

CITY OF NORTH LITTLE ROCK, ARKANSAS

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Joe Smith, Mayor
And Members of the City Council
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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the North Little Rock Waste Water Utility, which represent 89%, 85%, and 61% of the assets, net position, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the North Little Rock Waste Water Utility, 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.

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.

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, 2016, 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 12, the Schedule of the City's Proportionate Share of the Net Position Liability and Related Ratios as of the Measurement Date on page 63, and the Schedule of Plan Contributions on page 64 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 and other auditors 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's basic financial statements. The combining and individual nonmajor fund financial statements 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual nonmajor fund 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Craft, Veach & Company

Craft, Veach & Company, PLC
North Little Rock, Arkansas
March 21, 2018

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, 2016. 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, 2016 by \$189,649,681 (presented as "net position"). Of this amount \$19,005,104 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 decreased by \$5,954,287 in 2016. Net position of governmental activities decreased by \$6,980,241. Net position of business-type activities increased \$1,025,954.
- As of December 31, 2016, the City's governmental funds reported combined ending fund balances of \$35,231,122 a decrease of \$1,479,372 from 2015. Approximately 29% of this amount, \$10,218,165 is available for spending at the City's discretion (unassigned fund balance).
- As of December 31, 2016, the unassigned fund balance for the General Fund was \$10,217,674 or 15.89% of total General Fund expenditures.
- As of December 31, 2016, the net position of the proprietary funds totaled \$120,396,162. Net position increased by \$1,025,954 during the year ended December 31, 2016.
- As of December 31, 2016, net position of fiduciary funds was \$43,269,868. There was an increase of \$1,591,894 in the total fiduciary net position held in trust for the year ended December 31, 2016.
- The City's component units reported net position of \$88,520,149 as of December 31, 2016. This was an increase of \$21,359,771 when compared to December 31, 2015.

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.

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 13-14 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 18 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 17 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 15-18 of this reporting package. A budget to actual comparison for the General Fund can be found on page 19 of this reporting package.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)*Fund Financial Statements (continued)**Proprietary Funds*

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 20-22 of this reporting package.

Fiduciary Funds

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 23-24 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 27-62 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 63-78 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 2016 compared to 2015:

CITY OF NORTH LITTLE ROCK, ARKANSAS' NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 49,518,554	\$ 49,210,477	\$ 47,775,530	\$ 62,250,051	\$ 97,294,084	\$ 111,460,528
Capital Assets	72,697,173	69,360,194	138,189,890	137,605,437	210,887,063	206,965,631
Total Assets	122,215,727	118,570,671	185,965,420	199,855,488	308,181,147	318,426,159
Deferred Outflows of Resources	13,057,614	8,952,785	2,929,130	1,218,800	15,986,744	10,171,585
Total Assets and Deferred Outflows of Resources	<u>135,273,341</u>	<u>127,523,456</u>	<u>188,894,550</u>	<u>201,074,288</u>	<u>324,167,891</u>	<u>328,597,744</u>
Long-Term Liabilities	56,440,316	38,211,898	55,219,665	65,559,154	111,659,981	103,771,052
Other Liabilities	5,284,160	7,040,677	11,042,961	13,026,668	16,327,121	20,067,345
Total Liabilities	61,724,476	45,252,575	66,262,626	78,585,822	127,987,102	123,838,397
Deferred Inflows of Resources	4,295,346	6,037,121	2,235,762	3,118,258	6,531,108	9,155,379
Net Position:						
Net Investment in Capital Assets	57,045,116	59,809,121	106,379,890	101,865,437	163,425,006	161,674,558
Restricted	2,232,076	1,704,038	4,987,495	15,356,221	7,219,571	17,060,259
Unrestricted	9,976,327	14,720,601	9,028,777	2,148,550	19,005,104	16,869,151
Total Net Position	69,253,519	76,233,760	120,396,162	119,370,208	189,649,681	195,603,968
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 135,273,341</u>	<u>\$ 127,523,456</u>	<u>\$ 188,894,550</u>	<u>\$ 201,074,288</u>	<u>\$ 324,167,891</u>	<u>\$ 328,597,744</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 \$189,649,681 as of December 31, 2016, a decrease in the City's net position of \$5,954,287. The largest portion of the City's net position, \$163,425,006 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.

An additional portion of the City's net position, \$7,219,571 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$19,005,104 may be used to meet the government's ongoing obligations to citizens and creditors. As of December 31, 2016 and December 31, 2015, 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Analysis of the City's Operations

The following table provides a summary of the City's operations for the year ended December 31, 2016 and December 31, 2015. Governmental activities decreased the City's net position by \$6,980,241 for the year ended December 31, 2016 and increased net position by \$8,788,781 for the year ended December 31, 2015. Business-type activities increased the City's net position by \$1,025,954 for the year ended December 31, 2016 and by \$11,258,864 for the year ended December 31, 2015.

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for services	\$ 8,868,581	\$ 8,620,333	\$ 85,194,872	\$ 91,547,365	\$ 94,063,453	\$ 100,167,698
Operating grants and contributions	1,326,271	196,479	-	-	1,326,271	196,479
Capital grants	1,706,993	1,412,468	-	-	1,706,993	1,412,468
General Revenues:						
Taxes	54,835,072	55,576,110	-	-	54,835,072	55,576,110
Franchise fees	2,975,695	3,191,694	-	-	2,975,695	3,191,694
Investment income	140,856	101,692	93,787	210,467	234,643	312,159
Miscellaneous	2,535,766	996,764	1,214,830	4,318,952	3,750,596	5,315,716
Total Revenues	<u>72,389,234</u>	<u>70,095,540</u>	<u>86,503,489</u>	<u>96,076,784</u>	<u>158,892,723</u>	<u>166,172,324</u>
Expenses:						
General government	17,518,071	14,044,077	-	-	17,518,071	14,044,077
Public safety	54,742,749	41,160,354	-	-	54,742,749	41,160,354
Public works	1,113,145	863,116	-	-	1,113,145	863,116
Street and traffic	2,440,182	3,194,899	-	-	2,440,182	3,194,899
Health and sanitation	4,997,929	4,955,822	-	-	4,997,929	4,955,822
Community development	2,029,428	2,406,171	-	-	2,029,428	2,406,171
Culture and recreation	8,490,298	6,619,136	-	-	8,490,298	6,619,136
Interest and fiscal charges	37,673	63,184	-	-	37,673	63,184
Electric department	-	-	73,477,535	72,817,920	73,477,535	72,817,920
Total Expenses	<u>91,369,475</u>	<u>73,306,759</u>	<u>73,477,535</u>	<u>72,817,920</u>	<u>147,328,939</u>	<u>132,080,602</u>
Increases (Decreases) in net position before transfers	(18,980,241)	(3,211,219)	13,025,954	23,258,864	(5,954,287)	20,047,645
Transfers	<u>12,000,000</u>	<u>12,000,000</u>	<u>(12,000,000)</u>	<u>(12,000,000)</u>	<u>-</u>	<u>-</u>
Increases (Decreases) in net position	(6,980,241)	8,788,781	1,025,954	11,258,864	(5,954,287)	20,047,645
Cumulative effect of change in accounting principle-GASB 68	-	(28,487,064)	-	(7,663,265)	-	(36,150,329)
Net position - beginning of year	<u>76,233,760</u>	<u>95,932,043</u>	<u>119,370,208</u>	<u>115,774,609</u>	<u>195,603,968</u>	<u>211,706,652</u>
Net position - end of year	<u>\$ 69,253,519</u>	<u>\$ 76,233,760</u>	<u>\$ 120,396,162</u>	<u>\$ 119,370,208</u>	<u>\$ 189,649,681</u>	<u>\$ 195,603,968</u>

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 \$35,231,122. Approximately 29% of this total amount or \$10,218,165 constitutes unassigned fund balances available for spending. The remainder of the fund balances are either restricted (\$12,704,866), assigned by designation by management for encumbrances and accumulated vacation and sick leave (\$12,308,091).

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 \$10,217,674 while total fund balance was \$24,757,841. 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 15.88% of total expenditures, while total fund balance represents 38.49% of that same amount. The General Fund's fund balance decreased by \$976,207 during the current fiscal year. Key factors included:

Total revenues increased by \$2,090,996, highlighted by the following:

- Sales taxes decreased \$182,967.
- Property and other taxes increased \$308,569.
- Franchise fees decreased \$215,999.
- Fines and forfeitures decreased \$34,518.
- Licenses and permits increased \$13,985.
- Charges for services decreased \$10,433.
- Intergovernmental revenues increased \$1,693,709.
- Investment earnings increased \$29,502.
- Miscellaneous income increased \$489,148.

Total expenditures increased by \$4,019,441 highlighted by the following:

- Total general government increased by \$623,920.
- Emergency services increased by \$361,525.
- Public safety - fire increased by \$277,837.
- Public safety - police increased by \$904,375.
- Public works increased by \$220,582.
- Sanitation increased by \$5,155.
- Special appropriations increased by \$1,664,963.

Other financing sources consist of \$12,000,000 of transfers from the Electric Department.

FINANCIAL ANALYSIS OF GOVERNMENTAL AND PROPRIETARY FUNDS (CONTINUED)*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 \$10,387,549 and the Utilities Accounting Department totaled \$(1,358,772) as of December 31, 2016. The Electric Department net position increased \$1,648,754 and the Utilities Accounting Department net position decreased \$622,800 during 2016.

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 \$66,590,396 as compared to the original budgeted expenditures of \$64,398,691 an increase of \$2,191,705. The components of this increase in expenditures were increases in Administration of \$1,407,245, District court-second division of \$52,400, Public defender of \$1,500, Vehicle maintenance \$72,995, Neighborhood services \$9,174, Public safety-Fire \$90,115, Public Works \$100,000, and Special Appropriations of \$458,276.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2016 amounts to \$210,887,063, 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:

- Increases in infrastructure for governmental activities totaling \$1,080,089.
- Additions to governmental buildings totaling \$180,529.
- Additions to governmental land improvements of \$401,622.
- Additions to governmental vehicles of \$167,778.
- Additions to governmental equipment of \$1,015,293.
- Decreases to governmental ships and watercrafts of \$400,606.
- Additions to the Electrical system plant and equipment totaling \$17,939,694.

CAPITAL ASSETS (CONTINUED)

CAPITAL ASSETS AT YEAR-END, NET OF ACCUMULATED DEPRECIATION

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land and land rights	\$ 8,009,520	\$ 8,008,120	\$ 2,032,960	\$ 2,032,960	\$ 10,042,480	\$ 10,041,080
Construction in progress	7,558,435	2,874,886	3,651,140	12,784,837	11,209,575	15,659,723
Utility system plant and equipment	-	-	277,778,208	259,838,514	277,778,208	259,838,514
Infrastructure	29,654,522	28,574,433	-	-	29,654,522	28,574,433
Buildings	41,069,050	40,888,521	-	-	41,069,050	40,888,521
Land improvements	8,074,658	7,673,036	-	-	8,074,658	7,673,036
Vehicles	20,365,060	20,197,282	-	-	20,365,060	20,197,282
Equipment	22,971,864	21,956,571	-	-	22,971,864	21,956,571
Ships and watercraft	3,516,708	3,917,314	-	-	3,516,708	3,917,314
Accumulated depreciation	(68,522,644)	(64,729,969)	(145,272,418)	(137,050,874)	(213,795,062)	(201,780,843)
Total	\$ 72,697,173	\$ 69,360,194	\$ 138,189,890	\$ 137,605,437	\$ 210,887,063	\$ 206,965,631

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

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had \$46,537,137 in outstanding debt consisting of revenue bonds and notes payable. Of this debt, \$45,655,000 was secured by specific revenue sources.

CITY OF NORTH LITTLE ROCK, ARKANSAS' OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenue bonds	\$ -	\$ -	\$ 45,655,000	\$ 60,115,000	\$ 45,655,000	\$ 60,115,000
Notes payable	882,137	4,409,537	-	-	882,137	4,409,537
Total	\$ 882,137	\$ 4,409,537	\$ 45,655,000	\$ 60,115,000	\$ 46,537,137	\$ 64,524,537

The City's total debt (including compensated absences and other long-term operating liabilities) increased by \$3,098,863 during the current fiscal year. Activity consisted of \$19,829,987 in accrued pension liability, and payments on the above debt totaling \$31,682,000. 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 2017 budget for the General Fund includes budgeted revenues of \$54,367,467, transfers from the Electric Department of \$12,000,000, and expenditures of \$66,367,467.

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.

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 12,246,372	\$ 21,504,779	\$ 33,751,151	\$ 4,301,944
Hydro maintenance fund	-	4,000,000	4,000,000	-
Certificates of deposits	16,710,382	265,377	16,975,759	3,359,583
Receivables - net	17,219,550	3,422,446	20,641,996	6,066,145
Due from other governments	3,117,668	-	3,117,668	-
Internal balances	224,582	(123,880)	100,702	(100,702)
Prepaid expenses	-	2,116,584	2,116,584	438,371
Inventories	-	2,805,404	2,805,404	30,319
Restricted cash and cash equivalents	-	6,780,291	6,780,291	730,758
Restricted certificates of deposits	-	2,921,060	2,921,060	-
Restricted interest receivable	-	4,469	4,469	-
Unbilled revenues	-	4,079,000	4,079,000	-
Capital assets being depreciated - net	57,129,218	132,505,790	189,635,008	105,876,348
Capital assets not being depreciated	15,567,955	5,684,100	21,252,055	10,336,931
TOTAL ASSETS	122,215,727	185,965,420	308,181,147	131,039,697
Deferred outflows of resources:				
Deferred amount from refunding of bonds	-	708,663	708,663	-
Deferred amount related to pensions	13,057,614	2,220,467	15,278,081	1,906,482
TOTAL DEFERRED OUTFLOWS	13,057,614	2,929,130	15,986,744	1,906,482
TOTAL ASSETS AND DEFERRED OUTFLOWS	135,273,341	188,894,550	324,167,891	132,946,179
LIABILITIES				
Accounts payable	1,727,522	4,322,741	6,050,263	412,864
Accrued interest	9,529	575,816	585,345	-
Other accrued liabilities	3,247,198	784,199	4,031,397	487,293
Notes payable due in less than one year	299,911	-	299,911	-
Revenue bonds payable in less than one year	-	4,295,000	4,295,000	2,731,006
Customer deposits payable in less than one year	-	1,065,205	1,065,205	-
Notes payable due in more than one year	582,226	-	582,226	-
Revenue bonds payable in more than one year	-	41,360,000	41,360,000	33,481,334
Customer deposits payable in more than one year	-	3,525,043	3,525,043	-
Reserve for bio-solids disposal	-	-	-	1,210,000
Accrued compensated absences	7,457,546	1,655,703	9,113,249	817,735
OPEB liability	1,340,931	382,635	1,723,566	148,771
Accrued pension liability	47,059,613	8,296,284	55,355,897	4,196,946
TOTAL LIABILITIES	61,724,476	66,262,626	127,987,102	43,485,949
Deferred inflows of resources:				
Deferred amount related to pensions	4,295,346	2,235,762	6,531,108	940,081
TOTAL DEFERRED INFLOWS	4,295,346	2,235,762	6,531,108	940,081
NET POSITION				
Net investment in capital assets	57,045,116	106,379,890	163,425,006	79,900,136
Restricted:				
Expendable:				
Electric Department	-	4,987,495	4,987,495	-
Other	2,232,076	-	2,232,076	699,676
Nonexpendable	-	-	-	33,296
Unrestricted	9,976,327	9,028,777	19,005,104	7,887,041
TOTAL NET POSITION	69,253,519	120,396,162	189,649,681	88,520,149
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 135,273,341	\$ 188,894,550	\$ 324,167,891	\$ 132,946,179

See accompanying notes to the financial statements.

	Net (Expenses) Revenues and Changes in Net Position							
	Expenses	Program Revenues			Primary Government			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
FUNCTIONS/PROGRAMS:								
Primary Government:								
Governmental Activities:								
General government	\$ 17,518,071	\$ 3,306,825	\$ -	\$ 322,029	\$ (13,889,217)	\$ -	\$ (13,889,217)	\$ -
Public safety	54,742,749	3,255,331	1,326,271	-	(50,161,147)	-	(50,161,147)	-
Public works	1,113,145	-	-	-	(1,113,145)	-	(1,113,145)	-
Street and traffic	2,440,182	5,700	-	730,544	(1,703,938)	-	(1,703,938)	-
Health and sanitation	4,997,929	808,971	-	-	(4,188,958)	-	(4,188,958)	-
Community development	2,029,428	-	-	654,420	(1,375,008)	-	(1,375,008)	-
Culture and recreation	8,490,298	1,491,754	-	-	(6,998,544)	-	(6,998,544)	-
Interest and fiscal charges	37,673	-	-	-	(37,673)	-	(37,673)	-
Total governmental activities	<u>91,369,475</u>	<u>8,868,581</u>	<u>1,326,271</u>	<u>1,706,993</u>	<u>(79,467,630)</u>	<u>-</u>	<u>(79,467,630)</u>	<u>-</u>
Business-Type Activities:								
Electric Department	70,454,991	82,798,486	-	-	-	12,343,495	12,343,495	-
Utilities Accounting Department	3,022,544	2,396,386	-	-	-	(626,158)	(626,158)	-
Total business-type activities	<u>73,477,535</u>	<u>85,194,872</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,717,337</u>	<u>11,717,337</u>	<u>-</u>
Total Primary Government	<u>\$ 164,847,010</u>	<u>\$ 94,063,453</u>	<u>\$ 1,326,271</u>	<u>\$ 1,706,993</u>	<u>\$ (79,467,630)</u>	<u>\$ 11,717,337</u>	<u>\$ (67,750,293)</u>	<u>\$ -</u>
Component Units:								
Waste Water Utility	15,707,141	18,557,149	-	-	-	-	-	2,850,008
William F. Laman Public Library	3,228,446	161,452	-	-	-	-	-	(3,066,994)
Airport Commission	633,774	280,877	-	1,191,533	-	-	-	838,636
Advertising and Promotion Commission	7,087,334	317,356	-	-	-	-	-	(6,769,978)
Total Component Units	<u>\$ 26,656,695</u>	<u>\$ 19,316,834</u>	<u>\$ -</u>	<u>\$ 1,191,533</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,148,328)</u>
General revenues:								
Taxes - sales					40,714,914	-	40,714,914	6,869,084
Taxes - other					14,120,158	-	14,120,158	3,146,155
Franchise fees					2,975,695	-	2,975,695	-
Investment income (loss)					140,856	93,787	234,643	22,123
Grants and contributions not restricted to specific programs					-	-	-	624,651
Other					2,535,766	1,214,830	3,750,596	(71,733)
Transfers					12,000,000	(12,000,000)	-	-
Total general revenues and transfers					<u>72,487,389</u>	<u>(10,691,383)</u>	<u>61,796,006</u>	<u>10,590,280</u>
CHANGE IN NET POSITION					<u>(6,980,241)</u>	<u>1,025,954</u>	<u>(5,954,287)</u>	<u>4,441,952</u>
NET POSITION OF ASSETS OBTAINED FROM MAUMELLE WASTEWATER					-	-	-	16,917,819
NET POSITION AT BEGINNING OF YEAR					<u>76,233,760</u>	<u>119,370,208</u>	<u>195,603,968</u>	<u>67,160,378</u>
NET POSITION AT END OF YEAR					<u>\$ 69,253,519</u>	<u>\$ 120,396,162</u>	<u>\$ 189,649,681</u>	<u>\$ 88,520,149</u>

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 7,689,072	\$ 4,557,300	\$ 12,246,372
Investments - certificates of deposits	12,668,990	4,041,392	16,710,382
Property taxes receivable - net	7,600,406	1,551,239	9,151,645
Sales tax receivable	5,516,160	1,669,357	7,185,517
Franchise tax receivable	876,564	-	876,564
Accounts receivable - other	4,366	1,458	5,824
Due from other governments	2,970,868	146,800	3,117,668
Due from other funds	262,098	1,301,133	1,563,231
TOTAL ASSETS	<u>37,588,524</u>	<u>13,268,679</u>	<u>50,857,203</u>
LIABILITIES			
Accounts payable	1,389,472	338,050	1,727,522
Accrued expenses	2,965,941	281,257	3,247,198
Due to other funds	814,600	624,852	1,439,452
Deferred revenue	7,660,670	1,551,239	9,211,909
TOTAL LIABILITIES	<u>12,830,683</u>	<u>2,795,398</u>	<u>15,626,081</u>
FUND BALANCES			
Restricted:			
Uniformed employees	1,456,158	-	1,456,158
Metroplan 911	717,630	-	717,630
Other	58,288	-	58,288
Street and traffic	-	3,712,692	3,712,692
Parks and recreation	-	1,848,253	1,848,253
Police - equitable sharing	-	158,623	158,623
Drainage improvement	-	374,824	374,824
Acquisition and construction of capital assets and improvements	-	4,378,398	4,378,398
Assigned	12,308,091	-	12,308,091
Unassigned	10,217,674	491	10,218,165
TOTAL FUND BALANCES	<u>24,757,841</u>	<u>10,473,281</u>	<u>35,231,122</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 37,588,524</u>	<u>\$ 13,268,679</u>	<u>\$ 50,857,203</u>

Total fund balances - governmental funds	\$ 35,231,122
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	72,697,173
Additional amount due from component unit	100,803
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	9,211,909
Interest accrued on notes payable in governmental activities are not due and payable and therefore are not reported in the governmental funds	(9,529)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Compensated absences	(7,457,546)
OPEB liability	(1,340,931)
Accrued pension liability	(47,059,613)
Notes payable	(882,137)
Net deferred inflows and outflows related to pensions	<u>8,762,268</u>
Net position of governmental activities	<u>\$ 69,253,519</u>

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes - sales	\$ 26,052,295	\$ 14,662,619	\$ 40,714,914
Taxes - other	12,428,452	1,524,616	13,953,068
Franchise fees	2,975,695	-	2,975,695
Fines and forfeitures	2,830,850	-	2,830,850
Licenses and permits	2,708,444	-	2,708,444
Charges for services	1,922,997	1,406,290	3,329,287
Intergovernmental	2,056,815	976,449	3,033,264
Investment earnings	104,089	36,767	140,856
Miscellaneous	1,587,190	831,027	2,418,217
TOTAL REVENUES	52,666,827	19,437,768	72,104,595
EXPENDITURES			
General government:			
Administration	1,844,640	-	1,844,640
City clerk	279,650	-	279,650
Code enforcement	971,058	-	971,058
Commerce	226,327	-	226,327
Communications	115,955	-	115,955
Finance	759,698	-	759,698
District court - first division	543,990	-	543,990
District court - second division	544,264	-	544,264
Legal	631,982	-	631,982
Human resources	670,662	-	670,662
Planning	791,466	-	791,466
Public defender	8,498	-	8,498
Vehicle maintenance	1,038,740	-	1,038,740
Total general government	8,426,930	-	8,426,930
Animal shelter	787,006	-	787,006
Community development	-	654,364	654,364
Emergency services	1,966,098	-	1,966,098
Fit 2 Live - wellness	155,657	-	155,657
Health	78,071	-	78,071
Neighborhood services	174,839	-	174,839
Parks and recreation	-	7,220,455	7,220,455
Public safety - fire	16,545,450	-	16,545,450
Public safety - police	22,325,482	198,964	22,524,446
Public works	1,070,419	-	1,070,419
Sanitation	4,441,956	-	4,441,956
Senior citizens	919,528	-	919,528
Special appropriations	7,424,577	-	7,424,577
Street and traffic	-	5,361,379	5,361,379
Capital outlay	-	4,376,727	4,376,727
Debt service:			
Principal retirement	-	3,672,012	3,672,012
Interest and agent fees	-	46,214	46,214
TOTAL EXPENDITURES	64,316,013	21,530,115	85,846,128
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(11,649,186)	(2,092,347)	(13,741,533)
OTHER FINANCING SOURCES (USES)			
Net bond proceeds	-	137,000	137,000
Transfers in	12,000,000	5,885,975	17,885,975
Transfers out	(1,327,021)	(4,433,793)	(5,760,814)
TOTAL OTHER FINANCING SOURCES (USES)	10,672,979	1,589,182	12,262,161
NET CHANGE IN FUND BALANCES	(976,207)	(503,165)	(1,479,372)
FUND BALANCES, BEGINNING OF YEAR	25,734,048	10,976,446	36,710,494
FUND BALANCES, END OF YEAR	\$ 24,757,841	\$ 10,473,281	\$ 35,231,122

See accompanying notes to the financial statements.

Net change in fund balances - total governmental funds	\$ (1,479,372)
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.	8,445,830
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.	(5,008,048)
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 the governmental funds. This is the change in the amount of property taxes deferred in the governmental funds, but not in the statement of activities.	167,090
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 government-wide financial statements.	(820,452)
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 government-wide financial statements.	(41,637)
Interest accrued on notes payable in governmental activities are not due and payable and therefore are not reported as expenditures in the governmental funds.	8,922
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	(144,600)
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.	3,672,012
Net deferred inflow and outflow of resources related to pensions	<u>(11,779,986)</u>
Change in net position of governmental activities	<u>\$ (6,980,241)</u>

	Original Budget	Changes	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES					
Taxes - sales	\$ 25,871,000	\$ -	\$ 25,871,000	\$ 26,052,295	\$ 181,295
Taxes - other	12,012,210	-	12,012,210	12,428,452	416,242
Franchise fees	3,210,000	-	3,210,000	2,975,695	(234,305)
Fines and forfeitures	2,835,500	-	2,835,500	2,830,850	(4,650)
Licenses and permits	2,748,000	-	2,748,000	2,708,444	(39,556)
Charges for services	1,990,900	-	1,990,900	1,922,997	(67,903)
Intergovernmental	1,316,412	90,115	1,406,527	2,056,815	650,288
Investment earnings	51,000	-	51,000	104,089	53,089
Miscellaneous	2,363,669	1,955,518	4,319,187	1,587,190	(2,731,997)
TOTAL REVENUES	52,398,691	2,045,633	54,444,324	52,666,827	(1,777,497)
EXPENDITURES					
General government:					
Administration	2,059,961	1,407,245	3,467,206	1,844,640	1,622,566
City clerk	284,847	-	284,847	279,650	5,197
Code enforcement	1,031,478	-	1,031,478	971,058	60,420
Commerce	246,436	-	246,436	226,327	20,109
Communications	117,393	-	117,393	115,955	1,438
Finance	869,055	-	869,055	759,698	109,357
District court - first division	587,839	-	587,839	543,990	43,849
District court - second division	520,552	52,400	572,952	544,264	28,688
Legal	665,222	-	665,222	631,982	33,240
Human resources	652,011	-	652,011	670,662	(18,651)
Planning	754,776	-	754,776	791,466	(36,690)
Public defender	7,100	1,500	8,600	8,498	102
Vehicle maintenance	949,562	72,995	1,022,557	1,038,740	(16,183)
Total general government	8,746,232	1,534,140	10,280,372	8,426,930	1,853,442
Animal shelter	778,098	-	778,098	787,006	(8,908)
Community development	-	-	-	-	-
Emergency services	2,161,939	-	2,161,939	1,966,098	195,841
Fit 2 Live - wellness	178,704	-	178,704	155,657	23,047
Health	83,400	-	83,400	78,071	5,329
Neighborhood services	170,808	9,174	179,982	174,839	5,143
Parks and recreation	-	-	-	-	-
Public safety - fire	16,864,166	90,115	16,954,281	16,545,450	408,831
Public safety - police	22,122,741	-	22,122,741	22,325,482	(202,741)
Public works	1,095,545	100,000	1,195,545	1,070,419	125,126
Sanitation	4,857,283	-	4,857,283	4,441,956	415,327
Senior citizens	1,060,111	-	1,060,111	919,528	140,583
Special appropriations	6,279,664	458,276	6,737,940	7,424,577	(686,637)
Street and traffic	-	-	-	-	-
TOTAL EXPENDITURES	64,398,691	2,191,705	66,590,396	64,316,013	2,274,383
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(12,000,000)	(146,072)	(12,146,072)	(11,649,186)	496,886
OTHER FINANCING SOURCES (USES)					
Transfers in	12,000,000	-	12,000,000	12,000,000	-
Transfers out	-	-	-	(1,327,021)	(1,327,021)
TOTAL OTHER FINANCING SOURCES (USES)	12,000,000	-	12,000,000	10,672,979	(1,327,021)
NET CHANGE IN FUND BALANCES	-	(146,072)	(146,072)	(976,207)	(830,135)
FUND BALANCES, BEGINNING OF YEAR	25,734,048	-	25,734,048	25,734,048	-
FUND BALANCES, END OF YEAR	\$ 25,734,048	\$ (146,072)	\$ 25,587,976	\$ 24,757,841	\$ (830,135)

	Business-type Activities Enterprise Fund Electric Department	Internal Service Fund
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 20,936,778	\$ 568,001
Hydro maintenance fund	4,000,000	-
Certificates of deposits	-	265,377
Restricted cash and cash equivalents	4,987,495	1,065,205
Accounts receivable - net of allowance	3,061,468	195,413
Other receivables	162,064	3,501
Due from other funds	352,338	4,655
Prepaid expenses	1,980,600	135,984
Unbilled revenues	4,079,000	-
Materials and supplies	2,805,404	-
Total Current Assets	<u>42,365,147</u>	<u>2,238,136</u>
Noncurrent Assets:		
Restricted Assets:		
Cash and cash equivalents	-	727,591
Certificates of deposit	-	2,921,060
Accrued interest receivable	-	4,469
Total Restricted Assets	<u>-</u>	<u>3,653,120</u>
Capital Assets:		
Land and land rights	2,032,960	-
Plant and equipment	276,268,502	1,509,706
Construction in progress	3,651,140	-
Less: accumulated depreciation	(144,077,651)	(1,194,767)
Capital Assets - net	<u>137,874,951</u>	<u>314,939</u>
Total Noncurrent Assets	<u>137,874,951</u>	<u>3,968,059</u>
TOTAL ASSETS	<u>180,240,098</u>	<u>6,206,195</u>
DEFERRED OUTFLOWS		
Deferred amount from refunding of bonds	708,663	-
Deferred amount related to pensions	1,784,806	435,661
TOTAL DEFERRED OUTFLOWS	<u>2,493,469</u>	<u>435,661</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>182,733,567</u>	<u>6,641,856</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	4,293,034	29,707
Accrued expenses and other liabilities	622,748	128,362
Due to other funds	84,873	396,000
Customer deposits	-	1,065,205
Revenue bonds payable - current portion	4,295,000	-
Accrued interest payable	575,816	-
Total Current Liabilities	<u>9,871,471</u>	<u>1,619,274</u>
Noncurrent Liabilities:		
Customer deposits	-	3,525,043
Interest earned on restricted investments	-	33,089
Accrued compensated absences	1,372,957	282,746
Revenue bonds payable, net of current	41,360,000	-
OPEB liability	267,305	115,330
Accrued pension liability	6,668,532	1,627,752
Total Noncurrent Liabilities	<u>49,668,794</u>	<u>5,583,960</u>
TOTAL LIABILITIES	<u>59,540,265</u>	<u>7,203,234</u>
DEFERRED INFLOWS		
Deferred amount related to pensions	1,753,307	482,455
NET POSITION		
Net investment in capital assets	106,064,951	314,939
Restricted - expendable	4,987,495	-
Unrestricted net position	10,387,549	(1,358,772)
TOTAL NET POSITION	<u>121,439,995</u>	<u>(1,043,833)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 182,733,567</u>	<u>\$ 6,641,856</u>

See accompanying notes to the financial statements.

	Business-type Activities Enterprise Fund Electric Department	Internal Service Fund
OPERATING REVENUES		
Charges for services	\$ 82,798,486	\$ 2,352,242
Other income	-	44,144
TOTAL OPERATING REVENUES	<u>82,798,486</u>	<u>2,396,386</u>
OPERATING EXPENSES		
Purchased electricity	44,277,167	-
Generation, transmission and distribution expenses	9,552,347	-
Customer records and collection expenses	2,435,287	2,884,453
Depreciation	8,548,592	138,091
General and administrative	3,496,717	-
TOTAL OPERATING EXPENSES	<u>68,310,110</u>	<u>3,022,544</u>
OPERATING INCOME (LOSS)	<u>14,488,376</u>	<u>(626,158)</u>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings (loss)	90,429	3,358
Federal contract revenue	-	-
Other income	1,214,830	-
Interest expense	(1,962,159)	-
Trustee fees	(10,481)	-
Loss on disposal of equipment	(172,241)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(839,622)</u>	<u>3,358</u>
INCOME (LOSS) BEFORE TRANSFERS OUT	13,648,754	(622,800)
TRANSFERS OUT	<u>12,000,000</u>	<u>-</u>
CHANGE IN NET POSITION	1,648,754	(622,800)
NET POSITION, BEGINNING OF YEAR	<u>119,791,241</u>	<u>(421,033)</u>
NET POSITION, END OF YEAR	<u>\$ 121,439,995</u>	<u>\$ (1,043,833)</u>

	Business-type Activities Enterprise Fund Electric Department	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 82,901,507	\$ -
Receipts from other governments	-	2,392,549
Payments for purchased electricity	(44,277,167)	-
Payments to vendors for goods and services	(9,128,752)	(718,519)
Payments to employees	(5,875,921)	(1,965,235)
Payments for taxes	(947,602)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	22,672,065	(291,205)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers out	(12,000,000)	-
Net change in customer deposits	-	143,052
Penalty income	790,455	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(11,209,545)	143,052
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of property, plant and equipment	(9,985,369)	(36,448)
Repayments of long-term debt and bonds payable	(14,460,000)	-
Interest paid on long-term debt	(2,931,987)	-
Other receipts	424,375	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(26,952,981)	(36,448)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in certificates of deposits	-	329,928
Interest on investments	90,429	3,358
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	90,429	333,286
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(15,400,032)	148,685
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	45,324,305	1,146,907
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 29,924,273	\$ 1,295,592
Presented on the balance sheet as follows:		
Current assets - cash and cash equivalents	\$ 20,936,778	\$ 568,001
Current assets - hydro maintenance fund	4,000,000	-
Current assets - restricted cash and cash equivalents	4,987,495	-
Noncurrent assets - restricted cash and cash equivalents	-	727,591
	\$ 29,924,273	\$ 1,295,592
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 14,488,376	\$ (626,158)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	9,127,032	138,091
Changes in operating assets and liabilities:		
Accounts and other receivables	58,028	(3,837)
Unbilled revenues	46,000	-
Prepaid expenses and accrued interest	(653,008)	(19,912)
Materials and supplies	(610,293)	-
Accounts payable and accrued expenses and interest earned on restricted assets	215,930	220,611
Net cash provided (used) by operating activities	\$ 22,672,065	\$ (291,205)
Supplemental disclosures of noncash transactions investing and financing activities:		
Amortization deferred on bond refunding, included in interest expense	\$ 88,593	\$ -

See accompanying notes to the financial statements.

	<u>Pension Trust Non-Uniformed Employees Retirement Fund</u>
ASSETS	
Cash and cash equivalents	\$ 4,248,358
Investments - at fair value	39,021,510
TOTAL ASSETS	<u>\$ 43,269,868</u>
NET POSITION	
Restricted for pension benefits	<u>43,269,868</u>
TOTAL NET POSITION	<u>\$ 43,269,868</u>

	<u>Pension Trust Non-Uniformed Employees Retirement Fund</u>
ADDITIONS	
Contributions:	
Employer and employee contributions	\$ 2,273,800
Total contributions	<u>2,273,800</u>
Investment earnings	2,077,246
TOTAL ADDITIONS	<u>4,351,046</u>
DEDUCTIONS	
Pension expense	2,548,242
Trust and administration fees	210,910
TOTAL DEDUCTIONS	<u>2,759,152</u>
CHANGE IN NET POSITION	1,591,894
NET POSITION, BEGINNING OF YEAR	<u>41,677,974</u>
NET POSITION, END OF YEAR	<u>\$ 43,269,868</u>

	Major Component Units			Nonmajor Component Unit	Total Component Units
	Waste Water Utility	William F. Laman Public Library	Airport Commission	Advertising & Promotion Commission	
ASSETS					
Cash and cash equivalents	\$ 1,458,052	\$ 2,524,327	\$ 167,031	\$ 152,534	\$ 4,301,944
Certificates of deposits	2,932,625	-	-	426,958	3,359,583
Receivables - net	2,453,164	3,293,001	137,676	6,249	5,890,090
Note receivables - current	-	-	-	-	-
Due from the City of North Little Rock	-	-	101	-	101
Prepaid expenses	20,371	418,000	-	-	438,371
Inventories	26,819	3,500	-	-	30,319
Restricted assets - cash and investments	697,462	33,296	-	-	730,758
Note receivables - noncurrent	176,055	-	-	-	176,055
Capital assets being depreciated - net	100,984,985	668,182	4,001,511	221,670	105,876,348
Capital assets not being depreciated	7,436,964	-	2,799,165	100,802	10,336,931
TOTAL ASSETS	116,186,497	6,940,306	7,105,484	908,213	131,140,500
DEFERRED OUTFLOWS					
Deferred amount related to pensions	1,321,499	412,707	21,080	151,196	1,906,482
TOTAL ASSETS AND DEFERRED OUTFLOWS	117,507,996	7,353,013	7,126,564	1,059,409	133,046,982
LIABILITIES					
Accounts payable	365,255	7,457	40,152	-	412,864
Other accrued liabilities	432,106	50,675	4,512	-	487,293
Bonds payable due in less than one year	2,731,006	-	-	-	2,731,006
Reserve for bio-solids disposal	1,210,000	-	-	-	1,210,000
Due to the City of North Little Rock	-	-	-	100,803	100,803
Bonds payable due in more than one year	33,481,334	-	-	-	33,481,334
Accrued compensated absences	653,130	101,912	2,300	60,393	817,735
OPEB liability	148,771	-	-	-	148,771
Accrued pension liability	2,387,875	1,286,449	78,762	443,860	4,196,946
TOTAL LIABILITIES	41,409,477	1,446,493	125,726	605,056	43,586,752
DEFERRED INFLOWS					
Deferred amount related to pensions	576,667	327,241	20,035	16,138	940,081
NET POSITION					
Net investment in capital assets	72,209,609	668,182	6,800,676	221,669	79,900,136
Restricted - expendable	697,462	-	2,214	-	699,676
Restricted - nonexpendable	-	33,296	-	-	33,296
Unrestricted	2,614,781	4,877,801	177,913	216,546	7,887,041
TOTAL NET POSITION	75,521,852	5,579,279	6,980,803	438,215	88,520,149
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 117,507,996	\$ 7,353,013	\$ 7,126,564	\$ 1,059,409	\$ 133,046,982

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position				Total Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Waste Water Utility	William F. Laman Public Library	Airport Commission	Advertising & Promotion Commission	
Governmental Activities:									
William F. Laman Public Library	\$ 3,228,446	\$ 161,452	\$ -	\$ -	\$ -	\$ (3,066,994)	\$ -	\$ -	\$ (3,066,994)
Advertising and Promotion	7,087,334	317,356	-	-	-	-	-	(6,769,978)	(6,769,978)
Total governmental activities	<u>10,315,780</u>	<u>478,808</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,066,994)</u>	<u>-</u>	<u>(6,769,978)</u>	<u>(9,836,972)</u>
Business-Type Activities:									
Waste Water Utility	15,707,141	18,557,149	-	-	2,850,008	-	-	-	2,850,008
Airport Commission	633,774	280,877	-	1,191,533	-	-	838,636	-	838,636
Total business-type activities	<u>16,340,915</u>	<u>18,838,026</u>	<u>-</u>	<u>1,191,533</u>	<u>2,850,008</u>	<u>-</u>	<u>838,636</u>	<u>-</u>	<u>3,688,644</u>
Total Component Units	<u>\$26,656,695</u>	<u>\$19,316,834</u>	<u>\$ -</u>	<u>\$ 1,191,533</u>	<u>\$ 2,850,008</u>	<u>\$ (3,066,994)</u>	<u>\$ 838,636</u>	<u>\$ (6,769,978)</u>	<u>\$ (6,148,328)</u>
General revenues:									
Taxes - other					-	3,133,439	12,716	-	3,146,155
Taxes - sales					-	173,286	2,878	6,692,920	6,869,084
Investment income (loss)					16,492	2,669	189	2,773	22,123
Grants and contributions not restricted to specific programs					512,991	111,660	-	-	624,651
Other (loss)					(147,868)	70,372	5,700	63	(71,733)
Total general revenues					<u>381,615</u>	<u>3,491,426</u>	<u>21,483</u>	<u>6,695,756</u>	<u>10,590,280</u>
CHANGE IN NET POSITION					3,231,623	424,432	860,119	(74,222)	4,441,952
NET POSITION OF ASSETS OBTAINED FROM MAUMELLE WASTEWATER					16,917,819	-	-	-	16,917,819
NET POSITION AT BEGINNING OF YEAR					55,372,410	5,154,847	6,120,684	512,437	67,160,378
NET POSITION AT END OF YEAR					<u>\$ 75,521,852</u>	<u>\$ 5,579,279</u>	<u>\$ 6,980,803</u>	<u>\$ 438,215</u>	<u>\$ 88,520,149</u>

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

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, the North Little Rock Advertising and Promotion Commission, and the William F. Laman Public Library issue separately audited financial statements. Copies of which may be obtained from the management of those entities.

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

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 use 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.

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 operating budget is prepared by the Finance Department on an annual basis. The budget reflects revenues expected to be received and expenditures expected to be incurred during the year. 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 2016. Appropriations for special

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 of three months or less at the date of purchase. 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 value, 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.

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

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

allowance method of accounting for uncollectible accounts receivable 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, 2016:

Primary Government:	
Electric Department	\$ 474,245
Component Units:	
Waste Water Utility	\$ 10,000

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 inventories are valued at the lower of 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.

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 includes 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 property development. Assets acquired from improvement districts and real estate developers result in donated

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, and 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, 2016 were \$1,962,159. Total interest costs charged to expense by the Electric Department for the year ended December 31, 2016 were \$1,962,159. There were no interest costs capitalized by the Electric Department for the year ended December 31, 2016. Total interest costs incurred by the Waste Water Utility for the year ended December 31, 2016 were \$866,364. Total interest costs charged to expense by the Waste Water Utility for the year ended December 31, 2016 were \$866,364. There were no interest costs capitalized by the Waste Water Utility for the year ended December 31, 2016.

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.

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

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NET POSITION

The net position of the City is classified in four components and represents the difference between assets and liabilities. Net investment in capital assets represents capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction, or improvements of those assets, and adding back unspent proceeds.

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted expendable position represents noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the City, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.

Restricted nonexpendable net position represents noncapital assets that are required to be maintained in perpetuity as specified by parties external to the City, such as permanent endowments. The City has no restricted nonexpendable net position at December 31, 2016. The William F. Laman Library has restricted nonexpendable net position of \$33,296.

Unrestricted net position represents remaining assets less remaining liabilities that do not meet the definition of net investments in capital assets or restricted expendable/nonexpendable net position.

RESTRICTED/UNRESTRICTED RESOURCES

City policy is to first apply restricted resources when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws and regulations of other governments.

NOTE 2: DEPOSITS AND INVESTMENTS

DEPOSITS

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. It is the City's policy to require collateralization of all deposits in excess of federal depository insurance. State statute requires that deposits in financial institutions be collateralized with federal depository insurance and bonds or other interest-bearing securities of the United States, the State of Arkansas, Arkansas political subdivisions or agencies, or instrumentalities of these entities. Deposits of the City's reporting entity are insured or collateralized with securities held by the City, its agent, or by the pledging financial institution's trust department, or its agent, in the name of the City or applicable public trust. At December 31, 2016, none of the City's bank balances were exposed to custodial credit risk.

At December 31, 2016, none of the City's component unit bank balances were exposed to custodial credit risk.

SUMMARY OF CARRYING VALUES

Carrying Value:	
Deposits	\$ 64,428,261
Investments	<u>-</u>
Total	<u><u>\$ 64,428,261</u></u>

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

Included in the following statement of net position captions:

Cash and cash equivalents	\$ 33,751,151
Hydro maintenance fund	4,000,000
Certificates of deposit	16,975,759
Restricted cash and investments:	
Cash and cash equivalents	6,780,291
Certificates of deposit	<u>2,921,060</u>
Total	<u>\$ 64,428,261</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, 2016, 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, 2016, the City had no such investments.

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

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 \$2,680,415 which are included in cash and restricted cash at December 31, 2016.

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

As of December 31, 2016, the primary government of the City had no investments.

Total investment return for the City's primary government for the year ended December 31, 2016 is comprised of the following:

Investment income	\$ 234,643
Net unrealized gains (losses) reported at fair value	<u>-</u>
Total	<u>\$ 234,643</u>

NOTE 3: CAPITAL ASSETS

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

	Balance December 31, 2015	Increases	Decreases	Balance December 31, 2016
GOVERNMENTAL ACTIVITIES:				
Capital Assets, non-depreciable:				
Land and land rights	\$ 8,008,120	\$ 4,440	\$ (3,040)	\$ 8,009,520
Construction in progress	2,874,886	5,860,812	(1,177,263)	7,558,435
Total capital assets, non-depreciable	<u>10,883,006</u>	<u>5,865,252</u>	<u>(1,180,303)</u>	<u>15,567,955</u>
Capital Assets, depreciable:				
Infrastructure	28,574,433	1,080,089	-	29,654,522
Buildings and building improvements	40,888,521	200,484	(19,955)	41,069,050
Land improvements	7,673,036	401,622	-	8,074,658
Vehicles	20,197,282	1,118,429	(950,651)	20,365,060
Equipment	21,956,571	1,107,120	(91,827)	22,971,864
Ships and watercraft	3,917,314	-	(400,606)	3,516,708
Total capital assets, depreciable	<u>123,207,157</u>	<u>3,907,744</u>	<u>(1,463,039)</u>	<u>125,651,862</u>
Less: Accumulated Depreciation	<u>(64,729,969)</u>	<u>(5,008,048)</u>	<u>1,215,373</u>	<u>(68,522,644)</u>
Net capital assets, depreciable	<u>58,477,188</u>	<u>(1,100,304)</u>	<u>(247,666)</u>	<u>57,129,218</u>
Total governmental activities - net	<u>\$ 69,360,194</u>	<u>\$ 4,764,948</u>	<u>\$ (1,427,969)</u>	<u>\$ 72,697,173</u>

NOTE 3: CAPITAL ASSETS (CONTINUED)

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

	Balance December 31, 2015	Increases	Decreases	Balance December 31, 2016
BUSINESS-TYPE ACTIVITIES:				
Capital Assets, non-depreciable:				
Land and land rights	\$ 2,032,960	\$ -	\$ -	\$ 2,032,960
Construction in progress	12,784,837	8,734,193	(17,867,890)	3,651,140
Total capital assets, non-depreciable	<u>14,817,797</u>	<u>8,734,193</u>	<u>(17,867,890)</u>	<u>5,684,100</u>
Capital Assets, depreciable:				
Plant and equipment	259,838,514	19,155,514	(1,215,820)	277,778,208
Total capital assets, depreciable	<u>259,838,514</u>	<u>19,155,514</u>	<u>(1,215,820)</u>	<u>277,778,208</u>
Less: Accumulated Depreciation	<u>(137,050,874)</u>	<u>(9,265,123)</u>	<u>1,043,579</u>	<u>(145,272,418)</u>
Net capital assets, depreciable	<u>122,787,640</u>	<u>9,890,391</u>	<u>(172,241)</u>	<u>132,505,790</u>
Total business-type activities - net	<u>\$ 137,605,437</u>	<u>\$ 18,624,584</u>	<u>\$ (18,040,131)</u>	<u>\$ 138,189,890</u>

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

	Balance December 31, 2015	Increases	Decreases	Balance December 31, 2016
COMPONENT UNITS:				
Capital Assets, non-depreciable:				
Land and land rights	\$ 5,222,643	\$ -	\$ -	\$ 5,222,643
Construction in progress	4,099,020	7,548,138	(6,532,870)	5,114,288
Total capital assets, non-depreciable	<u>9,321,663</u>	<u>7,548,138</u>	<u>(6,532,870)</u>	<u>10,336,931</u>
Capital Assets, depreciable:				
Buildings and building improvements	3,803,451	5,500	(3,538)	3,805,413
Infrastructure - airport	19,820,280	551,715	-	20,371,995
Plant - wastewater	132,005,861	35,914,051	(604,531)	167,315,381
Equipment	2,152,104	174,550	(126,249)	2,200,405
Vehicle	63,954	-	(1,298)	62,656
Total capital assets, depreciable	<u>157,845,650</u>	<u>36,645,816</u>	<u>(735,616)</u>	<u>193,755,850</u>
Less: Accumulated Depreciation	<u>(76,258,997)</u>	<u>(12,146,778)</u>	<u>526,273</u>	<u>(87,879,502)</u>
Net capital assets, depreciable	<u>81,586,653</u>	<u>24,499,038</u>	<u>(209,343)</u>	<u>105,876,348</u>
Total component units - net	<u>\$ 90,908,316</u>	<u>\$ 32,047,176</u>	<u>\$ (6,742,213)</u>	<u>\$ 116,213,279</u>

NOTE 3: CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:

General Government:

Administrative	\$ 24,274
Code enforcement	22,850
Commerce and government relations	-
Community planning	20,556
District courts	1,141
Finance	-
General government	700,380
Health	21,328
Human resources - personnel	5,646
Legal - city attorney	1,402
Vehicle maintenance	<u>20,493</u>

Total General Government	818,070
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Culture and recreation - parks and recreation	982,247
Culture and recreation - senior citizens center	242,280
Community development - housing and neighborhood programs	114
Health and sanitation - animal shelter	31,588
Health and sanitation - sanitation department	250,333
Public safety - emergency services	236,896
Public safety - equitable sharing	12,659
Public safety - fire	572,660
Public safety - police	926,820
Public works	31,460
Streets and traffic	<u>902,921</u>

Total depreciation expense - governmental activities	<u>5,008,048</u>
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Business-Type Activities:

Electric Department	9,127,032
Utilities Accounting Department	<u>138,091</u>

Total depreciation expense - business-type activities	<u>9,265,123</u>
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Total depreciation expense - primary government	<u>\$ 14,273,171</u>
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Component Units:

Waste Water Utility	\$ 11,753,711
William F. Laman Public Library	107,381
Airport Commission	261,913
Advertising and Promotion	<u>23,773</u>

Total depreciation expense - component units	<u>\$ 12,146,778</u>
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NOTE 4: LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended December 31, 2016:

Type of Debt	Balance December 31, 2015	Increases	Decreases	Balance December 31, 2016	Amounts Due Within One Year
Governmental Activities:					
Notes Payable	\$ 4,409,537	\$ 144,600	\$ (3,672,000)	\$ 882,137	\$ 299,911
Compensated Absences	6,637,094	820,452	-	7,457,546	-
OPEB Liability	1,299,294	41,637	-	1,340,931	-
Accrued Pension Liabilities	29,433,035	17,626,578	-	47,059,613	-
Total Governmental Activities	\$ 41,778,960	\$ 18,633,267	\$ (3,672,000)	\$ 56,740,227	\$ 299,911
Business-Type Activities					
Revenue Bonds	\$ 60,115,000	\$ 13,550,000	\$ (28,010,000)	\$ 45,655,000	\$ 4,295,000
Customer Deposits	4,447,196	143,052	-	4,590,248	1,065,205
Compensated Absences	1,430,520	225,183	-	1,655,703	-
OPEB Liability	356,683	25,952	-	382,635	-
Accrued Pension Liabilities	6,092,875	2,203,409	-	8,296,284	-
Total Business-Type Activities	\$ 72,442,274	\$ 16,147,596	\$ (28,010,000)	\$ 60,579,870	\$ 5,360,205
Component Units:					
Waste Water Utility:					
Revolving Loan	\$ 33,310,799	\$ 7,604,930	\$ (4,703,389)	\$ 36,212,340	\$ 2,731,006
Reserve for Bio-Solids Disposal	1,115,600	94,400	-	1,210,000	-
Compensated Absences	576,261	76,869	-	653,130	-
OPEB Liability	129,324	19,447	-	148,771	-
Accrued Pension Liability	2,139,514	248,361	-	2,387,875	-
William F. Laman Public Library:					
Compensated Absences	73,642	28,270	-	101,912	-
Accrued Pension Liability	801,204	485,245	-	1,286,449	-
Airport Commission:					
Compensated Absences	2,540	-	(240)	2,300	-
Accrued Pension Liability	55,898	22,864	-	78,762	-
Advertising & Promotion:					
Compensated Absences	55,809	4,584	-	60,393	-
Accrued Pension Liability	334,739	109,121	-	443,860	-
Total Component Units	\$ 38,595,330	\$ 8,694,091	\$ (4,703,629)	\$ 42,585,792	\$ 2,731,006

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

GOVERNMENTAL ACTIVITIES:

2014 Series, Original Issue:	\$ 1,281,347	Interest Rate: 1.64%	Maturity: 2019	\$ 781,334
2016 Series, Original Issue:	\$ 144,600	Interest Rate: 2.14%	Maturity: 2020	\$ 100,803

BUSINESS-TYPE ACTIVITIES:

2012 Revenue Bonds:	Interest Rates of 3.00% to 5.00%	Maturity: 2025	\$ 31,810,000
2016 Revenue Bonds:	Interest Rates of 2.47% to 2.57%	Maturity: 2031	\$ 13,845,000

COMPONENT UNITS:

Revolving Loans:	Interest Rates of 1.25% to 2.50%	Maturity: Variable	\$ 36,212,340
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NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

*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 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 was not secured by any lien or security interest in any physical properties. The note was a general obligation secured by the full faith, credit, and resources of the City. Interest only payments of \$27,170 were due beginning October 27, 2012 and each year thereafter until October 27, 2016, at which time all unpaid principal and interest was paid. The interest rate was 2.09%.

Short Term Financing Obligations, Series 2012

The \$4,932,625 and \$49,015 notes were issued to finance and acquire equipment for the City 911 system. The equipment served as collateral for the note. Payments of principal for the \$4,932,625 were due beginning January 1, 2013, in the amount of \$986,525. The amount was the same each year thereafter until January 1, 2016, when final payment in the amount of \$1,973,050 was due. Payments of principal for the \$49,015 were due beginning January 1, 2013, in the amount of \$12,254 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 were 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 were 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%.

Short Term Financing Obligations, Series 2016

The \$144,600 note was issued to fund improvements to the North Little Rock RV Park. Payments of principal and interest of \$38,132 are due November 15, 2017, and on the same day each year thereafter until November 15, 2020, at which date all principal and accrued interest will be due and payable. The interest rate is 2.14%.

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)***BUSINESS-TYPE ACTIVITIES:******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. On November 1, 2016, the Electric Department placed the remaining bond proceeds from the 2011 bonds into an escrow account. This move allows for the Department to save money by choosing advance refunding of the bonds. An advance refunding takes advantage of current market conditions by issuing bonds now. The bond proceeds will remain in the escrow account until they can be optionally redeemed on May 1, 2018.

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. On August 1, 2016, the Electric Department redeemed the 2012C bonds with excess reserves in order to reduce annual debt payments of approximately \$1,480,000.

Series 2016 Revenue Bonds

\$13,850,000 refunding revenue bonds issued November 1, 2016. Principal on the Bond shall be paid annually, on a graduated basis, on May 1 of each year, commencing May 1, 2017, with the final payment due May 1, 2031. The weighted average maturity of the Bond shall not exceed 8.5 years. The Bond shall bear interest at a fixed rate per annum for 96 months equivalent to 2.47% and at a fixed rate per annum equivalent to 2.57% for the remaining 78 months. Interest will be payable semiannually on May 1 and November 1 of each year, commencing May 1, 2017. The bond proceeds of the Series 2016 bond will be invested until the optional redemption date of the Series 2011 bonds.

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

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

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, 2016.

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 repairs 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 November 1, 2016, the City issued \$13,850,000 in revenue refunding bonds with interest rates ranging between 2.47% and 2.57%. The bonds were issued to refund \$16,000,000 of the outstanding Series 2011 bonds.

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. During the year ended December 31, 2016, \$708,663 in the remaining deferred bond issuance costs was amortized.

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.

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

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.

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 began in April 2016 with payments to be made semi-annually over twenty years. As of December 31, 2016, \$802,545 was left to be drawn on the loan.

In 2016, the Utility received a \$30,000,000 program award available for approved construction. The interest rate on the 2016 revolving loan fund is at 1.25% 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 2016 loan will begin in April 2021 with payments to be made semi-annually over twenty years. As of December 31, 2016, \$29,980,000 was left to be drawn on the loan.

In 2016, the Maumelle Wastewater was merged into the Utility. As a result, the Utility assumed \$2,051,808 in long-term debt, which was paid in full at the time of closing.

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 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, 2016, totaled \$697,462.

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, 2016. Principal and interest are also disclosed for component units as follows:

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

*Notes Payable*Governmental Activities

Year Ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 299,911	\$ 14,893	\$ 314,804
2018	297,315	9,889	307,204
2019	284,911	4,799	289,710
Total	<u>\$ 882,137</u>	<u>\$ 29,581</u>	<u>\$ 911,718</u>

*Revenue Bonds*Business-Type Activities

Year Ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 4,295,000	\$ 1,380,006	\$ 5,675,006
2018	4,910,000	1,277,060	6,187,060
2019	5,035,000	1,153,612	6,188,612
2020	5,160,000	1,021,518	6,181,518
2021	5,325,000	865,752	6,190,752
2022-2026	15,525,000	1,938,206	17,463,206
2027-2031	5,405,000	359,385	5,764,385
Total	<u>\$ 45,655,000</u>	<u>\$ 7,995,539</u>	<u>\$ 53,650,539</u>

*Revolving Loans*Component Units

Year Ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,166,545	681,479	2,848,024
2021	3,430,003	1,295,714	4,725,717
2022-2026	16,777,398	5,248,347	22,025,745
2027-2031	17,114,210	3,398,900	20,513,110
Thereafter	20,240,063	1,961,800	22,201,863
Total	<u>\$ 66,994,885</u>	<u>\$ 14,978,839</u>	<u>\$ 81,973,724</u>

NOTE 5: INTERFUND BALANCES AND TRANSFERS

Interfund receivables and payables consisted of the following as of December 31, 2016:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 262,098	\$ 814,600
Special Revenue Funds	18,637	624,852
Capital Projects Funds	1,282,496	-
Proprietary Fund	356,993	480,772
Total	<u>\$ 1,920,224</u>	<u>\$ 1,920,224</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.

Interfund transfers in and transfers out consisted of the following as of December 31, 2016:

Funds	Transfers In	Transfers Out
General Fund:		
Enterprise Fund	\$ 12,000,000	\$ -
Debt Service Fund	-	1,327,244
Special Revenue Fund	-	50,000
Total General Fund	<u>12,000,000</u>	<u>1,377,244</u>
Special Revenue Funds:		
General Fund	50,000	-
Capital Projects Fund	40,000	2,077,749
Total Special Revenue Funds	<u>90,000</u>	<u>2,077,749</u>
Debt Service Funds:		
Capital Projects Fund	2,390,982	-
General Fund	1,327,244	-
Total Debt Service Funds	<u>3,718,226</u>	<u>-</u>
Capital Projects Funds:		
Special Revenue Fund	2,077,749	40,000
Debt Service Funds	-	2,390,982
Total Capital Projects Fund	<u>2,077,749</u>	<u>2,430,982</u>
Enterprise Fund:		
General Fund	-	12,000,000
Total Enterprise Fund	<u>-</u>	<u>12,000,000</u>
Total	<u>\$ 17,885,975</u>	<u>\$ 17,885,975</u>

NOTE 5: INTERFUND BALANCES AND TRANSFERS (CONTINUED)

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 Retirement System ("LOPFI"), a state-wide agent, multiple-employer defined benefit pension plan. The City also contributes to the Arkansas Public Employees Retirement System ("APERS"), a state-wide 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.

*Non-Uniformed Employees Retirement Plan**Plan Description*

All full-time, non-uniformed employees of the City are eligible to participate in "The Retirement System of the City of North Little Rock" (the "Non-Uniformed Plan") defined benefit plan. The provisions of the Non-Uniformed Plan call for employee contributions of 4% of gross earnings to be paid through payroll withholdings. Each month, the City has contributed 6% of each employee's monthly compensation. Beginning January 1, 2017, the City will contribute 9% of each employee's monthly compensation. Beginning January 1, 2018, the City will contribute 10% of each employee's monthly compensation.

The Non-Uniformed Plan is a single-employer, defined benefit plan established under Arkansas state law. The Non-Uniformed 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. The amount of benefits to be paid to any participant depends solely on amounts contributed to the plan plus investment earnings.

Benefits Provided

The Non-Uniformed Plan provides retirement, disability and death benefits to plan members. Retirement benefits are determined as a percentage of the member's Final Average Earnings.

Members are eligible to retire with a full benefit under the following conditions:

- At age 65
- At age 62 with 10 years of service

Members may retire with a reduced benefit at age 55 with at least 10 years of service.

Members are eligible for disability benefits at age 50 with 10 years of service.

Death benefits are paid to a surviving spouse based upon age and length of service.

NOTE 6: PENSION PLANS (CONTINUED)

Contributions

For the Non-Uniformed Plan as a whole, it is the actuary's opinion that the city and member contributions of 13% as required by the Non-Uniformed Plan are not expected to be sufficient to finance the cost of benefits earned by members during the year. The recommended contribution level for the 2017 Plan Year for the City as a whole is 19.45%. For 2016, the City's contributions to the Plan were \$1,364,281.

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

The Plan's collective net pension liability of \$26,254,064 was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017. Each component unit's proportion of the net pension liability was based on the component unit's share of contributions to the pension plan relative to the total contributions of all participating component units.

For the year ended December 31, 2016, the City recognized pension expense of \$2,828,565. At December 31, 2016, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 502,491
Changes of actuarial assumptions	3,634,956	(7,180,883)
Changes in proportion	170,985	(170,986)
Difference between projected and actual investment earnings	3,391,837	-
	<u>\$ 7,197,778</u>	<u>\$ (6,849,378)</u>

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

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Thereafter</u>
<u>\$ 551,482</u>	<u>\$ 551,482</u>	<u>\$ 551,482</u>	<u>\$ (380,323)</u>	<u>\$ (529,429)</u>	<u>\$ (396,292)</u>

Actuarial Assumptions

The total pension liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay
Remaining Amortization Period	15 Years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	6.5%
Salary Increases	3.5% Annually
Mortality Table	Based on RP-2014 Table
Average Service Life of All Members	11.26 years

NOTE 6: PENSION PLANS (CONTINUED)

Cost of Living Adjustment (COLA)

The plan does not provide cost of living adjustments (COLA), and none are anticipated or included in these calculations.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return. The target allocation of the plan and the long-term expected real rates of return are summarized in the table below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	40%	2.25%
Domestic Equity	40%	4.75%
Foreign Equity	12%	6.25%
Alternatives	4%	4.50%
Cash	4%	0.25%
Total	<u>100%</u>	
 Expected Inflation		 2.50%

Single Discount Rate

A single discount rate of 6.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 6.50%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was not available to make all projected future benefit payments of current plan members. Therefore, the single discount rate calculated was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Position Liability to Changes in the Discount Rate:

The following presents the City's net pension liability calculated using the discount rate of 6.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
The City's net pension liability	<u>\$ 37,315,102</u>	<u>\$ 26,254,064</u>	<u>\$ 17,432,179</u>

NOTE 6: PENSION PLANS (CONTINUED)

*Arkansas Local Police and Fire Retirement System (LOPFI)**Plan Description*

The City participates in the LOPFI, a state-wide cost-sharing, multi-employer defined benefit plan administered by a seven-member Board of Trustees and created by Act 364 of the 1981 Arkansas General Assembly. The LOPFI provides retirement benefits for uniformed employees. LOPFI issues separate audited GAAP-basis postemployment benefit plan report. This report may be obtained by visiting the LOPFI website: www.lopfi-prb.com.

Benefits Provided

Benefit Program 1 provides benefits to a member with five or more years (10 or more years for members hired after July 1, 2013) of credit service in force who has attained his or her normal retirement age consist of an annuity equal to the following:

- a. For each year of paid service resulting from employment in a position not also covered by social security, 2.94% of his or her final average pay (2.7% for those with retirement date prior to July 1, 2009); plus
- b. For each year of paid service resulting from employment in a position also covered by social security, 1.94% or his or her final average pay (1.7% for those with retirement date prior to July 1, 2009). In addition, if such member is retiring and if such member's age at retirement is younger than social security's minimum age for an unreduced retirement benefit, then such member receives a temporary annuity equal to 1% of his or her final average pay for each such year of paid service. Such temporary annuity terminates at the end of the calendar month in which the earliest of the following events occur: such member's death; or his or her attainment of such social security minimum age for unreduced benefits.
- c. In no event will the total of a. plus b. exceed, at the time of retirement, 100% of such final average pay; plus
- d. Effective July 1, 2016, for each year of volunteer service, \$6.41 per month, to a maximum of \$256.40 monthly.
- e. Before the date that the first payment of his or her annuity becomes due, but not thereafter, a member may elect to have his or her life annuity reduced, but not any temporary annuity which may be paid, and nominate a beneficiary in accordance with the provisions of one of four options. If a member does not elect an option, his or her annuity shall be paid to him or her as a life annuity.

Benefit Program 2 says for each year of paid service rendered on or after the election date of Benefit Program 2 and resulting from employment in a position not also covered by social security, 3.28% of his or her final average pay, plus for each year of paid service rendered on or after the election date of Benefit Program 2 and resulting from employment in a position also covered by social security, 2.94% of his or her final average pay. A member will receive disability benefits computed in the same manner as normal retirement benefits if the member has five or more years of credit service (or 10 years of actual service if hired on or after July 1, 2013) and terminates employment because of becoming totally and permanently disabled from non-duty related causes. If the disability is determined to be duty related, a benefit is 65% of the member's final average pay. Prior to that date, the benefit was computed as if the member had completed 25 years of service.

NOTE 6: PENSION PLANS (CONTINUED)

Contributions

The employee contribution rate depends on the type of service being rendered and whether or not the service is also covered by social security. The different employee contribution rates are:

- a. Paid service not covered by social security: 8.5% of gross pay beginning July 1, 2009; 6% prior to that date
- b. Paid service also covered by social security: 2.5% of gross pay beginning July 1 2009; no employee contributions prior to that date
- c. Paid service-benefit program 2: 8.5% of gross pay beginning July 1, 2009; 6% prior to that date
- d. Volunteer service: no employee contribution

The employee contribution rate is adjusted automatically every year to reflect changes in the composition of the employee group and other factors which affect cost. Contributions are determined on an actuarial basis in order to ensure that the individual system employers can honor their benefit commitments to covered employees. An individual entry age actuarial cost method valuation is used to determine normal cost.

For the year ended December 31, 2016, the contribution rate percentages were as follows:

<u>LOPFI Maximum</u>	<u>EMPLOYEE</u>	<u>EMPLOYER</u>	<u>TOTAL</u>
Fire	8.50%	36.34%	44.84%
Police	8.50%	28.89%	37.39%

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

As of December 31, 2016, the City reported net pension liability for their proportionate share of the net pension liability of each plan as follows:

North Little Rock Fire	\$ 15,642,023
North Little Rock Police	14,328,255
Total Net Pension Liability	<u>\$ 29,970,278</u>

To facilitate the separate actuarial valuations, the City maintains separate accounts to identify additions, deductions and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedules of pension amounts by employer. The allocation percentages for each group as of December 31, 2016, are based on the ratio of each employer's contributions to the total employer contributions of the group for the fiscal year ended December 31, 2016. The contributions used excluded contributions made for prior service, excess benefits and irregular payments. The employer allocation percentages have been rounded for presentation purposes. Therefore, use of these percentages to recalculate individual employer amounts presented in the schedules of pension amounts by employer may result in immaterial differences due to rounding. The City's proportionate share of the net pension liability for each plan is as follows:

<u>Plan</u>	<u>Proportionate Share %</u>
North Little Rock Fire	2.741663 %
North Little Rock Police	2.511392 %

NOTE 6: PENSION PLANS (CONTINUED)

For the year ended December 31, 2016, the City recognized LOPFI expense of \$4,607,076. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 1,044,070	\$ (7,051)
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	4,759,026	-
Changes of Actuarial Assumptions	1,597,198	-
Changes in Proportion and Difference Between Employer Contributions and Share of Contributions	959,043	-
Total	<u>\$ 8,359,337</u>	<u>\$ (7,051)</u>

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

	Year Ended December 31,				
	2017	2018	2019	2020	Total
North Little Rock Fire	\$ 1,409,851	\$ 1,410,159	\$ 1,303,946	\$ 250,667	\$ 4,374,623
North Little Rock Police	1,277,415	1,277,697	1,184,187	238,364	3,977,663
Total	<u>\$ 2,687,266</u>	<u>\$ 2,687,856</u>	<u>\$ 2,488,133</u>	<u>\$ 489,031</u>	<u>\$ 8,352,286</u>

Actuarial Assumptions

The total pension liability as of December 31, 2016, was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions:

Paid Service Assumptions	
Wage Inflation Rate	3.75%
Price Inflation	2.75%
Salary Increases	4.5% to 19%, including inflation
Investment Rate of Return	7.75%
Actuarial cost method	Entry age normal
Asset valuation method	5-year smoothed market; 20% corridor

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

The long term expected rate of return on pension plan investments was determined using a building block method in which expected future and real rates of return (expected returns, net of pension plan investment expense, and

NOTE 6: PENSION PLANS (CONTINUED)

inflation are developed for each major asset class). These real rates of return are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation as of December 31, 2016, best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Allocation-Weighted Long-Term Expected Real Rate of Return
Domestic Fixed Income	30.00%	2.97%	0.89%
International Fixed Income	6.00%	1.50%	0.09%
Domestic Equity	33.00%	5.88%	1.94%
Foreign Equity	7.00%	6.25%	0.44%
Index	11.00%	6.73%	0.74%
Alternative Investments	10.00%	6.13%	0.61%
Cash	3.00%	-0.40%	-0.01%
Total	100.00%		4.70%
Expected Inflation			3.00%
Total Return			7.70%

The figures in the above table were from the 4-year experience study ending December 31, 2011.

Discount Rate

A single discount rate of 7.75% was used to measure the total pension liability. The Single Discount rate was based on the expected rate of return on pension plan investments of 7.75%. The projection of cash flows used to determine the Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using a Single Discount Rate of 7.75%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is one percent lower (6.75%) or one percent higher (8.75%).

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
North Little Rock Fire	\$ 24,493,555	\$ 15,642,023	\$ 8,390,947
North Little Rock Police	22,436,350	14,328,255	7,686,194

Pension Plan Fiduciary Net Position

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

NOTE 6: PENSION PLANS (CONTINUED)*Arkansas Public Employees Retirement System (APERS)**Plan Description*

The City also contributes to the APERS, which is a state-wide cost-sharing, multiple-employer defined benefit pension plan established by authority of the Arkansas General Assembly with the passage of Act 177 of 1957. The plan provides retirement, disability, and survivor benefits for eligible employees and elected officials of state and local governmental entities in Arkansas. The general administration and responsibility for the proper operation of APERS is vested in a nine-member Board of Trustees, which includes the State Auditor, State Treasurer, Director of the State Department of Finance and Administration, and three state and three non-state employees appointed by the Governor. APERS issues an unaudited publicly available financial report. This report may be obtained by visiting the APERS website: www.apers.org.

Benefits Provided

The Old Contributory Plan is available to persons who became members of APERS before January 1, 1978. The Non-Contributory Plan applies to all persons first hired after January 1, 1978 and before July 1, 2005 in APERS-covered employment. The New Contributory Plan applies to all persons hired after July 1, 2005 in APERS-covered employment or Non-Contributory members who elected to participate in the New Contributory Plan. Under the New Contributory Plan, you will receive a full benefit after either (a) age 65 with 5 years of service or (b) 28 years of actual service, regardless of age. For sheriff and public safety members, the age 65 requirement is reduced by 1 month for each 2 months of actual service, but not below age 55 (age 52 for sheriff members with a minimum of 10 years of actual service). A member will receive a reduced benefit after age 55 with 5 years of service or any age with 25 years of service. The reduction is equal to ½ of 1% for each month retirement proceeds at normal retirement age or 1% for each month below 28 years of actual service, whichever is less. Under the Non-Contributory Plan, you will receive a full benefit after either (a) age 65 with 5 years of service or (b) 28 years of actual service, regardless of age. For sheriff and public safety members, the age 65 requirement is reduced by 1 month for each 2 months of actual service, but not below age 55 (age 52 for sheriff members with a minimum of 10 years of actual service). A member will receive a reduced benefit after age 55 with 5 years of service or any age with 25 years of service. The reduction is equal to ½ of 1% for each month retirement proceeds normal retirement age or 1% for each month below 28 years of actual service, whichever is less.

Contributions

The New Contributory Plan has a member contribution rate of 5% of covered compensation (pre-tax). Member contributions are refundable if APERS-covered employment terminates before a monthly benefit is payable. Members will earn interest on the contributions at a rate of 4% annually. The Non-Contributory Plan does not require any employee contributions for service after January 1, 1978. If there is service before January 1, 1978, contributions for that period are refundable later in the same manner as under the New Contributory Plan. Employer contribution rates are based on experience through June 30, 2016, the State and Local Government contribution rate (including General Assembly members) will be 14.75% of covered payroll for the fiscal year beginning July 1, 2017. Based on the Board's Funding Policy, decreases (if any) are limited to 0.25% of covered payroll in each of the two subsequent years.

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

As of June 30, 2016, the City reported net pension liability for their proportionate share of \$496,767. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The City's proportion of the net pension liability was based on a projection of the City's long term share of

NOTE 6: PENSION PLANS (CONTINUED)

contributions to the pension plan relative to the projected contributions of all participating cities, actuarially determined. At June 30, 2016, the City proportion was .021 percent.

For the year ended December 31, 2016, the City recognized pension expense of \$18,557. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 469	\$ (17,820)
Net difference between projected and actual investment earnings on pension plan investments	86,732	-
Changes of assumption	38,068	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	828	(4,134)
Subsequent Contributions*	28,655	-
Total	\$ 154,752	\$ (21,954)

*Contributions made subsequent to actuarial measurement date of June 30, 2016.

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

Year Ending June 30	
2017	\$ 21,829
2018	18,339
2019	41,023
2020	22,952
2021	-
Thereafter	-
Total	\$ 104,143

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)
Asset Valuation Method	4-Year smoothed market; 25% corridor (Market Value for Still Paying Old Plan)
Price Inflation Rate	2.50%
Wage Inflation Rate	3.25%
Investment Rate of Return	7.50%
Projected Salary Increases	3.25% to 9.85% including inflation (3.25% to 6.96% including inflation for District Judges)
Post-Retirement Benefits Increases	3.00%

NOTE 6: PENSION PLANS (CONTINUED)

Mortality rates were based on the RP-2000 Combined Healthy Mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females.

The actuarial assumptions used in the valuation were established based upon an Experience Study covering the period July 1, 2007 through June 30, 2012 (see APERS report dated February 13, 2013). Economic assumptions have been subsequently updated based on the Experience Study and the results of the Economic Assumption Review performed for the Arkansas Judicial Retirement System (see APERS report dated August 6, 2015). The actuarial assumptions represent estimates of future experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2015 to 2024 were based upon capital market assumptions provided by the plan's investment consultant(s). For each major asset class that is included in the pension plan's current asset allocation as of June 30, 2016, these best estimates are summarized in the following table:

Asset Classes	Current Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	38%	6.82%
International Equity	24%	6.88%
Real Assets	16%	3.07%
Absolute Return	5%	3.35%
Domestic Fixed	17%	0.83%
Total	100%	

Discount Rate

A single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net pension liability, calculated using a single discount rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

	1% Decrease 6.50%	Current Simple Rate Assumption 7.50%	1 % Increase 8.50%
City's proportionate share of the net pension liability	\$ 751,980	\$ 496,767	\$ 284,368

NOTE 6: PENSION PLANS (CONTINUED)

Pension Plan Fiduciary Net Position

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

Component Unit 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 17% for the year ended December 31, 2016. The annual required contribution for 2016 totaled \$616,644. 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.

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 of service.

The City recorded OPEB cost of \$168,609 for the year ended December 31, 2016, and a net OPEB obligation of \$1,723,566 based upon an update of the actuarial valuation performed as of December 31, 2016, using activity for the year ending December 31, 2016. The City's UAAL totaled \$1,693,719 as of the actuarial valuation dated January 1, 2017, 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%, 9% the second year, 8% the third year, and decreasing 0.5% each year over a total period of nine years to an ultimate rate of 5%.

NOTE 7: OTHER POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

Annual OPEB Cost

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2010	\$ 295,673	42.17%	\$ 910,374
12/31/2011	353,775	90.31%	944,654
12/31/2012	353,910	33.64%	1,179,498
12/31/2013	344,646	35.37%	1,402,233
12/31/2014	342,369	55.87%	1,553,304
12/31/2015	169,658	39.48%	1,655,977
12/31/2016	168,609	59.91%	1,723,566

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Accrued Liability (UAAL) (b - a)	Funded Ratio (a / b)
1/1/2010	\$ -	\$ 2,299,199	\$ 2,299,199	0.00%
1/1/2011	\$ -	\$ 3,094,796	\$ 3,094,796	0.00%
1/1/2013	\$ -	\$ 2,877,026	\$ 2,877,026	0.00%
1/1/2015	\$ -	\$ 1,349,961	\$ 1,349,961	0.00%
1/1/2017	\$ -	\$ 1,693,719	\$ 1,693,719	0.00%

Participant Data

Number of Active Employees:	822
Number of Retirees Covered:	
Under 65	14
65 and Over	0

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 Citistreet. All assets of the Plan (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 a 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 the 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 \$9,151,645 has been recognized in the government-wide financial statements, while a receivable of \$9,151,645 and a related deferred revenue of \$9,151,645 have been recognized in the governmental fund statements.

The William F. Laman Public Library has recorded a receivable and a related revenue in the amount of \$3,225,032 which is recognized in the Discretely Presented Component Units Statement of Net Position.

Millage rates for 2015 taxes collectible in 2016 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, damages 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, 2016.

The Waste Water Utility was insured at December 31, 2016, for general liability, automobile liability and all risk replacement cost except worker's 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, 2016, with RSUI Indemnity Co. for blanket property coverage. Further information is available in the audited financial statements of the Utility.

NOTE 11: 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, 2016. Service deposits for Electric Department customers are collected

NOTE 11: RELATED PARTY TRANSACTIONS (CONTINUED)

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 12: 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 begin 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.

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 the 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.

On November 23 2015, the NLR Electric Department entered into a resource management agreement with The Energy Authority (TEA) to conduct bilateral and market transactions on behalf of Electric. In 2016, the Electric Department entered into contracts through TEA for the purchase of 466.5 GWh of energy to be delivered through 2021 for \$13.9M, resulting in a unit cost of \$29.89/MWh. Although the NLR Electric's contract with TEA may be terminated on 180 days' notice, all contracts entered by TEA on behalf of NLR Electric will remain effective.

On May 8, 2017, the City entered into an agreement with L'Oreal to interconnect L'Oreal's 1200kw solar facility with the City's distribution system. Through the agreement, the City purchases all energy generated at the City's avoided cost of power, currently calculated at \$47.71/MWh. L'Oreal is estimated to produce 1997 MWh of electricity annually resulting in annual City purchases of approximately \$95,000. The agreement terminates after 25 years.

On March 1, 2016 Maumelle Wastewater System merged with the North Little Rock Wastewater Utility. The NLR Wastewater has accounted for the transaction as a merger under GASB 69, Government Combinations and Disposals of Government Operations and recorded the assets and liabilities at their pre-merger carrying value as of the first day of the year. The merger included all of the assets of the Maumelle Wastewater System.

In 2016 and previous years, the City has made special appropriations to Rock Region Metro to finance its operating deficits. The City could continue to be required to fund Rock Region's operating deficits if the current level of services is to be maintained in the future.

NOTE 12: COMMITMENTS (CONTINUED)

The City is participating in a River Rail Project in conjunction with the City of Little Rock, Pulaski County and Rock Region Metro. 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. Rock Region Metro 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 13: 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, 2016. Events could occur that would cause the estimate or ultimate loss to differ materially in the near term.

The City is currently involved in litigation, Larry E. Johnson and Patricia L. Johnson v. City of North Little Rock, Arkansas, a municipality, and North Little Rock Electric, a department of the City, in Pulaski County Circuit Court Case No. 60CV-16-5711. The plaintiffs claim excessive charges for electricity by the NLR Electric Department (dating from 1978 to approximately October 2016) and seek restitution from defendants in an amount exceeding \$100,000. The City does not expect an adverse judgment in the case.

The City is also currently involved in litigation, Lee Chadwick and all other entities and persons similarly situated v. City of North Little Rock and John Does 1-10, in their individual and official capacities, in Pulaski County Circuit Court Case No. 60-CV-17-6237. The plaintiff seeks to bring a class action alleging violation of due process based on the collection of debt as a condition of providing electric service that would be time barred under the statute of limitations of collection is sought through litigation. The defense of this case is being handled by the Arkansas Municipal Legal Defense Fund. The Case is in the early stage of litigation. The City will defend in this case and does not expect an adverse judgment. There is no estimation of potential loss at this time.

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 was 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.

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

NOTE 13: CONTINGENCIES (CONTINUED)

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 14: 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 15: 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.

NOTE 16: SUBSEQUENT EVENTS

The management of the City has evaluated subsequent events through March 21, 2018, the date on which the financial statements were available to be issued.

Non-uniformed Retirement Plan Funding – The Funding Policy of the City was to contribute the 6% of payroll as that is defined in the Non-uniformed Plan document. During the October 2016 City Council meeting, the City agreed to increase the contribution rate to 9% with an annual review in the future. There was a plan amendment to make this change in contribution rate effective as of January 1, 2017 and it was included in the 2017 budget of the City. During the October 2017 City Council meeting, the City agreed to increase the contribution rate to 10% with an annual review in the future. There will be a plan amendment to make this change in contribution rate effective as of January 1, 2018 and it will be included in the 2018 budget of the City. The amendment also included an increase in employee contributions from 4% to 5%, all pre-tax.

Parks Funds – In July 2016, the Parks Director discussed with the Finance Director a potential problem with revenue missing from various Parks facilities' rentals. Parks Department staff pieced together information that led them to believe a former employee had stolen Parks Rental Income. The Finance Director and Parks Director met with the Police Chief who assigned a detective to investigate. The former employee was arrested on November 21, 2016 and charged with Felony Theft of Property. It is alleged that the total amount of theft is approximately \$172,007. The employee pleaded guilty to a Class B felony on February 8, 2018 and was sentenced on March 8, 2018 to 3 years' probation and \$25,000 restitution. The City will be filing a claim with the Self-Insured Fidelity Bond Program, administered by the Arkansas Governmental Bonding Board, to recover any additional funds.

HUD Review – On February 14, 2017, the City's Community Development Agency (CDA) office was notified by HUD's Little Rock Field Office of a status change to the IDIS access drawdown system. The City's CDA office access to the system was changed from active to inactive pending a review by HUD. At the time of this report, HUD's review of the City's CDA office access to the drawdown system is not complete.

REQUIRED SUPPLEMENTARY INFORMATION

	LOPFI		LOPFI	
	Police	Fire	Police	Fire
	2014*	2014*	2016*	2016*
Plan's proportion of the net pension liability	2.30461%	2.49184%	2.51139%	2.74166%
Plan's proportionate share of the net pension liability	\$ 8,342,893	\$ 9,020,695	\$ 14,328,255	\$ 15,642,023
Plan's covered-employee payroll	\$ 10,825,411	\$ 7,931,178	\$ 10,999,885	\$ 8,707,186
Plan's proportionate share of the net pension liability as a percentage of its covered-employee payroll	77.07%	113.74%	130.26%	179.64%
Plan's fiduciary net positions as a percentage of the Plan's total pension liability	79.14%	79.14%	72.87%	72.87%
	APERS		APERS	
	2015*		2016*	
Plan's proportion of the net pension liability	0.02105517%		0.02077350%	
Plan's proportionate share of the net pension liability	\$ 387,780		\$ 496,767	
Plan's covered-employee payroll	\$ 375,243		\$ 398,566	
Plan's proportionate share of the net pension liability as a percentage of its covered-employee payroll	103.34%		124.64%	
Plan's fiduciary net positions as a percentage of the Plan's total pension liability	80.39%		75.50%	
	Non-Uniformed Plan		Non-Uniformed Plan	
	2015*		2016*	
Plan's Net Pension Liability	\$ 18,632,643		\$ 26,254,064	
Plan's covered-employee payroll	\$ 19,641,076		\$ 21,964,782	
Plan's net pension liability as a percentage of its covered-employee payroll	94.87%		119.53%	
Plan's fiduciary net positions as a percentage of the Plan's total pension liability	69.11%		62.24%	

*Fiscal year 2015 was the first year of implementation, therefore, only two years are shown.

For the December 31, 2016 audit, information used is as of and for the year ending December 31, 2016 for the "LOPFI" plan. Information is as of and for the year ending June 30, 2016 for the "APERS" plan. Information is as of and for the year ending December 31, 2016 for the "Non-Uniformed Plan".

DECEMBER 31, 2016*

	LOPFI		LOPFI	
	Police	Fire	Police	Fire
	2014*	2014*	2016*	2016*
Actuarially determined contribution	\$ 1,367,615	\$ 1,478,724	\$ 1,626,971	\$ 1,517,419
Contributions in relation to the actuarially determined contributions	1,367,615	1,478,724	1,626,971	1,517,419
Contribution deficiency (excess)	-	-	-	-
Covered Payroll	\$ 10,825,411	\$ 7,931,178	\$ 10,999,885	\$ 8,707,186
Contributions as a percentage of covered-employee payroll	12.63%	18.64%	14.79%	17.43%
	APERS		APERS	
	2015*		2016*	
Actuarially determined contribution	\$ 139,449		\$ 139,763	
Contributions in relation to the actuarially determined contributions	139,449		139,763	
Contribution deficiency (excess)	-		-	
Covered Payroll	\$ 375,243		\$ 398,566	
Contributions as a percentage of covered-employee payroll	37.16%		35.07%	
	Non-Uniformed Plan		Non-Uniformed Plan	
	2015*		2016*	
Actuarially determined contribution	\$ 2,185,569		\$ 2,923,512	
Contributions in relation to the actuarially determined contributions	1,133,620		1,364,281	
Contribution deficiency (excess)	1,051,949		1,559,231	
Covered Payroll	\$ 19,305,847		\$ 21,964,782	
Contributions as a percentage of covered-employee payroll	5.87%		6.21%	

*Fiscal year 2015 was the first year of implementation, therefore, only two years are shown.

OTHER SUPPLEMENTARY INFORMATION

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,993,634	\$ -	\$ 2,563,666	\$ 4,557,300
Investments - certificates of deposits	3,537,222	-	504,170	4,041,392
Property taxes receivable - net	1,551,239	-	-	1,551,239
Sales tax receivable	1,669,357	-	-	1,669,357
Accounts receivable - other	1,458	-	-	1,458
Due from other governments	16,170	-	130,630	146,800
Due from other funds	18,637	-	1,282,496	1,301,133
TOTAL ASSETS	8,787,717	-	4,480,962	13,268,679
LIABILITIES				
Accounts payable	235,486	-	102,564	338,050
Accrued expenses	281,257	-	-	281,257
Due to other governments	-	-	-	-
Due to other funds	624,852	-	-	624,852
Deferred revenue	1,551,239	-	-	1,551,239
TOTAL LIABILITIES	2,692,834	-	102,564	2,795,398
FUND BALANCES				
Restricted:				
Street and traffic	3,712,692	-	-	3,712,692
Parks and recreation	1,848,253	-	-	1,848,253
Police - equitable sharing	158,623	-	-	158,623
Drainage improvement	374,824	-	-	374,824
Acquisition and construction of capital assets and improvements	-	-	4,378,398	4,378,398
Unassigned	491	-	-	491
TOTAL FUND BALANCES	6,094,883	-	4,378,398	10,473,281
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,787,717	\$ -	\$ 4,480,962	\$ 13,268,679

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes - sales	\$ 10,421,176	\$ -	\$ 4,241,443	\$ 14,662,619
Taxes - other	1,524,616	-	-	1,524,616
Charges for services	1,406,290	-	-	1,406,290
Intergovernmental	654,420	-	322,029	976,449
Investment earnings	28,543	-	8,224	36,767
Miscellaneous	128,267	-	702,760	831,027
TOTAL REVENUES	14,163,312	-	5,274,456	19,437,768
EXPENDITURES				
Current operating:				
Community development	654,364	-	-	654,364
Parks and recreation	6,280,699	-	939,756	7,220,455
Public safety - police	198,964	-	-	198,964
Street and traffic	5,361,379	-	-	5,361,379
Capital outlay	22,756	-	4,353,971	4,376,727
Debt service:				
Principal retirement	-	3,672,012	-	3,672,012
Interest and agent fees	-	46,214	-	46,214
TOTAL EXPENDITURES	12,518,162	3,718,226	5,293,727	21,530,115
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,645,150	(3,718,226)	(19,271)	(2,092,347)
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	137,000	137,000
Transfers in	90,000	3,718,226	2,077,749	5,885,975
Transfers out	(2,139,417)	-	(2,294,376)	(4,433,793)
TOTAL OTHER FINANCING SOURCES (USES)	(2,049,417)	3,718,226	(79,627)	1,589,182
NET CHANGE IN FUND BALANCES	(404,267)	-	(98,898)	(503,165)
FUND BALANCES, BEGINNING OF YEAR	6,499,150	-	4,477,296	10,976,446
FUND BALANCES, END OF YEAR	\$ 6,094,883	\$ -	\$ 4,378,398	\$ 10,473,281

	Street	Parks and Recreation	Community Development
ASSETS			
Cash and cash equivalents	\$ 1,015,544	\$ 684,955	\$ 434
Investments - certificates of deposits	2,528,799	753,333	-
Property taxes receivable - net	1,551,239	-	-
Sales tax receivable	718,182	951,175	-
Accounts receivable - other	-	1,458	-
Due from other governments	-	-	16,170
Due from other funds	7,679	9,554	526
TOTAL ASSETS	5,821,443	2,400,475	17,130
LIABILITIES			
Accounts payable	114,746	105,518	-
Accrued expenses	129,698	151,125	434
Due to other governments	-	-	-
Due to other funds	313,068	295,579	16,205
Deferred revenue	1,551,239	-	-
TOTAL LIABILITIES	2,108,751	552,222	16,639
FUND BALANCES			
Restricted:			
Street and traffic	3,712,692	-	-
Parks and recreation	-	1,848,253	-
Police - equitable sharing	-	-	-
Drainage improvement	-	-	-
Unassigned	-	-	491
TOTAL FUND BALANCES	3,712,692	1,848,253	491
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,821,443	\$ 2,400,475	\$ 17,130

(continued on next page)

	Equitable Sharing	Drainage Improvement	Total Nonmajor Special Revenue Funds
ASSETS			
Cash and cash equivalents	\$ 172,967	\$ 119,734	\$ 1,993,634
Investments - certificates of deposits	-	255,090	3,537,222
Property taxes receivable - net	-	-	1,551,239
Sales tax receivable	-	-	1,669,357
Accounts receivable - other	-	-	1,458
Due from other governments	-	-	16,170
Due from other funds	878	-	18,637
TOTAL ASSETS	173,845	374,824	8,787,717
LIABILITIES			
Accounts payable	15,222	-	235,486
Accrued expenses	-	-	281,257
Due to other governments	-	-	-
Due to other funds	-	-	624,852
Deferred revenue	-	-	1,551,239
TOTAL LIABILITIES	15,222	-	2,692,834
FUND BALANCES			
Restricted:			
Street and traffic	-	-	3,712,692
Parks and recreation	-	-	1,848,253
Police - equitable sharing	158,623	-	158,623
Drainage improvement	-	374,824	374,824
Unassigned	-	-	491
TOTAL FUND BALANCES	158,623	374,824	6,094,883
TOTAL LIABILITIES AND FUND BALANCES	\$ 173,845	\$ 374,824	\$ 8,787,717

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	Street	Parks and Recreation	Community Development
REVENUES			
Taxes - sales	\$ 4,163,174	\$ 6,258,002	\$ -
Taxes - other	1,524,616	-	-
Charges for services	-	1,139,623	-
Intergovernmental	-	-	654,420
Investment earnings	20,851	5,470	17
Miscellaneous	31,743	90,566	308
TOTAL REVENUES	5,740,384	7,493,661	654,745
EXPENDITURES			
Current operating:			
Community development	-	-	654,364
Parks and recreation	-	6,280,699	-
Public safety - police	-	-	-
Street and traffic	5,361,379	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and agent fees	-	-	-
TOTAL EXPENDITURES	5,361,379	6,280,699	654,364
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	379,005	1,212,962	381
OTHER FINANCING SOURCES (USES)			
Transfers in	-	90,000	-
Transfers out:			
Transfers to other funds	(823,696)	(1,315,721)	-
Transfers to component units	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(823,696)	(1,225,721)	-
NET CHANGE IN FUND BALANCES	(444,691)	(12,759)	381
FUND BALANCES, BEGINNING OF YEAR	4,157,383	1,861,012	110
FUND BALANCES, END OF YEAR	\$ 3,712,692	\$ 1,848,253	\$ 491

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	Equitable Sharing	Drainage Improvement	Total Nonmajor Special Revenue Funds
REVENUES			
Taxes - sales	\$ -	\$ -	\$ 10,421,176
Taxes - other	-	-	1,524,616
Charges for services	260,967	5,700	1,406,290
Intergovernmental	-	-	654,420
Investment earnings	384	1,821	28,543
Miscellaneous	5,650	-	128,267
TOTAL REVENUES	267,001	7,521	14,163,312
EXPENDITURES			
Current operating:			
Community development	-	-	654,364
Parks and recreation	-	-	6,280,699
Public safety - police	198,964	-	198,964
Street and traffic	-	-	5,361,379
Capital outlay	-	22,756	22,756
Debt service:			
Principal retirement	-	-	-
Interest and agent fees	-	-	-
TOTAL EXPENDITURES	198,964	22,756	12,518,162
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	68,037	(15,235)	1,645,150
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	90,000
Transfers out:			
Transfers to other funds	-	-	(2,139,417)
Transfers to component units	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(2,049,417)
NET CHANGE IN FUND BALANCES	68,037	(15,235)	(404,267)
FUND BALANCES, BEGINNING OF YEAR	90,586	390,059	6,499,150
FUND BALANCES, END OF YEAR	\$ 158,623	\$ 374,824	\$ 6,094,883

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	2011 Series Short-Term Obligations	2012 Series Short-Term Obligations	2013 Series Short-Term Obligations	2014 Series Short-Term Obligations
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Investments - certificates of deposits	-	-	-	-
Property taxes receivable - net	-	-	-	-
Sales tax receivable	-	-	-	-
Due from other funds	-	-	-	-
TOTAL ASSETS	-	-	-	-
LIABILITIES				
Accounts payable	-	-	-	-
Accrued expenses	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
TOTAL LIABILITIES	-	-	-	-
FUND BALANCES				
Restricted:				
Street and traffic	-	-	-	-
Parks and recreation	-	-	-	-
Police - equitable sharing	-	-	-	-
Drainage improvement	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ -	\$ -	\$ -

(continued on next page)

	2016 Series Short-Term Obligations	Total Nonmajor Debt Service Funds
ASSETS		
Cash and cash equivalents	\$ -	\$ -
Investments - certificates of deposits	-	-
Property taxes receivable - net	-	-
Sales tax receivable	-	-
Accounts receivable - other	-	-
Due from other governments	-	-
Due from other funds	-	-
TOTAL ASSETS	-	-
LIABILITIES		
Accounts payable	-	-
Accrued expenses	-	-
Due to other governments	-	-
Due to other funds	-	-
Deferred revenue	-	-
TOTAL LIABILITIES	-	-
FUND BALANCES		
Restricted:		
Street and traffic	-	-
Parks and recreation	-	-
Police - equitable sharing	-	-
Drainage improvement	-	-
Acquisition and construction of capital assets and improvements	-	-
Unassigned	-	-
TOTAL FUND BALANCES	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ -

(continued from previous page)

	2011 Series Short-Term Obligations	2012 Series Short-Term Obligations	2013 Series Short-Term Obligations	2014 Series Short-Term Obligations
REVENUES				
Taxes - sales	\$ -	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Charges for services	-	-	-	-
Intergovernmental	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
TOTAL REVENUES	-	-	-	-
EXPENDITURES				
Current operating:				
Community development	-	-	-	-
Parks and recreation	-	-	-	-
Public safety - police	-	-	-	-
Street and traffic	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	1,300,000	1,985,304	90,862	252,049
Interest and agent fees	27,244	-	1,744	17,023
TOTAL EXPENDITURES	1,327,244	1,985,304	92,606	269,072
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,327,244)	(1,985,304)	(92,606)	(269,072)
OTHER FINANCING SOURCES (USES)				
Transfers in:				
Transfers from other funds	1,327,244	1,985,304	92,606	269,072
Transfers from component units	-	-	-	-
Transfers out:				
Transfers to other funds	-	-	-	-
Transfers to component units	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,327,244	1,985,304	92,606	269,072
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCES, BEGINNING OF YEAR	-	-	-	-
FUND BALANCES, END OF YEAR	\$ -	\$ -	\$ -	\$ -

(continued on next page)

	2016 Series Short-Term Obligations	Total Nonmajor Debt Service Funds
REVENUES		
Taxes - sales	\$ -	\$ -
Taxes - other	-	-
Charges for services	-	-
Intergovernmental	-	-
Investment earnings	-	-
Miscellaneous	-	-
TOTAL REVENUES	-	-
EXPENDITURES		
Current operating:		
Community development	-	-
Parks and recreation	-	-
Public safety - police	-	-
Street and traffic	-	-
Capital outlay	-	-
Debt service:		
Principal retirement	43,797	3,672,012
Interest and agent fees	203	46,214
TOTAL EXPENDITURES	44,000	3,718,226
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(44,000)	(3,718,226)
OTHER FINANCING SOURCES (USES)		
Transfers in:		
Transfers from other funds	44,000	3,718,226
Transfers from component units	-	-
Transfers out:		
Transfers to other funds	-	-
Transfers to component units	-	-
TOTAL OTHER FINANCING SOURCES (USES)	44,000	3,718,226
NET CHANGE IN FUND BALANCES	-	-
FUND BALANCES, BEGINNING OF YEAR	-	-
FUND BALANCES, END OF YEAR	\$ -	\$ -

(continued from previous page)

	Parks Capital Improvements	Sales Tax Capital Improvements	Special Projects Infrastructure	2010 Parks Capital Improvements
ASSETS				
Cash and cash equivalents	\$ 563,975	\$ 1,772,796	\$ 166,178	\$ 48
Investments - certificates of deposits	-	-	504,170	-
Property taxes receivable - net	-	-	-	-
Sales tax receivable	-	-	-	-
Accounts receivable - other	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	181,967	776,833	323,696	-
TOTAL ASSETS	745,942	2,549,629	994,044	48
LIABILITIES				
Accounts payable	4,097	6,133	36,000	-
Accrued expenses	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
TOTAL LIABILITIES	4,097	6,133	36,000	-
FUND BALANCES				
Restricted:				
Street and traffic	-	-	-	-
Parks and recreation	-	-	-	-
Police - equitable sharing	-	-	-	-
Drainage improvement	-	-	-	-
Acquisition and construction of capital assets and improvements	741,845	2,543,496	958,044	48
Unassigned	-	-	-	-
TOTAL FUND BALANCES	741,845	2,543,496	958,044	48
TOTAL LIABILITIES AND FUND BALANCES	\$ 745,942	\$ 2,549,629	\$ 994,044	\$ 48

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	2010 Sales Tax Capital Improvements	2011 Baring Cross Redevelopment	2016 RV Park	Total Nonmajor Capital Projects Funds
ASSETS				
Cash and cash equivalents	\$ 60,669	\$ -	\$ -	\$ 2,563,666
Investments - certificates of deposits	-	-	-	504,170
Property taxes receivable - net	-	-	-	-
Sales tax receivable	-	-	-	-
Accounts receivable - other	-	-	-	-
Due from other governments	130,630	-	-	130,630
Due from other funds	-	-	-	1,282,496
TOTAL ASSETS	191,299	-	-	4,480,962
LIABILITIES				
Accounts payable	52,724	-	3,610	102,564
Accrued expenses	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
TOTAL LIABILITIES	52,724	-	3,610	102,564
FUND BALANCES				
Restricted:				
Street and traffic	-	-	-	-
Parks and recreation	-	-	-	-
Police - equitable sharing	-	-	-	-
Drainage improvement	-	-	-	-
Acquisition and construction of capital assets and improvements	138,575	-	(3,610)	4,378,398
Unassigned	-	-	-	-
TOTAL FUND BALANCES	138,575	-	(3,610)	4,378,398
TOTAL LIABILITIES AND FUND BALANCES	\$ 191,299	\$ -	\$ -	\$ 4,480,962

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	Parks Capital Improvements	Sales Tax Capital Improvements	Special Projects Infrastructure	2010 Parks Capital Improvements
REVENUES				
Taxes - sales	\$ -	\$ 4,241,443	\$ -	\$ -
Taxes - other	-	-	-	-
Charges for services	-	-	-	-
Intergovernmental	-	-	-	-
Investment earnings	1,011	2,951	3,930	20
Miscellaneous	-	-	702,760	-
TOTAL REVENUES	1,011	4,244,394	706,690	20
EXPENDITURES				
Current operating:				
Community development	-	-	-	-
Parks and recreation	939,756	-	-	-
Public safety - police	-	-	-	-
Street and traffic	-	-	-	-
Capital outlay	-	2,219,426	1,588,983	16,773
Debt service:				
Principal retirement	-	-	-	-
Interest and agent fees	-	-	-	-
TOTAL EXPENDITURES	939,756	2,219,426	1,588,983	16,773
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(938,745)	2,024,968	(882,293)	(16,753)
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	-	-
Transfers in:				
Transfers from other funds	1,165,721	88,332	823,696	-
Transfers from component units	-	-	-	-
Transfers out:				
Transfers to other funds	-	(2,294,376)	-	-
Transfers to component units	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,165,721	(2,206,044)	823,696	-
NET CHANGE IN FUND BALANCES	226,976	(181,076)	(58,597)	(16,753)
FUND BALANCES, BEGINNING OF YEAR	514,869	2,724,572	1,016,641	16,801
FUND BALANCES, END OF YEAR	\$ 741,845	\$ 2,543,496	\$ 958,044	\$ 48

(continued on next page)

	2010 Sales Tax Capital Improvements	2011 Baring Cross Redevelopment	2016 RV Park	Total Nonmajor Capital Projects Funds
REVENUES				
Taxes - sales	\$ -	\$ -	\$ -	\$ 4,241,443
Taxes - other	-	-	-	-
Charges for services	-	-	-	-
Intergovernmental	322,029	-	-	322,029
Investment earnings	312	-	-	8,224
Miscellaneous	-	-	-	702,760
TOTAL REVENUES	322,341	-	-	5,274,456
EXPENDITURES				
Current operating:				
Community development	-	-	-	-
Parks and recreation	-	-	-	939,756
Public safety - police	-	-	-	-
Street and traffic	-	-	-	-
Capital outlay	388,179	-	140,610	4,353,971
Debt service:				
Principal retirement	-	-	-	-
Interest and agent fees	-	-	-	-
TOTAL EXPENDITURES	388,179	-	140,610	5,293,727
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(65,838)	-	(140,610)	(19,271)
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	137,000	137,000
Transfers in:				
Transfers from other funds	-	-	-	2,077,749
Transfers from component units	-	-	-	-
Transfers out:				
Transfers to other funds	-	-	-	(2,294,376)
Transfers to component units	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	137,000	(79,627)
NET CHANGE IN FUND BALANCES	(65,838)	-	(3,610)	(98,898)
FUND BALANCES, BEGINNING OF YEAR	204,413	-	-	4,477,296
FUND BALANCES, END OF YEAR	\$ 138,575	\$ -	\$ (3,610)	\$ 4,378,398

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REPORT REQUIRED BY THE STATE OF ARKANSAS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH CERTAIN STATE ACTS

To the 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, 2016.

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

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

Our examination was 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, 2016.

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.

Craft, Veach & Company

Craft, Veach & Company, PLC
North Little Rock, Arkansas
March 21, 2018

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



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*

To the Honorable Joe Smith, Mayor
And Members of the City Council
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 fund information of the City of North Little Rock, Arkansas (the "City"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 21, 2018. Our report includes a reference to other auditors who audited the financial statements of the North Little Rock Waste Water Utility, as described in our report on the City'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.

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's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our

audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Craft, Veach & Company

Craft, Veach & Company, PLC
North Little Rock, Arkansas
March 21, 2018



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of North Little Rock, Arkansas' (the "City's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of 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 effect on each of its major federal programs for the year ended December 31, 2016.

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's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing

procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance; such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Craft, Veach & Company, PLC
North Little Rock, Arkansas
March 21, 2018

Federal Grantor/ CLUSTER NAME/ Program Name/ Pass-through Entity	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Housing and Urban Development:</u>				
CDBG - ENTITLEMENT GRANTS CLUSTER				
Community Development Block Grants/Entitlement Grants	14.218	N/A	\$ 46,986	\$ 407,952
Total CDBG - ENTITLEMENT GRANTS CLUSTER			<u>46,986</u>	<u>407,952</u>
Home Investment Partnerships Program	14.239	N/A	105,773	246,468
Total U.S. Department of Housing and Urban Development			<u>152,759</u>	<u>654,420</u>
<u>U.S. Department of the Interior:</u>				
Historic Preservation Fund Grants-In-Aid				
Pass-through from Arkansas Historic Preservation	15.904	15-RETT/CLG-03	-	1,292
Outdoor Recreation - Acquisition, Development and Planning				
Pass-through from Arkansas Department of Parks and Tourism	15.916	A-10704-16-PU	-	10,125
Total U.S. Department of the Interior			<u>-</u>	<u>11,417</u>
<u>U.S. Department of Justice</u>				
Bulletproof Vest Partnership Program (FY15)	16.607	N/A	-	16,454
Bulletproof Vest Partnership Program (FY16)	16.607	N/A	-	17,407
Total Bulletproof Vest Partnership Program			<u>-</u>	<u>33,861</u>
Edward Byrne Memorial Justice Assistance Grant Program (FY15)	16.738	N/A	-	43,831
Total U.S. Department of Justice			<u>-</u>	<u>77,692</u>
<u>U.S. Department of Transportation</u>				
Airport Improvement Program	20.106	N/A	-	575,685
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER				
Highway Planning and Construction (Federal-Aid Highway Program)				
Pass-through from Arkansas Highway Transportation Department	20.205	061294	-	3,401,688
Recreational Trails Program				
Pass-through from Arkansas Highway Transportation Department	20.219	061435	-	104,000
Total HIGHWAY PLANNING AND CONSTRUCTION CLUSTER			<u>-</u>	<u>3,505,688</u>
HIGHWAY SAFETY CLUSTER				
State and Community Highway Safety				
Pass-through from Arkansas State Police (FY16)	20.600	OP-2016-03-02-21	-	16,286
Pass-through from Arkansas State Police (FY17)	20.600	OP-2017-03-02-23	-	2,013
National Priority Safety Programs				
Pass-through from Arkansas State Police (FY16)	20.616	M5X-2016-05-06-21	-	1,245
Pass-through from Arkansas State Police (FY17)	20.616	M5X-2017-05-06-23	-	161
Total HIGHWAY SAFETY CLUSTER			<u>-</u>	<u>19,705</u>
Total U.S. Department of Transportation			<u>-</u>	<u>4,101,078</u>

(continued on next page)

Federal Grantor/ CLUSTER NAME/ Program Name/ Pass-through Entity	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<i>(continued from previous page)</i>				
<u>U.S. Department of Homeland Security</u>				
Emergency Management Performance Grants				
Pass-through from Arkansas Department of Emergency Management (FY15)	97.042	N/A	\$ -	\$ 29,515
Pass-through from Arkansas Department of Emergency Management (FY16)	97.042	N/A	-	8,905
Total Emergency Management Performance Grants			<u>-</u>	<u>38,420</u>
Assistance to Firefighters Grant	97.044	N/A	-	184,376
Homeland Security Grant Program (LETPP)				
Pass-through from Arkansas Department of Emergency Management (FY14)	97.067	N/A	-	546
Pass-through from Arkansas Department of Emergency Management (FY15)	97.067	N/A	-	105,909
Total Homeland Security Grant Program (LETPP)			<u>-</u>	<u>106,455</u>
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	N/A	-	1,233,807
Total U.S. Department of Homeland Security			<u>-</u>	<u>1,563,058</u>
Total Expenditures of Federal Awards			<u>\$ 152,759</u>	<u>\$ 6,407,665</u>

Notes to Schedule:

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of the City of North Little Rock, Arkansas under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

Note 2. 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rates

The City has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified not considered to be a material weakness(es)?

Yes None reported

Noncompliance material to financial statements noted?

Yes No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified not considered to be a material weakness(es)?

Yes None reported

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

Yes None reported

Identification of major programs:

Name of Federal Program or Cluster

CFDA Number

Highway Planning and Construction Cluster:

Highway Planning and Construction (Federal-Aid Highway Program)

20.205

Recreational Trails Program

20.219

Staffing for Adequate Fire and Emergency Response (SAFER)

97.083

Type of auditor's report issued on compliance for major programs:

Unmodified

Dollar threshold used to distinguish between Type A and Type B programs as those terms are defined in the Uniform Guidance:

\$750,000

Organization qualified as a low-risk auditee as that term is defined in the Uniform Guidance?

Yes No

Findings required to be reported by *Government Auditing Standards*

Reference

Number Finding

None

Findings required to be reported by the Uniform Guidance

Reference

Number Finding

Questioned Costs

None

Findings required to be reported by *Government Auditing Standards*

Reference Number	Finding	Status
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None

Findings required to be reported by the Uniform Guidance

Reference Number	Finding	Status
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None