers	(13,350)	(13,350)
Capital Transfers In	-	-
Change in Net Position	(13,350)	(13,350)
Net Position - Beginning of Year	265,012	265,012
Net Position - End of Year	\$ 251,662	\$ 251,662

<u>Actual GAAP Basis</u>	<u>Adjustments to Budget Basis</u>	<u>Actual Budget Basis</u>	Variances Final Budget Positive (Negative)
\$ 113,448	\$ -	\$ 113,448	\$ 3,888
285	-	285	285
<u>113,733</u>	<u>-</u>	<u>113,733</u>	<u>4,173</u>
97,678	-	97,678	5,932
1,191	-	1,191	(191)
18,552	-	18,552	(1,952)
2,081	-	2,081	119
23,327	(23,327)	-	-
<u>142,829</u>	<u>(23,327)</u>	<u>119,502</u>	<u>3,908</u>
<u>(29,096)</u>	<u>23,327</u>	<u>(5,769)</u>	<u>8,081</u>
529	-	529	29
1,000	-	1,000	1,000
<u>1,529</u>	<u>-</u>	<u>1,529</u>	<u>1,029</u>
<u>(27,567)</u>	<u>23,327</u>	<u>(4,240)</u>	<u>9,110</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(27,567)</u>	<u>23,327</u>	<u>(4,240)</u>	<u>9,110</u>
<u>265,012</u>	<u>-</u>	<u>265,012</u>	<u>-</u>
<u>\$ 237,445</u>	<u>\$ 23,327</u>	<u>\$ 260,772</u>	<u>\$ 9,110</u>

CITY OF SPRINGDALE, ARKANSAS
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – Bluff Cemetery Fund
Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts	Variances Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for goods				
Cemetery lots	\$ 25,000	\$ 25,000	\$ 29,575	\$ 4,575
Investment earnings	9,700	9,700	(21,324)	(31,024)
Total revenues	<u>34,700</u>	<u>34,700</u>	<u>8,251</u>	<u>(26,449)</u>
Expenditures				
General government				
Cemetery				
Personnel	34,250	34,250	34,191	59
Maintenance	8,100	8,100	29,187	(21,087)
Supplies	600	600	16	584
Other	2,150	2,150	3,582	(1,432)
Capital	15,000	15,000	-	15,000
Total Bluff Cemetery expenditures	<u>60,100</u>	<u>60,100</u>	<u>66,976</u>	<u>(6,876)</u>
Net Change in Fund Balance	(25,400)	(25,400)	(58,725)	(33,325)
Fund Balance - Beginning of Year	<u>645,776</u>	<u>645,776</u>	<u>645,776</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 620,376</u>	<u>\$ 620,376</u>	<u>\$ 587,051</u>	<u>\$ (33,325)</u>

Independent Auditor's Report on Compliance With Arkansas State Requirements

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, 2013.

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

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

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

In our opinion, the City of Springdale, Arkansas complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2013.

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 12, 2014

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Springdale, Arkansas, (the City) as of December 31, 2013, and for the year then ended, and the related notes to the financial statements, which collectively comprise the City's basis financial statements listed in the table of contents and have issued our report thereon dated September 12, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We also noted certain matters that we reported to the City's management in a separate letter dated September 12, 2014.

Purpose of this Report

The purpose of this communication is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or compliance. This communication 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.

Handwritten signature of BKD, LLP in black ink.

Rogers, Arkansas
September 12, 2014

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

Independent Auditor's Report

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

Report on Compliance for Major Federal Programs

We have audited the compliance of the City of Springdale, Arkansas (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended December 31, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Programs

In our opinion, the City of Springdale, Arkansas complied, in all material respects, with the type of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

The management of the City of Springdale, Arkansas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on its major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for its major federal programs and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-001, that we consider to be a significant deficiency.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Rogers, Arkansas
September 12, 2014

CITY OF SPRINGDALE, ARKANSAS
Schedule of Expenditures of Federal Awards
Year ended December 31, 2013

Federal Agency/Pass-Through Entity/Program Title	CFDA #	GRANT/PROJECT #	Expended
U.S. Department of Housing & Urban Development			
Community Development Block Grant/Entitlement Grant	14.218	B-13-MC-05-0002	\$ 560,394
Community Development Block Grant/Entitlement Grant	14.218	B-12-MC-05-0002	227,206
<i>Passed through Arkansas Economic Development Commission</i>			
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	794-00240-08	385,000
U.S. Dept of Transportation			
<i>Federal Highway Administration</i>			
<i>Passed through Arkansas State Police</i>			
<i>Selective Traffic Enforcement Project</i>			
State & Community Highway Safety	20.600	OP-2014-03-02-27	4,039
Alcohol Traffic Safety & Drunk Driving Incentive Grant	20.601	K8-2014-08-06-27	659
National Priority Safety Program	20.616	M8DDLE-2014-08-02-27	391
State & Community Highway Safety	20.600	OP-2013-03-02-26	10,037
Occupant Protection Incentive	20.602	K2-2013-14-02-26	1,115
State & Community Highway Safety	20.600	SE-2013-13-01-26	610
Alcohol Traffic Safety & Drunk Driving Incentive Grant	20.601	K8-2013-08-08-26	179
<i>Passed through Arkansas Highway and Transportation Department</i>			
Johnson Road Improvements - Hwy 412 to Interstate 49	20.205	FAP-HPP-STP-9399(14)	3,763,704
I49 / Don Tyson Pkwy Interchange (Springdale)	20.205	STPU-540-1(260)70	3,382,276
<i>Passed through Northwest Arkansas Regional Planning Commission</i>			
Transportation Investment Generating Economic Recovery (TIGER II) Grant	20.933	FAPSTMA-TDG2(1)	108,005

CITY OF SPRINGDALE, ARKANSAS
Schedule of Expenditures of Federal Awards (cont.)
Year ended December 31, 2013

Federal Agency/Pass-Through Entity/Program Title	CFDA #	GRANT/PROJECT #	Expended
U.S. Department of Justice			
Office of Community Oriented Policing Services			
COPS Hiring Program	16.710	2011UMWX0012	\$ 177,855
Office of Juvenile Justice and Delinquency Prevention			
<i>Passed Through Arkansas State Police</i>			
Internet Crimes Against Children Task Force	16.543		1,957
Office of Justice Programs			
Bulletproof Vest Partnership Program	16.607		3,815
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	J-12-014	12,962
Edward Byrne Memorial Justice Assistance Grant Program	16.738	J-13-014	17,377
2013 Justice Assistance - Local Solicitation	16.738	2013-DJ-BX-1156	26,970
Executive Office of the President			
Office of National Drug Control Policy			
<i>Passed Through Washington County, AR</i>			
High-Intensity Drug Trafficking Program	95.001		40,230
Drug Enforcement Administration Task Force	16.738		<u>13,148</u>
			<u>\$ 8,737,929</u>

CITY OF SPRINGDALE, ARKANSAS
Schedule of Expenditures of State Awards
Year ended December 31, 2013

<u>State Awards</u>	<u>Grantor Number</u>	<u>State Expenditures</u>
AR Department of Aeronautics		
State Airport Aid Grant (AWOS & PAPI Replacement)	3207-13	
State Airport Aid Grant (MALSF Lighting Project)	3222-13	\$ 110,816
Arkansas Economic Development Commission		
Economic Infrastructure Fund Grant (Core Brewing)	EIF 200905	50,000
Arkansas Department of Health - Trama Section		
Professional Services Medical Transportation	4600024630	58,762
Department of Arkansas Heritage		
Arts on Tour - Tommy Terrific's Magic Show		260
Arts on Tour - Shannon Wurst		1,058
Arkansas Game and Fish Commission		
Wildlife Observation Trail Grant		100,000
Lake Springdale Fishing Pier		49,773
<i>Passed through City of Fayetteville</i>		
Drug Law Enforcement Program	J-12-014	2,621
Drug Law Enforcement Program	J-13-014	3,505
		<u>\$ 376,795</u>
		Other
<u>Other Assistance</u>		<u>Expenditures</u>
Passed through Area Agency on Aging		
Elderly Taxi Program - Cigarette Tax		<u>\$ 4,185</u>

CITY OF SPRINGDALE, ARKANSAS
Notes to Schedules of Expenditures of Federal and State Awards
Year Ended December 31, 2013

Notes to Schedule

1. This schedule includes the federal awards activity of the City of Springdale, Arkansas and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. Of the federal expenditures presented in this schedule, the City of Springdale, Arkansas provided federal awards to subrecipients as follows:

<u>Program</u>	<u>CFDA No.</u>	<u>Subrecipient</u>	<u>Amount</u>
Community Development Block Grant	14.218	Bread of Life	\$ 25,000
		Seven Hills Homeless Center	<u>25,000</u>
			<u>\$ 50,000</u>
CDBG Disaster Recovery Grant	14.228	ORC Products, Inc.	<u>\$385,000</u>

CITY OF SPRINGDALE, ARKANSAS
Schedule of Findings and Questioned Costs
Year Ended December 31, 2013

Summary of Auditor's Results

1. The opinion(s) expressed in the independent auditor's report was (were):
 Unmodified Modified Adverse Disclaimer

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

Significant deficiency(ies)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Material weakness(es)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

3. Noncompliance considered material to the financial statements was disclosed by the audit?
 Yes No

4. The independent auditor's report on internal control over compliance with requirements applicable to major federal awards programs described:

Significant deficiency(ies)?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Material weakness(es)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

5. The opinion(s) expressed in the independent auditor's report on compliance with requirements applicable to major federal awards was (were):
 Unmodified Modified Adverse Disclaimer

6. The audit disclosed findings required to be reported by OMB Circular A-133?
 Yes No

CITY OF SPRINGDALE, ARKANSAS
Schedule of Findings and Questioned Costs (cont.)
Year Ended December 31, 2013

7. The City's major programs were:

Cluster/Program	CFDA Number
Community Development Block Grants/Entitlement Grants	14.218
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228
Highway Planning and Construction	20.205

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$300,000.
9. The City qualified as a low-risk auditee as that term is defined in OMB Circular A-133? Yes No

CITY OF SPRINGDALE, ARKANSAS
Schedule of Findings and Questioned Costs (cont.)
Year Ended December 31, 2013

Findings Required to be Reported by Government Auditing Standards

Reference Number	Finding
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No matters are reportable.

CITY OF SPRINGDALE, ARKANSAS
Schedule of Findings and Questioned Costs (cont.)
Year Ended December 31, 2013

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Known Questioned Costs
2013-001	<p style="text-align: center;">Community Development Block Grants/Entitlement Grants (CDBG Entitlement Grants Cluster) CFDA No. 14.218 U.S. Department of Housing and Urban Development (HUD) Reporting</p> <p>Criteria or Specific Requirement – Pursuant to the passage of the <i>Federal Funding Accountability and Transparency Act (FFATA)</i>, the City is required to submit an accurate FFATA sub-award report by the end of the month following the month in which the City awards any sub-grant in excess of \$25,000.</p> <p>Condition – The City did not timely file the FFATA sub-award reports for its applicable HUD programs for the fiscal year ending December 31, 2013.</p> <p>Context – The FFATA sub-award report is required to be submitted by the end of the month following the month in which the City awards any sub-grant in excess of \$25,000.</p> <p>Effect – The program FFATA reporting requirements were not followed in the manner required by federal regulations.</p> <p>Cause – The City did not have adequate internal controls or procedures in place to identify the applicable reporting requirement and ensure the reports were filed accurately and timely when applicable.</p> <p>Recommendation – It is recommended that the City ensure controls relating to the timely and accurate completion of the FFATA sub-report be included in the City’s grant compliance manual procedures and ensure future completion is within the specified timeline in the FFATA Sub-award Reporting.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We agree. We have completed all required filings for FFATA sub-awards of applicable HUD programs and will implement controls to ensure all FFATA required filings are met timely in the future.</p>	None

CITY OF SPRINGDALE, ARKANSAS
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2013

Reference Number	Summary of Finding	Status
	No matters are reportable.	