

CITY OF NORTH LITTLE ROCK, ARKANSAS
AUDITED BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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

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INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of North Little Rock, Arkansas (the "City") as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of North Little Rock Electric Department and the Utilities Accounting Department, which is a major fund and represents 100% of the assets, net position, revenues and expenses of the aggregate business-type activities and the financial statements of the North Little Rock Waste Water Utility, which represent 85%, 80%, 71% and 68% of the assets, net position, revenues and expenses of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for such entities, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the City of North Little Rock Electric Department and the Utilities Accounting Department were not audited in accordance with *Government Auditing Standards*.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

OPINIONS

In our opinion, 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, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2014, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, the schedule of employer contributions on page 53 and the schedule of funding progress page 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

In accordance with U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, we have also issued our report dated March 18, 2014, on our consideration of the City's internal control over compliance and on our tests of its compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of North Little Rock, Arkansas' major federal programs for the year ended December 31, 2012. The purpose of that report is to describe the scope of our testing of internal control over compliance and the results of that testing of its compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of North Little Rock, Arkansas' major federal programs. That report is an integral part of an audit performed in accordance with U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* in considering the City's internal control over compliance in relation to its compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of North Little Rock, Arkansas' major federal programs.

Wilcox & Bivings, P.C.

March 18, 2014
Suwanee, Georgia

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF NORTH LITTLE ROCK, ARKANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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, 2012. We encourage readers to consider the information presented in conjunction with the City's financial statements, which follow.

FINANCIAL HIGHLIGHTS

The total assets of the City exceeded its total liabilities as of December 31, 2012 by \$184,897,483 (presented as "net position"). Of this amount \$26,583,494 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 \$13,509,060 in 2012. Net position of governmental activities increased by \$11,138,331. Net position of business-type activities increased \$2,370,729.
- ❖ As of December 31, 2012 the City's governmental funds reported combined ending fund balances of \$28,862,243, a decrease of \$668,746) from 2011. Approximately 67.16% of this amount, \$19,383,764, is available for spending at the City's discretion (unassigned fund balance).
- ❖ As of December 31, 2012, the unassigned fund balance for the General Fund was \$18,759,912 or 31.26% of total General Fund expenditures.
- ❖ As of December 31, 2012, the net position of the proprietary funds totaled \$96,320,143. Net position increased by \$2,370,729 during the year ended December 31, 2012.
- ❖ As of December 31, 2012, net position of fiduciary funds was \$39,805,792. There was an increase of \$2,584,572 in the total fiduciary net position held in trust for the year ended December 31, 2012.
- ❖ The City's component units reported net position of \$64,756,342 as of December 31, 2012. This was an increase of \$1,908,408 when compared to December 31, 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods, such as uncollected property taxes and earned but unused compensated absences.

CITY OF NORTH LITTLE ROCK, ARKANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED

Government-wide Financial Statements - continued

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

The City maintains 22 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, which is considered to be major fund. Data for the other 21 governmental funds is combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found on pages 13-16 of this reporting package. A budget to actual comparison for the General Fund can be found on page 17-18 of this reporting package.

Proprietary Fund

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

**CITY OF NORTH LITTLE ROCK, ARKANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED

Fiduciary Fund

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has one fiduciary fund, the Non-Uniformed Employees Retirement Fund.

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

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 26-52 of this reporting package.

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table looks at the City as a whole and provides a summary of its net position for 2012 compared to 2011:

CITY OF NORTH LITTLE ROCK ARKANSAS' NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 39,452,616	\$ 40,357,031	\$ 55,333,501	\$ 68,892,190	\$ 94,786,117	\$ 109,249,221
Deferred outflows of resources	-	-	3,313,567	-	3,313,567	-
Capital assets	<u>66,043,452</u>	<u>63,971,376</u>	<u>121,851,450</u>	<u>113,427,834</u>	<u>187,894,902</u>	<u>177,399,210</u>
Total assets	<u>105,496,068</u>	<u>104,328,407</u>	<u>180,498,518</u>	<u>182,320,024</u>	<u>285,994,586</u>	<u>286,648,431</u>
Long-term liabilities	11,392,326	12,120,550	72,716,760	68,732,831	84,109,086	80,853,381
Other liabilities	<u>5,526,402</u>	<u>5,312,790</u>	<u>11,461,615</u>	<u>18,667,048</u>	<u>16,988,017</u>	<u>23,979,838</u>
Total liabilities	<u>16,918,728</u>	<u>17,433,340</u>	<u>84,178,375</u>	<u>87,399,879</u>	<u>101,097,103</u>	<u>104,833,219</u>
Net position:						
Net investment in capital assets	59,083,476	56,050,664	79,570,017	52,941,638	138,653,493	108,992,302
Restricted	519,375	621,211	19,141,121	25,038,226	19,660,496	25,659,437
Unrestricted	<u>28,974,489</u>	<u>30,223,192</u>	<u>(2,390,995)</u>	<u>16,940,281</u>	<u>26,583,494</u>	<u>47,163,473</u>
Total net position	\$ <u>88,577,340</u>	\$ <u>86,895,067</u>	\$ <u>96,320,143</u>	\$ <u>94,920,145</u>	\$ <u>184,897,483</u>	\$ <u>181,815,212</u>

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City's, assets exceeded liabilities by \$184,897,483 as of December 31, 2012. The City's net position increased by \$13,509,060 during 2012. The largest portion of the City's net position, \$138,653,493 reflects its investments in capital assets (such as land, buildings and improvements, furniture, machinery and equipment, computer equipment, vehicles, utility systems and infrastructure); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF NORTH LITTLE ROCK, ARKANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED

An additional portion of the City's net position, \$19,660,496 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$26,583,494 may be used to meet the government's ongoing obligations to citizens and creditors. As of December 31, 2012 and December 31, 2011, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its governmental and business-type activities, with the exception of business-type activities negative balance of \$2,390,995 as of December 31, 2012.

Analysis of the City's Operations

The following table provides a summary of the City's operations for the year ended December 31, 2012 and December 31, 2011. Governmental activities increased the City's net position by \$11,138,331 for the year ended December 31, 2012 and increased net position by \$7,810,339 for the year ended December 31, 2011. Business-type activities increased the City's net position by \$2,370,729 for the year ended December 31, 2012 and decreased the net position by \$1,154,370 for the year ended December 31, 2011.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program revenues:						
Charges for services	\$ 8,230,215	\$ 7,578,483	\$ 94,294,219	\$ 93,465,141	\$ 102,524,434	\$ 101,043,624
Operating grants and contributions	2,210,404	7,800,428	-	-	2,210,404	7,800,428
Capital grants	7,829,373	-	-	-	7,829,373	-
General revenues:						
Taxes	49,745,502	47,967,946	-	-	49,745,502	47,967,946
Franchise fees	2,738,721	2,847,350	-	-	2,738,721	2,847,350
Investment income	61,029	61,836	500,750	994,939	561,779	1,056,775
Miscellaneous	<u>1,095,215</u>	<u>1,717,391</u>	<u>1,098,130</u>	<u>2,327,715</u>	<u>2,193,345</u>	<u>4,045,106</u>
Total revenues	<u>71,910,459</u>	<u>67,973,434</u>	<u>95,893,099</u>	<u>96,787,795</u>	<u>167,803,558</u>	<u>164,761,229</u>
Expenses:						
General government	20,646,378	14,138,303	-	-	20,646,378	14,138,303
Public safety	35,650,056	35,671,413	-	-	35,650,056	35,671,413
Public works	1,052,433	1,063,724	-	-	1,052,433	1,063,724
Street and traffic	2,190,617	5,490,357	-	-	2,190,617	5,490,357
Health and sanitation	5,307,288	4,942,448	-	-	5,307,288	4,942,448
Community development	4,348,277	3,676,945	-	-	4,348,277	3,676,945
Culture and recreation	3,344,189	6,700,575	-	-	3,344,189	6,700,575
Interest and fiscal charges	232,890	264,788	-	-	232,890	264,788
Electric Department	-	-	<u>81,522,370</u>	<u>85,942,165</u>	<u>81,522,370</u>	<u>85,942,165</u>
Total expenses	<u>72,772,128</u>	<u>71,948,553</u>	<u>81,522,370</u>	<u>85,942,165</u>	<u>154,294,498</u>	<u>157,890,718</u>
Increases (decreases) in net position before transfers	(861,669)	(3,975,119)	14,370,729	10,845,630	13,509,060	6,870,511
Transfers	<u>12,000,000</u>	<u>11,785,458</u>	<u>(12,000,000)</u>	<u>(12,000,000)</u>	-	<u>(214,542)</u>
Increases (decreases) in net position	<u>11,138,331</u>	<u>7,810,339</u>	<u>2,370,729</u>	<u>(1,154,370)</u>	<u>13,509,060</u>	<u>6,655,969</u>
Net position - Beginning of year	<u>77,439,009</u>	<u>79,084,728</u>	<u>93,949,414</u>	<u>96,074,515</u>	<u>171,388,423</u>	<u>175,159,243</u>
Net position - End of year	<u>\$ 88,577,340</u>	<u>\$ 86,895,067</u>	<u>\$ 96,320,143</u>	<u>\$ 94,920,145</u>	<u>\$ 184,897,483</u>	<u>\$ 181,815,212</u>

**CITY OF NORTH LITTLE ROCK, ARKANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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 \$28,862,243. Approximately 67.16% of this total amount or \$19,383,764 constitutes unassigned fund balances available for spending. The remainder of the fund balances are either restricted (\$4,496,012), assigned by designation by management for encumbrances and accumulated vacation and sick leave (\$4,982,467)

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 \$18,759,912, while total fund balance was \$20,029,917. 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 31.26% of total expenditures, while total fund balance represents 33.37% of that same amount.

The General Fund's fund balance increased by \$2,123,037 during the current fiscal year. Key factors included:

Total revenues increased by \$3,036,354, highlighted by the following:

- Sales taxes increased \$514,587.
- Property taxes increased \$1,554,623.
- Franchise fees decreased \$108,629.
- Fines and forfeitures increased \$239,241.
- Charges for services increased \$240,268.
- Intergovernmental revenues increased \$1,014,334.
- Miscellaneous income decreased \$453,045.

Total expenditures increased by \$3,936,818. Classifications were mostly stable with changes highlighted by the following:

- Total general government increased by \$213,020.
- Emergency services increased by \$98,527.
- Public safety - fire increased by \$78,311.
- Public safety - police increased by \$628,231.
- Sanitation increased by \$349,812.
- Senior Citizens Center increased by \$121,634.
- Special appropriations increased by \$2,351,333.

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 had a negative balance of \$4,398,302 as of December 31, 2012. The fund had a net change in position increase for the fiscal year totaling \$2,299,176.

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 \$58,236,739 as compared to the original budgeted expenditures of \$56,038,464, an increase of \$2,198,275. The main components of this increase in expenditures were increases in special appropriations of \$1,295,000, public safety - police of \$248,223, public safety - fire of \$211,771 and emergency services of \$192,430.

**CITY OF NORTH LITTLE ROCK, ARKANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2012 amounts to \$187,894,902, 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 governmental construction in progress totaling \$2,347,210.
- Purchases of land for governmental activities totaling \$1,527,197.
- Additions to governmental buildings totaling \$1,938,746.
- Increases in Electric Department construction in progress totaling \$5,842,677.
- Additions to the Electrical system totaling \$4,877,086.
- Purchases of equipment for the Electric Department totaling \$1,368,643.

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land and land rights	\$ 7,986,257	\$ 7,602,967	\$ 2,032,960	\$ 2,032,960	\$ 10,019,217	\$ 9,635,927
Construction in progress	6,962,078	8,390,441	10,266,881	8,514,916	17,228,959	16,905,357
Utility system plant and equipment	-	-	227,167,343	214,472,765	227,167,343	214,472,765
Infrastructure	19,054,363	17,379,468	-	-	19,054,363	17,379,468
Buildings	39,452,485	38,483,966	-	-	39,452,485	38,483,966
Land Improvements	7,088,397	3,878,799	-	-	7,088,397	3,878,799
Vehicles	17,117,995	17,285,350	-	-	17,117,995	17,285,350
Equipment	16,370,558	15,734,009	-	-	16,370,558	15,734,009
Ships and watercraft	3,794,355	3,794,355	-	-	3,794,355	3,794,355
Accumulated depreciation	(51,783,036)	(48,577,979)	(117,615,734)	(111,592,807)	(169,398,770)	(160,170,786)
Total	\$ 66,043,452	\$ 63,971,376	\$ 121,851,450	\$ 113,427,834	\$ 187,894,902	\$ 177,399,210

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 \$78,739,976 in outstanding debt consisting of revenue bonds, general obligation bonds, and notes payable. Of this debt, \$71,780,000 was secured by specific revenue sources.

CITY OF NORTH LITTLE ROCK, ARKANSAS' OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue bonds	\$ -	\$ -	\$ 71,780,000	\$ 76,585,000	\$ 71,780,000	\$ 76,585,000
Notes payable	6,959,976	9,142,687	-	-	6,959,976	9,142,687
Total	\$ 6,959,976	\$ 9,142,687	\$ 71,780,000	\$ 76,585,000	\$ 78,739,976	\$ 85,727,687

The City's total debt (including compensated absences and other long-term operating liabilities) decreased by \$4,504,444 during the current fiscal year. Additional information on the City's long-term debt can be found in note 4 in the notes to the basic financial statements.

**CITY OF NORTH LITTLE ROCK, ARKANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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 2013 budget for the General Fund includes budgeted revenues of \$47,028,000, transfers from the Electric Department of \$12,000,000, and expenditures of \$59,104,966 for a projected deficit of \$76,966.

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF NORTH LITTLE ROCK, ARKANSAS
STATEMENT OF NET POSITION
DECEMBER 31, 2012

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	\$ 12,677,906	\$ 17,386,712	\$ 30,064,618	\$ 3,214,033
Certificates of deposits	8,303,838	962,251	9,266,089	5,166,219
Receivables - net	15,343,691	3,957,575	19,301,266	4,530,409
Due from other governments	3,110,232	-	3,110,232	149,665
Internal balances	16,949	(16,949)	-	-
Prepaid expenses	-	2,528,806	2,528,806	13,072
Inventories	-	3,543,072	3,543,072	24,014
Restricted cash and cash equivalents	-	20,086,894	20,086,894	429,234
Restricted certificates of deposit	-	1,395,481	1,395,481	-
Restricted interest receivable and other assets	-	9,304	9,304	-
Restricted investments	-	1,356,355	1,356,355	-
Unbilled revenues	-	4,124,000	4,124,000	-
Pension fund excess	-	-	-	120,883
Capital assets being depreciated - net	51,095,117	109,551,609	160,646,726	67,286,001
Capital assets not being depreciated	14,948,335	12,299,841	27,248,176	6,592,424
Total assets	105,496,068	177,184,951	282,681,019	87,525,954
Deferred outflows of resources				
Deferred amount from refunding of bonds	-	3,313,567	3,313,567	-
Total assets and deferred outflows of resources	\$ 105,496,068	\$ 180,498,518	\$ 285,994,586	\$ 87,525,954
LIABILITIES				
Accounts payable	711,407	5,686,389	6,397,796	435,778
Accrued interest	-	1,047,113	1,047,113	-
OPEB liability	912,778	266,720	1,179,498	-
Other accrued liabilities	1,831,495	471,874	2,303,369	1,167,311
Deferred grant revenue	84,732	-	84,732	-
Due to other governments	18,181	-	18,181	-
Notes payable due in less than one year	1,967,809	-	1,967,809	-
Revenue bonds payable in less than one year	-	2,935,000	2,935,000	1,758,877
Customer deposits payable in less than one year	-	1,054,519	1,054,519	-
Notes payable due in more than one year	4,992,167	-	4,992,167	-
Revenue bonds payable in more than one year	-	68,845,000	68,845,000	18,745,997
Customer deposits payable in more than one year	-	2,598,220	2,598,220	-
Accrued compensated absences	6,400,159	1,273,540	7,673,699	661,649
Total liabilities	16,918,728	84,178,375	101,097,103	22,769,612
NET POSITION				
Net investment in capital assets	59,083,476	79,570,017	138,653,493	53,373,551
Restricted :				
Expendable				
Electric Department	-	19,141,121	19,141,121	-
Other	519,375	-	519,375	398,141
Nonexpendable	-	-	-	33,296
Unrestricted	28,974,489	(2,390,995)	26,583,494	10,951,354
Total net position	88,577,340	96,320,143	184,897,483	64,756,342
Total liabilities and net position	\$ 105,496,068	\$ 180,498,518	\$ 285,994,586	\$ 87,525,954

See notes to basic financial statements.

CITY OF NORTH LITTLE ROCK, ARKANSAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

		Program Revenues						
		Expenses	Charges for services	Operating Grants and Contributions	Capital Grants and Contributions			
Functions/Programs:								
Primary government:								
Governmental activities:								
General government	\$	20,646,378	\$	2,522,091	\$	125,962	\$	11,150
Public safety		35,650,056		3,454,944		580,806		1,033,567
Public works		1,052,433		-		-		5,571
Street and traffic		2,190,617		36,504		-		940,298
Health and sanitation		5,307,288		721,565		1,373,365		87,208
Community development		4,348,277		-		-		5,374,655
Culture and recreation		3,344,189		1,495,111		130,271		376,924
Interest and fiscal charges		232,890		-		-		-
Total governmental activities		72,772,128		8,230,215		2,210,404		7,829,373
Business-type Activities								
Electric Department		81,522,370		94,294,219		-		-
Total business-type activities		81,522,370		94,294,219		-		-
Total primary government	\$	154,294,498	\$	102,524,434	\$	2,210,404	\$	7,829,373
Component Units								
Waste Water Utility		11,568,134		11,924,271		-		-
William F. Laman Public Library		3,195,308		196,545		1,480		-
Airport Commission		1,172,333		259,457		-		756,306
Advertising and Promotion Commission		988,000		263,564		-		-
	\$	16,923,775	\$	12,643,837	\$	1,480	\$	756,306
General revenues:								
Taxes - sales								
Taxes - other								
Franchise fees								
Investment income (loss)								
Grants and contributions not restricted to specific programs								
Other								
Transfers								
Total general revenues and transfers								
Change in net position								
Net position at beginning of year								
Net position at end of year								

See notes to basic financial statements.

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (17,987,175)	\$ -	\$ (17,987,175)	\$ -
(30,580,739)	-	(30,580,739)	-
(1,046,862)	-	(1,046,862)	-
(1,213,815)	-	(1,213,815)	-
(3,125,150)	-	(3,125,150)	-
1,026,378	-	1,026,378	-
(1,341,883)	-	(1,341,883)	-
(232,890)	-	(232,890)	-
(54,502,136)	-	(54,502,136)	-
-	12,771,849	12,771,849	-
-	12,771,849	12,771,849	-
(54,502,136)	12,771,849	(41,730,287)	-
-	-	-	356,137
-	-	-	(2,997,283)
-	-	-	(156,570)
-	-	-	(724,436)
-	-	-	(3,522,162)
37,316,637	-	37,316,637	1,016,082
12,428,865	-	12,428,865	2,700,887
2,738,721	-	2,738,721	-
61,029	500,750	561,779	29,355
-	-	-	-
-	-	-	1,496,079
1,095,215	1,098,130	2,193,345	188,157
12,000,000	(12,000,000)	-	-
65,640,467	(10,401,120)	55,239,347	5,430,560
11,138,331	2,370,729	13,509,060	1,908,408
77,439,009	93,949,414	171,388,423	62,847,934
\$ 88,577,340	\$ 96,320,143	184,897,483	\$ 64,756,342

CITY OF NORTH LITTLE ROCK, ARKANSAS
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 8,108,530	\$ 4,569,376	\$ 12,677,906
Investments-certificates of deposits	7,140,361	1,163,477	8,303,838
Property taxes receivable - net	6,665,417	1,279,141	7,944,558
Sales tax receivable	5,074,710	1,408,857	6,483,567
Franchise tax receivable	875,958	-	875,958
Accounts receivable - other	39,608	-	39,608
Due from other governments	1,371,972	1,738,260	3,110,232
Due from other funds	658,551	1,050,680	1,709,231
	<u>29,935,107</u>	<u>11,209,791</u>	<u>41,144,898</u>
Total assets	\$ 29,935,107	\$ 11,209,791	\$ 41,144,898
LIABILITIES			
Accounts payable	\$ 711,407	\$ -	\$ 711,407
Accrued expenses	1,701,522	129,973	1,831,495
Due to other funds	747,112	945,170	1,692,282
Due to other governments	-	18,181	18,181
Deferred revenue	6,745,149	1,284,141	8,029,290
	<u>9,905,190</u>	<u>2,377,465</u>	<u>12,282,655</u>
Total liabilities	9,905,190	2,377,465	12,282,655
FUND BALANCES			
Restricted:			
Non-uniformed employees	359,689	-	359,689
Other	159,686	-	159,686
Street and traffic	-	1,084,591	1,084,591
Parks and recreation	-	916,455	916,455
Police-Equitable sharing	-	75,713	75,713
Drainage improvement	-	438,148	438,148
Acquisition and construction of			
Capital assets and improvements	-	1,461,730	1,461,730
Assigned	750,630	4,231,837	4,982,467
Unassigned	18,759,912	623,852	19,383,764
	<u>20,029,917</u>	<u>8,832,326</u>	<u>28,862,243</u>
Total fund balances	20,029,917	8,832,326	28,862,243
Total liabilities and fund balances	\$ 29,935,107	\$ 11,209,791	\$ 41,144,898

See notes to basic financial statements.

CITY OF NORTH LITTLE ROCK, ARKANSAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2012

Total fund balances - governmental funds	\$ 28,862,243
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	66,043,452
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	7,944,558
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Compensated absences	(6,400,159)
OPEB liability	(912,778)
Notes payable	<u>(6,959,976)</u>
Net position of governmental activities	<u>\$ 88,577,340</u>

See notes to basic financial statements.

CITY OF NORTH LITTLE ROCK, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Taxes - sales	\$ 24,714,414	\$ 12,602,223	\$ 37,316,637
Taxes - other	10,861,194	1,352,953	12,214,147
Franchise fees	2,738,721	-	2,738,721
Fines and forfeitures	3,078,131	-	3,078,131
Licenses and permits	2,373,004	-	2,373,004
Charges for services	1,502,935	1,276,145	2,779,080
Intergovernmental	3,972,934	6,066,843	10,039,777
Investment earnings	38,603	22,426	61,029
Miscellaneous	955,985	139,230	1,095,215
Total revenues	50,235,921	21,459,820	71,695,741
Expenditures			
General government:			
Administration	1,906,080	-	1,906,080
City clerk	243,263	-	243,263
Code enforcement	906,462	-	906,462
Commerce	288,262	-	288,262
Finance	731,961	-	731,961
Fiscal control	75,323	-	75,323
District court - first division	548,404	-	548,404
District court - second division	497,547	-	497,547
Legal	572,037	-	572,037
Human resources	540,583	-	540,583
Planning	505,723	-	505,723
Public defender	6,338	-	6,338
Vehicle maintenance	797,882	-	797,882
Total general government	7,619,865	-	7,619,865
Animal shelter	710,062	-	710,062
Community development	-	4,193,464	4,193,464
Emergency services	1,730,048	-	1,730,048
Health	404,550	-	404,550
Neighborhood services	154,354	-	154,354
Parks and recreation	-	5,829,907	5,829,907
Public safety - fire	13,509,556	-	13,509,556
Public safety - police	20,030,861	101,335	20,132,196
Public works	1,025,014	-	1,025,014
Sanitation	4,750,674	-	4,750,674
Senior citizens	918,477	-	918,477
Special appropriations	9,161,600	-	9,161,600
Street and traffic	-	5,219,777	5,219,777
Capital outlay	-	6,285,083	6,285,083
Debt service:			
Principal retirement	-	2,182,711	2,182,711
Interest and agents fees	-	232,890	232,890
Total expenditures	60,015,061	24,045,167	84,060,228
Excess (deficiency) of revenues over (under) expenditures	(9,779,140)	(2,585,347)	(12,364,487)
Other Financing Sources (Uses)			
Transfers in	12,000,000	3,675,245	15,675,245
Transfers out	(97,823)	(3,881,681)	(3,979,504)
Total other financing sources (uses)	11,902,177	(206,436)	11,695,741
Net change in fund balances	2,123,037	(2,791,783)	(668,746)
Fund balances - beginning of year - restated	17,906,880	11,624,109	29,530,989
Fund balances - end of year	\$ 20,029,917	\$ 8,832,326	\$ 28,862,243

See notes to basic financial statements.

CITY OF NORTH LITTLE ROCK, ARKANSAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2012

Net change in fund balances - total governmental funds	\$	(668,746)
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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.		15,048,295
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Depreciation expense on capital assets is reported in the statement of activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds.		(4,213,200)
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Property tax revenues are reported in the statement of activities, but do not provide current financial resources. Therefore, deferred property tax revenues are not reported as revenues in governmental funds. This is the change in the amount of property taxes deferred in the governmental funds, but not in the statement of activities		214,718
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Long-term compensated absences are reported in the statement of activities, but they do not require the use of current financial resources. Therefore, long-term compensated absences are not reported as expenditures in governmental funds. This is the change in the amount accrued on the governmental wide financial statements.		(1,239,819)
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Long-term OPEB benefits payable are reported in the statement of activities, but they do not require the use of current financial resources. Therefore, OPEB benefits payable are not reported as expenditures in governmental funds. This is the change in the amount accrued on the governmental wide financial statements.		(185,628)
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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.		2,182,711
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Change in net position of governmental activities	\$	<u>11,138,331</u>
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See notes to basic financial statements.

CITY OF NORTH LITTLE ROCK, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Original Budget	Changes	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues					
Taxes - sales	\$ 24,000,000	\$ 625,000	\$ 24,625,000	\$ 24,714,414	\$ 89,414
Taxes - other	9,439,864	1,590,288	11,030,152	10,861,194	(168,958)
Franchise fees	2,860,000	(130,000)	2,730,000	2,738,721	8,721
Fines and forfeitures	2,799,000	30,000	2,829,000	3,078,131	249,131
Licenses and permits	2,309,100	32,200	2,341,300	2,373,004	31,704
Charges for services	1,225,000	70,000	1,295,000	1,502,935	207,935
Intergovernmental	455,000	-	455,000	3,972,934	3,517,934
Investment earnings	50,500	-	50,500	38,603	(11,897)
Miscellaneous	900,000	120,000	1,020,000	955,985	(64,015)
Total revenues	44,038,464	2,337,488	46,375,952	50,235,921	3,859,969
Expenditures					
General government					
Administration	1,978,685	8,020	1,986,705	1,906,080	80,625
City clerk	258,517	1,616	260,133	243,263	16,870
Code enforcement	831,936	73,936	905,872	906,462	(590)
Commerce	286,186	1,972	288,158	288,262	(104)
Finance	752,275	6,727	759,002	731,961	27,041
Fiscal control	80,075	821	80,896	75,323	5,573
District court - first division	584,982	4,819	589,801	548,404	41,397
District court - second division	458,458	19,935	478,393	497,547	(19,154)
Legal	560,336	37,477	597,813	572,037	25,776
Human resources	508,996	19,512	528,508	540,583	(12,075)
Planning	544,243	4,054	548,297	505,723	42,574
Public defender	6,100	-	6,100	6,338	(238)
Vehicle maintenance	804,473	5,618	810,091	797,882	12,209
Total general government	7,655,262	184,507	7,839,769	7,619,865	219,904
Animal shelter	664,250	34,035	698,285	710,062	(11,777)
Emergency services	1,543,195	192,430	1,735,625	1,730,048	5,577
Health	444,488	1,061	445,549	404,550	40,999
Neighborhood services	137,998	16,266	154,264	154,354	(90)
Public safety - fire	13,110,747	211,771	13,322,518	13,509,556	(187,038)
Public safety - police	19,500,000	248,223	19,748,223	20,030,861	(282,638)
Public works	1,092,339	7,088	1,099,427	1,025,014	74,413
Sanitation	4,700,000	5,847	4,705,847	4,750,674	(44,827)
Senior citizens	935,132	2,047	937,179	918,477	18,702
Special appropriations	6,255,053	1,295,000	7,550,053	9,161,600	(1,611,547)
Total expenditures	56,038,464	2,198,275	58,236,739	60,015,061	(1,778,322)
Excess (deficiency) of revenues over (over) expenditures	(12,000,000)	139,213	(11,860,787)	(9,779,140)	2,081,647

See notes to basic financial statements.

CITY OF NORTH LITTLE ROCK, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Original Budget</u>	<u>Changes</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Excess (deficiency) of revenues over (over) expenditures	(12,000,000)	139,213	(11,860,787)	(9,779,140)	2,081,647
Other Financing Sources (Uses)					
Transfers in	12,000,000	-	12,000,000	12,000,000	-
Transfers out	<u>-</u>	<u>(97,823)</u>	<u>(97,823)</u>	<u>(97,823)</u>	<u>-</u>
Total other financing sources (uses)	<u>12,000,000</u>	<u>(97,823)</u>	<u>11,902,177</u>	<u>11,902,177</u>	<u>-</u>
Net change in fund balance	-	41,390	41,390	2,123,037	2,081,647
Fund balance - beginning of year - restated	<u>17,906,880</u>	<u>-</u>	<u>17,906,880</u>	<u>17,906,880</u>	<u>-</u>
Fund balance - end of year	<u>\$ 17,906,880</u>	<u>\$ 41,390</u>	<u>\$ 17,948,270</u>	<u>\$ 20,029,917</u>	<u>\$ 2,081,647</u>

See notes to basic financial statements.

CITY OF NORTH LITTLE ROCK, ARKANSAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012

	Business-type Activities Enterprise Fund Electric Department	Internal Service Fund
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 15,965,472	\$ 1,421,240
Certificates of deposit	-	962,251
Restricted cash and cash equivalents	13,384,750	1,054,519
Accounts receivable - net of allowance	3,864,548	13,169
Other receivables	76,566	3,292
Due from other funds	382,575	202,071
Prepaid expenses	2,429,849	98,957
Unbilled revenues	4,124,000	-
Materials and supplies	3,543,072	-
	<u>43,770,832</u>	<u>3,755,499</u>
Total current assets		
	<u>43,770,832</u>	<u>3,755,499</u>
Noncurrent Assets:		
Restricted assets		
Cash and cash equivalents	4,400,016	1,247,609
Certificates of deposit	-	1,395,481
Accrued interest receivable	-	9,304
Investments	1,356,355	-
	<u>5,756,371</u>	<u>2,652,394</u>
Total restricted assets		
	<u>5,756,371</u>	<u>2,652,394</u>
Capital assets		
Land and land rights	2,032,960	-
Plant and equipment	226,201,674	965,669
Construction in progress	10,266,881	-
Less: accumulated depreciation	(116,814,840)	(800,894)
	<u>121,686,675</u>	<u>164,775</u>
Property, plant and equipment - net		
	<u>121,686,675</u>	<u>164,775</u>
Total noncurrent assets		
	<u>127,443,046</u>	<u>2,817,169</u>
Total assets	<u>171,213,878</u>	<u>6,572,668</u>
Deferred outflows of resources		
Deferred amount from refunding of bonds	3,313,567	-
	<u>3,313,567</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 174,527,445</u>	<u>\$ 6,572,668</u>

See notes to basic financial statements.

	Business-type Activities Enterprise Fund Electric Department	Internal Service Fund
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 5,686,389	\$ -
Accrued expenses and other liabilities	609,247	115,683
Due to other funds	207,841	393,754
Customer deposits	-	1,054,519
Revenue bonds payable - current portion	2,935,000	-
Accrued interest payable	1,047,113	-
	<u>10,485,590</u>	<u>1,563,956</u>
Total current liabilities		
Noncurrent Liabilities		
Customer deposits	-	2,598,220
Interest earned on restricted investments	-	13,664
Accrued compensated absences	1,048,794	224,746
Revenue bonds payable, net of current	68,845,000	-
	<u>69,893,794</u>	<u>2,836,630</u>
Total noncurrent liabilities		
Total liabilities	<u>80,379,384</u>	<u>4,400,586</u>
Net Position:		
Net investment in capital assets	79,405,242	164,775
Restricted - expendable	19,141,121	-
Unrestricted net position	(4,398,302)	2,007,307
	<u>94,148,061</u>	<u>2,172,082</u>
Total net position		
Total liabilities and net position	<u>\$ 174,527,445</u>	<u>\$ 6,572,668</u>

CITY OF NORTH LITTLE ROCK, ARKANSAS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-type Activities Enterprise Fund Electric Department	Internal Service Fund
OPERATING REVENUES		
Charges for services	\$ 91,842,679	\$ 2,371,525
Other income	<u>-</u>	<u>80,015</u>
Total operating revenues	<u>91,842,679</u>	<u>2,451,540</u>
OPERATING EXPENSES		
Purchased electricity	52,418,202	-
Generation, transmission and distribution expenses	8,607,603	-
Customer records and collection expenses	2,586,029	2,302,474
Depreciation	6,064,394	80,439
General and administrative	<u>4,544,637</u>	<u>-</u>
Total operating expenses	<u>74,220,865</u>	<u>2,382,913</u>
Operating Income	17,621,814	68,627
NONOPERATING REVENUES (EXPENSES)		
Investment earnings(loss)	497,824	2,926
Other income	1,098,130	-
Interest expense	(3,832,098)	-
Bond issuance costs	(993,390)	-
Trustee fees	<u>(93,104)</u>	<u>-</u>
Total nonoperating revenues (expense)	<u>(3,322,638)</u>	<u>2,926</u>
Income before transfers out	14,299,176	71,553
Transfers Out	<u>12,000,000</u>	<u>-</u>
Change in net position	2,299,176	71,553
Net position at beginning of year	<u>91,848,885</u>	<u>2,100,529</u>
Net position at end of year	<u>\$ 94,148,061</u>	<u>\$ 2,172,082</u>

See notes to basic financial statements.

CITY OF NORTH LITTLE ROCK, ARKANSAS
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-type Activities Enterprise Fund Electric Department	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 91,299,701	\$ -
Receipts from other governments	-	2,442,081
Payments for purchased electricity	(52,418,202)	-
Payments to vendors for goods and services	(8,233,469)	(602,926)
Payments to employees	(5,604,272)	(1,564,809)
Payments for taxes	(1,031,276)	-
Net cash provided by (used in) operating activities	<u>24,012,482</u>	<u>274,346</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers out	(12,000,000)	-
Net change in customer deposits	-	322,749
Penalty income	950,407	-
Net cash provided by (used in) noncapital financing activities	<u>(11,049,593)</u>	<u>322,749</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of property, plant and equipment	(14,816,776)	(72,964)
Refunding of 1992, 1997 and 2009 bonds	(9,783,639)	-
Interest paid on long-term debt	(3,818,383)	-
Other receipts	375,910	-
Net cash provided by (used in) capital and related financing activities	<u>(28,042,888)</u>	<u>(72,964)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in certificates of deposits	-	(3,777)
Proceeds from maturities of investment securities	21,059,596	-
Interest on investments	820,049	2,926
Net cash provided by (used in) investing activities	<u>21,879,645</u>	<u>(851)</u>
Net increase (decrease) in cash and cash equivalents	6,799,646	523,280
Cash and cash equivalents at beginning of year	<u>26,950,592</u>	<u>2,145,569</u>
Cash and cash equivalents at end of year	<u>\$ 33,750,238</u>	<u>\$ 2,668,849</u>
Presented on the balance sheet as follows:		
Current assets - cash and cash equivalents	\$ 15,965,472	\$ 1,421,240
Current assets - restricted cash and cash equivalents	13,384,760	-
Noncurrent assets - cash and cash equivalents	<u>4,400,016</u>	<u>1,247,609</u>
	<u>\$ 33,750,238</u>	<u>\$ 2,668,849</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating income	\$ 17,621,814	\$ 68,627
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	6,064,394	80,439
Changes in operating assets and liabilities		
Accounts and other receivables	(688,978)	(9,459)
Unbilled revenues	146,000	-
Prepaid expenses and accrued interest	91,984	10,987
Materials and supplies	(1,239,618)	-
Accounts payable and accrued expenses and interest earned on restricted assets	<u>2,016,886</u>	<u>123,762</u>
Net cash provided by (used in) operating activities	<u>\$ 24,012,482</u>	<u>\$ 274,346</u>
Supplemental disclosures of noncash transactions investing and financing activities:		
Amortization deferred on bond refunding, included in interest expense	<u>\$ 671,682</u>	

See notes to basic financial statements.

CITY OF NORTH LITTLE ROCK, ARKANSAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2012

	<u>Pension Trust Non-Uniformed Employees Retirement Fund</u>
Assets	
Cash and cash equivalents	\$ 1,896,034
Investments - at fair value	<u>37,909,758</u>
Total assets	<u><u>\$ 39,805,792</u></u>
 Net Position	
Held in trust for pension benefits	<u><u>\$ 39,805,792</u></u>

See notes to basic financial statements.

CITY OF NORTH LITTLE ROCK, ARKANSAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Pension Trust Non-Uniformed Employees Retirement Fund</u>
ADDITIONS	
Contributions:	
Employer and employee contributions	\$ 2,038,272
Miscellaneous contributions	<u>103</u>
Total contributions	2,038,375
Investment earnings	<u>2,910,527</u>
Total additions	<u>4,948,902</u>
DEDUCTIONS	
Pension expense	2,156,076
Trust and administration fees	<u>208,254</u>
Total deductions	<u>2,364,331</u>
NET POSITION	
Change in net position	2,584,572
Net position at beginning of year	<u>37,221,220</u>
Net position at end of year	<u><u>\$ 39,805,792</u></u>

See notes to basic financial statements.

CITY OF NORTH LITTLE ROCK, ARKANSAS
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2012

	<u>Major Component Units</u> William F.			<u>Nonmajor Component Unit</u>	
	<u>Waste Water Utility</u>	<u>Laman Public Library</u>	<u>Airport Commission</u>	<u>Advertising & Promotion Commission</u>	<u>Totals Component Units</u>
ASSETS					
Cash and cash equivalents	\$ 745,765	\$ 2,252,921	\$ 21,704	\$ 193,643	\$ 3,214,033
Certificates of deposit	4,856,316	-	-	309,903	5,166,219
Receivables - net	1,534,049	2,746,334	-	10,000	4,290,383
Note receivables - current	17,532	-	-	-	17,532
Due from other governments	-	-	131,940	17,725	149,665
Prepaid expenses	13,072	-	-	-	13,072
Inventories	20,482	3,532	-	-	24,014
Restricted assets - cash and investments	395,938	33,296	-	-	429,234
Note receivables - noncurrent	222,494	-	-	-	222,494
Pension fund excess	120,883	-	-	-	120,883
Unamortized portion of bond issue costs	-	-	-	-	-
Capital assets being depreciated - net	62,487,719	848,087	3,887,648	62,547	67,286,001
Capital assets not being depreciated	4,072,220	-	2,520,204	-	6,592,424
Total assets	\$ 74,486,470	\$ 5,884,170	\$ 6,561,496	\$ 593,818	\$ 87,525,954
LIABILITIES					
Accounts payable	352,207	8,929	71,814	2,828	435,778
Other accrued liabilities	333,220	-	1,491	-	334,711
Bonds payable due in less than one year	1,758,877	-	-	-	1,758,877
Reserve for bio-solids disposal	832,600	-	-	-	832,600
Bonds payable due in more than one year	18,745,997	-	-	-	18,745,997
Accrued compensated absences	600,860	53,818	-	6,971	661,649
Total liabilities	22,623,761	62,747	73,305	9,799	22,769,612
NET POSITION					
Net investment in capital assets	46,055,065	848,087	6,407,852	62,547	53,373,551
Restricted - expendable	395,938	-	2,203	-	398,141
Restricted - nonexpendable	-	33,296	-	-	33,296
Unrestricted	5,411,706	4,940,040	78,136	521,472	10,951,354
Total net position	51,862,709	5,821,423	6,488,191	584,019	64,756,342
Total liabilities and net position	\$ 74,486,470	\$ 5,884,170	\$ 6,561,496	\$ 593,818	\$ 87,525,954

See notes to basic financial statements.

CITY OF NORTH LITTLE ROCK, ARKANSAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2012

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Position					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Waste Water Utility	William F. Laman Public Library	Airport Commission	Advertising & Promotion Commission	Totals Component Units
Governmental activities:									
William F. Laman Public Library Advertising and Promotion	\$ 3,195,308	\$ 196,545	\$ 1,480	\$ -	\$ -	\$ (2,997,283)	\$ -	\$ -	\$ (2,997,283)
	988,000	263,564	-	-	-	-	-	(724,436)	(724,436)
Total governmental activities	4,183,308	460,109	1,480	-	-	(2,997,283)	-	(724,436)	(3,721,719)
Business-type Activities									
Waste Water Utility	11,568,134	11,924,271	-	756,306	356,137	-	(156,570)	-	356,137
Airport Commission	1,172,333	259,457	-	-	-	-	(156,570)	-	(156,570)
Total business-type activities	12,740,467	12,183,728	-	756,306	356,137	-	(156,570)	-	199,567
Total component units	\$ 16,923,775	\$ 12,643,837	\$ 1,480	\$ 756,306	356,137	(2,997,283)	(156,570)	(724,436)	(3,522,152)
General Revenues									
Taxes - property					-	2,700,887	-	-	2,700,887
Taxes - sales					-	210,997	-	805,085	1,016,082
Investment income					24,823	2,772	86	1,674	29,355
Grants and contributions not restricted to specific programs					1,370,144	125,935	-	-	1,496,079
Other					60,700	9,987	22,353	10,031	103,071
Transfers					-	-	85,086	-	85,086
Total general revenues					1,455,667	3,050,578	107,525	816,790	5,430,560
Change in net position					1,811,804	53,295	(49,046)	92,354	1,908,408
Net position at beginning of year					50,050,905	5,768,128	6,537,236	491,665	62,847,934
Net position at end of year					\$ 51,862,709	\$ 5,821,423	\$ 6,488,191	\$ 584,019	\$ 64,756,342

See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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 also apply Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements. The following is a summary of the significant accounting and reporting policies of the City:

REPORTING ENTITY

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

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

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

Discretely Presented Component Units

Major Component Units:

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

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

Other Component Units:

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

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

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

**CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

Related Organizations

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

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

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

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary fund. Separate statements for each fund (governmental, proprietary and fiduciary) are presented. The emphasis of fund financial statements is on major governmental and major enterprise funds, each displayed in a separate column. All other governmental are aggregated and reported as nonmajor funds. The City has no nonmajor enterprise funds.

CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

The City reports the following major governmental funds:

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

The City reports the following major enterprise funds:

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

Other funds of the City include the following:

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

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

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by enterprise funds.

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

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-wide, Proprietary and Fiduciary Funds

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

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

Nonexchange transactions, in which the City receives (or gives) value without directly giving (or receiving) equal value in exchange, include taxes; fines and forfeitures; grants, entitlements, and similar items; and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Franchise taxes, other taxes, and fines and forfeitures are recognized as revenues; net of estimated refunds and uncollectible amounts, in the accounting period in which an enforceable legal claim to the assets arises and the uses of resources is required or is first permitted. Grants, entitlements, and donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as deferred revenues. Grants and similar aid to other organizations are recognized as expenses as soon as recipients have met all eligibility requirements. Amounts paid before all eligibility requirements have been met are reported as prepaid items.

**CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

Governmental Fund Financial Statements

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

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

BUDGETS AND BUDGETARY ACCOUNTING

A General Fund annual operating budget is prepared by the Finance Department on an annual basis. The budget reflects revenues expected to be received during the year and expenditures expected to be incurred. The Mayor is required by City and State law to submit the budget to the City Council for approval. The City Council subsequently adopts the budget by City ordinance no later than December 31 of each year. Department expenditures relating to budgeted items may not exceed their appropriated amount without approval. Transfers over budgeted amounts must receive City Council approval. The original budget of the General Fund was amended in 2012. Appropriations for specials projects are made each year by the City Council to finance specific events and capital outlays. These projects are carried forward until they are fully expended or repealed by the City Council's ordinance. Appropriations lapse at the end of each year.

CASH AND CASH EQUIVALENTS

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

INVESTMENTS AND INVESTMENT INCOME

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

**CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

RESTRICTED ASSETS

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

INTERFUND RECEIVABLES AND PAYABLES

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

TRANSACTIONS BETWEEN FUNDS

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

ACCOUNTS RECEIVABLE

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

Allowances have been established as follows at December 31, 2012:

Primary Government:	
Electric Department	\$ 588,530
Component Units:	
Waste Water Utility	10,000
William F. Laman Public Library	127,987

INVENTORIES

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

PREPAID ITEMS

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

DEBT ISSUANCE EXPENSES AND REVOLVING LOAN ISSUANCE EXPENSES

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

**CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

CAPITAL ASSETS

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

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

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

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

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

CAPITALIZED INTEREST

Interest costs are capitalized when incurred by proprietary funds on debt where proceeds were used to finance the construction of assets during the construction period of the related project. Total interest costs incurred by the Electric Department for the year ended December 31, 2012 were \$3,832,098. Total interest costs charged to expense by the Electric Department for the year ended December 31, 2012 were \$3,832,098. There were no interest costs capitalized by the Electric Department for the year ended December 31, 2012. Total interest costs incurred by the Waste Water Utility for the year ended December 31, 2012 were \$619,529. Total interest costs charged to expense by the Waste Water Utility for the year ended December 31, 2012 were \$619,529. There were no interest costs capitalized by the Waste Water Utility for the year ended December 31, 2012.

LONG-TERM OBLIGATIONS

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

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

CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

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. The William F. Public Library does not accrue sick leave.

DEFERRED REVENUE

Deferred revenue consists of governmental funds include unavailable property taxes and grant receipts received in advance that are to be expenses as costs are incurred. The property tax revenue is recognized as billed in the government-wide financial statements.

FUND EQUITY

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

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

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

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

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

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

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

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

**CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NET POSITION

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

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

Restricted nonexpendable net position represents noncapital assets that are required to be maintained in perpetuity as specified by parties external to the City, such as permanent endowments. The City has no restricted nonexpendable net position at December 31, 2012. The William F. Laman Library has restricted nonexpendable net position of \$33,296.

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

RESTRICTED/UNRESTRICTED RESOURCES

When both restricted and unrestricted resources are available for use, generally it is the City's policy to use unrestricted resources first. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws and regulations of other governments.

RECLASSIFICATION

Certain reclassifications have been made to the 2011 financial statements to conform to the current presentation.

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. 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. The City follows state statute as a matter of policy in relation to custodial credit risk.

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, 2012, none of the City's bank balances were exposed to custodial credit risk.

At December 31, 2012, none of the City's component unit bank balances were exposed to custodial credit risk.

SUMMARY OF CARRYING VALUES

Carrying Value:	
Deposits	\$ 60,813,082
Investments	<u>1,356,355</u>
Totals - primary government	\$ <u>62,169,437</u>

**CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

Included in the following statement of net position captions:

Cash and cash equivalents	\$ 30,064,618
Certificates of deposit	9,266,089
Restricted cash and investments	
Cash and cash equivalents	20,086,894
Certificates of deposit	1,395,481
Investments	<u>1,356,355</u>
Totals - primary government	\$ <u>62,169,437</u>

INVESTMENTS

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

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

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

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Provisions of debt agreements require that investments by the City in government obligations not directly guaranteed by the U.S. Government be rated no less than Aa by Moody's and AA by Standard and Poor's Investor Service. Any City's investments in U.S. agencies obligations not directly guaranteed by the U.S. Government were rated AAA by Moody's Investors Services and AAA by Standard & Poor's Investors Service. At December 31, 2012, 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 investments or collateral securities that are in the possession of an outside party. Any of the underlying securities for the City's investments are held by the City's agent in the agent's name. At December 31, 2012, 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. At December 31, 2012, the City had no such investments.

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

CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

As of December 31, 2012, the primary government of the City had investments and maturities as follows:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
U.S. agencies obligations	< than 1 year	\$ <u>1,356,355</u>
Total - primary government		\$ <u>1,356,355</u>

Total investment return for the City's primary government for the year ended December 31, 2012 is comprised of the following:

Investment income	\$ <u>561,779</u>
Net unrealized gains (losses) reported at fair value	<u>-</u>
Totals- primary government	\$ <u>561,779</u>

NOTE 3 - CAPITAL ASSETS

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

	<u>Balance December 31, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2012</u>
GOVERNMENTAL ACTIVITIES:				
Capital Assets, non-depreciable:				
Land and land rights	\$ 7,602,967	\$ 899,661	\$(516,371)	\$ 7,986,257
Construction in progress	<u>8,390,441</u>	<u>4,866,669</u>	<u>(6,295,032)</u>	<u>6,962,078</u>
Total capital assets, non-depreciable	<u>15,993,408</u>	<u>5,766,330</u>	<u>(6,811,403)</u>	<u>14,948,335</u>
Capital Assets, depreciable:				
Infrastructure	17,379,468	1,674,895	-	19,054,363
Buildings and building improvements	38,483,966	2,847,078	(1,878,559)	39,452,485
Land Improvements	3,878,799	3,209,598	-	7,088,397
Vehicles	17,285,350	680,473	(847,828)	17,117,995
Equipment	15,734,009	869,921	(233,372)	16,370,558
Ships and watercrafts	<u>3,794,355</u>	<u>-</u>	<u>-</u>	<u>3,794,355</u>
Total capital assets, depreciable	96,555,947	9,281,965	(2,959,759)	102,878,153
Less: accumulated depreciation:	<u>(48,577,979)</u>	<u>(4,213,200)</u>	<u>1,008,143</u>	<u>(51,783,036)</u>
Net capital assets, depreciable	<u>47,977,968</u>	<u>5,068,765</u>	<u>(1,951,616)</u>	<u>51,095,117</u>
Total governmental activities - net	\$ <u>63,971,376</u>	\$ <u>10,835,095</u>	\$(<u>8,763,019</u>)	\$ <u>66,043,452</u>

CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

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

	Balance December 31, 2011	Increases	Decreases	Balance December 31, 2012
BUSINESS-TYPE ACTIVITIES				
Capital Assets, non-depreciable:				
Land and land rights	\$ 2,032,960	\$ -	\$ -	\$ 2,032,960
Construction in progress	<u>8,514,916</u>	<u>14,080,518</u>	<u>(12,328,553)</u>	<u>10,266,881</u>
Total capital assets, non-depreciable	<u>10,547,876</u>	<u>14,080,518</u>	<u>(12,328,553)</u>	<u>12,299,841</u>
Capital Assets, depreciable:				
Plant and equipment	<u>214,472,765</u>	<u>13,137,775</u>	<u>(443,197)</u>	<u>227,167,343</u>
Total capital assets, depreciable	214,472,765	13,137,775	(443,197)	227,167,343
Less: accumulated depreciation:	<u>(111,592,807)</u>	<u>(6,144,833)</u>	<u>121,906</u>	<u>(117,615,734)</u>
Net capital assets, depreciable	<u>102,879,958</u>	<u>6,992,942</u>	<u>(321,291)</u>	<u>109,551,609</u>
Total business-type activities, net	<u>\$ 113,427,834</u>	<u>\$ 21,073,460</u>	<u>\$ (12,649,844)</u>	<u>\$ 121,851,450</u>

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

	Balance December 31, 2011	Increases	Decreases	Balance December 31, 2012
COMPONENT UNITS:				
Capital Assets, non-depreciable:				
Land and land rights	\$ 2,781,699	\$ 2,215,513	\$ -	\$ 4,997,212
Construction in progress	<u>2,342,442</u>	<u>1,749,881</u>	<u>(2,497,111)</u>	<u>1,595,212</u>
Total capital assets, non-depreciable	<u>5,124,141</u>	<u>3,965,394</u>	<u>(2,497,111)</u>	<u>6,592,424</u>
Capital Assets, depreciable:				
Buildings and building improvements	3,704,270	-	(46,223)	3,658,047
Infrastructure - Airport	17,530,302	410,342	-	17,940,644
Plant and equipment - Waste Water	106,265,218	3,498,892	(99,014)	109,665,096
Equipment	1,708,819	63,959	(600,617)	1,172,161
Vehicle	<u>65,152</u>	<u>-</u>	<u>-</u>	<u>65,152</u>
Total capital assets, depreciable	129,273,761	3,973,193	(745,854)	132,501,100
Less: accumulated depreciation	<u>(62,259,503)</u>	<u>(3,662,500)</u>	<u>706,903</u>	<u>(65,215,100)</u>
Net capital assets, depreciable	<u>67,014,258</u>	<u>310,693</u>	<u>(38,951)</u>	<u>67,286,000</u>
Total component units, net	<u>\$ 72,138,399</u>	<u>\$ 4,276,087</u>	<u>\$ (2,536,062)</u>	<u>\$ 73,878,424</u>

**CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	
Administrative	\$ 14,719
Code enforcement	23,653
Commerce and government relations	4,365
Community planning	8,129
District courts	9,825
Finance	2,064
General government	681,476
Health	15,988
Human resources - personnel	1,084
Legal - city attorney	2,892
Vehicle maintenance	<u>15,627</u>
Total general government	779,822
Culture and recreation - parks and recreation	771,273
Culture and recreation - senior citizens center	268,387
Community development - housing and neighborhood programs	459
Health and sanitation - animal shelter	12,288
Health and sanitation - sanitation department	166,670
Public safety - emergency services	24,626
Public safety - equitable sharing	11,142
Public safety - Fire	543,043
Public safety - Police	842,749
Public works	27,419
Streets and traffic	<u>765,322</u>
Total depreciation expense - governmental activities	<u>4,213,200</u>

Business-type activities:

Electric Department	6,064,394
Utilities Accounting Department	<u>80,439</u>
Total depreciation expense - business type activities	<u>6,144,833</u>

Total depreciation expense - primary government \$ 10,358,033

Component units:

Waste Water Utility	2,468,202
William F. Laman Public Library	209,453
Airport Commission	982,050
Advertising & Promotion	<u>2,795</u>
Total depreciation expense - component units	<u>3,662,500</u>

**CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 4 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended December 31, 2012:

<u>Type of Debt</u>	<u>Balance December 31, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2012</u>	<u>Amounts Due within One Year</u>
Governmental activities:					
Notes payable	\$ 9,142,687	\$ -	\$(2,182,711)	\$ 6,959,976	\$ 1,967,809
Compensated absences	<u>5,160,340</u>	<u>1,239,819</u>	<u>-</u>	<u>6,400,159</u>	<u>-</u>
Total governmental activities	\$ 14,303,027	\$ 1,239,819	\$(2,182,711)	\$ 13,360,135	\$ 1,967,809
Business-type activities:					
Revenue bonds	\$ 76,585,000	\$ 55,780,000	\$(60,585,000)	\$ 71,780,000	\$ 2,935,000
Customer deposits	2,501,066	1,151,673	-	3,652,739	-
Compensated absences	<u>1,181,765</u>	<u>91,775</u>	<u>-</u>	<u>1,273,540</u>	<u>-</u>
Total business activities	\$ 80,267,831	\$ 57,023,448	\$(60,585,000)	\$ 76,706,279	\$ 2,935,000
Component units:					
Waste Water Utility:					
Revolving loan	\$ 21,962,917	\$ 245,466	\$(1,703,509)	\$ 20,504,874	\$ 1,758,377
Compensated absences	577,339	23,521	-	600,860	-
William F. Laman Public Library:					
Compensated absences	52,432	1,386	-	53,818	-
Advertising & Promotion:					
Compensated absences	<u>6,971</u>	<u>-</u>	<u>-</u>	<u>6,971</u>	<u>-</u>
Total component units	\$ 22,599,659	\$ 270,373	\$(1,703,509)	\$ 21,166,523	\$ 1,758,377

Bonds and notes payable at December 31, 2012 were as follows:

GOVERNMENTAL ACTIVITIES

Short-term Financing Obligations:

2008 Series, original issue \$200,000, interest rate of 4.11%, maturity 2013	57,089
2009 Series, original issue \$1,268,500, interest rate of 2.96%, maturity 2014	529,699
2010-1 Series, original issue \$5,000,000, interest rate of 2.49%, maturity 2015	3,073,188
2010-2 Series, original issue \$2,000,000, interest rate of 2.49%, maturity 2015	2,000,000
2011 Series, original issue \$1,300,000, interest rate of 2.09%, maturity 2016	1,300,000

BUSINESS-TYPE ACTIVITIES

2011 Revenue Bonds, Interest rates of 2.3% to 5.1%, maturity 2031	16,000,000
2012 Revenue Bonds, Interest rates of 3.0% to 5.0%, maturity 2032	55,780,000

CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

COMPONENT UNITS

Revolving loans, interest rates of 1.75% - 4.0%, maturity variable

\$ 20,504,874

GOVERNMENTAL ACTIVITIES:

Notes Payable:

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

Short Term Financing Obligations, Series 2008 - The \$200,000 note was issued to finance construction of an RV park within the City. The note is not secured by any lien or security interest in any physical properties. The note is a general obligation secured by the full faith, credit, and resources of the City. Payments of principal and interest of \$40,312 are due August 15, 2009 and on the same day each year thereafter until August 15, 2013, at which date all principal and accrued interest will be due and payable. The interest rate is 4.11%.

Short Term Financing Obligations, Series 2009 - The \$1,268,500 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 a general obligation secured by the full faith, credit, and resources of the City. Payments of principal and interest of \$276,667 are due March 31, 2010 and on the same day each year thereafter until March 31, 2014, at which date all principal and accrued interest will be due and payable. The interest rate is 2.96%.

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

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

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

Short Term Financing Obligations, Series 2012 - The \$4,932,625 and \$49,015.40 notes were issued to finance equipment for the City 911 system. The equipment serves as collateral for the note. Payments of principal for the \$4,932,625 are due beginning January 1, 2013 in the amount of \$986,525.00. The amount will be the same each year thereafter until January 1, 2016 when final payment in the amount of \$1,973,050 is due. Payments of principal for the \$49,015.40 are due beginning January 1, 2013 in the amount of \$12,253.85 until January 1, 2016. The lease will not be recorded until 2013 the equipment was not received until that time.

**CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

BUSINESS-TYPE ACTIVITIES:

Series 1992A Electric System Refunding Bonds - Issued June 1, 1992 to advance refund and defease bonds which were used to construct the hydroelectric generating facility on the Arkansas River at Murray Lock and Dam near North Little Rock. The bonds required annual sinking fund payments sufficient to redeem principal plus interest at rates ranging from 3.70% to 6.50%. The bonds were not redeemable at the City's option. These bonds were part of an advance bond refunding during the year ended December 31, 2012.

Series 1997 Electric System Revenue Refunding Bonds - Issued December 30, 1997 to advance refund and defease a portion of the Series 1992 Bonds. The bonds required annual sinking fund payments sufficient to redeem principal and interest at rates from 4.45% to 5.20%. The bonds were redeemable at the City's option, as a whole or in part, at 102% of the principal amount beginning January 1, 2008, and in declining percentages thereafter. These bonds were part of an advance bond refunding during the year ended December 31, 2012.

Series 2009A Working Capital Bonds - Issued July 15, 2009 for working capital purposes. The bonds required annual sinking fund payments sufficient to redeem principal and interest at rates of 5.5%. The bonds were 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 fifteen days' notice. These bonds were part of an advance bond refunding during the year ended December 31, 2012.

Series 2009B Working Capital Bonds - Issued December 15, 2009 for working capital purposes. The bonds required annual sinking fund payments sufficient to redeem principal and interest at rates of 5.5%. The bonds were 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 fifteen days' notice. These bonds were part of an advance bond refunding during the year ended December 31, 2012.

Series 2011 Revenue Bonds - Issued May 1, 2011. The bonds require annual sinking fund payments sufficient to redeem principal plus interest at rates of 2.3% to 5.1%. The bonds are redeemable at the City's option, as a whole or in part, at 100% of the principal amount plus accrued interest at any date on forty-five days' notice.

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

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

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

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

Rates: The City will maintain electric rates sufficient to produce net revenues equal to at least 125% of the annual debt service. Net revenues are defined as all revenues derived from operations of the electric system, including profits from all funds maintained under bond indenture except the project fund, less extraordinary income items and after reduction of normal operating expenses (exclusive of depreciation, noncash items and interest expense). The City was in compliance with this covenant for the year ended December 31, 2012.

CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

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

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

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

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

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

Debt refunding:

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

The City issued the 2012A bonds to advance refund \$39,500,000 of the outstanding Series 1992 bonds with a 6.5% interest rate. The City used the net proceeds along with other resources to purchase U.S. government securities. The securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the Series 1992 bonds. As a result, that portion of the Series 1992 bonds is considered defeased, and the City has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$34,741,929 at December 31, 2012.

As a result of this refunding, \$3,985,249 of deferred bond issuance costs will be amortized over the remaining life of the old bonds. As of December 31, 2012, \$3,313,567 in remaining deferred bond costs is reported as a reduction from the new bond liability.

The advance refunding reduced debt service payments over the next twelve years' by \$555,504. This results in an economic gain (difference between the present values of debt service payments on the old and new debt) of \$771,641.

DISCRETELY PRESENTED COMPONENT UNITS:

Waste Water Utility Revolving Loans

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

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

CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

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

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

In 2008, the Utility received a \$14,000,000 program award available for approved construction. The interest rate on the 2008 revolving loan fund is at 1.75% and a financing fee at 1% of the outstanding principal with semi-annual payments of interest and financing fee during the project construction period. Repayment of principal, interest and financing fee of the 2008 loan began in April 2012 with payments to be made semi-annually over twenty years. As of December 31, 2012, \$3,461,240 was left to be drawn on the loan.

In 2012, the Utility received a \$21,000,000 program award available for approved construction. The interest rate on the 2012 revolving loan fund is at 1.5% and a financing fee at 1% of the outstanding principal with semi-annual payments of interest and financing fee during the project construction period. Repayment of principal, interest and financing fee of the 2012 loan will begin in April 2016 with payments to be made semi-annually over twenty years. As of December 31, 2012, \$20,980,000 was left to be drawn on the loan.

Waste Water Utility Restricted Funds

The Utility had certain debt service funds with AFDA, which are restricted to various uses. The Utility is required to deposit monthly with the AFDA, to be held in trust, an amount equal to 1/6 of the interest to coming due on the next ensuing interest payment plus 1/6 of the next installment of principal due on the bonds. The required deposits shall be reduced by any amount in the Debt Service Fund available for meeting the purpose for which the deposit is required to be made. The total deposits held in trust as of December 31, 2012 totaled \$395,938.

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, 2012. Principal and interest are also disclosed for component units as follows:

REVENUE BONDS

	<u>Business-type Activities</u>		
<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 2,935,000	\$ 2,411,333	\$ 5,346,333
2014	3,055,000	2,245,524	5,300,524
2015	5,675,000	2,201,024	7,876,024
2016	5,800,000	2,083,845	7,883,845
2017	5,930,000	1,948,515	7,878,515
Thereafter	48,385,000	10,888,801	59,273,801
Total	\$ 71,780,000	\$ 21,779,042	\$ 93,559,042

CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTES PAYABLE

Governmental Activities

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,967,809	\$ 170,912	\$ 2,138,721
2014	1,959,525	120,375	2,079,900
2015	1,732,642	70,592	1,803,234
2016	<u>1,300,000</u>	<u>27,170</u>	<u>1,327,170</u>
Total	\$ <u>6,959,976</u>	\$ <u>389,049</u>	\$ <u>7,349,025</u>

REVOLVING LOANS

Component Units

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,758,877	\$ 578,376	\$ 2,337,253
2014	1,766,912	522,704	2,289,616
2015	1,773,858	471,160	2,245,018
2016	2,651,582	941,959	3,593,541
2017	2,731,006	866,842	3,597,848
2018-2022	11,219,178	3,406,544	14,625,722
2023-2027	9,935,498	2,088,600	12,024,098
2028-2032	9,257,379	1,026,406	10,283,785
Thereafter	<u>3,851,824</u>	<u>170,260</u>	<u>4,022,084</u>
Total	\$ <u>44,946,114</u>	\$ <u>10,072,851</u>	\$ <u>55,018,965</u>

NOTE 5 - INTERFUND BALANCES AND TRANSFERS

Interfund receivables and payables consisted of the following as of December 31, 2012:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 658,551	\$ 747,112
Special Revenue Funds	13,742	270,367
Capital Projects Funds	1,036,938	674,803
Proprietary Fund	<u>584,646</u>	<u>601,595</u>
Total	\$ <u>2,293,877</u>	\$ <u>2,293,877</u>

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

**CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
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Interfund transfers in and transfers out consisted of the following as of December 31, 2012:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Enterprise Fund	\$12,000,000	\$ -
Parks and Recreation Fund	<u>-</u>	<u>97,823</u>
Total General Fund	<u>12,000,000</u>	<u>97,823</u>
Special Revenue Funds:		
General Fund	97,823	-
Capital Projects Funds	<u>-</u>	<u>1,029,154</u>
Total Special Revenue Funds	<u>97,823</u>	<u>1,029,154</u>
Debt Service Funds:		
Capital Projects Funds	<u>2,375,289</u>	<u>-</u>
Total Debt Service Funds	<u>2,375,289</u>	<u>-</u>
Capital Projects Funds:		
Special Revenue Funds	1,029,154	-
Debt Service Funds	<u>-</u>	<u>2,375,289</u>
Total Capital Projects Funds	<u>1,029,154</u>	<u>2,375,289</u>
Enterprise Fund:		
General Fund	<u>-</u>	<u>12,000,000</u>
Total Enterprise Fund	<u>-</u>	<u>12,000,000</u>
Totals	\$ <u>15,502,266</u>	\$ <u>15,502,266</u>

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.

NOTE 6 - PENSION PLANS

Substantially all of the City's employees receive retirement benefits. The City sponsors a single-employer defined benefit plan; The Non-uniformed Employees Retirement Plan ("Non-uniformed Plan") The City also contributes to the Arkansas Local Police and Fire Combined Retirement Plans ("LOPFI"), a statewide agent multiple-employer defined benefit pension plan. The plans are maintained in legally separate trusts and each Plan's assets may be used only for the payment of benefits to the members of that Plan or their beneficiaries in accordance with the terms of the Plan. Separate financial reports are issued only for the Non-Uniformed Plan.

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

CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

Summary of Significant Accounting Policies

Basis of Accounting

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

Method Used to Determine Fair Value of Investments

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

Plan Descriptions and Funding Information

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

The plan requires that employees contribute four percent (4%) of covered wages. The City is required to contribute six percent (6%) of covered payroll each pay period. Participants become fully vested after ten years. Non-vested City contributions and investment earnings are forfeited when participants leave covered employment and are transferred to a separate account that may be used to reduce City contributions. During 2011 and 2010, employer and employee contributions to the plan were \$1,903,353 and \$1,836,197 respectively.

The actuarial assumptions effective for the January 1, 2011 valuation included (a) a rate of return on the investment of present and future assets of 7.0 percent per year, (b) projected salary increases of 4.0 percent per year, and (c) pre- and post-retirement mortality based on the 83 GAM.

Schedule of Funding Progress for Non-uniformed Retirement Plan

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) – Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
01/01/09	\$31,285,983	\$42,591,315	\$ (11,305,332)	73.46%	17,951,501	63%
01/01/10	\$34,731,961	\$46,151,778	\$ (11,419,817)	75.26%	\$18,318,954	62%
01/01/11	\$37,772,958	\$47,964,598	\$ (10,191,640)	78.75%	\$18,361,969	55%

CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
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Agent Multiple-Employer Defined Benefit Pension Plan

The Arkansas Local Police and Fire Combined Retirement Plans ("LOPFI") is a state-wide agent multiple-employer retirement program that provides retirement, disability and survivor benefits to police and fire employees of political subdivisions of the state of Arkansas. LOPFI was created by ACT 364 of the 1981 General Assembly. Employees hired after January 1, 1983, whose political subdivision had a retirement system in effect at July 1, 1981 are eligible to participate in the plan. This is referred to as the Arkansas Local Police and Retirement System LOPFI Plan Coverage (For Employees Hired After December 31, 1982) - ("LOPFI"). Effective June 30, 1995, administration of the City of North Little Rock's pension funds related to police and fire personnel was transferred to the State of Arkansas and are referred to as the "Closed Plan Coverage (The Relief and Pension Funds for Employees Hired Before January 1, 1983) - ("Closed Plan"). Accordingly, financial statements of those funds are no longer part of the City's financial statements. Upon transfer of these pension funds, essentially all uniformed employees of the City's police and fire departments became participants in LOPFI. All information is derived from the Actuarial Valuation dated December 31, 2012. LOPFI issues a publicly available financial report, which may be obtained by contacting the following:

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

NORTH LITTLE ROCK PAID POLICE

Contributions requirements are set forth in Arkansas statute. LOPFI members are required to contribute six percent (6%) of their annual covered salary, four percent (4%) if covered by Social Security. The City is required to contribute at an actuarially determined rate which is a combined rate for the LOPFI and Closed Plan. For the year ending December 31, 2012 for the police plan, this was 12.79% for employer normal cost for LOPFI benefits and 14.10% for the Closed Plan's unfunded accrued liabilities (24 years remaining) for a computed employer rate for combined benefits of 26.89%. Based on the combined annual payroll of LOPFI and Closed Plan active members of \$10,435,076 submitted for this valuation, the annual employer contribution for the Closed Plan dollars would total \$1,471,306.

For 2012, the City's Police Closed Plan's annual pension cost was \$1,449,705, which was equal to the required and actual contributions. The required contributions were determined as part of the December 31, 2012 annual actuarial valuation using an *individual entry age actuarial cost method*. The actuarial assumptions effective for the 2012 valuation included (a) a rate of return on the investment of present and future assets of 8.0 percent per year, (b) projected salary increases of 4.0 percent per year, compounded annually, attributable to wage inflation, (c) additional projected salary increases ranging from 0.5 percent to 15.0 percent per year, depending on service, attributable to seniority/merit, (d) the assumption that benefits will increase 3 percent per year after retirement (LOPFI members only), and (e) pre- and post-retirement mortality based on the RP-2000 Combined Projected to 2017 Table set forward two years for men. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of valuation payroll. At December 31, 2012, the amortization period for Closed Plan unfunded liabilities was 24 years.

Schedule of Funding Progress for Closed Plan Benefits-Police

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/10	\$5,296,613	\$24,792,850	\$ (19,496,237)	21%	\$ 9,856,336	198%
12/31/11	\$4,603,140	\$25,758,405	\$ (21,155,265)	18%	\$10,107,979	209%
12/31/12	\$3,647,073	\$26,051,604	\$ (22,404,531)	14%	\$10,435,076	215%

**CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NORTH LITTLE ROCK PAID FIRE

Contributions requirements are set forth in Arkansas statute. LOPFI members are required to contribute six percent (6%) of their annual covered salary. The City is required to contribute at an actuarially determined rate which is a combined rate for the LOPFI and Closed Plan. For the Fire plans, this was 18.78% for employer normal cost for LOPFI benefits and 15.48% for the Closed Plan unfunded accrued liabilities (24 years remaining) for a computed employer rate for combined benefits of 34.26%. Based on the combined annual payroll of LOPFI and Closed Plan active members of \$8,054,622 submitted for this valuation, the annual employer contribution for the Closed Plan dollars would total \$1,246,855.

For 2012, the City's annual pension cost was \$1,380,910, which was equal to the required and actual contributions. The required contributions were determined as part of the December 31, 2012 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions effective for the 2012 valuation included (a) a rate of return on the investment of present and future assets of 8.0 percent per year, (b) projected salary increases of 4.0 percent per year, compounded annually, attributable to wage inflation, (c) additional projected salary increases ranging from 0.5 percent to 15.0 percent per year, depending upon service, attributable to seniority/merit, (d) the assumption that benefits will increase 3 percent per year after retirement (LOPFI members only), and (e) pre- and post-retirement mortality based on the RP-2000 Combined Projected to 2017 Table set forward two years for men. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of valuation payroll. At December 31, 2012, the amortization period for Closed Plan unfunded liabilities was 24 years.

Schedule of Funding Progress for Closed Plan Benefits- Fire

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/10	\$13,978,315	\$30,123,850	\$ (16,325,535)	46%	\$7,667,591	213%
12/31/11	\$12,337,640	\$29,903,498	\$ (17,565,858)	41%	\$7,897,117	222%
12/31/12	\$10,710,959	\$30,538,772	\$ (19,827,813)	35%	\$8,054,622	246%

Municipal Judges' Retirement Fund

In accordance with Act 1374 of 2003, the Arkansas District Judges Retirement System (ADJRS) was established in 2004, and the City's local plan was subsequently abolished. The Plan is being administered by the Arkansas Public Employee's Retirement System (APERS). The City's unfunded liability as of the June 30, 2012 APERS calculation based on the December 31, 2004 unfunded liability totaled \$1,681,570. This amount is being amortized over a 30 year period. The remaining amortization period as of December 31, 2012 is 22 years. The amount paid for the year ended December 31, 2012 for the eighth installment of the amortization period totaled \$155,981, leaving an unfunded liability of approximately \$1,526,000 as of December 31, 2012. No current actuarial valuation was available as of the date of these financial statements.

Component Pension Plans - Waste Water Utility

The North Little Rock Waste Water Utility Defined Pension Plan is a single-employer sponsored plan administered by the Waste Water Utility. The Plan provides retirement, death, and disability benefits to plan members and beneficiaries. The Utility's Board of Commissioners establishes benefit provisions and all other requirements. The Plan does not issue stand alone financial statements, nor is it included in another public employee retirement system plan's financial statements. Participants are not required to contribute to the Plan. The Waste Water Utility is required to contribute to the Plan at an actuarially determined rate. The rate was 14.31% and 13.19% for the years ended December 31, 2012 and 2011. The annual pension cost for 2012 and 2011 totaled \$456,673 and \$427,174, respectively. The annual required contribution for 2012 and 2011 totaled \$451,291 and \$424,221, respectively. Further information is included in the audited financial statements of the Waste Water Utility, audited by other auditors, and is not presented in this report.

CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 7 - OTHER POST EMPLOYMENT BENEFIT PLAN

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

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

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

The City recorded OPEB cost of \$353,910 for the year ended December 31, 2012 and a net OPEB obligation of \$1,179,498 based upon an actuarial valuation performed as of January 1, 2013. The City's UAAL totaled \$2,877,026 as of January 1, 2013 and will be included in annual cost over an amortization period of 30 years. The OPEB obligation and UAAL were computed using the projected unit credit method with a discount rate of 5.5% and a healthcare cost inflation rate, beginning at 10% and decreasing 0.5% each year over a period of nine years to a final rate of 5%.

Annual OPEB Cost

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/07	\$403,603	35.59%	\$277,137
12/31/09	398,202	47.02%	739,409
12/31/10	285,673	42.17%	910,374
12/31/11	353,775	90.31%	944,654
12/31/12	353,910	33.64%	1,179,498

Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	I Actuarial Accrued Liability (AAL) (b)	Unfunded Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)
01/01/07	\$ 0	\$4,004,423	\$ (4,004,423)	0%
01/01/11	0	2,299,199	(2,299,199)	0%
01/01/12	0	3,094,796	(3,094,796)	0%
01/01/13	0	(2,877,026)	(2,877,026)	0%

**CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

Participant Data:

Number of Active Employees:	814
Number of Retirees Covered:	
Under 65	18
65 and over	7

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 Plans, (including all deferred amounts, property and rights purchased with deferred amounts, and all income attributable to such deferred amounts, property or rights), have been placed in trust and therefore, are no longer included in the government-wide or governmental funds financial statements of the City.

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

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

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

Accordingly, a receivable, net of allowance for doubtful accounts and a related revenue in the amount of \$7,944,558 has been recognized in the government-wide financial statements, while a receivable of \$7,944,558 and a related deferred revenue of \$7,944,558 have been recognized in the governmental fund statements.

The William F. Laman Public Library has recorded a receivable, net of allowance for doubtful accounts and related revenue in the amount of \$2,700,388 which is recognized in the Discretely Presented Component Units Statement of Net Position.

Millage rates for 2012 taxes collectible in 2012 were 5.00 for the General Fund, 3.00 for the Library, 1.00 for the Police pension, 1.00 for the Fire pension and 1.45 for the Street Fund.

NOTE 10 - INSURANCE COVERAGE

The City is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains insurance coverage through the Arkansas Municipal League (the "Pool"), which is an association of local governments, covering each of the above risks of loss. The City pays an annual premium to the Pool. The Pool's governing agreement specifies that the Pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop loss amounts. Management believes the coverage is adequate to preclude any significant uninsured risk exposure to the City. The William F. Laman Public Library, Airport Commission and Advertising & Promotion Commission are also participating with the City.

**CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

The Waste Water Utility was insured at December 31, 2012 for general liability, automobile liability and all risk replacement cost except workers compensation with the Arkansas Public Entities Risk Management Association with claims administered by Gallagher Bassett Insurance Services of Little Rock. The Utility was insured with the Municipal League Workers Compensation Trust for worker's compensation. The policy effective dates are for a calendar year for all aforementioned policies of the Utility. The Utility was insured at December 31, 2012 with RSUI Indemnity Co. for blanket property coverage. Further information is available in the audited financial statements of the Utility.

NOTE 11 - DEFICIT IN FUND BALANCES

The Community Development Agency Fund had a deficit fund balance at December 31, 2012 totaling \$18,190.

NOTE 12 - RELATED PARTY TRANSACTIONS

The Utilities Accounting Department ("UAD") of the City performs customer billing, collection services and accounts receivable recordkeeping for the Electric Department. The UAD charges the Electric Department for this service based on the number of bills rendered. Charges for services totaled approximately \$2,100,000 for the year ended December 31, 2012. Service deposits for Electric Department Customers are collected and maintained by UAD. Interest earnings on deposits invested are recorded by the Electric Department and reflected in the Electric Department's financial statements.

Charges by the Electric Department to the City of North Little Rock Street Department for electricity usage amounted to approximately \$120,000 for the year ended December 31, 2012. Amounts billed by the Electric Department for service to the Street Department are determined by the City Council. Charges by the Electric Department to the William F. Laman Public Library for electricity usage amounted to \$90,434 for the year ended December 31, 2012.

NOTE 13 - COMMITMENTS

In 2012 and previous years, the City has made special appropriations to the Central Arkansas Transit Authority ("CATA") to finance its operating deficits. The City could continue to be required to fund CATA's operating deficits if the current level of services is to be maintained in the future.

The Electric Department entered into a new fixed rate wholesale power contract with NRG Power Marketing, LLC for \$53.96 per megawatt hour for the period April 1, 2010 through December 31, 2013. The purchase price is set at a lower rate as compared to what the Electric Department experienced with the previous wholesale purchase power contract. In response, the Electric Department implemented rate decreases approved by the City Council effective April 1, 2010.

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

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.

CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

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

During 2008, The North Little Rock Waste Water Utility was authorized and directed by the City of North Little Rock, Arkansas to fund the construction of a new wastewater pre-treatment facility up to an amount of \$800,000 to motivate Caterpillar Incorporated to locate a manufacturing facility in North Little Rock. An agreement with the commercial customer was executed. In 2011, the Utility made two payments to the City of North Little Rock in the amount of \$200,000. The remaining \$400,000 was paid in 2012.

NOTE 14 - CONTINGENCIES

Litigation

In the normal course of operations, the City is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the City's self-insurance program or by commercial insurance; for example, allegations regarding employment practices or performances of contracts. The City evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. In this regard, various claims and lawsuits are pending against the City. In the opinion of the City Attorney's Office, the potential loss on all claims and lawsuits will not be significant in relation to the City's financial statements. Based on management's evaluation, no amounts were accrued for such liabilities as of December 31, 2012. Events could occur that would cause the estimate or ultimate loss to differ materially in the near term.

In 2008, the City adopted three redevelopment ordinances invoking authority under Act No. 1197 of 2001, as amended, to structure a redevelopment district for the primary purpose of building a parking deck. After the ordinances were adopted, North Little Rock School District ("NLRSD") initiated litigation against the City and Pulaski County Officers in their official capacity, which is presently pending in the Pulaski County Circuit Court, 2nd Division (Case No.CV-2009-0725). All funds collected from the subject TIF Districts have been placed in escrow. January 2012 citizens of North Little Rock approved a ballot measure that reallocated apportionment of NLRSD's millage. A hearing that was scheduled for March 1, 2012 was removed from the Court's docket. On January 14, 2013, the City adopted Ordinance No. #8495 to return the combined redevelopment districts to their original status and revoking the project plan for the combined redevelopment districts. On May 29, 2013 The City and North Little Rock School District filed a joint motion to dismiss seeking dismissal of the case and authorization for disbursement of taxes collected according to applicable millages by the Pulaski County Tax Collector. An Order has not been entered by the Court, but is expected to happen at any time.

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

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.

**CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 15 - SUBSEQUENT EVENTS

The management of the City has evaluated subsequent events through March 12, 2014

NOTE 16 - JOINTLY GOVERNED ORGANIZATION

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

NOTE 17 - SIGNIFICANT ESTIMATES AND CONCENTRATIONS

Current Economic Environment

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORTH LITTLE ROCK, ARKANSAS
DEFINED BENEFIT PENSION PLANS - REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS
YEAR ENDED DECEMBER 31, 2012

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAAL)	Funded Ratio (a/b)	Covered Payroll (c)	Excess As a Percentage of Covered Payroll (a-b)/c
	(a)	(b)	(b-a)	(a/b)	(c)	((a-b)/c)
Local Police and Fire Retirement System - Policemen						
1996	\$ 2,315,385	\$ 11,139,722	\$ (8,824,337)	21%	\$ 5,691,690	155%
1997	3,103,110	10,324,268	(7,221,148)	30%	5,966,970	121%
1998	5,794,944	12,169,278	(6,374,334)	48%	6,476,871	186%
1999	9,838,768	15,298,111	(5,459,343)	64%	6,976,531	78%
2000	11,981,677	15,659,049	(3,677,372)	77%	7,310,313	50%
2001	14,270,372	14,407,519	(137,147)	99%	7,381,001	2%
2002	14,036,164	17,512,056	(3,475,902)	80%	7,955,904	44%
2003	13,004,184	19,016,449	(6,011,265)	68%	8,174,931	74%
2004	14,026,616	22,699,943	(8,673,327)	62%	8,529,097	102%
2005	13,022,546	22,413,601	(9,391,055)	58%	8,882,464	106%
2006	13,032,873	26,357,502	(13,324,729)	49%	8,713,534	153%
2007	15,599,146	29,305,452	(13,706,306)	53%	9,131,521	150%
2008	8,279,593	34,207,185	(25,927,592)	24%	9,602,149	270%
2009	5,262,927	25,529,601	(19,266,674)	25%	9,564,179	201%
2010	5,296,613	24,792,850	(19,496,237)	21%	9,856,336	198%
2011	4,603,140	25,758,405	(21,155,265)	18%	10,107,979	209%
2012	3,647,073	26,051,604	(22,404,531)	14%	10,435,076	215%
1996	7,395,502	17,840,936	(10,445,434)	41%	4,904,592	213%
1997	9,120,256	19,913,614	(10,793,358)	46%	5,021,035	215%
1998	11,289,084	21,302,884	(10,013,600)	53%	5,112,925	196%
1999	12,666,454	20,528,819	(7,862,365)	62%	5,247,740	150%
2000	15,160,092	22,186,926	(7,026,834)	68%	5,266,359	133%
2001	10,976,063	17,960,734	(6,984,671)	61%	5,360,674	130%
2002	9,997,047	20,773,218	(10,776,171)	48%	6,254,332	172%
2003	8,552,937	15,390,030	(6,837,093)	43%	6,538,160	135%
2004	8,145,202	18,732,427	(10,587,225)	43%	6,886,654	154%
2005	6,735,872	18,733,716	(11,997,844)	36%	7,057,620	170%
2006	9,432,130	23,269,988	(13,837,858)	41%	6,779,650	204%
2007	11,488,782	25,229,183	(13,740,401)	46%	6,954,794	198%
2008	6,069,615	29,375,259	(23,305,644)	21%	7,337,855	318%
2009	14,571,322	30,223,793	(15,652,471)	48%	7,544,322	323%
2010	13,978,315	30,123,850	(16,145,536)	46%	7,667,591	339%
2011	12,337,640	29,903,498	(17,565,858)	41%	7,897,117	222%
2012	10,710,959	30,538,772	(19,827,813)	35%	8,054,622	246%
Local Police and Fire Retirement System - Fireman						

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

CITY OF NORTH LITTLE ROCK, ARKANSAS
DEFINED BENEFIT PENSION PLANS - REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
YEAR ENDED DECEMBER 31, 2012

	<u>Year Ended December 31,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
Non-Uniformed Employees' Deferred Benefit Pension Plan	2000	1,199,000	114%
	2001	1,173,000	127%
	2002	1,740,000	89%
	2003	1,987,000	81%
	2004	1,990,000	81%
	2005	2,080,000	81%
	2006	N/A	N/A
	2007	N/A	N/A
	2008	2,292,407	78%
	2009	2,340,128	78%
	2010	2,280,105	80%
	2011	N/A	N/A
	2012	N/A	N/A
Local Police and Fire Retirement System - Policemen	2000	1,306,420	100%
	2001	1,256,835	100%
	2002	714,535	100%
	2003	1,076,858	100%
	2004	1,094,908	100%
	2005	1,282,382	100%
	2006	1,740,964	100%
	2007	1,815,346	100%
	2008	1,936,911	100%
	2009	1,907,636	100%
	2010	2,435,746	100%
	2011	2,616,956	100%
	2012	1,449,705	100%
Local Police and Fire Retirement System - Firemen	2000	715,986	100%
	2001	1,176,222	100%
	2002	640,573	100%
	2003	714,534	100%
	2004	1,396,358	100%
	2005	1,449,651	100%
	2006	1,759,319	100%
	2007	1,790,859	100%
	2008	2,011,236	100%
	2009	1,956,919	100%
	2010	2,376,145	100%
	2011	2,752,935	100%
	2012	1,380,910	100%

N/A - INFORMATION IS NOT AVAILABLE FOR THESE YEARS

**CITY OF NORTH LITTLE ROCK, ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2012**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Defined Benefit Pension Plans

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

	Non-Uniformed Employee Defined Benefit Pension Plan	Local Police and Fire Retirement System - Policemen	Local Police and Fire Retirement System - Firemen
Actuarial valuation date	01/01/11	12/31/12	12/31/12
Actuarial cost method	Aggregate cost method normal	Individual Entry age	Individual Entry age
Amortization method	Not applicable	Level percent open	Level percent open
Remaining amortization	Not applicable	24 years	24 years
Asset valuation method	Market	5-year smoothed market	5-year smoothed market
Actuarial assumptions:			
Investment rate of return	7.0%	8.0%	8.0%
Projected salary increases	4.0%	4.0 - 19.0%	4.0 - 19.00%
Includes inflation at	3.5%	4.0%	4.0%
Cost-of-living adjustments	None	3.0%	3.0%

OTHER SUPPLEMENTARY INFORMATION

CITY OF NORTH LITTLE ROCK, ARKANSAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,281,379	\$ -	\$ 3,287,997	\$ 4,569,376
Investments - certificates of deposits	1,163,477	-	-	1,163,477
Property taxes receivable - net	1,279,141	-	-	1,279,141
Sales tax receivable	1,408,857	-	-	1,408,857
Due from other governments	662,379	-	1,075,881	1,738,260
Due from other funds	13,742	-	1,036,938	1,050,680
	<u>5,808,975</u>	<u>-</u>	<u>5,400,816</u>	<u>11,209,791</u>
Total assets	\$ 5,808,975	\$ -	\$ 5,400,816	\$ 11,209,791
LIABILITIES				
Accrued expenses	\$ 129,973	\$ -	\$ -	\$ 129,973
Due to other governments	18,181	-	-	18,181
Due to other funds	270,367	-	674,803	945,170
Deferred revenue	1,284,141	-	-	1,284,141
	<u>1,702,662</u>	<u>-</u>	<u>674,803</u>	<u>2,377,465</u>
Total liabilities	1,702,662	-	674,803	2,377,465
FUND BALANCES				
Restricted:				
Street and traffic	2,003,574	-	-	2,003,574
Parks and recreation	1,453,265	-	-	1,453,265
Police - equitable sharing	168,548	-	-	168,548
Drainage improvement	499,116	-	-	499,116
Acquisition and construction of				
Capital assets and Improvements	-	-	4,726,013	4,726,013
Unreserved - designated	(18,190)	-	-	(18,190)
	<u>4,106,313</u>	<u>-</u>	<u>4,726,013</u>	<u>8,832,326</u>
Total fund balances	4,106,313	-	4,726,013	8,832,326
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,808,975	\$ -	\$ 5,400,816	\$ 11,209,791

CITY OF NORTH LITTLE ROCK, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues				
Taxes - sales	\$ 8,583,901	\$ -	\$ 4,018,322	\$ 12,602,223
Taxes - property	1,352,953	-	-	1,352,953
Intergovernmental	4,947,993	-	1,118,850	6,066,843
Charges for services	1,276,145	-	-	1,276,145
Investment earnings	9,493	-	12,933	22,426
Miscellaneous	107,266	-	31,964	139,230
Total revenues	16,277,751	-	5,182,069	21,459,820
Expenditures				
Current operating:				
Community development	4,193,464	-	-	4,193,464
Parks and recreation	5,829,907	-	-	5,829,907
Public safety - police	101,335	-	-	101,335
Street and traffic	5,219,777	-	-	5,219,777
Capital outlay	114,543	-	6,170,540	6,285,083
Debt Service:				
Principal retirement	-	2,182,711	-	2,182,711
Interest and agent fees	-	232,890	-	232,890
Total expenditures	15,459,026	2,415,601	6,170,540	24,045,167
Excess (deficiency) of revenues over (under) expenditures	818,725	(2,415,601)	(988,471)	(2,585,347)
Other Financing Sources (Uses)				
Transfers in	97,823	2,415,601	1,161,821	3,675,245
Transfers out	(1,288,639)	-	(2,593,042)	(3,881,681)
Total other financing sources (uses)	(1,190,816)	2,415,601	(1,431,221)	(206,436)
Change in fund balances	(372,091)	-	(2,419,692)	(2,791,783)
Fund balances at beginning of year - restated	4,478,404	-	7,145,705	11,624,109
Fund balances at end of year	\$ 4,106,313	\$ -	\$ 4,726,013	\$ 8,832,326

CITY OF NORTH LITTLE ROCK, ARKANSAS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2012

	<u>Street</u>	<u>Parks and Recreation</u>	<u>Community Development</u>
Assets			
Cash and cash equivalents	\$ 223,710	\$ 791,769	\$ 251
Investments - certificates of deposits	761,462	-	-
Property taxes receivable - net	1,279,141	-	-
Sales tax receivable	456,855	952,002	-
Due from other funds	12,402	1,340	-
Due from other governments	<u>660,279</u>	<u>2,100</u>	<u>-</u>
Total assets	<u>\$ 3,393,849</u>	<u>\$ 1,747,211</u>	<u>\$ 251</u>
Liabilities and Fund Balances			
Liabilities			
Accrued expenses	\$ 63,074	\$ 66,698	\$ 201
Due to other governments	-	18,181	-
Due to other funds	48,060	204,067	18,240
Deferred revenue	<u>1,279,141</u>	<u>5,000</u>	<u>-</u>
Total liabilities	<u>1,390,275</u>	<u>293,946</u>	<u>18,441</u>
Fund Balances			
Restricted:			
Street and traffic	2,003,574	-	-
Parks and recreation	-	1,453,265	-
Police - equitable sharing	-	-	-
Drainage improvement	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>(18,190)</u>
Total fund balances	<u>2,003,574</u>	<u>1,453,265</u>	<u>(18,190)</u>
Total liabilities and fund balances	<u>\$ 3,393,849</u>	<u>\$ 1,747,211</u>	<u>\$ 251</u>

<u>Equitable Sharing</u>	<u>Drainage Improvement</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 168,548	\$ 97,101	\$ 1,281,379
-	402,015	1,163,477
-	-	1,279,141
-	-	1,408,857
-	-	13,742
-	-	662,379
<u>\$ 168,548</u>	<u>\$ 499,116</u>	<u>\$ 5,808,975</u>

\$ -	\$ -	\$ 129,973
-	-	18,181
-	-	270,367
-	-	1,284,141
<u>-</u>	<u>-</u>	<u>1,702,662</u>

-	-	2,003,574
-	-	1,453,265
168,548	-	168,548
-	499,116	499,116
-	-	(18,190)
<u>168,548</u>	<u>499,116</u>	<u>4,106,313</u>
<u>\$ 168,548</u>	<u>\$ 499,116</u>	<u>\$ 5,808,975</u>

CITY OF NORTH LITTLE ROCK, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Street</u>	<u>Parks and Recreation</u>	<u>Community Development</u>
Revenues			
Taxes - sales	\$ 2,820,204	\$ 5,763,697	\$ -
Taxes - property	1,352,953	-	-
Intergovernmental	660,279	113,572	4,174,142
Charges for services	12,234	1,148,536	-
Investment earnings	5,177	1,993	35
Miscellaneous	11,421	95,196	646
	<u>4,862,268</u>	<u>7,122,994</u>	<u>4,174,823</u>
Total revenues			
	<u>4,862,268</u>	<u>7,122,994</u>	<u>4,174,823</u>
Expenditures			
Current operating:			
Community development	-	-	4,193,464
Parks and recreation	-	5,829,907	-
Public safety - police	-	-	-
Street and traffic	5,219,777	-	-
Capital outlay	-	-	-
	<u>5,219,777</u>	<u>5,829,907</u>	<u>4,193,464</u>
Total expenditures			
	<u>5,219,777</u>	<u>5,829,907</u>	<u>4,193,464</u>
Excess (deficiency) of revenues over (under) expenditures	(357,509)	1,293,087	(18,641)
Other Financing Sources (Uses)			
Transfers from other funds	-	97,823	-
Transfers to other funds	-	(1,029,154)	-
Transfers to component units	-	(259,485)	-
	<u>-</u>	<u>(1,190,816)</u>	<u>-</u>
Total other financing sources (uses)			
	<u>-</u>	<u>(1,190,816)</u>	<u>-</u>
Change in fund balances	(357,509)	102,271	(18,641)
Fund balances at beginning of year - restated	2,361,083	1,350,994	451
	<u>2,361,083</u>	<u>1,350,994</u>	<u>451</u>
Fund balances at end of year	\$ 2,003,574	\$ 1,453,265	\$ (18,190)
	<u>\$ 2,003,574</u>	<u>\$ 1,453,265</u>	<u>\$ (18,190)</u>

<u>Equitable Sharing</u>	<u>Drainage Improvement</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ -	\$ -	\$ 8,583,901
-	-	1,352,953
-	-	4,947,993
92,750	22,625	1,276,145
440	1,848	9,493
<u>3</u>	<u>-</u>	<u>107,266</u>
<u>93,193</u>	<u>24,473</u>	<u>16,277,751</u>
-	-	4,193,464
-	-	5,829,907
101,335	-	101,335
-	-	5,219,777
<u>-</u>	<u>114,543</u>	<u>114,543</u>
<u>101,335</u>	<u>114,543</u>	<u>15,459,026</u>
(8,142)	(90,070)	818,725
-	-	97,823
-	-	(1,029,154)
<u>-</u>	<u>-</u>	<u>(259,485)</u>
<u>-</u>	<u>-</u>	<u>(1,190,816)</u>
(8,142)	(90,070)	(372,091)
<u>176,690</u>	<u>589,186</u>	<u>4,478,404</u>
<u>\$ 168,548</u>	<u>\$ 499,116</u>	<u>\$ 4,106,313</u>

CITY OF NORTH LITTLE ROCK, ARKANSAS
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 DECEMBER 31, 2012

	<u>2007 Series Short-Term Obligations</u>	<u>2008 Series Short-Term Obligations</u>	<u>2009 Series Short-Term Obligations</u>
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances			
Unassigned	\$ -	\$ -	\$ -
Total fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<u>2010-1 Series Short-Term Obligations</u>	<u>2010-2 Series Short-Term Obligations</u>	<u>2011 Series Short-Term Obligations</u>	<u>Total Nonmajor Debt Service Funds</u>
\$ -	\$ -	\$ -	\$ -
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF NORTH LITTLE ROCK, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR DEBT SERVICE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2012

	2007 Series Short-Term Obligations	2008 Series Short-Term Obligations
Revenues	\$ -	\$ -
Expenditures		
Debt service:		
Principal retirement	916,506	37,333
Interest and agents fees	29,147	2,979
Total expenditures	945,653	40,312
Excess(deficiency) of revenues over(under) expenditures	(945,653)	(40,312)
Other Financing Sources (Uses)		
Transfers from Parks Capital Improvement Fund	945,653	-
Transfers from Sales Tax Capital Improvement Fund	-	-
Transfers from other governments	-	40,312
Total other financing sources (uses)	945,653	40,312
Change in fund balances	-	-
Fund balances at beginning of year	-	-
Fund balances at end of year	\$ -	\$ -

<u>2009 Series Short-Term Obligations</u>	<u>2010-1 Series Short-Term Obligations</u>	<u>2010-2 Series Short-Term Obligations</u>	<u>2011 Series Short-Term Obligations</u>	<u>Total Nonmajor Debt Service Funds</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
253,485	975,387	-	-	2,182,711
<u>23,182</u>	<u>100,538</u>	<u>49,800</u>	<u>27,244</u>	<u>232,890</u>
<u>276,667</u>	<u>1,075,925</u>	<u>49,800</u>	<u>27,244</u>	<u>2,415,601</u>
(276,667)	(1,075,925)	(49,800)	(27,244)	(2,415,601)
-	-	-	-	945,653
276,667	1,075,925	49,800	27,244	1,429,636
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,312</u>
<u>276,667</u>	<u>1,075,925</u>	<u>49,800</u>	<u>27,244</u>	<u>2,415,601</u>
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF NORTH LITTLE ROCK, ARKANSAS
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2012

	Parks Capital Improvements	Sales Tax Capital Improvements	Special Projects Infrastructure
Assets			
Cash and cash equivalents	\$ 145,077	\$ 1,623,572	\$ 3,063
Due from other governments	46,353	60,416	950,783
Due from other funds	<u>170,901</u>	<u>713,358</u>	<u>-</u>
Total assets	<u>\$ 362,331</u>	<u>\$ 2,397,346</u>	<u>\$ 953,846</u>
Liabilities and Fund Balances			
Liabilities			
Due to other funds	\$ -	\$ 126,680	\$ 393,800
Total liabilities	<u>-</u>	<u>126,680</u>	<u>393,800</u>
Fund Balances			
Restricted:			
Acquisition and construction of capital assets and improvements	<u>362,331</u>	<u>2,270,666</u>	<u>560,046</u>
Total fund balances	<u>362,331</u>	<u>2,270,666</u>	<u>560,046</u>
Total liabilities and fund balances	<u>\$ 362,331</u>	<u>\$ 2,397,346</u>	<u>\$ 953,846</u>

Baseball Stadium/ Hays Center Capital Improvements	2005-3 Sales Tax Capital Improvements	2007 Sales Tax Capital Improvements	2010 Parks Capital Improvements	2010 Sales Tax Capital Improvements	2011 Baring Cross Redevelopment Bond	Total Nonmajor Capital Projects Funds
\$ 87	\$ 312,655	\$ 101,828	\$ 470,562	\$ 550,432	\$ 80,721	\$ 3,287,997
-	-	18,329	-	-	-	1,075,881
-	20,012	89,238	43,429	-	-	1,036,938
<u>\$ 87</u>	<u>\$ 332,667</u>	<u>\$ 209,395</u>	<u>\$ 513,991</u>	<u>\$ 550,432</u>	<u>\$ 80,721</u>	<u>\$ 5,400,816</u>
\$ -	\$ 132,667	\$ 3,870	\$ -	\$ 17,786	\$ -	\$ 674,803
-	132,667	3,870	-	17,786	-	674,803
<u>87</u>	<u>200,000</u>	<u>205,525</u>	<u>513,991</u>	<u>532,646</u>	<u>80,721</u>	<u>4,726,013</u>
<u>87</u>	<u>200,000</u>	<u>205,525</u>	<u>513,991</u>	<u>532,646</u>	<u>80,721</u>	<u>4,726,013</u>
<u>\$ 87</u>	<u>\$ 332,667</u>	<u>\$ 209,395</u>	<u>\$ 513,991</u>	<u>\$ 550,432</u>	<u>\$ 80,721</u>	<u>\$ 5,400,816</u>

CITY OF NORTH LITTLE ROCK, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Parks Capital Improvements	Sales Tax Capital Improvements	Special Projects Infrastructure
Revenues			
Taxes - sales	\$ -	\$ 4,018,322	\$ -
Intergovernmental	6,470	115,169	950,783
Investment earnings	1,306	5,061	2,201
Miscellaneous	-	28,875	-
Total revenues	<u>7,776</u>	<u>4,167,427</u>	<u>952,984</u>
Expenditures			
Capital outlay	<u>12,941</u>	<u>3,118,638</u>	<u>1,300,800</u>
Total expenditures	<u>12,941</u>	<u>3,118,638</u>	<u>1,300,800</u>
Excess(deficiency) of revenues over(under) expenditures	(5,165)	1,048,789	(347,816)
Other Financing Sources(Uses)			
Transfer from other funds	1,029,154	-	-
Transfer to other funds	(945,653)	(1,429,636)	-
Transfer to other governments	-	-	(85,086)
Total other financing sources(uses)	<u>83,501</u>	<u>(1,429,636)</u>	<u>(85,086)</u>
Change in fund balances	78,336	(380,847)	(432,902)
Fund balances at beginning of year	<u>283,995</u>	<u>2,651,513</u>	<u>992,948</u>
Fund balances at end of year	<u>\$ 362,331</u>	<u>\$ 2,270,666</u>	<u>\$ 560,046</u>

Baseball Stadium/ Hays Center Capital Improvements	2005-3 Sales Tax Capital Improvements	2007 Sales Tax Capital Improvements	2010 Parks Capital Improvements	2010 Sales Tax Capital Improvements	2011 Baring Cross Redevelopment Bond	Total Nonmajor Capital Projects Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,018,322
-	-	18,329	-	28,099	-	1,118,850
-	814	490	1,259	1,802	-	12,933
-	-	-	-	3,089	-	31,964
-	814	18,819	1,259	32,990	-	5,182,069
-	-	153,229	124,326	319,352	1,141,254	6,170,540
-	-	153,229	124,326	319,352	1,141,254	6,170,540
-	814	(134,410)	(123,067)	(286,362)	(1,141,254)	(988,471)
-	-	89,238	43,429	-	-	1,161,821
-	(132,667)	-	-	-	-	(2,507,956)
-	-	-	-	-	-	(85,086)
-	(132,667)	89,238	43,429	-	-	(1,431,221)
-	(131,853)	(45,172)	(79,638)	(286,362)	(1,141,254)	(2,419,692)
87	331,853	250,697	593,629	819,008	1,221,975	7,145,705
<u>\$ 87</u>	<u>\$ 200,000</u>	<u>\$ 205,525</u>	<u>\$ 513,991</u>	<u>\$ 532,646</u>	<u>\$ 80,721</u>	<u>\$ 4,726,013</u>

REPORT REQUIRED BY THE STATE OF ARKANSAS

WILCOX & BIVINGS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
4485 Tench Road, Suite 1320
Suwanee, GA 30024
Phone: 770-904-0419
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH CERTAIN STATE ACTS

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

We have examined management's assertions that the City of North Little Rock, Arkansas complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the year ended December 31, 2012.

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

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

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

In our opinion, the City of North Little Rock, Arkansas, complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2012.

This report is intended solely for the information and use of the governing body, management and the State of Arkansas, and is not intended to be and should not be used by anyone other than these specified parties.

Wilcox & Bivings, P.C.

Suwanee, Georgia
March 18, 2014

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

WILCOX & BIVINGS, P.C.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining funds information of the City of North Little Rock, Arkansas (the "City"), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 18, 2014. Our report includes a reference to other auditors who audited the financial statements of the City of North Little Rock Electric Department, the Utilities Accounting Department, and North Little Rock Waste Water Utility, as described in our report on the City of North Little Rock's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of The City of North Little Rock Electric Department were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

Wilcox & Bivings, P.C.

Suwanee, Georgia
March 18, 2014

WILCOX & BIVINGS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of North Little Rock, Arkansas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of North Little Rock, Arkansas' major federal programs for the year ended December 31, 2012. The City of North Little Rock, Arkansas' major federal programs are identified in the summary of auditors' results section of the accompany schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of North Little Rock, Arkansas complied, in all materials respects, with the types of compliance requirements referred to above that could have a direct and material affect on each of its major federal programs for the year ended December 31, 2012.

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

Report on Internal Control over Compliance

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

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

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

Purpose of this Report

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

Wilcox & Bivings, P.C.

Suwanee, Georgia
March 18, 2014

CITY OF NORTH LITTLE ROCK, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

Federal Grantor/Program or Cluster Title/Pass-through Grantor	FEDERAL CFDA NUMBER	EXPENDITURES
<u>U.S. Department of Agriculture</u>		
Office of Food and Nutrition Service:		
Summer Food Service Program for Children/Arkansas Department of Human Services	10.559	\$ 111,471.56
Total U.S. Department of Agriculture		111,471.56
<u>U. S. Department of Housing and Urban Development</u>		
Office of Community Planning and Development:		
Community Development Block Grants/Entitlement Grants	14.218	701,374.44
Community Development Block Grants/Entitlement Grants/Arkansas Economic Development Commission	14.218	429,505.73
Community Development Block Grants/Entitlement Grants/Arkansas Economic Development Commission	14.218	12,557.44
Home Investment Partnership Program	14.239	171,884.18
ARRA/Neighborhood Stabilization Program 1/Arkansas Development Finance Authority	14.256	758,460.10
ARRA/Neighborhood Stabilization Program 2	14.256	3,300,883.46
Total U.S. Department of Housing and Urban Development		5,374,655.35
<u>U.S. Department of The Interior</u>		
National Park Service:		
Historic Preservation Fund Grants-In-Aid/Arkansas Historic Preservation	15.904	8,600.00
Preserve America	15.929	10,200.00
Total U.S. Department of The Interior		18,800.00
<u>U. S. Department of Justice</u>		
Office of Juvenile Justice and Delinquency Prevention:		
Juvenile Accountability Block Grant/Arkansas Department of Human Services	16.523	10,439.37
Bureau of Justice Assistance:		
Bulletproof Vest Partnership Program	16.607	7,248.30
Project Safe Neighborhoods	16.609	13,902.00
Office of Community Oriented Policing Services:		
ARRA/Public Safety Partnership and Community Policing Grants/COPS Hiring Recovery Program	16.710	467,165.85
Public Safety Partnership and Community Policing Grants/Arkansas State Police/S.T.E.P. Grant	16.710	58,403.65
Bureau of Justice Assistance:		
Edward Byrne Memorial Justice Assistance Grant Program (JAG)/City of Little Rock Police FY11	16.738	91,333.00
Edward Byrne Memorial Justice Assistance Grant Program (JAG)/City of Little Rock Police FY12	16.738	0.00
ARRA/Recovery Act-Edward Byrne Memorial Justice Assistance Grant (JAG)/City of Little Rock Police	16.804	11,339.36
Total U.S. Department of Justice		659,831.53
<u>U.S. Department of Transportation</u>		
Federal Aviation Administration:		
Airport Improvement Program-Rehabilitate Runway Lighting Phase 1-Design	20.106	117,930.63
Airport Improvement Program-Rehabilitate Runway Lighting Phase 1 -Construction	20.106	288,799.24
Federal Highway Administration:		
Highway Planning and Construction-McCain Grade Separation	20.205	660,279.32
ARRA/Highway Planning and Construction/Arkansas Highway and Transportation Department/Pike Ave Roundabout	20.205	100,274.62
Highway Planning and Construction-Safe Route to School/Arkansas Highway and Transportation Department	20.205	15,503.66
Recreational Trails Program/Arkansas Highway and Transportation Department-Levy Spur	20.219	164,239.58
Recreational Trails Program/Arkansas Highway and Transportation Department-Motorized Trail Land Purchase	20.219	261,600.00
Recreational Trails Program/Arkansas Highway and Transportation Department-Motorized Trail Land Purchase	20.219	28,099.00
Recreational Trails Program/Arkansas Highway and Transportation Department-Emerald Park Trail Phase II	20.219	60,416.00
Recreational Trails Program/Arkansas Highway and Transportation Department-Emerald Park Trail Phase II	20.219	18,329.46
Total U.S. Department of Transportation		1,715,471.51
<u>U. S. Department of Energy</u>		
ARRA/State Energy Program	81.041	11,149.75
ARRA/State Energy Program	81.041	5,574.88
ARRA/State Energy Program	81.041	5,570.75
ARRA/State Energy Program	81.041	54,752.85
ARRA/Renewable Energy Research and Development	81.087	87,500.00
ARRA/Energy Efficiency and Conservation Block Grant Program(EECBG)	81.128	80,222.26
Total U.S. Department of Energy		244,770.49
<u>U.S. Department of Health and Human Services</u>		
Centers for Disease Control and Prevention:		
Communities Putting Prevention to Work/Arkansas Department of Human Services	93.520	1,373,364.86
Total U.S. Department of Health and Human Services		1,373,364.86
<u>U.S. Department of Homeland Security</u>		
State of Arkansas:		
Department of Emergency Management:		
Disaster Grants-Public Assistance (Presidentially Declared Disaster Areas-General Fund-Sanitation Department	97.036	81,632.79
Disaster Grants-Public Assistance (Presidentially Declared Disaster Areas-Parks and Recreation Fund-Facilities	97.036	2,010.00
Disaster Grants-Public Assistance (Presidentially Declared Disaster Areas-Airport-Fence/line	97.036	0.00
Disaster Grants-Public Assistance (Presidentially Declared Disaster Areas-Electric Department-Electric Power Grid	97.036	306,058.07
Emergency Management Performance Grant	97.042	12,306.81
Emergency Operations Center Grant Program FY10	97.052	686,268.52
Homeland Security Grant Program:		
Law Enforcement Terrorism Prevention Activities/FY 09	97.067	0.00
Law Enforcement Terrorism Prevention Activities/FY10	97.067	15,075.46
State Homeland Security Grant Program/FY09	97.067	0.00
State Homeland Security Grant Program/FY10	97.067	63,519.88
Buffer Zone Protection Plan/FY 09	97.068	95,090.31
Total U.S. Department of Homeland Security		1,261,961.84
Total Federal Awards		\$ 10,760,327.14

**CITY OF NORTH LITTLE ROCK, ARKANSAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of the City of North Little Rock, Arkansas under programs of the federal government for the year ended December 31, 2012. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of, the basic financial statements. In addition, because the Schedule presents only a selected portion of the operations of the City of North Little Rock, Arkansas, it is not intended to and does not represent the financial position, changes in net position, or cash flows of the City of North Little Rock, Arkansas.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Pass-through entity numbers are presented where available.

**CITY OF NORTH LITTLE ROCK, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of Auditors' Report Issued:

- ❖ Unqualified.

Internal Control Over Financial Reporting:

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

FEDERAL AWARDS

Types of Auditors' Report Issued on Compliance for Major Programs

- ❖ Unqualified

Internal Control Over Major Programs:

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

Identification of Major Programs

- ❖ CFDA #14.218 - United States Department of Housing and Urban Development/Office of Community Planning and Development/Community Block Grants/Entitlement Grants.
- ❖ CFDA #14.218 - United States Department of Housing and Urban Development/Office of Community Planning and Development/Community Block Grants/Entitlement Grants/Arkansas Economic Development Commission.
- ❖ CFDA #14.239 - United States Department of Housing and Urban Development/Office of Community Planning and Development/Home Investment Partnership Program.
- ❖ CFDA #14.256 - United States Department of Housing and Urban Development/Office of Community Planning and Development/ARRA/Neighborhood Stabilization Program #1/Arkansas Development Finance Authority.
- ❖ CFDA #14.256 - United States Department of Housing and Urban Development/Office of Community Planning and Development/ARRA/Neighborhood Stabilization Program #2.
- ❖ CFDA #16.710 - United States Department of Justice/Office of Community Oriented Policing Services/ARRA/Public Safety Partnership and Community Policing Grants/COPS Hiring Recovery Program.
- ❖ CFDA #16.710 - United States Department of Justice/Office of Community Oriented Policing Services/Public Safety Partnership and Community Policing Grants/S.T.E.P. Grant/Arkansas State Police
- ❖ CFDA #93.520 - United States Department of Health and Human Services/Centers for Disease Control and Prevention/Communities Putting Prevention to Work/Arkansas Department of Human Services

**CITY OF NORTH LITTLE ROCK, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

SECTION I - SUMMARY OF AUDITORS' RESULTS - CONTINUED

Other

- ❖ The threshold for distinguishing Types A and B programs was \$322,810.
- ❖ The City of North Little Rock, Arkansas did not qualify as a low-risk auditee.

SECTION II - FINANCIAL STATEMENT FINDINGS

- ❖ None

SECTION III- FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- ❖ None

**CITY OF NORTH LITTLE ROCK, ARKANSAS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Findings - Financial Statement Audit @ December 31, 2011:

❖ None

Findings and Questioned Costs - Major Federal Awards Programs Audit @ December 31, 2011:

❖ None

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

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2012**

- ❖ As there were no findings for the year ended December 31, 2012, there are no corrective actions.