



CITY OF MAUMELLE, ARKANSAS

Comprehensive Annual Financial Report

For the Year Ended December 31, 2016

Prepared by:

**Shannon Vega, CPA
Director of Finance**

**City of Maumelle, Arkansas
Comprehensive Annual Financial Report
For the Year Ended December 31, 2016**

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INTRODUCTORY SECTION

MAUMELLE



May 15, 2018

To the Members of the Governing Council and Citizens of the City of Maumelle:

In accordance with state law, this Comprehensive Annual Financial Report (CAFR) is presented in conformity with accounting principles generally accepted in the United States (GAAP) and audited in accordance with auditing standards generally accepted in the United States. Under the direction of State law the audit of every municipal corporation shall be made by either the Division of Legislative Audit or other independent persons licensed to practice accounting by the Arkansas State Board of Public Accountancy. Pursuant to that requirement, we submit to you the CAFR for the City of Maumelle, Arkansas, for the fiscal year ended December 31, 2016.

This report consists of management's representations concerning the finances of the City and consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, the management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal control has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

The City's financial statements have been audited by Craft, Veach and Company, PLC, a firm of licensed, certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Based upon the audit, the independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ending December 31, 2016, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Maumelle

The City of Maumelle was incorporated on June 20, 1985, as a political subdivision of the State of Arkansas and is located in the central part of the state. Maumelle currently occupies 13 square miles of land bordering the Arkansas River and serves an estimated population of 18,112.

The City of Maumelle is formed in the Mayor-Council form of government. Policymaking and legislative authority are vested in a governing body consisting of the Mayor and eight Council Members. The governing body is responsible, among other things, for adopting the annual budget, appointing committees, and for setting policy and enacting laws for the City. The Mayor is responsible for carrying out the policies and ordinances of the governing Council, for overseeing the day-to-day operations of the government and for appointing the heads of various departments. The Mayor presides over the Council meetings without voting rights; however, the Mayor can cast a positive vote in order to break a tie and can be counted to establish a quorum. The Mayor is elected by the city, at large, for a term of four years. The Council members are elected by

the city in wards for staggering four year terms. The City of Maumelle provides a full range of services including police and fire protection; animal control; planning and zoning; sanitation services; parks and recreation; district court; public works and streets; and general administrative services.

The annual budget serves as the basis for the City of Maumelle's financial planning and control. All departments are required to submit requests for appropriations to the Mayor. The Mayor uses these requests as a starting point for developing a proposed budget. The proposed budget is presented to the city council for review prior to December 1 of each year. Prior to adoption, the budget is discussed in open forum to review the presentation and to obtain departmental specific information. State statute requires the adoption of the budget by February 1 of each year. As a practical matter, the city council usually adopts the budget the first council meeting in December. The budget is prepared by fund and department (legal level of control). Department heads may request transfers within the department, subject to the Mayor's approval. Transfers between departments require the adoption of a Resolution by Council. The budget to actual comparisons for the General Fund and Street Fund are presented on pages 18-19 of this report.

Factors Affecting Financial Condition

Local Economy

The City has a stable economic environment. The City has an established industrial park consisting of warehousing, distribution centers, and light manufacturing. Retail business within the City consists of restaurants, grocery stores, dry cleaners, and dry goods. The City is served by five banks, four regional and one national.

Long-term financial planning

The City's long-term Capital Improvement Program is the process by which we lay the groundwork for planning infrastructure improvements in the city. This process also sets financial parameters within which future planning and capital demand forecasts can be made. Our Capital Improvement Program enables us to provide the orderly replacement of facilities and equipment and to maintain the quality and efficiency of public services, including equipment, buildings, and other improvements. One of the strongest arguments for a well-ordered program is the ability to identify future infrastructure and capital needs prior to funding and implementation.

Relevant financial policies

Ordinance No. 438 was adopted in November of 2002. It sets the appropriate level of unassigned general fund balance to be maintained by the City, which is 20 percent of the current year budgeted operating expenditures. If a situation presents itself, in which, the City Council feels that it is prudent and necessary to spend these unassigned funds, then it would need to pass an ordinance to amend or repeal ordinance 438. In a time where many state and local governments have experienced great financial turmoil, Maumelle's fund balance policy has provided great financial stability. Our total fund balance increased by \$981,440, in 2016.

Major initiatives

- ✓ The Childcare Network opened its doors at the end of 2016.
- ✓ US Pizza made great strides in the construction of their new building, which should be open in late February or early March 2017.
- ✓ Fire Station 2 was completed and fire personnel began making runs from that station in the fall of 2016.
- ✓ Academics Plus Charter School started construction of a new 3-story high school classroom building and gymnasium.
- ✓ The groundbreaking ceremony for the Center on the Lake (Senior Services) occurred on March 4, 2016 with an anticipated opening of March of 2017.
- ✓ Cintas announced the purchase of G&K Services.
- ✓ Kimberly-Clark opened a new break room and production line in 2016.
- ✓ March 1, 2016 Maumelle Water Management (MWM) merged with Central Arkansas Water (CAW) as the water utility provider for Maumelle. On the same date, North Little Rock Wastewater Utility (NLRWU) assumed the sanitary sewer operations for the Maumelle customers of MWM.
- ✓ In 2016, Union Pacific and the City of Maumelle worked together to upgrade the Champs Boulevard railroad crossing.



Acknowledgements

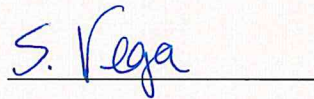
The preparation of the comprehensive annual financial report (CAFR) is a team effort performed by the entire Finance Department. We would like to express our sincere appreciation to each and every staff member with a big "Thank You" for a job well done.

We would like to acknowledge the thorough and professional manner in which Craft, Veach and Company, PLC conducted the annual audit. Their technical proficiencies add measurably to the quality of the entire report.

Finally, we would like to acknowledge the contributions of the City Council who have consistently and actively supported the City's goal of excellence in all material aspects of fiscal management.



Michael Watson
Mayor



Shannon Vega, CPA
Director of Finance



DECEMBER 31, 2016

OFFICIALS OF THE CITY OF MAUMELLE, ARKANSAS

Elected Officials

Michael WatsonMayor

Steve MosleyWard 1, Position 1

Ken SaundersWard 1, Position 2

Marc KelleyWard 2, Position 1

Rick AndersonWard 2, Position 2

Terry WilliamsWard 3, Position 1

Timmons TimmonsWard 3, Position 2

John VaprezsánWard 4, Position 1

Jess HoltWard 4, Position 2

Caleb NorrisCity Attorney

Tina TimmonsCity Clerk/Treasurer

Roger HarrodMunicipal Judge

City Commissions
Chairpersons

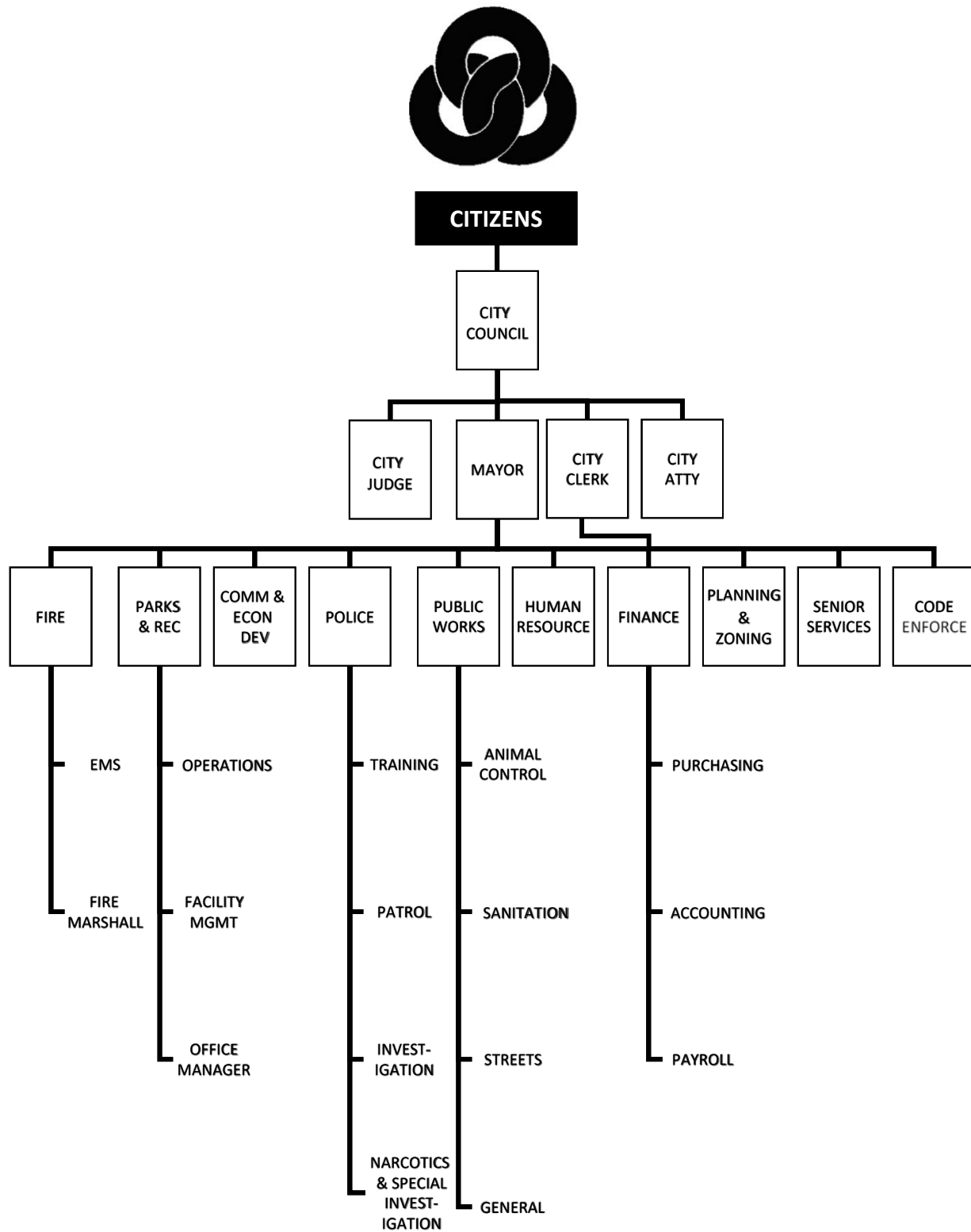
Billy Herrington Civil Service Commission

Mike FisherPlanning Commission

Tony Wilson Public Facilities Board

DECEMBER 31, 2016

ORGANIZATIONAL CHART





INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

To the City Council
City of Maumelle, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Maumelle, Arkansas, as of and for the year ended December 31, 2016, 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 the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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, each major fund, and the aggregate remaining fund information of the City of Maumelle, Arkansas as of December 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund and the street fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-12, the Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date on page 54, and the Schedule of Plan Contributions on page 55, 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 Maumelle, Arkansas's basic financial statements. The introductory section on pages *i-v*, other supplementary information on pages 48-53, and statistical section on pages 56-80, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information on pages 48-53 is the responsibility of management and was 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2018, on our consideration of the City of Maumelle, Arkansas'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 solely 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 effectiveness of the City of Maumelle, Arkansas's 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 of Maumelle, Arkansas's internal control over financial reporting and compliance.

Craft, Veach & Company

Craft, Veach & Company, PLC
North Little Rock, Arkansas
May 15, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Maumelle (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages *i – iii* of this report.

Financial Highlights

- The assets of the City exceeded its liabilities, at the close of the fiscal year, by \$48,117,621 (net position).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$27,675,652, a decrease of \$6,675,913, due to the excess expenditures over revenues.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,656,100, or 51 percent of total general fund expenditures.
- The City's total debt decreased by \$1,878,609 (7 percent) during the current fiscal year.

Overview of the Financial Statements

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

Required Supplementary Information

Management's
Discussion and Analysis

Basic Financial Statements

Notes to the Financial Statements			
Government-wide Financial Statements	Fund Financial Statements		
	Governmental Funds	Proprietary Funds	Fiduciary Funds

Supplementary Information

Information on Individual
Nonmajor Funds and Other
Supplementary Information

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, liabilities, and deferred inflows/outflows of resources, with the difference 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 most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, economic development, and culture and recreation. The business-type activities of the City include sanitation services.

The government-wide financial statements can be found on pages 13-14 of this report.

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, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund 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 six 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, street fund, capital improvement fund, and the debt service fund, all of which are considered to be major funds. Data from the other two nonmajor governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City adopts an annual appropriated budget for its general fund and street fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 15-19 of this report.

Proprietary funds. Although there are two different types of proprietary funds, the City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a government's various functions. The City maintains an enterprise fund to report the functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its sanitation operations. The City does not have any internal service funds.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the sanitation operation, which is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 20-22 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City maintains one type of fiduciary funds and that is the agency fund. The City uses the agency fund to account for monies received in the court system for bail bonds and court cases yet to be adjudicated.

The basic fiduciary fund financial statement can be found on page 23 of this report.

Notes to the 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 financial statements can be found on pages 24-47 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$48,117,621 at the close of 2016.

The largest portion of the City's net position (81 percent) resides in the City's net investment in capital assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

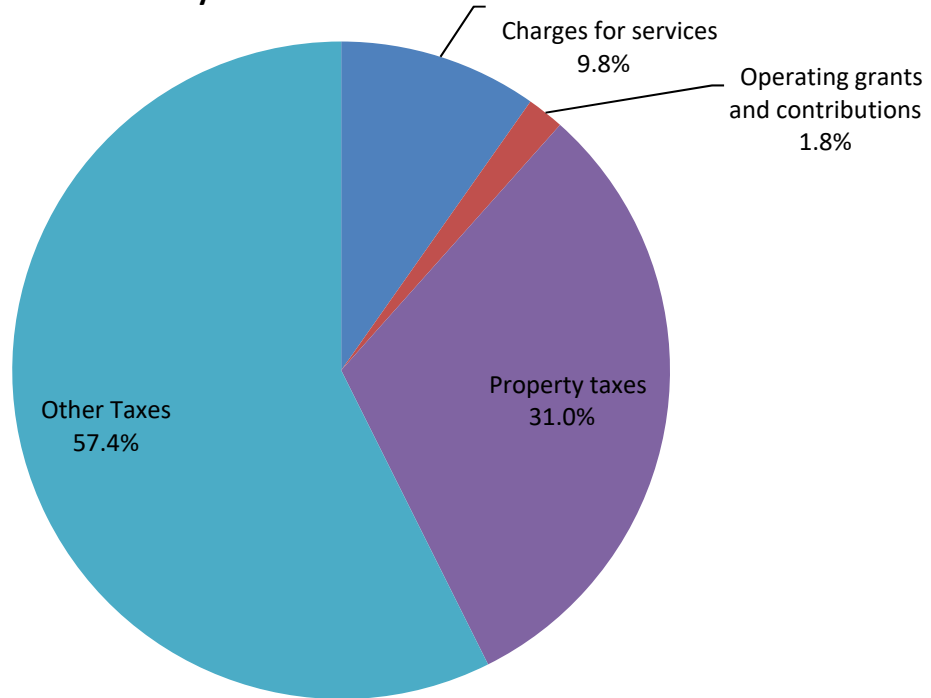
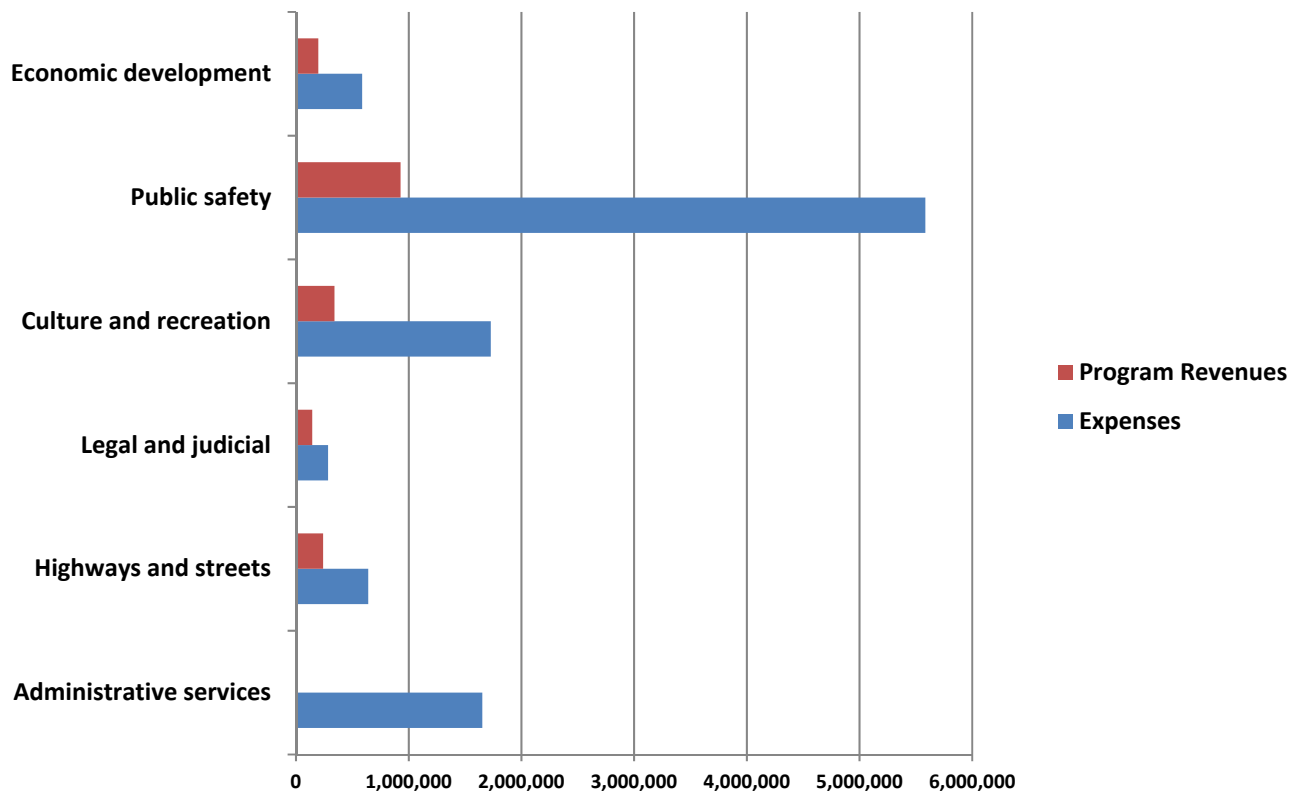
	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$29,432,789	\$36,200,233	\$1,504,487	\$1,271,142	\$30,937,276	\$37,471,375
Capital assets	47,144,423	40,507,678	676,186	583,638	47,820,609	41,091,316
Total assets	76,577,212	76,707,911	2,180,673	1,854,780	78,757,885	78,562,691
Total deferred outflows of resources	1,819,391	715,705	-	-	1,819,391	715,705
Long-term liabilities	29,895,952	29,658,485	11,720	10,732	29,907,672	29,669,217
Other liabilities	2,447,037	2,397,896	81,172	58,893	2,528,209	2,456,789
Total liabilities	32,342,989	32,056,381	92,892	69,625	32,435,881	32,126,006
Total deferred inflows of resources	23,774	16,209	-	-	23,774	16,209
Net position:						
Net investment in capital assets	38,141,976	37,338,652	676,186	583,638	38,818,162	37,922,290
Restricted	3,976,107	3,673,667	-	-	3,976,107	3,673,667
Unrestricted	3,911,757	4,338,707	1,411,595	1,201,517	5,323,352	5,540,224
Total net position	\$46,029,840	\$45,351,026	\$2,087,781	\$1,785,155	\$48,117,621	\$47,136,181

The total government's net position increased by \$981,440 (2 percent) during the current fiscal year.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	1,577,326	1,680,151	1,319,798	1,258,621	2,897,124	2,938,772
Operating grants and contributions	294,908	200,013	-	-	294,908	200,013
Capital grants and contributions	-	31,000	-	-	-	31,000
General revenues:						
Property taxes	5,011,576	4,838,123	-	-	5,011,576	4,838,123
Franchise taxes	1,607,567	1,708,276	-	-	1,607,567	1,708,276
Intergovernmental	7,586,940	7,370,459	-	-	7,586,940	7,370,459
Miscellaneous	25,208	27,889	-	-	25,208	27,889
Unrestricted grants and contributions	-	-	-	-	-	-
Investment earnings	46,324	76,358	-	-	46,324	76,358
Total revenues	16,149,849	15,932,269	1,319,798	1,258,621	17,469,647	17,190,890
Expenses						
Administrative services	2,672,643	2,684,683	-	-	2,672,643	2,684,683
Highways and streets	2,130,379	1,949,484	-	-	2,130,379	1,949,484
Legal and judicial	289,478	293,746	-	-	289,478	293,746
Culture and recreation	1,817,684	1,832,018	-	-	1,817,684	1,832,018
Public safety	7,222,789	5,860,267	-	-	7,222,789	5,860,267
Economic development	589,634	597,599	-	-	589,634	597,599
Interest on long-term debt	735,611	754,683	-	-	735,611	754,683
Agent fees on long-term debt	12,817	21,368	-	-	12,817	21,368
Bond issuance costs	-	243,962	-	-	-	243,962
Sanitation	-	-	1,017,172	1,031,423	1,017,172	1,031,423
Total expenses	15,471,035	14,237,810	1,017,172	1,031,423	16,488,207	15,269,233
Increase in net position before transfers	678,814	1,694,459	302,626	227,198	981,440	1,921,657
Transfers	-	(29,689)	-	29,689	-	-
Change in net position	678,814	1,664,770	302,626	256,887	981,440	1,921,657
Net position - January 1	45,351,026	43,686,256	1,785,155	1,528,268	47,136,181	45,214,524
Net position - December 31	46,029,840	45,351,026	2,087,781	1,785,155	48,117,621	47,136,181

Net position-January 1, 2015 for governmental activities was restated to reflect the new changes required under GASB Statement No. 68.

Governmental activities. Governmental activities increased the City's net position by \$678,814 for an ending balance of \$46,029,840. Governmental activities revenue increased by a \$217,580 (1 percent) from 2015, while expenses increased by \$1,233,225 (8 percent).

Revenues by Source-Governmental Activities**Expenses and Program Revenues-Governmental Activities**

Business-type activities. Business-type activities results for the current fiscal year were positive increasing the City's overall net position by \$302,626 to a total ending balance of \$2,087,781 for business type activities (sanitation). The growth, in large part, is due to an increase in collection efforts to resolve and collect old account balances.

Financial Analysis of the Government's Funds

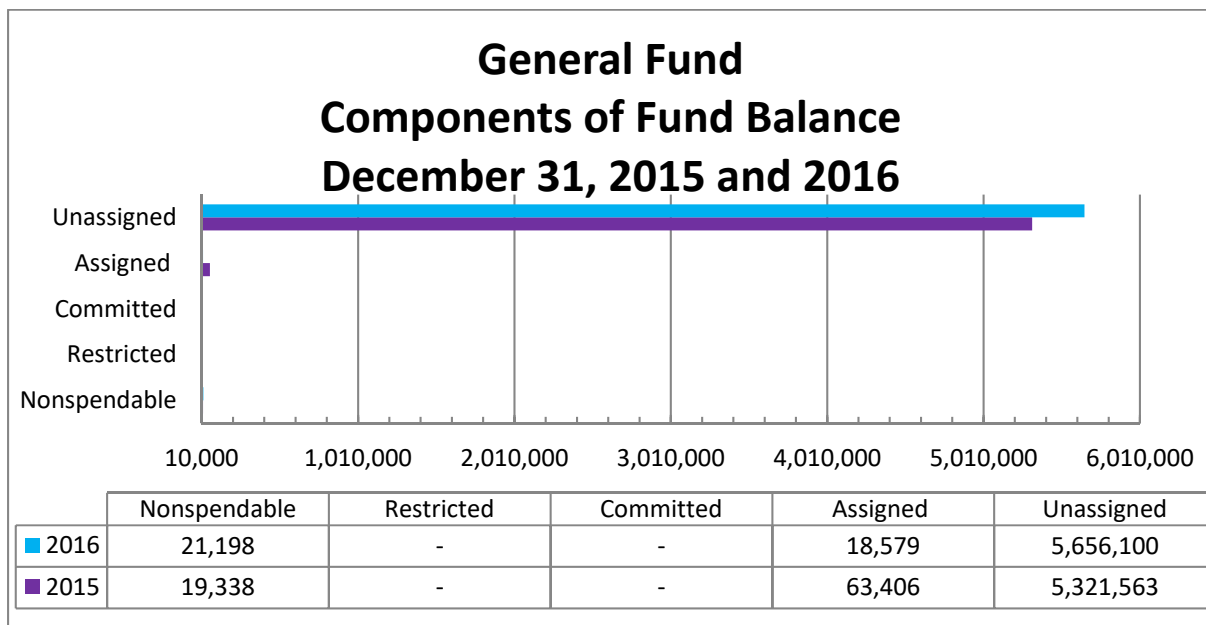
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$27,675,652, a decrease of 19 percent, in comparison, with the prior year. Approximately 20 percent of this total amount constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable*, *restricted*, *assigned*, or *committed* to indicate that it is 1) not in spendable form (\$21,198), 2) restricted for particular purposes (\$21,979,775), or 3) assigned for particular purposes (\$18,579).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,656,100 and total fund balance was \$5,695,877. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 51 percent of total general fund expenditures, while total fund balance represents approximately 51 percent of that same amount.



The increase in the City's general fund balance by \$291,570, during the current fiscal year, was due to an increase in county and city sales tax revenue and an increase in grant revenue.

The debt service fund has a total fund balance of \$2,780,287 all of which is restricted for payment of debt service. The net increase in fund balance during the current year was \$414,217. This net increase is attributed to an increase in interest expense of \$93,271, a decrease in expenditures for fees of \$8,718 and a transfer from the general fund of \$491,346.

The street fund has a total fund balance of \$3,924,142, which per state statute is required to be spent only on highways, streets, and roads. The net increase in fund balance during the current year for the street fund was \$297,999. This is mainly due to an increase in grant revenue of \$100,545 and capital projects that were started in 2016 but not completed until 2017. We also received a slight increase in 2016 in the Street Aid Program that increased the Revenues from 2015.

The capital projects fund has a total fund balance of \$15,244,076 and these funds are to be only utilized for capital projects approved by the voters. The net decrease in fund balance during the current year for the capital projects fund was \$7,684,381. This is mainly due to the construction of new capital projects, Fire Station 2 of \$4,743,861, Counts Massie I-40 Extension of \$2,462,467, Athletic Fields Improvements of \$129,047 and the new Senior Wellness Center of \$346,078.

Proprietary funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the sanitation fund at the end of the year was \$1,411,595. Net investment in capital assets was \$676,186. The total growth in net position, for 2016, was \$302,626.

General Fund Budgetary Highlights

Original budget compared to final budget

During the year, there were no amendments to increase the original estimated in 2016. Most of budgeted appropriation amendments required was due to capital purchases: an increase of \$15,137 to cover a wrecked police car; an increase of \$125,750 to cover escrow funds to ensure completion of utilities in the Counts Massie Area; a \$26,588 increase in Courts for the court automation process; a \$387,000 increase in the street fund for repairs to the Garden Oaks rear alleyways; and an increase of \$78,000 to settle a lawsuit with a former employee from 2013.

Final budget compared to actual results

GENERAL FUND

Revenues

General fund revenues came in slightly higher than budgeted. These increases were attributed to over \$160,000 in federal and state grants received that were not budgeted and approximately \$213,000 increase in sales and property tax collection.

Expenditures

Police

There was a 6% (\$195,491) positive variance in police budget due to approximately \$111,000 in LOPFI turnback received and a decrease in fuel costs.

Public Works

There was a 9% (\$60,454) positive variance in public works budget due to decrease in vehicle maintenance because of newer vehicles being purchased, approximately \$117,500 was included in the budget for refinishing VCT and tile floor, a pickup

truck, drainage improvements, path improvements and equipment bay but the money was not expended until 2017, a decrease in fuel prices and less drainage projects completed during the year.

Parks and Recreation

There was an 9% (\$128,946) positive variance in parks and recreation budget due to less summer hires in 2016 and a decrease in pool maintenance costs due to decrease in pool attendance.

Capital Asset and Debt Administration

Capital assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2016, amounts to 38,818,162 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, vehicles, and infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was \$895,872.

Major capital asset events during the current fiscal year included the following:

- Replacement of seven patrol cars (\$290,037)
- New van for animal control (\$24,903)
- New truck for public works department (\$20,976)
- New truck, tractor and equipment for parks maintenance (\$50,059)
- New truck and mini excavator for Street department (\$55,759)
- New garbage truck for Sanitation department (\$237,629)
- Street fund and general fund drainage improvements (\$604,210)
- Continued improvement on the Athletic Field Project (\$129,047)
- Continued construction on the Fire substation 2 with total spent as of December 31, 2016 of \$5,361,058
- Continued work on Counts Massie to Interstate 40 extension with total spent as of December 31, 2016 of \$2,836,282
- Continued construction on new athletic fields with total spent as of December 31, 2016 of \$1,084,009
- Continued construction on the new Senior Citizens building with total spent as of December 31, 2016 of \$568,756

City of Maumelle's Capital Assets (Net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 7,649,763	\$ 7,649,763	\$ -	\$ -	\$ 7,649,763	\$ 7,649,763
Building	15,563,816	16,579,214	153,059	165,076	15,716,875	16,744,290
Equipment	3,090,896	3,300,150	523,127	418,562	3,614,023	3,718,712
Infrastructure	10,580,528	10,409,709	-	-	10,580,528	10,409,709
Construction in progress	10,259,420	2,568,842	-	-	10,259,420	2,568,842
Total	\$47,144,423	\$40,507,678	\$676,186	\$583,638	\$47,820,609	\$41,091,316

Additional information on the City's capital assets can be found on pages 32-33 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$24,525,000. The Series 2012 bonds are revenue bonds totaling \$7,270,000 secured solely by franchise fee revenue. The Series 2015 bonds are limited tax general obligation bonds totaling \$17,255,000.

City of Maumelle's Outstanding Debt					
	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Governmental Activities					
Bonds:					
2012	7,495,000	-	225,000	7,270,000	230,000
2015	18,845,000	-	1,590,000	17,255,000	1,035,000
Plus Reoffering Premium	730,683	-	66,426	664,257	-
Less deferred issuance discounts	(56,655)	-	2,817	(53,838)	-
Total bonds payable	27,014,028	-	1,884,243	25,135,419	1,265,000
Motorola Capital Lease	214,084	-	107,042	107,042	107,042
Clerk pension	550,881	-	31,852	519,029	21,000
Compensated Absences	286,198	392,171	387,857	290,512	33,989
Net Pension Liability	2,968,820	2,302,161		5,270,981	-
Total governmental activities	31,034,011	2,694,332	2,410,994	31,322,983	1,427,031
Business-type activities					
Bank Loan	-	-	-	-	-
Compensated absences	16,469	19,563	18,047	17,985	6,265
Total business-type activities	16,469	19,563	18,047	17,985	6,265

The City's total debt increased by \$290,488 (1 percent) during the current fiscal year; and this increase is mainly attributed to the GASB 68 requirement to add net pension liability, an increase in pension liability of \$2,302,161 and the decrease in the total bond payables of \$1,884,243.

State statutes limit the amount of general obligation debt a governmental entity may issue to 20 percent of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2016, the legal debt limit for the city was \$83,213,631. The City has general obligation debt outstanding at the end of 2016 of \$15,114,855, net funds available for retirement, leaving a legal debt margin of \$68,098,776.

Additional information on the City's long-term debt can be found on pages 43-45 of this report.

Economic Factors and Next Year's Budgets and Rates

Personal Income

The City of Maumelle's median household income is \$78,779 or 77% higher than the State of Arkansas median income of \$44,334. This puts the City in good economic standing when compared to the surrounding areas. The City saw an increase in personal income from \$36,948 to \$39,577, in 2016; however, the City is still higher than the surrounding areas of Little Rock, North Little Rock, and Conway with personal incomes at \$30,678, \$23,301, and \$24,752, respectively.

Unemployment Rate

The City's unemployment rate is 3.2% for 2016, while Little Rock's unemployment rate is 3.3%, Conway's rate is 3.5% and North Little Rock's unemployment rate is 3.7%.

Residential Development

The City's single family residential development has increased in 2016 with the first phase of the Ridgeview Trails Subdivision completed. The single family residential building permits increased to 53 in 2016 from 35 in 2015.

2017 Budget

The preparation of the 2017 budget again proved to be particularly challenging due to rising prices of materials and supplies and the need to continue the City's capital improvement plan and implement some of the changes recommended according to the strategic plan. The City's revenue base has remained stagnant for the last six years with the only increases in City Sales tax due to an audit of a taxpayer. As a result, a City-wide hold in expenses was required this year. All departments are operating with only essential appropriations needed to provide the same level of quality service to the Citizens. However, there was a need to continue to increase the salaries across the board for the public safety departments, in order to, attract qualified staff. A \$1,519,300 appropriation from fund balance was needed, which is \$1,000,018 more than 2016. We hope to reduce the amount of this appropriation actually needed by closely monitoring expenses throughout the year.

Community and Economic Development

Commercial and retail development is expanding in Maumelle. Kimberly Clark completed a 50 million dollar expansion, in 2016. The Childcare Network opened its doors at the end of 2016. US Pizza made great strides in the construction of their new building in 2016, the facility will open in early 2017. The owner of the site adjacent to Walgreens completed major drainage work on the site, and the construction of a new restaurant should be underway in the 2017. Site work for the new Sonic is also proceeding with a completion for fall of 2017.

Requests for information

This financial report is designed to provide an overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report should be directed to the Director of Finance, City of Maumelle, 550 Edgewood Drive, Suite 590, Maumelle, Arkansas 72113.

FINANCIAL SECTION

DECEMBER 31, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 10,151,257	\$ 1,283,514	\$ 11,434,771
Taxes receivable	961,595	-	961,595
Accounts receivable - net	287,726	220,973	508,699
Prepays	21,198	-	21,198
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	18,011,013	-	18,011,013
Property, plant & equipment - net:			
Land	7,649,763	-	7,649,763
Buildings	15,563,816	153,059	15,716,875
Equipment	3,090,896	523,127	3,614,023
Infrastructure	10,580,528	-	10,580,528
Construction in progress	10,259,420	-	10,259,420
TOTAL ASSETS	<u>76,577,212</u>	<u>2,180,673</u>	<u>78,757,885</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pensions	1,538,577	-	1,538,577
Deferred charge on refunding	280,814	-	280,814
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,819,391</u>	<u>-</u>	<u>1,819,391</u>
LIABILITIES			
Accounts payable	259,819	37,732	297,551
Payroll taxes payable	122,347	5,379	127,726
Other payroll withholdings payable	101,968	3,057	105,025
Accrued interest payable	222,347	-	222,347
Sales taxes payable	-	28,739	28,739
Unearned revenue	65,143	-	65,143
Payment in lieu	248,382	-	248,382
Noncurrent liabilities:			
Due within one year	1,427,031	6,265	1,433,296
Due in more than one year	29,895,952	11,720	29,907,672
TOTAL LIABILITIES	<u>32,342,989</u>	<u>92,892</u>	<u>32,435,881</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pensions	23,774	-	23,774
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>23,774</u>	<u>-</u>	<u>23,774</u>
NET POSITION			
Net investment in capital assets	38,141,976	676,186	38,818,162
Restricted for:			
Municipal Court Automation	31,270	-	31,270
Special revenue funds -streets	3,944,837	-	3,944,837
Unrestricted	3,911,757	1,411,595	5,323,352
TOTAL NET POSITION	<u>\$ 46,029,840</u>	<u>\$ 2,087,781</u>	<u>\$ 48,117,621</u>

FOR THE YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense), Revenue, and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Primary government:							
Governmental activities:							
Administrative services	\$ 2,672,643	\$ 13,073	\$ 5,000	\$ -	\$ (2,654,570)	\$ -	\$ (2,654,570)
Legal and judicial	289,478	145,203	-	-	(144,275)	-	(144,275)
Public safety	7,222,789	873,394	54,275	-	(6,295,120)	-	(6,295,120)
Highways and streets	2,130,379	5,020	235,633	-	(1,889,726)	-	(1,889,726)
Culture and recreation	1,817,684	342,397	-	-	(1,475,287)	-	(1,475,287)
Economic development	589,634	198,239	-	-	(391,395)	-	(391,395)
Interest on long-term debt	735,611	-	-	-	(735,611)	-	(735,611)
Agent fees on long-term debt	12,817	-	-	-	(12,817)	-	(12,817)
Total governmental activities	15,471,035	1,577,326	294,908	-	(13,598,801)	-	(13,598,801)
Business-type activities:							
Sanitation	1,017,172	1,319,798	-	-	-	302,626	302,626
Total primary government	\$ 16,488,207	\$ 2,897,124	\$ 294,908	\$ -	\$ (13,598,801)	\$ 302,626	\$ (13,296,175)

General revenues:

Taxes:

Property taxes, levied for general purposes	2,482,892	-	2,482,892
Property taxes, levied for debt service	2,528,684	-	2,528,684
Franchise taxes	1,607,567	-	1,607,567
Intergovernmental - unrestricted	7,586,940	-	7,586,940
Miscellaneous	25,208	-	25,208
Investment earnings:			
Unrestricted	46,324	-	46,324
Transfers	-	-	-
Total general revenues and transfers	14,277,615	-	14,277,615

Change in net position	678,814	302,626	981,440
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NET POSITION - BEGINNING	45,351,026	1,785,155	47,136,181
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NET POSITION - ENDING	<u>\$ 46,029,840</u>	<u>\$ 2,087,781</u>	<u>\$ 48,117,621</u>
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DECEMBER 31, 2016

	General	Street	Debt Service	Capital Projects	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash	\$ 6,201,747	\$ 3,918,202	\$ -	\$ -	\$ 31,308	\$ 10,151,257
Funds held by trustee	-	-	2,769,274	15,241,739	-	18,011,013
Taxes receivable	730,806	136,561	94,228	-	-	961,595
Accounts receivable - net	183,932	103,794	-	-	-	287,726
Due from other funds	31,744	-	13,350	2,337	-	47,431
Prepays	21,198	-	-	-	-	21,198
TOTAL ASSETS	<u>7,169,427</u>	<u>4,158,557</u>	<u>2,876,852</u>	<u>15,244,076</u>	<u>31,308</u>	<u>29,480,220</u>
LIABILITIES						
Accounts payable	225,120	34,661	-	-	38	259,819
Payroll taxes payable	114,661	7,686	-	-	-	122,347
Other payroll withholdings payable	107,871	(5,903)	-	-	-	101,968
Unearned revenue-other	46,710	18,433	-	-	-	65,143
Payment in lieu	248,382	-	-	-	-	248,382
Due to other funds	-	42,976	2,337	-	-	45,313
TOTAL LIABILITIES	<u>742,744</u>	<u>97,853</u>	<u>2,337</u>	<u>-</u>	<u>38</u>	<u>842,972</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue-Property tax	55,641	20,695	94,228	-	-	170,564
Unavailable revenue-Sales tax	509,831	115,867	-	-	-	625,698
Unavailable revenue-Franchise fees	165,334	-	-	-	-	165,334
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>730,806</u>	<u>136,562</u>	<u>94,228</u>	<u>-</u>	<u>-</u>	<u>961,596</u>
FUND BALANCES						
Nonspendable	21,198	-	-	-	-	21,198
Restricted	-	3,924,142	2,780,287	15,244,076	31,270	21,979,775
Committed	-	-	-	-	-	-
Assigned	18,579	-	-	-	-	18,579
Unassigned	5,656,100	-	-	-	-	5,656,100
TOTAL FUND BALANCES	<u>5,695,877</u>	<u>3,924,142</u>	<u>2,780,287</u>	<u>15,244,076</u>	<u>31,270</u>	<u>27,675,652</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,169,427</u>	<u>\$ 4,158,557</u>	<u>\$ 2,876,852</u>	<u>\$ 15,244,076</u>	<u>\$ 31,308</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	\$ 47,144,423
Deferred inflow/outflow of resources reported in the Statement of Net Position	1,514,803
Amounts reported as deferred revenue are not recognized at the fund level on the modified accrual basis but are reported as revenues on the full accrual basis in the government-wide statements.	961,596
Long-term liabilities of \$31,322,983 and related deferred charges on refunding of \$280,814 are not due and payable in the current year and therefore, are not reported in the governmental funds	(31,042,169)
Accrued interest is not due and payable in the current year and, therefore, is not reported in the governmental funds.	(222,347)
If assets managed by fiduciary funds include amounts that belong to the government, then those amounts must be eliminated for financial reporting purposes and reported in the appropriate fund(s) of the government	(2,118)

Net position of governmental activities \$ 46,029,840

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Street	Debt Service	Capital Projects	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Local tax assessments:						
Millage tax	\$ 1,928,561	\$ 555,719	\$ 2,529,449	\$ -	\$ -	\$ 5,013,729
Franchise fees	1,629,326	-	-	-	-	1,629,326
Intergovernmental revenues	6,430,355	1,133,758	-	-	-	7,564,113
Public safety fees	888,503	-	-	-	-	888,503
Parks and recreation fees	342,398	-	-	-	-	342,398
Legal and Judicial fees	145,203	-	-	-	5,277	150,480
Community and economic development	198,239	-	-	-	-	198,239
Investment income	7,697	19,645	5,084	13,898	-	46,324
Grants and donations	291,518	100,545	-	-	-	392,063
Other revenue	15,188	5,020	5,000	-	-	25,208
TOTAL REVENUES	11,876,988	1,814,687	2,539,533	13,898	5,277	16,250,383
EXPENDITURES						
Current:						
General government						
Administrative services	1,654,014	-	-	-	-	1,654,014
Legal and judicial	285,836	-	-	-	595	286,431
Public safety	5,583,862	-	-	-	-	5,583,862
Highways and streets	641,444	957,735	-	-	-	1,599,179
Parks and recreation	1,728,967	-	-	-	-	1,728,967
Community and economic development	586,860	-	-	-	-	586,860
Debt service:						
Principal	-	-	1,815,000	-	-	1,815,000
Interest	-	-	796,546	-	-	796,546
Fees	-	-	2,150	10,667	-	12,817
Lease payment	107,042	-	-	-	-	107,042
Capital outlay:						
Administrative services	23,316	-	-	-	-	23,316
Public safety	314,939	-	-	1,127,918	-	1,442,857
Public works and streets	2,247	558,953	-	2,462,467	-	3,023,667
Parks and recreation	165,545	-	-	4,100,193	-	4,265,738
TOTAL EXPENDITURES	11,094,072	1,516,688	2,613,696	7,701,245	595	22,926,296
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	782,916	297,999	(74,163)	(7,687,347)	4,682	(6,675,913)
Other financing sources (uses):						
Transfers in	-	-	491,346	2,966	-	494,312
Transfers out	(491,346)	-	(2,966)	-	-	(494,312)
Total other financing sources (uses)	(491,346)	-	488,380	2,966	-	-
Net change in fund balances	291,570	297,999	414,217	(7,684,381)	4,682	(6,675,913)
FUND BALANCE - BEGINNING OF YEAR	5,404,307	3,626,143	2,366,070	22,928,457	26,588	34,351,565
FUND BALANCE - END OF YEAR	\$ 5,695,877	\$ 3,924,142	\$ 2,780,287	\$ 15,244,076	\$ 31,270	\$ 27,675,652

Net change in fund balances - total governmental funds (page 16) \$ (6,675,913)

Amounts reported for governmental activities in the Statement of Activities (page 14) are different because:

Revenues that do not provide current financial resources are not reported as revenues for the funds but are reported as revenues in the Statement of Activities. (100,534)

Governmental funds report capital outlays as expenditures. However, for government-wide statements, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The components of capital assets in 2016 are as follows:

Expenditures for capital assets, land, and construction in progress	8,755,578	
Depreciation expense	<u>(2,118,833)</u>	
		6,636,745

Expenses that do not require current financial resources (such as interest and compensated absences, etc.) are not reported as expenses for the funds but are reported as expenses in the Statement of Activities. 7,054

The repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 1,922,042

Pension obligations to the former City Clerk do not require current financial resources and are not recorded in governmental funds. However, for government-wide statements, the liability is recorded, and a corresponding increase/decrease in expense is recognized. 31,852

Bond discounts are reported as expenditures in governmental funds and amortized over the life of the debt in the Statement of Activities. Bond premiums are reported as revenue in the governmental funds and amortized over the life in the Statement of Activities. The purchase price in excess of face value of the Series 2005 and 2007 Revenue bonds is reported as an expenditure in governmental funds and amortized over the remaining life of the original debt in the Statement of Activities.

Amortization of premium - Series 2015 bonds	66,426	
Amortization of discount - Series 2012 and 2013 bonds	<u>(2,817)</u>	
		63,609
Amortization of purchase price in excess of face value of Series 2005 and 2007 Revenue bonds	<u>(14,041)</u>	(14,041)

Net deferred inflow and outflow of resources related to pensions (1,192,000)

Change in net position of governmental activities (page 14) \$ 678,814

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016**

	GENERAL FUND			
	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Taxes	\$ 9,737,445	\$ 9,737,445	\$ 9,988,242	\$ 250,797
Community service fees	725,000	725,000	756,118	31,118
Parks and recreation fees	492,000	492,000	342,398	(149,602)
Municipal court fees	225,000	225,000	145,203	(79,797)
Building permits and inspection fees	199,000	199,000	198,239	(761)
Public safety	50,000	50,000	103,929	53,929
Investment income	12,000	12,000	7,697	(4,303)
Grants and donations	-	-	291,518	291,518
Miscellaneous revenue and fees	34,000	34,000	43,644	9,644
TOTAL REVENUE	<u>11,474,445</u>	<u>11,474,445</u>	<u>11,876,988</u>	<u>402,543</u>
EXPENDITURES				
Operating expenditures:				
Administrative services	1,877,471	1,923,223	1,654,014	(269,209)
City attorney	110,638	110,928	107,286	(3,642)
Courts	188,281	188,281	178,550	(9,731)
Police	2,987,978	3,015,256	2,819,765	(195,491)
Fire	2,545,476	2,638,143	2,439,902	(198,241)
Animal control	355,878	367,711	324,195	(43,516)
Public works	702,874	701,898	641,444	(60,454)
Parks and recreation	1,572,300	1,545,029	1,416,083	(128,946)
Senior services	337,918	348,578	312,884	(35,694)
Community and economic development	203,941	208,952	176,860	(32,092)
Planning & zoning	143,506	143,786	132,577	(11,209)
Code enforcement	289,892	289,892	277,423	(12,469)
Total operating expenditures	<u>11,316,153</u>	<u>11,481,677</u>	<u>10,480,983</u>	<u>(1,000,694)</u>
Capital expenditures:				
Administrative services	28,200	28,200	23,315	(4,885)
Police	250,000	291,950	397,066	105,116
Fire	-	-	-	-
Public works	149,500	150,476	27,163	(123,313)
Parks	91,900	168,098	165,545	(2,553)
Total capital expenditures	<u>519,600</u>	<u>638,724</u>	<u>613,089</u>	<u>(25,635)</u>
TOTAL EXPENDITURES	<u>11,835,753</u>	<u>12,120,401</u>	<u>11,094,072</u>	<u>(1,026,329)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (361,308)</u>	<u>\$ (645,956)</u>	782,916	<u>\$ 1,428,872</u>
Other financing sources				
Other financing uses - operating transfers out			<u>(491,346)</u>	
NET CHANGE IN FUND BALANCE			291,570	
FUND BALANCE - BEGINNING OF YEAR			<u>5,404,307</u>	
FUND BALANCE - END OF YEAR			<u>\$ 5,695,877</u>	

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016**

STREET FUND				
	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Taxes	\$ 1,706,959	\$ 1,706,959	\$ 1,790,022	\$ 83,063
Investment income	19,000	19,000	19,645	645
Other revenue	2,000	2,000	5,020	3,020
TOTAL REVENUE	<u>1,727,959</u>	<u>1,727,959</u>	<u>1,814,687</u>	<u>86,728</u>
EXPENDITURES				
Operating expenditures:				
Public works and streets	1,084,608	1,084,608	957,735	(126,873)
Capital expenditures:				
Public works and streets	600,500	1,333,982	558,953	(775,029)
TOTAL EXPENDITURES	<u>1,685,108</u>	<u>2,418,590</u>	<u>1,516,688</u>	<u>(901,902)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 42,851</u>	<u>\$ (690,631)</u>	297,999	<u>\$ 988,630</u>
FUND BALANCE - BEGINNING OF YEAR			<u>3,626,143</u>	
FUND BALANCE - END OF YEAR			<u>\$ 3,924,142</u>	

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	Business-type Activities
	Sanitation
ASSETS:	
Current assets:	
Cash	\$ 1,283,514
Accounts receivable - net	220,973
Total current assets	1,504,487
Noncurrent assets:	
Buildings, net of accumulated depreciation	153,059
Equipment, net of accumulated depreciation	523,127
Total noncurrent assets	676,186
TOTAL ASSETS	2,180,673
LIABILITIES	
Current liabilities:	
Accounts payable	37,732
Payroll taxes payable	5,379
Other payroll withholdings payable	3,057
Compensated absences	6,265
Sales taxes payable	28,739
Total current liabilities	81,172
Noncurrent liabilities:	
Compensated absences	11,720
Total noncurrent liabilities	11,720
TOTAL LIABILITIES	92,892
NET POSITION	
Net investment in capital assets	676,186
Unrestricted	1,411,595
TOTAL NET POSITION	\$ 2,087,781

	Business-type Activities
	Sanitation
OPERATING REVENUES	
Charges for sales and services:	
Charges for sanitation services	\$ 1,303,298
TOTAL OPERATING REVENUES	1,303,298
OPERATING EXPENSES	
Personnel	518,640
Operating supplies	353,450
Depreciation	145,082
TOTAL OPERATING EXPENSES	1,017,172
OPERATING INCOME	286,126
NON-OPERATING REVENUES (EXPENSES)	
Gain (Loss) on disposal of capital assets	16,500
TOTAL NON-OPERATING REVENUES (EXPENSES)	16,500
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	302,626
TRANSFERS IN	-
CHANGE IN NET POSITION	302,626
TOTAL NET POSITION - BEGINNING OF YEAR	1,785,155
TOTAL NET POSITION - END OF YEAR	\$ 2,087,781

FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities
	Sanitation
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 1,408,413
Payments to suppliers	(717,151)
Payments to employees	(271,358)
Net cash provided by operating activities	419,904
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from sale of capital assets	16,500
Purchases of capital assets	(237,629)
Net cash provided (used) by capital and related financing activities	(221,129)
Net increase (decrease) in cash and cash equivalents	198,775
Cash and cash equivalents, January 1, 2016	1,084,739
Cash and cash equivalents, December 31, 2016	1,283,514
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income	286,126
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	145,082
(Increase) decrease in accounts receivable	(34,570)
Increase (decrease) in accounts payable	20,667
Increase (decrease) in payroll taxes	3,983
Increase (decrease) in accrued expenses	(4,929)
Increase (decrease) in compensated absences payable	1,516
Increase (decrease) in sales taxes payable	2,029
Total adjustments	133,778
Net cash provided by operating activities	\$ 419,904

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	Fines Custodial Agency Fund
ASSETS	
Cash and cash equivalents	\$ 18,714
TOTAL ASSETS	18,714
LIABILITIES	
Amounts due to other parties	18,714
TOTAL LIABILITIES	\$ 18,714

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Description of government-wide financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The City does not have any component units.

B. Reporting entity

The City of Maumelle, Arkansas, (the "City") is a municipal corporation governed by an elected mayor and eight-member council. The City was chartered on December 1, 1985, under the provisions of the State of Arkansas. The City operates under a Mayor/Council form of government and provides the following services: police and fire protection; animal control; planning and zoning; sanitation services; parks and recreation; district court; public works and streets; and general administrative services.

Related Organizations. The Maumelle Public Facilities Board (the "Facilities Board") is considered a related organization based upon the criteria in GASB Statement No. 14. The Facilities Board is a separate legal entity from the City. Pursuant to Arkansas Code Annotated (A. C. A.) §14-137-108, the City appoints a voting majority of the Facilities Board members. However, the City is not able to impose its will upon the Facilities Board nor does a financial benefit/burden relationship exist between them. Therefore, the financial statements of the City do not include the financial information of any related organizations.

The accounting policies of the City conform to generally accepted accounting principles as applicable to governments.

C. Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges for services and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as *general revenues* instead. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**D. Basis of presentation – fund financial statements**

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

Special Revenue Fund – Street Fund – Special Revenue Funds account for revenues derived from special taxes or other earmarked revenue sources. The Street Fund is a special revenue fund derived from taxes earmarked specifically for street expenditures.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of long-term debt principal, interest, and related costs.

Capital Projects Fund – The Capital Projects Fund is used to account for major capital acquisitions and construction projects, other than those financed by proprietary funds.

The City reports the following major proprietary funds:

Sanitation Fund – Proprietary Funds account for operations that are financed and operated in a manner similar to private industry. The City uses the Sanitation Fund to report the operations of the solid waste operation.

Additionally, the City reports the following fund types:

Fines Custodial Fund – The Fines Custodial Fund is an Agency Fund that has been established to account for amounts held in custody for individuals and other governments in connection with Municipal Court cases not yet adjudicated.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**E. Measurement focus and basis of accounting**

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The fiduciary fund financial statements have no measurement focus, as is the case with all agency funds but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

F. Budgetary information

On or before December 1, the Mayor submits to the Council a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the current year, along with estimates and actual data for the year. The budget is submitted in detailed line item form for administrative control. The budget is legally enacted through passage of a resolution.

DECEMBER 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Formal budgetary information is employed as a management control device during the year. Budgets for the General and Special Revenue – Street Funds are adopted on the same basis of accounting as used by the City, which is a basis consistent with generally accepted accounting principles.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

The actual results of operations, compared to the final appropriation, which include amendments to the original appropriation, for each fund type by expenditure function and revenue source are presented in the *Budgetary Comparison Schedules* for the General Fund and for the Street Fund for the current year.

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance***Cash and cash equivalents***

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. In order to facilitate cash management, the operating cash of certain funds is pooled into common bank accounts.

Investments

Investments for the City are reported at fair value. State statutes authorize the City to invest in obligations of the U.S. Treasury, Arkansas bank certificates of deposit, and Arkansas financial institution repurchase agreements.

Prepaid items

Payments made to vendors for services that benefit future periods are recorded as prepaid items in both government-wide and fund financial statements. A current asset for the prepaid amount is recorded at the time of purchase, and the expenditure is reported in the year in which services are consumed.

Receivables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "due from."

Restricted assets

Certain proceeds of the City's revenue bonds and general obligation bonds, as well as certain resources set aside for the repayment of the City's revenue bonds and general obligation bonds are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The construction accounts in the Capital Improvement Fund are used to report those proceeds of bond issuances that are

DECEMBER 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

restricted for use in construction. The debt service bond accounts in the Debt Service Fund are used to segregate resources accumulated for debt service payments over the next twelve months. The debt service reserve accounts in the Debt Service Fund are used to segregate resources set aside to meet unexpected contingencies, as required by the applicable bond covenants.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns within the government-wide financial statements. The City defines capital assets, other than infrastructure assets, as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by the governmental activities), the City chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets based on estimates provided by the Arkansas GASB Task Force and past experience with contractors. As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these capital assets at the estimated fair value of the item at the date of its donation.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest expense was incurred by the City during the current fiscal year for construction of capital assets of business-type activities.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	5-30
Equipment	3-10
Infrastructure	40

Deferred outflows/inflows of resource

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item,

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, sales taxes, franchise taxes and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-term liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Long-term liabilities are only recorded to the extent that they are due and payable.

Net position flow assumption

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

Fund balance policies

In the governmental fund financial statements, fund balances are categorized as nonspendable, restricted, committed, assigned or unassigned. A brief description of each category is as follows:

- *Nonspendable* – represents amounts that cannot be spent due to form, for example, inventories and prepaid amounts, and amounts must remain intact legally or contractually.
- *Restricted* – represents amounts restricted to specific purposes by external parties, constitutional provision or enabling legislation.
- *Committed* – represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority and it would require the same group to remove or change constraints. The City of Maumelle's highest level of decision making authority is the Council. The formal action necessary would be an ordinance that specifically establishes, amends or rescinds a fund balance commitment. A formal policy has not been adopted by the City Council as of the date of this report.
- *Assigned* – represents amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing council has by ordinance authorized the Mayor to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignment generally only exists temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *Unassigned* – represents amounts, for the general fund, that are not classified as nonspendable, committed or assigned. The general fund is the only fund that would report a positive amount in unassigned fund balance; whereas other governmental funds would report a residual deficit if amounts are expended in excess of resources in nonspendable, restricted, committed or assigned. A formal policy has not been adopted by the City Council as of the date of this report.

When both restricted and unrestricted resources are available for use, it is the City's practice to use restricted resources first, then unrestricted resources as they are needed. A fund's unrestricted fund balance would have committed amounts reduced first, then assigned amounts and unassigned amounts third when expenditures meet the requirements to use unrestricted resources.

The City of Maumelle formally adopted Ordinance No. 438 in November of 2002. It sets the appropriate level of unassigned general fund balance to be maintained by the City, which is 20 percent of the current year budgeted operating expenditures. If a situation presents itself, in which, the City Council feels that it is prudent and necessary to spend these unassigned funds, and then it would need to pass an ordinance to amend or repeal Ordinance No. 438.

H. Revenues and expenditures/expenses***Program revenues***

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as *general revenues* rather than as program revenues.

Property taxes

Property taxes are levied, as of October 1st, on property values assessed, as of January 1st. The property tax is considered due the first Monday in January after the levy; however, the tax is not considered delinquent until after October 10th. At which time the applicable property is subject to lien, and penalties and interest are assessed. As a result, the majority of the tax is not collected within the time frame necessary to finance the liabilities of the current period

Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick benefits. Employees may accumulate unused vacation of up to twice their annual accrual rate. Upon termination, any accumulated unused vacation time will be paid to the employee. City employees are allowed to accumulate unused sick leave up to a maximum of 1,040 hours. Any accumulated unused sick leave is paid upon employee retirement from service with the City. Historically, employees are compensated for unused sick and vacation time from the fund which the employee is assigned.

The City records a liability for compensated absences as the employee earns benefits attributable to services rendered that were unpaid at the end of the year. Additionally, the City accrues benefits for earned sick leave only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies. Compensated absences are accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, such as a result of employee resignations and retirements.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***Proprietary funds operating and non-operating revenues and expenses***

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Sanitation Fund are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

I. Other significant accounting policies***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 revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Pensions

For purposes of measuring the net pension liability, deferred outflow of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arkansas Local Police and Fire Retirement System (LOPFI) and of the Arkansas Public Employees Retirement System (APERS) and additions/deductions from LOPFI's and APERS's fiduciary net position have been determined on the same basis as they are reported by LOPFI and APERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2: DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**A. Cash and Cash Equivalents**

As of December 31, 2016, the carrying amount of the City's deposits was \$29,464,438 and the bank balance was \$29,587,271. Of the bank balance, \$12,721,529 was covered by Federal depository insurance or by collateral held by the City's agent in the City's name, and \$18,055,089 was collateralized with securities held by the pledging financial institution's trust department or its agent in the City's name. The following schedule reconciles the reported amount of deposits as disclosed above to the statement of net position:

Reported Amount of Deposits	\$29,462,963
Cash on hand	1,475
	<u>\$29,464,438</u>
Unrestricted cash, as reported on the statement of net position	\$11,434,711
Restricted cash and cash equivalents, as reported on the statement of net position	18,011,013
Restricted cash, as reported on the statement of fiduciary net position	18,714
Total cash and cash equivalents	<u>\$29,464,438</u>

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NOTE 2: DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**B. Accounts Receivable**

All trade receivables are shown net of an allowance for uncollectible.

Accounts receivable at December 31, 2016, is as follows:

	General Fund	Street Fund	Debt Service Fund	Sanitation Fund
Taxes receivable	\$ 730,806	\$ 136,561	\$ 94,228	\$ -
Trade receivables	309,155	103,794	-	325,127
Other receivables	34,502	-	-	184,425
Gross receivables	1,074,463	240,355	94,228	509,552
Allowance for doubtful accounts	(159,725)	-	-	(288,579)
Net total receivables	\$ 914,738	\$ 240,355	\$ 94,228	\$ 220,973

C. Capital Assets

Net capital asset activity for the year ended December 31, 2016, was as follows:

PRIMARY GOVERNMENT	Beginning Balance	Increases	Decreases	Transfers/ Reclassifications	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 7,649,763	\$ -	\$ -	\$ -	\$ 7,649,763
Construction in progress	2,568,842	7,690,578	-	-	10,259,420
Total capital assets, not being depreciated	10,218,605	7,690,578	-	-	17,909,183
Capital assets, being depreciated:					
Buildings	27,102,260	-	-	-	27,102,260
Equipment	10,860,861	460,790	-	-	11,321,651
Infrastructure	13,280,856	604,210	-	-	13,885,066
Total capital assets being depreciated	51,243,977	1,065,000	-	-	52,308,977
Less accumulated depreciation for:					
Buildings	10,523,046	1,015,398	-	-	11,538,444
Equipment	7,560,711	670,044	-	-	8,230,755
Infrastructure	2,871,147	433,391	-	-	3,304,538
Total accumulated depreciation	20,954,904	2,118,833	-	-	23,073,737
Total capital assets being depreciated, net	30,289,073	(1,053,833)	-	-	29,235,240
Governmental activities capital assets, net	\$ 40,507,678	\$ 6,636,745	\$ -	\$ -	\$ 47,144,423

DECEMBER 31, 2016

NOTE 2: DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**BUSINESS ACTIVITIES**

Capital assets, not being depreciated:

Construction in Progress	\$	-	\$	-	\$	-	\$	-	\$	-
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Capital assets, being depreciated:

Buildings	227,422	-	-	-	227,422
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Equipment	1,647,106	237,629	92,753	-	1,791,982
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Total capital assets being depreciated	1,874,528	237,629	92,753	-	2,019,404
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Less accumulated depreciation for:

Buildings	62,346	12,017	-	-	74,363
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Equipment	1,228,544	133,064	92,753	-	1,268,855
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Total accumulated depreciation	1,290,890	145,081	92,753	-	1,528,724
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Total capital assets being depreciated, net	583,638	92,548	-	-	676,186
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Business-type activities capital assets, net	\$ 583,638	\$ 92,548	\$ -	\$ -	\$ 676,186
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Depreciation expense was charged to the functions of the primary government as follows:

Governmental Activities:

Administrative Services	\$ 1,050,261
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Public Safety	447,100
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Public Works and Streets	530,658
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Parks and Recreation	90,814
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Total depreciation expense governmental activities	<u>\$ 2,118,833</u>
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Business-type Activities:

Sanitation	<u>\$ 145,081</u>
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Total depreciation expense business-type activities	<u>\$ 145,081</u>
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D. Pension Obligations

City of Maumelle, Arkansas Pension Plan: The City administers a City Pension Plan (effective March 1, 1991), a single-employer, defined contribution pension plan, in which all non-uniformed employees, who have completed one (1) year of service, may participate. The City Pension Plan provides retirement benefits to plan members. The City has authority to establish and amend the plan's provisions and contribution requirements. A separate, audited GAAP-basis postemployment benefit plan report is not available for this plan. You may obtain information about this plan from TIAA-CREF at 1-800-842-2252.

Funding Policy: Plan members are required to contribute up to 2 percent of their annual covered salary. The City will contribute up to 6 percent of annual covered salary. The Plan was amended and restated January 1, 2009, to allow each active participant who completes the years of participation in the plan set out below to become vested in the applicable percentage of the City Contribution Account:

DECEMBER 31, 2016

NOTE 2: DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

<u>Years Vested</u>	<u>Vesting Percentage</u>
0-1	0%
2	20%
3	40%
4	60%
5	80%
6	100%

Annual Pension Cost. For the year ended December 31, 2016, the City's annual pension cost of \$123,963 for the City Pension Plan was equal to the City's required and actual contributions.

Three-Year Trend Information for the City Pension Plan.

<u>YEAR ENDING</u>	<u>EMPLOYEE</u>	<u>EMPLOYER</u>	<u>TOTAL</u>
December 31, 2014	72,616	106,546	179,162
December 31, 2015	71,162	130,938	202,100
December 31, 2016	72,476	108,826	181,302
	<u>\$ 216,254</u>	<u>\$ 346,310</u>	<u>\$ 562,564</u>

<u>YEAR ENDING</u>	<u>ANNUAL PENSION COST (APC)</u>	<u>PERCENTAGE OF APC CONTRIBUTED</u>
December 31, 2014	106,546	100%
December 31, 2015	130,938	100%
December 31, 2016	108,826	100%

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

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

- For each year of paid service resulting from employment in a position not also covered by social security, 2.94% of his or her final average pay (2.7% for those with retirement date prior to July 1, 2009; plus
- For each year of paid service resulting from employment in a position also covered by social security, 1.94% or his or her final average pay (1.7% for those with retirement date prior to July 1, 2009). In addition, if such member is retiring and if such member's age at retirement is younger than social security's minimum age for an unreduced retirement benefit, then such member receives a temporary annuity equal to 1% of his or her final average pay for each such year of paid service. Such temporary annuity terminates at the end of the calendar month in which the earliest of the following events occur: such member's death; or his or her attainment of such social security minimum age for unreduced benefits.
- In no event will the total of a. plus b. exceed, at the time of retirement, 100% of such final average pay; plus
- Effective July 1, 2016, for each year of volunteer service, \$6.41 per month, to a maximum of \$256.40 monthly.

DECEMBER 31, 2016

NOTE 2: DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

- e. Before the date that the first payment of his or her annuity becomes due, but not thereafter, a member may elect to have his or her life annuity reduced but not any temporary annuity which may be pay and nominate a beneficiary in accordance with the provisions of one or four options. If a member does not elect an option, his or her annuity shall be paid to him as a life annuity.

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

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

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

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

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

<u>LOPFI Maximum</u>	<u>EMPLOYEE</u>	<u>EMPLOYER</u>	<u>TOTAL</u>
Fire	8.50%	20.18%	28.68%
Police	8.50%	16.19%	24.69%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: As of December 31, 2016, the City reported net pension liability for their proportionate share of the net pension liability of each plan as follows:

Maumelle Fire	\$2,682,810
Maumelle Police	2,388,913
Maumelle Volunteer	103,475
Total net pension liability	\$5,175,198

To facilitate the separate actuarial valuations, the System maintains separate accounts to identify additions, deductions and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedules of pension amounts by employer. The allocation percentages for each group as of December 31, 2016, are based on the ratio of each employer's contributions to the total employer contributions of the group for the fiscal year ended December 31, 2016. The contributions used excluded contributions made for prior service, excess benefits and irregular payments. The employer allocation percentages have been

DECEMBER 31, 2016

NOTE 2: DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

rounded for presentation purposes. Therefore, use of these percentages to recalculate individual employer amounts presented in the schedules of pension amounts by employer may result in immaterial differences due to rounding. The City's proportionate share of the net pension liability for each plan is as follows:

Plan	Proportionate share %
Maumelle Fire	0.47023%
Maumelle Police	0.41872%
Maumelle Volunteer	0.27941%

For the year ended December 31, 2016, the City recognized LOPFI expense of \$1,551,617. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 176,683	\$ 6,722
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	816,122	-
Changes of Assumptions	273,217	-
Changes in Proportion and Differences Between Employer Contributions and Share of Contributions	241,663	11,891
Total	\$ 1,507,685	\$ 18,613

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

	Year Ended December 31				
	2017	2018	2019	2020	Total
Maumelle Fire	\$276,347	\$276,399	\$254,264	\$45,518	\$852,528
Maumelle Police	207,698	207,745	191,420	33,394	640,257
Maumelle Volunteer	(2,931)	(1,802)	399	621	(3,713)

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

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

DECEMBER 31, 2016

NOTE 2: DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

Volunteer Service Assumptions	
Inflation	2.75%
Investment Rate of Return	7.75%
Actuarial Cost Method	Entry age normal 5-year smoothed
Asset Valuation Method	market; 20% corridor

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

The long term expected rate of return on pension plan investments was determined using a building block method in which expected future and real rates of return (expected returns, net of pension plan investment expense and inflation are developed for each major asset class). These real rates of return are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation as of December 31, 2016, these best estimates are summarized in the following table:

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

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Maumelle Fire	\$ 4,200,962	\$ 2,682,810	\$ 1,439,156
Maumelle Police	3,740,755	2,388,913	1,281,500
Maumelle Volunteer	150,329	103,475	65,628

DECEMBER 31, 2016

NOTE 2: DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

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

Arkansas Public Employees Retirement System (APERS): Plan Description: Beginning in 2005, the City also contributes to the APERS, which is a state-wide cost-sharing multiple-employer defined benefit pension plan established by authority of the Arkansas General Assembly with the passage of Act 177 of 1957. The plan provides retirement, disability, and survivor benefits for eligible employees and elected officials of state and local governmental entities in Arkansas. The general administration and responsibility for the proper operation of APERS is vested in a nine-member board of trustees, which includes the State Auditor, State Treasurer, Director of the State Department of Finance and Administration, and three state and three non-state employees appointed by the Governor. APERS issues an unaudited publicly available financial report. This report may be obtained by visiting the APERS website: www.apers.org.

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

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: As of June 30, 2016, the City reported net pension liability for their proportionate share of \$95,783. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating cities, actuarially determined. At June 30, 2016, the City proportion was .004 percent.

For the year ended December 31, 2016, the City recognized pension expense of \$13,626. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

DECEMBER 31, 2016

NOTE 2: DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 90	\$ 3,436
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	16,723	-
Changes of Assumptions	7,340	-
Changes in Proportion and Differences Between Employer Contributions and Share of Contributions	-	1,725
Subsequent Contributions *	6,739	-
Total	\$ 30,892	\$ 5,161

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

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

Year Ending June 30	
2017	\$ 3,744
2018	3,071
2019	7,688
2020	4,489
2021	-
Thereafter	-
Total	\$18,992

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % of payroll, closed (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)
Remaining Amortization Period	21 years (12 years for District Judges New Plan/Paid Off Old Plan and 19 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-Year smoothed market; 25% corridor (Market Value for Still Paying Old Plan)
Price Inflation Rate	2.50%
Wage Inflation Rate	3.25%
Investment Rate of Return	7.50%
Projected Salary Increases	3.25% to 9.85% including inflation (3.25% to 6.96% including inflation for District Judges)
Post-Retirement Benefits Increases	3.00%

DECEMBER 31, 2016

NOTE 2: DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

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

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

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

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

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

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

	1% Decrease 6.50%	Current Simple Rate Assumption 7.50%	1 % Increase 8.50%
City's proportionate share of the net pension liability	\$ 144,992	\$ 95,783	\$ 54,830

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

DECEMBER 31, 2016

NOTE 2: DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

Covered payroll. Total payroll and payroll covered by the above pensions are as follows for the year ended December 31, 2016:

Gross Payroll	7,195,726
Non-uniformed pension wages	3,339,980
APERS pension wages	73,353
LOPFI pension wages	3,649,025
Mayor	81,600

City Clerk Retirement. A.C.A. §24-12-121 provides for a retirement for any City Clerk who has served for not less than ten years upon reaching the age of sixty or has served as City Clerk for twenty years without regard to age. The code specifies that the retirement benefits should be a monthly sum equal to one-half of the monthly salary received by the City Clerk during the last preceding year of service, and these benefits should be paid from the General Fund of the City. The ratio of unfunded actuarial accrued liability to annual covered payroll is 911%. The annual benefit costs are \$21,000 each year.

The former City Clerk retired in December 2005 after twenty years of service. The City contracted with an independent actuarial firm to perform a calculation to determine the annual required contribution (ARC) and the net pension obligation (NPO). An interest rate of 3.5 percent was assumed and the 2016 Optional Table Small Plans (Male and Female) was used to calculate the present value of \$519,029 for this benefit. The calculation of the NPO is the accumulated difference between the ARC and the actual contributions for the years beginning between the initial employment date of the City Clerk, December 15, 1986, and the effective date of GASB Statement 27, July 15, 1997. The NPO at December 31, 2016 is \$296,000, an increase of \$34,000 from the prior year. The two preceding years of NPO are \$262,000 for 2015 and \$220,000 for 2014.

The calculation of the ARC is covered in Paragraph 10 of GASB 27 and is the sum of the Normal Cost plus amortization of the Unfunded Actuarial Liability. For the calculation, it is assumed that the current City Clerk will remain in the position long enough to receive pension benefits (20 years); therefore, the Normal Cost is the present value of the benefit accruing in the year, and the Actuarial Liability is the present value of the retirement benefit and the "accrued benefit" of the current City Clerk. Assuming that this is a separate plan that has only been funded enough to cover benefits paid out for the year and benefits accrued, the Unfunded Actuarial Liability is equal to the present value of the benefit. Amortizing the UAL over 20 years gives an annual ARC of \$67,000. The ARC for 2014 was \$69,000 and 2015 was \$73,000. The ARC should not be less than the amount of the annual benefit as required by A.C.A. §24-12-121. On the statement of net position, the City has recorded \$498,029 as a noncurrent liability due in more than one year. The actuarial method used for valuing assets of the plan is the projected unit credit – "as accrued" actuarial cost method applied on a level dollar basis, using a 20-year remaining amortization period.

E. Construction and other significant commitments

The City has entered the design and construction phase for several projects that were approved to be paid with the Series 2015 bonds. At year end the government's commitments with contractors are as follows:

Project	Spent to date	Remaining Commitment
Counts Massie Extension to I-40	\$ 2,914,104	\$2,311,058
Replacement of Fire Station 2	2,588,540	31,492
Crystal Hill to Counts Massie Extension	260,850	-
Athletic Fields Project	1,094,481	2,400
Senior Citizens Building	3,337,877	1,065,447

DECEMBER 31, 2016

NOTE 2: DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)***Encumbrances***

As discussed in Note 1. F., Budgetary information, Budgetary basis of accounting, encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General fund	\$ 18,579
Sanitation fund	168,976
Total	<u>\$ 187,555</u>

F. Risk Management

The City is exposed to various risks of losses related to torts, thefts of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains insurance coverage through the Arkansas Municipal League (the "Pool"), which is an association of local governments, covering each of the above risks of loss. The City pays an annual premium to the Pool. The Pool's governing agreement specifies that the Pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop loss amounts. Settled claims have not exceeded policy limits in any of the three preceding years, nor has there been a significant reduction in coverage during the year ending December 31, 2016.

G. LEASE OBLIGATIONS***Capital lease***

The City entered into a lease agreement as lessee for financing the acquisition of radio equipment from Motorola valued at \$535,210. The equipment has a five-year estimated useful life. This year, \$107,042 was included in depreciation expense. This lease agreement qualifies as a capital lease for accounting purposes and, therefore has been recorded at the present value of future minimum lease payments as of the inception date. The interest rate on this lease is 0%; therefore, the present value is the amount of the lease, \$107,042.

The future minimum lease obligations and net present value of these minimum lease payments as of December 31, 2016, were as follows:

Year Ending December 31	Governmental activities
2017	<u>\$ 107,042</u>
Total minimum lease payments	<u>107,042</u>
Present value of minimum lease payments	<u>\$ 107,042</u>

H. SHORT-TERM DEBT

The City does not have any short-term debt outstanding as of December 31, 2016.

I. LONG-TERM LIABILITIES

Changes in long-term liabilities: Long-term liability activity for the year ended December 31, 2016, was as follows:

DECEMBER 31, 2016

NOTE 2: DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Current Portion</u>
Governmental Activities					
Bonds:					
2012 Series	7,495,000	-	225,000	7,270,000	230,000
2015 Series	18,845,000	-	1,590,000	17,255,000	1,035,000
Plus Reoffering Premium	730,683	-	66,426	664,257	-
Less deferred issuance discounts	(56,655)	-	2,817	(53,838)	-
Total bonds payable	27,014,028	-	1,884,243	25,135,419	1,265,000
Motorola Capital Lease	214,084	-	107,042	107,042	107,042
Clerk pension	550,881	-	31,852	519,029	21,000
Compensated Absences	286,198	392,171	387,857	290,512	33,989
Net Pension Liability	2,968,820	2,302,161	-	5,270,981	-
Total governmental activity	31,034,011	2,694,332	2,410,994	31,332,983	1,427,031
Business-type activities					
Compensated absences	16,469	19,563	18,047	17,985	6,265
Total business-type activity	16,469	19,563	18,047	17,985	6,265

The liability for the City Clerk pension and governmental activities compensated absences are fully liquidated by the General Fund. The liability for business activities compensated absences are fully liquidated by enterprise fund (sanitation fund). The 2016 results for the City Clerk pension have Cost of Living adjustments (COLAs) and one active participant is assumed to have been married for 10 years and the spouse is eligible for their retirement at his/her death and this calculation increased the estimated liability.

General obligation bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 5 to 20 years.

Series 2015

This Bond is one of an issue of City of Maumelle, Arkansas, Limited Tax Capital Improvement and Refunding Bonds, Series 2015, aggregating \$18,845,000 in principal amount, issued for the purposes of (i) refunding the City's outstanding Capital Improvement Bonds, Series 2013 and the City's outstanding Capital Improvement Bonds, Series 2014; (ii) providing for the payment of a portion of the costs of various capital improvements including the following: (a) to design, engineer, improve, construct and equip the Maumelle City Hall and related improvements, (b) to design, engineer, improve, construct and equip the Maumelle Senior Wellness Facility and related improvements, and (c) to design, engineer, construct, acquire, equip and improve athletic fields for T-ball and softball and related improvements (collectively, the "Series 2015 Projects"), and (iii) to pay the costs and expenses of issuing the Bonds authorized pursuant to Emergency Ordinance No. 869 of the City adopted on January 20, 2015.

DECEMBER 31, 2016

NOTE 2: DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

<u>Series</u>	<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
2015	Governmental Activities	2.00 – 4.00%	\$18,845,000

<u>Maturity (March 1)</u>	<u>Principal Amount(\$)</u>	<u>Interest Rate (%)</u>	<u>Interest Amount</u>
2017	1,035,000.00	2.000%	517,290.00
2018	1,060,000.00	3.000%	491,040.00
2019	1,090,000.00	3.000%	458,790.00
2020	1,125,000.00	3.000%	425,565.00
2021	1,160,000.00	3.638%	387,590.00
2022	1,205,000.00	4.000%	342,390.00
2023	1,255,000.00	4.000%	293,190.00
2024	1,300,000.00	3.000%	248,590.00
2025	1,340,000.00	3.000%	208,990.00
2026	1,380,000.00	2.600%	170,950.00
2027	1,415,000.00	2.600%	134,615.00
2028	1,450,000.00	2.600%	97,370.00
2029	1,490,000.00	2.600%	59,150.00
2030	950,000.00	2.600%	24,700.00
Total	\$17,255,000.00	-	\$3,860,220.00

Revenue Bonds**Series 2012**

The City also issues bonds where the City pledges income derived from the franchise fees charged to public utilities for the privilege of using the City's streets and right-of-ways. The Series 2005 and Series 2007 bonds were refunded in 2012 with the Series 2012 bond issue for \$8,305,000. The net carrying value for the Series 2005 and 2007 revenue bonds was \$7,921,163. The cost of refunding the debt was \$8,272,181. The difference between the net carrying value of the refunded debt and cost of the refunding bonds was \$351,018. The economic gain from this transaction is \$506,432. Revenue bonds outstanding at year end are as follows:

<u>Series</u>	<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
2012	Governmental Activities	1.00 – 4.20%	\$8,305,000

Revenue bond debt service requirements to maturity are as follows:

DECEMBER 31, 2016

NOTE 2: DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

Series 2012 Revenue Bonds			
Maturity (November 1)	Principal Amount (\$)	Interest Rate (%)	Interest Amount (\$)
2017	230,000.00	2.00	259,022.50
2018	260,000.00	2.00	254,422.50
2019	265,000.00	2.25	249,222.50
2020	270,000.00	2.50	243,260.00
2021	275,000.00	2.65	236,510.00
2022	285,000.00	2.85	229,222.50
2023	290,000.00	3.10	221,100.00
2024	300,000.00	3.25	212,110.00
2025	310,000.00	3.35	202,360.00
2026	320,000.00	3.50	191,975.00
2027	335,000.00	3.60	180,775.00
2028	345,000.00	3.70	168,715.00
2029	355,000.00	4.00	155,950.00
2030	370,000.00	4.00	141,750.00
2031	385,000.00	4.00	126,950.00
2032	400,000.00	4.00	111,550.00
2033	420,000.00	4.00	95,550.00
2034	435,000.00	4.00	77,910.00
2035	455,000.00	4.00	59,640.00
2036	475,000.00	4.00	40,530.00
2037	490,000.00	4.20	20,580.00
Total	\$7,270,000.00		\$3,479,105.00

Legal Debt Margin. Under Amendment 62 of the Arkansas State Constitution, the City's outstanding general obligation debt should not exceed 20 percent of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2016, the legal debt limit for the city was \$83,213,631. The city has general obligation debt outstanding at the end of 2016 of \$17,919,257 less funds available for retirement of \$2,804,402, leaving a legal debt margin of \$68,098,776.

J. Fund balance and net position***Minimum Fund Balance policy***

The City of Maumelle formally adopted Ordinance No. 438 in November of 2002. It sets the appropriate level of unassigned general fund balance to be maintained by the City, which is 20 percent of the current year budgeted operating expenditures. If a situation presents itself, in which, the City Council feels that it is prudent and necessary to spend these unassigned funds, and then it would need to pass an ordinance to amend or repeal Ordinance No. 438. At the end of 2016, the City's unassigned fund balance is \$5,656,100 and the 20% of 2016 budgeted operating expenditures is \$2,296,335. We have exceeded the minimum balance for 2016 by 59%.

DECEMBER 31, 2016

NOTE 2: DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)***Fund Balance***

- *Nonspendable* – represents amounts that cannot be spent due to form, for example, inventories and prepaid amounts, and amounts must remain intact legally or contractually. The City of Maumelle's prepaid items are recorded as nonspendable fund balance. Below is a list of general fund prepaid items totaling \$21,198, as of December 31, 2016:

Municipal Defense insurance for periods January 1 – October 31, 2016 - \$21,198

- *Restricted*- represents amounts restricted to specific purposes by external parties, constitutional provision or enabling legislation. Below describes the amounts in restricted for 2016:

Street Fund is a special revenue fund derived from taxes earmarked specifically for street expenditures – \$3,924,142

Debt Service Fund used to account for the accumulation of resources for the payment of long-term debt principal, interest, and related cost - \$2,780,287

Capital Projects Fund is used to account for major capital acquisitions and construction projects, other than those financed by proprietary funds - \$15,244,076

District Court automation fund is used to account for funds to used solely for district court-related technology -\$31,270

- *Committed* – represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority and it would require the same group to remove or change constraints. The City of Maumelle's highest level of decision making authority is the Council. The formal action necessary would be an ordinance that specifically establishes, amends or rescinds a fund balance commitment
- *Assigned* – represents amounts for the general fund, that are constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts. For all governmental funds other than general fund, any remaining positive amounts not classified as nonspendable, restricted or committed. The City of Maumelle's mayor has the authority to make assignments of fund balances for specific purposes except those restricted by law. Encumbrances for the City of Maumelle are classified as assigned. The total for the General fund, for 2016, is \$18,579.

K. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances. Interfund receivables and payables in the sanitation and fines custodial funds are the result of payments made by the General Fund on behalf of those funds for payroll and miscellaneous expenditures. Interfund receivables and payables can also result from debt payments funded through fees collected and receipted in a fund other than the debt service fund from which debt payments are made. Interfund receivable and payable balances as of December 31, 2016, are as follows:

DUE TO	DUE FROM				Total
	General Fund	Fines Custodial	Sanitation Fund	Debt Service	
General Fund	\$ -	\$ 2,118	\$ -	\$ -	\$ 2,118
Capital Projects Fund	-	-	-	2,337	2,337
Total	<u>\$ -</u>	<u>\$ 2,118</u>	<u>\$ -</u>	<u>\$ 2,337</u>	<u>\$ 4,455</u>

DECEMBER 31, 2016

NOTE 2: DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**L. INTERFUND TRANSFERS**

Interfund transfers. Interfund transfers are used to 1) move revenues from the fund with collection authorization to the Debt Service Fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the Debt Service Fund to establish mandatory reserve accounts, and 3) as part of a journal entry to remove closed cash accounts from the books. Interfund transfers for the year ended December 31, 2016, consisted of the following transactions:

TRANSFER OUT	Enterprise Fund		Total
	Debt Service Fund	Sanitation Fund	
General Fund	\$ 491,346	\$ -	\$ 491,346
Total	\$ 491,346	\$ -	\$ 491,346

NOTE 3: NEW APPLICABLE GASB STANDARDS

GASB Statement 73 objective is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement is effective for fiscal years beginning after June 30, 2016.

GASB Statement 76 objective is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement is effective for fiscal years beginning after June 15, 2016.

GASB Statement 82 objective is to address—certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

FOR THE YEAR ENDED DECEMBER 31, 2016

Fines Custodial Agency Fund				
	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2016
ASSETS				
Cash	\$ 14,162	\$ 268,920	\$ 264,368	\$ 18,714
LIABILITIES				
Due to other parties	\$ 14,162	\$ 268,920	\$ 264,368	\$ 18,714

CITY OF MAUMELLE, ARKANSAS

SUPPLEMENTAL SCHEDULE OF FINANCIAL ASSISTANCE

FOR THE YEAR ENDED DECEMBER 31, 2016

Grantor/Pass-Through Entity/Program/Purpose	Grant Identification Number(s)	Current Year Revenue	Current Year Expenditures
FEDERAL:			
U.S. Environmental Protection Agency Regional Wetlands Program Development Grants Federal funding to assist with developing a wetland management plan - White Oak Bayou	CD-00F074101-1	\$ 108,892	\$ 108,892
U.S. Dept. of Homeland Security Assistance to Firefighters Grant Program Federal funding for the purchase of operations and safety equipment	EMW-2014-FO-01463	32,199	32,199
U.S. Dept. of Transportation - Federal Highway Commission Arkansas State Highway & Transportation Dept. Highway Planning & Construction: Federal-Aid Highway Program Federal funding for the design of a new I-40 interchange	HPP2-3745(1) Job #061190	200,272	200,272
TOTAL FEDERAL		341,363	341,363
STATE:			
State of Arkansas Central Arkansas Planning & Development District General Improvement Funds State funding for Maumelle Citizens Fire Academy and Maumelle Citizens Police Academy	Gen Imp Act 1518 of 2013 CA1518-1-137	4,481	4,481
State of Arkansas Central Arkansas Planning & Development District General Improvement Funds State funding for audio visual enhancements to the City Council chambers in the City of Maumelle	Gen Imp Act 1146 of 2015 CA1146-1-016	5,000	5,000
Arkansas Department of Emergency Management Disaster Grants - State Public Assistance State disaster relief funds for debris removal	FEMA Disaster No. 4100	18,223	18,223
Arkansas Department of Emergency Management Disaster Grants - State Public Assistance State disaster relief funds for drainage/ infrastructure repairs	FEMA Disaster No. 1975	17,138	17,138
Arkansas Department of Emergency Management State Fire Protection Services Program State funding for improvements within Maumelle Fire Department	Act 833 of 1991	15,109	15,109
TOTAL STATE		59,951	59,951
GRAND TOTAL		\$ 401,314	\$ 401,314

See independent auditor's report.

CITY OF MAUMELLE, ARKANSAS

CAPITAL ASSETS USED IN THE OPERATION OF
GOVERNMENTAL FUNDS - BY SOURCE
DECEMBER 31, 2016

Land	\$ 7,649,763
Buildings	15,563,816
Equipment	3,090,896
Infrastructure	10,580,528
Construction in Progress	10,259,420
Subtotal	<u>47,144,423</u>
Investments in governmental funds capital assets by source:	
General fund	26,968,537
Special revenue fund	8,593,186
Capital project fund	10,581,253
Donations	1,001,447
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u><u>\$ 47,144,423</u></u>

FUNCTION AND ACTIVITY	Land	Buildings	Machinery and Equipment	Infra- Structure	Construction in Progress	Total
General government:						
Administrative services	\$ 7,649,763	\$ 15,563,816	\$ 684,597	\$ -	\$ 66,050	\$ 23,964,226
Legal and judicial						
Court	-	-	-	-	-	-
Public safety:						
Police	-	-	374,408	-	-	374,408
Fire	-	-	1,157,498	-	5,361,057	6,518,555
Animal control	-	-	24,833	-	-	24,833
Highways and streets:						
Public works	-	-	14,269	1,334,230	334,142	1,682,641
Streets	-	-	344,335	9,246,298	2,836,282	12,426,915
Culture and recreation:						
Parks	-	-	460,352	-	1,093,133	1,553,485
Senior services	-	-	29,340	-	568,756	598,096
Community & econ. development:						
CED	-	-	-	-	-	-
Planning and zoning	-	-	-	-	-	-
Code enforcement	-	-	1,264	-	-	1,264
TOTAL CAPITAL ASSETS	<u><u>\$ 7,649,763</u></u>	<u><u>\$ 15,563,816</u></u>	<u><u>\$ 3,090,896</u></u>	<u><u>\$ 10,580,528</u></u>	<u><u>\$ 10,259,420</u></u>	<u><u>\$ 47,144,423</u></u>

Nonmajor Governmental Fund

Special revenue funds are used to account for specific revenue sources that are restricted, committed or assigned to expenditures for particular purposes.

District Court automation fund – Fund are collected from persons authorized to pay fines and any other assessments in installments and these persons are assessed an installment fee of five dollars (\$5.00) per month. This fee shall be collected in full each month in which a defendant makes an installment payment. One-half (1/2) of the installment fee collected in district court shall be remitted by the tenth day of each month to the city treasurer of the city in which the district court is located to be deposited in a fund entitled the district court automation fund to be used solely for district court-related technology.

	<u>Special Revenue</u>	Total Nonmajor Governmental Funds
	District Court Automation	
ASSETS		
Cash	\$ 31,308	\$ 31,308
TOTAL ASSETS	<u>31,308</u>	<u>31,308</u>
LIABILITIES		
Accounts payable	38	38
TOTAL LIABILITIES	<u>38</u>	<u>38</u>
FUND BALANCES		
Nonspendable	-	-
Restricted:		
District Court Automation	31,270	31,270
Committed	-	-
Assigned	-	-
Unassigned	-	-
TOTAL FUND BALANCES	<u>31,270</u>	<u>31,270</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 31,308</u>	<u>\$ 31,308</u>

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Special Revenue</u> District Court Automation	Total Nonmajor Governmental Funds
REVENUES		
Legal and Judicial fees	5,277	5,277
Grants and donations	-	-
TOTAL REVENUES	<u>5,277</u>	<u>5,277</u>
EXPENDITURES		
Current:		
General government		
Legal and judicial	595	595
Capital outlay:		
Administrative services	-	-
TOTAL EXPENDITURES	<u>595</u>	<u>595</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>4,682</u>	<u>4,682</u>
Other financing sources (uses):		
Transfers in	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Net change in fund balances	4,682	4,682
FUND BALANCE - BEGINNING OF YEAR	<u>26,588</u>	<u>26,588</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 31,270</u></u>	<u><u>\$ 31,270</u></u>

PENSION SCHEDULES

	LOPFI			LOPFI		
	Police 2014*	Fire 2014*	Volunteer Fire 2014*	Police 2016*	Fire 2016*	Volunteer Fire 2016*
Plan's proportion of the net pension liability	0.389465%	0.380763%	0.333053%	0.418718%	0.470231%	0.279408%
Plan's proportionate share of the net pension liability	1,409,900	1,378,397	106,398	2,388,913	2,682,810	103,475
Plan's covered-employee payroll	1,927,541	1,470,346	17,815	2,049,646	1,588,374	11,005
Plan's proportionate share of the net pension liability as a percentage of its covered-employee payroll	73.15%	93.75%	597.24%	116.55%	168.90%	940.25%
Plan's proportionate share of the fiduciary net positions as a percentage of the Plan's total pension liability	79.14%	79.14%	64.58%	72.87%	72.87%	64.29%
Plan's proportionate share of aggregate employer contributions	231,119	225,955	15,453	276,641	310,675	12,906
	APERS			APERS		
	2015*			2016*		
Plan's proportion of the net pension liability	0.00402476%			0.00400541%		
Plan's proportionate share of the net pension liability	74,125			95,783		
Plan's covered-employee payroll	71,888			73,353		
Plan's proportionate share of the net pension liability as a percentage of its covered-employee payroll	103.11%			130.58%		
Plan's proportionate share of the fiduciary net positions as a percentage of the Plan's total pension liability	25.82%			25.82%		
Plan's proportionate share of aggregate employer contributions	10,540			10,523		

*Fiscal year 2015 was the first year of implementation, therefore, only two years are shown.
For the December 31, 2016 audit, information used is as of and for the year ending December 31, 2016 for the "LOPFI" plan. Information is as of and for the year ending June 30, 2016 for the "APERS" plan.

DECEMBER 31, 2016*

	LOPFI			LOPFI		
	Police	Fire	Volunteer Fire	Police	Fire	Volunteer Fire
	2014*	2014*	2014*	2016*	2016*	2016*
Actuarially determined contribution	231,119	225,955	15,453	276,641	310,675	12,906
Contributions in relation to the actuarially determined contributions	133,965	129,653	1,528	157,087	203,189	2,331
Contribution deficiency (excess)	<u>97,154</u>	<u>96,302</u>	<u>13,925</u>	<u>119,554</u>	<u>107,486</u>	<u>10,575</u>
Covered Payroll	1,927,541	1,470,346	17,815	2,049,646	1,588,374	11,005
Contributions as a percentage of covered-employee payroll	6.95%	8.82%	8.58%	7.66%	12.79%	21.18%
	APERS			APERS		
	2015*			2016*		
Actuarially determined contribution	10,540			10,523		
Contributions in relation to the actuarially determined contributions	10,540			13,636		
Contribution deficiency (excess)	<u>-</u>			<u>(3,113)</u>		
Covered Payroll	71,888			73,353		
Contributions as a percentage of covered-employee payroll	14.66%			18.59%		

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

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

STATISTICAL SECTION

This part of the City of Maumelle's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

CONTENTS	PAGE
Financial Trends <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	56
Revenue Capacity <i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	65
Debt Capacity <i>These schedules contain information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	69
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	76
Operating Information <i>These schedules contain information about the City's operating environment.</i>	78

Sources: Unless otherwise noted, the information in these schedules is derived from prior year comprehensive annual financial reports.

TEN YEAR SUMMARY

	2007 ²	2008	2009 ¹	2010	2011
Governmental activities					
Net Investment in capital assets	\$ 24,191,206	\$ 26,935,558	\$ 28,843,921	\$ 29,349,289	\$ 31,979,728
Restricted	1,859,405	1,418,018	3,550,918	3,951,986	3,314,174
Unrestricted	4,989,016	6,309,335	4,191,095	4,738,158	4,824,942
Total governmental activities net position	<u>31,039,627</u>	<u>34,662,911</u>	<u>36,585,934</u>	<u>38,039,433</u>	<u>40,118,844</u>
Business-type activities					
Net investment in capital assets	326,490	211,321	205,872	298,753	281,149
Restricted	-	-	-	-	-
Unrestricted	504,659	103,093	256,461	307,626	488,321
Total business-type activities net position	<u>831,149</u>	<u>314,414</u>	<u>462,333</u>	<u>606,379</u>	<u>769,470</u>
Primary Government					
Net Investment in capital assets	24,517,696	27,146,879	29,049,793	29,648,042	32,260,877
Restricted	12,822,307	10,625,253	3,550,918	3,951,986	3,314,174
Unrestricted	(5,419,861)	(2,747,143)	4,447,556	5,045,784	5,313,263
Total primary government net position	<u>\$ 31,920,142</u>	<u>\$ 35,024,989</u>	<u>\$ 37,048,267</u>	<u>\$ 38,645,812</u>	<u>\$ 40,888,314</u>
	2012	2013	2014	2015	2016
Governmental activities					
Net Investment in capital assets	\$ 32,629,569	\$ 32,177,927	\$ 35,240,803	\$ 37,338,652	\$ 38,141,976
Restricted	3,166,546	3,407,849	3,421,367	3,673,667	3,976,107
Unrestricted	6,027,675	8,386,984	5,024,086	4,338,707	3,911,757
Total governmental activities net position	<u>41,823,790</u>	<u>43,972,760</u>	<u>43,686,256</u>	<u>45,351,026</u>	<u>46,029,840</u>
Business-type activities					
Net Investment in capital assets	248,765	209,476	639,348	583,638	676,186
Restricted	-	-	-	-	-
Unrestricted	659,965	955,129	888,920	1,201,517	1,411,595
Total business-type activities net position	<u>908,730</u>	<u>1,164,605</u>	<u>1,528,268</u>	<u>1,785,155</u>	<u>2,087,781</u>
Primary Government					
Net Investment in capital assets	32,878,334	32,387,403	35,880,151	37,922,290	38,818,162
Restricted	3,166,546	3,407,849	3,421,367	3,673,667	3,976,107
Unrestricted	6,687,640	9,342,113	5,913,006	5,540,224	5,323,352
Total primary government net position	<u>\$ 42,732,520</u>	<u>\$ 45,137,365</u>	<u>\$ 45,214,524</u>	<u>\$ 47,136,181</u>	<u>\$ 48,117,621</u>

¹Net assets invested in capital assets, net of related debt was calculated differently for 2009 and years forward, as per comments from the City's 2008 submission to the Certificate of Achievement program. Net invested in capital assets, net of related debt name changed to Net investment in capital assets due to Statement 63.

²Net position for 2007 and years forward, restated to reflect Statement 65 requirements. This was the earliest year practical to make restatements.

CITY OF MAUMELLE, ARKANSAS

CHANGES IN NET POSITION

2007 - 2011

TEN YEAR SUMMARY

	2007	2008	2009	2010	2011
Expenses					
Governmental activities					
Administrative services	\$ 1,935,170	\$ 2,215,240	\$ 2,228,631	\$ 2,362,197	\$ 2,540,086
Highways and streets	1,625,803	1,842,286	1,914,353	1,988,151	2,163,386
Legal and judicial	236,716	263,799	260,928	299,198	312,148
Culture and recreation	1,597,054	1,695,532	1,886,341	1,661,550	1,784,967
Public safety	3,492,139	3,861,274	4,211,832	4,143,887	4,581,806
Economic development	501,662	557,444	597,661	577,955	594,054
Interest on long-term debt	625,070	667,163	597,475	481,529	459,855
Agent fees on long-term debt	11,326	11,945	11,527	11,260	10,228
Total governmental activities expenses	10,024,940	11,114,683	11,708,748	11,525,727	12,446,529
Business-type activities					
Sanitation	886,391	1,018,559	976,768	944,391	1,039,073
Total primary government expenses	10,911,331	12,133,242	12,685,516	12,470,118	13,485,602
Program Revenues					
Governmental activities					
Charges for services					
Public safety	881,865	1,005,491	876,563	816,472	780,170
Culture and recreation	650,884	643,590	743,071	505,630	484,918
Economic development	335,633	297,406	334,909	197,769	227,318
Other activities	279,718	340,391	213,971	171,460	283,759
Operating grants and contributions	23,097	42,956	19,736	41,761	35,570
Capital grants and contributions	664,775	712,191	424,313	8,661	132,393
Total governmental activities program revenues	2,835,972	3,042,025	2,612,563	1,741,753	1,944,127
Business-type activities					
Charges for Services	1,041,588	1,145,817	1,124,687	1,028,680	1,112,529
Total primary government program revenues	3,877,560	4,187,842	3,737,250	2,770,433	3,056,656
Net revenues (expenses)					
Governmental activities	(7,188,968)	(8,072,658)	(9,096,185)	(9,783,974)	(10,502,402)
Business-type activities	155,197	127,258	147,919	84,289	73,457
Total primary government net revenues (expenses)	(7,033,771)	(7,945,400)	(8,948,266)	(9,699,685)	(10,428,945)
General revenues					
Governmental activities					
Taxes	4,871,297	5,438,148	5,689,319	6,078,916	6,062,748
Intergovernmental	4,845,440	5,187,718	5,226,714	5,254,978	6,557,600
Grants and contributions not restricted to specific programs	-	-	-	-	-
Investment earnings	210,645	426,083	103,175	(36,664)	51,100
Miscellaneous	-	-	-	-	-
Special items	-	643,993	-	(59,757)	(89,635)
Total governmental activities general revenues	9,927,382	11,695,942	11,019,208	11,237,473	12,581,813
Business-type activities	-	(643,993)	-	59,757	89,635
Total primary government general revenues	9,927,382	11,051,949	11,019,208	11,297,230	12,671,448
Changes in net position					
Governmental activities	2,738,412	3,623,284	1,923,023	1,453,499	2,079,411
Business-type activities	155,197	(516,735)	147,919	144,046	163,091
Total primary government changes in net position	\$ 2,893,609	\$ 3,106,549	\$ 2,070,942	\$ 1,597,545	\$ 2,242,502

TEN YEAR SUMMARY (CONTINUED FROM PREVIOUS PAGE)

	2012	2013	2014	2015	2016
Expenses					
Governmental activities					
Administrative services	\$ 2,751,194	\$ 2,768,599	\$ 2,790,208	\$ 2,684,683	\$ 2,672,643
Highways and streets	2,102,162	1,842,300	1,931,238	1,949,484	2,130,379
Legal and judicial	314,213	285,347	286,568	293,746	289,478
Culture and recreation	1,870,440	1,863,960	1,811,555	1,832,018	1,817,684
Public safety	5,040,193	5,195,250	5,456,751	5,860,267	7,222,789
Economic development	613,896	600,317	600,763	597,599	589,634
Interest on long-term debt	188,290	438,521	521,448	754,683	735,611
Agent fees on long-term debt	8,070	4,351	40,826	21,368	12,817
Bond issuance costs	53,928	136,740	54,064	243,962	-
Total governmental activities expenses	12,942,385	13,135,385	13,493,421	14,237,810	15,471,035
Business-type activities					
Sanitation	1,053,908	1,001,899	1,063,930	1,031,423	1,017,172
Total primary government expenses	13,996,293	14,137,284	14,557,351	15,269,233	16,488,207
Program Revenues					
Governmental activities					
Charges for services					
Public safety	746,709	769,614	825,661	920,867	873,394
Culture and recreation	476,462	488,405	394,529	375,403	342,397
Economic development	184,493	238,457	-	194,507	198,239
Other activities	230,962	251,811	417,242	189,374	163,296
Operating grants and contributions	28,038	50,451	6,614	200,013	294,908
Capital grants and contributions	319,099	263,547	274,784	31,000	-
Total governmental activities program revenues	1,985,762	2,062,285	1,918,830	1,911,164	1,872,234
Business-type activities					
Charges for Services	1,103,553	1,168,139	1,337,958	1,258,621	1,319,798
Total primary government program revenues	3,089,315	3,230,424	3,256,788	3,169,785	3,192,032
Net revenues (expenses)					
Governmental activities	(10,956,623)	(11,073,100)	(11,574,591)	(12,326,646)	(13,598,801)
Business-type activities	49,625	166,240	274,028	227,198	302,626
Total primary government net revenues (expenses)	(10,906,998)	(10,906,860)	(11,300,563)	(12,099,448)	(13,296,175)
General revenues					
Governmental activities					
Taxes	6,122,754	6,453,026	6,510,243	6,546,399	6,619,143
Intergovernmental	6,568,654	6,760,439	7,236,273	7,370,459	7,586,940
Grants and contributions not restricted to specific programs	-	-	-	-	-
Investment earnings	59,796	34,292	32,311	76,358	46,324
Miscellaneous	-	63,948	19,324	27,889	25,208
Special items	-	-	-	-	-
Transfers	(89,635)	(89,635)	(89,635)	(29,689)	-
Total governmental activities general revenues	12,661,569	13,222,070	13,708,516	13,991,416	14,277,615
Business-type activities					
Transfers	89,635	89,635	89,635	29,689	-
Total business-type activities general revenues	89,635	89,635	89,635	29,689	-
Total primary government general revenues	12,751,204	13,311,705	13,798,151	14,021,105	14,277,615
Changes in net position					
Governmental activities	1,704,946	2,148,970	2,133,925	1,664,770	678,814
Business-type activities	139,259	255,875	363,663	256,887	302,626
Total primary government changes in net position	\$ 1,844,205	\$ 2,404,845	\$ 2,497,588	\$ 1,921,657	\$ 981,440

TEN YEAR SUMMARY

	2007	2008	2009	2010	2011
General fund					
Nonspendable	\$ 164,416	\$ 196,789	\$ 156,652	\$ 164,631	\$ 67,277
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	129,240	36,692
Unassigned	3,477,008	3,331,866	3,030,772	2,713,853	3,403,669
Total general fund	3,641,424	3,528,655	3,187,424	3,007,724	3,507,638
All other governmental funds					
Restricted reported in:					
Special revenue	1,859,405	3,355,469	3,536,137	3,937,810	3,303,553
Debt service	2,098,987	1,610,966	1,731,562	1,954,979	1,728,541
Capital projects	9,596,161	8,039,417	3,184,219	1,851,319	1,722,123
Total all other governmental funds	13,554,553	13,005,852	8,451,918	7,744,108	6,754,217
Total governmental funds	\$ 17,195,977	\$ 16,534,507	\$ 11,639,342	\$ 10,751,832	\$ 10,261,854
	2012	2013	2014	2015	2016
General fund					
Nonspendable	\$ 27,323	\$ 28,156	\$ 13,600	\$ 19,338	\$ 21,198
Restricted	41,502	-	-	-	-
Committed	1,000,000	1,000,000	-	-	-
Assigned	3,624	279,584	56,086	63,406	18,579
Unassigned	4,910,291	5,106,299	4,938,950	5,321,563	5,656,100
Total general fund	5,982,740	6,414,039	5,008,636	5,404,307	5,695,877
All other governmental funds					
Restricted reported in:					
Special revenue	3,276,025	3,353,698	3,369,723	3,626,143	3,924,142
Debt service	215,934	2,199,838	2,633,372	2,366,070	2,780,287
Capital projects	1,598,860	11,130,100	16,010,640	22,928,457	15,244,076
Nonmajor funds	-	26,583	20,802	26,588	31,270
Total all other governmental funds	5,090,819	16,710,219	22,034,537	28,947,258	21,979,775
Total governmental funds	\$ 11,073,559	\$ 23,124,258	\$ 27,043,173	\$ 34,351,565	\$ 27,675,652

	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011
REVENUES					
General Property Tax	\$ 3,573,536	\$ 4,029,272	\$ 4,311,577	\$ 4,608,165	\$ 4,541,965
Licenses and Permits	335,633	297,406	334,909	197,769	227,318
Intergovernmental	4,822,663	5,167,297	5,208,240	5,266,189	6,456,955
Charges for Services	875,074	979,491	876,563	808,127	780,170
Fines	203,121	286,443	195,920	182,389	197,808
Utility Franchise Fees	1,260,393	1,366,197	1,431,804	1,476,838	1,495,036
Investment Income	724,907	426,083	103,175	(36,644)	51,100
Miscellaneous	916,477	1,140,065	834,481	576,714	738,831
TOTAL REVENUES	12,711,804	13,692,254	13,296,672	13,079,548	14,489,184
EXPENDITURES					
Administrative services	1,291,907	1,451,844	1,429,835	1,346,888	1,496,490
Public works and streets	1,285,526	1,469,234	1,513,591	1,583,642	1,671,893
Parks and recreation	1,492,634	1,606,445	1,811,431	1,572,172	1,687,984
Public safety	3,173,944	3,489,481	3,909,555	3,841,127	4,208,480
Debt service, general	97,196	11,945	11,527	11,260	10,228
Debt service, principal	1,876,380	2,374,421	2,007,727	2,002,424	2,450,500
Debt service, interest	556,823	696,398	622,118	550,862	479,918
Other	718,632	792,778	836,522	867,396	895,728
Capital outlay	2,943,013	3,105,174	6,049,531	2,131,532	1,988,305
TOTAL EXPENDITURES	13,436,055	14,997,717	18,191,837	13,907,303	14,889,526
OTHER FINANCING SOURCES (USES)	3,150,550	643,993	-	(59,757)	(89,635)
NET CHANGES IN FUND BALANCES	\$ 2,426,299	\$ (661,470)	\$ (4,895,166)	\$ (887,509)	\$ (489,977)
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	23.19%	25.82%	21.66%	21.68%	22.71%

CITY OF MAUMELLE, ARKANSAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS, 2012 - 2016
TEN YEAR SUMMARY

	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Actual 2016
REVENUES					
General Property Tax	\$ 4,630,043	\$ 4,692,978	\$ 4,891,881	\$ 4,942,983	\$ 5,013,729
Licenses and Permits	184,493	238,457	178,569	194,507	198,239
Intergovernmental	6,559,092	6,754,513	7,102,794	7,345,329	7,564,113
Charges for Services	1,223,172	1,173,889	1,209,341	1,242,101	1,230,901
Fines	193,820	248,654	208,835	180,701	150,480
Utility Franchise Fees	1,559,277	1,523,220	1,570,890	1,713,632	1,629,326
Investment Income	59,796	34,292	32,311	76,358	46,324
Miscellaneous	387,433	331,681	396,211	159,452	417,271
TOTAL REVENUES	14,797,126	14,997,684	15,590,832	15,855,063	16,250,383
EXPENDITURES					
Administrative services	1,663,724	1,649,319	1,589,947	1,633,764	1,654,014
Public works and streets	1,529,639	1,376,828	1,488,629	1,425,756	1,599,179
Parks and recreation	1,746,952	1,720,079	1,709,376	1,734,106	1,728,967
Public safety	4,623,722	4,804,762	4,999,907	5,252,468	5,583,862
Debt service, general	61,998	248,133	201,932	372,372	119,859
Debt service, principal	10,036,250	515,000	2,045,000	13,635,000	1,815,000
Debt service, interest	465,638	370,863	477,113	703,275	796,546
Other	887,825	879,339	882,145	885,997	873,291
Capital outlay	1,023,575	1,836,499	3,799,505	2,598,203	8,755,578
TOTAL EXPENDITURES	22,039,323	13,400,822	17,193,554	28,240,941	22,926,296
OTHER FINANCING SOURCES (USES)	8,053,901	10,453,837	5,521,627	19,694,272	-
NET CHANGES IN FUND BALANCES	\$ 811,704	\$ 12,050,699	\$ 3,918,905	\$ 7,308,394	\$ (6,675,913)
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	49.97%	7.66%	18.83%	55.92%	18.43%

Year	PROGRAM REVENUES			GENERAL REVENUES			Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Unrestricted Investment Earnings	Miscellaneous	
2007	3,189,687	23,097	664,775	9,716,737	210,645	-	13,804,941
2008	3,432,695	42,956	712,191	10,625,866	426,083	-	15,239,791
2009	3,293,201	19,736	424,313	10,916,033	103,175	-	14,756,458
2010	2,720,011	41,761	8,661	11,333,894	(36,664)	-	14,067,663
2011	2,888,695	35,570	132,393	12,620,348	51,100	-	15,728,106
2012	2,742,159	28,038	319,099	12,691,408	59,796	-	15,840,500
2013	2,916,426	50,451	263,547	13,213,465	34,292	63,948	16,542,129
2014	2,975,390	6,614	274,784	13,746,516	32,311	19,324	17,054,939
2015	2,938,772	200,013	31,000	13,916,858	76,358	27,889	17,190,890
2016	2,897,124	294,908	-	14,206,083	46,324	25,208	17,469,647

TEN YEAR SUMMARY

Year	Administrative Services	Public Safety	Highways and Streets	Culture and Recreation	Municipal Court	Debt Service	Total
2007	7,804,327	875,074	1,272,877	650,884	203,121	1,905,521	12,711,804
2008	8,467,295	979,491	1,246,930	643,590	286,443	2,068,505	13,692,254
2009	8,046,697	876,563	1,246,067	743,071	195,920	2,188,354	13,296,672
2010	7,995,589	808,127	1,289,776	505,631	182,389	2,298,036	13,079,548
2011	9,361,159	780,170	1,365,013	484,918	197,808	2,300,116	14,489,184
2012	9,881,256	746,709	1,299,413	476,463	193,820	2,199,465	14,797,126
2013	9,800,044	685,484	1,401,638	488,405	248,654	2,373,459	14,997,684
2014	10,021,650	814,812	1,676,971	394,529	208,835	2,474,045	15,590,842
2015	10,262,962	876,709	1,680,109	365,392	180,701	2,489,190	15,855,063
2016	10,650,076	888,503	1,689,477	342,398	150,480	2,529,449	16,250,383

TEN YEAR SUMMARY

Year	Taxes	Licenses and Permits	Charges for Services	Inter- Gov't	Fines	Investment Earnings	Misc	Total
2007	8,396,199	335,633	1,544,293	173,610	203,121	724,907	1,334,041	12,711,804
2008	10,562,766	297,406	1,623,081	151,777	286,443	426,083	344,698	13,692,254
2009	10,951,621	334,909	1,619,634	49,921	195,920	103,175	41,489	13,296,669
2010	11,351,192	197,769	1,313,758	50,422	182,389	(36,644)	20,661	13,079,550
2011	12,493,956	227,318	1,265,088	167,962	197,808	51,100	85,952	14,489,185
2012	12,748,412	184,493	1,223,172	343,137	193,820	59,796	44,296	14,797,126
2013	12,970,711	238,457	1,173,889	190,494	248,654	34,292	141,187	14,997,684
2014	13,565,565	178,569	1,209,341	374,779	208,835	32,311	21,442	15,590,842
2015	14,001,944	194,507	1,242,101	131,563	180,701	76,358	27,889	15,855,063
2016	14,207,168	198,239	1,230,901	392,063	150,480	46,324	25,208	16,250,383

Year	Rate	Real Property	Personal Property	Utility Property	Total	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2007	13.7	246,750,174	65,871,071	4,806,161	317,427,406	1,587,137,030	20%
2008	13.7	270,251,555	69,298,913	5,548,579	345,099,047	1,725,495,235	20%
2009	13.7	283,071,262	65,302,108	5,536,299	353,909,669	1,769,548,345	20%
2010	13.7	292,184,084	62,459,110	5,772,040	360,415,234	1,802,076,170	20%
2011	13.7	297,737,589	66,662,505	5,792,370	370,192,464	1,850,962,320	20%
2012	13.7	297,008,389	69,867,860	6,510,240	373,386,489	1,866,932,445	20%
2013	13.7	304,328,429	78,629,700	7,488,770	390,446,899	1,952,234,495	20%
2014	13.7	308,890,232	75,712,242	5,748,015	390,350,489	1,951,752,445	20%
2015	13.7	317,230,330	78,267,665	5,906,560	401,404,555	2,007,022,775	20%
2016	13.7	323,329,626	86,968,830	5,769,700	416,068,156	2,080,340,780	20%

Note: Tax collection years are shown above. Assessments were made and certified the preceding year.

Source: Pulaski County Tax Assessor.

Fiscal Year	DIRECT RATES				OVERLAPPING RATES		
	City of Maumelle				County	School District	
	Debt Service	Operating Millage	Library Millage	Total	Total	Total	Total
	Millage						
2007	6.60	5.00	2.10	13.70	8.50	40.70	62.90
2008	6.60	5.00	2.10	13.70	8.50	40.70	62.90
2009	6.60	5.00	2.10	13.70	8.50	40.70	62.90
2010	6.60	5.00	2.10	13.70	8.50	40.70	62.90
2011	6.60	5.00	2.10	13.70	8.50	40.70	62.90
2012	6.60	5.00	2.10	13.70	8.50	40.70	62.90
2013	6.60	5.00	2.10	13.70	8.50	40.70	62.90
2014	6.60	5.00	2.10	13.70	8.50	40.70	62.90
2015	6.60	5.00	2.10	13.70	8.50	40.70	62.90
2016	6.60	5.00	2.10	13.70	8.50	40.70	62.90

Overlapping rates are those of local and county governments that apply to property owners within the City of Maumelle. Not all overlapping rates apply to all Maumelle property owners.

Source: Pulaski County Tax Assessor; Pulaski County Treasurer

CURRENT YEAR AND NINE YEARS AGO

Taxpayer	Type of Business	2016 Assessed Valuation	2016 Rank	Percentage of Total Assessed Valuation	2007 Assessed Valuation	2007 Rank
Ace Hardware Corp	Distribution warehouse	\$ 3,847,510	1	0.92%	\$ 4,896,842	3
Molex Incorporated	Computer cabling	2,660,000	2	0.64%	12,751,048	2
Parc at Maumelle Ltd Partnership	Multi-unit housing	2,527,150	3	0.61%	2,889,213	5
Scholastic Distribution	Distribution warehouse	2,143,640	4	0.52%	2,755,760	6
Kimberly-Clark	Baby wipe manufacturer	2,101,360	5	0.51%	14,230,164	1
Maumelle Housing Association Ltd	Multi-unit housing	1,995,840	6	0.48%	2,230,552	8
Villas at Riverpointe	Multi-unit housing	1,702,240	7	0.41%		
Kroger Limited Partnership	Retail grocery store	1,492,320	8	0.36%		
Frostyair of Arkansas, Inc	Distribution warehouse	1,291,970	9	0.31%	1,338,042	9
Gables of Maumelle Apartment	Multi-unit housing	1,087,020	10	0.26%		
R E McElroy, Inc.	Real estate investments				4,487,452	4
BCC Maumelle Realty LLC	Multi-unit housing				1,249,766	10
Target Distribution Center	Distribution warehouse				2,745,844	7
		<u>\$ 20,849,050</u>		<u>5.01%</u>	<u>\$ 49,574,683</u>	

Source: Pulaski County Treasurer

Year Ended	Total Tax Levy	Collection of Current Year's Taxes During Current Period	Percentage of Levy Collected	Prior Year's Collections	Total Collections	Percentage of Total Collections to Tax Levy
2007	4,136,286	3,599,198	87.02%	301,189	3,900,387	94.30%
2008	4,429,340	3,725,744	84.12%	59,670	3,785,414	85.46%
2009	4,213,148	3,961,611	94.03%	90,839	4,052,450	96.19%
2010	5,064,449	4,640,583	91.63%	169,607	4,810,190	94.98%
2011	4,831,040	4,329,875	89.63%	218,528	4,548,403	94.15%
2012	4,872,718	4,395,765	90.21%	186,912	4,582,677	94.05%
2013	5,095,353	4,432,993	87.00%	214,922	4,647,915	91.22%
2014	5,094,563	4,549,513	89.30%	208,803	4,758,316	93.40%
2015	5,238,348	4,670,207	89.15%	193,528	4,863,735	92.85%
2016	6,526,304	6,003,793	91.99%	504,262	6,508,055	99.72%
Total Collections- Last Ten Fiscal Years					<u>\$ 46,457,542</u>	
Total Collections to Date					<u>\$ 69,767,662</u>	

Note: Tax collection years are shown above. Assessments were made and certified the preceding year.

Source: Pulaski County Treasurer

TEN YEAR SUMMARY

Year	Principal	Interest and Fiscal Charges	Total Debt Service	Total General Expenditures	Percentage of Debt Service to Total General Expenditures
2007	4,144,334	613,879	4,758,213	13,404,860	35.50%
2008	2,295,000	680,810	2,975,810	14,998,824	19.84%
2009	1,925,000	633,645	2,558,645	18,191,836	14.06%
2010	2,002,424	562,122	2,564,546	13,907,300	18.44%
2011	2,450,500	490,146	2,940,646	14,889,526	19.75%
2012*	10,036,250	527,636	2,940,646	22,039,323	19.75%
2013	515,000	370,863	885,863	13,400,822	4.02%
2014	2,045,000	477,113	2,522,113	17,193,554	14.67%
2015	13,635,000	703,275	14,338,275	28,240,941	50.77%
2016	1,815,000	796,546	2,611,546	22,926,296	11.39%

*Series 2005 and 2007 bonds refunded

Year	Governmental Activities				Business-Type Activities	Total	Assessed	Percentage
	General Obligation	Revenue	Capital	Notes	Notes	Primary	Value	of Assessed
	Bonds	Bonds	Leases	Payable	Payable	Government	Value ²	Value
2007	9,960,000	8,501,250	-	204,522	-	18,665,772	317,427,406	5.88
2008	7,745,000	8,421,250	-	125,100	-	16,291,350	345,099,047	4.72
2009	5,905,000	8,336,250	-	42,373	-	14,283,623	345,099,047	4.14
2010	4,030,000	8,251,250	-	-	351,804	12,281,250	353,909,669	3.47
2011	1,715,000	8,161,250	-	-	276,659	10,152,909	370,192,464	2.74
2012	-	8,081,082	-	-	198,047	8,279,129	373,386,489	2.22
2013	9,699,821	7,869,319	428,168	-	115,739	18,113,047	390,446,899	4.64
2014	13,415,000	7,655,528	321,126	-	29,545	21,421,199	390,350,489	5.49
2015	19,575,682	7,438,345	214,084	-	-	27,228,111	401,404,555	6.78
2016	17,919,257	7,216,162	107,042	-	-	25,242,461	416,068,156	6.07

Year	Population ¹	Debt Per Capita	Per Capita Personal Income	Percentage of Personal Income
2007	16,048	1,015.16	40,267	0.22%
2008	19,853	820.60	not available	not available
2009	16,705	855.05	45,215	0.32%
2010	17,163	715.57	45,646	0.37%
2011	17,163	591.56	37,168	0.37%
2012	17,577	471.02	37,594	0.45%
2013	17,736	1,021.26	37,453	0.21%
2014	17,736	1,207.78	37,850	0.18%
2015	17,736	1,535.19	36,948	0.14%
2016	18,122	1,392.92	39,577	0.16%

*Data Sources:*¹ The Gadberry Group and US Census Bureau² Pulaski County Treasurer's Office

Year	Population	Assessed Value ³	Accumulated Resources Restricted Payment of general bonded debt	Net Bonded Debt	Percentage of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2007	16,048 ¹	317,427,406	1,605,786	16,855,464	5.31	1,050.32
2008	19,853 ¹	345,099,047	1,243,054	14,923,196	4.32	751.68
2009	16,705 ¹	353,909,669	1,371,244	12,870,006	3.64	770.43
2010	17,163 ²	360,415,234	1,485,117	10,796,133	3.00	629.04
2011	17,163 ²	370,192,464	1,352,430	8,391,133	2.27	488.91
2012	17,577 ²	373,386,489	290,125	6,728,652	1.80	382.81
2013	17,736 ²	390,446,899	2,242,305	7,579,194	1.94	427.33
2014	17,736 ²	390,350,489	2,675,836	19,149,349	4.91	1,079.69
2015	17,736 ²	401,404,555	2,395,185	24,552,275	6.12	1,384.32
2016	18,122 ²	416,068,156	2,804,402	22,438,059	5.39	1,238.17

Data Sources:

¹ The Gadberry Group² U.S. Census Bureau³ Pulaski County Treasurer's Office

Net bonded debt calculation changed for 2010 forward to reflect GASB Statement 44 changes

DECEMBER 31, 2016

	Gross Bonded Debt Less Funds Available for Retirement	Percentage Applicable to the City of Maumelle	City of Maumelle's Share of Bonded Debt
City of Maumelle	\$ 25,242,461	100.0%	\$ 25,242,461
Pulaski County Special School District ¹	176,150,000	42.3%	74,576,297
Total	<u>\$ 201,392,461</u>		<u>\$ 99,818,758</u>

Source: ¹ Pulaski County Special School District

The percentage applicable to Maumelle is calculated using the Maumelle assessed value as a base

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

Computation of the City's legal debt margin as set forth in Amendment 62 in the Constitution of the State of Arkansas is as follows:

Assessed Value	\$ 416,068,156	
Debt limitation 20% of assessed value	83,213,631	
General obligation debt	(17,919,257)	
Less amount available in debt service fund	<u>2,804,402</u>	
Total amount of debt applicable to debt limitation		(15,114,855)
Legal debt margin		<u><u>\$ 68,098,776</u></u>

Note: Under state finance law, the City of Maumelle's outstanding general debt should not exceed 20% of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

TEN YEAR SUMMARY

Year	Debt Limit	Total net debt applicable to limit	Legal debt margin	Total net debt applicable to the limit as a percentage of debt limit
2007	63,485,481	8,354,214	55,131,267	13%
2008	69,019,809	6,501,946	62,517,863	9%
2009	70,781,934	4,533,756	66,248,178	6%
2010	72,083,047	8,391,133	63,691,914	12%
2011	74,038,493	6,728,652	67,309,841	9%
2012	74,677,298	7,579,194	67,098,104	10%
2013	78,089,380	7,457,516	70,631,864	10%
2014	78,070,098	11,039,164	67,030,934	14%
2015	80,280,911	17,180,498	63,100,413	21%
2016	83,213,631	15,114,855	68,098,776	18%

¹ Net bonded debt calculation changed for 2010 forward to reflect GASB Statement 44 changes

TEN YEAR SUMMARY

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Franchise Tax Received	\$ 1,260,393	\$ 1,366,197	\$ 1,431,804	\$ 1,476,838	\$ 1,495,036	\$ 1,559,277	\$ 1,523,220	\$ 1,570,890	\$ 1,713,632	\$ 1,629,326
2003 Revenue Bonds:										
Principal (\$)	170,000	*****	*****	*****	*****	*****	*****	*****	*****	*****
Interest (\$)	47,983	*****	*****	*****	*****	*****	*****	*****	*****	*****
Coverage (%)	2.89	*****	*****	*****	*****	*****	*****	*****	*****	*****
2005 Revenue Bonds:										
Principal (\$)	80,000	80,000	85,000	85,000	90,000	4,261,250	*****	*****	*****	*****
Interest (\$)	124,385	121,905	113,945	116,540	113,650	117,567	*****	*****	*****	*****
Coverage (%)	3.08	3.38	7.20	7.33	7.34	0.36	*****	*****	*****	*****
2007 Revenue Bonds:										
Principal (\$)	***	****	****	****	****	5,615,000	*****	*****	*****	*****
Interest (\$)	***	254,171	254,171	254,171	254,171	191,334	*****	*****	*****	*****
Coverage (%)	***	5.38	5.63	5.81	5.88	0.27	*****	*****	*****	*****
2012 Revenue Bonds:										
Principal (\$)	-	-	-	-	-	160,000	215,000	215,000	220,000	225,000
Interest (\$)	-	-	-	-	-	137,986	274,372	272,422	267,923	222,347
Coverage (%)	-	-	-	-	-	5.23	3.11	3.22	3.51	3.64

** Bonds were issued in October of 2005 and no principal payment or interest was due in 2005.

*** Bonds were issued in October of 2007 and no principal payment or interest was due in 2007.

**** No principal payment due until 2013.

***** Bonds were refunded in 2007.

***** Bonds were issued in 2012.

***** Bonds were issued in 2013.

***** Bonds were refunded in 2012.

TEN YEAR SUMMARY

Year	Population ¹	Personal Income	Per Capita Personal Income ²	Median Age ¹	Education Level In years of Formal Schooling ²	School Enrollment ²	Unemploy- ment Rate ³
2007	15,190	611,645,337	40,267	n/a	18	3,993	4.5
2008	19,853	not available	not available	36.8	18	5,219	4.4
2009	16,705	755,316,575	45,215	36.9	18	4,391	7.3
2010	17,163	783,422,298	45,646	37.5	18	4,511	7.8
2011	17,163	637,914,384	37,168	37.5	18	4,511	6.9
2012	17,577	660,789,738	37,594	37.4	18	4,306	6.6
2013	17,736	664,266,408	37,453	35.9	18	4,772	6.9
2014	17,736	671,307,600	37,850	35.9	18	4,772	5.9
2015	17,736	655,309,728	36,948	34.6	18	5,068	5.7
2016	18,122	717,214,394	39,577	34.6	18	5,068	5.7

Data Sources:

¹ The Gadberry Group and US Census Bureau² Census State Data Center, Institute for Economic Advancement, College of Business Administration, University of Arkansas at Little Rock³ Arkansas Department of Workforce Services

CURRENT YEAR AND NINE YEARS AGO

Employer	2016			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Molex LRC Business Unit	950	1	27.1%	1,000	1	30.6%
Dillard's Internet Fulfillment Center	254	2	7.3%			
Kimberly Clark Corporation	254	3	7.3%	257	3	7.9%
Ace Hardware	240	4	6.9%	225	6	6.9%
BEI Precision Systems & Space	197	5	5.6%	108	7	5.1%
Molex HPC Business Unit	170	6	4.9%	240	5	7.3%
Pepsi	155	7	4.4%			
Cintas Corporation	130	8	3.7%	165	8	5.1%
Leisure Arts	100	9	2.9%			
Lamb & Associates Packaging	81	10	2.3%	75	9	2.3%
Target Southern Distribution Center				550	2	16.8%
Scholastic Distribution Services, Inc.				250	4	7.7%
Plastic Ingenuity, Inc.				60	10	1.8%

Source: City of Maumelle Community and Economic Development Department

Function	2007	2008	2009	2010	2011
Administrative Services	11	10	10	10	11
Public works	22	24	23	22	26
Legal and judicial	4	4	4	4	4
Parks and recreation	31	29	19	32	22
Public safety	59	65	64	66	70
Community and economic development	9	9	9	9	9
Sanitation	11	12	13	13	13
Totals	147	153	142	156	155

Function	2012	2013	2014	2015	2016
Administrative Services	12	12	15	15	13
Public works	26	24	23	31	30
Legal and judicial	4	4	4	5	4
Parks and recreation	24	28	30	35	35
Public safety	75	73	77	77	78
Community and economic development	9	9	9	8	9
Sanitation	12	12	12	12	15
Totals	162	162	170	183	184

Source: City of Maumelle Human Resources Department

SEVEN YEAR SUMMARY*

Function	2010	2011	2012	2013	2014	2015	2016
Police							
Number of uniformed employees	27	29	30	31	32	33	35
Service calls	4,839	5,702	7,868	8,196	8,177	10,118	11,779
Arrests	521	940	1,078	1,019	1,019	920	925
Traffic stops	2,134	2,260	3,239	3,955	4,014	2,363	2,287
Traffic citations	737	754	767	1,107	990	617	501
Training man hours	436	691	1,216	3,063	1,976	3,064	2,078
Fire							
Number of uniformed employees	21	26	26	26	29	29	32
Fires	53	44	59	53	57	68	45
Rescue, emergency medical calls	1,043	1,057	1,170	1,041	1,095	1,032	977
Hazardous condition, standby	29	23	28	29	44	40	33
Service calls	102	139	131	124	130	147	159
Good intent calls	87	81	103	121	78	109	110
False alarm calls	89	132	115	118	133	230	117
Natural disaster calls	6	25	11	11	7	14	1
Other calls	12	18	35	18	5	11	177
Total calls	1,421	1,519	1,652	1,515	1,549	1,651	1,619
Animal Control							
Number of uniformed employees	4	5	5	5	6	6	6
Number of animals taken into custody	600	583	620	824	817	725	606
Service calls	3,650	4,761	4,977	5,122	6,138	6,164	7,716
Parks and Recreation							
Pool attendance	2,249	2,465	2,754	2,883	2,440	2,099	1,837
Participants in youth league sports ²	72	60	72	60	70	80	80
Participants in adult league sports	906	888	802	948	998	927	970
Garbage Collections							
Monthly service rate	\$ 15.50	\$ 15.50	\$ 15.50	\$ 15.50	\$ 15.50	\$ 15.50	\$ 15.50
Curbside recycling tonnage	204	251	279	290	543	521	502
Yard waste cubic yardage	5,125	5,475	5,075	5,300	5,125	4,350	4,250
Class I tonnage	5,014	5,124	5,059	5,287	5,200	4,892	4,924
Code Enforcement/Building Permits							
Total building permits issued ¹	956	944	1,213	99	101	1,412	1,726
New commercial permits	4	2	11	5	3	9	4
Commercial construction value	\$ 12,197,265	\$ 5,815,405	\$ 23,257,660	\$ 5,971,260	\$ 3,876,900	\$ 29,044,990	\$ 21,138,745
New residential permits	85	90	76	76	98	35	53
Residential construction value	\$ 24,756,821	\$ 25,340,718	\$ 22,465,018	\$ 22,943,787	\$ 21,565,694	\$ 9,792,502	\$ 17,162,109

Source: Various City departments

¹ Includes all permits issued during the year - construction as well as fence, deck, pool, etc.² The City only manages sports for 1st and 2nd graders. Other age groups are managed by individual sports associations.

*Only seven years of information readily available.

TEN YEAR SUMMARY

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Highways and streets										
Streets (#)	355	358	364	364	364	364	364	364	364	364
Culture and recreation										
Community centers	1	1	1	1	1	1	1	1	1	1
Parks	24	24	24	24	25	25	25	25	25	25
Swimming pools	1	1	1	1	1	1	1	1	1	1
Public safety										
Stations (Police & Fire)	1	1	1	3	3	3	3	3	3	3
Police patrol units	20	24	23	24	28	31	32	30	30	30
Fire trucks	4	3	3	4	4	4	4	4	3	3
Sanitation										
Collection trucks	7	7	7	9	9	9	9	9	9	9

Source: City of Maumelle Capital Asset records

COMPLIANCE SECTION



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

To the City Council
City of Maumelle, 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, each major fund, and the aggregate remaining fund information of the City of Maumelle, Arkansas, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Maumelle, Arkansas's basic financial statements, and have issued our report thereon dated May 15, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Maumelle, Arkansas'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 of Maumelle, Arkansas's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Maumelle, Arkansas's internal control.

A deficiency in internal control exists when the design and 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 Maumelle, Arkansas's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Craft, Veach & Company

Craft, Veach & Company, PLC
North Little Rock, Arkansas
May 15, 2018



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH CERTAIN STATE ACTS

To the City Council
City of Maumelle, Arkansas

We have examined management's assertions that the City of Maumelle, Arkansas complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the year ended December 31, 2016.

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

Management is responsible for the City of Maumelle, Arkansas's compliance with those requirements. Our responsibility is to express an opinion on the City of Maumelle, Arkansas'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 of Maumelle, Arkansas'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 of Maumelle, Arkansas's compliance with specified requirements.

In our opinion, the City of Maumelle, Arkansas, complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2016.

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

Craft, Veach & Company

Craft, Veach & Company, PLC
North Little Rock, Arkansas
May 15, 2018

FOR THE YEAR ENDED DECEMBER 31, 2016

Findings Required to be Reported by *Government Auditing Standards***Reference
Number****Finding**

No matters are reportable.

FOR THE YEAR ENDED DECEMBER 31, 2016

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Status
	None.	