

**CITY OF NORTH LITTLE ROCK, ARKANSAS**

FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH  
INDEPENDENT AUDITOR'S REPORT

**DECEMBER 31, 2018**

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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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the North Little Rock Waste Water Utility, which represent 89%, 86%, and 64% 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, 2018, 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 11, the Schedule of the City's Proportionate Share of the Net Position Liability and Related Ratios as of the Measurement Date on page 72, and the Schedule of Plan Contributions on page 73 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 December 27, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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  
December 26, 2019

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, 2018. We encourage readers to consider the information presented in conjunction with the City's financial statements, which follow.

### FINANCIAL HIGHLIGHTS

The total assets and deferred outflows of the City exceeded its total liabilities and deferred inflows as of December 31, 2018 by \$217,956,926 (presented as "net position"). Of this amount \$8,008,330 was reported as "unrestricted net position" and may be used to meet the government's on-going obligations to citizens and creditors.

- The City's total net position increased by \$17,513,992 in 2018. Net position of governmental activities increased by \$8,166,972. Net position of business-type activities increased \$9,347,020.
- As of December 31, 2018, the City's governmental funds reported combined ending fund balances of \$50,835,559, an increase of \$12,986,270 from 2017. Approximately 63% of this amount, \$31,839,186 is available for spending at the City's discretion (unassigned fund balance).
- As of December 31, 2018, the unassigned fund balance for the General Fund was \$31,907,042 or 40% of total General Fund expenditures.
- As of December 31, 2018, the net position of the proprietary funds totaled \$137,383,243. Net position increased by \$9,347,020 during the year ended December 31, 2018.
- As of December 31, 2018, net position of fiduciary funds was \$44,352,109. There was a decrease of \$2,967,116 in the total fiduciary net position held in trust for the year ended December 31, 2018.
- The City's component units reported net position of \$98,390,845 as of December 31, 2018. This was an increase of \$6,612,092 when compared to December 31, 2017.

### 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.

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**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 12-13 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 12 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 a major fund. Data for the other 11 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 14-17 of this reporting package. A budget to actual comparison for the General Fund can be found on page 18 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 19-21 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 22-23 of this reporting package.

***Notes to Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 26-71 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 72-85 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 2018 compared to 2017:

**CITY OF NORTH LITTLE ROCK, ARKANSAS NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 65,333,850	\$ 53,058,841	\$ 54,693,279	\$ 51,957,442	\$ 120,027,129	\$ 105,016,283
Capital Assets	85,153,802	79,754,834	139,336,652	141,692,253	224,490,454	221,447,087
<b>Total Assets</b>	<u>150,487,652</u>	<u>132,813,675</u>	<u>194,029,931</u>	<u>193,649,695</u>	<u>344,517,583</u>	<u>326,463,370</u>
Deferred Outflows of Resources	22,677,374	20,498,528	3,569,193	2,631,008	26,246,567	23,129,536
<b>Total Assets and Deferred Outflows of Resources</b>	<u>173,165,026</u>	<u>153,312,203</u>	<u>197,599,124</u>	<u>196,280,703</u>	<u>370,764,150</u>	<u>349,592,906</u>
Long-Term Liabilities	82,312,834	65,083,308	47,326,734	49,959,213	129,639,568	115,042,521
Other Liabilities	5,289,585	6,051,736	9,860,903	14,924,584	15,150,488	20,976,320
<b>Total Liabilities</b>	<u>87,602,419</u>	<u>71,135,044</u>	<u>57,187,637</u>	<u>64,883,797</u>	<u>144,790,056</u>	<u>136,018,841</u>
Deferred Inflows of Resources	4,988,924	9,770,448	3,028,244	3,360,683	8,017,168	13,131,131
Net Position: *						
Net Investment in Capital Assets	83,669,833	78,868,156	115,621,652	113,882,253	199,291,485	192,750,409
Restricted	-	2,527,403	10,657,111	10,525,161	10,657,111	13,052,564
Unrestricted	(3,096,150)	(8,988,848)	11,104,480	3,628,809	8,008,330	(5,360,039)
<b>Total Net Position</b>	<u>80,573,683</u>	<u>72,406,711</u>	<u>137,383,243</u>	<u>128,036,223</u>	<u>217,956,926</u>	<u>200,442,934</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u>\$ 173,165,026</u>	<u>\$ 153,312,203</u>	<u>\$ 197,599,124</u>	<u>\$ 196,280,703</u>	<u>\$ 370,764,150</u>	<u>\$ 349,592,906</u>

\*= 2017 Net position was reclassified to be consistent with 2018.

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 and deferred outflows exceeded liabilities and deferred inflows by \$217,956,926 as of December 31, 2018, an increase in the City's net position of \$17,513,992. The largest portion of the City's net position, \$199,291,485 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, \$10,657,111 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$8,008,330 may be used to meet the government's ongoing obligations to citizens and creditors.

**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, 2018 and December 31, 2017. Governmental activities increased the City's net position by \$8,166,972 for the year ended December 31, 2018 and increased net position by \$3,153,192 for the year ended December 31, 2017. Business-type activities increased the City's net position by \$9,347,020 for the year ended December 31, 2018 and by \$7,640,061 for the year ended December 31, 2017.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 9,675,156	\$ 9,008,160	\$ 94,699,423	\$ 91,555,647	\$ 104,374,579	\$ 100,563,807
Operating grants and contributions	404,425	1,614,112	-	-	404,425	1,614,112
Capital grants	3,416,216	7,653,537	-	-	3,416,216	7,653,537
General Revenues:						
Taxes	72,968,108	56,398,129	-	-	72,968,108	56,398,129
Franchise fees	3,834,205	3,022,080	-	-	3,834,205	3,022,080
Investment income	253,047	143,579	289,464	197,214	542,511	340,793
Grants and contributions- unrestricted	-	-	-	-	-	-
Miscellaneous	2,398,002	2,529,664	2,204,312	1,622,692	4,602,314	4,152,356
<b>Total Revenues</b>	<b>92,949,159</b>	<b>80,369,261</b>	<b>97,193,199</b>	<b>93,375,553</b>	<b>190,142,358</b>	<b>173,744,814</b>
<b>Expenses:</b>						
General government	25,657,328	21,670,423	-	-	25,657,328	21,670,423
Public safety	42,344,278	45,907,394	-	-	42,344,278	45,907,394
Public works	1,028,141	1,132,566	-	-	1,028,141	1,132,566
Street and traffic	14,669,174	5,555,518	-	-	14,669,174	5,555,518
Health and sanitation	4,893,759	4,697,221	-	-	4,893,759	4,697,221
Community development	287,952	1,699,839	-	-	287,952	1,699,839
Culture and recreation	8,097,602	8,428,770	-	-	8,097,602	8,428,770
Interest and fiscal charges	36,874	48,957	-	-	36,874	48,957
Electric department	-	-	75,471,190	73,740,873	75,471,190	73,740,873
<b>Total Expenses</b>	<b>97,015,108</b>	<b>89,140,688</b>	<b>75,471,190</b>	<b>73,740,873</b>	<b>172,486,298</b>	<b>162,881,561</b>
<b>Increases (Decreases) in net position before transfers</b>	<b>(4,065,949)</b>	<b>(8,771,427)</b>	<b>21,722,009</b>	<b>19,634,680</b>	<b>17,656,060</b>	<b>10,863,253</b>
Transfers	12,232,921	11,930,000	(12,000,040)	(12,000,000)	232,881	(70,000)
Increases (Decreases) in net position	8,166,972	3,158,573	9,721,969	7,634,680	17,888,941	10,793,253
<b>Net position - beginning of year</b>	<b>72,406,711</b>	<b>69,253,519</b>	<b>128,036,223</b>	<b>120,396,162</b>	<b>200,442,934</b>	<b>189,649,681</b>
Transfer of net position	-	(5,381)	-	5,381	-	-
Change in accounting principle	-	-	(374,949)	-	(374,949)	-
<b>Net position - end of year</b>	<b>\$ 80,573,683</b>	<b>\$ 72,406,711</b>	<b>\$ 137,383,243</b>	<b>\$ 128,036,223</b>	<b>\$ 217,956,926</b>	<b>\$ 200,442,934</b>

**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 \$50,835,559. Approximately 63% of this total amount or \$31,839,186 constitutes unassigned fund balances available for spending. The remainder of the fund balances are either restricted or assigned by designation by management for encumbrances. These amounts are \$18,823,085 and \$170,288, respectively.

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 \$31,907,042 while total fund balance was \$34,187,830. 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 40% of total expenditures, while total fund balance represents 43% of that same amount. The General Fund's fund balance increased by \$8,300,703 during the current fiscal year. Total revenues increased approximately \$15,480,000. The primary factor for this increase was due to the increase in the local sales tax. Beginning January 1, 2018, the City's local sales tax rate increased 1%. This resulted in an increase in sales tax of approximately \$20,995,000 over the prior year. Intergovernmental revenues decreased by approximately \$5,679,000. Other financing sources consist of \$12,000,000 of transfers from the Electric Department.

***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 \$12,707,494 and the Utilities Accounting Department totaled \$(1,603,014) as of December 31, 2018. The Electric Department net position increased \$9,180,079 and the Utilities Accounting Department net position increased \$166,941 during 2018.

***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 \$69,517,665 as compared to the original budgeted expenditures of \$66,589,817 an increase of \$2,927,848. The majority of this increase in expenditures were increases in Public Works of \$75,256, Public safety-Fire of \$484,963, Public safety-Police of \$146,987 and Special Appropriations of \$1,924,577.

**CAPITAL ASSETS**

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2018 amounts to \$224,491,453 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 \$15,471,521.
- Additions to governmental buildings totaling \$587,123.
- Additions to governmental land of \$660,508.
- Additions to governmental vehicles of \$3,055,267.
- Additions to governmental equipment of \$1,472,350.
- Additions to the Electrical system plant and equipment totaling \$9,063,683.

**CAPITAL ASSETS AT YEAR-END, NET OF ACCUMULATED DEPRECIATION**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land and land rights	\$ 8,575,303	\$ 8,021,824	\$ 2,032,960	\$ 2,032,960	\$ 10,608,263	\$ 10,054,784
Construction in progress	3,819,602	13,640,962	7,813,585	6,207,426	11,633,187	19,848,388
Utility system plant and equipment	-	-	292,667,660	287,254,984	292,667,660	287,254,984
Infrastructure	45,328,843	29,857,322	-	-	45,328,843	29,857,322
Buildings	42,416,799	41,829,676	-	-	42,416,799	41,829,676
Land improvements	8,592,706	8,592,706	-	-	8,592,706	8,592,706
Vehicles	23,471,918	21,461,924	-	-	23,471,918	21,461,924
Equipment	27,246,773	25,813,362	-	-	27,246,773	25,813,362
Ships and watercraft	3,516,708	3,516,708	-	-	3,516,708	3,516,708
Accumulated depreciation	(77,814,850)	(72,979,650)	(163,177,553)	(153,803,117)	(240,992,403)	(226,782,767)
<b>Total</b>	<b>\$ 85,153,802</b>	<b>\$ 79,754,834</b>	<b>\$ 139,336,652</b>	<b>\$ 141,692,253</b>	<b>\$ 224,490,454</b>	<b>\$ 221,447,087</b>

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 \$37,933,969 in outstanding debt consisting of revenue bonds and notes payable. Of this debt, \$36,450,000 was secured by specific revenue sources.

**CITY OF NORTH LITTLE ROCK, ARKANSAS' OUTSTANDING DEBT**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenue bonds	\$ -	\$ -	\$ 36,450,000	\$ 41,360,000	\$ 36,450,000	\$ 41,360,000
Notes payable	1,483,969	1,926,678	-	-	1,483,969	1,926,678
<b>Total</b>	<b>\$ 1,483,969</b>	<b>\$ 1,926,678</b>	<b>\$ 36,450,000</b>	<b>\$ 41,360,000</b>	<b>\$ 37,933,969</b>	<b>\$ 43,286,678</b>

**Debt Administration (Continued)**

Total long-term bonds and notes payable outstanding at December 31, 2018, decreased by \$5,352,709, a decrease of 12.4%. The decrease is a result of principal payments on short-term financing notes and revenue bonds.

**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 2018 budget for the General Fund includes budgeted revenues of \$57,337,339, transfers from the Electric Department of \$12,000,000, and expenditures of \$66,589,817.

**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	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 24,305,338	\$ 18,264,867	\$ 42,570,205	\$ 7,830,780
Hydro maintenance fund	-	5,457,588	5,457,588	-
Certificates of deposits	19,551,618	-	19,551,618	8,461,107
Receivables - net	21,222,861	2,575,308	23,798,169	7,802,366
Due from other governments	-	-	-	-
Internal balances	254,033	1,286,131	1,540,164	-
Prepaid expenses	-	2,064,021	2,064,021	459,383
Inventories	-	3,290,776	3,290,776	27,095
Restricted cash and cash equivalents	-	16,568,588	16,568,588	527,944
Restricted note receivable	-	975,000	975,000	-
Unbilled revenues	-	4,211,000	4,211,000	-
Capital assets- depreciable, net	72,758,897	129,490,108	202,249,005	114,320,388
Capital assets- nondepreciable	12,394,905	9,846,544	22,241,449	10,739,670
<b>TOTAL ASSETS</b>	<b>150,487,652</b>	<b>194,029,931</b>	<b>344,517,583</b>	<b>150,168,733</b>
Deferred outflows of resources:				
Deferred amount from refunding of bonds	-	-	-	-
Deferred amount related to pensions	22,677,374	3,569,193	26,246,567	3,472,948
<b>TOTAL DEFERRED OUTFLOWS</b>	<b>22,677,374</b>	<b>3,569,193</b>	<b>26,246,567</b>	<b>3,472,948</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>173,165,026</b>	<b>197,599,124</b>	<b>370,764,150</b>	<b>153,641,681</b>
<b>LIABILITIES</b>				
Accounts payable	1,692,482	2,072,431	3,764,913	2,223,909
Accrued interest payable	11,796	475,363	487,159	-
Accrued expenses	3,114,960	614,935	3,729,895	582,399
Deferred revenue	69,796	-	69,796	-
Notes payable- Current	400,551	-	400,551	-
Revenue bonds- Current	-	5,035,000	5,035,000	2,107,499
Customer deposits- Long Term	-	4,127,908	4,127,908	-
Notes payable- Long Term	1,083,418	-	1,083,418	-
Revenue bonds- Long Term	-	31,415,000	31,415,000	40,514,451
Customer deposits- Current	-	1,663,174	1,663,174	-
Reserve for bio-solids disposal	-	-	-	2,330,871
Accrued compensated absences	7,822,200	1,630,352	9,452,552	894,075
OPEB liability	4,707,271	614,139	5,321,410	285,680
Net pension liability	68,699,945	9,539,335	78,239,280	5,036,089
<b>TOTAL LIABILITIES</b>	<b>87,602,419</b>	<b>57,187,637</b>	<b>144,790,056</b>	<b>53,974,973</b>
Deferred inflows of resources:				
Deferred amount related to OPEB	338,112	56,361	394,473	-
Deferred amount related to pensions	4,650,812	2,971,883	7,622,695	1,275,863
<b>TOTAL DEFERRED INFLOWS</b>	<b>4,988,924</b>	<b>3,028,244</b>	<b>8,017,168</b>	<b>1,275,863</b>
<b>NET POSITION</b>				
Net investment in capital assets	83,669,833	115,621,652	199,291,485	82,438,108
Restricted:				
Expendable:				
Electric Department	-	10,657,111	10,657,111	-
Other	-	-	-	746,566
Nonexpendable	-	-	-	33,296
Unrestricted	(3,096,150)	11,104,480	8,008,330	15,172,875
<b>TOTAL NET POSITION</b>	<b>80,573,683</b>	<b>137,383,243</b>	<b>217,956,926</b>	<b>98,390,845</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	<b>\$ 173,165,026</b>	<b>\$ 197,599,124</b>	<b>\$ 370,764,150</b>	<b>\$ 153,641,681</b>

See accompanying notes to the financial statements.

FUNCTIONS/PROGRAMS:	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	
<b>Primary Government:</b>								
Governmental Activities:								
General government	\$ 25,657,328	\$ 3,886,267	\$ -	\$ 963,317	\$ (20,807,744)	\$ -	\$ (20,807,744)	\$ -
Public safety	42,344,278	3,323,813	253,505	-	(38,766,960)	-	(38,766,960)	-
Public works	1,028,141	-	40,872	-	(987,269)	-	(987,269)	-
Street and traffic	14,669,174	153,971	30,058	1,567,292	(12,917,853)	-	(12,917,853)	-
Health and sanitation	4,893,759	954,822	-	-	(3,938,937)	-	(3,938,937)	-
Community development	287,952	-	-	785,624	497,672	-	497,672	-
Culture and recreation	7,867,602	1,356,283	79,990	99,983	(6,331,346)	-	(6,331,346)	-
Interest and fiscal charges	36,874	-	-	-	(36,874)	-	(36,874)	-
<b>Total governmental activities</b>	<b>96,785,108</b>	<b>9,675,156</b>	<b>404,425</b>	<b>3,416,216</b>	<b>(83,289,311)</b>	<b>-</b>	<b>(83,289,311)</b>	<b>-</b>
Business-Type Activities:								
Electric Department	74,677,547	93,739,108	-	-	-	19,061,561	19,061,561	-
Utilities Accounting Department	793,643	960,315	-	-	-	166,672	166,672	-
<b>Total business-type activities</b>	<b>75,471,190</b>	<b>94,699,423</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,228,233</b>	<b>19,228,233</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 172,256,298</b>	<b>\$ 104,374,579</b>	<b>\$ 404,425</b>	<b>\$ 3,416,216</b>	<b>\$ (83,289,311)</b>	<b>\$ 19,228,233</b>	<b>\$ (64,061,078)</b>	<b>\$ -</b>
<b>Component Units:</b>								
Waste Water Utility	16,717,749	22,091,555	-	-	-	-	-	5,373,806
William F. Laman Public Library	3,914,482	218,834	-	-	-	-	-	(3,695,648)
Airport Commission	836,069	297,201	100,000	270,806	-	-	-	(168,062)
Advertising and Promotion Commission	7,370,126	364,121	-	-	-	-	-	(7,006,005)
<b>Total Component Units</b>	<b>\$ 28,838,426</b>	<b>\$ 22,971,711</b>	<b>\$ 100,000</b>	<b>\$ 270,806</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (5,495,909)</b>
<b>General revenues:</b>								
Taxes - sales					57,921,583	-	57,921,583	7,509,457
Taxes - other					15,046,525	-	15,046,525	3,056,816
Utility franchise taxes					3,834,205	-	3,834,205	-
Investment income (loss)					253,047	289,464	542,511	113,361
Grants and contributions not restricted to specific programs					578,067	-	578,067	162,684
Other					1,822,856	2,204,272	4,027,128	1,195,683
Transfers					12,000,000	(12,000,000)	-	70,000
<b>Total general revenues and transfers</b>					<b>91,456,283</b>	<b>(9,506,264)</b>	<b>81,950,019</b>	<b>12,108,001</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>					<b>8,166,972</b>	<b>9,721,969</b>	<b>17,888,941</b>	<b>6,612,092</b>
<b>CHANGE IN ACCOUNTING PRINCIPLE</b>					<b>-</b>	<b>(374,949)</b>	<b>(374,949)</b>	<b>-</b>
<b>CHANGE IN NET POSITION, NET OF CHANGE IN ACCOUNTING PRINCIPLE</b>					<b>8,166,972</b>	<b>9,347,020</b>	<b>17,513,992</b>	<b>6,612,092</b>
<b>NET POSITION AT BEGINNING OF YEAR</b>					<b>72,406,711</b>	<b>128,036,223</b>	<b>200,442,934</b>	<b>91,778,753</b>
<b>NET POSITION AT END OF YEAR</b>					<b>\$ 80,573,683</b>	<b>\$ 137,383,243</b>	<b>\$ 217,956,926</b>	<b>\$ 98,390,845</b>

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 16,287,878	\$ 8,017,460	\$ 24,305,338
Investments - certificates of deposits	14,041,302	5,510,316	19,551,618
Property taxes receivable - net	7,862,069	1,758,984	9,621,053
Sales tax receivable	8,608,417	1,762,299	10,370,716
Franchise tax receivable	798,580	-	798,580
Accounts receivable - other	7,705	280,214	287,919
Due from other governments	135,932	8,661	144,593
Due from other funds	283,872	2,547,211	2,831,083
<b>TOTAL ASSETS</b>	<b>48,025,755</b>	<b>19,885,145</b>	<b>67,910,900</b>
<b>LIABILITIES</b>			
Accounts payable	695,665	996,817	1,692,482
Accrued expenses	2,793,682	321,278	3,114,960
Due to other funds	2,416,713	160,337	2,577,050
Deferred revenue	69,796	-	69,796
<b>TOTAL LIABILITIES</b>	<b>5,975,856</b>	<b>1,478,432</b>	<b>7,454,288</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues- property taxes	7,862,069	1,758,984	9,621,053
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>7,862,069</b>	<b>1,758,984</b>	<b>9,621,053</b>
<b>FUND BALANCES</b>			
Restricted:			
Uniformed employees	1,719,081	-	1,719,081
Other	211,419	-	211,419
Senior Center	180,000	-	180,000
Street and traffic	-	3,346,698	3,346,698
Parks and recreation	-	1,808,519	1,808,519
Police - equitable sharing	-	199,303	199,303
Debt Service	-	38,599	38,599
Acquisition and construction of capital assets and improvements	-	11,322,466	11,322,466
Assigned	170,288	-	170,288
Unassigned	31,907,042	(67,856)	31,839,186
<b>TOTAL FUND BALANCES</b>	<b>34,187,830</b>	<b>16,647,729</b>	<b>50,835,559</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 48,025,755</b>	<b>\$ 19,885,145</b>	<b>\$ 67,910,900</b>

Total fund balances - governmental funds	\$ 50,835,559
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	85,153,802
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	9,621,053
Interest accrued on notes payable in governmental activities are not due and payable and therefore are not reported in the governmental funds	(11,796)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Compensated absences	(7,822,200)
OPEB liability	(4,707,271)
Accrued pension liability	(68,699,945)
Notes payable	(1,483,969)
Net deferred inflows and outflows related to pensions	<u>17,688,450</u>
Net position of governmental activities	<u>\$ 80,573,683</u>

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes - sales	\$ 47,380,676	\$ 10,540,907	\$ 57,921,583
Taxes - other	13,281,168	1,712,133	14,993,301
Franchise fees	3,834,205	-	3,834,205
Fines and forfeitures	2,030,672	-	2,030,672
Licenses and permits	3,432,168	-	3,432,168
Charges for services	2,418,965	1,793,351	4,212,316
Intergovernmental	2,376,526	2,022,182	4,398,708
Investment earnings	176,841	76,206	253,047
Miscellaneous	576,086	1,246,770	1,822,856
<b>TOTAL REVENUES</b>	<b>75,507,307</b>	<b>17,391,549</b>	<b>92,898,856</b>
<b>EXPENDITURES</b>			
General government:			
Administration	2,039,756	-	2,039,756
City clerk	348,414	-	348,414
Code enforcement	1,040,600	-	1,040,600
Commerce	295,253	-	295,253
Communications	132,604	-	132,604
Finance	805,633	-	805,633
District court - first division	564,554	-	564,554
District court - second division	542,930	-	542,930
Legal	746,616	-	746,616
Human resources	716,210	-	716,210
Planning	842,721	-	842,721
Public defender	2,751	-	2,751
Vehicle maintenance	1,031,536	-	1,031,536
Total general government	9,109,578	-	9,109,578
Animal shelter	800,807	-	800,807
Community development	-	287,952	287,952
Emergency services	1,909,070	-	1,909,070
Fit 2 Live - wellness	173,855	-	173,855
Health	121,754	-	121,754
Neighborhood services	189,592	-	189,592
Parks and recreation	-	597,211	597,211
Public safety - fire	16,658,888	-	16,658,888
Public safety - police	23,776,320	-	23,776,320
Public works	1,028,141	-	1,028,141
Sanitation	4,598,150	-	4,598,150
Senior citizens	902,633	-	902,633
Special appropriations	7,310,799	-	7,310,799
Street and traffic	-	14,669,174	14,669,174
Capital outlay	-	9,525,001	9,525,001
Debt service:			
Principal retirement	-	442,708	442,708
Interest and agent fees	-	40,953	40,953
<b>TOTAL EXPENDITURES</b>	<b>66,579,587</b>	<b>25,562,999</b>	<b>92,142,586</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>8,927,720</b>	<b>(8,171,450)</b>	<b>756,270</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Net bond proceeds	-	-	-
Transfers in	12,000,000	13,832,841	25,832,841
Transfers out	(12,627,017)	(975,824)	(13,602,841)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(627,017)</b>	<b>12,857,017</b>	<b>12,230,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>8,300,703</b>	<b>4,685,567</b>	<b>12,986,270</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>25,887,127</b>	<b>11,962,162</b>	<b>37,849,289</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 34,187,830</b>	<b>\$ 16,647,729</b>	<b>\$ 50,835,559</b>

See accompanying notes to the financial statements.

Net change in fund balances - total governmental funds	\$	12,986,270
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.		11,318,380
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.		(5,919,412)
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.		53,224
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.		104,344
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.		(3,287,575)
Interest accrued on notes payable in governmental activities are not due and payable and therefore are not reported as expenditures in the governmental funds.		4,079
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.		442,709
Change in accrued and deferred resources related to pensions		<u>(7,535,047)</u>
Change in net position of governmental activities	\$	<u>8,166,972</u>

	Original Budget	Changes	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>					
Taxes - sales	43,956,000	-	43,956,000	47,380,676	\$ 3,424,676
Taxes - other	13,125,679	-	13,125,679	13,281,168	155,489
Franchise fees	3,650,000	-	3,650,000	3,834,205	184,205
Fines and forfeitures	2,236,330	-	2,236,330	2,030,672	(205,658)
Licenses and permits	2,895,500	-	2,895,500	3,432,168	536,668
Charges for services	2,049,530	-	2,049,530	2,418,965	369,435
Intergovernmental	135,600	50,000	185,600	2,376,526	2,190,926
Investment earnings	81,500	-	81,500	176,841	95,341
Miscellaneous	353,450	-	353,450	576,086	222,636
<b>TOTAL REVENUES</b>	<b>68,483,589</b>	<b>50,000</b>	<b>68,533,589</b>	<b>75,507,307</b>	<b>6,973,718</b>
<b>EXPENDITURES</b>					
General government:					
Administration	2,283,048	15,792	2,298,840	2,039,756	259,084
City clerk	343,118	5,322	348,440	348,414	26
Code enforcement	1,065,646	155,102	1,220,748	1,040,600	180,148
Commerce	307,392	2,030	309,422	295,253	14,169
Communications	147,352	700	148,052	132,604	15,448
Finance	952,618	5,221	957,839	805,633	152,206
District court - first division	633,999	3,108	637,107	564,554	72,553
District court - second division	521,132	22,077	543,209	542,930	279
Legal	796,632	4,485	801,117	746,616	54,501
Human resources	724,563	4,467	729,030	716,210	12,820
Planning	886,108	5,756	891,864	842,721	49,143
Public defender	8,715	-	8,715	2,751	5,964
Vehicle maintenance	1,007,393	5,986	1,013,379	1,031,536	(18,157)
Total general government	9,677,716	230,046	9,907,762	9,109,578	798,184
Animal shelter	848,027	3,774	851,801	800,807	50,994
Community development	-	-	-	-	-
Emergency services	2,282,155	13,025	2,295,180	1,909,070	386,110
Fit 2 Live - wellness	169,823	4,065	173,888	173,855	33
Health	83,515	18,600	102,115	121,754	(19,639)
Neighborhood services	181,504	10,065	191,569	189,592	1,977
Parks and recreation	-	-	-	-	-
Public safety - fire	16,403,463	484,963	16,888,426	16,658,888	229,538
Public safety - police	23,393,351	146,987	23,540,338	23,776,320	(235,982)
Public works	1,179,246	75,256	1,254,502	1,028,141	226,361
Sanitation	4,932,106	13,047	4,945,153	4,598,150	347,003
Senior citizens	1,130,813	3,417	1,134,230	902,633	231,597
Special appropriations	6,308,124	1,924,577	8,232,701	7,310,799	921,902
Street and traffic	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>66,589,843</b>	<b>2,927,822</b>	<b>69,517,665</b>	<b>66,579,587</b>	<b>2,938,078</b>
<b>(UNDER) EXPENDITURES</b>	<b>1,893,746</b>	<b>(2,877,822)</b>	<b>(984,076)</b>	<b>8,927,720</b>	<b>9,911,796</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	12,000,000	-	12,000,000	12,000,000	-
Transfers out	(11,146,250)	-	(11,146,250)	(12,627,017)	(1,480,767)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>853,750</b>	<b>-</b>	<b>853,750</b>	<b>(627,017)</b>	<b>(1,480,767)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,747,496</b>	<b>(2,877,822)</b>	<b>(130,326)</b>	<b>8,300,703</b>	<b>8,431,029</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>24,757,841</b>	<b>-</b>	<b>24,757,841</b>	<b>25,887,127</b>	<b>1,129,286</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 27,505,337</b>	<b>\$ (2,877,822)</b>	<b>\$ 24,627,515</b>	<b>\$ 34,187,830</b>	<b>\$ 9,560,315</b>

See accompanying notes to the financial statements.

	Business-Type Activities		Total Business-Type Activities
	Enterprise Fund Electric Department	Internal Service Fund	
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 18,229,580	\$ 35,287	\$ 18,264,867
Hydro maintenance fund	5,457,588	-	5,457,588
Certificates of deposits	-	-	-
Restricted cash and cash equivalents	16,568,588	-	16,568,588
Accounts receivable - net of allowance	2,303,230	-	2,303,230
Other receivables	272,078	-	272,078
Note receivable - current portion	65,000	-	65,000
Due from other funds	1,286,131	-	1,286,131
Prepaid expenses	2,050,687	13,334	2,064,021
Unbilled revenues	4,211,000	-	4,211,000
Materials and supplies	3,290,776	-	3,290,776
<b>Total Current Assets</b>	<b>53,734,658</b>	<b>48,621</b>	<b>53,783,279</b>
Noncurrent Assets:			
Restricted Assets:			
Cash and cash equivalents	-	-	-
Certificates of deposit	-	-	-
Accrued interest receivable	-	-	-
Note receivable - current portion	910,000	-	910,000
<b>Total Restricted Assets</b>	<b>910,000</b>	<b>-</b>	<b>910,000</b>
Capital Assets:			
Land and land rights	2,032,960	-	2,032,960
Plant and equipment	291,890,652	778,010	292,668,662
Construction in progress	7,813,584	-	7,813,584
Less: accumulated depreciation	(162,624,607)	(553,947)	(163,178,554)
<b>Capital Assets - net</b>	<b>139,112,589</b>	<b>224,063</b>	<b>139,336,652</b>
<b>Total Noncurrent Assets</b>	<b>140,022,589</b>	<b>224,063</b>	<b>140,246,652</b>
<b>TOTAL ASSETS</b>	<b>193,757,247</b>	<b>272,684</b>	<b>194,029,931</b>
<b>DEFERRED OUTFLOWS</b>			
Deferred amount related to pensions	3,333,094	236,099	3,569,193
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>197,090,341</b>	<b>508,783</b>	<b>197,599,124</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	2,068,824	3,607	2,072,431
Accrued expenses and other liabilities	591,531	23,404	614,935
Due to other funds	-	-	-
Customer deposits - current portion	1,663,174	-	1,663,174
Revenue bonds payable - current portion	5,035,000	-	5,035,000
Accrued interest payable	475,363	-	475,363
<b>Total Current Liabilities</b>	<b>9,833,892</b>	<b>27,011</b>	<b>9,860,903</b>
Noncurrent Liabilities:			
Customer deposits, net of current	4,127,908	-	4,127,908
Interest earned on restricted investments	-	-	-
Accrued compensated absences	1,472,912	157,440	1,630,352
Revenue bonds payable, net of current	31,415,000	-	31,415,000
OPEB liability	614,139	-	614,139
Accrued pension liability	8,810,416	728,919	9,539,335
<b>Total Noncurrent Liabilities</b>	<b>46,440,375</b>	<b>886,359</b>	<b>47,326,734</b>
<b>TOTAL LIABILITIES</b>	<b>56,274,267</b>	<b>913,370</b>	<b>57,187,637</b>
<b>DEFERRED INFLOWS</b>			
Deferred amounts related to OPEB	56,361	-	56,361
Deferred amounts related to pensions	1,997,519	974,364	2,971,883
<b>TOTAL DEFERRED INFLOWS</b>	<b>2,053,880</b>	<b>974,364</b>	<b>3,028,244</b>
<b>NET POSITION</b>			
Net investment in capital assets	115,397,589	224,063	115,621,652
Restricted - expendable	10,657,111	-	10,657,111
Unrestricted net position	12,707,494	(1,603,014)	11,104,480
<b>TOTAL NET POSITION</b>	<b>138,762,194</b>	<b>(1,378,951)</b>	<b>137,383,243</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	<b>\$ 197,090,341</b>	<b>\$ 508,783</b>	<b>\$ 197,599,124</b>

See accompanying notes to the financial statements.

	Business-Type Activities		Total Business-Type Activities
	Enterprise Fund Electric Department	Internal Service Fund	
<b>OPERATING REVENUES</b>			
Charges for services	\$ 93,739,108	\$ 960,000	\$ 94,699,108
Other income	-	315	315
<b>TOTAL OPERATING REVENUES</b>	<u>93,739,108</u>	<u>960,315</u>	<u>94,699,423</u>
<b>OPERATING EXPENSES</b>			
Purchased electricity	45,691,291	-	45,691,291
Generation, transmission and distribution expenses	10,169,092	-	10,169,092
Customer records and collection expenses	3,092,583	664,334	3,756,917
Depreciation	9,647,390	129,309	9,776,699
General and administrative	3,598,761	-	3,598,761
<b>TOTAL OPERATING EXPENSES</b>	<u>72,199,117</u>	<u>793,643</u>	<u>72,992,760</u>
<b>OPERATING INCOME (LOSS)</b>	<u>21,539,991</u>	<u>166,672</u>	<u>21,706,663</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings (loss)	289,195	269	289,464
Grant income	-	-	-
Other income	2,204,272	-	2,204,272
Interest expense	(1,415,306)	-	(1,415,306)
Trustee fees	(10,488)	-	(10,488)
Loss on disposal of equipment	(1,052,636)	-	(1,052,636)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>15,037</u>	<u>269</u>	<u>15,306</u>
<b>INCOME (LOSS) BEFORE TRANSFERS OUT</b>	<u>21,555,028</u>	<u>166,941</u>	<u>21,721,969</u>
<b>TRANSFERS OUT</b>	<u>(12,000,000)</u>	<u>-</u>	<u>(12,000,000)</u>
<b>CHANGE IN NET POSITION</b>	<u>9,555,028</u>	<u>166,941</u>	<u>9,721,969</u>
<b>NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED</b>	<u>129,582,115</u>	<u>(1,545,892)</u>	<u>128,036,223</u>
Cumulative effect of change in accounting principle - GASB 75	<u>(374,949)</u>	<u>-</u>	<u>(374,949)</u>
<b>NET POSITION, BEGINNING OF YEAR, AS RESTATED</b>	<u>129,207,166</u>	<u>(1,545,892)</u>	<u>127,661,274</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 138,762,194</u>	<u>\$ (1,378,951)</u>	<u>\$ 137,383,243</u>

	Business-Type Activities		Total Business-Type Activities
	Enterprise Fund Electric Department	Internal Service Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$ 97,268,994	\$ -	\$ 97,268,994
Receipts from other governments	-	960,315	960,315
Payments for purchased electricity	(45,691,291)	-	(45,691,291)
Payments to vendors for goods and services	(12,311,466)	(194,080)	(12,505,546)
Payments to employees	(7,268,916)	(724,289)	(7,993,205)
Payments for taxes	(1,032,607)	-	(1,032,607)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>30,964,714</b>	<b>41,946</b>	<b>31,006,660</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Loans to other departments	65,000	-	65,000
Transfers out	(12,000,040)	(11,132)	(12,011,172)
Penalty income	1,317,079	-	1,317,079
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(10,617,961)</b>	<b>(11,132)</b>	<b>(10,629,093)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Purchase of property, plant and equipment	(9,063,683)	(71,722)	(9,135,405)
Repayments of long-term debt and bonds payable	(4,910,000)	-	(4,910,000)
Interest paid on long-term debt	(1,450,636)	-	(1,450,636)
Trustee payments	(10,488)	-	(10,488)
Grant receipts	-	-	-
Other receipts	887,233	-	887,233
Deferred outflows from refunding of bonds	177,166	-	177,166
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(14,370,408)</b>	<b>(71,722)</b>	<b>(14,442,130)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Net change in certificates of deposits	-	-	-
Interest on investments	289,195	55	289,250
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>289,195</b>	<b>55</b>	<b>289,250</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>6,265,540</b>	<b>(40,853)</b>	<b>6,224,687</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>33,990,216</b>	<b>76,140</b>	<b>34,066,356</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 40,255,756</b>	<b>\$ 35,287</b>	<b>\$ 40,291,043</b>
<b>Presented on the balance sheet as follows:</b>			
Current assets - cash and cash equivalents	\$ 18,229,580	\$ 35,287	\$ 18,264,867
Current assets - hydro maintenance fund	5,457,588	-	5,457,588
Current assets - restricted cash and cash equivalents	16,568,588	-	16,568,588
Noncurrent assets - restricted cash and cash equivalents	-	-	-
	<b>\$ 40,255,756</b>	<b>\$ 35,287</b>	<b>\$ 40,291,043</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 21,539,991	\$ 166,672	\$ 21,706,663
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	10,279,287	129,309	10,408,596
Changes in operating assets and liabilities:			
Accounts and other receivables	3,787,610	-	3,787,610
Unbilled revenues	(450,000)	-	(450,000)
Prepaid expenses and accrued interest	265,297	13,664	278,961
Materials and supplies	(181,589)	-	(181,589)
Accounts payable and accrued expenses and interest earned on restricted assets	(4,275,882)	(33,438)	(4,309,320)
Accrued liabilities and deferrals related to pensions	-	(234,261)	(234,261)
Net cash provided (used) by operating activities	<b>\$ 30,964,714</b>	<b>\$ 41,946</b>	<b>\$ 31,006,660</b>
Supplemental disclosures of noncash transactions investing and financing activities:			
Amortization deferred on bond refunding, included in interest expense	\$ 177,166	-	\$ 177,166

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	<u>Pension Trust</u> <u>Non-Uniformed</u> <u>Employees</u> <u>Retirement Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,902,533
Investments - at fair value	<u>42,449,576</u>
<b>TOTAL ASSETS</b>	<u><u>44,352,109</u></u>
<b>NET POSITION</b>	
Restricted for pension benefits	<u>44,352,109</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 44,352,109</u></u>

	<u>Pension Trust Non-Uniformed Employees Retirement Fund</u>
<b>ADDITIONS</b>	
Contributions:	
Employer and employee contributions	\$ 3,711,088
<b>TOTAL ADDITIONS</b>	<u>3,711,088</u>
<b>DEDUCTIONS</b>	
Pension expense	3,353,386
Trust and administration fees	254,762
Loss on investments	<u>3,070,056</u>
<b>TOTAL DEDUCTIONS</b>	<u>6,678,204</u>
<b>CHANGE IN NET POSITION</b>	(2,967,116)
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>47,319,225</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 44,352,109</u>

	Major Component Units			Nonmajor Component Unit	Total Component Units
	Waste Water Utility	William F. Laman Public Library	Airport Commission	Advertising & Promotion Commission	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,475,007	\$ 2,416,397	\$ 482,531	\$ 456,845	\$ 7,830,780
Certificates of deposits	8,034,114	-	-	426,993	8,461,107
Receivables - net	4,087,385	3,493,699	43,098	2,129	7,626,311
Note receivables - current	-	-	-	-	-
Due from the City of North Little Rock	-	-	-	-	-
Prepaid expenses	28,172	431,211	-	-	459,383
Inventories	24,845	2,250	-	-	27,095
Restricted assets - cash and investments	494,648	33,296	-	-	527,944
Note receivables - noncurrent	176,055	-	-	-	176,055
Capital assets being depreciated - net	109,056,903	564,959	4,399,984	298,542	114,320,388
Capital assets not being depreciated	8,608,708	-	2,120,962	10,000	10,739,670
<b>TOTAL ASSETS</b>	<b>134,985,837</b>	<b>6,941,812</b>	<b>7,046,575</b>	<b>1,194,509</b>	<b>150,168,733</b>
<b>DEFERRED OUTFLOWS</b>					
Deferred amount related to pensions	2,565,815	735,725	59,564	111,844	3,472,948
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>137,551,652</b>	<b>7,677,537</b>	<b>7,106,139</b>	<b>1,306,353</b>	<b>153,641,681</b>
<b>LIABILITIES</b>					
Accounts payable	2,197,216	6,599	16,452	3,642	2,223,909
Other accrued liabilities	491,641	68,815	4,947	16,996	582,399
Bonds payable due in less than one year	2,107,499	-	-	-	2,107,499
Reserve for bio-solids disposal	2,330,871	-	-	-	2,330,871
Due to the City of North Little Rock	-	-	-	-	-
Bonds payable due in more than one year	40,514,451	-	-	-	40,514,451
Accrued compensated absences	642,547	182,878	3,102	65,548	894,075
OPEB liability	285,680	-	-	-	285,680
Accrued pension liability	2,685,571	1,743,068	126,769	480,681	5,036,089
<b>TOTAL LIABILITIES</b>	<b>51,255,476</b>	<b>2,001,360</b>	<b>151,270</b>	<b>566,867</b>	<b>53,974,973</b>
<b>DEFERRED INFLOWS</b>					
Deferred amount related to pensions	813,977	386,735	28,126	47,025	1,275,863
<b>NET POSITION</b>					
Net investment in capital assets	75,043,661	564,959	6,520,946	308,542	82,438,108
Restricted - expendable	494,648	-	2,232	249,686	746,566
Restricted - nonexpendable	-	33,296	-	-	33,296
Unrestricted	9,943,890	4,691,187	403,565	134,233	15,172,875
<b>TOTAL NET POSITION</b>	<b>85,482,199</b>	<b>5,289,442</b>	<b>6,926,743</b>	<b>692,461</b>	<b>98,390,845</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	<b>\$ 137,551,652</b>	<b>\$ 7,677,537</b>	<b>\$ 7,106,139</b>	<b>\$ 1,306,353</b>	<b>\$ 153,641,681</b>

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 Laman Library	Airport Commission	Advertising & Promotion Commission		
Governmental Activities:										
William F. Laman Public Library	\$ 3,914,482	\$ 218,834	\$ -	\$ -	\$ -	\$ (3,695,648)	\$ -	\$ -	\$ (3,695,648)	
Advertising and Promotion	7,370,126	364,121	-	-	-	-	-	(7,006,005)	(7,006,005)	
<b>Total governmental activities</b>	<b>11,284,608</b>	<b>582,955</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,695,648)</b>	<b>-</b>	<b>(7,006,005)</b>	<b>(10,701,653)</b>	
Business-Type Activities:										
Waste Water Utility	16,717,749	22,091,555	-	-	5,373,806	-	-	-	5,373,806	
Airport Commission	836,069	297,201	100,000	270,806	-	-	(168,062)	-	(168,062)	
<b>Total business-type activities</b>	<b>17,553,818</b>	<b>22,388,756</b>	<b>100,000</b>	<b>270,806</b>	<b>5,373,806</b>	<b>-</b>	<b>(168,062)</b>	<b>-</b>	<b>5,205,744</b>	
<b>Total Component Units</b>	<b>\$ 28,838,426</b>	<b>\$ 22,971,711</b>	<b>\$ 100,000</b>	<b>\$ 270,806</b>	<b>\$ 5,373,806</b>	<b>\$ (3,695,648)</b>	<b>\$ (168,062)</b>	<b>\$ (7,006,005)</b>	<b>\$ (5,495,909)</b>	
General revenues:										
Taxes - other					-	3,055,578	1,238	-	3,056,816	
Taxes - sales					-	214,940	7,909	7,286,608	7,509,457	
Investment income (loss)					104,907	2,347	1,951	4,156	113,361	
Grants and contributions not restricted to specific programs					-	162,684	-	-	162,684	
Other (loss)					1,168,547	26,127	837	172	1,195,683	
Transfers					-	-	70,000	-	70,000	
<b>Total general revenues and transfers</b>					<b>1,273,454</b>	<b>3,461,676</b>	<b>81,935</b>	<b>7,290,936</b>	<b>12,108,001</b>	
<b>CHANGE IN NET POSITION</b>					<b>6,647,260</b>	<b>(233,972)</b>	<b>(86,127)</b>	<b>284,931</b>	<b>6,612,092</b>	
<b>NET POSITION AT BEGINNING OF YEAR</b>					<b>78,834,939</b>	<b>5,523,414</b>	<b>7,012,870</b>	<b>407,530</b>	<b>91,778,753</b>	
<b>NET POSITION AT END OF YEAR</b>					<b>\$ 85,482,199</b>	<b>\$ 5,289,442</b>	<b>\$ 6,926,743</b>	<b>\$ 692,461</b>	<b>\$ 98,390,845</b>	

**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.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

***Government-Wide Financial Statements***

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

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

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.

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

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 2018. Appropriations for special projects are made each year by the City Council to finance specific events and capital outlays. These projects are carried forward until they are fully expended or repealed by the City Council's ordinance. Appropriations lapse at the end of each year.

**NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****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 fund in accounts restricted for debt service, capital construction, utility operations and maintenance, and customer deposits. These funds are invested in certificates of deposits and securities as allowed by state law and the related debt agreements. The Waste Water Utility restricts certain assets for the payment of debt service, capital improvements, and repairs and maintenance. The William F. Laman Public Library restricted assets consist of cash held in a certificate of deposit. The principal endowment is permanently restricted, while investment income must be spent on reference materials.

***INTERFUND RECEIVABLES AND PAYABLES***

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

***TRANSACTIONS BETWEEN FUNDS***

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

***ACCOUNTS RECEIVABLE***

Accounts receivable are recorded in the General, Special Revenue, and Proprietary fund types. In Governmental funds, receivables are stated at their net realizable value. The Proprietary funds and Waste Water Utility (the "Utility") accounts receivable are stated at the amounts billed to customers, all funds and the Utility utilize the allowance method of accounting for uncollectible accounts 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

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

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, 2018:

Primary Government:	
Electric Department	\$ 381,467
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.

**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 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

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

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, 2018 were \$1,415,306. Total interest costs charged to expense by the Electric Department for the year ended December 31, 2018 were \$1,415,306. There were no interest costs capitalized by the Electric Department for the year ended December 31, 2018. Total interest costs incurred by the Waste Water Utility for the year ended December 31, 2018 were \$970,313. Total interest costs charged to expense by the Waste Water Utility for the year ended December 31, 2018 were \$970,313. There were no interest costs capitalized by the Waste Water Utility for the year ended December 31, 2018.

***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 refunding's 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 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.

**NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****NET POSITION/ FUND BALANCE***

The net position of the government-wide financial statements and proprietary funds of the City are classified in four components. Net investment in capital assets consists of 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.

Restricted expendable net 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, 2018. The William F. Laman Library has restricted nonexpendable net position of \$33,296.

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

The fund balances for the City's governmental funds are displayed in five components:

*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).

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

*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.

**RESTRICTED/UNRESTRICTED RESOURCES**

When both restricted and unrestricted resources are available for use, generally it is the city’s policy to used restricted resources first. For projects funded by tax-exempt debt proceeds and other sources, the debt proceeds are used first.

**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, 2018, none of the City’s bank balances were exposed to custodial credit risk.

At December 31, 2018, none of the City’s component unit bank balances were exposed to custodial credit risk.

**SUMMARY OF CARRYING VALUES**

<b>Carrying Values:</b>	<b>Primary Government</b>
Deposits	\$ 57,422,426
Investments	71,077,682
<b>Totals</b>	<b>\$ 128,500,108</b>

Included in the following statement of net position captions:

	<b>Primary Government</b>
Cash and cash equivalents	\$ 42,570,205
Hydro maintenance fund	5,457,588
Certificates of deposit	19,551,618
Restricted cash and investments:	
Cash and cash equivalents	16,568,588
Fiduciary Funds	44,352,109
<b>Total</b>	<b>\$128,500,108</b>

**NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)****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.

At December 31, 2018, the City had the following investments and maturities:

Type	Fair Value	Primary Government			
		Maturities in Years			
		Less than 1	1 - 5	6 - 10	More than 10
US Treasury obligations	\$ 13,005,680	\$ 7,997,357	\$ 5,008,323	\$ -	\$ -
US agencies obligations	1,769,081	201,747	1,567,334	-	-
Corporate bonds	412,050	412,050	-	-	-
Mutual funds	14,246,716	-	14,246,716	-	-
Money market mutual funds	2,500,830	2,500,830	-	-	-
Certificates of deposits	19,551,618	19,551,618	-	-	-
Exchange traded funds	19,591,707	-	19,591,707	-	-
	71,077,682	<u>\$ 30,663,602</u>	<u>\$ 40,414,080</u>	<u>\$ -</u>	<u>\$ -</u>
Stock mutual funds	-				
Corporate stocks	-				
	<u>\$ 71,077,682</u>				

**NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)**

In accordance with GASB Statement No. 72” Fair Value Measurement and Application,” the City records investments at fair value. However, for participating interest- earning investments contracts with maturities of one year or less at time of purchase, the City reports these investments at amortized cost.

*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, 2018, 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, 2018, the City had no such investments.

*Concentration of Credit Risk*

The City places no limit on the amount that the City may invest in any one issuer. The Electric Department had amounts deposited in common trust and money market funds totaling \$3,184,207 which are included in cash and restricted cash at December 31, 2018.

*Foreign Currency Risk:*

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

Total investment return for the City’s primary government for the year ended December 31, 2018 is comprised of the following:

Investment income	\$ 540,264
Net unrealized gains (losses) reported at fair value	<u>-</u>
<b>Total</b>	<u><u>\$ 540,264</u></u>

*Fair Value of Assets:*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

**NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)**

Level 1	Quoted prices in active markets for identical assets or liabilities
Level 2	Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
Level 3	Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

*Recurring Measurements:*

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair hierarchy in which the fair value measurements fall at December 31, 2018:

**Primary Government**

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
US Treasury obligations	\$ 13,005,680	\$ 7,997,357	\$ 5,008,323	\$ -
US agencies obligations	1,769,081	201,747	1,567,334	-
Corporate bonds	412,050	-	412,050	-
Mutual funds	14,246,716	14,246,716	-	-
Money market mutual funds	2,500,830	2,500,830	-	-
Certificates of deposits	19,551,618	19,551,618	-	-
Exchange traded funds	19,591,707	19,591,707	-	-
Total investments by fair value level	<u>\$ 71,077,682</u>	<u>\$ 64,089,975</u>	<u>\$ 6,987,707</u>	<u>\$ -</u>

**Investments measured at the net asset value (NAV)**

Alternative fund	
Total Investments	<u>\$ 71,077,682</u>

*Investments:*

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

At December 31, 2018, the City had the following investments and maturities:

In accordance with GASB Statement No. 72 "Fair Value Measurement and Application," the City records investments at fair value. However, for participating interest-earning investments contracts with maturities of one year or less at time of purchase, the City reports these investments at amortized cost.

**NOTE 3: CAPITAL ASSETS**

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

	Balance December 31, 2017	Increases	Decreases	Balance December 31, 2018
<b>GOVERNMENTAL ACTIVITIES:</b>				
Capital Assets, non-depreciable:				
Land and land rights	\$ 8,021,824	\$ 660,508	\$ (107,029)	\$ 8,575,303
Construction in progress	13,640,962	3,087,565	(12,908,925)	3,819,602
<b>Total capital assets, non-depreciable</b>	<b>21,662,786</b>	<b>3,748,073</b>	<b>(13,015,954)</b>	<b>12,394,905</b>
Capital Assets, depreciable:				
Infrastructure	29,857,322	15,471,521	-	45,328,843
Buildings and building improvements	41,829,676	587,123	-	42,416,799
Land improvements	8,592,706	-	-	8,592,706
Vehicles	21,461,924	3,055,267	(1,045,273)	23,471,918
Equipment	25,813,362	1,472,350	(38,939)	27,246,773
Ships and watercraft	3,516,708	-	-	3,516,708
<b>Total capital assets, depreciable</b>	<b>131,071,698</b>	<b>20,586,261</b>	<b>(1,084,212)</b>	<b>150,573,747</b>
Less: Accumulated Depreciation	(72,979,650)	(5,919,412)	1,084,212	(77,814,850)
<b>Net capital assets, depreciable</b>	<b>58,092,048</b>	<b>14,666,849</b>	<b>-</b>	<b>72,758,897</b>
<b>Total governmental activities - net</b>	<b>\$ 79,754,834</b>	<b>\$ 18,414,922</b>	<b>\$ (13,015,954)</b>	<b>\$ 85,153,802</b>

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

	Balance December 31, 2017	Increases	Transfers	Decreases	Balance December 31, 2018
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Capital Assets, non-depreciable:					
Land and land rights	\$ 2,032,960	\$ -	\$ -	\$ -	\$ 2,032,960
Construction in progress	6,207,426	7,410,100	(5,775,166)	(28,776)	7,813,584
<b>Total capital assets, non-depreciable</b>	<b>8,240,386</b>	<b>7,410,100</b>	<b>(5,775,166)</b>	<b>(28,776)</b>	<b>9,846,544</b>
Capital Assets, depreciable:					
Plant and equipment	287,254,984	1,725,306	5,775,166	(2,086,794)	292,668,662
<b>Total capital assets, depreciable</b>	<b>287,254,984</b>	<b>1,725,306</b>	<b>5,775,166</b>	<b>(2,086,794)</b>	<b>292,668,662</b>
Less: Accumulated Depreciation	(153,803,117)	(10,409,596)	-	1,034,159	(163,178,554)
<b>Net capital assets, depreciable</b>	<b>133,451,867</b>	<b>(8,684,290)</b>	<b>5,775,166</b>	<b>(1,052,635)</b>	<b>129,490,108</b>
<b>Total business-type activities - net</b>	<b>\$ 141,692,253</b>	<b>\$ (1,274,190)</b>	<b>\$ -</b>	<b>\$ (1,081,411)</b>	<b>\$ 139,336,652</b>

**NOTE 3: CAPITAL ASSETS (CONTINUED)**

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

	Balance December 31, 2017	Increases	Decreases	Balance December 31, 2018
<b>COMPONENT UNITS:</b>				
Capital Assets, non-depreciable:				
Land and land rights	\$ 5,222,643	\$ -	\$ -	\$ 5,222,643
Construction in progress	11,062,069	5,577,303	(11,122,345)	5,517,027
<b>Total capital assets, non-depreciable</b>	<b>16,284,712</b>	<b>5,577,303</b>	<b>(11,122,345)</b>	<b>10,739,670</b>
Capital Assets, depreciable:				
Buildings and bulding improvements	3,886,104	15,166	-	3,901,270
Infrastructure - airport	21,091,826	295,734	-	21,387,560
Plant - wastewater	170,560,341	13,414,930	(1,868,123)	182,107,148
Equipment	2,338,563	6,297	-	2,344,860
Vehicle	62,656	-	-	62,656
<b>Total capital assets, depreciable</b>	<b>197,939,490</b>	<b>13,732,127</b>	<b>(1,868,123)</b>	<b>209,803,494</b>
Less: Accumulated Depreciation	(92,122,347)	(4,699,683)	1,338,924	(95,483,106)
<b>Net capital assets, depreciable</b>	<b>105,817,143</b>	<b>9,032,444</b>	<b>(529,199)</b>	<b>114,320,388</b>
<b>Total component units - net</b>	<b>\$ 122,101,855</b>	<b>\$ 14,609,747</b>	<b>\$ (11,651,544)</b>	<b>\$ 125,060,058</b>

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

**Governmental Activities:**

## General Government:

Administrative	\$ 7,738
Code enforcement	38,697
Community planning	17,021
District courts	5,519
General government	812,558
Health	27,844
Human resources - personnel	3,597
Legal - city attorney	3,976
Vehicle maintenance	27,904

**Total General Government**

944,854

Culture and recreation - parks and recreation	1,129,443
Culture and recreation - senior citizens center	225,424
Community development - housing and neighborhood programs	651
Health and sanitation - animal shelter	30,644
Health and sanitation - sanitation department	250,739
Public safety - emergency services	262,667
Public safety - equitable sharing	32,001
Public safety - fire	612,273
Public safety - police	1,058,936
Public works	37,068
Streets and traffic	1,334,712

**Total depreciation expense - governmental activities**

5,919,412

**Business-Type Activities:**

Electric Department	10,279,287
Utilities Accounting Department	129,309

**Total depreciation expense - business-type activities**

10,408,596

**Total depreciation expense - primary government**\$ 16,328,008**Component Units:**

Waste Water Utility	\$ 4,255,094
William F. Laman Public Library	95,003
Airport Commission	324,949
Advertising and Promotion	24,637

**Total depreciation expense - component units**\$ 4,699,683

**NOTE 4: LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended December 31, 2018:

Type of Debt	Balance			Balance December 31, 2018	Amounts Due Within One Year
	December 31, 2017	Increases	Decreases		
<b>Governmental Activities:</b>					
Notes Payable	\$ 1,926,678	\$ -	\$ (442,709)	\$ 1,483,969	\$ 400,551
Compensated Absences	7,926,544	-	(104,344)	7,822,200	-
OPEB Liability	1,419,696	3,287,575	-	4,707,271	-
Accrued Pension Liabilities	54,253,098	14,446,847	-	68,699,945	-
<b>Total Governmental Activities</b>	<b>\$ 65,526,016</b>	<b>\$ 17,734,422</b>	<b>\$ (547,053)</b>	<b>\$ 82,713,385</b>	<b>\$ 400,551</b>
<b>Business-Type Activities</b>					
Revenue Bonds	\$ 41,360,000	\$ -	\$ (4,910,000)	\$ 36,450,000	\$ 5,035,000
Customer Deposits	4,984,873	806,209	-	5,791,082	1,663,174
Compensated Absences	1,687,466	-	(57,114)	1,630,352	-
OPEB Liability	398,666	215,473	-	614,139	-
Accrued Pension Liabilities	7,586,853	1,952,482	-	9,539,335	-
<b>Total Business-Type Activities</b>	<b>\$ 56,017,858</b>	<b>\$ 2,974,164</b>	<b>\$ (4,967,114)</b>	<b>\$ 54,024,908</b>	<b>\$ 6,698,174</b>
<b>Component Units:</b>					
Waste Water Utility:					
Revolving Loan	\$ 40,980,257	\$ 1,641,693	\$ -	\$ 42,621,950	\$ 2,107,499
Reserve for Bio-Solids Disposal	2,840,950	-	(510,079)	2,330,871	-
Compensated Absences	645,836	-	(3,289)	642,547	-
OPEB Liability	170,593	115,087	-	285,680	-
Accrued Pension Liability	2,786,093	-	(100,522)	2,685,571	-
William F. Laman Public Library:					
Compensated Absences	188,063	-	(5,185)	182,878	-
Accrued Pension Liability	1,331,467	411,601	-	1,743,068	-
Airport Commission:					
Compensated Absences	3,137	-	(35)	3,102	-
Accrued Pension Liability	100,488	26,281	-	126,769	-
Advertising & Promotion:					
Compensated Absences	58,381	7,167	-	65,548	-
Accrued Pension Liability	549,411	-	(68,730)	480,681	-
<b>Total Component Units</b>	<b>\$ 49,654,676</b>	<b>\$ 2,201,829</b>	<b>\$ (687,840)</b>	<b>\$ 51,168,665</b>	<b>\$ 2,107,499</b>

Bonds and notes payable at December 31, 2018 were as follows:

**GOVERNMENTAL ACTIVITIES:**

<b>2014 Series, Original Issue:</b>	\$ 1,281,347	<b>Interest Rate:</b> 1.64%	<b>Maturity:</b> 2019	\$ 264,711
<b>2016 Series, Original Issue:</b>	\$ 144,600	<b>Interest Rate:</b> 2.14%	<b>Maturity:</b> 2018	\$ -
<b>2017-1 Series, Original Issue:</b>	\$ 77,526	<b>Interest Rate:</b> 3.89%	<b>Maturity:</b> 2021	\$ 48,194
<b>2017-2 Series, Original Issue:</b>	\$ 280,750	<b>Interest Rate:</b> 2.78%	<b>Maturity:</b> 2022	\$ 196,064
<b>2017-3 Series, Original Issue:</b>	\$ 1,105,000	<b>Interest Rate:</b> 2.25%	<b>Maturity:</b> 2031	\$ 975,000

**BUSINESS-TYPE ACTIVITIES:**

<b>2012 Revenue Bonds:</b>	Interest Rates of 3.00% to 5.00%	<b>Maturity:</b> 2025	\$ 23,715,000
<b>2016 Revenue Bonds:</b>	Interest Rates of 2.47% to 2.57%	<b>Maturity:</b> 2031	\$ 49,185,000

**COMPONENT UNITS:**

<b>Revolving Loans:</b>	Interest Rates of 1.25% to 2.50%	<b>Maturity:</b> Variable	\$ 42,621,950
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**NOTE 4: LONG-TERM LIABILITIES (Continued)****GOVERNMENTAL ACTIVITIES:***Long Term Financing Obligations, Series 2017-3 Tax Incremental Bonds*

\$1,105,000 tax incremental bonds issued January 30, 2017. Principal on the Bond shall be paid annually, on a graduated basis, on December 1 of each year, commencing December 1, 2017, with the final payment due December 1, 2031. The Bond shall bear interest at a fixed rate of 2.25%. Interest will be payable semiannually on June 1 and December 1 of each year, commencing June 1, 2017. The bond was issued to refinance the cost associated with the creation of the Redevelopment District of the City of North Little Rock, Arkansas #2 (Lower Baring Cross Redevelopment District).

**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 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 were 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. Advance payments resulted in the note being paid in full as of March 7, 2018. The interest rate was 2.14%.

*Short Term Financing Obligations, Series 2017-1*

The \$77,526 note was issued to finance and acquire fitness equipment. Payments of principal and interest of \$1,420 are due January 21, 2017, and on the same day each month thereafter until December 21, 2021, at which date all principal and accrued interest will be due and payable. The interest rate is 3.89%.

*Short Term Financing Obligations, Series 2017-2*

The \$280,750 note was issued to finance and acquire golf carts for the North Little Rock Burns Park Golf Course. Payments of principal and interest of \$5,017 are due June 25, 2017, and on the same day each month thereafter until April 25, 2022, at which date all principal and accrued interest will be due and payable. The interest rate is 2.78%.

**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.

**NOTE 4: LONG-TERM LIABILITIES (CONTINUED)**

On November 1, 2016, the Electric Department placed the remaining bond proceeds from the 2011 bonds into an escrow account. This move allowed 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 remained in the escrow account until they were redeemed on May 1, 2018.

*Series 2016 Electric System Revenue Bonds*

On November 1, 2016 the city issued the Electric System Revenue Refunding Bonds Series 2016 in the amount of \$13,850,000. The bonds were issued to refund the Series 2011 bonds. As a result of this refunding, a deferred loss of refunding of \$796,246 was recognized and amortized over the remaining life of the old bonds. At December 31, 2018 the loss was fully amortized. 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.

*Electric System Revenue Bonds-Series 2012 A, B, & C*

The City of North Little Rock Electric System Revenue Bond Series 2012 A, B, and C issued on June 1, 2012 are not general obligations of the City but are special obligations payable solely from the revenues received by the City from its electric system and from funds and money pledged to the payment of the bonds. The taxable Refunding Series A Bond issued in the amount of \$37,020,000 was issued to advance refund the City's Electric System Refunding Revenue Bonds, 1992 Series A and currently refund the City's Taxable Electric System Revenue Bond, Series 2009-A and Series 2009-B. The Series 2012-B bond issued in the amount of \$8,575,000 was issued to currently refund the city's Electric System Refunding Revenue Bond, Series 1997 and finance capital improvements to the electric system. The taxable Series 2012-C Bond issued in the amount of \$10,185,000 was issued to finance working capital for the electric system. On August 1, 2016, the City redeemed the 2012-C bond with excess revenues of the electric system in order to reduce annual debt payment of approximately \$1,480,000.

**DISCRETELY PRESENTED COMPONENT UNITS:*****Waste Water Utility Revolving Loans***

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

The Utility received 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.

**NOTE 4: LONG-TERM LIABILITIES (CONTINUED)**

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.

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, 2018, \$19,213,785 was left to be drawn on the loan. This amount is included in the Annual Debt Service requirements on page 45.

***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, 2018, totaled \$494,648.

**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, 2018. Principal and interest are also disclosed for component units as follows on the subsequent page:

**NOTE 4: LONG-TERM LIABILITIES (CONTINUED)****Notes Payable****Governmental Activities**

<b>Year Ending December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	400,551	32,712	433,263
2020	138,022	24,706	162,728
2021	145,295	20,971	166,266
2022	95,101	17,603	112,704
2023	70,000	15,863	85,863
2024-2028	385,000	54,450	439,450
2029-2031	250,000	11,363	261,363
<b>Total</b>	<b>\$ 1,483,969</b>	<b>\$ 177,668</b>	<b>\$ 1,661,637</b>

**Revenue Bonds****Business-Type Activities**

<b>Year Ending December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	5,510,000	674,653	6,184,653
2023	2,905,000	469,653	3,374,653
2024-2028	9,185,000	1,021,925	10,206,925
2029-2032	3,330,000	131,361	3,461,361
<b>Total</b>	<b>\$ 36,450,000</b>	<b>\$ 5,338,474</b>	<b>\$ 41,788,474</b>

**Revolving Loans****Component Units**

<b>Year Ending December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	3,519,659	1,212,925	4,732,584
2023	3,611,704	1,127,937	4,739,641
2024-2028	16,242,074	4,491,506	20,733,580
2029-2033	16,103,345	2,653,131	18,756,476
Thereafter	14,654,906	1,123,548	15,778,454
<b>Total</b>	<b>\$ 61,835,735</b>	<b>\$ 13,320,264</b>	<b>\$ 75,155,999</b>

**NOTE 5: INTERFUND BALANCES AND TRANSFERS**

Interfund receivables and payables consisted of the following as of December 31, 2018:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 283,872	\$ 2,416,713
Special Revenue Funds	101,965	160,337
Capital Projects Funds	2,445,246	-
Proprietary Fund	-	254,033
<b>Total</b>	<u>\$ 2,831,083</u>	<u>\$ 2,831,083</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, 2018:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<b>General Fund:</b>		
Enterprise Fund	\$ 12,000,000	\$ -
Capital Projects Fund	-	12,627,017
Special Revenue Fund	-	230,000
<b>Total General Fund</b>	<u>12,000,000</u>	<u>12,857,017</u>
<b>Special Revenue Funds:</b>		
General Fund	230,000	-
Capital Projects Fund	-	975,824
Debt Service Fund	-	-
<b>Total Special Revenue Funds</b>	<u>230,000</u>	<u>975,824</u>
<b>Debt Service Funds:</b>		
Capital Projects Fund	-	-
Special Revenue Fund	-	-
<b>Total Debt Service Funds</b>	<u>-</u>	<u>-</u>
<b>Capital Projects Funds:</b>		
Special Revenue Fund	975,824	-
General Fund	12,627,017	-
<b>Total Capital Projects Fund</b>	<u>13,602,841</u>	<u>-</u>
<b>Enterprise Fund:</b>		
General Fund	-	12,000,000
<b>Total Enterprise Fund</b>	<u>-</u>	<u>12,000,000</u>
<b>Total</b>	<u>\$ 25,832,841</u>	<u>\$ 25,832,841</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.

A summary of the net pension liability, deferred outflows, deferred inflows, and pension expense of each plan is shown below. Detailed discussion of each plan will follow in this note.

<b>Governmental Activities</b>	<b>Net Pension Liability</b>	<b>Deffered Outflows</b>	<b>Deffered Inflows</b>	<b>Pension Expense</b>
Non-Uniformed Plan- City	\$ 13,183,933	\$ 3,966,380	\$ 2,687,383	\$ 1,703,489
Non-Uniformed Plan- Community Development	95,076	28,070	109,752	(4,118)
Non-Uniformed Plan- Parks	3,993,210	1,548,283	771,499	580,113
Non-Uniformed Plan- Street	3,010,754	1,069,706	787,904	391,059
LOPFI- Police	23,799,819	8,131,604	-	5,129,982
LOPFI- Fire	24,179,580	7,876,585	251,547	5,016,401
APERS- City	437,573	56,746	42,727	69,573
	<u>\$ 68,699,945</u>	<u>\$22,677,374</u>	<u>\$ 4,650,812</u>	<u>\$12,886,499</u>
<b>Business- Type Activities</b>	<b>Net Pension Liability</b>	<b>Deffered Outflows</b>	<b>Deffered Inflows</b>	<b>Pension Expense</b>
Non-Uniformed Plan- Electric	\$ 8,810,416	\$ 3,080,517	\$ 1,744,942	\$ 1,226,753
Non-Uniformed Plan- UAD	728,919	215,202	953,467	(59,286)
	<u>\$ 9,539,335</u>	<u>\$ 3,295,719</u>	<u>\$ 2,698,409</u>	<u>\$ 1,167,467</u>
<b>Discretely Presented Component Units</b>	<b>Net Pension Liability</b>	<b>Deffered Outflows</b>	<b>Deffered Inflows</b>	<b>Pension Expense</b>
APERS- Advertising and Promotion Commission	\$ 480,681	\$ 62,336	\$ 46,935	\$ 76,427
Non-Uniformed Plan- Airport	126,769	55,930	24,492	20,163
Non-Uniformed Plan- Library	1,743,068	685,755	336,765	257,343
	<u>\$ 2,350,518</u>	<u>\$ 804,021</u>	<u>\$ 408,192</u>	<u>\$ 353,933</u>

***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 contributes 9% of each employee's monthly compensation. Beginning January 1, 2018, the City will contribute 10% of each employee's monthly compensation.

**NOTE 6: PENSION PLANS (CONTINUED)**

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.

*Contributions*

For the Non-Uniformed Plan as a whole, it is the actuary’s opinion that the city and member contributions scheduled to be 15% 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 2019 Plan Year for the City as a whole is 20.83%. For 2018, the City’s contributions to the Plan were \$2,389,157.

*Actuarial Assumptions*

The total pension liability in the December 31, 2018 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
Investment Rate of Return	6.5%
Salary Increases	3.5% Annually
Mortality Table	Based on RP-2014 Table
Average Service Life of All Members	11.08 years

**NOTE 6: PENSION PLANS (CONTINUED)**

*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.

The City’s net pension liability as of December 31, 2018 was measured as of December 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of this date.

Changes in the total pension liability, plan fiduciary net position and the net pension liability through the respective fiscal years ended are as follows for the Plan as determined by the City at December 31, 2018:

**NOTE 6: PENSION PLANS (CONTINUED)****Changes in Net Pension Liability- Nonuniformed Plan**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a)-(b)</b>
Balances as of beginning of year	\$ 46,516,623	\$ 30,438,525	\$ 16,078,098
Charges for the year:			
Service Cost	1,389,498	-	1,389,498
Interest on total pension liability	2,998,999	-	2,998,999
Transfers from DC plan	-	-	-
Difference between expected and actual return	3,117	-	3,117
Administrative expenses	-	(45,115)	45,115
Benefit Payments, including refunds of employee contributions	(2,145,854)	(2,145,854)	-
Contributions- employer	-	1,529,060	(1,529,060)
Contributions- member	-	765,413	(765,413)
Contributions- employee	-	-	-
Net investment income	-	(2,062,619)	2,062,619
Service purchases	-	-	-
Net Changes	<u>2,245,760</u>	<u>(1,959,115)</u>	<u>4,204,875</u>
Balances as of end of year	<u>\$ 48,762,383</u>	<u>\$ 28,479,410</u>	<u>\$ 20,282,973</u>

The above amounts are allocated between government-wide (governmental activities), Electric (business-type activities), UAD (business-type activities), Airport (component unit), and the William F. Laman Public Library (component unit) as shown in the following five schedules.

**Changes in Net Pension Liability- Nonuniformed Plan (Electric)**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a)-(b)</b>
Balances as of beginning of year	\$ 20,205,658	\$ 13,221,734	\$ 6,983,924
Charges for the year:			
Service Cost	603,563	-	603,563
Interest on total pension liability	1,302,690	-	1,302,690
Transfers from DC plan	-	-	-
Difference between expected and actual return	1,354	-	1,354
Administrative expenses	-	(19,597)	19,597
Benefit Payments, including refunds of employee contributions	(932,105)	(932,105)	-
Contributions- employer	-	664,186	(664,186)
Contributions- member	-	332,476	(332,476)
Contributions- employee	-	-	-
Net investment income	-	(895,950)	895,950
Service purchases	-	-	-
Net Changes	<u>975,502</u>	<u>(850,990)</u>	<u>1,826,492</u>
Balances as of end of year	<u>\$ 21,181,160</u>	<u>\$ 12,370,744</u>	<u>\$ 8,810,416</u>

**NOTE 6: PENSION PLANS (CONTINUED)****Changes in Net Pension Liability- Nonuniformed Plan (UAD)**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a)-(b)</b>
Balances as of beginning of year	\$ 1,671,691	\$ 1,093,884	\$ 577,807
Charges for the year:			
Service Cost	49,935	-	49,935
Interest on total pension liability	107,777	-	107,777
Transfers from DC plan	-	-	-
Difference between expected and actual return	112	-	112
Administrative expenses	-	(1,621)	1,621
Benefit Payments, including refunds of employee contributions	(77,117)	(77,117)	-
Contributions- employer	-	54,951	(54,951)
Contributions- member	-	27,507	(27,507)
Contributions- employee	-	-	-
Net investment income	-	(74,125)	74,125
Service purchases	-	-	-
Net Changes	<u>80,707</u>	<u>(70,405)</u>	<u>151,112</u>
Balances as of end of year	<u>\$ 1,752,398</u>	<u>\$ 1,023,479</u>	<u>\$ 728,919</u>

**Changes in Net Pension Liability- Nonuniformed Plan (Airport)**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a)-(b)</b>
Balances as of beginning of year	\$ 290,729	\$ 190,241	\$ 100,488
Charges for the year:			
Service Cost	8,686	-	8,686
Interest on total pension liability	18,744	-	18,744
Transfers from DC plan	-	-	-
Difference between expected and actual return	19	-	19
Administrative expenses	-	(282)	282
Benefit Payments, including refunds of employee contributions	(13,412)	(13,412)	-
Contributions- employer	-	9,557	(9,557)
Contributions- member	-	4,784	(4,784)
Contributions- employee	-	-	-
Net investment income	-	(12,891)	12,891
Service purchases	-	-	-
Net Changes	<u>14,037</u>	<u>(12,244)</u>	<u>26,281</u>
Balances as of end of year	<u>\$ 304,766</u>	<u>\$ 177,997</u>	<u>\$ 126,769</u>

**NOTE 6: PENSION PLANS (CONTINUED)**

**Changes in Net Pension Liability- Nonuniformed Plan (Library)**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a)-(b)</b>
Balances as of beginning of year	\$ 3,997,522	\$ 2,615,811	\$ 1,381,711
Charges for the year:			
Service Cost	119,412	-	119,412
Interest on total pension liability	257,726	-	257,726
Transfers from DC plan	-	-	-
Difference between expected and actual return	268	-	268
Administrative expenses	-	(3,877)	3,877
Benefit Payments, including refunds of employee contributions	(184,409)	(184,409)	-
Contributions- employer	-	131,404	(131,404)
Contributions- member	-	65,778	(65,778)
Contributions- employee	-	-	-
Net investment income	-	(177,256)	177,256
Service purchases	-	-	-
Net Changes	<u>192,997</u>	<u>(168,360)</u>	<u>361,357</u>
Balances as of end of year	<u>\$ 4,190,519</u>	<u>\$ 2,447,451</u>	<u>\$ 1,743,068</u>

*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:

		<b>1% Decrease 5.5%</b>	<b>Current Discount Rate 6.5%</b>	<b>1% Increase 7.5%</b>
Non-Uniformed Plan- City	Net pension liability	\$ 17,695,096	\$ 13,183,933	\$ 9,970,578
Non-Uniformed Plan- Community Development	Net pension liability	127,609	95,076	71,903
Non-Uniformed Plan- Parks	Net pension liability	5,359,572	3,993,210	3,019,935
Non-Uniformed Plan- Street	Net pension liability	4,040,947	3,010,754	2,276,935
Non-Uniformed Plan- Electric	Net pension liability	11,825,088	8,810,416	6,663,031
Non-Uniformed Plan- UAD	Net pension liability	978,335	728,919	551,258
Non-Uniformed Plan- Airport	Net pension liability	170,145	126,769	95,871
Non-Uniformed Plan- Library	Net pension liability	2,339,496	1,743,068	1,318,225
		<u>\$ 42,536,288</u>	<u>\$ 31,692,145</u>	<u>\$ 23,967,736</u>

**NOTE 6: PENSION PLANS (CONTINUED)***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension:*

For the year ended December 31, 2018, the City recognized pension expense, as measured in accordance with GASB Statement No. 68, of \$4,115,516, and a reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the Non-Uniformed Plan, as determined by the City at December 31, 2018:

<b>Nonuniform- City</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 521,394	\$ 413,421
Changes of assumptions	1,134,106	2,133,748
Change in proportion	74,017	140,214
Difference between expected and actual investment earnings	2,236,863	-
Total	<u>\$ 3,966,380</u>	<u>\$ 2,687,383</u>

<b>Nonuniform- CD</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 3,760	\$ 2,981
Changes of assumptions	8,179	15,388
Change in proportion	-	91,383
Difference between expected and actual investment earnings	16,131	-
Total	<u>\$ 28,070</u>	<u>\$ 109,752</u>

<b>Nonuniform- Parks</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 157,922	\$ 125,219
Changes of assumptions	343,503	646,280
Change in proportion	369,346	-
Difference between expected and actual investment earnings	677,512	-
Total	<u>\$ 1,548,283</u>	<u>\$ 771,499</u>

<b>Nonuniform- Street</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 119,068	\$ 94,411
Changes of assumptions	258,991	487,274
Change in proportion	180,825	206,219
Difference between expected and actual investment earnings	510,822	-
Total	<u>\$ 1,069,706</u>	<u>\$ 787,904</u>

**NOTE 6: PENSION PLANS (CONTINUED)**

<b>Nonuniform- Electric</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 348,432	\$ 276,277
Changes of assumptions	757,888	1,425,918
Change in proportion	479,371	42,747
Difference between expected and actual investment earnings	1,494,826	-
Total	\$ 3,080,517	\$ 1,744,942

<b>Nonuniform- UAD</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 28,827	\$ 22,857
Changes of assumptions	62,703	117,972
Change in proportion	-	812,638
Difference between expected and actual investment earnings	123,672	-
Total	\$ 215,202	\$ 953,467

<b>Nonuniform- Airport</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 5,013	\$ 3,975
Changes of assumptions	10,905	20,517
Change in proportion	18,504	-
Difference between expected and actual investment earnings	21,508	-
Total	\$ 55,930	\$ 24,492

<b>Nonuniform- Library</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 68,934	\$ 54,659
Changes of assumptions	149,942	282,106
Change in proportion	171,140	-
Difference between expected and actual investment earnings	295,739	-
Total	\$ 685,755	\$ 336,765

**NOTE 6: PENSION PLANS (CONTINUED)**

Amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

Year Ending December 31,	Non- Uniformed Plan (City)	Non- Uniformed Plan (Community Development)	Non- Uniformed Plan (Parks)	Non- Uniformed Plan (Street)
	Net Deferred Outflow (Inflow) of Resources	Net Deferred Outflow (Inflow) of Resources	Net Deferred Outflow (Inflow) of Resources	Net Deferred Outflow (Inflow) of Resources
2019	\$ 607,373	\$ (12,023)	\$ 248,117	\$ 140,744
2020	219,742	(14,819)	130,709	52,223
2021	157,715	(15,266)	111,922	38,058
2022	283,701	(14,357)	150,081	66,829
2023	(242,084)	(18,149)	(9,171)	(53,242)
Thereafter	252,550	(7,068)	145,126	37,190
Total	<u>\$ 1,278,997</u>	<u>\$ (81,682)</u>	<u>\$ 776,784</u>	<u>\$ 281,802</u>

  

Year Ending December 31,	Non- Uniformed Plan (Electric)	Non- Uniformed Plan (UAD)	Non- Uniformed Plan (Airport)	Non- Uniformed Plan (Library)
	Net Deferred Outflow (Inflow) of Resources			
2019	\$ 494,253	\$ (119,889)	\$ 9,623	\$ 112,424
2020	235,211	(141,320)	5,896	61,175
2021	193,761	(144,750)	5,300	52,974
2022	277,953	(137,784)	6,511	69,631
2023	(73,413)	(166,854)	1,456	116
Thereafter	207,810	(27,668)	2,652	52,670
Total	<u>\$ 1,335,575</u>	<u>\$ (738,265)</u>	<u>\$ 31,438</u>	<u>\$ 348,990</u>

*Money-Weighted Rate of Return:*

The annual money-weighted rate of return on pension plan investments is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense, adjusted for the changing amounts actually invested. The money-weighted rates of return are outlined in the table below.

	Fiscal Year Ending	Annual Money-weighted Rate of Return
Non-Uniformed Plan	12/31/2018	-6.79%
	12/31/2017	10.00%
	12/31/2016	5.20%
	12/31/2015	-3.65%

**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](http://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 credited 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. The city is required to contribute at an actuarially determined rate, which was 16.79% for participating policemen and 22.78% for participating firemen. City contributions for 2018 for police and fire to the Plan were \$2,092,256 and \$2,059,395, respectively.

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

As of December 31, 2018, the City reported net pension liability for their proportionate share of the net pension liability of each plan as follows:

North Little Rock Fire	\$ 24,179,580
North Little Rock Police	23,799,819

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, 2018, 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, 2018. 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:

Plan	Proportionate Share %
North Little Rock Fire	2.67953 %
North Little Rock Police	2.63745 %

For the year ended December 31, 2018, the LOPFI Fire and LOPFI Police recognized pension expense of \$5,016,401 and \$5,129,982, respectively. At December 31, 2018, LOPFI Fire and LOPFI Police reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**NOTE 6: PENSION PLANS (CONTINUED)**

<b>LOPFI- Fire</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 1,284,587	\$ -
Changes of assumptions	3,309,545	-
Changes in proportion	188,785	251,547
Difference between expected and actual investment earnings on plan investments	3,093,668	-
Total	\$ 7,876,585	\$ 251,547

<b>LOPFI- Police</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 1,264,411	\$ -
Changes of assumptions	3,257,565	-
Changes in proportion	564,550	-
Difference between expected and actual investment earnings on plan investments	3,045,078	-
Total	\$ 8,131,604	\$ -

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

<b>Year Ending December 31,</b>	<b>LOPFI- Police Net Deferred Outflow (Inflow) of Resources</b>	<b>LOPFI- Fire Net Deferred Outflow (Inflow) of Resources</b>
2019	\$ 3,419,445	\$ 3,273,843
2020	2,430,386	2,241,874
2021	1,310,665	1,143,150
2022	971,108	966,171
Total	\$ 8,131,604	\$ 7,625,038

**NOTE 6: PENSION PLANS (CONTINUED)***Actuarial Assumptions*

The total pension liability as of December 31, 2018, was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions:

<b>Paid Service Assumptions</b>	
Actuarial cost method	Entry age normal
Amortization method	Closed amortization period based on projected future payroll
Asset valuation method	5-year smoothed market; 20% corridor (for funding purposes)
Price Inflation	2.75%
Salary Increases	3.75%
Investment Rate of Return	7.75%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2008 – 2011.
Mortality	RP-2000 Combined Mortality Table, projected to 2017 and set forward two years for men. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 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 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, 2018, these best estimates are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed Income	28.00%	0.78%
Domestic Equity	42.00%	5.58%
Foreign Equity	20.00%	7.38%
Alternative Investments	10.00%	6.23%
<b>Total</b>	<b>100.00%</b>	
Expected Inflation		2.50%

*Discount Rate*

A single discount rate of 7.00% 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 7.00%. 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.

**NOTE 6: PENSION PLANS (CONTINUED)**

*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 7.00%, 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 (6.00%) or one percent higher (8.00%).

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
North Little Rock Fire	\$ 35,685,975	\$ 24,179,580	\$ 14,907,607
North Little Rock Police	35,125,554	23,799,819	14,673,494

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued LOPFI financial report. That report may be obtained from the internet at [www.lopfi-prb.com](http://www.lopfi-prb.com).

**Arkansas Public Employees Retirement System (APERS)**

*Plan Description*

The City also contributes to the APERS, which is a cost-sharing, multiple-employer, defined benefit plan which covers all State employees who are not covered by another authorized plan. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings. The general administration and responsibility for the proper operation of the System is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration.

*Benefits Provided*

Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapters 5 and 6 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3-year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or non-contributory as follows:

Contributory, prior to 7/1/2005	2.07%
Contributory, on or after 7/1/2005, but prior to 7/1/2007	2.03%
Contributory on or after 7/1/2007	2.00%
Non-Contributory	1.72%

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

- at age 65 with 5 years of service,
- at any age with 28 years actual service,
- at age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005), or
- at age 55 with 35 years of credited service for elected or public safety officials.

**NOTE 6: PENSION PLANS (CONTINUED)**

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service at age 55 or at any age with 25 years of service.

Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost-of-living adjustment of 3% of the current benefit is added each year.

*Contributions*

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701)(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary’s determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employer contributed 14.50% of compensation for the fiscal year ended June 30, 2017. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

*APERS Fiduciary Net Position*

Detailed information about APERS’s fiduciary net position is available in the separately issued APERS Financial Report available at <http://www.apers.org/annualreports>.

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

At December 31, 2018, the City reported a liability of \$918,254 for it’s share of the net pension liability. The City’s proportionate share was 0.01983618% for court clerks and 0.02179033% for the Advertising and Promotion Commission. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on actual City contributions to the the pension plan relative to the actual contributions of all participating APERS members for the year ended June 30, 2018.

For the year ended December 31, 2018, the City recognized pension expense of \$146,000. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Court Clerks		A&P	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ 6,959	\$ 4,593	\$ 7,645	\$ 5,046
Assumption changes	49,787	27,060	54,691	29,726
Net difference between projected and actual earnings on pension plan investments	-	11,074	-	12,163
<b>Total</b>	<b>\$ 56,746</b>	<b>\$ 42,727</b>	<b>\$ 62,336</b>	<b>\$ 46,935</b>

**NOTE 6: PENSION PLANS (CONTINUED)**

\*Contributions made subsequent to actuarial measurement date of June 30, 2018.

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 December 31,	Court Clerks	A&P
	Net Deferred Outflow (Inflow) of Resources	Net Deferred Outflow (Inflow) of Resources
2019	\$ 31,679	\$ 34,800
2020	13,977	15,354
2021	(21,969)	(24,133)
2022	(9,668)	(10,620)
Total	<u>\$ 14,019</u>	<u>\$ 15,401</u>

*Actuarial Assumptions*

The total pension liability in the June 30, 2018 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)
Remaining Amortization Period	25 years (10.6 years for District Judges New Plan and Paid Off Old Plan and 19 years for District Judges still paying Old Plan)
Asset Valuation Method	4-Year smoothed market; 25% corridor (Market Value for Still Paying Old Plan)
Investment Rate of Return	7.15%
Price Inflation Rate	2.50%
Wage Inflation Rate	3.25%
Salary Increases	3.25% to 9.85% including inflation (3.25% to 6.96% including inflation for District Judges)
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality Table	Based on RP-2000 Combined Healthy mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females
Average Service Life of All Members	4.3774

**NOTE 6: PENSION PLANS (CONTINUED)**

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 (expected returns, net of pension plan investment expense and inflation) 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 target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System’s target asset allocation as of June 30, 2018 are summarized in the table below:

<u>Asset Classes</u>	<u>Current Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad Domestic Equity	37%	5.97%
International Equity	24%	6.07%
Real Assets	16%	4.59%
Absolute Return	5%	3.15%
Domestic Fixed	18%	0.83%
Total	100%	
Expected Inflation		2.50%

*Discount Rate*

A single discount rate of 7.15% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.15%. The projection of cash flows 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 7.15%, 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:

	<b>1% Decrease 6.15%</b>	<b>Current Simple Rate Assumption 7.15%</b>	<b>1 % Increase 8.15%</b>
City’s proportionate share of the net pension liability	\$ 715,410	\$ 437,573	\$ 208,380
A&P’s proportionate share of the net pension liability	785,889	480,681	228,908
	<b>\$ 1,501,299</b>	<b>\$ 918,254</b>	<b>\$ 437,288</b>

**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.

**NOTE 6: PENSION PLANS (CONTINUED)**

The Waste Water Utility is required to contribute to the Plan at an actuarially determined rate. The rate was 19.1% for the year ended December 31, 2018. The annual required contribution for 2018 totaled \$702,970. 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**

*Plan Description:*

The City of North Little Rock sponsors and administers another post-employment benefit plan (the “Plan”). Arkansas statute provides that any municipal city official or employee vested in any of the City’s retirement plans with 20 years of service and attains 55 years of age may continue to participate in the City’s health care plan after retirement. In addition, members employed at least five years with age plus service exceeding 70 at retirement are eligible for benefits. The State of Arkansas has the authority to establish and amend the requirements of this statute. The City does not issue stand- alone financial statements of the plan but all required information is presented in this report.

*Benefits Provided:*

In addition to retirement benefits from the appropriate pension plan, individuals who have been employed full time for at least five years and meet the requirements of the “rule of 70” (age plus service equals at least 70) are eligible to continue health, dental, and vision insurance benefits under the City’s group plan following retirement. Benefits under the plan are currently fully insured. Once the retiree reaches age 65, the retiree may continue coverage, but the coverage becomes secondary to Medicare. If the retiree, under age 65, drops their coverage, they cannot get coverage again when they reach age 65.

*Employees covered by benefit terms:*

At December 31, 2018, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	18
Inactive plan members entitled to but not receiving benefit payments	-
Active plan members	<u>679</u>
	<u><u>697</u></u>

*Contributions:*

Retired participants must pay the same premium as the city is charging active employees. Retired participants pay monthly premiums between \$440.50 for single coverage and \$980.00 for family coverage. Contributions to the Plan by the City for the year ended December 31, 2018 were \$43,199.00.

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

*Investment policy:*

The plan’s policy in regard to the allocation of invested assets is established by the City. The current asset allocation policy at the end of 2018 is as follows:

<b>Asset Class</b>	<b>Long-term Expected Rate of Return</b>
Cash	0.64%

*Net OPEB Liability:*

The City’s net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions.*

The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Investment Rate of Return	0.64%
Healthcare Cost Trend Rates	3.00%

Mortality rates were based on the RP-2014 Mortality Table. The life expectancy according to this table is as follows:

Age	Males	Females
55	28.90 years	31.36 years
65	20.01 years	21.99 years

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

<b>Asset Class</b>	<b>Long-term Expected Rate of Return</b>	
Domestic Fixed Income		
International Fixed Income		
Domestic Equity		
Foreign Equity		
Cash	<u>100%</u>	<u>0.64%</u>
Subtotal	100%	0.64%
Assumed Inflation		<u>3.00%</u>
Total		<u>3.64%</u>

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

*Discount rate:*

The discount rate used to measure the total OPEB liability was 3.64%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

*Net OPEB Liability:*

The components of the net OPEB liability of the City at December 31, 2018, were as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at 12/31/2017	\$ 4,817,574	\$ -	\$ 4,817,574
Changes for the year:			
Service cost	223,885		223,885
Interest	152,235		152,235
Differences between expected and actual experience	(174,172)		(174,172)
Contributions - employer		117,574	(117,574)
Contributions - employee		-	-
Net investment income		-	-
Benefit and refunds	(117,574)	(117,574)	-
Administrative expense	-	-	-
Change discount rate	(194,677)	-	(194,677)
Net changes	(110,303)	-	(110,303)
Balances at 12/31/18	<u>\$ 4,707,271</u>	<u>\$ -</u>	<u>\$ 4,707,271</u>

*Sensitivity of the net OPEB liability to changes in the discount rate:*

Regarding the sensitivity of the Net OPEB Liability to changes in the single discount rate calculated using a single discount rate of 3.64%, as well as what the net OPEB 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 (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Net OPEB liability	5,118,986	4,707,271	4,320,866

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

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates:*

The following presents the net OPEB liability of Health Management Trust Fund, as well as what Health Management Trust Fund’s net OPEB liability would be if calculated using healthcare cost trend rates that are 1- percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<b>1% Decrease</b>	<b>Assumed HCCTR</b>	<b>1% Increase</b>
Net OPEB liability	4,123,360	4,707,271	5,405,331

*OPEB plan fiduciary net position:*

The statement of fiduciary net position and the statement of changes in fiduciary net position for the Health Management Trust Fund (OPEB) are shown below:

Contributions by employer	\$ 117,574
Benefits paid directly to participants	<u>(117,574)</u>
Net increase in Net Position	-
Net Position Restricted for Other Employee Benefits, Beginning of Year	-
Net Position Restricted for Other Employee Benefits, End of Year	<u><u>\$ -</u></u>

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:*

For the year ended December 31, 2018, the City of North Little Rock recognized OPEB expense of \$345,383. At December 31, 2018, the City of North Little Rock reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$ 159,658
Changes of assumptions	-	178,454
Net difference between expected and actual investment earnings on OPEB plan investments	-	-
Total	<u><u>\$ -</u></u>	<u><u>\$ 338,112</u></u>

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

<b>Year ending December 31,</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
2019	(30,737)
2020	(30,737)
2021	(30,737)
2022	(30,737)
2023	(30,737)
Thereafter	<u>(184,427)</u>
Total	<u><u>(338,112)</u></u>

**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 related deferred inflows of resources 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 \$9,621,053 has been recognized in the government-wide financial statements, while a receivable of \$9,621,053 and a related deferred revenue of \$9,621,053 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 \$3,384,071 which is recognized in the Discretely Presented Component Units Statement of Net Position.

Millage rates for 2017 taxes collectible in 2018 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, 2018.

The Waste Water Utility was insured at December 31, 2018, 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

**NOTE 10: INSURANCE COVERAGE (CONTINUED)**

all aforementioned policies of the Utility. The Utility was insured at December 31, 2018, with RSUI Indemnity Co. for blanket property coverage. Further information is available in the audited financial statements of the Utility.

**NOTE 11: 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 May of 2018, the City Council adopted Ordinance No. 9000, replacing the two component ECR variable rider with single component Power Cost Adjustment (PCA) rider. The PCA, in place with the new rate structure, is easier to calculate and has less variability.

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.

In 2018 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.

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.

**NOTE 11: COMMITMENTS (CONTINUED)**

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 12: 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, 2018. Events could occur that would cause the estimate or ultimate loss to differ materially in the near term.

***Federal and State Grants***

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

**NOTE 13: 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 14: 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 15: SUBSEQUENT EVENTS**

The management of the City has evaluated subsequent events through December 26, 2019, the date on which the financial statements were available to be issued.

**NOTE 15: SUBSEQUENT EVENTS (CONTINUED)**

The Series 2019 Tax Increment Bond was issued for \$790,000 in July 2019 to finance a portion of the costs of the 2019 Project of the Lower Baring Cross Redevelopment District and to pay the expense of issuing the Bond.

The Capital Improvement Revenue Bond, Series 2019-A in the amount of \$9,305,000 was issued in November 2019 to finance costs of capital improvements for the city, fund a debt service reserve and pay the expense of issuing the Series 2019-A Bonds.

**REQUIRED SUPPLEMENTARY INFORMATION**

	LOPFI		LOPFI		LOPFI		LOPFI	
	Police	Fire	Police	Fire	Police	Fire	Police	Fire
	2014*	2014*	2016*	2016*	2017*	2017*	2018*	2018*
City's proportion of the net pension liability	2.30461%	2.49184%	2.51139%	2.74166%	2.55587%	2.73119%	2.63523%	2.67953%
City's proportionate share of the net pension liability	\$ 8,342,893	\$ 9,020,695	\$ 14,328,255	\$ 15,642,023	\$ 18,161,919	\$ 19,407,730	\$ 23,799,819	\$ 24,179,580
City's covered-employee payroll	\$ 10,825,411	\$ 7,931,178	\$ 10,999,885	\$ 8,707,186	\$ 11,783,650	\$ 9,359,122	\$ 12,262,602	\$ 9,182,472
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	77.07%	113.74%	130.26%	179.64%	154.13%	207.37%	194.08%	263.32%
Plan fiduciary net position as a percentage of the Plan's total pension liability	79.14%	79.14%	72.87%	72.87%	71.48%	71.48%	66.09%	66.09%
	APERS		APERS		APERS		APERS	
	2015*		2016*		2017*		2018*	
City's proportion of the net pension liability	0.03923038%		0.03933459%		0.04371434%		0.04162651%	
City's proportionate share of the net pension liability	\$ 722,519		\$ 940,627		\$ 1,129,640		\$ 918,254	
City's covered-employee payroll	\$ 697,720		\$ 735,118		\$ 795,081		\$ 828,592	
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	103.55%		127.96%		142.08%		110.82%	
Plan fiduciary net position as a percentage of the Plan's total pension liability	80.39%		75.50%		75.65%		79.59%	
	Non-Uniformed Plan		Non-Uniformed Plan		Non-Uniformed Plan		Non-Uniformed Plan	
	2015*		2016*		2017*		2018*	
Plan's Net Pension Liability	\$ 18,632,643		\$ 26,254,064		\$ 25,122,028		\$ 31,692,145	
Plan's covered-employee payroll	\$ 19,641,076		\$ 21,964,782		\$ 22,770,923		\$ 23,495,694	
Plan's net pension liability as a percentage of its covered-employee payroll	94.87%		119.53%		110.33%		134.88%	
Plan's fiduciary net positions as a percentage of the Plan's total pension liability	69.11%		62.24%		65.44%		58.40%	

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

The latest available information from the actuaries is used each year when preparing the audit report. In the first year of implementation, the December 31, 2014 valuation was used for the December 31, 2015 audit report.

For the December 31, 2018 audit, information used is as of and for the year ending December 31, 2018 for the "LOPFI" plan. Information is as of and for the year ending June 30, 2018 for the "APERS" plan. Information is as of and for the year ending December 31, 2018 for the "Non-Uniformed Plan".

DECEMBER 31, 2018\*

	LOPFI		LOPFI		LOPFI		LOPFI	
	Police 2014*	Fire 2014*	Police 2016*	Fire 2016*	Police 2017*	Fire 2017*	Police 2018*	Fire 2018*
Actuarially determined contribution	\$ 1,367,615	\$ 1,478,724	\$ 1,626,971	\$ 1,517,419	\$ 1,705,029	\$ 1,487,237	\$ 2,059,395	\$ 2,092,256
Contributions in relation to the actuarially determined contributions	<u>1,367,615</u>	<u>1,478,724</u>	<u>1,626,971</u>	<u>1,517,419</u>	<u>1,705,029</u>	<u>1,487,237</u>	<u>2,059,395</u>	<u>2,092,256</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered Payroll	\$ 10,825,411	\$ 7,931,178	\$ 10,999,885	\$ 8,707,186	\$ 11,783,650	\$ 9,359,122	\$ 12,262,602	\$ 9,182,472
Contributions as a percentage of covered-employee payroll	12.63%	18.64%	14.79%	17.43%	14.47%	15.89%	16.79%	22.79%
	APERS 2015*		APERS 2016*		APERS 2017*		APERS 2018*	
Actuarially determined contribution	\$ 187,046		\$ 188,563		\$ 194,507		\$ 115,007	
Contributions in relation to the actuarially determined contributions	<u>187,046</u>		<u>188,545</u>		<u>194,507</u>		<u>115,007</u>	
Contribution deficiency (excess)	<u>-</u>		<u>18</u>		<u>-</u>		<u>-</u>	
Covered Payroll	\$ 697,720		\$ 735,118		\$ 795,081		\$ 828,592	
Contributions as a percentage of covered-employee payroll	26.81%		25.65%		24.46%		13.88%	
	Non-Uniformed Plan 2015*		Non-Uniformed Plan 2016*		Non-Uniformed Plan 2017*		Non-Uniformed Plan 2018*	
Actuarially determined contribution	\$ 2,185,569		\$ 2,923,512		\$ 3,518,108		\$ 3,282,702	
Contributions in relation to the actuarially determined contributions	<u>1,133,620</u>		<u>1,364,281</u>		<u>2,220,368</u>		<u>2,389,157</u>	
Contribution deficiency (excess)	<u>1,051,949</u>		<u>1,559,231</u>		<u>1,297,740</u>		<u>893,545</u>	
Covered Payroll	\$ 19,305,847		\$ 21,964,782		\$ 22,770,923		\$ 23,891,570	
Contributions as a percentage of covered-employee payroll	5.87%		6.21%		9.75%		10.00%	

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

The latest available information from the actuaries is used each year when preparing the audit report. In the first year of implementation, the December 31, 2014 valuation was used for the December 31, 2015 audit report. For the December 31, 2018 audit, information used is as of and for the year ending December 31, 2018 for the "LOPFI" plan. Information is as of and for the year ending June 30, 2018 for the "APERS" plan. Information is as of and for the year ending December 31, 2018 for the "Non-Uniformed Plan".

## **OTHER SUPPLEMENTARY INFORMATION**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,529,185	\$ 38,599	\$ 4,449,676	\$ 8,017,460
Investments - certificates of deposits	505,158	-	5,005,158	5,510,316
Property taxes receivable - net	1,625,699	133,285	-	1,758,984
Sales tax receivable	1,762,299	-	-	1,762,299
Accounts receivable - other	217,004	-	63,210	280,214
Due from other governments	7,456	-	1,205	8,661
Due from other funds	101,965	-	2,445,246	2,547,211
<b>TOTAL ASSETS</b>	<b>7,748,766</b>	<b>171,884</b>	<b>11,964,495</b>	<b>19,885,145</b>
<b>LIABILITIES</b>				
Accounts payable	286,932	-	709,885	996,817
Accrued expenses	321,278	-	-	321,278
Due to other funds	160,337	-	-	160,337
<b>TOTAL LIABILITIES</b>	<b>768,547</b>	<b>-</b>	<b>709,885</b>	<b>1,478,432</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues- property taxes	1,625,699	133,285	-	1,758,984
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,625,699</b>	<b>133,285</b>	<b>-</b>	<b>1,758,984</b>
<b>FUND BALANCES</b>				
Restricted:				
Street and traffic	2,841,307	-	-	2,841,307
Parks and recreation	1,808,519	-	-	1,808,519
Police - equitable sharing	199,303	-	-	199,303
Drainage improvement	505,391	-	-	505,391
Debt Service	-	38,599	-	38,599
Capital improvements	-	-	11,322,466	11,322,466
Unassigned	-	-	(67,856)	(67,856)
<b>TOTAL FUND BALANCES</b>	<b>5,354,520</b>	<b>38,599</b>	<b>11,254,610</b>	<b>16,647,729</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 7,748,766</b>	<b>\$ 171,884</b>	<b>\$ 11,964,495</b>	<b>\$ 19,885,145</b>

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Taxes - sales	\$ 10,540,907	\$ -	\$ -	\$ 10,540,907
Taxes - other	1,598,974	113,159	-	1,712,133
Charges for services	1,793,351	-	-	1,793,351
Intergovernmental	895,672	-	1,126,510	2,022,182
Investment earnings	37,664	294	38,248	76,206
Miscellaneous	560,404	-	686,366	1,246,770
<b>TOTAL REVENUES</b>	<b>15,426,972</b>	<b>113,453</b>	<b>1,851,124</b>	<b>17,391,549</b>
<b>EXPENDITURES</b>				
Current operating:				
Community development	788,152	-	-	788,152
Parks and recreation	7,449,171	-	597,211	8,046,382
Public safety - police	287,952	-	-	287,952
Street and traffic	6,431,851	-	-	6,431,851
Capital outlay	-	-	9,525,001	9,525,001
Debt service:				
Principal retirement	68,714	65,000	308,994	442,708
Interest and agent fees	8,540	23,401	9,012	40,953
<b>TOTAL EXPENDITURES</b>	<b>15,034,380</b>	<b>88,401</b>	<b>10,440,218</b>	<b>25,562,999</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>392,592</b>	<b>25,052</b>	<b>(8,589,094)</b>	<b>(8,171,450)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	230,000	-	13,602,841	13,832,841
Transfers out	(975,824)	-	-	(975,824)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(745,824)</b>	<b>-</b>	<b>13,602,841</b>	<b>12,857,017</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(353,232)</b>	<b>25,052</b>	<b>5,013,747</b>	<b>4,685,567</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>5,707,752</b>	<b>13,547</b>	<b>6,240,863</b>	<b>11,962,162</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 5,354,520</b>	<b>\$ 38,599</b>	<b>\$ 11,254,610</b>	<b>\$ 16,647,729</b>

	Street	Parks and Recreation	Community Development
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,592,568	\$ 1,230,713	\$ -
Investments - certificates of deposits	505,158	-	-
Property taxes receivable - net	1,625,699	-	-
Sales tax receivable	744,047	1,018,252	-
Accounts receivable - other	215,049	1,955	-
Due from other governments	-	-	7,456
Due from other funds	898	101,067	-
<b>TOTAL ASSETS</b>	<b>4,683,419</b>	<b>2,351,987</b>	<b>7,456</b>
<b>LIABILITIES</b>			
Accounts payable	70,518	215,204	-
Accrued expenses	128,014	193,264	-
Due to other governments	-	-	-
Due to other funds	17,881	135,000	7,456
<b>TOTAL LIABILITIES</b>	<b>216,413</b>	<b>543,468</b>	<b>7,456</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues- property taxes	1,625,699	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,625,699</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>			
Restricted:			
Street and traffic	2,841,307	-	-
Parks and recreation	-	1,808,519	-
Police - equitable sharing	-	-	-
Drainage improvement	-	-	-
Unassigned	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>2,841,307</b>	<b>1,808,519</b>	<b>-</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 4,683,419</b>	<b>\$ 2,351,987</b>	<b>\$ 7,456</b>

(continued on next page)

	Equitable Sharing	Drainage Improvement	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 200,513	\$ 505,391	\$ 3,529,185
Investments - certificates of deposits	-	-	505,158
Property taxes receivable - net	-	-	1,625,699
Sales tax receivable	-	-	1,762,299
Accounts receivable - other	-	-	217,004
Due from other governments	-	-	7,456
Due from other funds	-	-	101,965
<b>TOTAL ASSETS</b>	<u>200,513</u>	<u>505,391</u>	<u>7,748,766</u>
<b>LIABILITIES</b>			
Accounts payable	1,210	-	286,932
Accrued expenses	-	-	321,278
Due to other funds	-	-	160,337
<b>TOTAL LIABILITIES</b>	<u>1,210</u>	<u>-</u>	<u>768,547</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues- property taxes	-	-	1,625,699
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>1,625,699</u>
<b>FUND BALANCES</b>			
Restricted:			
Street and traffic	-	-	2,841,307
Parks and recreation	-	-	1,808,519
Police - equitable sharing	199,303	-	199,303
Drainage improvement	-	505,391	505,391
<b>TOTAL FUND BALANCES</b>	<u>199,303</u>	<u>505,391</u>	<u>5,354,520</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 200,513</u>	<u>\$ 505,391</u>	<u>\$ 7,748,766</u>

(continued from previous page)

	Street	Parks and Recreation	Community Development
<b>REVENUES</b>			
Taxes - sales	\$ 4,376,400	\$ 6,164,507	\$ -
Taxes - other	1,598,974	-	-
Charges for services	-	1,356,283	-
Intergovernmental	30,058	79,990	785,624
Investment earnings	24,454	8,862	2
Miscellaneous	298,513	257,692	1,049
<b>TOTAL REVENUES</b>	<b>6,328,399</b>	<b>7,867,334</b>	<b>786,675</b>
<b>EXPENDITURES</b>			
Current operating:			
Community development	-	-	788,152
Parks and recreation	-	7,449,171	-
Public safety - police	-	-	-
Street and traffic	6,431,851	-	-
Debt service:			
Principal retirement	-	68,714	-
Interest and agent fees	-	8,540	-
<b>TOTAL EXPENDITURES</b>	<b>6,431,851</b>	<b>7,526,425</b>	<b>788,152</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(103,452)</b>	<b>340,909</b>	<b>(1,477)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	230,000	-
Transfers out:			
Transfers to other funds	(500,000)	(475,824)	-
Transfers to component units	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(500,000)</b>	<b>(245,824)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(603,452)</b>	<b>95,085</b>	<b>(1,477)</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>3,444,759</b>	<b>1,713,434</b>	<b>1,477</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 2,841,307</b>	<b>\$ 1,808,519</b>	<b>\$ -</b>

(continued on next page)

	Equitable Sharing	Drainage Improvement	Total Nonmajor Special Revenue Funds
<b>REVENUES</b>			
Taxes - sales	\$ -	\$ -	\$ 10,540,907
Taxes - other	-	-	1,598,974
Charges for services	351,502	85,566	1,793,351
Intergovernmental	-	-	895,672
Investment earnings	1,321	3,025	37,664
Miscellaneous	3,150	-	560,404
<b>TOTAL REVENUES</b>	<u>355,973</u>	<u>88,591</u>	<u>15,426,972</u>
<b>EXPENDITURES</b>			
Current operating:			
Community development	-	-	788,152
Parks and recreation	-	-	7,449,171
Public safety - police	287,952	-	287,952
Street and traffic	-	-	6,431,851
Debt service:			
Principal retirement	-	-	68,714
Interest and agent fees	-	-	8,540
<b>TOTAL EXPENDITURES</b>	<u>287,952</u>	<u>-</u>	<u>15,034,380</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	68,021	88,591	392,592
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	230,000
Transfers out:			
Transfers to other funds	-	-	(975,824)
Transfers to component units	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>(745,824)</u>
<b>NET CHANGE IN FUND BALANCES</b>	68,021	88,591	(353,232)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>131,282</u>	<u>416,800</u>	<u>5,707,752</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 199,303</u>	<u>\$ 505,391</u>	<u>\$ 5,354,520</u>

(continued from previous page)

	Baring Cross Redevelopment	Total Nonmajor Debt Service Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 38,599	\$ 38,599
Property taxes receivable - net	133,285	133,285
<b>TOTAL ASSETS</b>	<u>171,884</u>	<u>171,884</u>
<b>LIABILITIES</b>		
Accounts payable	-	-
Accrued expenses	-	-
Due to other governments	-	-
Due to other funds	-	-
Deferred revenue	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenues- property taxes	133,285	133,285
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>133,285</u>	<u>133,285</u>
<b>FUND BALANCES</b>		
Restricted:		
Street and traffic	-	-
Parks and recreation	-	-
Police - equitable sharing	-	-
Drainage improvement	-	-
Debt Service	38,599	38,599
Unassigned	-	-
<b>TOTAL FUND BALANCES</b>	<u>38,599</u>	<u>38,599</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 171,884</u>	<u>\$ 171,884</u>

(continued from previous page)

	Baring Cross Redevelopment	Total Nonmajor Debt Service Funds
<b>REVENUES</b>		
Taxes - other	113,159	113,159
Investment earnings	294	294
<b>TOTAL REVENUES</b>	113,453	113,453
<b>EXPENDITURES</b>		
Debt service:		
Principal retirement	65,000	65,000
Interest and agent fees	23,401	23,401
<b>TOTAL EXPENDITURES</b>	88,401	88,401
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	25,052	25,052
<b>NET CHANGE IN FUND BALANCES</b>	25,052	25,052
<b>FUND BALANCES, BEGINNING OF YEAR</b>	13,547	13,547
<b>FUND BALANCES, END OF YEAR</b>	\$ 38,599	\$ 38,599

*(continued from previous page)*

	Parks Capital Improvements	Sales Tax Capital Improvements	Special Projects Infrastructure	2017 Sales Tax Capital Improvements
<b>ASSETS</b>				
Cash and cash equivalents	\$ 171,074	\$ 1,980,775	\$ 310,313	\$ 1,952,141
Investments - certificates of deposits	-	1,505,158	-	3,500,000
Property taxes receivable - net	-	-	-	-
Accounts receivable - other	-	63,210	-	-
Due from other governments	-	-	-	-
Due from other funds	135,000	770,082	-	1,540,164
<b>TOTAL ASSETS</b>	<u>306,074</u>	<u>4,319,225</u>	<u>310,313</u>	<u>6,992,305</u>
<b>LIABILITIES</b>				
Accounts payable	175	62,358	378,169	269,183
<b>TOTAL LIABILITIES</b>	<u>175</u>	<u>62,358</u>	<u>378,169</u>	<u>269,183</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues- property taxes	-	-	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCE</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted:				
Capital improvements	305,899	4,256,867	-	6,723,122
Unassigned	-	-	(67,856)	-
<b>TOTAL FUND BALANCES</b>	<u>305,899</u>	<u>4,256,867</u>	<u>(67,856)</u>	<u>6,723,122</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 306,074</u>	<u>\$ 4,319,225</u>	<u>\$ 310,313</u>	<u>\$ 6,992,305</u>

(continued on next page)

	2010 Sales Tax Capital Improvements	Total Nonmajor Capital Projects Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 35,373	\$ 4,449,676
Investments - certificates of deposits	-	5,005,158
Accounts receivable - other	-	63,210
Due from other governments	1,205	1,205
Due from other funds	-	2,445,246
<b>TOTAL ASSETS</b>	<u>36,578</u>	<u>11,964,495</u>
<b>LIABILITIES</b>		
Accounts payable	-	709,885
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>709,885</u>
<b>FUND BALANCES</b>		
Restricted:		
Capital improvements	36,578	11,322,466
Unassigned	-	(67,856)
<b>TOTAL FUND BALANCES</b>	<u>36,578</u>	<u>11,254,610</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 36,578</u>	<u>\$ 11,964,495</u>

(continued from previous page)

	Parks Capital Improvements	Sales Tax Capital Improvements	Special Projects Infrastructure	2017 Sales Tax Capital Improvements
<b>REVENUES</b>				
Intergovernmental	99,983	63,210	-	-
Investment earnings	1,101	25,180	9,397	2,248
Miscellaneous	-	128	683,317	2,921
<b>TOTAL REVENUES</b>	<u>101,084</u>	<u>88,518</u>	<u>692,714</u>	<u>5,169</u>
<b>EXPENDITURES</b>				
Current operating:				
Parks and recreation	597,211	-	-	-
Capital outlay	-	4,151,808	2,724,443	1,700,028
Debt service:				
Principal retirement	-	308,994	-	-
Interest and agent fees	-	9,012	-	-
<b>TOTAL EXPENDITURES</b>	<u>597,211</u>	<u>4,469,814</u>	<u>2,724,443</u>	<u>1,700,028</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(496,127)	(4,381,296)	(2,031,729)	(1,694,859)
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	-	-	-	-
Transfers in:				
Transfers from other funds	475,824	4,209,036	500,000	8,417,981
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>475,824</u>	<u>4,209,036</u>	<u>500,000</u>	<u>8,417,981</u>
<b>NET CHANGE IN FUND BALANCES</b>	(20,303)	(172,260)	(1,531,729)	6,723,122
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>326,202</u>	<u>4,429,127</u>	<u>1,463,873</u>	<u>-</u>
<b>FUND BALANCES (DEFICIT), END OF YEAR</b>	<u>\$ 305,899</u>	<u>\$ 4,256,867</u>	<u>\$ (67,856)</u>	<u>\$ 6,723,122</u>

(continued on next page)

	2010 Sales Tax Capital Improvements	Total Nonmajor Capital Projects Funds
<b>REVENUES</b>		
Intergovernmental	963,317	1,126,510
Investment earnings	322	38,248
Miscellaneous	-	686,366
<b>TOTAL REVENUES</b>	<u>963,639</u>	<u>1,851,124</u>
<b>EXPENDITURES</b>		
Current operating:		
Parks and recreation	-	597,211
Capital outlay	948,722	9,525,001
Debt service:		
Principal retirement	-	308,994
Interest and agent fees	-	9,012
<b>TOTAL EXPENDITURES</b>	<u>948,722</u>	<u>10,440,218</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	14,917	(8,589,094)
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in:		
Transfers from other funds	-	13,602,841
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>13,602,841</u>
<b>NET CHANGE IN FUND BALANCES</b>	14,917	5,013,747
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>21,661</u>	<u>6,240,863</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 36,578</u>	<u>\$ 11,254,610</u>

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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 statues during the year ended December 31, 2018.

- (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, 2018.

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  
December 26, 2019

**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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 26, 2019. 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  
December 26, 2019



**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, 2018. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, the City of 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, 2018.

***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  
December 26, 2019

<u>Federal Grantor/ CLUSTER NAME/ Program Name/ Pass-through Entity</u>	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b><u>U.S. Department of Housing and Urban Development:</u></b>				
CDBG - ENTITLEMENT GRANTS CLUSTER				
Community Development Block Grants/Entitlement Grants	14.218	N/A	\$ 99,440	\$ 463,414
Total CDBG - ENTITLEMENT GRANTS CLUSTER			<u>99,440</u>	<u>463,414</u>
Home Investment Partnerships Program	14.239	N/A	315,983	322,210
<b>Total U.S. Department of Housing and Urban Development</b>			<u>415,423</u>	<u>785,624</u>
<b><u>U.S. Department of the Interior:</u></b>				
Outdoor Recreation - Acquisition, Development and Planning Pass-through from Arkansas Department of Parks and Tourism	15.916	A-10704-16-PU	-	73,405
<b>Total U.S. Department of the Interior</b>			<u>-</u>	<u>73,405</u>
<b><u>U.S. Department of Justice</u></b>				
Equitable Sharing Program	16.922	N/A	-	288,155
<b>Total U.S. Department of Justice</b>			<u>-</u>	<u>288,155</u>
<b><u>U.S. Department of Transportation</u></b>				
Airport Improvement Program	20.106	N/A	-	26,586
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER				
Highway Planning and Construction (Federal-Aid Highway Program)				
Pass-through from Arkansas Highway Transportation Department	20.205	061294	-	1,122,572
Pass-through from Arkansas Highway Transportation Department	20.205	061551	-	30,057
Pass-through from Arkansas Highway Transportation Department	20.205	061566	-	560
Pass-through from Arkansas Highway Transportation Department	20.205	061414	-	63,210
Total HIGHWAY PLANNING AND CONSTRUCTION CLUSTER			<u>-</u>	<u>1,216,399</u>
HIGHWAY SAFETY CLUSTER				
State and Community Highway Safety				
Pass-through from Arkansas State Police (FY18)	20.600	OP-2018-03-02-22	-	21,504
Pass-through from Arkansas State Police (FY18)	20.600	SE-2018-13-01-22	-	111
Pass-through from Arkansas State Police (FY19)	20.600	OP-2019-02-02-19	-	2,105
			<u>-</u>	<u>23,720</u>
National Priority Safety Programs				
Pass-through from Arkansas State Police (FY18)	20.616	MSX-2018-05-06-22	-	564
Total HIGHWAY SAFETY CLUSTER			<u>-</u>	<u>24,284</u>
<b>Total U.S. Department of Transportation</b>			<u>\$ -</u>	<u>\$ 1,267,269</u>

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>				
<b><u>Delta Regional Authority</u></b>				
Delta Regional Development: States' Economic Development Assistance Program (SEDAP)	90.200	N/A	\$ -	\$ 51,426
<b>Total Delta Regional Authority</b>			-	51,426
<b><u>U.S. Department of Homeland Security</u></b>				
Emergency Management Performance Grants				
Pass-through from Arkansas Department of Emergency Management (FY17)	97.042	N/A	-	28,964
Pass-through from Arkansas Department of Emergency Management (FY18)	97.042	N/A	-	9,710
<b>Total Emergency Management Performance Grants</b>			-	38,674
Assistance to Firefighters Grant (FY16)	97.044	EMW-2016-FV-00626	-	151,220
Assistance to Firefighters Grant (FY16)	97.044	EMW-2016-FO-02107	-	363,637
Assistance to Firefighters Grant (FY17)	97.044	EMW-2017-FO-02184	-	63,620
<b>Total Assistance to Firefighters Grant</b>			-	578,477
Homeland Security Grant Program (LETPP)				
Pass-through from Arkansas Department of Emergency Management (FY15)	97.067	N/A	-	1,782
Pass-through from Arkansas Department of Emergency Management (FY16)	97.067	N/A	-	102,211
<b>Total Homeland Security Grant Program (LETPP)</b>			-	103,993
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	N/A	-	102,154
<b>Total U.S. Department of Homeland Security</b>			-	823,298
<b>Total Expenditures of Federal Awards</b>			<b>\$ 415,423</b>	<b>\$ 3,289,177</b>

**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, 2018. 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

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**

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None

**Findings required to be reported by the Uniform Guidance**

**Reference**

**Number          Finding** **Questioned Costs**

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None

**Findings required to be reported by *Government Auditing Standards***

<b>Reference Number</b>	<b>Finding</b>	<b>Status</b>
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None

**Findings required to be reported by the Uniform Guidance**

<b>Reference Number</b>	<b>Finding</b>	<b>Status</b>
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None