

CITY OF NORTH LITTLE ROCK, ARKANSAS
AUDITED BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

**CITY OF NORTH LITTLE ROCK, ARKANSAS
AUDITED BASIC FINANCIAL STATEMENTS
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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

Honorable Joe Smith, Mayor
And Members of the City Council
City of North Little Rock, Arkansas

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements 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 North Little Rock, Arkansas (the "City") as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of North Little Rock Electric Department and the Utilities Accounting Department, which is a major fund and represents 100% of the assets, net position, revenues and expenses of the aggregate business-type activities and the financial statements of the North Little Rock Waste Water Utility, which represent 88%, 83%, 78% and 65% of the assets, net position, revenues and expenses of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for such entities, is based solely on the report of the other auditors.

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. The financial statements of the City of North Little Rock Electric Department and the Utilities Accounting Department were not audited in accordance with *Government Auditing Standards*.

An audit includes 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 error or fraud. 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.

Honorable Joe Smith, Mayor
And Members of the City Council
City of North Little Rock, Arkansas

OPINIONS

In our opinion, based on our audit and the report of other auditors, 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 North Little Rock, Arkansas, as of December 31, 2014, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, 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 on pages 4 through 10, the schedule of employer contributions on page 53 and the schedule of funding progress on page 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Honorable Joe Smith, Mayor
And Members of the City Council
City of North Little Rock, Arkansas

OTHER REPORTING REQUIRED BY GOVERNMENTAL AUDITING STANDARDS AND OMB CIRCULAR A-133

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

In accordance with U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, we have also issued our report dated April 21, 2016, on our consideration of the City's internal control over compliance and on our tests of its compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2014.

The purpose of that report is to describe the scope of our testing of internal control over compliance and the results of that testing of its compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs.

That report is an integral part of an audit performed in accordance with U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* in considering the City's internal control over compliance in relation to its compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of City's major federal programs.

Wilcox & Bivings, P.C.

April 21, 2016
Suwanee, Georgia

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF NORTH LITTLE ROCK, ARKANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Management of the City of North Little Rock (the "City") provides this Management's Discussion and Analysis. This narrative overview and analysis of the City's financial activities is for the year ended December 31, 2014. We encourage readers to consider the information presented in conjunction with the City's financial statements, which follow.

FINANCIAL HIGHLIGHTS

The total assets of the City exceeded its total liabilities as of December 31, 2014 by \$211,706,652 (presented as "net position"). Of this amount \$36,904,242 was reported as "unrestricted net position" and may be used to meet the government's on-going obligations to citizens and creditors.

- ❖ The City's total net position increased by \$23,384,074 in 2014. Net position of governmental activities increased by \$6,915,843. Net position of business-type activities increased \$16,468,231.
- ❖ As of December 31, 2014 the City's governmental funds reported combined ending fund balances of \$32,518,121, an increase of \$3,812,356 from 2013. Approximately 41.92% of this amount, \$13,632,255, is available for spending at the City's discretion (unassigned fund balance).
- ❖ As of December 31, 2014, the unassigned fund balance for the General Fund was \$13,651,556, or 23.22% of total General Fund expenditures.
- ❖ As of December 31, 2014, the net position of the proprietary funds totaled \$115,774,609. Net position increased by \$16,468,231 during the year ended December 31, 2014.
- ❖ As of December 31, 2014, net position of fiduciary funds was \$44,188,659. There was an increase of \$556,343 in the total fiduciary net position held in trust for the year ended December 31, 2014.
- ❖ The City's component units reported net position of \$67,618,826 as of December 31, 2014. This was an increase of \$1,167,358 when compared to December 31, 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or 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 fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods, such as uncollected property taxes and earned but unused compensated absences.

CITY OF NORTH LITTLE ROCK, ARKANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED

Government-wide Financial Statements - continued

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues ("governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges ("business-type activities"). The governmental activities of the City include general government (financial and administration), public safety, public works, community development, street, and parks and recreation. The business-type activities of the City include the City's Electric Department.

The government-wide financial statements include not only the City of North Little Rock (known as the primary government) but also legally separate component units. These consist of the North Little Rock Waste Water Utility, the William F. Laman Public Library, the North Little Rock Airport Commission and the North Little Rock Advertising and Promotion Commission. Financial information for the component units are reported separately from the financial information presented for the primary government.

The government-wide financial statements can be found on pages 11-12 of this reporting package.

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on current sources and uses 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 effect 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 balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 23 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, which is considered to be major fund. Data for the other 22 governmental funds is combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found on pages 13-16 of this reporting package. A budget to actual comparison for the General Fund can be found on page 17-18 of this reporting package.

Proprietary Fund

The City maintains two different types of proprietary funds. Enterprise funds and internal service funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its electric operations. Internal service funds are an accounting convention used to accumulate and allocate costs internally among a City's various functions. The City uses an internal service fund to account for its Utilities Accounting Department (the "UAD"). The UAD primarily benefits the Electric Department and is therefore included in the business-type activities in the government-wide financial statements. The basic proprietary fund financial statements can be found on pages 19-21 of this reporting package.

**CITY OF NORTH LITTLE ROCK, ARKANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED

Fiduciary Fund

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these 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 City has one fiduciary fund, the Non-Uniformed Employees Retirement Fund.

The basic fiduciary fund financial statements can be found on pages 22-23 of this reporting package.

Notes to 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 can be found on pages 26-52 of this reporting package.

Other Information

In addition to the basic financial statements and accompanying notes, this report also includes certain required supplementary information and additional financial schedules. These can be found on pages 53-63 of this reporting package.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table looks at the City as a whole and provides a summary of its net position for 2014 compared to 2013:

CITY OF NORTH LITTLE ROCK ARKANSAS' NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 43,789,538	\$ 39,672,246	\$ 59,451,208	\$ 50,772,491	\$ 103,240,746	\$ 90,444,737
Capital assets	<u>70,333,770</u>	<u>68,245,766</u>	<u>132,361,020</u>	<u>126,181,366</u>	<u>202,694,790</u>	<u>194,427,132</u>
Total assets	<u>114,123,308</u>	<u>107,918,012</u>	<u>191,812,228</u>	<u>176,953,857</u>	<u>305,935,536</u>	<u>284,871,869</u>
Deferred outflows of resources	-	-	<u>626,839</u>	<u>1,970,203</u>	<u>626,839</u>	<u>1,970,203</u>
Total assets and deferred outflows of resources	<u>114,123,308</u>	<u>107,918,012</u>	<u>192,439,067</u>	<u>178,924,060</u>	<u>306,562,375</u>	<u>286,842,072</u>
Long-term liabilities	10,703,276	12,158,413	64,539,485	70,154,848	75,242,761	82,313,261
Other liabilities	<u>7,487,989</u>	<u>6,743,399</u>	<u>12,124,973</u>	<u>9,462,834</u>	<u>19,612,962</u>	<u>16,206,233</u>
Total liabilities	<u>18,191,265</u>	<u>18,901,812</u>	<u>76,664,458</u>	<u>79,617,682</u>	<u>94,855,723</u>	<u>98,519,494</u>
Net position:						
Net investment in capital assets	65,649,513	59,166,958	91,572,859	85,491,569	157,222,372	144,658,527
Restricted	1,892,023	2,328,557	15,688,015	15,744,918	17,580,038	18,073,475
Unrestricted	<u>28,390,507</u>	<u>27,520,685</u>	<u>8,513,735</u>	<u>(1,930,109)</u>	<u>36,904,242</u>	<u>25,590,576</u>
Total net position	<u>\$ 95,932,043</u>	<u>\$ 89,016,200</u>	<u>\$ 115,774,609</u>	<u>\$ 99,306,378</u>	<u>\$ 211,706,652</u>	<u>\$ 188,322,578</u>

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City, assets exceeded liabilities by \$211,706,652 as of December 31, 2014, an increase in the City's net position of \$23,384,074. The largest portion of the City's net position, \$157,222,372 reflects its investments in capital assets (such as land, buildings and improvements, furniture, machinery and equipment, computer equipment, vehicles, utility systems and infrastructure); less any related debt used to acquire those assets that are 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 its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF NORTH LITTLE ROCK, ARKANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED

An additional portion of the City's net position, \$17,580,038 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$36,904,242 may be used to meet the government's ongoing obligations to citizens and creditors. As of December 31, 2014 and December 31, 2013, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its governmental and business-type activities, with the exception of business-type activities negative balance of \$1,930,109 as of December 31, 2013.

Analysis of the City's Operations

The following table provides a summary of the City's operations for the year ended December 31, 2014 and December 31, 2013. Governmental activities increased the City's net position by \$6,915,843 for the year ended December 31, 2014 and increased net position by \$438,860 for the year ended December 31, 2013. Business-type activities increased the City's net position by \$16,468,231 for the year ended December 31, 2014 and by \$2,986,235 for the year ended December 31, 2013.

CITY OF NORTH LITTLE ROCK, ARKANSAS' CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues:						
Charges for services	\$ 8,495,064	\$ 8,410,979	\$ 96,222,583	\$ 95,782,990	\$ 104,717,647	\$ 104,193,969
Operating grants and contributions	333,141	835,650	-	-	333,141	835,650
Capital grants	1,940,766	3,236,971	-	-	1,940,766	3,236,971
General revenues:						
Taxes	52,914,311	51,290,667	-	-	52,914,311	51,290,667
Franchise fees	3,181,670	3,051,992	-	-	3,181,670	3,051,992
Investment income	75,000	51,789	83,313	95,118	158,313	146,907
Miscellaneous	<u>1,854,710</u>	<u>1,733,171</u>	<u>8,071,514</u>	<u>2,351,198</u>	<u>9,926,224</u>	<u>4,084,369</u>
Total revenues	<u>68,794,662</u>	<u>68,611,219</u>	<u>104,377,410</u>	<u>98,229,306</u>	<u>173,172,072</u>	<u>166,840,525</u>
Expenses:						
General government	19,951,630	28,169,440	-	-	19,951,630	28,169,440
Public safety	38,701,265	34,598,547	-	-	38,701,265	34,598,547
Public works	677,643	813,200	-	-	677,643	813,200
Street and traffic	2,253,354	2,110,807	-	-	2,253,354	2,110,807
Health and sanitation	3,926,160	5,839,420	-	-	3,926,160	5,839,420
Community development	1,179,457	1,411,141	-	-	1,179,457	1,411,141
Culture and recreation	7,083,912	6,992,540	-	-	7,083,912	6,992,540
Interest and fiscal charges	105,398	237,264	-	-	105,398	237,264
Electric Department	-	-	<u>75,909,179</u>	<u>83,243,071</u>	<u>75,909,179</u>	<u>83,243,071</u>
Total expenses	<u>73,878,819</u>	<u>80,172,359</u>	<u>75,909,179</u>	<u>83,243,071</u>	<u>149,787,998</u>	<u>163,415,430</u>
Increases (decreases) in net position before transfers	(5,084,157)	(11,561,140)	28,468,231	14,986,235	23,384,074	3,425,095
Transfers	<u>12,000,000</u>	<u>12,000,000</u>	(12,000,000)	(12,000,000)	-	-
Increases (decreases) in net position	6,915,843	438,860	16,468,231	2,986,235	23,384,074	3,425,095
Net position - Beginning of year	<u>89,016,200</u>	<u>88,577,340</u>	<u>99,306,378</u>	<u>96,320,143</u>	<u>188,322,578</u>	<u>184,897,483</u>
Net position - End of year	\$ <u>95,932,043</u>	\$ <u>89,016,200</u>	\$ <u>115,774,609</u>	\$ <u>99,306,378</u>	\$ <u>211,706,652</u>	\$ <u>188,322,578</u>

CITY OF NORTH LITTLE ROCK, ARKANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014

FINANCIAL ANALYSIS OF GOVERNMENTAL AND PROPRIETARY FUNDS

Governmental 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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$32,518,121. Approximately 41.92% of this total amount or \$13,632,255 constitutes unassigned fund balances available for spending. The remainder of the fund balances are either restricted (\$8,154,542), assigned by designation by management for encumbrances and accumulated vacation and sick leave (\$10,731,324).

The General Fund is the chief fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$13,651,556, while total fund balance was \$23,454,789. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the fund's total operational expenditures. Unassigned fund balance represents 23.22% of total expenditures, while total fund balance represents 39.89% of that same amount. The General Fund's fund balance increased by \$3,005,849 during the current fiscal year. Key factors included:

Total revenues increased by \$162,781, highlighted by the following:

- Sales taxes increased \$378,615.
- Property and other taxes increased \$487,455.
- Franchise fees increased \$129,678.
- Fines and forfeitures decreased \$313,943.
- Licenses and permits increased \$198,323.
- Charges for services increased \$224,436.
- Intergovernmental revenues decreased \$814,483.
- Investment earnings increased \$17,768.
- Miscellaneous income decreased \$145,068.

Total expenditures decreased by \$1,953,957, highlighted by the following:

- Total general government decreased by \$497,643.
- Emergency services decreased by \$109,795.
- Public safety - fire increased by \$251,333.
- Public safety - police increased by \$61,250.
- Public works decreased \$184,146.
- Sanitation decreased by \$988,575.
- Special appropriations decreased by \$1,582,324
- Street and traffic increased by \$879,882.

Other financing sources, consisting mainly of \$12,000,000 of transfers from the Electric Department, had an increase of \$87, while other financing uses decreased by \$470,087 mainly due to a transfer to the Street Fund of \$500,000 in 2013 that was not made in 2014.

Proprietary funds

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Electric Department totaled \$7,149,017 and the Utilities Accounting Department totaled \$1,364,718 as of December 31, 2014. The Electric Department net position increased \$16,736,356 and the Utilities Accounting Department net position decreased \$268,125 during 2014.

**CITY OF NORTH LITTLE ROCK, ARKANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

General Fund Budgetary Highlights

The City made revisions to the original budgeted expenditures as necessary during the year, as approved by the City Council. However, all departments remained diligent in keeping expenditures within budget. The final amended General Fund budgeted expenditures totaled \$61,198,237 as compared to the original budgeted expenditures of \$60,082,750, an increase of \$1,115,487. The components of this increase in expenditures were increases in public safety - fire of \$344,821, public safety - police of \$566,783, Vehicle Maintenance of \$63,883 and special appropriations of \$140,000.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2014 amounts to \$202,694,790, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, furniture, machinery and equipment, computer equipment, utility infrastructure, infrastructure assets, and vehicles. Major capital asset events during the current fiscal year included the following:

- Net decreases in governmental construction in progress totaling \$1,595,313 of which \$1,711,558 were additions and \$3,306,871 was transferred to other categories upon completion.
- Increases in infrastructure for governmental activities totaling \$5,115,813.
- Additions to governmental buildings totaling \$207,149.
- Additions to governmental land improvements of \$349,324.
- Additions to governmental vehicles of \$1,834,822.
- Additions to governmental equipment of \$785,571.
- Additions to governmental ships and watercrafts of \$122,959.
- Net increases in Electric Department construction in progress totaling \$4,507,288 of which \$13,172,484 were additions and \$8,665,196 was transferred to Electrical system plant upon completion.
- Additions to the Electrical system plant and equipment totaling \$9,609,318.

CAPITAL ASSETS AT YEAR-END, NET OF ACCUMULATED DEPRECIATION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land and land rights	\$ 7,994,296	\$ 7,946,469	\$ 2,032,960	\$ 2,032,960	\$ 10,027,256	\$ 9,979,429
Construction in progress	3,203,949	4,799,262	17,789,674	13,282,386	20,993,623	18,081,648
Utility system plant and equipment	-	-	241,961,927	233,529,641	241,961,927	233,529,641
Infrastructure	27,597,426	22,481,613	-	-	27,597,426	22,481,613
Buildings	39,944,759	39,737,610	-	-	39,944,759	39,737,610
Land Improvements	7,652,721	7,303,397	-	-	7,652,721	7,303,397
Vehicles	19,043,236	17,330,371	-	-	19,043,236	17,330,371
Equipment	21,424,227	20,638,656	-	-	21,424,227	20,638,656
Ships and watercraft	3,917,314	3,794,355	-	-	3,917,314	3,794,355
Accumulated depreciation	(60,444,158)	(55,785,967)	(129,423,541)	(122,663,621)	(189,867,699)	(178,449,588)
Total	\$ 70,333,770	\$ 68,245,766	\$ 132,361,020	\$ 126,181,366	\$ 202,694,790	\$ 194,427,132

Additional information on the City's capital assets can be found in note 3 in the notes to the basic financial statements.

**CITY OF NORTH LITTLE ROCK, ARKANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had \$73,208,344 in outstanding debt consisting of revenue bonds and notes payable. Of this debt, \$65,790,000 was secured by specific revenue sources.

CITY OF NORTH LITTLE ROCK, ARKANSAS' OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenue bonds	\$ -	\$ -	\$ 65,790,000	\$ 68,845,000	\$ 65,790,000	\$ 68,845,000
Notes payable	<u>7,418,344</u>	<u>9,095,301</u>	<u>-</u>	<u>-</u>	<u>7,418,344</u>	<u>9,095,301</u>
Total	\$ <u>7,418,344</u>	\$ <u>9,095,301</u>	\$ <u>65,790,000</u>	\$ <u>68,845,000</u>	\$ <u>73,208,344</u>	\$ <u>77,940,301</u>

The City's total debt (including compensated absences and other long-term operating liabilities) decreased by \$4,122,716 during the current fiscal year. Activity consisted of proceeds from notes payable of \$1,281,347, payments on the above debt totaling \$6,013,304, an increase in long term customer deposits payable \$285,806, and an increase in accrued compensated absences of \$323,435. Additional information on the City's long-term debt can be found in note 4 in the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The current economic environment presents municipalities with unprecedented circumstances and challenges, which in some cases could result in declines in population, volume of business, constraints on liquidity and difficulty obtaining financing. The City plans to continue improvements to local infrastructure, invest in its utility systems, support planning and development in the City, and focus on delivery of services to its citizens and customers.

The original 2015 budget for the General Fund includes budgeted revenues of \$49,565,312, transfers from the Electric Department of \$12,000,000, and expenditures of \$61,565,312.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance, City of North Little Rock, 120 Main Street, North Little Rock, Arkansas 72114.

BASIC FINANCIAL STATEMENTS

CITY OF NORTH LITTLE ROCK, ARKANSAS
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 11,683,750	\$ 27,027,064	\$ 38,710,814	\$ 2,873,644
Certificates of deposits	15,169,318	965,755	16,135,073	5,073,712
Receivables - net	16,074,937	3,776,808	19,851,745	5,127,198
Due from other governments	174,651	-	174,651	207,312
Internal balances	16,684	(16,684)	-	-
Prepaid expenses	670,198	859,554	1,529,752	114,176
Inventories	-	2,373,829	2,373,829	45,419
Restricted cash and cash equivalents	-	18,832,744	18,832,744	428,361
Restricted certificates of deposit	-	1,252,126	1,252,126	-
Restricted interest receivable	-	7,012	7,012	-
Unbilled revenues	-	4,373,000	4,373,000	-
Pension fund excess	-	-	-	331,881
Capital assets being depreciated - net	59,135,525	112,538,386	171,673,911	76,276,588
Capital assets not being depreciated	11,198,245	19,822,634	31,020,879	13,239,375
Total assets	114,123,308	191,812,228	305,935,536	103,717,666
Deferred outflows of resources				
Deferred amount from refunding of bonds	-	626,839	626,839	-
Total assets and deferred outflows of resources	\$ 114,123,308	\$ 192,439,067	\$ 306,562,375	\$ 103,717,666
LIABILITIES				
Accounts payable	752,847	3,610,565	4,363,412	631,275
Accrued interest	48,999	879,150	928,149	-
OPEB liability	1,218,450	334,854	1,553,304	-
Other accrued liabilities	2,440,679	417,859	2,858,538	1,591,210
Due to other governments	18,207	-	18,207	-
Notes payable due in less than one year	3,008,807	-	3,008,807	-
Revenue bonds payable in less than one year	-	5,675,000	5,675,000	1,773,858
Customer deposits payable in less than one year	-	1,207,545	1,207,545	-
Notes payable due in more than one year	4,409,537	-	4,409,537	-
Revenue bonds payable in more than one year	-	60,115,000	60,115,000	31,424,442
Customer deposits payable in more than one year	-	3,122,587	3,122,587	-
Accrued compensated absences	6,293,739	1,301,898	7,595,637	678,055
Total liabilities	18,191,265	76,664,458	94,855,723	36,098,840
NET POSITION				
Net investment in capital assets	65,649,513	91,572,859	157,222,372	56,317,663
Restricted :				
Expendable				
Electric Department	-	15,688,015	15,688,015	-
Other	1,892,023	-	1,892,023	397,274
Nonexpendable	-	-	-	33,296
Unrestricted	28,390,507	8,513,735	36,904,242	10,870,593
Total net position	95,932,043	115,774,609	211,706,652	67,618,826
Total liabilities and net position	\$ 114,123,308	\$ 192,439,067	\$ 306,562,375	\$ 103,717,666

See notes to basic financial statements.

CITY OF NORTH LITTLE ROCK, ARKANSAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Program Revenues			
Expenses	Charges for services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs:				
Primary government:				
Governmental activities:				
General government	\$ 19,951,630	\$ 2,768,921	\$ -	\$ -
Public safety	38,701,265	3,610,421	202,612	-
Public works	677,643	-	14,892	-
Street and traffic	2,253,354	27,031	-	835,675
Health and sanitation	3,926,160	804,422	-	-
Community development	1,179,457	-	-	981,081
Culture and recreation	7,083,912	1,284,269	115,637	124,010
Interest and fiscal charges	105,398	-	-	-
	73,878,819	8,495,064	333,141	1,940,766
Business-type Activities				
Electric Department	75,909,179	96,222,583	-	-
	75,909,179	96,222,583	-	-
Total primary government	\$ 149,787,998	\$ 104,717,647	\$ 333,141	\$ 1,940,766
Component Units				
Waste Water Utility	12,380,978	14,665,997	-	-
William F. Laman Public Library	4,250,859	214,952	2,350	-
Airport Commission	1,171,258	253,075	30,000	337,418
Advertising and Promotion Commission	1,131,082	289,002	-	-
	\$ 18,934,177	\$ 15,423,026	\$ 32,350	\$ 337,418
General revenues:				
Taxes - sales				
Taxes - other				
Franchise fees				
Investment income (loss)				
Grants and contributions not restricted to specific programs				
Other				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position at beginning of year				
Net position at end of year				

See notes to basic financial statements.

**Net (Expenses) Revenues and
Changes in Net Position**

Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
\$ (17,182,709)	\$ -	\$ (17,182,709)	\$ -
(34,888,232)	-	(34,888,232)	-
(662,751)	-	(662,751)	-
(1,390,648)	-	(1,390,648)	-
(3,121,738)	-	(3,121,738)	-
(198,376)	-	(198,376)	-
(5,559,996)	-	(5,559,996)	-
(105,398)	-	(105,398)	-
<u>(63,109,848)</u>	<u>-</u>	<u>(63,109,848)</u>	<u>-</u>
-	20,313,404	20,313,404	-
-	20,313,404	20,313,404	-
<u>(63,109,848)</u>	<u>20,313,404</u>	<u>(42,796,444)</u>	<u>-</u>
-	-	-	2,285,019
-	-	-	(4,033,557)
-	-	-	(550,765)
-	-	-	(842,080)
-	-	-	<u>(3,141,383)</u>
39,373,366	-	39,373,366	1,041,630
13,540,945	-	13,540,945	2,865,145
3,181,670	-	3,181,670	-
75,000	83,313	158,313	26,141
-	-	-	330,806
1,854,710	8,071,514	9,926,224	45,019
12,000,000	(12,000,000)	-	-
<u>70,025,691</u>	<u>(3,845,173)</u>	<u>66,180,518</u>	<u>4,308,741</u>
6,915,843	16,468,231	23,384,074	1,167,358
<u>89,016,200</u>	<u>99,306,378</u>	<u>188,322,578</u>	<u>66,451,468</u>
<u>\$ 95,932,043</u>	<u>\$ 115,774,609</u>	<u>211,706,652</u>	<u>\$ 67,618,826</u>

CITY OF NORTH LITTLE ROCK, ARKANSAS
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 7,066,392	\$ 4,617,358	\$ 11,683,750
Investments-certiicates of deposits	12,598,788	2,570,530	15,169,318
Property taxes receivable - net	6,568,848	1,430,592	7,999,440
Sales tax receivable	5,409,153	1,611,562	7,020,715
Franchise tax receivable	949,651	-	949,651
Prepaid expenses	670,198	-	670,198
Accounts receivable - other	82,035	23,096	105,131
Due from other governments	84,882	89,769	174,651
Due from other funds	433,307	950,791	1,384,098
Total assets	<u>\$ 33,863,254</u>	<u>\$ 11,293,698</u>	<u>\$ 45,156,952</u>
LIABILITIES			
Accounts payable	\$ 752,847	\$ -	\$ 752,847
Accrued expenses	2,277,629	163,050	2,440,679
Due to other governments	-	18,207	18,207
Due to other funds	759,431	607,983	1,367,414
Deferred revenue	6,618,558	1,441,126	8,059,684
Total liabilities	<u>10,408,465</u>	<u>2,230,366</u>	<u>12,638,831</u>
FUND BALANCES			
Restricted:			
Uniformed employees	1,310,442	-	1,310,442
Metroplan 911	534,945	-	534,945
Other	46,636	-	46,636
Street and traffic	-	3,202,994	3,202,994
Parks and recreation	-	1,097,190	1,097,190
Police Equitable Sharing	-	81,458	81,458
Drainage improvement	-	299,880	299,880
Acquisition and construction of Capital assets and improvements	-	1,580,997	1,580,997
Assigned	7,911,210	2,820,114	10,731,324
Unassigned	13,651,556	(19,301)	13,632,255
Total fund balances	<u>23,454,789</u>	<u>9,063,332</u>	<u>32,518,121</u>
Total liabilities and fund balances	<u>\$ 33,863,254</u>	<u>\$ 11,293,698</u>	<u>\$ 45,156,952</u>

See notes to basic financial statements.

CITY OF NORTH LITTLE ROCK, ARKANSAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2014

Total fund balances - governmental funds	\$	32,518,121
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds		70,333,770
Property taxes are recognized as revenue in the period in which levied in the government-wide financial statements, but are reported as deferred revenue in the governmental funds		8,059,684
Interest accrued on notes payable in governmental activities are not due and payable and therefore are not reported in the governmental funds		(48,999)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:		
Compensated absences		(6,293,739)
OPEB liability		(1,218,450)
Notes payable		(7,418,344)
		(14,930,533)
Net position of governmental activities	\$	95,932,043

See notes to basic financial statements.

CITY OF NORTH LITTLE ROCK, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Taxes - sales	\$ 25,240,722	\$ 14,132,644	\$ 39,373,366
Taxes - other	11,689,718	1,486,100	13,175,818
Franchise fees	3,181,670	-	3,181,670
Fines and forfeitures	2,871,963	-	2,871,963
Licenses and permits	2,611,210	-	2,611,210
Charges for services	1,776,867	1,099,799	2,876,666
Intergovernmental	1,231,974	1,192,050	2,424,024
Investment earnings	55,018	19,982	75,000
Miscellaneous	1,176,777	748,459	1,925,236
Total revenues	49,835,919	18,679,034	68,514,953
Expenditures			
General government:			
Administration	1,792,106	-	1,792,106
City clerk	247,584	-	247,584
Code enforcement	931,492	-	931,492
Commerce	239,416	-	239,416
Communications	101,316	-	101,316
Finance	737,225	-	737,225
District court - first division	534,014	-	534,014
District court - second division	478,205	-	478,205
Legal	532,677	-	532,677
Human resources	578,740	-	578,740
Planning	703,974	-	703,974
Public defender	7,118	-	7,118
Vehicle maintenance	864,897	-	864,897
Total general government	7,748,764	-	7,748,764
Animal shelter	722,066	-	722,066
Community development	14,765	966,595	981,360
Emergency services	1,463,989	-	1,463,989
Fit 2 Live - wellness	132,481	-	132,481
Health	420,889	-	420,889
Neighborhood services	158,112	-	158,112
Parks and recreation	13,912	5,401,315	5,415,227
Public safety - fire	14,456,478	-	14,456,478
Public safety - police	20,873,005	27,697	20,900,702
Public works	647,605	-	647,605
Sanitation	4,452,936	-	4,452,936
Senior citizens	926,884	-	926,884
Special appropriations	5,888,389	-	5,888,389
Street and traffic	879,882	3,925,825	4,805,707
Capital outlay	-	5,492,017	5,492,017
Debt service:			
Principal retirement	-	2,958,304	2,958,304
Interest and agents fees	-	122,712	122,712
Total expenditures	58,800,157	18,894,465	77,694,622
Excess (deficiency) of revenues over (under) expenditures	(8,964,238)	(215,431)	(9,179,669)
Other Financing Sources (Uses)			
Bond proceeds	-	1,281,347	1,281,347
Transfers in	12,000,087	4,637,898	16,637,985
Transfers out	(30,000)	(4,897,307)	(4,927,307)
Total other financing sources (uses)	11,970,087	1,021,938	12,992,025
Net change in fund balances	3,005,849	806,507	3,812,356
Fund balances - beginning of year	20,448,940	8,256,825	28,705,765
Fund balances - end of year	\$ 23,454,789	\$ 9,063,332	\$ 32,518,121

See notes to basic financial statements.

CITY OF NORTH LITTLE ROCK, ARKANSAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 TO THE STATEMENT OF ACTIVITIES
 DECEMBER 31, 2014

Net change in fund balances - total governmental funds	\$	3,812,356
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated lives and reported as depreciation expense. This is the amount of capital asset additions recorded in the current period.		6,237,560
Depreciation expense on capital assets is reported in the statement of activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds.		(4,780,044)
Property tax revenues are reported in the statement of activities, but do not provide current financial resources. Therefore, deferred property tax revenues are not reported as revenues in governmental funds. This is the change in the amount of property taxes deferred in the governmental funds, but not in the statement of activities		325,601
Long-term compensated absences are reported in the statement of activities, but they do not require the use of current financial resources. Therefore, long-term compensated absences are not reported as expenditures in governmental funds. This is the change in the amount accrued on the governmental wide financial statements.		(272,322)
Long-term OPEB benefits payable are reported in the statement of activities, but they do not require the use of current financial resources. Therefore, OPEB benefits payable are not reported as expenditures in governmental funds. This is the change in the amount accrued on the governmental wide financial statements.		(101,579)
Interest accrued on notes payable in governmental activities are not due and payable and therefore are not reported as expenditures in the governmental funds		17,314
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.		(1,281,347)
Repayment of long-term debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		<u>2,958,304</u>
Change in net position of governmental activities	\$	<u>6,915,843</u>

See notes to basic financial statements.

CITY OF NORTH LITTLE ROCK, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Original Budget	Changes	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues					
Taxes - sales	\$ 24,877,500	\$ -	\$ 24,877,500	\$ 25,240,722	\$ 363,222
Taxes - other	10,999,941	-	10,999,941	11,689,718	689,777
Franchise fees	2,955,000	-	2,955,000	3,181,670	226,670
Fines and forfeitures	3,142,000	-	3,142,000	2,871,963	(270,037)
Licenses and permits	2,306,500	-	2,306,500	2,611,210	304,710
Charges for services	1,725,900	-	1,725,900	1,776,867	50,967
Intergovernmental	-	-	-	1,231,974	1,231,974
Investment earnings	30,300	-	30,300	55,018	24,718
Miscellaneous	917,000	63,883	980,883	1,176,777	195,894
Total revenues	46,954,141	63,883	47,018,024	49,835,919	2,817,895
Expenditures					
General government					
Administration	1,982,557	-	1,982,557	1,792,106	190,451
City clerk	255,678	-	255,678	247,584	8,094
Code enforcement	967,584	-	967,584	931,492	36,092
Commerce	258,680	-	258,680	239,416	19,264
Communications	114,325	-	114,325	101,316	13,009
Finance	836,520	-	836,520	737,225	99,295
District court - first division	569,828	-	569,828	534,014	35,814
District court - second division	489,858	-	489,858	478,205	11,653
Legal	603,495	-	603,495	532,677	70,818
Human resources	592,713	-	592,713	578,740	13,973
Planning	731,857	-	731,857	703,974	27,883
Public defender	6,400	-	6,400	7,118	(718)
Vehicle maintenance	858,915	63,883	922,798	864,897	57,901
Total general government	8,268,410	63,883	8,332,293	7,748,764	583,529
Animal shelter	718,748	-	718,748	722,066	(3,318)
Community development	-	-	-	14,765	(14,765)
Emergency services	1,752,417	-	1,752,417	1,463,989	288,428
Fit 2 Live - wellness	157,535	-	157,535	132,481	25,054
Health	464,950	-	464,950	420,889	44,061
Neighborhood services	162,203	-	162,203	158,112	4,091
Parks and recreation	-	-	-	13,912	(13,912)
Public safety - fire	13,876,129	344,821	14,220,950	14,456,478	(235,528)
Public safety - police	20,998,642	566,783	21,565,425	20,873,005	692,420
Public works	781,310	-	781,310	647,605	133,705
Sanitation	4,704,594	-	4,704,594	4,452,936	251,658
Senior citizens	987,691	-	987,691	926,884	60,807
Special appropriations	7,210,121	140,000	7,350,121	5,888,389	1,461,732
Street and traffic	-	-	-	879,882	(879,882)
Total expenditures	60,082,750	1,115,487	61,198,237	58,800,157	2,398,080
Excess (deficiency) of revenues over (over) expenditures	(13,128,609)	(1,051,604)	(14,180,213)	(8,964,238)	5,215,975

See notes to basic financial statements.

CITY OF NORTH LITTLE ROCK, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Original Budget</u>	<u>Changes</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Excess (deficiency) of revenues over (over) expenditures	(13,128,609)	(1,051,604)	(14,180,213)	(8,964,238)	5,215,975
Other Financing Sources (Uses)					
Transfers in	12,000,000	-	12,000,000	12,000,087	87
Transfers out	<u>(30,000)</u>	<u>-</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>11,970,000</u>	<u>-</u>	<u>11,970,000</u>	<u>11,970,087</u>	<u>87</u>
Net change in fund balance	(1,158,609)	(1,051,604)	(2,210,213)	3,005,849	5,216,062
Fund balance - beginning of year	<u>20,448,940</u>	<u>-</u>	<u>20,448,940</u>	<u>20,448,940</u>	<u>-</u>
Fund balance - end of year	<u>\$ 19,290,331</u>	<u>\$ (1,051,604)</u>	<u>\$ 18,238,727</u>	<u>\$ 23,454,789</u>	<u>\$ 5,216,062</u>

See notes to basic financial statements.

	Business-type Activities Enterprise Fund Electric Department	Internal Service Fund
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 3,610,565	\$ -
Accrued expenses and other liabilities	597,291	150,263
Due to other funds	13,143	211,061
Customer deposits	-	1,207,545
Revenue bonds payable - current portion	5,675,000	-
Accrued interest payable	<u>879,150</u>	<u>-</u>
Total current liabilities	<u>10,775,149</u>	<u>1,568,869</u>
Noncurrent Liabilities		
Customer deposits	-	3,122,587
Interest earned on restricted investments	-	5,159
Accrued compensated absences	1,059,478	242,420
Revenue bonds payable, net of current	<u>60,115,000</u>	<u>-</u>
Total noncurrent liabilities	<u>61,174,478</u>	<u>3,370,166</u>
Total liabilities	<u>71,949,627</u>	<u>4,939,035</u>
Net Position:		
Net investment in capital assets	91,232,934	339,925
Restricted - expendable	15,688,015	-
Unrestricted net position	<u>7,149,017</u>	<u>1,364,718</u>
Total net position	<u>114,069,966</u>	<u>1,704,643</u>
Total liabilities and net position	<u>\$ 186,019,593</u>	<u>\$ 6,643,678</u>

CITY OF NORTH LITTLE ROCK, ARKANSAS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities Enterprise Fund Electric Department	Internal Service Fund
OPERATING REVENUES		
Charges for services	\$ 93,824,469	\$ 2,357,789
Other income	-	40,325
	<hr/>	<hr/>
Total operating revenues	93,824,469	2,398,114
	<hr/>	<hr/>
OPERATING EXPENSES		
Purchased electricity	47,542,694	-
Generation, transmission and distribution expenses	8,255,997	-
Customer records and collection expenses	2,634,015	2,581,125
Depreciation	6,930,073	90,698
General and administrative	3,794,868	-
	<hr/>	<hr/>
Total operating expenses	69,157,647	2,671,823
	<hr/>	<hr/>
Operating Income	24,666,822	(273,709)
	<hr/>	<hr/>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings(loss)	77,729	5,584
Federal contract revenue	6,291,950	-
Other income	1,779,564	-
Interest expense	(3,591,842)	-
Trustee fees	(10,320)	-
Loss on disposal of equipment	(477,547)	-
	<hr/>	<hr/>
Total nonoperating revenues (expense)	4,069,534	5,584
	<hr/>	<hr/>
Income before transfers out	28,736,356	(268,125)
	<hr/>	<hr/>
Transfers Out	12,000,000	-
	<hr/>	<hr/>
Change in net position	16,736,356	(268,125)
	<hr/>	<hr/>
Net position at beginning of year	97,333,610	1,972,768
	<hr/>	<hr/>
Net position at end of year	\$ 114,069,966	\$ 1,704,643
	<hr/>	<hr/>

See notes to basic financial statements.

CITY OF NORTH LITTLE ROCK, ARKANSAS
 STATEMENTS OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities Enterprise Fund Electric Department	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 94,178,214	\$ -
Receipts from other governments	-	2,394,956
Payments for purchased electricity	(47,542,694)	-
Payments to vendors for goods and services	(6,186,085)	(924,879)
Payments to employees	(5,858,189)	(1,773,698)
Payments for taxes	(1,103,431)	-
Net cash provided by (used in) operating activities	<u>33,487,815</u>	<u>(303,621)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers out	(12,000,000)	-
Net change in customer deposits	-	285,806
Penalty income	955,951	-
Net cash provided by (used in) noncapital financing activities	<u>(11,044,049)</u>	<u>285,806</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of property, plant and equipment	(13,873,808)	(242,798)
Repayments of long-term debt and bonds payable	(3,055,000)	-
Interest paid on long-term debt	(2,266,789)	-
Federal contract receipts	6,291,950	-
Other receipts	813,293	-
Net cash provided by (used in) capital and related financing activities	<u>(12,090,354)</u>	<u>(242,798)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in certificates of deposits	-	(11,403)
Interest on investments	77,729	5,584
Net cash provided by (used in) investing activities	<u>77,729</u>	<u>(5,819)</u>
Net increase (decrease) in cash and cash equivalents	10,431,141	(266,432)
Cash and cash equivalents at beginning of year	<u>31,704,372</u>	<u>2,783,182</u>
Cash and cash equivalents at end of year	<u>\$ 42,135,513</u>	<u>\$ 2,516,750</u>
Presented on the balance sheet as follows:		
Current assets - cash and cash equivalents	\$ 26,447,498	\$ 579,566
Current assets - restricted cash and cash equivalents	15,688,015	-
Noncurrent assets - restricted cash and cash equivalents	-	1,937,184
	<u>\$ 42,135,513</u>	<u>\$ 2,516,750</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating income	\$ 24,666,822	\$ (273,709)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation and amortization	7,368,707	90,698
Changes in operating assets and liabilities		
Accounts and other receivables	347,745	(3,158)
Unbilled revenues	6,000	-
Prepaid expenses and accrued interest	986,486	(61,462)
Materials and supplies	102,161	-
Accounts payable and accrued expenses and interest earned on restricted assets	9,894	(55,990)
Net cash provided by (used in) operating activities	<u>\$ 33,487,815</u>	<u>\$ (303,621)</u>
Supplemental disclosures of noncash transactions investing and financing activities:		
Amortization deferred on bond refunding, included in interest expense	<u>\$ 1,343,364</u>	

See notes to basic financial statements.

**CITY OF NORTH LITTLE ROCK, ARKANSAS
STATEMENT OF NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2014**

	<u>Pension Trust Non-Uniformed Employees Retirement Fund</u>
Assets	
Cash and cash equivalents	\$ 1,290,979
Investments - at fair value	<u>42,897,680</u>
Total assets	<u>\$ 44,188,659</u>
 Net Position	
Restricted for pension benefits	<u>\$ 44,188,659</u>

See notes to basic financial statements.

CITY OF NORTH LITTLE ROCK, ARKANSAS
 STATEMENT OF CHANGES IN NET POSITION
 FIDUCIARY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Pension Trust Non-Uniformed Employees Retirement Fund
ADDITIONS	
Contributions:	
Employer and employee contributions	\$ 2,075,775
Miscellaneous contributions	1,688
Total contributions	2,077,463
Investment earnings	1,339,997
Total additions	3,417,460
DEDUCTIONS	
Pension expense	2,604,613
Trust and administration fees	256,504
Total deductions	2,861,117
NET POSITION	
Change in net position	556,343
Net position at beginning of year	43,632,316
Net position at end of year	\$ 44,188,659

See notes to basic financial statements.

CITY OF NORTH LITTLE ROCK, ARKANSAS
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2014

	<u>Major Component Units</u>			<u>Nonmajor</u>	<u>Totals</u>
	William F.			Component	
	<u>Waste Water</u>	<u>Laman</u>	<u>Airport</u>	<u>Advertising &</u>	<u>Component</u>
	<u>Utility</u>	<u>Public</u>	<u>Commission</u>	<u>Promotion</u>	<u>Units</u>
		<u>Library</u>		<u>Commission</u>	
ASSETS					
Cash and cash equivalents	\$ 1,194,048	\$ 1,304,655	\$ 159,213	\$ 215,728	\$ 2,873,644
Certificates of deposit	4,630,304	-	-	443,408	5,073,712
Receivables - net	1,940,653	3,001,688	-	526	4,942,867
Note receivables - current	3,671	-	-	-	3,671
Due from other governments	-	-	189,105	18,207	207,312
Prepaid expenses	12,134	102,042	-	-	114,176
Inventories	42,148	3,271	-	-	45,419
Restricted assets - cash and investments	395,065	33,296	-	-	428,361
Note receivables - noncurrent	180,660	-	-	-	180,660
Pension fund excess	331,881	-	-	-	331,881
Capital assets being depreciated - net	71,925,355	891,526	3,355,858	103,849	76,276,588
Capital assets not being depreciated	11,097,759	-	2,141,616	-	13,239,375
Total assets	<u>\$ 91,753,678</u>	<u>\$ 5,336,478</u>	<u>\$ 5,845,792</u>	<u>\$ 781,718</u>	<u>\$ 103,717,666</u>
LIABILITIES					
Accounts payable	439,662	31,808	159,805	-	631,275
Other accrued liabilities	485,435	81,802	2,673	-	569,910
Bonds payable due in less than one year	1,773,858	-	-	-	1,773,858
Reserve for bio-solids disposal	1,021,300	-	-	-	1,021,300
Bonds payable due in more than one year	31,424,442	-	-	-	31,424,442
Accrued compensated absences	577,431	80,642	-	19,982	678,055
Total liabilities	<u>35,722,128</u>	<u>194,252</u>	<u>162,478</u>	<u>19,982</u>	<u>36,098,840</u>
NET POSITION					
Net investment in capital assets	49,824,814	891,526	5,497,474	103,849	56,317,663
Restricted - expendable	395,065	-	2,209	-	397,274
Restricted - nonexpendable	-	33,296	-	-	33,296
Unrestricted	5,811,671	4,217,404	183,631	657,887	10,870,593
Total net position	<u>56,031,550</u>	<u>5,142,226</u>	<u>5,683,314</u>	<u>761,736</u>	<u>67,618,826</u>
Total liabilities and net position	<u>\$ 91,753,678</u>	<u>\$ 5,336,478</u>	<u>\$ 5,845,792</u>	<u>\$ 781,718</u>	<u>\$ 103,717,666</u>

See notes to basic financial statements.

CITY OF NORTH LITTLE ROCK, ARKANSAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2014

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Waste Water Utility	William F. Laman Public Library	Airport Commission	Advertising & Promotion Commission	Totals Component Units
Governmental activities:								
William F. Laman Public Library Advertising and Promotion	\$ 4,250,859	\$ 214,952	\$ -	\$ -	\$ (4,033,557)	\$ -	\$ -	\$ (4,033,557)
	1,131,082	289,002	-	-	-	-	(842,080)	(842,080)
Total governmental activities	5,381,941	503,954	-	-	(4,033,557)	-	(842,080)	(4,875,637)
Business-type Activities								
Waste Water Utility	12,380,978	14,665,997		2,285,019				2,285,019
Airport Commission	1,171,258	253,075	337,418			(550,765)		(550,765)
Total business-type activities	13,552,236	14,919,072	337,418	2,285,019	-	(550,765)	-	1,734,254
Total component units	\$ 18,934,177	\$ 15,423,026	\$ 337,418	2,285,019	(4,033,557)	(550,765)	(842,080)	(3,141,383)
General Revenues								
Taxes - property					2,865,145			2,865,145
Taxes - sales					160,314		881,316	1,041,630
Investment income				21,827	1,211	151	2,952	26,141
Grants and contributions not restricted to specific programs				201,092	129,714			330,806
Other				28,618	14,870	1,023	508	45,019
Total general revenues				251,537	3,171,254	1,174	884,776	4,308,741
Change in net position				2,536,556	(862,303)	(549,591)	42,696	1,167,358
Net position at beginning of year - as restated				53,494,994	6,004,529	6,232,905	719,040	66,451,468
Net position at end of year				\$ 56,031,550	\$ 5,142,226	\$ 5,683,314	\$ 761,736	\$ 67,618,826

See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of North Little Rock, Arkansas ("the City") is a municipal corporation operating under the authority of Arkansas state statute. The City is governed by an elected nine-member council comprised of the Mayor (elected at large) and eight district City Council members. The City provides a full range of municipal services. These include police and fire protection, emergency medical services, public works (streets and waste collections), public improvements, electric and sewer services, parks and recreation, planning and zoning, social, cultural and general administrative services. The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America for state and local governments as defined by the Governmental Accounting Standards Board (GASB). Proprietary funds and similar component units have adopted GASB Statement No. 62, *Codification of Accounting and Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements or opinions conflict with or contradict GASB pronouncements, in which case, GASB prevails. The following is a summary of the significant accounting and reporting policies of the City:

REPORTING ENTITY

The accompanying government-wide financial statements present the financial statements of the City of North Little Rock, Arkansas and its component units. The component units are legally separate entities for which the City is considered to be financially accountable. Financial accountability is defined as the City's substantive appointment of the majority of the component unit's governing board. Furthermore, to be financially accountable, the City must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to or impose specific financial burdens on the City. These component units are further distinguished between blended component units, presented as part of the primary government, and discretely presented component units, presented separately.

The City's defined benefit plan, being fiduciary in nature, was not evaluated as a potential component unit but instead is reported as a fiduciary fund.

The discrete component units discussed below are included in the City's reporting entity because of the significance of their operations or financial relationships with the City. The City has no blended component units.

Discretely Presented Component Units

Major Component Units:

North Little Rock Waste Water Utility - The North Little Rock Waste Water Utility maintains the City's wastewater facility. The City appoints a majority of the Utility's governing body. The City has the ability to remove appointed members of the Utility's governing body at will.

William F. Laman Public Library Commission - The William F. Laman Public Library Commission operates the public library. The City owns the land and building, and also appoints a majority of the Commission's board.

Other Component Units:

North Little Rock Advertising and Promotion Commission - The North Little Rock Advertising and Promotion Commission was created to promote tourism in the City. The City collects a special tax from hotels and restaurants to subsidize the Commission's operations.

North Little Rock Airport Commission - The North Little Rock Airport Commission operates the municipal airport located within the City. The City appoints a majority of the Commission's board and on an annual basis appropriates funds for personnel, operations, capital expenditures and construction.

The North Little Rock Waste Water Utility and the William F. Laman Public Library issue separately audited financial statements, copies of which may be obtained from the management of those entities.

CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

Related Organizations

North Little Rock Housing Authority - The North Little Rock Housing Authority was created by state statute and is legally separate from the City. The City appoints the commissioners, however, the City cannot impose its will on the Authority since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the commissioners. The Authority is fiscally independent and no financial benefit or burden relationship exists with the City. Therefore, it is not included in the City's financial statements.

North Little Rock Public Building Authority - The North Little Rock Public Building Authority was created by state statute and is legally separate from the City. The City appoints the board members, however, the City cannot impose its will on the Authority since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the board of directors. The Authority is fiscally independent and no financial benefit or burden relationship exists with the City. Therefore, it is not included in the City's financial statements.

Central Arkansas Water - Effective July 1, 2001, the North Little Rock Water Department and the Little Rock Water Department were merged into Central Arkansas Water. The City appoints a minority of the commissioners and the City cannot impose its will on the entity.

Arkansas Inland Maritime Museum - The Arkansas Maritime Museum is organized as a membership charitable organization under the Internal Revenue Code Section 501(c)(3) to operate a maritime museum. The majority of the initial board of directors were employees of the City. The organization's members will elect subsequent board members. The organization leases the U.S.S. Razorback submarine and the Hoga tugboat from the City for \$1 per year. The organization is and will be responsible for operations of the museum and maintenance of the vessels.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its component units. Fiduciary activities are excluded from the government-wide statements because they cannot be used to support the City's own programs. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenues. Direct expenses are those that are clearly associated with a specific function or identifiable activity. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or identifiable activity and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or identifiable activity.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary fund. Separate statements for each fund (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 funds are aggregated and reported as nonmajor funds. The City has no nonmajor enterprise funds.

CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

The City reports the following major governmental funds:

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

The City reports the following major enterprise funds:

North Little Rock Electric Department - This fund accounts for operations of the City's electric utility.

Other funds of the City include the following:

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources, other than expendable trusts or major capital projects, which are legally restricted to expenditures for specified purposes

Debt Service Funds - The debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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, other than those financed by enterprise funds.

Internal Service Fund - The internal service fund is used to account for centralized services provided to enterprise funds. The City's internal service fund consists of the Utility Accounting Department and provides billing and collection services, principally for the Electric Department. The Utility Accounting Department issues separately audited financial statements, copies of which may be obtained from management of the City.

Pension Trust Fund - The pension trust fund accounts for assets held in trust for the Non-Uniformed Employees' Retirement Fund. Plan trustees must act in accordance with the specific purposes and terms of the retirement plan.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-wide, Proprietary and Fiduciary Funds

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and 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.

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 donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Franchise taxes, other taxes, and fines and forfeitures are recognized as revenues; net of estimated refunds and uncollectible amounts, in the accounting period in which an enforceable legal claim to the assets arises and the uses of resources is required or is first permitted. Grants, entitlements, and donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as deferred revenues. Grants and similar aid to other organizations are recognized as expenses as soon as recipients have met all eligibility requirements. Amounts paid before all eligibility requirements have been met are reported as prepaid items.

**CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014**

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of general long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The City considers revenues reported in the governmental funds to be available if they are collectible within sixty days after year-end. Principal revenue sources considered susceptible to accrual include taxes, federal funds, local funds and investment earnings. Other revenues are considered to be measurable and available only when cash is received by the City. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences. Pension expenditures are recognized when amounts are due to a plan.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 those estimates.

BUDGETS AND BUDGETARY ACCOUNTING

A General Fund annual operating budget is prepared by the Finance Department on an annual basis. The budget reflects revenues expected to be received during the year and expenditures expected to be incurred. The Mayor is required by City and State law to submit the budget to the City Council for approval. The City Council subsequently adopts the budget by City ordinance no later than December 31 of each year. Department expenditures relating to budgeted items may not exceed their appropriated amount without approval. Transfers over budgeted amounts must receive City Council approval. The original budget of the General Fund was amended in 2014. Appropriations for special projects are made each year by the City Council to finance specific events and capital outlays. These projects are carried forward until they are fully expended or repealed by the City Council's ordinance. Appropriations lapse at the end of each year.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short-term instruments with original maturities at purchase of three months or less. For purposes of the statement of cash flows of the Enterprise and Internal Service Funds, the City considers all liquid investments, including restricted assets, with original maturities of three months or less to be cash and cash equivalents.

INVESTMENTS AND INVESTMENT INCOME

Generally, investments are stated at fair market, cost or amortized cost and are held by the City in various forms as allowed by the laws of the State of Arkansas. The Electric Department carries debt securities with an original maturity of less than one year at amortized cost. All other investments of the Electric Department are carried at fair value using quoted market prices. Pension fund investments are carried at fair value using quoted market prices. The Waste Water Utility investments in securities are carried at fair value using quoted market prices. The City records all investment income earned in the respective funds. Investment income includes interest income, dividend income, other investment income, realized and unrealized gains and losses on investments carried at fair value (the net change for the year in the fair value of investments carried at fair value), investments carried at other than fair value, and other investment income. Investment income is included in unrestricted net position and is reflected as nonoperating revenue in the statement of revenues, expenses and changes in net position in Proprietary Funds.

**CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014**

RESTRICTED ASSETS

Certain funds are held by the Enterprise and Internal Service fund types in accounts restricted for debt service, capital construction, utility operations and maintenance and customer deposits. These funds are invested in certificates of deposits and securities as allowed by state law and the related debt agreements. The Waste Water Utility restricts certain assets for the payment of debt service, capital improvements, and repairs and maintenance. The William F. Laman Public Library restricted assets consist of cash held in a certificate of deposit. The principal endowment is permanently restricted, while investment income must be spent on reference materials.

INTERFUND RECEIVABLES AND PAYABLES

Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

TRANSACTIONS BETWEEN FUNDS

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both the governmental and proprietary funds.

ACCOUNTS RECEIVABLE

Accounts receivable are recorded in the General, Special Revenue, and Proprietary fund types. In Governmental funds, receivables are stated at their net realizable value. The Proprietary funds and Waste Water Utility (the "Utility") accounts receivable are stated at the amounts billed to customers, all funds and the Utility utilize the allowance method of accounting for uncollectible accounts receivables where appropriate. Management uses significant judgment in estimating uncollectible amounts, considering factors such as current overall economic conditions, industry-specific economic conditions, historical customer performance, and anticipated customer performance. While management believes the processes effectively address its exposure to doubtful accounts, changes in economic, industry, or specific customer conditions may require adjustment to the recorded allowance.

Allowances have been established as follows at December 31, 2014:

Primary Government:	
Electric Department	\$ 487,867
Component Units:	
Waste Water Utility	10,000
William F. Laman Public Library	14,727

INVENTORIES

All Governmental-type fund inventories are accounted for using the purchase method, whereby inventories are charged to expenditures when purchased. Governmental inventories are immaterial to the government-wide financial statements. Electric Department inventories are valued at the lower of cost or market using the average cost method. Waste Water Utility inventories are valued at the lower of cost or market using the first-in, first-out method. William F. Laman Public Library are valued at cost or market using the first-in, first out method.

PREPAID ITEMS

Prepaid balances are for payments made by the City in the current year for services occurring in the subsequent fiscal year, and a reserve for prepaid items has been recorded to signify that portion of the fund balance is not available for subsequent expenditures.

DEBT ISSUANCE EXPENSES AND REVOLVING LOAN ISSUANCE EXPENSES

The Electric Department and Waste Water Utility record all debt issuance expenses in the year they are incurred.

**CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014**

CAPITAL ASSETS

Capital assets, which include infrastructure assets constructed since 1980, are reported in the government-wide financial statements, fund financial statements for proprietary funds and all Discretely Presented Component Units. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

In connection with the adoption of GASB Statement No. 34, the City adopted a capitalization policy for infrastructure assets of \$250,000. The City defined machinery and equipment to be capitalized as those assets with value or cost greater than \$2,500 and an estimated useful life greater than one year. The cost of City additions include contractual work, direct labor, materials and allocable overhead. For the Waste Water Utility, assets are constructed by utility work crews, independent contractors financed by utility funds, contributions to the Utility by independently financed waste water improvement districts, and contributions to the Utility by real estate developers in conjunction with a property development. Assets acquired from improvement districts and real estate developers result in donated capital and have been so classified. The William F. Laman Public Library defines capital assets as assets with an initial cost of more than \$10,000 and a minimum estimated useful life of three years or more.

Cost of repairs and maintenance that do not improve or extend the asset lives are charged to operations expense as incurred.

Capital assets are depreciated using the straight-line method over their estimated useful lives ranging from 15 to 50 years for infrastructure, 10 to 40 years for buildings, 5 to 50 years for electric plant, 3 to 25 years for land improvements, vehicles, and equipment. Depreciation for the Waste Water Utility is provided using the straight-line method over estimated useful lives ranging from three to fifty years. Depreciation for the William F. Public Library is provided using the straight-line method over estimated useful lives ranging from three to twenty years.

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

CAPITALIZED INTEREST

Interest costs are capitalized when incurred by proprietary funds on debt where proceeds were used to finance the construction of assets during the construction period of the related project. Total interest costs incurred by the Electric Department for the year ended December 31, 2014 were \$3,591,842. Total interest costs charged to expense by the Electric Department for the year ended December 31, 2014 were \$3,591,842. There were no interest costs capitalized by the Electric Department for the year ended December 31, 2014. Total interest costs incurred by the Waste Water Utility for the year ended December 31, 2014 were \$596,704. Total interest costs charged to expense by the Waste Water Utility for the year ended December 31, 2014 were \$596,704. There were no interest costs capitalized by the Waste Water Utility for the year ended December 31, 2014.

LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the columns for governmental activities, business-type activities, and component units. These amounts are also reported as liabilities in the fund financial statements for proprietary funds. Debt premiums, discounts and deferred losses on refundings are generally deferred and amortized using the effective interest rate method. Long-term debt is reported net of the applicable debt premium or discount.

Long-term liabilities expected to be financed from governmental fund types are not recorded in the governmental fund financial statements. Payments of principal and interest are recorded as expenditures on the statement of revenues, expenditures and changes in fund balance in the governmental fund financial statements.

CITY OF NORTH LITTLE ROCK, ARKANSAS
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In the fund financial statements, governmental fund types recognize debt premiums, as well as debt issuance costs, during the current period. The face amount of the debt issued and premiums received are reported as other financing sources. Issuance costs, whether or not withheld from the actual proceeds received, are reported as debt service expenditures.

COMPENSATED ABSENCES

All full-time employees accumulate vacation and sick leave benefits in varying amounts based upon length of service. Upon termination or retirement, employees are paid for unused, accumulated amounts up to specified maximums. All compensated absences are accrued when incurred in the government-wide financial statements and proprietary fund financial statements. In governmental funds, a liability for these amounts is reported only as payments come due each period upon the occurrence of relevant events such as employee terminations, resignations and retirement.

FUND EQUITY

Beginning with the fiscal year ending December 31, 2012, the City implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

Nonspendable fund balance - amounts that are not in a spendable form (such as prepaid expenses or inventory) or are required to be maintained intact.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance - amounts constrained to specific purposes by a government itself, using the highest level of decision-making authority; to be committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the government delegates the authority.

Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purpose (such as purchase of fixed assets, construction, debt service, or for other purposes).

Flow assumptions - When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order: Committed, then Assigned, and lastly, Unassigned.

**CITY OF NORTH LITTLE ROCK, ARKANSAS
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Included in the following statement of net position captions:

Cash and cash equivalents	\$ 38,710,814
Certificates of deposit	16,135,073
Restricted cash and investments	
Cash and cash equivalents	18,832,744
Certificates of deposit	<u>1,252,126</u>
Totals - primary government	\$ <u>74,930,757</u>

INVESTMENTS

Arkansas statutes authorize the City to invest in direct obligations of the U.S. Government; obligations on which the principal and interest are fully guaranteed, or are fully secured, insured, or covered by commitments or agreements to purchase by the U.S. Government; obligations of agencies and instrumentalities created by acts of the United States Congress and authorized thereby to issue securities or evidence of indebtedness, regardless of guarantee of repayment by the U.S. Government; obligations of political subdivisions of the United States; certain obligations issued by the State Board of Education; short-term warrants of political subdivisions of the State of Arkansas and municipalities; the sale of federal funds with a maturity of not more than one business day; demand, savings or time deposits fully insured by a federal deposit insurance agency; repurchase agreements that are fully insured by obligations of the U.S. Government, any U.S. state or any political subdivision thereof; securities of, or other interest in, any open-end type investment company or investment trust registered under the Investment Company Act of 1940, and which is considered a money market fund, provided that the portfolio is limited principally to U.S. Government obligations and the investment company or trust takes delivery of collateral either directly or through an authorized custodian; and bank certificates of deposits.

Arkansas statutes also authorize the City to invest no more than 20 percent of its capital base in corporate debt obligations; revenue bond issues of any U.S. state, municipality, or political subdivision; industrial development bonds for corporate obligors issued through any U.S. state or political subdivision; securities or interest in an open-end or closed-end management type investment company or trust registered under the Investment Company Act of 1940 with certain limitations; securities or interests issued, assumed, or guaranteed by certain international banks; and uninsured demand, savings, or time deposits or accounts of any depository institution chartered by the United States, any U.S. state, or the District of Columbia. The pension trust funds are authorized to also invest in common stocks, investment grade corporate bonds, and other appropriate securities.

Interest Rate Risk - The City has no formal policy to limit its exposure to fair value losses due to rising interest rates.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Provisions of debt agreements require that investments by the City in government obligations not directly guaranteed by the U.S. Government be rated no less than Aa by Moody's Investor Service and AA by Standard and Poor's Investor Service. At December 31, 2014, the City had no such investments.

Custodial Credit Risk - For an investment, 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 in the possession of an outside party. At December 31, 2014, the City had no such investments.

Concentration of Credit Risk - The City places no limit on the amount that the City may invest in any one issuer. The Electric Department had amounts deposited in common trust and money market funds totaling \$5,612,626 which are included in cash and restricted cash at December 31, 2014.

Foreign Currency Risk - The City has no foreign currency risk as all investments are in U.S. dollar-denominated assets.

As of December 31, 2014, the primary government of the City had no investments.

CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

Investment	Maturity	Fair Value
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Total investment return for the City's primary government for the year ended December 31, 2014 is comprised of the following:

Investment income	\$ 158,313
Net unrealized gains (losses) reported at fair value	<u> -</u>
Totals - primary government	\$ <u>158,313</u>

NOTE 3 - CAPITAL ASSETS

Following is a summary of changes in the capital assets of governmental activities:

	Balance December 31, 2013	Increases	Decreases	Balance December 31, 2014
GOVERNMENTAL ACTIVITIES:				
Capital Assets, non-depreciable:				
Land and land rights	\$ 7,946,469	\$ 47,827	\$ -	\$ 7,994,296
Construction in progress	<u>4,799,262</u>	<u>1,711,558</u>	<u>(3,306,871)</u>	<u>3,203,949</u>
Total capital assets, non-depreciable	<u>12,745,731</u>	<u>1,759,385</u>	<u>(3,306,871)</u>	<u>11,198,245</u>
Capital Assets, depreciable:				
Infrastructure	22,481,613	5,115,813	-	27,597,426
Buildings and building improvements	39,737,610	207,149	-	39,944,759
Land Improvements	7,303,397	349,324	-	7,652,721
Vehicles	17,330,371	1,834,822	(121,957)	19,043,236
Equipment	20,638,656	785,571	-	21,424,227
Ships and watercrafts	<u>3,794,355</u>	<u>122,959</u>	<u>-</u>	<u>3,917,314</u>
Total capital assets, depreciable	111,286,002	8,415,638	(121,957)	119,579,683
Less: accumulated depreciation:	<u>(55,785,967)</u>	<u>(4,780,044)</u>	<u>121,853</u>	<u>(60,444,158)</u>
Net capital assets, depreciable	<u>55,500,035</u>	<u>3,635,594</u>	<u>(104)</u>	<u>59,135,525</u>
Total governmental activities - net	\$ <u>68,245,766</u>	\$ <u>5,394,979</u>	\$ <u>(3,306,975)</u>	\$ <u>70,333,770</u>

CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

Following is a summary of changes in the capital assets of business-type activities:

	Balance December 31, <u>2013</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2014</u>
BUSINESS-TYPE ACTIVITIES				
Capital Assets, non-depreciable:				
Land and land rights	\$ 2,032,960	\$ -	\$ -	\$ 2,032,960
Construction in progress	<u>13,282,386</u>	<u>13,172,484</u>	<u>(8,665,196)</u>	<u>17,789,674</u>
Total capital assets, non-depreciable	<u>15,315,346</u>	<u>13,172,484</u>	<u>(8,665,196)</u>	<u>19,822,634</u>
Capital Assets, depreciable:				
Plant and equipment	<u>233,529,641</u>	<u>9,609,318</u>	<u>(1,177,032)</u>	<u>241,961,927</u>
Total capital assets, depreciable	233,529,641	9,609,318	(1,777,032)	241,961,927
Less: accumulated depreciation:	<u>(122,663,621)</u>	<u>(7,459,405)</u>	<u>699,485</u>	<u>(129,423,541)</u>
Net capital assets, depreciable	<u>110,866,020</u>	<u>2,149,913</u>	<u>(477,547)</u>	<u>112,528,386</u>
Total business-type activities, net	\$ <u>126,181,366</u>	\$ <u>15,322,397</u>	\$ <u>(9,142,743)</u>	\$ <u>132,361,020</u>

Following is a summary of changes in the capital assets of component units:

	Balance December 31, <u>2013</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2014</u>
COMPONENT UNITS:				
Capital Assets, non-depreciable:				
Land and land rights	\$ 5,219,645	\$ 2,998	\$ -	\$ 5,222,643
Construction in progress	<u>7,783,976</u>	<u>946,790</u>	<u>(714,034)</u>	<u>8,016,732</u>
Total capital assets, non-depreciable	<u>13,003,621</u>	<u>949,788</u>	<u>(714,034)</u>	<u>13,239,375</u>
Capital Assets, depreciable:				
Buildings and building improvements	3,704,270	171,465	-	3,875,735
Infrastructure - Airport	18,382,906	848,982	-	19,231,888
Plant - Wastewater	109,932,750	13,879,709	-	123,812,459
Equipment	1,772,778	360,819	-	2,133,597
Vehicle	<u>43,668</u>	<u>-</u>	<u>-</u>	<u>43,668</u>
Total capital assets, depreciable	133,836,372	15,260,975	-	149,097,347
Less: accumulated depreciation	<u>(69,104,819)</u>	<u>(3,715,940)</u>	<u>-</u>	<u>(72,820,759)</u>
Net capital assets, depreciable	<u>64,731,553</u>	<u>11,545,035</u>	<u>-</u>	<u>76,276,588</u>
Total component units, net	\$ <u>77,735,174</u>	\$ <u>12,494,823</u>	\$ <u>(714,034)</u>	\$ <u>89,515,963</u>

**CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	
Administrative	\$ 22,302
Code enforcement	28,954
Commerce and government relations	3,175
Community planning	14,226
District courts	7,097
Finance	1,207
General government	636,954
Health	20,607
Human resources - personnel	2,896
Legal - city attorney	2,892
Vehicle maintenance	<u>11,561</u>
Total general government	751,871
Culture and recreation - parks and recreation	883,483
Culture and recreation - senior citizens center	242,030
Community development - housing and neighborhood programs	459
Health and sanitation - animal shelter	18,412
Health and sanitation - sanitation department	212,102
Public safety - emergency services	222,938
Public safety - equitable sharing	11,657
Public safety - Fire	553,621
Public safety - Police	994,924
Public works	30,038
Streets and traffic	<u>858,509</u>
Total depreciation expense - governmental activities	<u>4,780,044</u>

Business-type activities:

Electric Department	7,368,707
Utilities Accounting Department	<u>90,698</u>
Total depreciation expense - business type activities	<u>7,459,405</u>

Total depreciation expense - primary government \$ 12,239,449

Component units:

Waste Water Utility	\$ 2,630,152
William F. Laman Public Library	123,385
Airport Commission	954,182
Advertising & Promotion	<u>8,221</u>
Total depreciation expense - component units	<u><u>3,715,940</u></u>

**CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended December 31, 2014:

<u>Type of Debt</u>	<u>Balance December 31, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2014</u>	<u>Amounts Due within One Year</u>
Governmental activities:					
Notes payable	\$ 9,095,301	\$ 1,281,347	\$(2,958,304)	\$ 7,418,344	\$ 3,008,807
Compensated absences	<u>6,021,416</u>	<u>272,323</u>	<u>(-)</u>	<u>6,293,739</u>	<u>-</u>
Total governmental activities	<u>\$ 15,116,717</u>	<u>\$ 1,553,670</u>	<u>\$(2,958,304)</u>	<u>\$ 13,712,083</u>	<u>\$ 3,008,807</u>
Business-type activities:					
Revenue bonds	\$ 68,845,000	\$ -	\$(3,055,000)	\$ 65,790,000	\$ 5,675,000
Customer deposits	4,044,326	285,806	-	4,330,132	-
Compensated absences	<u>1,250,786</u>	<u>51,112</u>	<u>(-)</u>	<u>1,301,898</u>	<u>-</u>
Total business activities	<u>\$ 74,140,112</u>	<u>\$ 336,918</u>	<u>\$(3,055,000)</u>	<u>\$ 71,422,030</u>	<u>\$ 5,675,000</u>
Component units:					
Waste Water Utility:					
Revolving loan	\$ 23,087,412	\$ 11,877,797	\$(1,766,909)	\$ 33,198,300	\$ 1,773,858
Compensated absences	623,503	-	(46,072)	577,431	-
William F. Laman Public Library:					
Compensated absences	47,671	32,971	-	80,642	-
Advertising & Promotion:					
Compensated absences	<u>19,982</u>	<u>-</u>	<u>-</u>	<u>19,982</u>	<u>-</u>
Total component units	<u>\$ 23,778,568</u>	<u>\$ 11,910,768</u>	<u>\$(1,812,981)</u>	<u>\$ 33,876,355</u>	<u>\$ 1,773,858</u>

Bonds and notes payable at December 31, 2014 were as follows:

GOVERNMENTAL ACTIVITIES

Short-term Financing Obligations:

2010-1 Series, original issue \$5,000,000, interest rate of 2.49%, maturity 2015	1,049,785
2010-2 Series, original issue \$2,000,000, interest rate of 2.49%, maturity 2015	683,129
2011 Series, original issue \$1,300,000, interest rate of 2.09%, maturity 2016	1,300,000
2012 Series, original issue \$4,981,640, interest rate of 0.00%, maturity 2016	2,984,083
2013 Series, original issue \$120,000, interest rate of 1.92%, maturity 2018	120,000
2014 Series, original issue \$1,281,347 interest rate of 1.64%, maturity 2019	1,281,347

BUSINESS-TYPE ACTIVITIES

2011 Revenue Bonds, Interest rates of 2.3% to 5.1%, maturity 2031	16,000,000
2012 Revenue Bonds, Interest rates of 3.0% to 5.0%, maturity 2032	49,790,000

CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

COMPONENT UNITS

Revolving loans, interest rates of 1.75% - 4.0%, maturity variable \$ 33,198,300

GOVERNMENTAL ACTIVITIES:

Notes Payable:

In 2001, the State of Arkansas passed Amendment No. 78 and Act No. 1808, allowing cities and counties to obtain short-term financing agreements for the purpose of acquiring, constructing, installing or renting real property or tangible personal property having an expected useful life of more than one year. These financing agreements may not mature over a period to exceed five years and may have fixed or variable interest rates to be repaid with general revenues.

Short Term Financing Obligations, Series 2010-1- The \$5,000,000 note was issued to finance the acquisition of City vehicles and equipment and finance capital improvements to City property. The note is not secured by any lien or security interest in any physical properties. The note is a general obligation secured by the full faith, credit, and resources of the City. Payments of principal and interest in the amount of \$1,074,901.22 are due May 15, 2011 with principal and interest payments of \$1,075,924.51 due on the same day each year until May 15, 2015, at which time all unpaid principal and interest will be due and payable. The interest rate is 2.49%.

Short Term Financing Obligations, Series 2010-2 - The \$2,000,000 note was issued to finance capital improvements to City Parks and Recreation areas and acquire equipment and vehicles for City Parks and Recreation. The note is not secured by any lien or security interest in any physical properties. The note is a general obligation secured by the full faith, credit, and resources of the City. Interest only payments are due on May 15, 2011 and May 15, 2012 in the amount of \$49,391 and \$49,800. Payments of principal and interest of \$700,138.82 are due beginning May 15, 2013 and on May 15 of each year thereafter until May 15, 2015, at which time all unpaid principal and interest will be due and payable. The interest rate is 2.49%.

Short Term Financing Obligations, Series 2011 - The \$1,300,000 note was issued to finance capital improvements to City streets, drainage improvements and sidewalks in the Lower Baring Cross Redevelopment District, specifically the 3rd Street Extension. The note is not secured by any lien or security interest in any physical properties. The note is a general obligation secured by the full faith, credit, and resources of the City. Interest only payments of \$27,170 are due beginning October 27, 2012 and each year thereafter until October 27, 2016, at which time all unpaid principal and interest will be due and payable. The interest rate is 2.09%.

Short Term Financing Obligations, Series 2012 - The \$4,932,625 and \$49,015.40 notes were issued to finance and acquire equipment for the City 911 system. The equipment serves as collateral for the note. Payments of principal for the \$4,932,625 are due beginning January 1, 2013 in the amount of \$986,525.00. The amount will be the same each year thereafter until January 1, 2016 when final payment in the amount of \$1,973,050 is due. Payments of principal for the \$49,015.40 are due beginning January 1, 2013 in the amount of \$12,253.85 until January 1, 2016.

Short Term Financing Obligations, Series 2013- The \$120,000 note was issued to finance capital improvements to the Downtown Riverside RV Park. An interest only payment of \$2,336 was due March 27, 2014. Payments of principal and interest of \$31,453 are due beginning March 27, 2015 and on March 27 of each year thereafter until March 27, 2018 at which time all unpaid principal and interest will be due. The interest rate is 1.92%.

Short Term Financing Obligations, Series 2014 - The \$1,281,347 note was issued to finance acquisition of Sanitation Trucks for the City. The note is not secured by any lien or security interest in any physical properties. The note is secured by the full faith, credit, and resources of the City. Payments of principal and interest of \$269,072 are due April 11, 2015 and on the same day each year thereafter until April 11, 2019, at which date all principal and accrued interest will be due and payable. The interest rate is 1.64%.

CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

BUSINESS-TYPE ACTIVITIES:

Series 1992A Electric System Refunding Bonds - \$158,400,000 bonds issued June 1, 1992 for capital improvements, with an interest rate on the revenue bonds which ranged from 6.1% to 6.5%. Annual sinking fund payments sufficient to redeem principal plus interest at rates ranging from 3.70% to 6.50% required. These bonds were part of an advance bond refunding during the year ended December 31, 2012.

Series 1997 Electric System Revenue Refunding Bonds - \$15,350,000 bonds issued December 30, 1997 for capital improvements. Annual sinking fund payments sufficient to redeem principal and interest at rates from 4.45% to 5.20% required. These bonds were part of an advance bond refunding during the year ended December 31, 2012.

Series 2009A Working Capital Bonds - \$5,000,000 bonds issued July 15, 2009 for working capital purposes, with an interest rate of 5.5%. Annual sinking fund payments sufficient to redeem principal and interest at rates of 5.5% required. These bonds were part of an advance bond refunding during the year ended December 31, 2012.

Series 2009B Working Capital Bonds - \$10,000,000 bonds issued December 15, 2009 for working capital purposes, with an interest rate of 5.5%. Annual sinking fund payments sufficient to redeem principal and interest at rates of 5.5% required. These bonds were part of an advance bond refunding during the year ended December 31, 2012.

Series 2011 Revenue Bonds - \$16,000,000 bonds issued May 1, 2011, with an interest rate of 5.1%. Annual sinking fund payments sufficient to redeem principal plus interest at rates of 2.3% to 5.1% required. The bonds are redeemable at the City's option, as a whole or in part, at 100% of the principal amount plus accrued interest at any date on forty-five days' notice.

Series 2012A Revenue Bonds - Issued June 1, 2012, for purposes of refunding the 1992, 1997 and 2009 Series bonds, and to fund \$7,000,000 in capital improvements. The bonds require annual sinking fund payments sufficient to redeem principal plus interest at rates of 2.6% to 5.0%. The bonds are redeemable at the City's option, as a whole or in part, at 100% of the principal amount plus accrued interest at any date on 30 days' notice.

Series 2012B Revenue Bonds - Issued June 1, 2012, for purposes of refunding the 1992, 1997 and 2009 Series bonds, and to fund \$7,000,000 in capital improvements. The bonds require annual sinking fund payments sufficient to redeem principal plus interest at rates of 2.6% to 5.0%. The bonds are redeemable at the City's option, as a whole or in part, at 100% of the principal amount plus accrued interest at any date on 30 days' notice.

Series 2012C Revenue Bonds - Issued June 1, 2012, for purposes of financing working capital in the amount of \$10,185,000. The bonds require annual sinking fund payments sufficient to redeem principal plus interest at rates of 2.6% to 5.0%. The bonds are redeemable at the City's option, as a whole or in part, at 100% of the principal amount plus accrued interest at any date on 30 days' notice.

The bonds are collateralized by a pledge of electric system revenues, the funds created under the indenture and all monies and investments held therein. The major provisions of the bond indentures are as follows:

Rates: The City will maintain electric rates sufficient to produce net revenues equal to at least 125% of the annual debt service. Net revenues are defined as all revenues derived from operations of the electric system, including profits from all funds maintained under bond indenture except the project fund, less extraordinary income items and after reduction of normal operating expenses (exclusive of depreciation, noncash items and interest expense). The City was in compliance with this covenant for the year ended December 31, 2014.

CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

Funds: The City complies with all state and local laws and regulations as well as provisions of certain contracts requiring the use of separate funds. The required funds include the following:

Revenue Fund: All revenues derived from the operation of the electric system shall be deposited in this fund. Revenues deposited shall be expended into the following funds in the following order of priorities:

Operation and Maintenance Fund: Used to pay the reasonable and necessary monthly expenses of operations, and repair and maintenance of the electric system. This fund is maintained by required monthly transfers from the Revenue Fund.

Revenue Bond Fund: On the next to the last business day of each month, there shall be paid to this fund a sum equal to one-sixth of the next installment of interest, one-twelfth of the next installment of principal, and the estimated fees for the trustee for the current month until such time as there is accumulated in the fund an amount equal to the maximum annual debt service on all bonds outstanding.

Surplus Fund: Any surplus in the Revenue Fund after making all disbursements and making all required deposits described above including the correction of any deficiencies may be used for any lawful municipal purpose including early redemption of outstanding bonds or for the construction of extensions, betterments and improvements to the City's electric system.

Debt refunding:

On June 1, 2012, the City issued \$55,780,000 in revenue refunding bonds with interest rates ranging between 3.0% and 5.0%. The bonds were issued to refund \$38,595,000 of the outstanding Series 1992, 1997 and 2009 bonds and to provide \$10,185,000 in working capital and \$7,000,000 for capital improvements.

The City issued the 2012A bonds to advance refund \$39,500,000 of the outstanding Series 1992 bonds with a 6.5% interest rate. The City used the net proceeds along with other resources to purchase U.S. government securities. The securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the Series 1992 bonds. As a result, that portion of the Series 1992 bonds is considered defeased, and the City has removed the liability from its accounts.

As a result of this refunding, \$3,313,567 of deferred bond issuance costs was recognized and will be amortized over the remaining life of the old bonds. As of December 31, 2014, \$626,839 in remaining deferred bond costs is reported as a deferred outflow of resources.

DISCRETELY PRESENTED COMPONENT UNITS:

Waste Water Utility Revolving Loans

The Waste Water Utility long-term debt consists of draws against revolving loan funds from the Arkansas Department of Pollution Control and Ecology administered by the Arkansas Development Finance Authority. The funds are to be used for improvements to publicly owned sewage treatment facilities. The loans are secured by the projects for which the funds are used and a pledge of the Utility's sewer revenues.

The Utility received a \$2,700,000 award in 1991 available for approved construction. The program award was revised from \$2,700,000 to \$1,344,749 at completion of approved construction in 1994. Repayment of the 1991 loan began in October of 1994 with payments to be made semi-annually over 20 years, including interest at 4%. This bond was paid in full as of December 31, 2014.

The Utility received two program awards totaling \$11,000,000 in 1995 available for approved construction with interest and financing fee only payments due semi-annually until October 15, 2000. The interest rate on the 1995 revolving loan fund loans is at 2.5% and the financing fee is 1% of outstanding principal. Repayments of the 1995 loan began in October of 1998 with payments to be made semi-annually over twenty years, including interest.

**CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014**

In 2001, the Utility received a \$10,000,000 program award available for approved construction. The interest rate on the 2001 revolving loan fund is at 2.25% and a financing fee at 1% of the outstanding principal with semi-annual payments of interest and financing fee during the construction period. Repayment of principal, interest and financing fee of the 2001 loan began in October 2005 with payments to be made semi-annually over twenty years.

In 2008, the Utility received a \$14,000,000 program award available for approved construction. The interest rate on the 2008 revolving loan fund is at 1.75% and a financing fee at 1% of the outstanding principal with semi-annual payments of interest and financing fee during the project construction period. Repayment of principal, interest and financing fee of the 2008 loan began in April 2012 with payments to be made semi-annually over twenty years.

In 2012, the Utility received a \$21,000,000 program award available for approved construction. The interest rate on the 2012 revolving loan fund is at 1.5% and a financing fee at 1% of the outstanding principal with semi-annual payments of interest and financing fee during the project construction period. Repayment of principal, interest and financing fee of the 2012 loan will begin in April 2016 with payments to be made semi-annually over twenty years. As of December 31, 2014, \$8,222,025 was left to be drawn on the loan.

Waste Water Utility Restricted Funds

The Utility had certain debt service funds with AFDA, which are restricted to various uses. The Utility is required to deposit monthly with the AFDA, to be held in trust, an amount equal to 1/6 of the interest to coming due on the next ensuing interest payment plus 1/6 of the next installment of principal due on the bonds. The required deposits shall be reduced by any amount in the Debt Service Fund available for meeting the purpose for which the deposit is required to be made. The total deposits held in trust as of December 31, 2014 totaled \$395,065.

ANNUAL DEBT SERVICE REQUIREMENTS:

The following schedule shows the annual debt service requirements to pay principal and interest on the revenue bonds and notes payable outstanding at December 31, 2014. Principal and interest are also disclosed for component units as follows:

REVENUE BONDS

<u>Year Ending December 31,</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 5,675,000	\$ 2,201,023	\$ 7,876,023
2016	5,800,000	2,083,844	7,883,844
2017	5,930,000	2,008,514	7,938,514
2018	6,085,000	1,793,506	7,878,506
Thereafter	<u>42,300,000</u>	<u>8,081,750</u>	<u>50,381,750</u>
Total	<u>\$ 65,790,000</u>	<u>\$ 16,168,637</u>	<u>\$ 81,958,637</u>

CITY OF NORTH LITTLE ROCK, ARKANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2014

NOTES PAYABLE

Governmental Activities

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 3,008,807	\$ 93,731	\$ 3,102,538
2016	3,567,062	46,012	3,613,074
2017	286,481	14,045	300,526
2018	291,283	9,243	300,526
2019	<u>264,711</u>	<u>4,361</u>	<u>269,072</u>
Total	<u>\$ 7,418,344</u>	<u>\$ 167,392</u>	<u>\$ 7,585,736</u>

REVOLVING LOANS

Component Units

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	1,773,858	471,160	2,245,018
2016	2,651,582	941,959	3,593,541
2017	2,731,006	866,842	3,597,848
2018	2,428,161	791,733	3,219,894
2019	2,107,499	734,024	2,841,523
2020-2024	11,115,465	2,851,417	13,966,882
2024-2028	9,417,455	1,658,509	11,075,964
Thereafter	<u>9,195,299</u>	<u>656,127</u>	<u>9,851,426</u>
Total	<u>\$ 41,420,325</u>	<u>\$ 8,971,771</u>	<u>\$ 50,392,096</u>

NOTE 5 - INTERFUND BALANCES AND TRANSFERS

Interfund receivables and payables consisted of the following as of December 31, 2014:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 433,307	\$ 759,431
Special Revenue Funds	325	270,608
Capital Projects Funds	950,466	337,375
Proprietary Fund	<u>207,520</u>	<u>224,204</u>
Total	<u>\$ 1,591,618</u>	<u>\$ 1,591,618</u>

The outstanding balances between funds result mainly from the time lag between the dates (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between the funds are made.

**CITY OF NORTH LITTLE ROCK, ARKANSAS
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Interfund transfers in and transfers out consisted of the following as of December 31, 2014:

	Transfers In	Transfers Out
General Fund:		
Enterprise Fund	\$12,000,000	\$ -
Capital Projects Funds	87	-
Total General Fund	12,000,087	
Special Revenue Funds:		
Capital Projects Funds		1,559,219
Total Special Revenue Funds		1,559,219
Debt Service Funds:		
Capital Projects Funds	3,078,679	-
Total Debt Service Funds	3,078,679	-
Capital Projects Funds:		
General Fund		87
Special Revenue Funds	1,559,219	-
Debt Service Funds	-	3,078,679
Total Capital Projects Funds	1,559,219	3,078,766
Enterprise Fund:		
General Fund	-	12,000,000
Total Enterprise Fund	-	12,000,000
 Totals	 \$ 16,637,985	 \$ 16,637,985

Transfers are used to (a) 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 (b) pay debt service in accordance with contractual or budgetary authorizations. The Electric Department transfers funds to the General Fund based on amounts directed and authorized by the City Council in the annual budget.

NOTE 6 - PENSION PLANS

Substantially all of the City's employees receive retirement benefits. The City sponsors a single-employer defined benefit plan; The Non-uniformed Employees Retirement Plan ("Non-uniformed Plan") The City also contributes to the Arkansas Local Police and Fire Combined Retirement Plans ("LOPFI"), a statewide agent multiple-employer defined benefit pension plan. 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 issued only for the Non-Uniformed Plan.

All full-time non-uniformed employees are eligible to participant in the City of North Little Rock Non-uniformed Employee's Retirement Plan.

CITY OF NORTH LITTLE ROCK, ARKANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2014

Summary of Significant Accounting Policies

Basis of Accounting

The City of North Little Rock's financial statements for its defined benefit plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. City contributions to the Plan are recognized when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Determine Fair Value of Investments

The fair value of investments other than mutual funds is determined using quoted market prices. The fair value of investments in mutual funds is determined using the fund's current per share price.

Plan Descriptions and Funding Information

The Non-uniformed Employees Retirement Plan is a single-employer, defined benefit plan established under Arkansas state law. Plan assets are administered by an independent fiduciary agent, but governed by a Board of Trustees. The Non-uniformed Plan provides retirement, disability, and survivor benefits to all regular, full time, non-uniformed employees of the City, including persons who are elected to office by the people. The amount of benefits to be paid to any participant depends solely on amounts contributed to the plan plus investment earnings.

The plan requires that employees contribute four percent (4%) of covered wages. The City is required to contribute six percent (6%) of covered payroll each pay period. Participants become fully vested after ten years. Non-vested City contributions and investment earnings are forfeited when participants leave covered employment and are transferred to a separate account that may be used to reduce City contributions.

The actuarial assumptions effective for the January 1, 2015 actuarial valuation using the entry age normal cost method included (a) a rate of return on the investment of present and future assets of 7.0 percent per year, (b) projected salary increases of 4.0 percent per year, and (c) pre- and post-retirement mortality based on the 83 GAM.

Schedule of Funding Progress for Non-uniformed Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/13	\$39,783,327	\$53,477,138	\$ (13,693,811)	74.39%	19,361,786	71%
01/01/14	\$43,701,492	\$56,345,351	\$ (12,643,859)	77.56%	\$19,610,843	64%
01/01/15	\$44,213,809	\$57,803,287	\$ (13,589,478)	76.49%	\$19,305,847	71%

CITY OF NORTH LITTLE ROCK, ARKANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2014

Agent Multiple-Employer Defined Benefit Pension Plan

The Arkansas Local Police and Fire Combined Retirement Plans ("LOPFI") is a state-wide agent 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. 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. This is referred to as the Arkansas Local Police and Retirement System LOPFI Plan Coverage (For Employees Hired After December 31, 1982) - ("LOPFI"). Effective June 30, 1995, administration of the City of North Little Rock's pension funds related to police and fire personnel was transferred to the State of Arkansas and are referred to as the "Closed Plan Coverage (The Relief and Pension Funds for Employees Hired Before January 1, 1983) - ("Closed Plan"). Accordingly, financial statements of those funds are no longer part of the City's financial statements. Upon transfer of these pension funds, essentially all uniformed employees of the City's police and fire departments became participants in LOPFI. All information is derived from the Actuarial Valuation dated December 31, 2014. LOPFI issues a publicly available financial report, which may be obtained by contacting the following:

Arkansas Local Police and Fire Retirement System
 P.O. Drawer 34164
 Little Rock, Arkansas 72203
 (501) 682-1745

NORTH LITTLE ROCK PAID POLICE

Contributions requirements are set forth in Arkansas statute. LOPFI members are required to contribute six percent (6%) of their annual covered salary. The City is required to contribute at an actuarially determined rate which is a combined rate for the LOPFI and Closed Plan. For the year ending December 31, 2014 the police plan, this was 9.41% for employer normal cost for LOPFI benefits and 16.48% for the Closed Plan's unfunded accrued liabilities (25 years remaining) for a computed employer rate for combined benefits of 26.89%. Based on the combined annual payroll of LOPFI and Closed Plan active members of \$10,435,076 submitted for this valuation, the annual employer contribution for the Closed Plan dollars would total \$1,665,795.

The required contributions were determined as part of the December 31, 2011 annual actuarial valuation for the 2013 plan year using an *individual entry age actuarial cost method*. The actuarial assumptions effective for the 2013 valuation included (a) a rate of return on the investment of present and future assets of 8.0 percent per year, (b) projected salary increases of 4.0 percent per year, compounded annually, attributable to wage inflation, (c) additional projected salary increases ranging from 0.5 percent to 15.0 percent per year, depending on service, attributable to seniority/merit, (d) the assumption that benefits will increase 3 percent per year after retirement (LOPFI members only), and (e) pre- and post-retirement mortality based on the RP-2000 Combined Projected to 2017 Table set forward two years for men. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of valuation payroll. At December 31, 2014, the amortization period for Closed Plan unfunded liabilities was 22 years. For 2014, the City's Police Closed Plan's annual pension cost was \$1,529,817, which was equal to the required and actual contributions.

Schedule of Funding Progress for Closed Plan Benefits-Police

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/12	\$3,647,073	\$26,051,604	\$ (22,404,531)	14%	\$10,435,076	215%
12/31/13	\$3,350,327	\$25,773,699	\$ (22,423,372)	13%	\$10,711,912	209%
12/31/14	\$2,683,629	\$25,198,888	\$ (22,515,259)	11%	\$10,825,411	208%

**CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NORTH LITTLE ROCK PAID FIRE

Contributions requirements are set forth in Arkansas statute. LOPFI members are required to contribute six percent (6%) of their annual covered salary. The City is required to contribute at an actuarially determined rate which is a combined rate for the LOPFI and Closed Plan. For the Fire plans, this was 12.89% for employer normal cost for LOPFI benefits and 21.97% for the Closed Plan the unfunded accrued liabilities (24 years remaining) for a computed employer rate for combined benefits of 34.26%. Based on the combined annual payroll of LOPFI and Closed Plan active members of \$8,054,622 submitted for this valuation, the annual employer contribution for the Closed Plan dollars would total \$1,734,997.

The required contribution was determined as part of the December 31, 2012 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions effective for the 2011 valuation included (a) a rate of return on the investment of present and future assets of 8.0 percent per year, (b) projected salary increases of 4.0 percent per year, compounded annually, attributable to wage inflation, (c) additional projected salary increases ranging from 0.5 percent to 15.0 percent per year, depending upon service, attributable to seniority/merit, (d) the assumption that benefits will increase 3 percent per year after retirement (LOPFI members only), and (e) pre- and post-retirement mortality based on the RP-2000 Combined Projected to 2017 Table set forward two years for men. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of valuation payroll. At December 31, 2014, the amortization period for Closed Plan unfunded liabilities was 22 years. For 2014, the City's annual pension cost was \$1,394,376 which was equal to the required and actual contributions.

Schedule of Funding Progress for Closed Plan Benefits- Fire

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/12	\$10,710,959	\$30,538,772	\$ (19,827,813)	35%	\$8,054,622	246%
12/31/13	\$10,465,168	\$30,080,279	\$ (19,615,111)	35%	\$8,349,807	235%
12/31/14	\$9,995,065	\$29,271,766	\$ (19,276,701)	34%	\$7,931,178	243%

Municipal Judges' Retirement Fund

In accordance with Act 1374 of 2003, the Arkansas District Judges Retirement System (ADJRS) was established in 2004, and the City's local plan was subsequently abolished. The Plan is being administered by the Arkansas Public Employee's Retirement System (APERS). The City's unfunded liability as of the June 30, 2014 APERS calculation based on the December 31, 2004 unfunded liability totaled \$1,431,446. This amount is being amortized over a 30 year period. The remaining amortization period as of December 31, 2014 is 20 years. The amount paid for the year ended December 31, 2014 for the tenth installment of the amortization period totaled \$135,005, leaving an unfunded liability of approximately \$1,296,441 as of December 31, 2013. No current actuarial valuation was available as of the date of these financial statements.

Component Pension Plans - Waste Water Utility

The North Little Rock Waste Water Utility Defined Pension Plan is a single-employer sponsored plan administered by the Waste Water Utility. The Plan provides retirement, death, and disability benefits to plan members and beneficiaries. The Utility's Board of Commissioners establishes benefit provisions and all other requirements. The Plan does not issue stand alone financial statements, nor is it included in another public employee retirement system plan's financial statements. Participants are not required to contribute to the Plan. The Waste Water Utility is required to contribute to the Plan at an actuarially determined rate. The rate was 8.74% for the year ended December 31, 2014. The annual pension cost for 2014 totaled \$440,842. The annual required contribution for 2014 totaled \$467,546. Further information is included in the audited financial statements of the Waste Water Utility, audited by other auditors, and is not presented in this report.

CITY OF NORTH LITTLE ROCK, ARKANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2014

NOTE 7 - OTHER POST EMPLOYMENT BENEFIT PLAN

City employees participate in another post-employment benefit plan sponsored by the City (the "Plan"). Statement No. 45 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45) was effective for the City for the year ended December 31, 2007. GASB 45 requires that employers providing post-employment benefits other than pensions record and disclose annual other post-employment benefit (OPEB) cost and a net OPEB obligation in their financial statements and disclose other information about their OPEB plans, including the unfunded actuarial liability (UAAL).

The Plan allows employees to continue health insurance coverage beyond retirement. Although retirees are required to pay 100% of the group premium for continued coverage, the higher cost of covering retirees results in a subsidy to those retirees, which is reflected in the recorded OPEB cost.

Employees eligible include those who retire directly from active employment at age 55 or over with at least 20 years service.

The City recorded OPEB cost of \$342,369 for the year ended December 31, 2014 and a net OPEB obligation of \$1,553,304 based upon an update of the actuarial valuation performed as of January 1, 2015 using activity for the year ending December 31, 2014. The City's UAAL totaled \$1,349,961 as of that actuarial valuation dated January 1, 2015 and will be included in annual cost over an amortization period of 30 years. The OPEB obligation and UAAL were computed using the projected unit credit method with a discount rate of 5.5% and a healthcare cost inflation rate, beginning at 10% and decreasing 0.5% each year over a period of nine years to a final rate of 5%.

Annual OPEB Cost

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/09	398,202	47.02%	739,409
12/31/10	285,673	42.17%	910,374
12/31/11	353,775	90.31%	944,654
12/31/12	353,910	33.64%	1,179,498
12/31/13	344,646	35.37%	1,402,233
12/31/14	342,369	55.87%	1,553,304

Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	I Actuarial Liability (AAL) (b)	Unfunded Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)
01/01/11	\$ 0	\$2,299,199	\$ (2,299,199)	0%
01/01/12	0	3,094,796	(3,094,796)	0%
01/01/13	0	2,877,026	(2,877,026)	0%
01/01/14	0	1,349,961	(1,349,961)	0%

**CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014**

Participant Data:

Number of Active Employees:	782
Number of Retirees Covered:	
Under 65	16
65 and over	8

Information is included in the audited financial statements of the Waste Water Utility, audited by other auditors, and is not presented in this report.

NOTE 8 - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The City funds all amounts of compensation deferred under the Plan, at the direction of the covered employee (through payroll deductions), through investments in the United States Conference of Mayors Deferred Compensation Program maintained by Nationwide and Arkansas Diamond. All assets of the Plans, (including all deferred amounts, property and rights purchased with deferred amounts, and all income attributable to such deferred amounts, property or rights), have been placed in trust and therefore, are no longer included in the government-wide or governmental funds financial statements of the City.

NOTE 9 - PROPERTY TAXES RECEIVABLE, DEFERRED REVENUE, AND PROPERTY TAX CALENDER

Property taxes are assessed, collected and remitted to City by Pulaski County. Taxes are levied on October 1 on the assessed value listed as of January 1 of that year for all real and personal property located in the City. Taxes are due and payable on the first Monday in January after the levy and become delinquent after October 10. The majority of collections occur between March and December; as a result, the property tax is not collected within the time frame necessary to finance the liabilities of the current period.

In the governmental funds, property taxes are measurable when levied even though they are not available, and as a result, property taxes receivable and corresponding deferred revenue are recorded on the levy date. In the government-wide financial statements, property taxes receivable and related revenues are recorded on the levy date.

Accordingly, a receivable, net of allowance for doubtful accounts and a related revenue in the amount of \$7,999,440 has been recognized in the government-wide financial statements, while a receivable of \$7,990,440 and a related deferred revenue of \$7,990,440 have been recognized in the governmental fund statements.

The William F. Laman Public Library has recorded a receivable, net of allowance for doubtful accounts and related revenue in the amount of \$2,930,691 which is recognized in the Discretely Presented Component Units Statement of Net Position.

Millage rates for 2013 taxes collectible in 2014 were 5.00 for the General Fund, 3.00 for the Library, 1.00 for the Police pension, 1.00 for the Fire pension and 1.45 for the Street Fund.

NOTE 10 - INSURANCE COVERAGE

The City is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains insurance coverage through the Arkansas Municipal League (the "Pool"), which is an association of local governments, covering each of the above risks of loss. The City pays an annual premium to the Pool. The Pool's governing agreement specifies that the Pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop loss amounts. Management believes the coverage is adequate to preclude any significant uninsured risk exposure to the City. The William F. Laman Public Library, Airport Commission and Advertising & Promotion Commission are also participating with the City. Settled claims have not exceeded commercial coverage in any of the three preceding years, nor has there been a significant reduction in coverage during the year ending December 31, 2014.

**CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014**

The Waste Water Utility was insured at December 31, 2014 for general liability, automobile liability and all risk replacement cost except workers compensation with the Arkansas Public Entities Risk Management Association with claims administered by Gallagher Bassett Insurance Services of Little Rock. The Utility was insured with the Municipal League Workers Compensation Trust for worker's compensation. The policy effective dates are for a calendar year for all aforementioned policies of the Utility. The Utility was insured at December 31, 2014 with RSUI Indemnity Co. for blanket property coverage. Further information is available in the audited financial statements of the Utility.

NOTE 11 - DEFICIT IN FUND BALANCES

The Community Development Agency Fund and 2011 Baring Cross Redevelopment Fund had a deficit fund balances at December 31, 2014 totaling \$19,301 and \$248, respectively.

NOTE 12 - RELATED PARTY TRANSACTIONS

The Utilities Accounting Department ("UAD") of the City performs customer billing, collection services and accounts receivable recordkeeping for the various funds of the City. The UAD charges the Electric Department for this service based on the number of bills rendered. Charges for services to the Electric Department totaled approximately \$2,300,000 for the year ended December 31, 2014. Service deposits for Electric Department Customers are collected and maintained by UAD. Interest earnings on deposits invested are recorded by the Electric Department and reflected in the Electric Department's financial statements.

NOTE 13 - COMMITMENTS

In 2007, the City entered into a power purchase agreement with the Missouri Joint Municipal Electric Utility Commission (MJMEUC). Under the agreement, the Electric Department is committed to acquire approximately 60 megawatts of generating capacity from the Plum Point Energy Station, which is located near Osceola, Arkansas; and began power generation in 2010. The agreement runs through December 31, 2050, but may end prior to that date if the plant is retired, if certain termination provisions apply, or if otherwise agreed to by the parties. Under the agreement, the Electric Department will pay its proportionate share of the fixed and variable costs of operating the plant and its share of MJMEUC's administrative and other costs associated with the contract.

In 2010, the Electric Department entered into a fixed rate wholesale power contract with NRG Power Marketing, LLC for \$53.96 per megawatt hour for the period April 1, 2010 through December 31, 2013. Effective October 17, 2013 the Electric Department entered into a new fixed rate wholesale purchase power contract with NRG Power Marketing, LLC for the period of January 1, 2014 to December 31, 2016 for \$41.86 per megawatt hour.

The City has an agreement with Entergy whereby Entergy has interconnected its transmission facilities with the City's facilities to transmit the hydroelectric power and energy generated at the Murray Hydroelectric Plant ("the Plant") to the City's system. The agreement was effective when the Plant became operational in November 1988. The term of the agreement will continue as long as the City is authorized to operate the Plant, unless terminated earlier by either party on not less than sixty months advance written notice. Rates are determined based upon agreed formulas, with billings made on a monthly basis.

During 2012, the City established an adjustable Energy Cost Recovery Rider ("ECR") as a component of its electric rate structure. The ECR is designed to generate increases or decreases in billings to customers depending on increases or decreases in cost purchasing and providing power to its customers.

In 2013, The City entered into an energy-only contract to capitalize on the cost-effective delivery of power from Midcontinent Independent System Operator (MISO) market. Under the new contract the City will begin managing the output of its generation resources in the market by selling excess energy into the market at the current market price. When those resources produce insufficient energy, the City will purchase replacement energy from the market at the current market price.

CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

In 2014 and previous years, the City has made special appropriations to the Central Arkansas Transit Authority ("CATA") to finance its operating deficits. The City could continue to be required to fund CATA's operating deficits if the current level of services is to be maintained in the future.

The City is participating in a River Rail Project in conjunction with the City of Little Rock, Pulaski County and Central Arkansas Transit Authority (CATA). The City is participating in a federal grant program to construct a light rail system in the downtown areas of Little Rock and North Little Rock. CATA applied for the grant monies based upon representation by the Mayors of North Little Rock and Little Rock and the Pulaski County Judge. The City is responsible for approximately one third of the costs in excess of the grant monies available to complete the project. In addition, future additions or improvements to the rail will be funded by the parties involved based on the location of the addition. The City where the addition or improvement is located will be responsible for 41.667 percent of the costs incurred. The County will be responsible for 33.33 percent and the City, where the addition is not located, the remaining 25 percent.

NOTE 14 - CONTINGENCIES

Litigation

In the normal course of operations, the City is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the City's self-insurance program or by commercial insurance; for example, allegations regarding employment practices or performances of contracts. The City evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. In this regard, various claims and lawsuits are pending against the City. In the opinion of the City Attorney's Office, the potential loss on all claims and lawsuits will not be significant in relation to the City's financial statements. Based on management's evaluation, no amounts were accrued for such liabilities as of December 31, 2014. Events could occur that would cause the estimate or ultimate loss to differ materially in the near term.

In 2008, the City adopted three redevelopment ordinances invoking authority under Act No. 1197 of 2001, as amended, to structure a redevelopment district for the primary purpose of building a parking deck. After the ordinances were adopted, North Little Rock School District ("NLRSD") initiated litigation against the City and Pulaski County Officers in their official capacity in the Pulaski County Circuit Court, 2nd Division (Case No.CV-2009-0725). Adverse parties were permitted to intervene in the case. On January 14, 2013, the City adopted Ordinance No. #8495 to return the combined redevelopment districts to their original status and revoking the project plan for the combined redevelopment districts. On May 29, 2013 the City and Plaintiff North Little Rock School District filed a joint motion seeking dismissal of the case and authorization for disbursement of taxes collected according to applicable millages by the Pulaski County Tax Collector. On February 20, 2014 an Order of Dismissal with Prejudice was entered by the Court. All escrowed taxes have been disbursed to the parties by the Pulaski County Tax Collector, and this case is now closed.

On January 25, 2013, the City and Mayor Joe A. Smith accepted service in a lawsuit (Lynch v. Stodola, et al.) filed against the Cities of Little Rock and North Little Rock and their respective Mayors, in Pulaski County Circuit Court, Case No. 60CV-13-360. The lawsuit against the City and Mayor Smith, in his official capacity only, alleges illegal exactions from the City to the North Little Rock Economic Development Fund and the North Little Rock Chamber of Commerce. Alleged damages amount to over \$750,000. The Arkansas Municipal League is providing legal representation on behalf of the City and Mayor Smith in this action.

The North Little Rock Waste Water Utility is involved in a case that alleges the use by the North Little Rock Waste Water customers of certain sewer lines located in the city limits of Sherwood. This use is considered to constitute a trespass and public nuisance. North Little Rock Waste Water Utility plans to vigorously defend their case. A favorable outcome is expected and no estimation of a loss or range of loss can be made at this time in the event of an unfavorable outcome.

**CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014**

Federal and State Grants

In the normal course of operations, the City participates in several federal and state financial assistance programs. The financial assistance programs are subject to audit by granting agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. The City's grant programs have been audited in accordance with the provisions of the Single Audit Act of 1984, as amended by the Single Audit Act of 1996. Any liabilities for reimbursement that may arise, as the results of audits by the granting agencies, are not believed to be material by management.

NOTE 15 - SUBSEQUENT EVENTS

The management of the City has evaluated subsequent events through April 21, 2016.

NOTE 16 - JOINTLY GOVERNED ORGANIZATION

In 2001, the City of North Little Rock and the City of Little Rock entered into an agreement to create an entity to own and operate a consolidated water system. The entity serves customers located within the corporate limits of the City parties. Under GASB 14, the entity is accounted for as a jointly governed organization.

NOTE 17 - SIGNIFICANT ESTIMATES AND CONCENTRATIONS

Current Economic Environment

The current economic environment presents municipalities with unprecedented circumstances and challenges, which in some cases could result in declines in the volume of tax collections, other general revenues, municipal utility billings; constraints on liquidity and difficulty obtaining financing. These financial statements have been prepared using fair values and information currently available to the City, which are susceptible to change in the future based on economic conditions.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORTH LITTLE ROCK, ARKANSAS
DEFINED BENEFIT PENSION PLANS - REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS
YEAR ENDED DECEMBER 31, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded		Funded Ratio (a/b)	Covered Payroll (c)	Excess As a Percentage of Covered Payroll ((a-b)/c)
			AAL (UAAL) (b-a)				
1997	\$ 3,103,110	\$ 10,324,258	\$ (7,221,148)		30%	\$ 5,966,970	121%
1998	5,794,944	12,169,278	(6,374,334)		48%	6,476,871	186%
1999	9,838,768	15,298,111	(5,459,343)		64%	6,976,531	78%
2000	11,981,677	15,659,049	(3,677,372)		77%	7,310,313	50%
2001	14,270,372	14,407,519	(137,147)		99%	7,381,001	2%
2002	14,036,154	17,512,056	(3,475,902)		80%	7,955,904	44%
2003	13,004,184	19,015,449	(6,011,265)		68%	8,174,931	74%
2004	14,026,616	22,699,943	(8,673,327)		62%	8,529,097	102%
2005	13,022,546	22,413,601	(9,391,055)		58%	8,882,464	106%
2006	13,032,873	26,357,602	(13,324,729)		49%	8,713,534	153%
2007	15,599,146	29,305,452	(13,706,306)		53%	9,131,521	150%
2008	8,279,593	34,207,185	(25,927,592)		24%	9,602,149	270%
2009	6,262,927	25,529,601	(19,266,674)		25%	9,564,179	201%
2010	5,296,613	24,792,850	(19,496,237)		18%	9,896,336	198%
2011	4,603,140	25,758,405	(21,155,265)		14%	10,107,979	209%
2012	3,647,073	26,051,604	(22,404,531)		11%	10,435,076	215%
2013	3,350,327	25,773,699	(22,423,372)		13%	10,711,912	208%
2014	2,683,629	25,198,888	(22,515,259)		46%	5,021,035	215%
1997	9,120,256	19,913,614	(10,793,358)		53%	5,112,925	196%
1998	11,289,084	21,302,684	(10,013,600)		62%	5,247,740	150%
1999	12,666,454	20,528,819	(7,862,365)		61%	5,266,359	133%
2000	15,160,092	22,186,926	(7,026,834)		68%	5,360,674	130%
2001	10,976,063	17,960,734	(6,984,671)		61%	5,360,674	130%
2002	9,997,047	20,773,218	(10,776,171)		48%	6,254,332	172%
2003	6,552,937	15,390,030	(8,837,093)		43%	6,539,160	135%
2004	8,145,202	18,732,427	(10,587,225)		43%	6,885,654	154%
2005	6,735,872	18,733,716	(11,997,844)		36%	7,057,620	170%
2006	9,432,130	23,269,988	(13,837,858)		41%	6,779,650	204%
2007	11,488,782	25,229,183	(13,740,401)		46%	6,954,794	198%
2008	6,069,615	29,375,259	(23,305,644)		21%	7,337,855	318%
2009	14,571,322	30,223,793	(15,652,471)		48%	7,544,322	323%
2010	13,978,315	30,123,850	(16,145,535)		46%	7,667,591	339%
2011	12,337,640	29,903,498	(17,565,858)		41%	7,897,117	222%
2012	10,710,959	30,538,772	(19,827,813)		35%	8,054,622	246%
2013	10,465,168	30,080,279	(19,615,111)		35%	8,349,807	235%
2014	9,995,065	29,271,766	(19,276,701)		34%	7,931,178	235%

Note: The Non-Uniform Employees' Defined Benefit Pension Plan uses the aggregate cost method in calculating the annual actuarially required contribution. This method does not identify or separately amortize unfunded actuarial accrued liabilities. Per paragraph 124 of Governmental Accounting Standards Board State 25 - Financial Reporting for Defined Benefit Plans and Note Disclosures for Defined Contribution Plans, plans that use the aggregate cost method are not required to present a schedule of funding progress in the supplementary information to the financial statements.

**CITY OF NORTH LITTLE ROCK, ARKANSAS
 DEFINED BENEFIT PENSION PLANS - REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 YEAR ENDED DECEMBER 31, 2014**

	<u>Year Ended December 31,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
Non-Uniformed Employees' Deferred Benefit Pension Plan	2001	1,173,000	127%
	2002	1,740,000	89%
	2003	1,987,000	81%
	2004	1,990,000	81%
	2005	2,080,000	81%
	2006	N/A	N/A
	2007	N/A	N/A
	2008	2,292,407	78%
	2009	2,340,128	78%
	2010	2,280,105	80%
	2011	N/A	N/A
	2012	1,721,189	65%
	2013	1,735,353	67%
	2014	1,718,765	71%
Local Police and Fire Retirement System - Policemen	2001	1,256,835	100%
	2002	714,535	100%
	2003	1,076,858	100%
	2004	1,094,908	100%
	2005	1,282,382	100%
	2006	1,740,964	100%
	2007	1,815,346	100%
	2008	1,936,911	100%
	2009	1,907,636	100%
	2010	2,435,746	100%
	2011	2,616,956	100%
	2012	1,449,705	100%
	2013	1,529,817	100%
	2014	1,529,817	100%
Local Police and Fire Retirement System - Firemen	2001	1,176,222	100%
	2002	640,573	100%
	2003	714,534	100%
	2004	1,396,358	100%
	2005	1,449,651	100%
	2006	1,759,319	100%
	2007	1,790,859	100%
	2008	2,011,236	100%
	2009	1,956,919	100%
	2010	2,376,145	100%
	2011	2,752,935	100%
	2012	1,380,910	100%
	2013	1,500,827	100%
	2014	1,394,376	100%

N/A - INFORMATION IS NOT AVAILABLE FOR THESE YEARS

**CITY OF NORTH LITTLE ROCK, ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2014**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Defined Benefit Pension Plans

The information presented in the supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

	Non-Uniformed Employee Defined Benefit Pension Plan	Local Police and Fire Retirement System - Policemen	Local Police and Fire Retirement System - Firemen
Actuarial valuation date	01/01/15	12/31/14	12/31/14
Actuarial cost method	Entry age cost	Individual Entry age	Individual Entry age
Amortization method	Not applicable	Level percent open	Level percent open
Remaining amortization	Not applicable	22 years	22 years
Asset valuation method	Market	5-year smoothed market	5-year smoothed market
Actuarial assumptions:			
Investment rate of return	7.0%	8.0%	8.0%
Projected salary increases	4.0%	4.0 - 19.0%	4.0 - 19.00%
Includes inflation at	3.5%	4.0%	4.0%
Cost-of-living adjustments	None	3.0%	3.0%

OTHER SUPPLEMENTARY INFORMATION

**CITY OF NORTH LITTLE ROCK, ARKANSAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,883,271	\$ -	\$ 2,734,087	\$ 4,617,358
Investments - certificates of deposits	2,570,530	-	-	2,570,530
Property taxes receivable - net	1,430,592	-	-	1,430,592
Sales tax receivable	1,611,562	-	-	1,611,562
Accounts receivable - other	-	-	23,096	23,096
Due from other governments	-	-	89,769	89,769
Due from other funds	<u>325</u>	<u>-</u>	<u>950,466</u>	<u>950,791</u>
Total assets	<u>\$ 7,496,280</u>	<u>\$ -</u>	<u>\$ 3,797,418</u>	<u>\$ 11,293,698</u>
LIABILITIES				
Accrued expenses	\$ 163,050	\$ -	\$ -	\$ 163,050
Due to other governments	18,207	-	-	18,207
Due to other funds	270,608	-	337,375	607,983
Deferred revenue	<u>1,430,592</u>	<u>-</u>	<u>10,534</u>	<u>1,441,126</u>
Total liabilities	<u>1,882,457</u>	<u>-</u>	<u>347,909</u>	<u>2,230,366</u>
FUND BALANCES				
Restricted:				
Street and traffic	3,595,026	-	-	3,595,026
Parks and recreation	1,559,995	-	-	1,559,995
Police - equitable sharing	81,458	-	-	81,458
Drainage improvement	396,645	-	-	396,645
Acquisition and construction of capital assets and Improvements	-	-	3,449,509	3,449,509
Unreserved - designated	<u>(19,301)</u>	<u>-</u>	<u>-</u>	<u>(19,301)</u>
Total fund balances	<u>5,613,823</u>	<u>-</u>	<u>3,449,509</u>	<u>9,063,332</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,496,280</u>	<u>\$ -</u>	<u>\$ 3,797,418</u>	<u>\$ 11,293,698</u>

CITY OF NORTH LITTLE ROCK, ARKANSAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues				
Taxes - sales	\$ 10,015,585	\$ -	\$ 4,117,059	\$ 14,132,644
Taxes - property	1,486,100	-	-	1,486,100
Intergovernmental	1,068,041	-	124,009	1,192,050
Charges for services	1,099,799	-	-	1,099,799
Investment earnings	11,608	-	8,374	19,982
Miscellaneous	37,558	-	710,901	748,459
	<u>13,718,691</u>	<u>-</u>	<u>4,960,343</u>	<u>18,679,034</u>
Total revenues				
Expenditures				
Current operating:				
Community development	966,595	-	-	966,595
Parks and recreation	5,401,315	-	-	5,401,315
Public safety - police	27,697	-	-	27,697
Street and traffic	3,925,825	-	-	3,925,825
Capital outlay	182,986	-	5,309,031	5,492,017
Debt Service:				
Principal retirement	-	2,958,304	-	2,958,304
Interest and agent fees	-	122,712	-	122,712
	<u>10,504,418</u>	<u>3,081,016</u>	<u>5,309,031</u>	<u>18,894,465</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	3,214,273	(3,081,016)	(348,688)	(215,431)
Other Financing Sources (Uses)				
Bond proceeds	-	-	1,281,347	1,281,347
Transfers in	-	3,078,680	1,559,218	4,637,898
Transfers out	(1,820,877)	2,336	(3,078,766)	(4,897,307)
	<u>(1,820,877)</u>	<u>3,081,016</u>	<u>(238,201)</u>	<u>1,021,938</u>
Total other financing sources (uses)				
Change in fund balances	1,393,396	-	(586,889)	806,507
Fund balances at beginning of year	4,220,427	-	4,036,398	8,256,825
Fund balances at end of year	\$ 5,613,823	\$ -	\$ 3,449,509	\$ 9,063,332

CITY OF NORTH LITTLE ROCK, ARKANSAS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2014

	Street	Parks and Recreation	Community Development
Assets			
Cash and cash equivalents	\$ 1,242,841	\$ 414,899	\$ 493
Investments - certificates of deposits	1,766,032	551,137	-
Property taxes receivable - net	1,430,592	-	-
Sales tax receivable	670,086	941,476	-
Due from other funds	325	-	-
	<u>5,109,876</u>	<u>1,907,512</u>	<u>493</u>
Total assets	<u>\$ 5,109,876</u>	<u>\$ 1,907,512</u>	<u>\$ 493</u>
 Liabilities and Fund Balances			
Liabilities			
Accrued expenses	\$ 75,416	\$ 87,242	\$ 392
Due to other governments	-	18,207	-
Due to other funds	8,842	242,068	19,402
Deferred revenue	1,430,592	-	-
	<u>1,514,850</u>	<u>347,517</u>	<u>19,794</u>
Total liabilities	<u>1,514,850</u>	<u>347,517</u>	<u>19,794</u>
 Fund Balances			
Restricted:			
Street and traffic	3,595,026	-	-
Parks and recreation	-	1,559,995	-
Police - equitable sharing	-	-	-
Drainage improvement	-	-	-
Unassigned	-	-	(19,301)
	<u>3,595,026</u>	<u>1,559,995</u>	<u>(19,301)</u>
Total fund balances	<u>3,595,026</u>	<u>1,559,995</u>	<u>(19,301)</u>
 Total liabilities and fund balances	 <u>\$ 5,109,876</u>	 <u>\$ 1,907,512</u>	 <u>\$ 493</u>

<u>Equitable Sharing</u>	<u>Drainage Improvement</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 81,754	\$ 143,284	\$ 1,883,271
-	253,361	2,570,530
-	-	1,430,592
-	-	1,611,562
-	-	325
<u>\$ 81,754</u>	<u>\$ 396,645</u>	<u>\$ 7,496,280</u>

\$ -	\$ -	\$ 163,050
-	-	18,207
296	-	270,608
-	-	1,430,592
<u>296</u>	<u>-</u>	<u>1,882,457</u>

-	-	3,595,026
-	-	1,559,995
81,458	-	81,458
-	396,645	396,645
-	-	(19,301)
<u>81,458</u>	<u>396,645</u>	<u>5,613,823</u>
<u>\$ 81,754</u>	<u>\$ 396,645</u>	<u>\$ 7,496,280</u>

CITY OF NORTH LITTLE ROCK, ARKANSAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Street</u>	<u>Parks and Recreation</u>	<u>Community Development</u>
Revenues			
Taxes - sales	\$ 4,128,923	\$ 5,886,662	\$ -
Taxes - property	1,486,100	-	-
Intergovernmental	-	101,725	966,316
Charges for services	-	968,834	-
Investment earnings	7,753	2,097	15
Miscellaneous	<u>30,696</u>	<u>1,299</u>	<u>726</u>
Total revenues	<u>5,653,472</u>	<u>6,960,617</u>	<u>967,057</u>
Expenditures			
Current operating:			
Community development	-	-	966,595
Parks and recreation	-	5,401,315	-
Public safety - police	-	-	-
Street and traffic	3,925,825	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>3,925,825</u>	<u>5,401,315</u>	<u>966,595</u>
Excess (deficiency) of revenues over (under) expenditures	1,727,647	1,559,302	462
Other Financing Sources (Uses)			
Transfers to other funds	(509,633)	(1,049,586)	-
Transfers to component units	<u>-</u>	<u>(261,658)</u>	<u>-</u>
Total other financing sources (uses)	<u>(509,633)</u>	<u>(1,311,244)</u>	<u>-</u>
Change in fund balances	1,218,014	248,058	462
Fund balances at beginning of year	<u>2,377,012</u>	<u>1,311,937</u>	<u>(19,763)</u>
Fund balances at end of year	<u>\$ 3,595,026</u>	<u>\$ 1,559,995</u>	<u>\$ (19,301)</u>

<u>Equitable Sharing</u>	<u>Drainage Improvement</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ -	\$ -	\$ 10,015,585
-	-	1,486,100
-	-	1,068,041
103,934	27,031	1,099,799
95	1,648	11,608
<u>4,837</u>	-	<u>37,558</u>
<u>108,866</u>	<u>28,679</u>	<u>13,718,691</u>
-	-	966,595
-	-	5,401,315
27,697	-	27,697
-	-	3,925,825
-	<u>182,986</u>	<u>182,986</u>
<u>27,697</u>	<u>182,986</u>	<u>10,504,418</u>
81,169	(154,307)	3,214,273
-	-	(1,559,219)
-	-	<u>(261,658)</u>
-	-	<u>(1,820,877)</u>
81,169	(154,307)	1,393,396
<u>289</u>	<u>550,952</u>	<u>4,220,427</u>
<u>\$ 81,458</u>	<u>\$ 396,645</u>	<u>\$ 5,613,823</u>

CITY OF NORTH LITTLE ROCK, ARKANSAS
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2014

	2009 Series Short-Term Obligations	2010-1 Series Short-Term Obligations	2010-2 Series Short-Term Obligations
Assets			
Cash and cash equivalents	\$ _____ -	\$ _____ -	\$ _____ -
Total assets	\$ _____ -	\$ _____ -	\$ _____ -
Fund Balances			
Unassigned	\$ _____ -	\$ _____ -	\$ _____ -
Total fund balances	\$ _____ -	\$ _____ -	\$ _____ -

<u>2011 Series Short-Term Obligations</u>	<u>2012 Series Short-Term Obligations</u>	<u>2013 Series Short-Term Obligations</u>	<u>2014 Series Short-Term Obligations</u>	<u>Total Nonmajor Debt Service Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -
<u>\$ -</u>				
\$ -	\$ -	\$ -	\$ -	\$ -
<u>\$ -</u>				

CITY OF NORTH LITTLE ROCK, ARKANSAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	2009 Series Short-Term Obligations	2010-1 Series Short-Term Obligations	2010-2 Series Short-Term Obligations
Revenues	\$ -	\$ -	\$ -
Expenditures			
Debt service:			
Principal retirement	268,713	1,024,280	666,532
Interest and agents fees	7,954	51,645	33,607
Total expenditures	276,667	1,075,925	700,139
Excess(deficiency) of revenues over(under) expenditures	(276,667)	(1,075,925)	(700,139)
Other Financing Sources (Uses)			
Transfers from other funds	276,667	1,075,925	700,139
Transfers from other governments	-	-	-
Total other financing sources (uses)	276,667	1,075,925	700,139
Change in fund balances	-	-	-
Fund balances at beginning of year	-	-	-
Fund balances at end of year	\$ -	\$ -	\$ -

<u>2011 Series Short-Term Obligations</u>	<u>2012 Series Short-Term Obligations</u>	<u>2013 Series Short-Term Obligations</u>	<u>2014 Series Short-Term Obligations</u>	<u>Total Nonmajor Debt Service Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	998,779	-	-	2,958,304
<u>27,170</u>	<u>-</u>	<u>2,336</u>	<u>-</u>	<u>122,712</u>
<u>27,170</u>	<u>998,779</u>	<u>2,336</u>	<u>-</u>	<u>3,081,016</u>
(27,170)	(998,779)	(2,336)	-	(3,081,016)
27,170	998,779	-	-	3,078,680
<u>-</u>	<u>-</u>	<u>2,336</u>	<u>-</u>	<u>2,336</u>
<u>27,170</u>	<u>998,779</u>	<u>2,336</u>	<u>-</u>	<u>3,081,016</u>
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>				

CITY OF NORTH LITTLE ROCK, ARKANSAS
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2014

	Parks Capital Improvements	Sales Tax Capital Improvements	Special Projects Infrastructure	Baseball Stadium/ Hays Center Capital Improvements
Assets				
Cash and cash equivalents	\$ 224,359	\$ 1,350,733	\$ 935,364	\$ -
Accounts receivable	23,096	-	-	-
Due from other governments	-	-	-	-
Due from other funds	171,144	758,961	-	-
Total assets	\$ 418,599	\$ 2,109,694	\$ 935,364	\$ -
Liabilities and Fund Balances				
Liabilities				
Due to other funds	\$ 110,554	\$ 205,873	\$ -	\$ -
Deferred grant revenue	10,534	-	-	-
Total liabilities	121,088	205,873	-	-
Fund Balances				
Restricted:				
Acquisition and construction of capital assets and improvements	297,511	1,903,821	935,364	-
Total fund balances	297,511	1,903,821	935,364	-
Total liabilities and fund balances	\$ 418,599	\$ 2,109,694	\$ 935,364	\$ -

2007 Sales Tax Capital Improvements	2010 Parks Capital Improvements	2010 Sales Tax Capital Improvements	2011 Baring Cross Redevelopment	2013 Downtown Riverside RV	2014 Sanitation Trucks	Total Nonmajor Capital Projects Funds
\$ 1,088	\$ 395	\$ 222,148	\$ -	\$ -	\$ -	\$ 2,734,087
-	-	-	-	-	-	23,096
-	89,769	-	-	-	-	89,769
-	20,216	-	-	-	145	950,466
<u>\$ 1,088</u>	<u>\$ 110,380</u>	<u>\$ 222,148</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 145</u>	<u>\$ 3,797,418</u>
\$ 1,088	\$ 19,612	\$ -	\$ 248	\$ -	\$ -	\$ 337,375
-	-	-	-	-	-	10,534
<u>1,088</u>	<u>19,612</u>	<u>-</u>	<u>248</u>	<u>-</u>	<u>-</u>	<u>347,909</u>
-	90,768	222,148	(248)	-	145	3,449,509
-	90,768	222,148	(248)	-	145	3,449,509
<u>\$ 1,088</u>	<u>\$ 110,380</u>	<u>\$ 222,148</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 145</u>	<u>\$ 3,797,418</u>

CITY OF NORTH LITTLE ROCK, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Parks Capital Improvements	Sales Tax Capital Improvements	Special Projects Infrastructure	Baseball Stadium/ Hays Center Capital Improvements
Revenues				
Taxes - sales	\$ -	\$ 4,117,059	\$ -	\$ -
Intergovernmental	34,240	-	-	-
Investment earnings	1,066	3,971	2,029	-
Miscellaneous	-	-	709,869	-
Total revenues	<u>35,306</u>	<u>4,121,030</u>	<u>711,898</u>	<u>-</u>
Expenditures				
Capital outlay	<u>711,665</u>	<u>2,072,968</u>	<u>790,570</u>	<u>-</u>
Total expenditures	<u>711,665</u>	<u>2,072,968</u>	<u>790,570</u>	<u>-</u>
Excess(deficiency) of revenues over(under) expenditures	(676,359)	2,048,062	(78,672)	-
Other Financing Sources(Uses)				
Proceeds from bond issue	-	-	-	-
Transfer from other funds	1,049,586	-	509,632	-
Transfer to other funds	<u>(700,139)</u>	<u>(2,378,540)</u>	<u>-</u>	<u>(87)</u>
Total other financing sources(uses)	<u>349,447</u>	<u>(2,378,540)</u>	<u>509,632</u>	<u>(87)</u>
Change in fund balances	(326,912)	(330,478)	430,960	(87)
Fund balances at beginning of year	<u>624,423</u>	<u>2,234,299</u>	<u>504,404</u>	<u>87</u>
Fund balances at end of year	<u>\$ 297,511</u>	<u>\$ 1,903,821</u>	<u>\$ 935,364</u>	<u>\$ -</u>

2007 Sales Tax Capital Improvements	2010 Parks Capital Improvements	2010 Sales Tax Capital	2011 Baring Cross Redevelopment	2013 Downtown Riverside RV	2014 Sanitation Trucks	Total Nomajor Capital Projects Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,117,059
-	89,769	-	-	-	-	124,009
85	404	667	-	7	145	8,374
-	1,032	-	-	-	-	710,901
<u>85</u>	<u>91,205</u>	<u>667</u>	<u>-</u>	<u>7</u>	<u>145</u>	<u>4,960,343</u>
<u>120,732</u>	<u>226,703</u>	<u>92,893</u>	<u>-</u>	<u>12,153</u>	<u>1,281,347</u>	<u>5,309,031</u>
<u>120,732</u>	<u>226,703</u>	<u>92,893</u>	<u>-</u>	<u>12,153</u>	<u>1,281,347</u>	<u>5,309,031</u>
(120,647)	(135,498)	(92,226)	-	(12,146)	(1,281,202)	(348,688)
-	-	-	-	-	1,281,347	1,281,347
-	-	-	-	-	-	1,559,218
-	-	-	-	-	-	(3,078,766)
-	-	-	-	-	1,281,347	(238,201)
(120,647)	(135,498)	(92,226)	-	(12,146)	145	(586,889)
<u>120,647</u>	<u>226,266</u>	<u>314,374</u>	<u>(248)</u>	<u>12,146</u>	<u>-</u>	<u>4,036,398</u>
\$ -	\$ 90,768	\$ 222,148	\$ (248)	\$ -	\$ 145	\$ 3,449,509

REPORT REQUIRED BY THE STATE OF ARKANSAS

WILCOX & BIVINGS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
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Suwanee, GA 30024
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**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH CERTAIN STATE ACTS**

Honorable Joe Smith, Mayor
And Members of the City Council
City of North Little Rock, Arkansas

We have examined management's assertions that the City of North Little Rock, Arkansas complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the year ended December 31, 2014.

- (a) Municipal Accounting Law, Act 159 of 1973, Act 616 of 1979 and Act 308 of 1977 (Arkansas Statutes 19-5301 – 19-5317);
- (b) Municipal Courts, Police Courts, City Courts and Justice of the Peace courts Accounting Law of 1977, Act 332 of 1977, Acts 677 and 776 of 1985, Act 904 of 1991 and Act 1256 of 1996 (Arkansas Statutes 22-1101 – 22-1108);
- (c) Municipal Court and Police Department Uniform Filing Fees and Court Cost, Act 1341 of 1997;
- (d) Bonding of Municipal Officers and Employees, Act 338 of 1955, Act 677 of 1975, Act 940 of 1977 and Act 1014 of 1987 (Arkansas Statutes 13-412 – 13-412.3) (Replaced by Act 5 of 1985);
- (e) Improvement Contracts over \$20,000, Act 159 of 1949, Act 183 of 1957, Act 477 of 1961, Act 370 of 1977, Act 266 of 1981, Act 871 of 1983, Acts 758 and 759 of 1987, Act 936 of 1989, Act 728 of 1991, Act 645 of 1993 and Act 1319 of 1995 (Arkansas Statutes 14-611 – 14-614);
- (f) Budgets, Purchases over \$2,000; Payments of Claims, Etc., Act 28 of 1959, Act 154 of 1979, Acts 344 and 926 of 1981, Act 745 of 1985 and Act 812 of 1995 (Arkansas Statutes 19-4421 – 19-4430);
- (g) Investment of Public Funds, Act 273 of 1943; Act 106 of 1973, Act 402 of 1995 and Act 1341 of 2000 (Arkansas Statutes 13-901 – 13-904); and
- (h) Deposit of Public Funds, Act 21 of 1935, Acts 57 and 62 of 1945, Act 122 of 1947, Act 18 of 1964, Acts 89 and 107 of 1973, Act 250 of 1987, Act 459 of 1991 and Acts 232 and 700 of 1995 (Arkansas Statutes 13-801 – 13-805).

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 made 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 North Little Rock, Arkansas, complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2014.

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.

Wilcox & Bivings, P.C.

Suwanee, Georgia
April 21, 2016

**REPORTS AND SCHEDULES REQUIRED BY
GOVERNMENT AUDITING STANDARDS AND
THE SINGLE AUDIT ACT**

WILCOX & BIVINGS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Joe Smith, Mayor
And Members of the City Council
City of North Little Rock, Arkansas

We have audited, in accordance with the 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 aggregate discretely presented component units, each major fund, and the aggregate remaining funds information of the City of North Little Rock, Arkansas (the "City"), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 21, 2016. Our report includes a reference to other auditors who audited the financial statements of the City of North Little Rock Electric Department, the Utilities Accounting Department, and North Little Rock Waste Water Utility, as described in our report on the City of North Little Rock's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of The City of North Little Rock Electric Department were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of North Little Rock'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*.

Honorable Joe Smith, Mayor
And Members of the City Council
City of North Little Rock, Arkansas

Purpose of this Report

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

Wilcox & Bivings, P.C.

Suwanee, Georgia
April 21, 2016

WILCOX & BIVINGS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

4485 Tench Road, Suite 1320

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Honorable Joe Smith, Mayor
And Members of the City Council
City of North Little Rock, Arkansas

Report on Compliance for Each Major Federal Program

We have audited the City of North Little Rock, Arkansas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of North Little Rock, Arkansas' major federal programs for the year ended December 31, 2014. The City of North Little Rock, Arkansas' major federal programs are identified in the summary of auditors' results section of the accompany 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 each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of North Little Rock, Arkansas' 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 of North Little Rock, Arkansas' 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.

We believe that our audit provides a reasonable opinion for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of North Little Rock, Arkansas' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of North Little Rock, Arkansas complied, in all materials respects, with the types of compliance requirements referred to above that could have a direct and material affect on each of its major federal programs for the year ended December 31, 2014.

Honorable Joe Smith, Mayor
And Members of the City Council
City of North Little Rock, Arkansas

Report on Internal Control over Compliance

Management of the City of North Little Rock, 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 of North Little Rock, Arkansas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program 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 of North Little Rock, Arkansas' 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* 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 over internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

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

Wilcox & Bivings, P.C.

Suwanee, Georgia
April 21, 2016

**CITY OF NORTH LITTLE ROCK, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal Grantor/Program or Cluster Title/Pass-through Grantor	FEDERAL CFDA NUMBER	Pass-Thru Entity Numbers	EXPENDITURES
<u>U.S. Department of Agriculture</u>			
Office of Food and Nutrition Service:			
Summer Food Service Program for Children/Arkansas Department of Human Services	10.559	GA025	\$ 95,359.65
Total U.S. Department of Agriculture			95,359.65
<u>U. S. Department of Housing and Urban Development</u>			
Office of Community Planning and Development:			
Community Development Block Grants/Entitlement Grants	14.218		616,514.33
Community Development Block Grants/Arkansas Economic Development Commission	14.228	794-00212-08	222,622.50
Home Investment Partnership Program	14.239		310,386.27
ARRA/Neighborhood Stabilization Program 1/Arkansas Development Finance Authority	14.256		14,765.22
ARRA/Neighborhood Stabilization Program 2	14.256		39,415.61
Total U.S. Department of Housing and Urban Development			1,203,703.93
<u>U.S. Department of The Interior</u>			
National Park Service:			
Historic Preservation Fund Grants-In-Aid/Arkansas Historic Preservation	15.904	14-CLG-10	13,912.00
Outdoor Recreation	15.916	A-10614-12PU	84,664.82
Total U.S. Department of The Interior			98,576.82
<u>U. S. Department of Justice</u>			
Bureau of Justice Assistance:			
Bulletproof Vest Partnership Program	16.607		6,416.36
Office of Community Oriented Policing Services:			
Public Safety Partnership and Community Policing Grants/Arkansas State Police/S.T.E.P. Grant	16.710		56,429.98
Bureau of Justice Assistance:			
Edward Byrne Memorial Justice Assistance Grant Program (JAG)/City of Little Rock Police FY13	16.738		58,623.00
Total U.S. Department of Justice			121,469.34
<u>U.S. Department of Transportation</u>			
Federal Aviation Administration:			
Airport Improvement Program	20.106	3-05-0047-21-2011	53,607.00
Airport Improvement Program	20.106	3-05-0047-22-2011	37,041.00
Airport Improvement Program	20.106	3-05-0047-23-2014	58,782.00
Federal Highway Administration:			
Highway Planning and Construction-Safe Route to School/Arkansas Highway and Transportation Department	20.205		44,206.74
Recreational Trails Program/Arkansas Highway and Transportation Department-Levy Spur Phase I	20.219	061420	544,000.00
Recreational Trails Program/Arkansas Highway and Transportation Department-Levy Spur Phase II	20.219	061399	69,052.64
Total U.S. Department of Transportation			806,689.38
<u>U.S. Department of Homeland Security</u>			
State of Arkansas:			
Department of Emergency Management:			
Emergency Management Performance Grant FY13	97.042		14,343.87
Emergency Management Performance Grant FY14	97.042		12,819.39
Total U.S. Department of Homeland Security			27,163.26
Total Federal Awards			\$ 2,352,962.38

**CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of the City of North Little Rock, Arkansas under programs of the federal government for the year ended December 31, 2014. The information in the 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. In addition, because the Schedule presents only a selected portion of the operations of the City of North Little Rock, Arkansas, it is not intended to and does not represent the financial position, changes in net position, or cash flows of the City of North Little Rock, Arkansas.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles of State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity numbers are presented where available.

CITY OF NORTH LITTLE ROCK, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014

SECTION I-SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of Auditors' Report Issued:

- ❖ Unmodified.

Internal Control Over Financial Reporting:

- ❖ No material weaknesses identified.
- ❖ No significant deficiencies identified.
- ❖ No noncompliance material to financial statements noted.

FEDERAL AWARDS

Types of Auditors' Report Issued on Compliance for Major Programs

- ❖ Unmodified

Internal Control Over Major Programs:

- ❖ No material weaknesses identified.
- ❖ No significant deficiencies identified.
- ❖ No audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.

Identification of Major Programs

- ❖ CFDA #14.218 - United States Department of Housing and Urban Development/Office of Community Planning and Development/Community Block Grants/Entitlement Grants.
- ❖ CFDA #14.228 - United States Department of Housing and Urban Development/Office of Community Planning and Development/Community Block Grants/Arkansas Economic Development Commission.
- ❖ CFDA #14.239 - United States Department of Housing and Urban Development/Office of Community Planning and Development/Home Investment Partnership Program.
- ❖ CFDA#20.219 -United States Department of Transportation/Federal Highway Administration/Arkansas Highway and Transportation Department/Recreational Trails Program.

**CITY OF NORTH LITTLE ROCK, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

SECTION I - SUMMARY OF AUDITORS' RESULTS - CONTINUED

Other

- ❖ The threshold for distinguishing Types A and B programs was \$300,000.
- ❖ The City of North Little Rock, Arkansas did not qualify as a low-risk auditee.

SECTION II - FINANCIAL STATEMENT FINDINGS

- ❖ None

SECTION III | FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- ❖ None

CITY OF NORTH LITTLE ROCK, ARKANSAS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2014

Findings - Financial Statement Audit @ December 31, 2013:

❖ None

Findings and Questioned Costs - Major Federal Awards Programs Audit @ December 31, 2013:

❖ None

**CITY OF NORTH LITTLE ROCK, ARKANSAS
120 MAIN STREET
NORTH LITTLE ROCK, ARKANSAS 72114
501-975-8800**

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2014**

- ❖ As there were no findings for the year ended December 31, 2014, there are no corrective actions.