

**COMPREHENSIVE  
ANNUAL  
FINANCIAL  
REPORT**

**CITY OF LITTLE ROCK,  
ARKANSAS**

---

**FISCAL YEAR ENDED  
DECEMBER 31, 2005**

**PREPARED BY:  
THE DEPARTMENT OF FINANCE**

**ROBERT K. BILES, CPA  
DIRECTOR OF FINANCE**

**Sara Lenehan, CPA  
CONTROLLER**

**City of Little Rock, Arkansas**  
**Year Ended December 31, 2005**

**Contents**

**Introductory Section**

Letter of Transmittal.....	i
GFOA Certificate of Achievement for Excellence in Financial Reporting.....	vi
Organizational Structure.....	vii
List of Elected and Appointed Officials.....	viii

**Financial Section**

**Independent Accountants' Report on Financial**

<b>Statements and Supplementary Information .....</b>	<b>1</b>
-------------------------------------------------------	----------

<b>Management's Discussion and Analysis .....</b>	<b>3</b>
---------------------------------------------------	----------

**Basic Financial Statements**

Statement of Net Assets .....	15
Statement of Activities .....	16
Balance Sheet – Governmental Funds.....	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	18
Statement of Fund Net Assets – Proprietary Funds.....	19
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	20
Statement of Cash Flows – Proprietary Funds .....	21
Statement of Fiduciary Net Assets – Fiduciary Funds .....	22
Statement of Changes in Fiduciary Net Assets .....	23
Statement of Net Assets – Discretely Presented Component Units .....	24
Statement of Activities – Discretely Presented Component Units .....	25
Notes to Basic Financial Statements .....	26

**City of Little Rock, Arkansas**  
**Year Ended December 31, 2005**

**Contents (Continued)**

**Supplementary Information Required By the  
Governmental Accounting Standards Board**

Budgetary Comparison Schedule – General Fund.....	62
Notes to Required Supplementary Information.....	63
Schedules of Employer Contributions.....	64
Schedules of Funding Progress.....	65

**Nonmajor Governmental Funds**

Combining Balance Sheet .....	66
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	67
Special Revenue Funds - Nonmajor:	
Combining Balance Sheet .....	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	69
Debt Service Funds – Nonmajor:	
Combining Balance Sheet .....	70
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	71
Capital Project Funds – Nonmajor:	
Combining Balance Sheet .....	72
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	73
Schedule of Budgetary Comparison – Street Fund.....	74

**City of Little Rock, Arkansas**  
**Year Ended December 31, 2005**

**Contents (Continued)**

**Nonmajor Enterprise Funds**

Combining Statement of Fund Net Assets.....	75
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets .....	76
Combining Statement of Cash Flows .....	77

**Fiduciary Funds**

Combining Statement of Fiduciary Net Assets .....	78
Combining Statement of Changes in Fiduciary Net Assets .....	79
Statement of Changes in Assets and Liabilities – Agency Fund – Court Fund.....	80

**Nonmajor Discretely Presented Component Units**

Combining Statement of Net Assets.....	81
Combining Statement of Activities – All Component Units .....	82
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets .....	83
Combining Statement of Cash Flows – All Component Units.....	84
Combining Statement of Cash Flows – Proprietary Component Units .....	85

**Statistical Section:**

Government-wide Information

Government-wide Expenses by Function.....	86
Government-wide Revenues.....	87

Fund Information

General Governmental Expenditures by Function .....	88
General Governmental Revenues by Source .....	89
Property Tax Levies and Collections.....	90
Assessed and Appraised Value of Taxable Property .....	91
Property Tax Rates and Tax Levies of Direct and Overlapping Governments .....	92
Top Ten Employers .....	93
Computation of Legal Debt Margin .....	94
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita .....	95
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures .....	96

**City of Little Rock, Arkansas**  
**Year Ended December 31, 2005**

**Contents (Continued)**

Computation of Direct and Overlapping Bonded Debt .....	97
Revenue Bond Coverage .....	98
Demographic Statistics .....	99
Property Value, New Construction and Bank Deposits.....	100
Insurance Coverage .....	101
Miscellaneous Statistical Data.....	102

**Other Required Report**

<b>Independent Accountants' Report on Compliance With Certain State Acts .....</b>	<b>106</b>
----------------------------------------------------------------------------------------	------------

**Single Audit Section**

<b>Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>.....</b>	<b>108</b>
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------

<b>Independent Accountants' Report on Compliance and Internal Control Over Compliance With Requirements Applicable to Major Federal Awards Programs .....</b>	<b>110</b>
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------

<b>Schedule of Expenditures of Federal Awards .....</b>	<b>112</b>
---------------------------------------------------------	------------

<b>Schedule of Expenditures of State Awards .....</b>	<b>114</b>
-------------------------------------------------------	------------

<b>Schedule of Findings and Questioned Costs.....</b>	<b>115</b>
-------------------------------------------------------	------------

<b>Summary Schedule of Prior Audit Findings .....</b>	<b>122</b>
-------------------------------------------------------	------------



## City of Little Rock

---

Office of the  
City Manager

City Hall  
500 W. Markham  
Little Rock, Arkansas 72201  
(501) 371-4510  
FAX # (501) 371-4498

June 14, 2006

To the Honorable Mayor, Members of the Board of Directors,  
and Citizens of the City of Little Rock:

State law allows cities to choose to publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The Board of Directors exercised that option. Accordingly, we hereby issue the comprehensive annual financial report of the City of Little Rock for the fiscal year ended December 31, 2005.

This report consists of management's representations concerning the finances of the City of Little Rock. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Little Rock has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Little Rock's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Little Rock's comprehensive framework of internal controls 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 respects.

The City of Little Rock's financial statements have been audited by **BKD, LLP**, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Little Rock for the fiscal year ended December 31, 2005 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. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Little Rock's financial statements for the fiscal year ended December 31, 2005, 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.

The independent audit of the financial statements of the City of Little Rock was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are included in the City of Little Rock’s Comprehensive Annual Financial Report.

GAAP require 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 MD&A and should be read in conjunction with it. The City of Little Rock’s MD&A can be found immediately following the report of the independent auditors.

### Profile of the Government

The City of Little Rock, incorporated in 1831, is located in the central part of the state, which is considered to be one of the top growth areas in the state, and one of the top growth areas in the country. The City of Little Rock currently occupies a land area of 123 square miles and serves a population of 183,133. The City of Little Rock is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City of Little Rock has operated under the council-manager form of government since 1957. Policy-making and legislative authority are vested in a governing council consisting of the mayor and ten other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the government’s manager and attorney. The City Manager 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 Department Directors. The council is elected on a non-partisan basis. In 1993 voters of the city approved modifications to the City Manager/City Board form of municipal government. The modifications approved provided the expansion of the City Board of Directors from seven Directors to ten Directors; seven Directors are elected by wards, and three Directors are elected citywide; the Mayor’s position is a citywide elected position with the Mayor serving a four-year term.

The City of Little Rock provides a full range of services, including police and fire protection, the construction and maintenance of streets and other infrastructure, and recreational activities and cultural events. Several services are provided through legally separate boards and commissions which act as a department of the City of Little Rock and therefore have been included as an integral part of the City of Little Rock’s financial statements. Additional information on all ten of these legally separate entities can be found in the notes to the financial statements (See Note 1).

The annual budget serves as the foundation for the City of Little Rock's financial planning and control. All departments of the City of Little Rock are required to submit requests for appropriation to the City Manager. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the Board of Directors for review prior to October 31. The Board of Directors is required to hold public hearings on the proposed budget and to adopt a final budget by no later than December 31, the close of the City of Little Rock's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the special approval of the City Manager, unless the amount is above \$50,000, and then it requires the Board of Director's approval. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented on page 62 as part of the basic financial statements for the governmental funds. For the Street Fund, this comparison is presented on page 74.

### Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Little Rock operates.

***Local Economy.*** Little Rock is the center of economic activity in Arkansas. Local, state, and the federal government have been Little Rock's major employers for many years. Major industries located within the government's boundaries or in close proximity include manufacturers of airplanes, banking and other service industries. Little Rock is the home for several major medical facilities which not only serve patients from central Arkansas and the nation, but from around the world. Little Rock is the capital of Arkansas and enjoys a significant state government presence with over 28,100 state employees headquartered in various locations around the City. The home offices for several national companies in divergent fields (telecommunications, retail, financial services) are located in Little Rock. Little Rock was one of the nation's 15 most aggressive development markets in the early part of the new century; it has doubled in the past 20 years and is expected to double again over the next 20 years.

Because of its location in a region with a varied economic base, unemployment is relatively stable. During the last ten years, the unemployment rate varied from 3.4% to 5.5% with a high of 5.5% in 2003 and a low of 3.4% in 1999. The City expects the unemployment rate to remain stable due to continued retail development, expanding industrial capacity at several companies, increased medical needs, and steady regional population growth.

***Long-term financial planning.*** Under the Mayor's direction, the Board of Directors launched a new initiative called Vision Little Rock, which is a community-wide goal setting process designed to develop a comprehensive vision and related action plan for Little Rock's first ten years of the new millennium. This effort is citizen-based and is actively engaging Little Rock residents in the development of goals, action steps, and implementation strategies. In November 2003, voters overwhelming approved nine ballots that will result in \$69,000,000 of capital improvements being made over 2004 to 2006. Approximately \$45,739,000 of projects were underway as of December 31, 2005.

In 2002, the Board adopted a policy which established a restricted reserve within the General Fund. At the end of the fiscal year, the Board reviews audited financial statements and determines the appropriate amount to place in the restricted reserve. Prior to 2005, the Board had increased the restricted reserve to \$6,418,000. The Board's goal is to have at least 10% of budgeted General Fund revenues in the restricted reserve. Ten percent of the 2006 General Fund revenue budget is \$11,963,000. Once the 2005 audited financial statements are presented, the Board will determine how much to add to the restricted reserve.

***Relevant Financial Policies.*** Revenue growth within the General Fund is restricted by mill levy and franchise fee caps set in state law. Little Rock levies the maximum mill levy (5 mills) for the General Fund. Franchise fees, except for water and wastewater, are at the maximum rate allowed. Earlier this decade, revenue growth within the General Fund was sluggish. Although revenue growth began to accelerate in 2003 and has reached a moderate growth rate, revenue growth has not kept pace with operating cost increases. In accordance with the City's Financial Policies, the Board of Directors has adopted budgets which ensure that current year expenditures are at, or below, current year revenues. When workforce reductions have been necessary, per the City's Financial Policies, reductions have mainly been accomplished through attrition.

***Major Initiatives.*** Little Rock is part of the Pulaski County Empowerment Zone. It is one of only seven urban areas nationwide to receive an Empowerment Zone designation from the Department of Housing and Urban Development. The designation is designed to support growth and revitalization opportunities for distressed areas of communities, and is part of a business tax incentive package valued at \$17 to \$22 billion nationwide. The designation period runs until December 31, 2009.

On November 18, 2004, the William J. Clinton Presidential Library and Museum opened in Downtown Little Rock with over 25,000 in attendance. The grand opening received national and international coverage, and millions more watched the opening ceremonies. Attendance has exceeded all expectations. Attendance through the first year was over 500,000. The Library and Museum are located on 26 acres of park located beside the Arkansas River. Heifer Project International is building its international headquarters in downtown Little Rock and immediately south of the William J. Clinton Presidential Library and Museum. Library and economic officials report the presidential center is already responsible for more than \$1 billion in downtown economic activity.

Other activity in the River Market area of Downtown Little Rock includes the addition of a new \$23 million First Security Center, which is a 14-story building occupied by First Security Bank, a 120-room hotel by Marriott Courtyard, as well as luxury condominiums. Raytheon Aircraft announced the expansion of its plant in Little Rock, adding 350 jobs to the area. In a \$6 billion deal that will add 4,000 new employees and make it the nation's fifth-largest wireless company, ALLTEL Corp. announced its acquisition of Western Wireless Corp. in January 2005. In December 2005, ALLTEL announced that its wireline operations would merge with VALOR Communications to form a new wireline company. The new company, Windstream, will operate in West Little Rock office space. Overall, the Little Rock economy continues to enjoy a stable and progressive outlook.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Little Rock for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2004. The City of Little Rock has received a Certificate of Achievement for 22 years total, except for fiscal years 1997-1999. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report on a timely basis could not have been accomplished without the efforts of certain individuals. Sara Lenehan, Controller, deserves special recognition for her devotion to meeting the highest standards of accounting and financial reporting. Under Ms. Lenehan's leadership, the Accounting and Reporting Division worked diligently to improve the City's accounting and financial reporting. Donna Facen, Nancy Carter, Alan Bohannon, Mary Ellen Ewing, Lottie Brooks and Claudine Forte should be recognized for their contributions too. Credit also must be given to the Mayor, the Board of Directors and the City staff for their unflinching support for maintaining the highest standards of professionalism in the management of the City of Little Rock finances.

Respectfully submitted,



Bruce T. Moore  
City Manager



Robert K. Biles  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Little Rock,  
Arkansas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



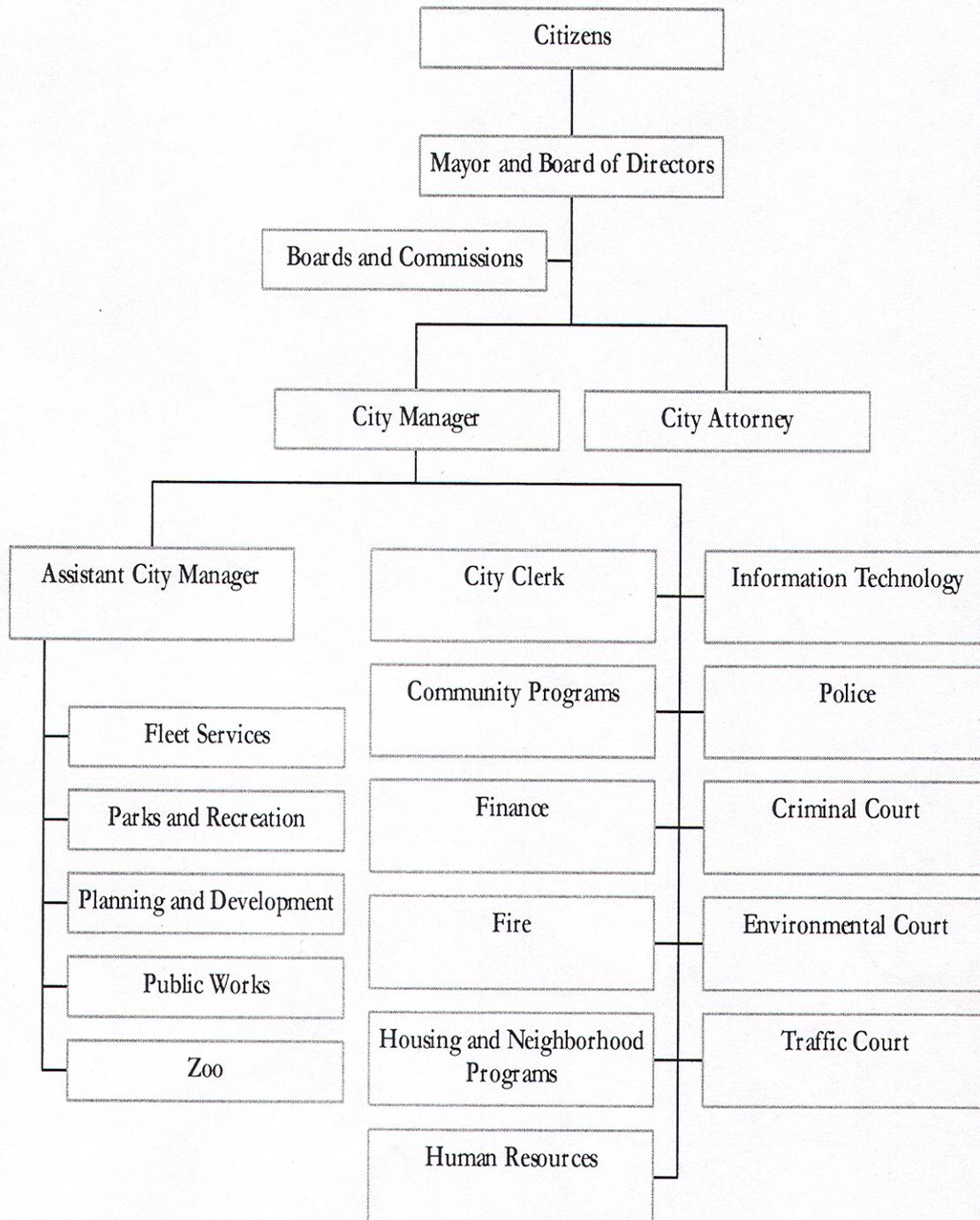
*Carla E. Perry*

President

*Jeffrey R. Emmer*

Executive Director

# City of Little Rock Organizational Structure



# City of Little Rock

December 31, 2005

## Elected Officials:

Jim Dailey  
Barbara Graves  
Johnnie Pugh  
Willie Hinton  
Stacy Hurst  
Brad Cazort  
Michael Keck  
Genevieve Stewart  
B.J. Wyrick  
Dr. Dean Kumpuris  
Joan Adcock  
Lee Munson  
David Stewart  
Vic Fleming

Mayor  
Vice Mayor  
Director-Ward 1  
Director-Ward 2  
Director-Ward 3  
Director-Ward 4  
Director-Ward 5  
Director-Ward 6  
Director-Ward 7  
Director-Position 8  
Director-Position 10  
District Court – First Division  
District Court – Third Division  
District Court – Second Division

## Appointed Officials:

Bruce Moore  
Bryan Day  
Tom Carpenter  
Nancy Wood  
Dorothy Nayles  
Robert K. Biles  
Rhoda Mae Kerr  
Wendell Jones  
Andre Bernard  
Don Flegal  
Traci Morgan  
Truman Tolefree  
Tony Bozynski  
Stuart Thomas  
Steve Haralson  
Michael Blakely

City Manager  
Assistant City Manager  
City Attorney  
City Clerk  
Community Programs  
Finance  
Fire  
Fleet Services  
Housing & Neighborhood Programs  
Human Resources  
Information Technology  
Parks and Recreation  
Planning and Community Development  
Police Chief  
Public Works  
Zoo



## Independent Accountants' Report on Financial Statements and Supplementary Information

Honorable Jim Dailey, Mayor  
and Members of the Board of Directors  
City of Little Rock, Arkansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Little Rock, Arkansas as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Wastewater Utility, Little Rock National Airport, Central Arkansas Transit Authority, Museum of Discovery, Arkansas Arts Center, Workforce Investment Board and the Oakland Fraternal Cemetery General Fund, which statements reflect total assets and program revenues of \$549,569,974 and \$57,592,135, respectively, and represent 82 percent and 73 percent of the aggregate discretely presented component units' total assets and program revenues at December 31, 2005 and for the year then ended, respectively. The financial statements of these entities were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for such entities, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the component units Oakland Fraternal Cemetery; Mt. Holly Cemetery; Arkansas Museum of Science and History and Little Rock Advertising and Promotion Commission, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Little Rock, Arkansas as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Jim Dailey, Mayor  
and Members of the Board of Directors  
City of Little Rock, Arkansas  
Page 2

As discussed in *Note 16*, in 2005, the City changed its method of financial statement presentation and disclosure by retroactively restating prior years' financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and budgetary and pension information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information, including the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying information in the statistical section as listed in the table of contents has not been subjected to the procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

BKD, LLP

June 9, 2006



## City of Little Rock

Robert K. Biles, Director of Finance  
500 West Markham, Room 208  
Little Rock, Arkansas 72201-1413

Phone: 501-371-4806  
FAX: 501-244-5446

# City of Little Rock, Arkansas Management's Discussion and Analysis December 31, 2005

The following discussion and analysis of the City of Little Rock's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2005. Readers should consider the information presented here in conjunction with our letter of transmittal at the front of this report and the City's financial statements that follow this section.

### Financial Highlights

- Total assets of the City exceeded total liabilities at the close of 2005 by \$506,879,482. Of this amount, \$10,648,149 is considered unrestricted. The unrestricted net assets of the City's governmental activities are \$6,583,272 and may be used to meet the government's on-going obligations. The unrestricted net assets of the City's business type activities are \$4,064,877 and may be used to meet the on-going obligations of the City's solid waste and recreation business-type activities.
- The City's reported total net assets increased by \$389,946,147 in 2005, of which \$378,306,301 related to the capitalization of infrastructure assets of governmental activities in accordance with GASB 34. Net assets of the governmental activities increased \$388,665,769 (402.5% over 2004) due primarily to the full adoption of GASB 34 in 2005 as discussed above. Net assets of the business-type activities increased \$1,280,378 (6.3% over 2004).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$112,021,855. The combined governmental funds fund balance decreased \$15,375,180 from the prior year's ending fund balance. Approximately \$28,000,000 of the \$112,021,855 fund balance is considered unrestricted at December 31, 2005.
- The General Fund reported fund balance of \$22,762,217 at the end of the current fiscal year. Unreserved fund balance for the General Fund was \$22,215,475 or 18.5 percent of total General Fund expenditures (including transfers out). There was a \$2,755,669, after restatement, increase in the total fund balance for the General Fund for the year ended December 31, 2005.
- The City's total debt decreased by \$6,973,746 (3.9% under 2004) during the current year. The key factors in this decrease were the issuance of a \$5,205,000 temporary note offset by principal payments of \$6,525,000 for General Obligation bonds, \$3,149,933 for temporary notes, and \$2,540,000 for revenue bonds.
- At the close of the current fiscal year, net assets of fiduciary funds were \$196,003,619, all held in trust for pension benefits. There was a \$4,008,407 increase in the total fiduciary net assets held in trust for the year ended December 31, 2005.
- The City's component units reported net assets of \$503,465,559 as of December 31, 2005, an increase of \$21,947,698 compared to December 31, 2004 net assets of \$481,517,861.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements which 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 themselves.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenue and expenses reported in this statement for some items 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 or charges (business-type activities). The governmental activities of the City include general government, public safety and development. The business-type activities of the City include a solid waste system, and a parks and recreation system.

The government-wide financial statements include not only the City itself (known as the primary government), but also the following component units:

- Little Rock Wastewater Utility
- Little Rock National Airport
- Oakland Fraternal Cemetery
- Mt. Holly Cemetery
- Little Rock Advertising and Promotion Commission
- Little Rock Port Authority
- Metropolitan Emergency Medical Services
- Central Arkansas Transit Authority
- Arkansas Museum of Science and History
- Arkansas Arts Center
- Little Rock Workforce Investment Board
- Central Arkansas Library System

Financial information for these *component units* are reported separately from the financial information presented for the primary government itself. Complete financial statements for these component units may be obtained by contacting the administrative offices listed on page 28.

The government-wide financial statements can be found on pages 15-16 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 the *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 25 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, the 2004 Capital Improvements Fund and 2004 Bond Fund all of which are considered to be major funds. Data from the other 22 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* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 17-18 of this report.

**Proprietary funds.** The City maintains two different types of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses Enterprise Funds to account for its solid waste, recreation services, vehicle storage, and parking garage operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions for fleet operations. The services provided by the internal service fund predominantly benefit the governmental rather than the business-type functions. They have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provided separate information for the solid waste, recreation services, vehicle storage, and parking garage operations. The Solid Waste Fund, Presidential Park Fund and River Market Garage Fund are considered to be major funds of the City. The Fleet Fund is the only internal service fund.

The basic proprietary fund financial statements can be found on pages 19-21 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 statement 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 basic fiduciary fund financial statements can be found on pages 22-23 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 26-61 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's General Fund budget. The City adopts an annual appropriation budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. Required supplementary information can be found on page 62 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplemental information. Combining and individual fund statements and schedules can be found on pages 66-67 of this report.

**City of Little Rock  
Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b>Current and other assets</b>	\$ 168,393,604	\$180,385,353	\$18,288,739	\$ 17,172,761	\$186,682,343	\$197,558,114
<b>Capital assets</b>	<u>518,522,817</u>	<u>110,653,237</u>	<u>54,799,226</u>	<u>57,206,664</u>	<u>573,322,043</u>	<u>167,859,901</u>
<b>Total assets</b>	686,916,421	291,038,590	73,087,965	74,379,425	760,004,386	365,418,015
<b>Long-term liabilities outstanding</b>	166,268,260	165,657,758	45,951,768	48,781,894	212,220,028	214,439,652
<b>Other liabilities</b>	<u>35,413,180</u>	<u>28,811,620</u>	<u>5,491,696</u>	<u>5,233,408</u>	<u>40,404,876</u>	<u>34,045,028</u>
<b>Total liabilities</b>	<u>201,681,440</u>	<u>194,469,378</u>	<u>51,443,464</u>	<u>54,015,302</u>	<u>253,124,904</u>	<u>248,484,680</u>
<b>Net assets</b>	<u>\$ 485,234,981</u>	<u>\$ 96,569,212</u>	<u>\$21,644,501</u>	<u>\$ 20,364,123</u>	<u>\$506,879,482</u>	<u>\$116,933,335</u>
<b>Invested in capital assets, net of related debt</b>	\$ 461,024,448	\$ 70,448,883	\$11,171,798	\$ 11,377,021	\$472,196,246	\$ 81,825,904
<b>Restricted</b>	17,627,261	14,779,074	6,407,826	6,268,162	24,035,087	21,047,236
<b>Unrestricted</b>	<u>6,583,272</u>	<u>11,341,255</u>	<u>4,064,877</u>	<u>2,718,940</u>	<u>10,648,149</u>	<u>14,060,195</u>
<b>Total net assets</b>	<u>\$ 485,234,981</u>	<u>\$ 96,569,212</u>	<u>\$21,644,501</u>	<u>\$ 20,364,123</u>	<u>\$506,879,482</u>	<u>\$116,933,335</u>

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$506,879,482 at the close of the most recent fiscal year.

The largest portion of the City's net assets (93.2%) reflects its investment in capital assets (e.g. land, buildings, improvements other than buildings, machinery and equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; therefore, 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 debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (4.7%) represents resources that are subject to restrictions as to how they may be used. The remaining balance of unrestricted net assets (\$10,648,149) may be used to meet the government's on-going obligations to citizens and creditors. It is important to note that although the total unrestricted net assets is \$10,648,149; the net assets of the City's business-type activities (\$4,064,877) may not be used to fund governmental activities.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

**City of Little Rock**  
**Changes in Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b>Revenues-</b>						
<i>Program revenues:</i>						
Charges for services	\$ 24,652,568	\$ 20,204,681	\$ 22,656,893	\$ 21,856,422	\$ 47,309,461	\$ 42,061,103
Operating grants and contributions	6,992,565	5,736,809	—	—	6,992,565	5,736,809
Capital grants and contributions	1,974,622	1,679,975	—	—	1,974,622	1,679,975
<i>General revenues:</i>						
Property taxes	33,542,201	35,414,871	—	—	35,642,201	35,414,871
Sales taxes	60,299,892	56,529,897	—	—	60,299,892	56,529,897
Utility franchise taxes	23,588,872	21,868,645	—	—	23,588,872	21,868,645
Investment earnings	2,812,093	1,231,311	467,783	223,486	3,279,876	1,454,797
Intergovernmental revenues	31,848,728	12,421,114	—	—	31,848,728	12,421,114
Other	—	<u>10,846,786</u>	<u>376,747</u>	<u>499,595</u>	<u>376,747</u>	<u>11,346,381</u>
<b>Total revenues</b>	<u>185,711,541</u>	<u>165,934,089</u>	<u>23,501,423</u>	<u>22,579,503</u>	<u>209,212,964</u>	<u>188,513,592</u>
<b>Expenses:</b>						
General government	40,398,560	38,208,098	—	—	40,398,560	38,208,098
Public works	17,058,825	17,719,543	—	—	17,058,825	17,719,543
Parks and recreation	14,806,781	9,427,650	5,261,484	4,845,015	20,068,265	14,272,665
Public safety	86,177,431	76,871,486	—	—	86,177,431	76,871,486
Economic development	3,204,412	54,791	—	—	3,204,412	54,791
Housing and neighborhood programs	7,490,875	7,080,401	—	—	7,490,875	7,080,401
Interest on long-term debt	4,324,929	3,941,529	—	—	4,324,929	3,941,529
Other	25,063	503,346	—	—	25,063	503,346
Waste disposal	—	—	12,424,204	11,875,889	12,424,204	11,875,889
Parking system	—	—	1,607,057	1,314,471	1,607,057	1,314,471
Zoo	—	456,108	3,589,480	3,252,245	3,589,480	3,708,353
Vehicle storage	—	—	<u>1,204,017</u>	<u>1,349,155</u>	<u>1,204,017</u>	<u>1,349,155</u>
<b>Total expenses</b>	<u>173,486,876</u>	<u>154,262,952</u>	<u>24,086,242</u>	<u>22,636,775</u>	<u>197,573,118</u>	<u>176,899,727</u>
Increase in net assets before transfers	12,224,665	11,671,137	(584,819)	(57,272)	11,639,846	11,613,865
Transfers	<u>(1,865,197)</u>	<u>(1,903,389)</u>	<u>1,865,197</u>	<u>1,903,389</u>	<u>0</u>	<u>0</u>
<b>Change in Net Assets</b>	<u>10,359,468</u>	<u>9,767,748</u>	<u>1,280,378</u>	<u>1,846,117</u>	<u>11,639,846</u>	<u>11,613,865</u>
<b>Net asset - January 1, as previously reported</b>	96,569,212	86,801,464	20,364,123	18,518,006	116,933,335	105,319,470
<b>Adjustment due to change in accounting principle</b>	<u>378,306,301</u>	—	—	—	<u>378,306,301</u>	—
<b>Net asset, January 1, as restated</b>	<u>474,875,513</u>	<u>86,801,464</u>	<u>20,364,123</u>	<u>18,518,006</u>	<u>495,239,636</u>	<u>105,319,470</u>
<b>Net asset - December 31</b>	<u>\$485,234,981</u>	<u>\$ 96,569,212</u>	<u>\$ 21,644,501</u>	<u>\$ 20,364,123</u>	<u>\$506,879,482</u>	<u>\$116,933,335</u>

**Governmental activities.** Governmental activities increased the City's net assets by \$10,359,468, thereby accounting for 89.0% percent of total growth in net assets of the City. Increases in net capital assets and current and other assets of \$29,563,279 and \$9,557,292, respectively were mostly offset by a \$21,549,041 decrease in noncurrent assets, a \$610,502 increase in non-current liabilities, and a \$6,601,560 increase in current liabilities.

Property tax represents 18.1% of the City's governmental revenue in 2005. Sales tax represents 32.5% of the City's governmental revenue in 2005. Current year expenses were 93.4% of current year revenues.

**Business-type activities.** Business-type activities increased the City's net assets by \$1,280,378, accounting for 11.0% of the total change in the government's net assets. Key elements of this increase are as follows:

- Presidential park net assets increased by \$408,909.
- Waste Disposal net assets increased by \$1,867,048. Net income before transfers out of \$1,046,789 was \$2,913,837.
- Operating income increased net assets by \$1,003,078. Nonoperating expenses decreased net assets by \$1,587,897. Net transfers in increased net assets by \$1,865,197.
- RiverMarket garage operating income of \$293,047 was offset by nonoperating expense of \$557,220.
- Net transfers in of \$1,611,986 reduced the decrease in net assets for nonmajor Enterprise funds to \$731,406.

Solid Waste activities contribute 65.9% of the operating revenue to the business-type activities. Current year operating expenses were 95.5% of current year operating revenues.

### **Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related 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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2005, the City's governmental funds reported combined ending fund balances of \$112,021,855, a decrease of \$15,375,180 in comparison with the prior year. Approximately \$28,000,000 of this amount constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for capital projects, debt service and other purposes.

The General Fund is the chief operating fund of the city. At December 31, 2005, unreserved fund balance of the General Fund was \$22,215,475, while the total fund balance was \$22,762,217. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures (including transfers out). Unreserved fund balance represents 18.5% of total General Fund expenditures (including transfers out), while total fund balance represents 19.0% of that same amount.

The fund balance of the City's General Fund increased by \$2,755,669 during 2005. During the year, the City closely monitored revenues and took actions to keep expenditures well below revenues. A prior period adjustment for compensated absences increased the fund balance of the General Fund by \$4,634,826.

The special revenue funds had a total fund balance of \$10,834,382. The net increase in fund balance during 2005 for the funds was approximately \$1,802,740. A prior period adjustment for compensated absences increased the fund balance in the special revenue funds by \$398,527. Revenues for special projects come from intergovernmental sources, property taxes and charges for services. Net changes and ending fund balance by fund are:

<b>Fund</b>	<b>Net Change</b>	<b>Ending Balance</b>
Street	\$ 519,885	\$3,297,627
Special Projects	760,663	2,171,753
Economic Development	46,261	162,022
Infrastructure	(58,101)	1,743,467
Emergency 911	363,567	1,380,764
CDBG	96,055	332,016
NHSP	11,559	795,765
HIPP	28,325	954,032
Grant	34,526	(3,064)

The debt service funds had a total fund balance of \$13,248,476. The net increase in fund balance during 2005 for the funds was approximately \$1,485,889. Revenues for debt service funds come from property tax or franchise fees set at the level necessary to meet debt service requirements. Net changes and ending fund balance by fund are:

<b>Fund</b>	<b>Net Change</b>	<b>Ending Balance</b>
1998 Street and Drainage	\$ (19,178)	\$ 1,528,697
1999 Central Arkansas Library	(238,748)	0
2002 Junior Lien Bonds	(35,032)	3,051
2004 Bond Fund	749,564	8,837,071
2004 Central Arkansas Library	1,850,374	2,879,657

The capital project funds had a total fund balance of \$65,176,780. The net decrease in fund balance during 2005 for the funds was approximately \$22,240,569. Revenues for capital projects come primarily from loan proceeds. During 2005, the City issued a \$5,205,000 temporary note. The net changes and ending fund balance for the capital project funds were:

<b>Fund</b>	<b>Net Change</b>	<b>Ending Balance</b>
1998 Capital Improvement	\$ (163,144)	\$ 4,616,026
1995 Capital Improvement	(172,670)	393,302
1988 Capital Improvement	(854,666)	1,464,180
1999 Central Arkansas Library	(1,436,481)	475,561
2004 Capital Improvements	(19,822,764)	40,628,870
2003 Short-term Financing	805	0
2004 Short-term Financing	(1,839,675)	948,654
2005 Short-term Financing	2,587,409	2,587,409
2006 Short-term Financing	(100,396)	(100,396)
2004 Central Arkansas Library	(438,987)	14,163,174

**Proprietary funds.** The City’s proprietary funds provide the same information found in the government-wide financial statements, but with more detail.

Net assets at the end of the year amounted to \$13,006,129, \$(939,641), \$(113,215) and \$9,691,228 for Solid Waste, Presidential Park, RiverMarket Garage, and other proprietary funds operations, respectively. Net assets increased in the Waste Disposal and Presidential Park funds by \$1,867,048 and \$408,909, respectively. Net assets decreased in the RiverMarket Garage and other proprietary funds by \$264,173 and \$731,406, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City’s business-type activities.

**General Fund Budgetary Highlights**

The final amended General Fund budget had total appropriation of \$1,227,913 more than the original budget. The total original appropriations, including those for transfers out, were \$113,394,453, while the final appropriations were for \$114,794,270. Revenue budget adjustments and actual results are shown below.

**City of Little Rock  
General Fund Budget - Revenue**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Explanation</u>
<b>Property Taxes</b>	\$ 12,862,034	\$ (14,759)	\$ 12,847,275	\$ 18,278,892	\$ 5,431,617	Actual includes fire and pension property taxes of \$5,567,944.
<b>Sales Taxes</b>	58,703,539	1,213,498	59,917,037	60,299,892	382,855	Sales tax growth rate was slightly higher than expected.
<b>Licenses &amp; Permits</b>	8,883,274	313,760	9,197,034	9,307,627	110,593	Business license and permit activity remained stronger than expected.
<b>Intergovernmental</b>	2,764,330	(687,125)	2,077,205	2,077,206	1	
<b>Charges for Services</b>	3,347,574	(340,877)	3,006,697	4,600,384	1,593,687	Reimbursements were \$680,000 higher than expected.
<b>Fines and Fees</b>	3,480,294	(379,016)	3,101,278	3,546,843	445,565	Year end activity was stronger than expected.
<b>Franchise Fees</b>	19,918,549	1,015,123	20,933,672	21,877,717	944,045	Rate increases and utility usage were higher than expected.
<b>Interest Earnings</b>	360,943	(110,574)	250,369	252,450	2,081	
<b>Transfers In</b>	1,318,372	0	1,318,372	1,335,636	17,264	
<b>All Other Revenues</b>	<u>1,755,544</u>	<u>217,883</u>	<u>1,973,427</u>	<u>1,181,459</u>	<u>(791,968)</u>	Revenues budgeted as Other Revenues are shown as Charges for Services.
<b>Total General Fund Revenues</b>	<u>\$ 113,394,453</u>	<u>\$ 1,227,913</u>	<u>\$ 114,622,366</u>	<u>\$ 122,558,106</u>	<u>\$ 7,935,740</u>	

Expenditures, budget adjustments and actual results by General Fund department are shown below.

**City of Little Rock**  
**General Fund Budget - Expenditures**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Explanation</u>
<b>General Administration</b>	\$ 15,956,702	\$ (218,428)	\$ 15,738,274	\$ 15,033,359	\$ 704,915	Lower vacation/sick leave payouts \$442,000, CATA \$60,000, and insurance costs \$88,000.
<b>Mayor &amp; Board of Directors</b>	283,541	1,296	284,837	303,026	(18,189)	Includes \$22,000 of special projects.
<b>City Manager</b>	828,435	(24,547)	803,888	1,198,682	(394,794)	Includes \$410,000 of special projects.
<b>Community Programs</b>	332,429	(16,754)	315,675	2,523,200	(2,207,525)	Includes special projects for Children, Youth and Families of over \$2,195,000.
<b>City Attorney</b>	1,337,976	(11,969)	1,326,007	1,310,827	15,180	Net vacancy savings were \$18,000.
<b>Cable TV</b>	195,948	1,662	197,610	195,147	2,463	Contract costs were lower.
<b>District Court - First Division</b>	1,117,649	(7,440)	1,110,209	1,096,870	13,339	Contract costs were \$11,000 lower than budgeted.
<b>District Court - Third Division</b>	445,780	(13,321)	432,459	432,999	(540)	
<b>District Court - Second Division</b>	1,088,243	(39,939)	1,048,304	998,099	50,205	Vacancy savings were almost \$54,000.
<b>Finance</b>	2,491,745	(84,984)	2,406,761	2,333,822	72,939	Vacancy savings of \$100,000 were partially offset by increased temp. force labor of \$16,000 and contract costs of \$15,000.
<b>Human Resources</b>	1,230,218	5,028	1,235,246	1,204,638	30,608	Part-time costs of \$17,000 and nonemployee travel savings of \$30,000 were partially offset by equipment purchases of \$11,000.
<b>Information Technology</b>	2,721,648	(74,362)	2,647,286	2,591,683	55,603	Equipment \$25,000 and software maintenance costs \$28,000 were lower than expected.
<b>Planning &amp; Development</b>	2,102,009	(68,300)	2,033,709	2,010,685	23,024	Vacancy and fuel savings were \$12,000 and \$7,700 more than expected
<b>Public Works</b>	1,213,972	34	1,214,006	1,458,683	(244,677)	Includes \$190,000 of special projects. Building and HVAC repair costs were \$50,000 higher.
<b>Parks &amp; Recreation</b>	6,437,136	(101,041)	6,336,095	6,855,090	(518,995)	Includes \$556,136 of special projects. Vacancy savings was \$118,000 more than expected. Contract. Building, public information and electric costs were \$134,000 more than expected.

**City of Little Rock  
General Fund Budget - Expenditures**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Explanation</u>
<b>Fire</b>	26,431,091	189,708	26,620,800	29,813,575	(3,192,775)	Includes \$2,784,000 of pension costs supported by a separate levy. Fleet costs \$219,000, utility expense \$54,000 and other personnel costs \$143,000 were higher than expected.
<b>Police</b>	41,816,289	(1,849,984)	39,966,305	42,822,725	(2,856,420)	Includes \$2,784,000 of pension costs supported by a separate levy and \$184,000 for special projects. Personnel and fleet costs were \$316,000 and \$142,000 more than expected. Fuel and contract expenses were \$240,000 and \$158,000 less than expected.
<b>Housing &amp; Neighborhoods</b>	3,826,517	(244,055)	3,582,462	3,802,909	(220,447)	Includes \$287,000 of special projects. Fleet \$32,000, fuel \$19,000 and personnel costs \$11,000 were less than expected.
<b>Transfers Out</b>	7,869,918	(319,124)	7,550,794	4,016,418	3,534,376	Transfers of \$3,700,000 to special projects are eliminated for reporting purposes. Transfers to debt service funds was reduced for interest earnings.
<b>Vacancy Savings</b>	<u>(4,332,794)</u>	<u>4,276,337</u>	<u>(56,457)</u>	<u>0</u>	<u>(56,457)</u>	Vacancy savings are included in departmental budgets.
<b>Total General Fund Expenditures</b>	<u>\$ 113,394,453</u>	<u>\$ 1,399,817</u>	<u>\$ 114,794,270</u>	<u>\$ 120,002,437</u>	<u>\$ 5,208,167</u>	

**Capital Asset and Debt Administration**

**Capital assets.** The City's investment in capital assets for governmental and business-type activities as of December 31, 2005, amounts to \$573,322,043 (net of accumulated depreciation). This investment in capital assets includes land, buildings, systems, improvements, vehicles and equipment, park facilities, roads, curbs and gutters, streets and sidewalks, and drainage systems. The total increase in the City's investment in capital assets for 2005 was 341.6% (a 468.6% increase for governmental activities and a 4.2 % decrease for business-type activities). Government activities increase includes a \$378,306,301 adjustment to record infrastructure in accordance with GASB 34.

**City of Little Rock  
Capital Assets, net of depreciation**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b>Land</b>	\$ 146,098,423	\$ 13,007,928	\$ 19,951,570	\$ 19,951,570	\$ 166,049,993	\$ 32,959,498
<b>Buildings</b>	31,344,332	30,994,823	26,504,115	27,911,663	57,848,447	58,906,486
<b>Improvements other than buildings</b>	1,287,068	1,288,280	2,979,144	2,274,795	4,266,212	3,563,075
<b>Vehicles and equipment</b>	18,853,586	17,578,623	5,254,907	6,437,883	24,108,493	24,016,506
<b>Infrastructure</b>	295,748,798	34,572,295	—	—	295,748,798	34,572,295
<b>Construction in progress</b>	<u>25,190,610</u>	<u>13,211,288</u>	<u>109,490</u>	<u>630,753</u>	<u>25,300,100</u>	<u>13,842,041</u>
<b>Total</b>	<u>\$ 518,522,817</u>	<u>\$ 110,653,237</u>	<u>\$ 54,799,226</u>	<u>\$ 57,206,664</u>	<u>\$ 573,322,043</u>	<u>\$ 167,859,901</u>

Major capital asset events during 2005 included the following:

- Infrastructure additions were \$23,580,513.
- Vehicle and equipment additions were \$6,916,227.
- Building additions were \$1,764,491.
- Construction in progress additions were \$20,552,143.
- Land and other improvements additions were \$5,740,499.
- Depreciation expense totaled \$21,609,849.

Additional information on the City's capital assets can be found in Note 3 on pages 37-39 of this report.

**Long-term debt.** At December 31, 2005, the City, the primary government, had \$170,652,113 of long-term bonds outstanding, including \$47,170,000 of bonds secured solely by specified revenue sources (i.e. revenue bonds).

City of Little Rock						
General Obligation and Revenue Bonds Outstanding						
	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation bonds						
and notes payable	\$ 105,442,113	\$ 108,977,046	\$ —	\$ —	\$ 105,442,113	\$ 108,977,046
Revenue bonds	<u>18,040,000</u>	<u>18,975,000</u>	<u>47,170,000</u>	<u>49,710,000</u>	<u>65,210,000</u>	<u>68,685,000</u>
<b>Total</b>	<u>\$ 123,482,113</u>	<u>\$ 127,952,046</u>	<u>\$ 47,170,000</u>	<u>\$ 49,710,000</u>	<u>\$ 170,652,113</u>	<u>\$ 177,662,046</u>

Total long-term bonds outstanding at December 31, 2005 decreased by \$7,009,933 over the December 31, 2004 amount, a 4.0% decrease. New debt was issued for vehicles, equipment and other capital improvements.

The City's general obligation bond rating by Standard & Poor's Corporation and Moody's Investors Service, Inc. are "AA-" and "Aa3", respectively. The City's bond ratings are shown in the following table.

	Moody's Investors Service	Standard & Poor's
<u>General Obligation Debt</u>		
1998 Street & Drainage	Not Rated	AAA (Ambac)
2001 Limited Tax General Obligation	Aa3	AA
2002 Capital Improvement Junior Lien	Not Rated	AAA (Ambac)
2004 Library Refunding and Capital Improvements	Not Rated	AA-
2004 Capital Improvements	Aaa (FSA)	AAA (FSA)
<u>Revenue Debt</u>		
2003 Capital Improvement and Refunding Revenue	Aaa (XL Capital)	AAA (XL Capital)
1998 Parks & Recreation Bonds	Not Rated	Not Rated
2002 Waste Disposal Refunding and Improvement	Aaa	A-

	<u>Moody's Investors Service</u>	<u>Standard &amp; Poor's</u>
<u>Discrete Components</u>		
1990 Sewer Revenue	Not Rated	Not Rated
1991 Sewer Revenue	Not Rated	Not Rated
1996 Sewer Revenue	Not Rated	Not Rated
1999 Sewer Revenue	Not Rated	Not Rated
2001 Sewer Revenue	A1	Not Rated
2004 Sewer Revenue	Not Rated	Not Rated
1993 A&P Refunding	A	Not Rated
2003 A&P Refunding	A	Not Rated
2003 Airport Refunding	A2	A-
1999A Airport Revenue	A2	A-
1999B Airport Revenue	A2	A-

The City is within all of its legal debt limitations. Under the Arkansas Constitution, the City is allowed to issue, with voter approval, general obligation debt up to 20% of total assessed valuation. Outstanding general obligation bonds at December 31, 2005 of \$108,085,000 are well below the statutory limit of \$531,902,989. The City is allowed to issue short-term financings (maturities of less than five years) up to 5% of total assessed valuation. Outstanding short-term financings at December 31, 2005 of \$15,397,113 are well below the statutory limit of \$132,975,747. Voter approval is not required for short-term financing.

Additional information regarding the City's long-term debt can be found in Note 4 on pages 40-48 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The City's elected and appointed officials considered many factors when setting the fiscal year 2006 budget. With the uncertainty surrounding the economy, the City considered the impact on its two primary revenue sources: sales tax and franchise fees. The Mayor and Board of Directors decided that it was important to: 1) put the highest premium on safety for the people of Little Rock and City employees, and 2) adopt a budget designed to promote long-term fiscal stability by creating additional budget reserves. In order to meet the objectives of the 2006 budget, the City recognized the need to continue its pattern of cost containment. The total 2006 General Fund budget is \$119,636,058.

### **Request for Information**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director's Office, 500 West Markham, Room 208, Little Rock, Arkansas 72201.

## BASIC FINANCIAL STATEMENTS

**City of Little Rock, Arkansas**  
**Statement of Net Assets**  
**December 31, 2005**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 774,139	\$ 1,634,326	\$ 2,408,465	\$ 30,951,359
Investments	18,368,748	11,801,808	30,170,556	23,897,072
Restricted cash and investments - current	12,085,499	3,485,292	15,570,791	4,843,949
Accounts receivable, net of allowance for uncollectible accounts	55,206,696	2,463,928	57,670,624	17,704,319
Interest receivable	-	43,003	43,003	-
Internal balances	5,389,084	(5,389,084)	0	-
Inventories	1,373,219	64,206	1,437,425	1,913,527
Prepaid expenses and other	1,862,301	12,209	1,874,510	1,832,635
<b>Total current assets</b>	<b>95,059,686</b>	<b>14,115,688</b>	<b>109,175,374</b>	<b>81,142,861</b>
<b>Noncurrent assets</b>				
<b>Restricted assets</b>				
Cash and cash equivalents	18,109,765	2,056,150	20,165,915	35,858,480
Investments	66,414,927	4,582,669	70,997,596	13,642,740
Grants and other receivables	-	-	-	1,086,500
Interest receivable	480,517	75,380	555,897	121,828
	85,005,209	6,714,199	91,719,408	50,709,548
Less amount required to meet current obligations	12,085,499	3,485,292	15,570,791	4,843,949
<b>Total restricted assets</b>	<b>72,919,710</b>	<b>3,228,907</b>	<b>76,148,617</b>	<b>45,865,599</b>
Capital assets - non-depreciable	171,289,033	20,061,060	191,350,093	97,181,436
Capital assets - depreciable, net	347,233,784	34,738,166	381,971,950	445,109,977
	518,522,817	54,799,226	573,322,043	542,291,413
<b>Other assets</b>				
Long-term investment	-	-	-	493,280
Deferred bond issue costs	414,208	944,144	1,358,352	1,571,513
Other	-	-	-	779,874
<b>Total other assets</b>	<b>414,208</b>	<b>944,144</b>	<b>1,358,352</b>	<b>2,844,667</b>
<b>Total noncurrent assets</b>	<b>591,856,735</b>	<b>58,972,277</b>	<b>650,829,012</b>	<b>591,001,679</b>
<b>Total assets</b>	<b>\$ 686,916,421</b>	<b>\$ 73,087,965</b>	<b>\$ 760,004,386</b>	<b>\$ 672,144,540</b>

See Notes to Financial Statements

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Liabilities and Net Assets</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 5,864,676	\$ 521,740	\$ 6,386,416	\$ 8,221,549
Accrued wages payable and related liabilities	1,642,253	148,418	1,790,671	1,355,924
Accrued expenses and other	8,180,183	1,239,305	9,419,488	6,633,068
Accrued interest payable	1,466,247	850,292	2,316,539	-
Notes payable - current portion	4,252,965	-	4,252,965	202,694
Capital lease obligation - current portion	816,287	96,941	913,228	89,553
Bonds payable - current portion	5,550,000	2,635,000	8,185,000	5,632,866
Due to fiduciary funds	5,443,285	-	5,443,285	-
Unearned revenue	2,197,284	-	2,197,284	2,967,841
Total current liabilities	<u>35,413,180</u>	<u>5,491,696</u>	<u>40,904,876</u>	<u>25,103,495</u>
<b>Noncurrent liabilities</b>				
Notes payable	11,144,148	-	11,144,148	171,202
Capital lease obligation	6,000	-	6,000	994,315
Bonds payable, net of unamortized premium and discount	103,178,090	43,587,563	146,765,653	113,865,028
Net pension obligation	39,160,449	-	39,160,449	-
Compensated absences	12,053,413	415,766	12,469,179	-
Other long-term liabilities	726,160	1,948,439	2,674,599	28,544,941
Total noncurrent liabilities	<u>166,268,260</u>	<u>45,951,768</u>	<u>212,220,028</u>	<u>143,575,486</u>
Total liabilities	<u>201,681,440</u>	<u>51,443,464</u>	<u>253,124,904</u>	<u>168,678,981</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	<u>461,024,448</u>	<u>11,171,798</u>	<u>472,196,246</u>	<u>390,384,582</u>
Restricted - expendable				
Debt service	13,248,476	6,316,026	19,564,502	22,286,096
Stormwater retention	244,547	-	244,547	-
911 fees	1,380,764	-	1,380,764	-
Grant funds	2,131,641	-	2,131,641	251,987
Cable network	467,924	-	467,924	-
Special projects - ADA	153,909	-	153,909	5,291,935
Zoo promotions	-	91,800	91,800	-
Passenger facility charges	-	-	-	12,069,572
Library materials	-	-	-	259,014
Art fund	-	-	-	769,548
Cemetery maintenance	-	-	-	2,590,798
Total restricted - expendable	<u>17,627,261</u>	<u>6,407,826</u>	<u>24,035,087</u>	<u>43,518,950</u>
Restricted - unexpendable	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,269,861</u>
Unrestricted	<u>6,583,272</u>	<u>4,064,877</u>	<u>10,648,149</u>	<u>65,292,166</u>
Total net assets	<u>485,234,981</u>	<u>21,644,501</u>	<u>506,879,482</u>	<u>503,465,559</u>
Total liabilities and net assets	<u>\$ 686,916,421</u>	<u>\$ 73,087,965</u>	<u>\$ 760,004,386</u>	<u>\$ 672,144,540</u>

**City of Little Rock, Arkansas**  
**Statement of Activities**  
**Year Ended December 31, 2005**

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets							Component Units
	Expenses	Program Revenues			Primary Government			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Primary Government</b>								
Governmental Activities								
General administration	\$ 21,902,499	\$ 11,463,168	\$ -	\$ -	\$ (10,439,331)	\$ -	\$ (10,439,331)	\$ -
Mayor and Board of Directors	371,465	-	-	-	(371,465)	-	(371,465)	-
City manager	1,751,771	-	-	-	(1,751,771)	-	(1,751,771)	-
Community programs	2,587,320	-	306,706	-	(2,280,614)	-	(2,280,614)	-
City attorney	1,314,491	-	-	-	(1,314,491)	-	(1,314,491)	-
Cable TV	199,179	-	-	-	(199,179)	-	(199,179)	-
District court - first division (criminal)	1,127,440	-	-	-	(1,127,440)	-	(1,127,440)	-
District court - second division (traffic)	1,006,592	3,484,140	-	-	2,477,548	-	2,477,548	-
District court - third division (environment)	433,658	-	-	-	(433,658)	-	(433,658)	-
Finance	2,656,630	1,067,637	-	-	(1,588,993)	-	(1,588,993)	-
Human resource	1,484,747	-	-	-	(1,484,747)	-	(1,484,747)	-
Information technology	3,218,214	-	-	-	(3,218,214)	-	(3,218,214)	-
Planning and development	2,344,554	1,437,446	-	-	(907,108)	-	(907,108)	-
Public works	17,058,825	313,407	-	1,544,511	(15,200,907)	-	(15,200,907)	-
Parks and recreation services	14,806,781	431,802	630,873	-	(13,744,106)	-	(13,744,106)	-
Fire	34,634,751	1,547,383	781,843	-	(32,305,525)	-	(32,305,525)	-
Police	51,542,680	3,859,696	2,473,723	-	(45,209,261)	-	(45,209,261)	-
Economic development	3,204,412	-	-	430,111	(2,774,301)	-	(2,774,301)	-
Education	-	-	102,001	-	102,001	-	102,001	-
Housing and neighborhood programs	7,490,875	1,047,889	2,697,419	-	(3,745,567)	-	(3,745,567)	-
Interest expense on long-term debt	4,324,929	-	-	-	(4,324,929)	-	(4,324,929)	-
Agent fees on long-term debt	25,063	-	-	-	(25,063)	-	(25,063)	-
<b>Total governmental activities</b>	<b>173,486,876</b>	<b>24,652,568</b>	<b>6,992,565</b>	<b>1,974,622</b>	<b>(139,867,121)</b>	<b>0</b>	<b>(139,867,121)</b>	<b>0</b>
Business-type Activities								
Presidential park	943,061	-	-	-	-	(943,061)	(943,061)	-
Waste disposal	12,424,204	14,934,170	-	-	-	2,509,966	2,509,966	-
Rivermarket garage	1,607,057	1,295,883	-	-	-	(311,174)	(311,174)	-
Riverfront park	1,036,838	397,194	-	-	-	(639,644)	(639,644)	-
Zoo	3,589,480	2,035,070	-	-	-	(1,554,410)	(1,554,410)	-
Vehicle storage	1,204,017	1,466,627	-	-	-	262,610	262,610	-
Golf courses	2,292,426	1,801,609	-	-	-	(490,817)	(490,817)	-
Fitness center	880,469	651,786	-	-	-	(228,683)	(228,683)	-
Concessions services	108,690	74,554	-	-	-	(34,136)	(34,136)	-
<b>Total business-type activities</b>	<b>24,086,242</b>	<b>22,656,893</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,429,349)</b>	<b>(1,429,349)</b>	<b>0</b>
<b>Total primary government</b>	<b>\$ 197,573,118</b>	<b>\$ 47,309,461</b>	<b>\$ 6,992,565</b>	<b>\$ 1,974,622</b>	<b>(139,867,121)</b>	<b>(1,429,349)</b>	<b>(141,296,470)</b>	<b>0</b>

**Component Units**

Wastewater Utility	\$ 28,481,345	\$ 30,609,507	\$ -	\$ -	\$ -	\$ -	\$ 0	\$ 2,128,162
National Airport	20,755,475	18,508,810	-	-	-	-	0	(2,246,665)
All other component units	<u>67,609,518</u>	<u>25,761,545</u>	<u>1,819,287</u>	<u>2,562,983</u>	<u>-</u>	<u>-</u>	<u>0</u>	<u>(37,465,703)</u>
Total component units	<u>\$ 116,846,338</u>	<u>\$ 74,879,862</u>	<u>\$ 1,819,287</u>	<u>\$ 2,562,983</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(37,584,206)</u>

General revenues								
General property taxes				33,542,201	-	33,542,201	9,640,725	
Sales taxes				60,299,892	-	60,299,892	8,737,782	
Utility franchise taxes				23,588,872	-	23,588,872	-	
Investment income and unrealized gains (losses)				2,812,093	467,783	3,279,876	4,062,787	
Grants and contributions not restricted to specific programs				31,848,728	-	31,848,728	24,958,249	
Other				-	376,747	376,747	11,996,768	
Transfers				<u>(1,865,197)</u>	<u>1,865,197</u>	<u>0</u>	<u>-</u>	
Total general revenues and transfers				<u>150,226,589</u>	<u>2,709,727</u>	<u>152,936,316</u>	<u>59,396,311</u>	
Change in Net Assets				<u>10,359,468</u>	<u>1,280,378</u>	<u>11,639,846</u>	<u>21,812,105</u>	
Net Assets, Beginning of Year, As Previously Reported				96,569,212	20,364,123	116,933,335	481,517,861	
Adjustment applicable to prior years				-	-	-	135,593	
Adjustment applicable to change in accounting principle				<u>378,306,301</u>	<u>-</u>	<u>378,306,301</u>	<u>-</u>	
Net Assets, Beginning of Year, As Restated				<u>474,875,513</u>	<u>20,364,123</u>	<u>495,239,636</u>	<u>481,653,454</u>	
Net Assets, End of Year				<u>\$ 485,234,981</u>	<u>\$ 21,644,501</u>	<u>\$ 506,879,482</u>	<u>\$ 503,465,559</u>	

**City of Little Rock, Arkansas**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2005**

	General	2004 Capital Improvements	2004 Bond Fund	Other Governmental Funds	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 2,023,360	\$ 4,941,443	\$ 976,555	\$ 10,749,960	\$ 18,691,318
Investments	10,976,313	37,128,471	7,337,526	27,898,092	83,340,402
Accounts receivable	33,211,733	-	8,988,773	9,785,015	51,985,521
Due from other funds	5,891,123	-	-	-	5,891,123
Interest receivable	47,156	231,446	25,428	168,538	472,568
Inventories	-	-	-	943,135	943,135
Prepaid expenditures and other	670,905	-	-	729,086	1,399,991
Total assets	<u>\$ 52,820,590</u>	<u>\$ 42,301,360</u>	<u>\$ 17,328,282</u>	<u>\$ 50,273,826</u>	<u>\$ 162,724,058</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 2,385,835	\$ 1,672,490	\$ -	\$ 1,394,534	\$ 5,452,859
Due to other funds	5,447,805	-	-	497,519	5,945,324
Accrued wages payable and related liabilities	1,467,339	-	-	135,169	1,602,508
Accrued expenditures and other	2,677,985	-	-	-	2,677,985
Deferred revenue	18,079,409	-	8,491,211	8,452,907	35,023,527
Total liabilities	<u>30,058,373</u>	<u>1,672,490</u>	<u>8,491,211</u>	<u>10,480,129</u>	<u>50,702,203</u>
<b>Fund Balances</b>					
<b>Reserved</b>					
Capital projects	-	40,628,870	-	24,547,910	65,176,780
Special projects - ADA	78,818	-	-	153,909	232,727
Debt service	-	-	8,837,071	4,411,405	13,248,476
Developer contribution account	-	-	-	1,010,596	1,010,596
Stormwater retention	-	-	-	244,547	244,547
Court automation	-	-	-	135,793	135,793
911 fees	-	-	-	1,380,764	1,380,764
Grant funds	-	-	-	2,078,749	2,078,749
Cable network	467,924	-	-	-	467,924
Total reserved	<u>546,742</u>	<u>40,628,870</u>	<u>8,837,071</u>	<u>33,963,673</u>	<u>83,976,356</u>
<b>Unreserved</b>					
General fund	22,215,475	-	-	-	22,215,475
Special revenue	-	-	-	5,830,024	5,830,024
Total unreserved	<u>22,215,475</u>	<u>0</u>	<u>0</u>	<u>5,830,024</u>	<u>28,045,499</u>
Total fund balances	<u>22,762,217</u>	<u>40,628,870</u>	<u>8,837,071</u>	<u>39,793,697</u>	<u>112,021,855</u>
Total liabilities and fund balances:	<u>\$ 52,820,590</u>	<u>\$ 42,301,360</u>	<u>\$ 17,328,282</u>	<u>\$ 50,273,826</u>	

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

Capital assets used in governmental activities are not financial and are not reported in the funds.	516,665,239
Liabilities that are not due and payable in the current period and are not reported in the funds including:	
Bonds payable	(108,085,000)
Bond issuance premiums	(1,254,327)
Deferred issuance discounts	611,237
Notes payable	(15,397,113)
Accrued interest payable	(1,466,247)
Capital lease payable	(822,287)
Net pension obligation	(39,160,449)
Workers compensation liability	(726,160)
Accrued compensated absences	(17,253,308)
Accrued liability for loss contingency	(120,000)
An internal service fund is used to charge the costs of fleet management to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	3,777,822
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.	32,826,243
Revenues that do not provide current financial resources at the fund level on the modified accrual basis are reported as revenues on the full accrual basis in the government-wide statements.	3,617,476
	<u>\$ 485,234,981</u>

**City of Little Rock, Arkansas**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended December 31, 2005**

	General	2004 Capital Improvements	2004 Bond Fund	Other Governmental Funds	Total
<b>Revenues</b>					
General property taxes	\$ 18,278,892	\$ -	\$ 8,617,161	\$ 6,397,391	\$ 33,293,444
Sales taxes	60,299,892	-	-	-	60,299,892
Licenses and permits	9,307,627	-	-	-	9,307,627
Intergovernmental	2,077,206	-	-	18,358,674	20,435,880
Charges for services	4,600,384	-	-	186,204	4,786,588
Fines and fees	3,546,843	-	-	2,163,358	5,710,201
Utility franchise taxes	21,877,717	-	-	1,711,155	23,588,872
Investment income and unrealized gains	252,450	1,420,557	141,643	997,443	2,812,093
Contributions and donations	-	-	-	427,942	427,942
Miscellaneous	1,181,459	2,300	-	2,600,151	3,783,910
<b>Total revenues</b>	<b>121,422,470</b>	<b>1,422,857</b>	<b>8,758,804</b>	<b>32,842,318</b>	<b>164,446,449</b>
<b>Expenditures</b>					
<b>General government</b>					
General administration	15,033,359	196,007	-	19,443	15,248,809
Mayor and Board of Directors	303,026	-	-	-	303,026
City manager	1,198,682	-	-	552,128	1,750,810
Community programs	2,523,200	-	-	61,451	2,584,651
City attorney	1,310,827	-	-	-	1,310,827
Cable TV	195,147	-	-	-	195,147
District court - first division (criminal)	1,096,870	-	-	7,330	1,104,200
District court - second division (traffic)	998,099	-	-	8,493	1,006,592
District court - third division (environment)	432,999	-	-	-	432,999
Finance	2,333,822	-	-	273,582	2,607,404
Human resource	1,204,638	-	-	275,741	1,480,379
Information technology	2,591,683	-	-	407,681	2,999,364
Planning and development	2,010,685	-	-	350,548	2,361,233
<b>Total general government</b>	<b>31,233,037</b>	<b>196,007</b>	<b>0</b>	<b>1,956,397</b>	<b>33,385,441</b>
Public works	1,458,683	6,714,472	-	16,404,485	24,577,640
Parks and recreation services	6,855,090	3,236,308	-	3,146,130	13,237,528
Zoo	-	1,224,691	-	-	1,224,691
Fire	29,813,575	2,795,504	-	2,689,410	35,298,489
Police	42,822,725	6,958,500	-	3,689,282	53,470,507
Fleet	-	-	-	442,650	442,650
Economic development	-	-	-	421,615	421,615
Education	-	-	-	2,340,147	2,340,147
Housing and neighborhood programs	3,802,909	120,139	-	3,982,850	7,905,898
<b>Debt Service</b>					
Principal	-	-	5,310,000	1,215,000	6,525,000
Interest	-	-	2,698,740	1,614,640	4,313,380
Agent fees	-	-	500	24,563	25,063
<b>Total expenditures</b>	<b>115,986,019</b>	<b>21,245,621</b>	<b>8,009,240</b>	<b>37,927,169</b>	<b>183,168,049</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>5,436,451</b>	<b>(19,822,764)</b>	<b>749,564</b>	<b>(5,084,851)</b>	<b>(18,721,600)</b>
<b>Other Financing Sources (Uses)</b>					
Long-term debt issuance	-	-	-	5,205,000	5,205,000
Transfers in	1,335,636	-	-	1,688,696	3,024,332
Transfers out	(4,016,418)	-	-	(866,494)	(4,882,912)
<b>Total other financing sources (uses)</b>	<b>(2,680,782)</b>	<b>0</b>	<b>0</b>	<b>6,027,202</b>	<b>3,346,420</b>
<b>Net Change in Fund Balances</b>	<b>2,755,669</b>	<b>(19,822,764)</b>	<b>749,564</b>	<b>942,351</b>	<b>(15,375,180)</b>
<b>Fund Balances, Beginning of Year, As Previously Reported</b>	<b>15,371,722</b>	<b>60,451,634</b>	<b>8,087,507</b>	<b>38,452,819</b>	<b>122,363,682</b>
Change in Accounting Principle	4,634,826	-	-	398,527	5,033,353
<b>Fund Balances, Beginning of Year, As Restated</b>	<b>20,006,548</b>	<b>60,451,634</b>	<b>8,087,507</b>	<b>38,851,346</b>	<b>127,397,035</b>
<b>Fund Balances, End of Year</b>	<b>\$ 22,762,217</b>	<b>\$ 40,628,870</b>	<b>\$ 8,837,071</b>	<b>\$ 39,793,697</b>	<b>\$ 112,021,855</b>

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

Net change in fund balances - total governmental funds	\$ (15,375,180)
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 2005 are as follows:	
Capital asset purchases	21,895,890
Capital asset contributions	19,952,093
Depreciation expense	(19,243,814)
Revenues that do not provide current financial resources, such as property taxes and fines and fees are not reported as revenues for the funds but are reported as revenues in the statement of activities.	(263,734)
Long-term debt issuance provides current financial resources to governmental funds but issuing debt increases long-term liabilities in the statement of net assets.	(5,205,000)
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 assets.	9,928,074
Expenses that do not require current financial resources (such as interest, litigation, compensated absences, etc.) are not reported as expenses for the funds but are reported as expenses in the statement of activities.	2,940,956
Net pension obligation and/or assets do not require current financial resources and are not recorded in governmental funds. However, for government-wide statements, the liabilities and assets are recorded and a corresponding increase/decrease in expense is recognized.	(4,613,366)
An internal service fund is used to charge the costs of fleet management to individual funds. The change in net assets of this fund is included in governmental activities in the statement of activities.	<u>343,549</u>
Change in net assets of governmental activities	<u><u>\$ 10,359,468</u></u>

**City of Little Rock, Arkansas**  
**Statement of Fund Net Assets**  
**Proprietary Funds**  
**December 31, 2005**

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Presidential Park	Waste Disposal	River Market Garage	Other Enterprise Funds	Total	
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	\$ 9,511	\$ 1,407,711	\$ 99,903	\$ 117,201	\$ 1,634,326	\$ 192,586
Investments	71,470	10,590,355	323,436	816,547	11,801,808	1,443,273
Restricted cash and investments - current	892,448	2,246,608	346,236	-	3,485,292	-
Accounts receivable	-	2,463,928	-	-	2,463,928	17,907
Accrued interest	-	-	39,081	3,922	43,003	7,949
Inventories	-	-	-	64,206	64,206	430,084
Prepaid expenses	-	12,209	-	-	12,209	462,310
<b>Total current assets</b>	<b>973,429</b>	<b>16,720,811</b>	<b>808,656</b>	<b>1,001,876</b>	<b>19,504,772</b>	<b>2,554,109</b>
<b>Noncurrent assets</b>						
Restricted assets						
Cash and cash equivalents	1,430,497	286,571	339,082	-	2,056,150	-
Investments	1,254,389	2,434,540	893,740	-	4,582,669	-
Accrued interest	2,421	70,104	2,855	-	75,380	-
	2,687,307	2,791,215	1,235,677	0	6,714,199	0
Less amount required to meet current obligations	892,448	2,246,608	346,236	-	3,485,292	-
<b>Total restricted assets</b>	<b>1,794,859</b>	<b>544,607</b>	<b>889,441</b>	<b>0</b>	<b>3,228,907</b>	<b>0</b>
Capital assets						
Land and land improvements	10,911,566	1,814,495	822,652	6,402,857	19,951,570	275,459
Landfills, Cells 1, 2 and 4	-	10,895,701	-	-	10,895,701	-
Construction in progress	-	109,490	-	-	109,490	-
Buildings and improvements	6,452	12,794,250	8,715,041	9,606,616	31,122,359	1,444,771
Vehicles	-	9,604,578	-	1,293,995	10,898,573	655,327
Furniture and equipment	-	3,270,733	-	1,052,307	4,323,040	814,699
	10,918,018	38,489,247	9,537,693	18,355,775	77,300,733	3,190,256
Less accumulated depreciation	886	18,615,925	588,640	3,296,056	22,501,507	1,332,678
<b>Net capital assets</b>	<b>10,917,132</b>	<b>19,873,322</b>	<b>8,949,053</b>	<b>15,059,719</b>	<b>54,799,226</b>	<b>1,857,578</b>
Other assets						
Deferred bond issue costs	54,968	234,762	654,414	-	944,144	-
<b>Total other assets</b>	<b>54,968</b>	<b>234,762</b>	<b>654,414</b>	<b>0</b>	<b>944,144</b>	<b>0</b>
<b>Total noncurrent assets</b>	<b>12,766,959</b>	<b>20,652,691</b>	<b>10,492,908</b>	<b>15,059,719</b>	<b>58,972,277</b>	<b>1,857,578</b>
<b>Total assets</b>	<b>\$ 13,740,388</b>	<b>\$ 37,373,502</b>	<b>\$ 11,301,564</b>	<b>\$ 16,061,595</b>	<b>\$ 78,477,049</b>	<b>\$ 4,411,687</b>

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Presidential Park	Waste Disposal	River Market Garage	Other Enterprise Funds	Total	
<b>Liabilities and Net Assets</b>						
<b>Current liabilities</b>						
Accounts payable	\$ 11,256	\$ 247,522	\$ -	\$ 262,962	\$ 521,740	\$ 411,817
Due to other funds	-	-	-	5,389,084	5,389,084	-
Accrued wages payable and related liabilities	-	78,822	-	69,596	148,418	39,745
Accrued expenses and other	-	938,177	-	301,128	1,239,305	182,303
Accrued interest	412,448	156,608	281,236	-	850,292	-
Capital lease obligation - current portion	-	-	-	96,941	96,941	-
Bonds payable - current portion	480,000	2,090,000	65,000	-	2,635,000	-
<b>Total current liabilities</b>	<b>903,704</b>	<b>3,511,129</b>	<b>346,236</b>	<b>6,119,711</b>	<b>10,880,780</b>	<b>633,865</b>
<b>Noncurrent liabilities</b>						
Bonds payable, net of unamortized premium and discount	13,776,325	18,742,695	11,068,543	-	43,587,563	-
Compensated absences	-	165,110	-	250,656	415,766	-
Other long-term liabilities	-	1,948,439	-	-	1,948,439	-
<b>Total noncurrent liabilities</b>	<b>13,776,325</b>	<b>20,856,244</b>	<b>11,068,543</b>	<b>250,656</b>	<b>45,951,768</b>	<b>-</b>
<b>Total liabilities</b>	<b>14,680,029</b>	<b>24,367,373</b>	<b>11,414,779</b>	<b>6,370,367</b>	<b>56,832,548</b>	<b>633,865</b>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	(2,427,336)	69,491	(1,530,076)	15,059,719	11,171,798	1,857,578
Restricted - expendable						
Debt service	1,417,480	3,946,960	951,586	-	6,316,026	-
Zoo promotions	-	-	-	91,800	91,800	-
Unrestricted	70,215	8,989,678	465,275	(5,460,291)	4,064,877	1,920,244
<b>Total net assets</b>	<b>(939,641)</b>	<b>13,006,129</b>	<b>(113,215)</b>	<b>9,691,228</b>	<b>21,644,501</b>	<b>3,777,822</b>
<b>Total liabilities and net assets</b>	<b>\$ 13,740,388</b>	<b>\$ 37,373,502</b>	<b>\$ 11,301,564</b>	<b>\$ 16,061,595</b>	<b>\$ 78,477,049</b>	<b>\$ 4,411,687</b>

**City of Little Rock, Arkansas**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year Ended December 31, 2005**

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Presidential Park	Waste Disposal	River Market Garage	Other Enterprise Funds	Total	
<b>Operating Revenues</b>						
Charges for goods and services	\$ -	\$ 14,932,721	\$ 1,295,883	\$ 5,670,593	\$ 21,899,197	\$ 7,214,240
Miscellaneous	-	1,449	-	756,247	757,696	386,197
<b>Total operating revenues</b>	<b>0</b>	<b>14,934,170</b>	<b>1,295,883</b>	<b>6,426,840</b>	<b>22,656,893</b>	<b>7,600,437</b>
<b>Operating Expenses</b>						
Salaries, wages and employee benefits	-	4,003,875	-	4,740,690	8,744,565	2,401,563
Supplies and materials	-	919,315	149	842,954	1,762,418	3,658,136
Services	-	1,915,247	-	2,025,295	3,940,542	191,502
Repairs and maintenance	-	1,994,730	-	472,179	2,466,909	766,233
Other	101,699	866,608	778,916	567,553	2,314,776	538,025
Depreciation and amortization	6,252	1,731,333	223,771	463,249	2,424,605	143,670
<b>Total expenses</b>	<b>107,951</b>	<b>11,431,108</b>	<b>1,002,836</b>	<b>9,111,920</b>	<b>21,653,815</b>	<b>7,699,129</b>
<b>Operating Income (Loss)</b>	<b>(107,951)</b>	<b>3,503,062</b>	<b>293,047</b>	<b>(2,685,080)</b>	<b>1,003,078</b>	<b>(98,692)</b>
<b>Nonoperating Revenues (Expenses)</b>						
Interest income	51,970	349,475	47,001	19,337	467,783	41,410
Interest expense	(835,110)	(993,096)	(604,221)	-	(2,432,427)	-
Other, net	-	54,396	-	322,351	376,747	407,448
<b>Net nonoperating revenues (expenses)</b>	<b>(783,140)</b>	<b>(589,225)</b>	<b>(557,220)</b>	<b>341,688</b>	<b>(1,587,897)</b>	<b>448,858</b>
<b>Income (Loss) Before Transfers</b>	<b>(891,091)</b>	<b>2,913,837</b>	<b>(264,173)</b>	<b>(2,343,392)</b>	<b>(584,819)</b>	<b>350,166</b>
<b>Transfers In</b>	<b>1,300,000</b>	<b>-</b>	<b>-</b>	<b>3,216,018</b>	<b>4,516,018</b>	<b>-</b>
<b>Transfers Out</b>	<b>-</b>	<b>(1,046,789)</b>	<b>-</b>	<b>(1,604,032)</b>	<b>(2,650,821)</b>	<b>(6,617)</b>
	<b>1,300,000</b>	<b>(1,046,789)</b>	<b>0</b>	<b>1,611,986</b>	<b>1,865,197</b>	<b>(6,617)</b>
<b>Change in Net Assets</b>	<b>408,909</b>	<b>1,867,048</b>	<b>(264,173)</b>	<b>(731,406)</b>	<b>1,280,378</b>	<b>343,549</b>
<b>Net Assets, Beginning of Year</b>	<b>(1,348,550)</b>	<b>11,139,081</b>	<b>150,958</b>	<b>10,422,634</b>	<b>20,364,123</b>	<b>3,434,273</b>
<b>Net Assets, End of Year</b>	<b>\$ (939,641)</b>	<b>\$ 13,006,129</b>	<b>\$ (113,215)</b>	<b>\$ 9,691,228</b>	<b>\$ 21,644,501</b>	<b>\$ 3,777,822</b>

**City of Little Rock, Arkansas**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended December 31, 2005**

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Presidential Park	Waste Disposal	River Market Garage	Other Enterprise Funds	Total	
<b>Operating Activities</b>						
Receipts from customers	\$ -	\$ 14,940,408	\$ 1,295,883	\$ 5,670,593	\$ 21,906,884	\$ 7,225,915
Other receipts	-	1,449	-	756,247	757,696	386,197
Payments to employees	-	(4,033,655)	-	(4,508,091)	(8,541,746)	(2,406,329)
Payments to suppliers	-	(953,589)	(149)	(871,879)	(1,825,617)	(3,687,829)
Payments to service providers	-	(1,995,927)	-	(1,682,639)	(3,678,566)	(218,644)
Other payments	(92,269)	(2,457,897)	(778,916)	(851,815)	(4,180,897)	(1,145,195)
Net cash provided by (used in) operating activities	(92,269)	5,500,789	516,818	(1,487,584)	4,437,754	154,115
<b>Noncapital Financing Activities</b>						
Transfers from other funds	1,300,000	-	-	3,216,018	4,516,018	-
Transfers to other funds	-	(1,046,789)	-	(1,604,032)	(2,650,821)	(6,617)
Net cash provided by (used in) noncapital financing activities	1,300,000	(1,046,789)	0	1,611,986	1,865,197	(6,617)
<b>Capital and Related Financing Activities</b>						
Proceeds from sale of capital assets	-	92,177	-	45,882	138,059	9,725
Purchase of capital assets	-	-	(60,377)	(35,535)	(95,912)	(11,104)
Principal paid on long-term debt	(450,000)	(2,025,000)	(65,000)	-	(2,540,000)	-
Interest paid on long-term debt	(837,719)	(975,087)	(598,429)	-	(2,411,235)	-
Net cash provided by (used in) capital and related financing activities	(1,287,719)	(2,907,910)	(723,806)	10,347	(4,909,088)	(1,379)
<b>Investing Activities</b>						
Proceeds from sale of investments	116,073	15,121,132	304,643	4,336,111	19,877,959	1,115,940
Purchase of investments	(120,043)	(16,382,390)	(275,394)	(4,441,605)	(21,219,432)	(1,228,679)
Interest income	51,970	330,488	47,001	18,108	447,567	41,410
Net cash provided by (used in) investing activities	48,000	(930,770)	76,250	(87,386)	(893,906)	(71,329)
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(31,988)	615,320	(130,738)	47,363	499,957	74,790
<b>Cash and Cash Equivalents, Beginning of Year</b>	1,471,996	1,078,962	569,723	69,838	3,190,519	117,796
<b>Cash and Cash Equivalents, End of Year</b>	\$ 1,440,008	\$ 1,694,282	\$ 438,985	\$ 117,201	\$ 3,690,476	\$ 192,586
<b>Presented on the Statement of Fund Net Assets - Proprietary Funds as Follows:</b>						
Current assets						
Cash and cash equivalents	\$ 9,511	\$ 1,407,711	\$ 99,903	\$ 117,201	\$ 1,634,326	\$ 192,586
Noncurrent assets						
Cash and cash equivalents	1,430,497	286,571	339,082	-	2,056,150	-
	\$ 1,440,008	\$ 1,694,282	\$ 438,985	\$ 117,201	\$ 3,690,476	\$ 192,586

**Reconciliation of Operating Income (Loss) to  
to Net Cash Provided By (Used In) Operating Activities**

Operating income (loss)	\$ (107,951)	\$ 3,503,062	\$ 293,047	\$ (2,685,080)	\$ 1,003,078	\$ (98,692)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation and amortization expense	6,252	1,731,333	223,771	463,249	2,424,605	143,670
(Gain) loss on disposal of assets	-	377,333	-	(1,396)	375,937	8,250
Changes in assets and liabilities						
Receivables, net	(496)	7,687	-	(902)	6,289	9,996
Due to/due from other funds, net	-	-	-	735,179	735,179	-
Prepaid expenses	-	(2,889)	-	-	(2,889)	(33,714)
Inventories	-	-	-	(6,673)	(6,673)	(29,693)
Accounts payable	9,926	28,992	-	(88,612)	(49,694)	159,064
Accrued expenses	-	(144,729)	-	96,651	(48,078)	(4,766)
	<u>-</u>	<u>(144,729)</u>	<u>-</u>	<u>96,651</u>	<u>(48,078)</u>	<u>(4,766)</u>
Net cash provided by (used in) operating activities	\$ <u>(92,269)</u>	\$ <u>5,500,789</u>	\$ <u>516,818</u>	\$ <u>(1,487,584)</u>	\$ <u>4,437,754</u>	\$ <u>154,115</u>

**Noncash Capital Activities**

Capital assets acquired by donation	\$ -	\$ -	\$ -	\$ 288,653	\$ -	\$ 407,448
-------------------------------------	------	------	------	------------	------	------------

**City of Little Rock, Arkansas**  
**Statement of Fiduciary Net Assets**  
**December 31, 2005**

	Employee Retirement Plans	Agency Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 5,283,797	\$ 241,625
Investments		
U. S. Government obligations	28,594,440	-
Corporate bonds	8,675,968	-
Equities	84,428,998	-
Mutual funds	62,802,227	-
Receivables		
Accounts receivable	99,338	-
Due from other funds	5,447,804	-
Contributions	31,943	-
Accrued interest and dividends	643,821	-
Total assets	196,008,336	\$ 241,625
 <b>Liabilities</b>		
Accrued liabilities	4,717	\$ 241,625
 <b>Net Assets</b>		
Net assets held in trust for pension benefits	\$ 196,003,619	

**City of Little Rock, Arkansas**  
**Statement of Changes in Fiduciary Net Assets**  
**Year Ended December 31, 2005**

	<u>Employee Retirement Plans</u>
<b>Additions</b>	
Contributions	
Employer	\$ 4,075,336
Plan members	1,855,819
Property taxes contributed from general fund	5,567,944
State insurance turnback and guarantee fund	2,640,610
Other	<u>400,576</u>
Total contributions	<u>14,540,285</u>
Investment income	
Net increase in fair value of investments	4,162,001
Interest and dividends	<u>6,110,610</u>
	10,272,611
Less investment expense	<u>310,362</u>
Net investment income	<u>9,962,249</u>
Total additions	<u>24,502,534</u>
<b>Deductions</b>	
Benefits paid directly to participants	20,108,919
Administrative expenses	348,855
Other	<u>36,353</u>
Total deductions	<u>20,494,127</u>
<b>Change in Net Assets</b>	4,008,407
<b>Net Assets Held in Trust For Pension Benefits, Beginning of Year</b>	<u>191,995,212</u>
<b>Net Assets Held in Trust For Pension Benefits, End of Year</b>	<u><u>\$ 196,003,619</u></u>

**City of Little Rock, Arkansas**  
**Statement of Net Assets**  
**Discretely Presented Component Units**  
**December 31, 2005**

	Wastewater Utility	National Airport	Other Component Units	Total
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 3,048,454	\$ 19,413,586	\$ 8,489,319	\$ 30,951,359
Investments	-	-	23,897,072	23,897,072
Restricted cash and investments - current	-	2,554,476	2,289,473	4,843,949
Accounts receivable, net of allowance	1,713,797	815,929	4,018,443	6,548,169
Taxes receivable, net of allowance	-	-	11,156,150	11,156,150
Inventories	1,160,988	-	752,539	1,913,527
Prepaid expenses	463,377	119,699	734,184	1,317,260
Other	186,905	48,441	280,029	515,375
Total current assets	<u>6,573,521</u>	<u>22,952,131</u>	<u>51,617,209</u>	<u>81,142,861</u>
<b>Noncurrent assets</b>				
Restricted assets				
Cash and cash equivalents	15,275,764	17,861,958	2,720,758	35,858,480
Investments	5,342,399	-	8,300,341	13,642,740
Grants and other receivables	85,218	1,001,282	-	1,086,500
Interest receivable	31,769	20,677	69,382	121,828
	<u>20,735,150</u>	<u>18,883,917</u>	<u>11,090,481</u>	<u>50,709,548</u>
Less amounts required to meet current obligations	<u>0</u>	<u>2,554,476</u>	<u>2,289,473</u>	<u>4,843,949</u>
Total restricted assets	<u>20,735,150</u>	<u>16,329,441</u>	<u>8,801,008</u>	<u>45,865,599</u>
Capital assets				
Land	2,708,822	37,734,146	11,066,337	51,509,305
Construction in progress	31,887,045	13,105,443	679,643	45,672,131
Buildings, improvements and other facilities	203,956,743	261,843,771	150,465,680	616,266,194
Vehicles	-	-	24,855,647	24,855,647
Furniture and equipment	25,605,001	5,382,352	18,244,591	49,231,944
Other	-	-	3,432,981	3,432,981
	<u>264,157,611</u>	<u>318,065,712</u>	<u>208,744,879</u>	<u>790,968,202</u>
Less accumulated depreciation	<u>79,086,641</u>	<u>97,485,085</u>	<u>72,105,063</u>	<u>248,676,789</u>
Net capital assets	<u>185,070,970</u>	<u>220,580,627</u>	<u>136,639,816</u>	<u>542,291,413</u>
Other assets				
Long-term investment	-	-	493,280	493,280
Deferred bond issue costs	767,264	672,725	131,524	1,571,513
Other assets	-	-	779,874	779,874
Total other assets	<u>767,264</u>	<u>672,725</u>	<u>1,404,678</u>	<u>2,844,667</u>
Total noncurrent assets	<u>206,573,384</u>	<u>237,582,793</u>	<u>146,845,502</u>	<u>591,001,679</u>
Total assets	<u>\$ 213,146,905</u>	<u>\$ 260,534,924</u>	<u>\$ 198,462,711</u>	<u>\$ 672,144,540</u>

See Notes to Financial Statements

	Wastewater Utility	National Airport	Other Component Units	Total
<b>Liabilities and Net Assets</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 5,930,746	\$ 1,404,534	\$ 886,269	\$ 8,221,549
Accrued wages payable and related liabilities	-	-	1,355,924	1,355,924
Accrued compensated absences	-	-	919,179	919,179
Notes payable - current portion	-	-	202,694	202,694
Capital lease - current portion	-	-	89,553	89,553
Bonds payable - current portion	2,131,200	1,695,000	1,806,666	5,632,866
Deferred revenue	-	2,341,398	626,443	2,967,841
Accrued expenses and other	2,162,300	670,440	2,881,149	5,713,889
<b>Total current liabilities</b>	<b>10,224,246</b>	<b>6,111,372</b>	<b>8,767,877</b>	<b>25,103,495</b>
<b>Noncurrent liabilities</b>				
Capital lease obligation	-	-	994,315	994,315
Bonds payable, net of unamortized premium and discount	70,552,543	26,806,071	16,506,414	113,865,028
Notes payable	-	-	171,202	171,202
Deferred revenue	-	27,308,293	1,236,648	28,544,941
<b>Total noncurrent liabilities</b>	<b>70,552,543</b>	<b>54,114,364</b>	<b>18,908,579</b>	<b>143,575,486</b>
<b>Total liabilities</b>	<b>80,776,789</b>	<b>60,225,736</b>	<b>27,676,456</b>	<b>168,678,981</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	112,466,753	162,196,022	115,721,807	390,384,582
Restricted - expendable	15,798,033	18,883,917	8,837,000	43,518,950
Restricted - nonexpendable	-	-	4,269,861	4,269,861
Unrestricted	4,105,330	19,229,249	41,957,587	65,292,166
<b>Total net assets</b>	<b>132,370,116</b>	<b>200,309,188</b>	<b>170,786,255</b>	<b>503,465,559</b>
<b>Total liabilities and net assets</b>	<b>\$ 213,146,905</b>	<b>\$ 260,534,924</b>	<b>\$ 198,462,711</b>	<b>\$ 672,144,540</b>

**City of Little Rock, Arkansas**  
**Statement of Activities**  
**Discretely Presented Component Units**  
**Year Ended December 31, 2005**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Wastewater Utility	National Airport	Other Component Units	Total
Governmental Activities								
Other component units	\$ 14,173,299	\$ 301,231	\$ 1,797,338	\$ 2,562,983	\$ -	\$ -	\$ (9,511,747)	\$ (9,511,747)
Total governmental activities	14,173,299	301,231	1,797,338	2,562,983	0	0	(9,511,747)	(9,511,747)
Business-type Activities								
Wastewater Utility	28,481,345	30,609,507	-	-	2,128,162	-	-	2,128,162
National Airport	20,755,475	18,508,810	-	-	-	(2,246,665)	-	(2,246,665)
Other component units	53,436,219	25,460,314	21,949	-	-	-	(27,953,956)	(27,953,956)
Total business-type activities	102,673,039	74,578,631	21,949	0	2,128,162	(2,246,665)	(27,953,956)	(28,072,459)
Total component units	\$ 116,846,338	\$ 74,879,862	\$ 1,819,287	\$ 2,562,983	2,128,162	(2,246,665)	(37,465,703)	(37,584,206)
General revenues								
General property taxes					-	-	9,640,725	9,640,725
Sales taxes					-	-	8,737,782	8,737,782
Investment income and unrealized gains (losses)					555,086	1,287,370	2,220,331	4,062,787
Grants and contributions not restricted to specific programs					4,396,730	6,029,956	14,531,563	24,958,249
Other					(92,086)	5,999,630	6,089,224	11,996,768
Total general revenues and transfers					4,859,730	13,316,956	41,219,625	59,396,311
Change in Net Assets					6,987,892	11,070,291	3,753,922	21,812,105
Net Assets, Beginning of Year, As Previously Reported					125,382,224	189,238,897	166,896,740	481,517,861
Adjustment applicable to prior years					-	-	135,593	135,593
Net Assets, Beginning of Year, As Restated					125,382,224	189,238,897	167,032,333	481,653,454
Net Assets, End of Year					\$ 132,370,116	\$ 200,309,188	\$ 170,786,255	\$ 503,465,559

**City of Little Rock, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2005**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

The City of Little Rock, Arkansas (the “City”), is a municipal corporation operating under the authority of Arkansas state statute. The City operates under a city manager form of government. Ten elected directors and the Mayor set policy and employ the City Manager. The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America for state and local governments as defined by the Governmental Accounting Standards Board (GASB). Enterprise funds and similar component units also apply Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The following is a summary of the significant accounting and reporting policies of the City:

***Reporting Entity***

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

The City’s defined benefit, defined contribution and other employee benefit plans, being fiduciary in nature, were not evaluated as potential component units but instead are reported as fiduciary funds.

The City’s primary government consists of those funds or organizations that make up the legal entity for which it is financially responsible. Under this criteria, the following are included in the primary government reporting entity:

***Blended Component Units***

***Community Development Block Grant Fund (“CDBG”)*** – The City Board of Directors acts as the governing body of the CDBG fund. CDBG resources are used primarily for street improvements, housing programs, and various community services that benefit the City.

***Welfare to Work (“WTW”)*** – The City Board of Directors acts as the governing body of the WTW Fund. WTW resources are used to assist in providing work in exchange for time-limited assistance and provide support for families moving from welfare to work.

**City of Little Rock, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2005**

*Waste Disposal Revenue Fund (“Waste Disposal”)* - Waste Disposal is a legally separate fund which has the same governing body as the City. The City has the power to impose its will on Waste Disposal and has a financial benefit or burden relationship with Waste Disposal. Waste Disposal primarily serves the City’s solid waste disposal requirements.

**Discretely Presented Component Units**

**Major Component Units:**

*Little Rock Wastewater Utility (“LRWWU”)* – The City Manager appoints the governing body of LRWWU with City Board approval. LRWWU receives no financial benefit from the City and provides water treatment services primarily to the citizens of Little Rock; however, the City has the power to impose its will on the LRWWU.

*Little Rock National Airport (“Airport”)* – The Airport is controlled by a five-member commission appointed by the City Manager with City Board approval. The City has the power to impose its will on the Airport. The Airport primarily serves the Central Arkansas area.

There were no significant transactions between the major component units and the City or its other component units in 2005.

**Other Component Units:**

*Little Rock Advertising and Promotion Commission (“Commission”)* – The governing body of the Commission is appointed by the Mayor of Little Rock subject to City Board approval. The City has the power to impose its will on the Commission. The Commission acts autonomously and serves as the sales and advertising office for the City’s convention and tourism industry and oversees the Little Rock Convention and Visitors Bureau.

*Little Rock Port Authority (“LRPA”)* – The governing board of the LRPA is appointed by the City Manager with City Board approval. The City has the power to impose its will on the LRPA. LRPA independently operates the Port of Little Rock which includes railroad and riverport loading facilities and a foreign trade zone.

*Little Rock Ambulance Authority (“LRAA”)* – The LRAA, known publicly as Metropolitan Emergency Medical Services (“MEMS”), has a governing body of eight members, five of whom are appointed by the City Board. The City Board must also approve any rate changes for LRAA. LRAA provides emergency medical transportation services to the greater metropolitan area.

*Central Arkansas Transit Authority (“CATA”)* – CATA, which provides public transportation services to the greater metropolitan area, annually receives an operating subsidy from the City equal to 65 percent of the operating deficit. The City’s contributions to CATA are vital to its operations. In addition, five of the 13 members of its Board of Directors are appointed by the City Board. Based on the level of financial dependency that CATA has on the City, the City has concluded that the nature and significance of this relationship warrant inclusion of CATA in the City’s reporting entity as a discretely presented component unit.

*Arkansas Museum of Science and History (“Museum”) and Arkansas Arts Center (“Arts Center”)* – The Museum and the Arts Center, serving the greater metropolitan area’s cultural needs, receive significant operating subsidies from the City annually. The governing body of the Museum and the Arts Center are appointed with City Board approval. The City has the power to impose its will on both organizations. Additionally, the City owns the facility of the Arts Center.

**City of Little Rock, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2005**

**Central Arkansas Library System (“CAL S”)** – CAL S, providing Central Arkansas with library services, receives financial benefit from the City in the form of tax revenue, levied by the City but collected by the Library, and other nonoperating subsidies. In addition, six of the nine members of its Board of Trustees are appointed by the City Board.

**Oakland Fraternal Cemetery (“Cemetery”)** – The land which is occupied by the Cemetery is owned by the City. The governing board of the Cemetery is appointed by the City Board allowing the City’s will to be imposed on day-to-day operating decisions. In addition, the Cemetery operates the Perpetual Care Fund to invest moneys to be used for the future operations and maintenance of the Cemetery. The governing body of the Perpetual Care Fund is composed of three trustees, all of which are appointed by the Cemetery Board.

**Mt. Holly Cemetery (“Mt. Holly”)** – The land which is occupied by Mt. Holly is owned by the City. The governing board of Mt. Holly is appointed by the City Board allowing the City’s will to be imposed on day-to-day operating decisions. In addition, Mt. Holly operates the Perpetual Care Fund to invest moneys to be used for the future operations and maintenance of the Cemetery. The governing body of the Perpetual Care Fund is composed of three trustees, all of which are appointed by the Mt. Holly Board.

**Little Rock Workforce Investment Board (“LRWIB”)** – LRWIB is a non-profit organization created to provide job training. The sitting Mayor of the City of Little Rock serves as the chief executive officer and appoints the board members. The City has the power to impose its will on the Board.

Complete financial statements of the individual component units can be obtained from their respective administrative offices.

---

**Administrative Offices**

---

Little Rock Wastewater Utility  
221 East Capitol Avenue  
Little Rock, Arkansas 72202

Little Rock Advertising and Promotion Commission  
7 Statehouse Plaza  
Little Rock, Arkansas 72201

Little Rock Ambulance Authority  
1101 West 8<sup>th</sup> Street  
Little Rock, Arkansas 72201

Little Rock National Airport  
1 Airport Drive  
Little Rock, Arkansas 72202

Arkansas Museum of Science and History  
500 President Clinton Avenue, Suite 150  
Little Rock, Arkansas 72201

Little Rock Workforce Investment Board  
300 So. University Avenue, Suite D14  
Little Rock, Arkansas 72205-5209

Arkansas Arts Center  
Ninth and Commerce  
Little Rock, Arkansas 72202

Little Rock Port Authority  
7500 Lindsey Road  
Little Rock, Arkansas 72206

Central Arkansas Transit Authority  
901 North Maple  
North Little Rock, Arkansas 72114

Central Arkansas Library System  
100 Rock Street  
Little Rock, Arkansas 72201

Oakland Fraternal Cemetery  
2101 Barber Avenue  
Little Rock, Arkansas 72206

Mt. Holly Cemetery  
5120 Sherwood Road  
Little Rock, Arkansas 72207

# City of Little Rock, Arkansas

## Notes to Financial Statements

### December 31, 2005

#### **Government-wide and Fund Financial Statements**

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

#### **Government-wide Financial Statements**

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

#### **Fund Financial Statements**

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund-governmental, proprietary and fiduciary-are presented. The emphasis of fund financial statements is on major governmental and major enterprise funds, each displayed in a separate column. All other governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

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

The *2004 Capital Improvement Fund* accounts for the resources accumulated from the \$70,635,000 limited tax general obligation debt of the City to be used for the acquisition or construction of major capital improvement projects.

The *2004 Bond Fund (debt service fund)* accounts for the accumulation of resources for the payment of principal and interest on the \$70,635,000 limited tax general obligation debt of the City.

# City of Little Rock, Arkansas

## Notes to Financial Statements

### December 31, 2005

The government reports the following major proprietary funds:

The *Presidential Park Fund* accounts for the activities for the site of the William J. Clinton Presidential Library.

The *Waste Disposal Fund*, a blended component unit of the City, accounts for the activities of the City's waste disposal operations.

The *River Market Garage Fund* accounts for the operations of the City's two downtown parking garages.

*Special Revenue Funds* – The special revenue funds, which include federal and state grants, are used to account for the proceeds of specific revenue sources, other than expendable trusts or major capital projects, that are legally restricted to expenditures for specified purposes.

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

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

*Internal Service Fund* – The internal service fund is used to account for centralized services provided to City departments on a cost-reimbursement basis. The City's internal service fund consists of the Fleet Service Fund.

*Enterprise Funds* – The enterprise funds are used to account for the various Parks and Recreation Services Funds (zoo, golf courses, concession services, fitness center and vehicle storage), and Riverfront park whose operations are financed primarily or partially through user charges.

*Pension Trust Funds* – Accounts for assets held in trust for the Policemen's Pension and Relief Fund, Firemen's Pension and Relief Fund, Nonuniformed Employees' Defined Contribution Plan, and Nonuniformed Employees' Defined Benefit Pension Plan. Plan trustees must act in accordance with the specific purposes and terms of these retirement plans.

*Agency Fund* – Accounts for monies collected and held by the courts until they are disbursed to various governmental agencies.

### ***Measurement Focus and Basis of Accounting***

#### **Government-wide, Proprietary and Fiduciary Funds**

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

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

**City of Little Rock, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2005**

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

**Governmental Fund Financial Statements**

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

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

***Use of Estimates***

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

**City of Little Rock, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2005**

***Cash and Cash Equivalents***

Cash and cash equivalents include demand deposits, cash on hand, certificates of deposit and short-term instruments with original maturities at purchase of 90 days or less. The City uses a pooled cash account for operating purposes in which all funds, except the pension trust and agency funds, have an interest.

***Investments and Investment Income***

All investments in the City's Pension Trust Funds are carried at fair value. For all other funds, investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at time of acquisition and in nonnegotiable certificates of deposit are carried at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices for all investments carried at fair value other than collateralized mortgage obligations. Fair value of collateralized mortgage obligations is estimated using a published pricing service.

Investment income includes dividend and interest income, and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund from which the investments were made, except where required otherwise by bond indentures or City policy.

***Inventories***

Inventories consist of supplies, merchandise and renovated housing available-for-sale (funded by grant programs) valued at the lower of average cost or market value. The costs of governmental fund type inventories are recorded as expenditures when purchased/constructed.

***Prepaid Items***

Prepaid items in governmental funds are accounted for under the consumption method.

***Capital Assets***

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

Machinery and equipment are defined as assets with an initial value or cost greater than or equal to \$5,000 and an estimated useful life of greater than one year. Exceptions are for infrastructure assets which are defined as having a constructed cost greater than \$250,000.

Capital assets are depreciated using the straight-line method over their estimated useful lives ranging from 15 – 50 years for infrastructure, 10 – 75 years for buildings and 3 – 25 years for land improvements, vehicles and equipment.

**City of Little Rock, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2005**

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

***Long-term Obligations***

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

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

***Compensated Absences***

City employees earn sick pay and vacation leave benefits on the basis of length of service time. Subject to certain restrictions, City employees are compensated (historically from the fund which the employee is assigned) for unused sick and vacation time upon leaving the City's employment. All sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. In governmental funds, a liability for these amounts is reported only as payments come due each period upon the occurrence of relevant events such as employee resignations and retirements.

***Deferred Revenue***

Deferred revenue consists mainly of unavailable property taxes (government funds only see *Note 9*) and \$33,104,550 of unearned lease revenue at the National Airport.

***Net Assets/Fund Balance***

Net assets are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

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

**City of Little Rock, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2005**

***Future Adoption of Accounting Pronouncements***

The GASB has issued the following potentially significant statements which the City has not yet adopted and which require adoption subsequent to December 31, 2005:

<b>Statement No.</b>		<b>Adoption Required in Fiscal Year</b>
43	Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans	2006
44	Economic Condition Reporting: The Statistical Section	2006
45	Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions	2007

**Note 2: Deposits, Investments and Investment Income**

***Deposits***

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law.

City statute requires that deposits in financial institutions be collateralized with federal depository insurance and bonds or other interest-bearing securities of the United States, the state of Arkansas, Arkansas political subdivisions or agencies or instrumentalities of these entities at 104 percent. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

At December 31, 2005, none of the City's primary government bank balances of \$6,849,052 were exposed to custodial credit risk. Additionally, a portion of the City's component unit bank balances of \$69,790,762 were exposed to custodial credit risk as follows:

	<u><b>2005</b></u>
Uninsured and collateral held by pledging financial institution	\$ 31,841,201
Uninsured and collateral held by pledging financial institution's trust department or agent in other than the component unit's name	<u>6,702,115</u>
	<u>\$ 38,543,316</u>

**City of Little Rock, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2005**

**Investments**

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

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

At December 31, 2005, the City had the following investments and maturities:

Type	Fair Value	Primary Government			
		Maturities in Years			
		Less than 1	1-5	6-10	More than 10
U.S. agencies obligations	\$ 139,507,088	\$ 110,207,255	\$ 29,299,833	\$ —	\$ —
Corporate bonds	8,675,968	8,675,968	—	—	—
Money market mutual funds	<u>2,911,123</u>	<u>2,911,123</u>	<u>—</u>	<u>—</u>	<u>—</u>
		<u>\$121,794,346</u>	<u>\$ 29,299,833</u>	<u>\$ 0</u>	<u>\$ 0</u>
Mutual Funds	71,339,599				
Corporate stocks	<u>84,428,998</u>				
	<u>\$ 306,862,776</u>				

**City of Little Rock, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2005**

Type	Component Units				
	Fair Value	Maturities in Years			
		Less than 1	1-5	6-10	More than 10
U.S. Treasury obligations	\$ 3,813,658	\$ 3,145,932	\$ 667,726	\$ —	\$ —
U.S. agencies obligations	11,991,128	5,198,522	5,835,679	—	956,927
Corporate bonds	1,316,148	720,741	61,062	180,340	354,005
Money market mutual funds	1,305,185	1,305,185	—	—	—
Guaranteed investment contracts	<u>2,433,438</u>	<u>—</u>	<u>—</u>	<u>2,433,438</u>	<u>—</u>
		<u>\$ 10,370,380</u>	<u>\$ 6,564,467</u>	<u>\$ 2,613,778</u>	<u>\$ 1,310,932</u>
Mutual funds	17,753,124				
Corporate stocks	<u>43,222</u>				
	<u>\$ 38,655,903</u>				

Interest Rate Risk – The City of Little Rock employs a Maturity-Spacing Strategy regarding its investment portfolio. This includes a balanced or laddered maturity strategy with equal spacing of maturities held. The rationale for an equal maturity strategy is to provide the portfolio with some reinvestment risk protection, spreading reinvestment out over the full interest rate cycle. That is, there will be a relatively continuous cash flow over time from maturity laddering, and these funds can be reinvested at the then current rates. The effects of overall interest rate change will tend to be averaged, and the extremes of return and risk will be truncated.

Credit Risk – Credit risk is the risk that the issuer or other counterparty will not fulfill its obligations. It is the City’s policy, excluding fiduciary funds, to invest almost exclusively in government-issued treasuries and agencies. At December 31, 2005, the City’s investments including fiduciary funds in corporate bonds, money market mutual funds, and U.S. agencies obligations not directly guaranteed by the U.S. government were rated from BB to AAA by Standard & Poors’ and Moody’s Investors Service.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Excluding fiduciary funds, at December 31, 2005, the City’s investments are fully collateralized or are fully guaranteed by the full faith and credit of the U.S. Government. The City’s collateral is held in an account with the Federal Reserve. Monthly “Collateral Reports” are sent to the City’s accounting department.

Concentration of Credit Risk – The City places no limit on the amount that may be invested in any one issuer. A fund generally may invest no more than 10% of its total assets in the purchase of a single security. At December 31, 2005, the City’s investment in Fannie Mae instruments, a U.S. Government agency consisted of 7.2% of the City’s total investments.

**City of Little Rock, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2005**

**Summary of Carrying Values**

The carrying values of deposits and investments shown above are included in the balance sheets as follows:

	<b>Primary Government</b>	<b>Component Units</b>
Carrying value		
Deposits	\$ 28,099,622	\$ 65,693,748
Investments	<u>285,669,965</u>	<u>38,655,903</u>
	<u>\$ 313,769,587</u>	<u>\$ 104,349,651</u>
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 2,408,465	\$ 45,326,517
Short-term investments	30,170,556	29,312,523
Restricted cash and investments	91,163,511	15,490,561
Cash and investments – fiduciary funds	190,027,055	—
Noncurrent cash and investments	<u>—</u>	<u>14,220,050</u>
	<u>\$ 313,769,587</u>	<u>\$ 104,349,651</u>

**Note 3: Capital Assets**

A summary of changes in capital assets for the year ended December 31, 2005 is presented below:

<b>Governmental Activities</b>	<b>Balance, December 31, 2004</b>	<b>GASB 34 Adjustment (Note 16)</b>	<b>Additions and Transfers, Net</b>	<b>Retirements and Transfers, Net</b>	<b>Balance December 31, 2005</b>
Capital Assets, non-depreciable					
Land	\$ 13,007,928	\$ 127,439,996	\$ 5,740,499	\$ 90,000	\$ 146,098,423
Construction in progress	<u>13,211,288</u>	<u>—</u>	<u>20,366,489</u>	<u>8,387,167</u>	<u>25,190,610</u>
Total capital assets, non-depreciable	<u>26,219,216</u>	<u>127,439,996</u>	<u>26,106,988</u>	<u>8,477,167</u>	<u>171,289,033</u>
Capital Assets, depreciable					
Land Improvements	1,403,639	—	62,420	—	1,466,059
Infrastructure	37,430,469	542,842,708	23,580,513	—	603,853,690
Buildings	43,993,173	—	1,535,301	126,992	45,401,482
Vehicles	31,387,150	—	3,577,129	1,417,585	33,546,694
Equipment	<u>15,711,315</u>	<u>—</u>	<u>2,925,544</u>	<u>1,338,049</u>	<u>17,298,810</u>
Total capital assets, depreciable	<u>129,925,746</u>	<u>542,842,708</u>	<u>31,680,907</u>	<u>2,882,626</u>	<u>701,566,735</u>
Less accumulated depreciation					
Land Improvements	115,359	—	63,632	—	178,991
Infrastructure	2,858,174	291,976,404	13,270,314	—	308,104,892
Buildings	12,998,350	—	1,080,525	21,725	14,057,150
Vehicles	19,237,889	—	3,461,750	1,232,724	21,466,915
Equipment	<u>10,281,953</u>	<u>—</u>	<u>1,367,593</u>	<u>1,124,543</u>	<u>10,525,003</u>
Total accumulated depreciation	<u>45,491,725</u>	<u>291,976,404</u>	<u>19,243,814</u>	<u>2,378,992</u>	<u>354,332,951</u>
Total governmental activities, net	<u>\$ 110,653,237</u>	<u>\$ 378,306,300</u>	<u>\$ 38,544,081</u>	<u>\$ 8,980,801</u>	<u>\$ 518,522,817</u>

**City of Little Rock, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2005**

<b>Business-type Activities</b>	<b>Balance December 31, 2004</b>	<b>Additions and Transfers, Net</b>	<b>Retirements and Transfers, Net</b>	<b>Balance December 31, 2005</b>
Capital Assets, non-depreciable				
Land	\$ 19,951,570	\$ —	\$ —	\$ 19,951,570
Construction in progress	<u>630,753</u>	<u>185,654</u>	<u>706,917</u>	<u>109,490</u>
Total capital assets, non-depreciable	<u>20,582,323</u>	<u>185,654</u>	<u>706,917</u>	<u>20,061,060</u>
Capital Assets, depreciable				
Landfills, Cells 1, 2 and 4	10,895,701	—	—	10,895,701
Buildings	30,893,169	229,190	—	31,122,359
Vehicles	11,613,966	358,212	1,073,605	10,898,573
Equipment	<u>4,679,110</u>	<u>55,342</u>	<u>411,412</u>	<u>4,323,040</u>
Total capital assets, depreciable	<u>58,081,946</u>	<u>642,744</u>	<u>1,485,017</u>	<u>57,239,673</u>
Less accumulated depreciation				
Landfills, Cells 1, 2 and 4	8,620,906	299,877	1,004,226	7,916,557
Buildings	2,981,506	632,512	(1,004,226)	4,618,244
Vehicles	7,046,685	1,081,620	958,044	7,170,261
Equipment	<u>2,808,508</u>	<u>352,026</u>	<u>364,089</u>	<u>2,796,445</u>
Total accumulated depreciation	<u>21,457,605</u>	<u>2,366,035</u>	<u>1,322,133</u>	<u>22,501,507</u>
Total business-type activities, net	<u>\$ 57,206,664</u>	<u>\$ (1,537,637)</u>	<u>\$ 869,801</u>	<u>\$ 54,799,226</u>

<b>Component Units</b>	<b>Balance December 31, 2004</b>	<b>Additions and Transfers, Net</b>	<b>Retirements and Transfers, Net</b>	<b>Balance December 31, 2005</b>
Capital Assets, non-depreciable				
Land	\$ 45,912,469	\$ 5,729,421	\$ 132,585	\$ 51,509,305
Construction in progress	<u>21,965,147</u>	<u>39,581,962</u>	<u>15,874,978</u>	<u>45,672,131</u>
Total capital assets, non-depreciable	<u>67,877,616</u>	<u>45,311,383</u>	<u>16,007,563</u>	<u>97,181,436</u>
Capital Assets, depreciable				
Buildings, improvements and facilities	600,192,164	17,640,119	1,566,089	616,266,194
Vehicles	24,508,664	1,375,266	1,028,283	24,855,647
Equipment	<u>49,750,355</u>	<u>3,280,860</u>	<u>366,290</u>	<u>52,664,925</u>
Total capital assets, depreciable	<u>674,451,183</u>	<u>22,296,245</u>	<u>2,960,662</u>	<u>693,786,766</u>
Less accumulated depreciation	<u>229,407,687</u>	<u>21,553,300</u>	<u>2,284,198</u>	<u>248,676,789</u>
Total component units, net	<u>\$ 512,921,112</u>	<u>\$ 46,054,328</u>	<u>\$ 16,684,027</u>	<u>\$ 542,291,413</u>

**City of Little Rock, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2005**

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

**Governmental activities**

General government	
Mayor and Board of Directors	\$ 226,001
City manager	961
Community programs	2,669
City attorney	3,664
Cable TV	4,032
District court – first division (criminal)	23,240
District court – third division (environment)	659
Finance	49,226
Human resource	4,368
Information technology	446,728
Planning and development	38,410
Fleet services	<u>144,858</u>
 Total general government	 944,816
 Public works	 14,785,730
Parks and recreation services	653,269
Fire	1,297,523
Police	1,303,764
Housing and neighborhood programs	<u>258,712</u>
 Total depreciation expense – governmental activities	 <u>19,243,814</u>

**Business-type activities**

Presidential park	144
Waste disposal	1,708,981
Second and main parking	193,661
Riverfront park	85,569
Zoo	135,571
Impound services	7,852
Golf courses	97,843
Fitness center	<u>136,414</u>
 Total depreciation expense - business-type activities	 <u>2,366,035</u>
 Total depreciation expense - primary government	 <u>\$ 21,609,849</u>

**City of Little Rock, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2005**

**Note 4: Long-term Liabilities**

Changes in long-term liabilities for the year ended December 31, 2005, were as follows:

<b>Governmental Activities</b>	<b>Balance, December 31, 2004</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31, 2005</b>	<b>Amounts Due in One Year</b>
Bonds payable					
General obligation revenue bonds	\$ 18,975,000	\$ —	\$ 935,000	\$ 18,040,000	\$ 975,000
Less deferred issuance discounts	101,178	—	6,745	94,433	—
Add issuance premiums	<u>3,888</u>	<u>—</u>	<u>299</u>	<u>3,589</u>	<u>—</u>
	<u>18,877,710</u>	<u>0</u>	<u>928,554</u>	<u>17,949,156</u>	<u>975,000</u>
General obligation bonds	95,635,000	—	5,590,000	90,045,000	4,575,000
Less deferred issuance discounts	552,627	—	35,823	516,804	—
Add issuance premiums	<u>1,338,019</u>	<u>—</u>	<u>87,281</u>	<u>1,250,738</u>	<u>—</u>
	<u>96,420,392</u>	<u>0</u>	<u>5,641,458</u>	<u>90,778,934</u>	<u>4,575,000</u>
Bonds payable, net	115,298,102	0	6,570,012	108,728,090	5,550,000
Notes payable	13,342,046	5,205,000	3,149,933	15,397,113	4,252,965
Capital lease payable	398,000	620,287	196,000	822,287	816,287
Compensated absences	15,113,804	10,800,975	8,463,639	17,451,140	5,397,727
Net pension obligation	34,547,083	4,613,366	—	39,160,449	—
Other	<u>822,520</u>	<u>878,574</u>	<u>585,232</u>	<u>1,115,862</u>	<u>389,702</u>
Total governmental activities long-term liabilities	<u>\$ 179,521,555</u>	<u>\$ 22,118,202</u>	<u>\$ 18,964,816</u>	<u>\$ 182,674,941</u>	<u>\$ 16,406,681</u>
<b>Business-type Activities</b>					
Bonds payable					
Revenue bonds	\$ 49,710,000	—	2,540,000	\$ 47,170,000	2,635,000
Less deferred issuance discounts	2,105,031	—	176,746	1,928,285	—
Add issuance premiums	<u>1,076,395</u>	<u>—</u>	<u>95,547</u>	<u>980,848</u>	<u>—</u>
Bonds payable, net	48,681,364	—	2,458,801	46,222,563	2,635,000
Capital lease payable	96,941	—	—	96,941	96,941
Compensated absences	841,645	642,781	586,967	897,459	481,693
Post-closure landfill costs	<u>2,743,544</u>	<u>—</u>	<u>113,813</u>	<u>2,629,731</u>	<u>681,292</u>
Total business-type activities long-term liabilities	<u>\$ 52,363,494</u>	<u>\$ 642,781</u>	<u>\$ 3,159,581</u>	<u>\$ 49,846,694</u>	<u>\$ 3,894,926</u>

**City of Little Rock, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2005**

Component Units	Balance, December 31, 2004	Increases	Decreases	Balance December 31, 2005	Amounts Due in One Year
<b>Little Rock Advertising and Promotion Commission</b>					
Bonds payable					
Revenue bonds	\$ 18,015,000	\$ —	\$ 1,240,000	\$ 16,775,000	\$ 1,806,666
Add issuance premiums	<u>1,690,736</u>	<u>—</u>	<u>152,656</u>	<u>1,538,080</u>	<u>—</u>
	<u>19,705,736</u>	<u>—</u>	<u>1,392,656</u>	<u>18,313,080</u>	<u>1,806,666</u>
<b>Central Arkansas Library</b>					
Capital lease	1,119,145	—	67,089	1,052,056	69,081
Compensated absences	<u>588,821</u>	<u>597,813</u>	<u>568,069</u>	<u>618,565</u>	<u>618,565</u>
	<u>1,707,966</u>	<u>597,813</u>	<u>635,158</u>	<u>1,670,621</u>	<u>687,646</u>
<b>Museum of Discovery</b>					
Various notes payable	<u>496,842</u>	<u>0</u>	<u>233,326</u>	<u>405,708</u>	<u>223,166</u>
<b>National Airport</b>					
Bonds payable					
Revenue bonds	30,365,000	—	1,625,000	28,740,000	1,695,000
Less deferred issuance discounts	569,194	—	48,788	520,406	—
Add issuance premiums	<u>337,264</u>	<u>—</u>	<u>55,787</u>	<u>281,477</u>	<u>—</u>
	<u>30,133,070</u>	<u>—</u>	<u>1,631,999</u>	<u>28,501,071</u>	<u>1,695,000</u>
Unearned revenue	<u>30,678,741</u>	<u>1,312,348</u>	<u>2,341,398</u>	<u>29,649,691</u>	<u>2,341,398</u>
	<u>60,811,811</u>	<u>1,312,348</u>	<u>3,973,397</u>	<u>58,150,762</u>	<u>4,036,398</u>
<b>Wastewater Utility</b>					
Notes payable	3,316,918	—	3,316,918	—	—
Revenue bonds	<u>47,323,950</u>	<u>27,078,536</u>	<u>1,718,743</u>	<u>72,683,743</u>	<u>2,131,200</u>
	<u>50,640,868</u>	<u>27,078,536</u>	<u>5,035,661</u>	<u>72,683,743</u>	<u>2,131,200</u>
Total component units long-term liabilities	<u>\$ 133,363,223</u>	<u>\$ 28,988,697</u>	<u>\$ 11,270,198</u>	<u>\$ 151,223,914</u>	<u>\$ 8,885,076</u>

Bonds and notes payable at December 31, 2005 were as follows:

Primary Government	Interest Rates	Final Maturity	Original Issue	Total Outstanding
General long-term obligations				
Bonds payable	3.2% - 4.3 %	2024	\$ 138,900,000	\$ 108,085,000
Notes payable - short-term financing	2.95% - 3.85%	2013	\$ 19,310,000	\$ 13,377,113
Notes payable - Section 108 loans	Variable	2013	\$ 3,870,000	\$ 2,020,000
Enterprise funds				
Revenue bonds	4.8% - 5.8%	2028	\$ 55,590,000	\$ 47,170,000
Component Units	2% - 7.375%	2022	\$ 143,753,536	\$ 118,430,447

**City of Little Rock, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2005**

**Governmental Activities**

**General Obligation Bonds:**

**2004 Limited Tax General Obligation Capital Improvement** – The \$70,635,000 of bonds were issued to finance capital improvements, to fund capitalized interest, and to pay the costs of issuance of the bonds. These bonds are limited tax general obligations secured by all proceeds derived from a 3.3 mill ad valorem tax levied on all taxable real and personal property located within the jurisdictional limits of the city. The tax shall continue until sufficient monies are accumulated to retire the Series 2004 bonds. The special tax collections cannot be used for any purpose other than payment of debt service on the bonds. Principal payments are due annually on April 1. Interest payments are due semiannually on April 1 and October 1. The bonds are subject to mandatory redemption from surplus tax collections on each April 1, in whole or in part, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date.

**2004A and 2004B Library Improvement and Refunding Bonds** - The \$25,000,000 of bonds were issued to refund the Series 1999B Library Improvement and Refunding Bonds and the Series 2002 Library Improvement Bonds, to finance the cost of acquiring, constructing and equipping capital improvements to the public city libraries operated by the City and the Central Arkansas Library System, and to pay the costs of issuance of the bonds. The Series 2004A and Series 2004B bonds are limited obligations of the City, payable solely from the Library Tax and the pro-rata portion of the proceeds of a sales and use tax implemented pursuant to Amendment 79 to the Arkansas Constitution. Principal payments are due annually on March 1. Interest payments are due semiannually on March 1 and September 1. Mandatory redemption may occur in the event that excess proceeds exists.

This advance refunding resulted in reducing its total debt service payments over the next ten years by approximately \$74,000 and resulted in an economic loss (difference between the present values of the old and new debt service payments) of approximately \$765,000.

**2002 Capital Improvement Junior Lien Revenue Bonds** – The \$3,630,000 of bonds were issued to finance the improvements of infrastructure, the costs of issuance and to fund the debt service reserve. The Series 2002 bonds are special obligation bonds of the City, payable solely from the franchise fees collected from public utilities for the privilege of using the streets, highways and other public places in the City. Principal payments are due annually on October 1 with final payment scheduled in 2018. Interest payments are due semiannually on April 1 and October 1. Bonds maturing on or after October 1, 2012 are subject to optional redemption at the direction of the City. Extraordinary redemption may occur in the event that excess proceeds exist.

**City of Little Rock, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2005**

**2001 Limited Tax General Obligation Refunding – Series 2001** – The \$20,635,000 of bonds were issued to refund the Capital Improvement Refunding Bonds, Series 1995A, and Capital Improvement Bonds, Series 1995B, and to pay the costs of issuance of the Bonds. These bonds are limited tax general obligations secured by the full faith, credit, and resources of the City, including specifically all proceeds derived from a 3.3 mill ad valorem tax on each dollar of assessed valuation of real and personal property located within the City. The tax will be a continuing annual levy until sufficient monies are accumulated to retire the Series 2001 Bonds. Until retirement of the 2003 Bonds, the proceeds of the tax cannot be used for any purposes other than the payment of debt service on the bonds, payment of agent’s fees, and payment of costs of improvements in an amount equal to six months of capitalized interest on the bonds. Principal payments are due annually on April 1. Interest payments are due semiannually on April 1 and October 1. The bonds are subject to mandatory redemption, in whole or in part, on any April 1 from Surplus Tax Receipts, upon payment of a redemption price to 100 percent of principal amount of bonds to be redeemed plus interest accrued to the redemption price.

**1998 Street and Drainage Revenue Bonds - Series A** - The \$19,000,000 original issue Capital Improvement Revenue Bonds (Infrastructure Improvements) - Series 1998A, were issued for the purpose of acquiring, constructing, equipping, renovating, expanding, and refurbishing certain street, sidewalk, curb, gutter, drainage, and other related infrastructure improvements of the City, including payment of a portion of the interest on the Series 1998A Bonds during the construction period. The Series 1998A Bonds are special obligations of the City, payable solely from revenues received by the City from all franchise fees charged to public utilities for the privilege of using the city streets and right-of-way and from funds pledged under the bond indenture. These bonds are subject to redemption in part by sinking fund installments due annually on October 1. Bonds maturing on or after October 1, 2009 are subject to optional redemption at the direction of the City beginning October 1, 2008. Extraordinary redemption may occur in the event that excess proceeds exist.

**Notes Payable**

In 2001, the State of Arkansas passed Amendment No. 78 and Act No. 1808, allowing cities and counties to obtain short-term financing agreements for the purpose of acquiring, constructing, installing or renting real property or tangible personal property having an expected useful life of more than one year. These financing agreements may not mature over a period to exceed five years and may have fixed or variable interest rates to be repaid with general revenues. At December 31, 2005, the following short-term financing agreements were:

**2005 Short-term financing note** – The \$5,205,000 promissory note was issued to finance the cost of acquiring equipment and vehicles for the City with principal and interest payable from general revenues. Due annually, payable \$969,666, on March 31, including interest at 3.55%.

**2004 Short-term financing note** – The \$4,215,000 promissory note was issued to finance the cost of acquiring equipment and vehicles for the City with principal and interest payable from general revenues. Due annually, payable \$929,561, on September 8, including interest at 3.35%.

**2003 Short-term financing note** – The \$4,250,000 promissory note was issued to finance the cost of acquiring equipment and vehicles for the City with principal and interest payable from general revenues. Due annually, payable \$926,682, on June 18, including interest at 2.95%.

**2002 Short-term financing note** – The \$4,370,000 promissory note was issued to finance the cost of acquiring and installing equipment and vehicles and constructing properties for the City with principal and interest payable from general revenues. Due annually, payable \$988,488, on September 25, including interest at 3.85%.

**City of Little Rock, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2005**

**2001 Short-term financing note** – The \$1,270,000 promissory note was issued to finance the cost of acquiring equipment and vehicles for the City with principal and interest payable from general revenues. Due annually, payable \$276,306 on December 1, including interest at 3.08%.

The City also has entered into three loan guarantee commitments with the U.S. Department of Housing and Urban Development (HUD) for the purpose of acquiring, constructing or installing real property to be repaid with Community Development Block Grant (CDBG) funds or related program income. These notes payable with HUD at December 31, 2005 were as follows:

**Section 108 Loan – Nathaniel W. Hill property (the” property”)** – This \$1,800,000 promissory note was issued to construct and improve the property. Increasing principal payments due annually on August 1, with interest payments due semi-annually on August 1 and February 1, at a variable interest rate secured by the property.

**Section 108 Loan – Kramer School (the” school”)** – This \$830,000 promissory note was issued to construct and improve the school. Increasing principal payments due annually on August 1, with interest payments due semi-annually on August 1 and February 1, at a variable interest rate secured by the school and pledged CDBG funds.

**Section 108 Loan – Infrastructure** – This \$1,240,000 promissory note was issued to construct and improve infrastructure capital assets. Increasing principal payments due annually on August 1, with interest payments due semi-annually on August 1 and February 1, at a variable interest rate secured by pledged CDBG funds.

**Capital Lease**

The City has entered into the following capital leases for office space and equipment.

**Timex Building** – This lease has an option to purchase the building at the termination of the lease on January 15, 2006, unless extended by the parties in writing. Until that time rent payments of \$160,000, are due annually on January 15 together with interest payments at a rate of 5.9%.

**Golf Course Maintenance Equipment** – This lease has a bargain purchase option at the termination of the lease on February 1, 2006. Until that time rent payments of \$96,941 are due annually on February 1 together with interest payments at a rate comparable to the prime rate.

**Arkansas River Trail Land** – This is a lease-purchase agreement with ownership transferring at the end of the lease term. Until that time, payments of \$207,108 and \$413,178 are due on March 1, 2006 and September 1, 2006, respectively.

**Business-type Activities**

**Revenue Bonds** - Revenue bonds are comprised of various issues for the purpose of acquiring, constructing, equipping, renovating, expanding, and refurbishing additions and improvements of City facilities.

**2003 Capital Improvement and Refunding Revenue Bonds (Downtown Parking Projects)** – On July 1, 2003, the City issued \$11,855,000 in 2003 Capital Improvement Revenue Bonds (Downtown Parking Projects) with an interest rate ranging from 4.8% to 5.4%. The bonds were issued to finance the construction of a new parking deck and advance refund the 1997 Capital Revenue Bonds (Second and Main Street Project) – Series 1997 previously used to construct a parking deck. The bonds constitute special obligations of the City, payable solely from the revenues of the two parking decks, together with all other parking revenues of the City that were

**City of Little Rock, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2005**

not previously pledged by the City. Interest payments are due semiannually each January 1 and July 1. These bonds are subject to redemption in part by sinking fund installments due on July 1. These bonds are also subject to optional redemption at direction of the City beginning July 1, 2013. Extraordinary redemption may occur in the event that excess project funds exist.

With this issue, \$2,180,000 in outstanding 1997 Capital Improvement Revenue Bonds were advance refunded. With the advance refund, the City increased its total debt service payments over the next 25 years by approximately \$212,000, and obtained an economic loss (the difference between the present values of the old and new debt service payments) of \$121,461.

***1998 Parks and Recreation Bonds - Series A*** - The \$16,405,000 original issue *Capital Improvement Revenue Bonds - Series 1998A* were issued for the purpose of acquiring, constructing, equipping, renovating, expanding, and refurbishing certain parks and recreation facilities of the City, including payment of a portion of the interest on the Series 1998A Bonds during the construction period. The bonds are payable solely from gross revenues derived from the City's parks and recreation facilities and certain monies pledged under a Master and Supplement Indenture. The bonds are subject to redemption in part by sinking fund installments due annually on January 1, beginning in 2002; term bonds are due January 1, 2018 and 2023. Interest is due semiannually on January 1 and July 1. The bonds are subject to redemption at the option of the City beginning January 1, 2008.

***Waste Disposal Revenue Bonds - Series 2002*** - The \$27,330,000 of bonds were issued to finance all or a portion of the costs of betterments and improvements to the waste disposal system, refund the Waste Disposal Revenue Bonds – Series 1993 and 1995, fund a debt service reserve and pay expenses of issuing the Bonds. The Series 2003 Bonds are special obligations secured by the pledge of and payable from the net revenues derived from the operations of the City's waste collection and disposal system. Principal payments are due annually on May 1 with final payment scheduled in 2016. Interest payments are due semiannually on May 1 and November 1. Bonds maturing on or after May 1, 2010 are subject to optional redemption at the direction of the City. Bonds maturing on May 1, 2016 are subject to mandatory sinking fund redemption beginning as of May 1, 2014 at the direction of the Trustee.

On September 1, 2002, the City issued \$27,330,000 in Waste Disposal Refunding and Improvement Revenue Bonds Series 2002 with an average interest rate of 4.5 percent to current refund \$11,985,000 of outstanding Waste Disposal Revenue Bonds – Series 1993 and advance refund \$9,480,000 of outstanding Waste Disposal Revenue Bonds – Series 1995 (which will be defeased and redeemed on May 1, 2005 at 100 percent) with an average interest rate of 5.6 and 5.7 percent, respectively. The proceeds from the new issue plus an additional \$2,400,000 of debt service reserve funds and \$1,300,000 of reoffering premium were used to refund the Series 1993 and 1995 Bonds in full.

The City current refunded the Series 1993 Bonds and advance refunded the Series 1995 Bonds to reduce its total debt service payments over the next 14 years by approximately \$1,700,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,176,171.

**City of Little Rock, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2005**

***Discretely Presented Component Units***

***Wastewater Utility Revenue Bonds***

These bonds are secured by Wastewater Utility revenues. These bond funds consist of cash and investments and are classified as unrestricted or restricted assets in the accompanying combined balance sheet based on the intended use of the funds.

The *1990, 1991, and 1996 Series Sewer Revenue* are part of \$7,000,000, \$6,000,000, and \$6,000,000 bond issues, respectively. The *1999 Series Sewer Revenue Bonds* are a \$12,000,000 series and are subordinate to all previous bond issues. The *2001 Series Sewer Revenue Bonds* (original issue of \$22,680,000) were issued to finance the cost of constructing betterments and improvements to the City's sewer system and refunding the City's Sewer Refunding and Construction Revenue Bonds, Series 1993. The 2004 Series A, B and C Sewer Revenue Bonds are part of \$23,100,000, \$14,000,000 and \$13,000,000 bond issues, respectively. The bonds were issued to finance the costs of constructing extensions, betterments, and improvements to the Adams Field Treatment Plant, the Utility's collection system, and unsewered areas. As of December 31, 2005, the Utility has drawn \$10,574,355, \$8,287,650, \$1,193,930, respectively, of which \$17,078,536 was drawn in 2005. The 2004 Sewer Revenue Note in the amount of \$4,000,000 was issued to finance capital improvements which include new sewer mains and treatment plant improvements. The \$10,000,000 Series 2005 Bonds were issued for the purpose of financing certain costs of construction extensions, betterments and improvements to the sewer system and to pay off the 2004 short-term note.

***National Airport***

***Revenue Bonds***

***Special Obligation Bonds dated September 1, 1999*** - The \$27,860,000 *Special Obligation Bonds dated September 1, 1999*, were issued in two series: Series A of \$24,730,000, and Series B of \$3,130,000. The bonds were issued to finance expansion of the terminal building and construction of a parking deck and related facilities and improvements, to fund a debt service reserve, and to pay issuance costs. The bonds are special obligations payable solely from the revenues of the Airport and amounts on deposit in certain accounts established under a Master and Supplemental Indenture. The Series 1999A Term Bonds maturing on November 1, 2016, and 2019, are subject to redemption in part by operation of sinking fund installments beginning November 1, 2015. The Series 1999A Bonds maturing November 1, in the years 2010 through 2014 and 2019 are subject to optional redemption on or after November 1, 2009, and the Series 1999A Bonds maturing on November 1, 2016, are subject to optional redemption on or after November 1, 2006.

Series A principal payments are due annually on November 1. Series B principal payments are due annually on November 1. Interest payments are due semi-annually on May 1 and November 1 of each year.

**City of Little Rock, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2005**

*City of Little Rock, Arkansas, Airport Revenue Refunding Bonds – Series 2003* – The \$7,060,000 Special Obligation Bonds dated July 1, 2003, were issued to currently refund the \$3,540,000 outstanding principal of the City of Little Rock, Arkansas, Airport Revenue Refunding Bonds, Series 1994, and to advance refund the \$4,020,000 outstanding principal of the City of Little Rock, Arkansas, Airport Revenue Refunding Bonds, Series 1995, to fund a debt service reserve and to pay issuance costs. The bonds are special obligations payable solely from net revenues of the Airport and amounts on deposit in certain accounts established under the Master and Supplemental Indentures. The bonds are subject to redemption in part by sinking fund installments beginning November 1, 2008.

Principal payments are due annually on November 1, and interest payments at a rate of 3.20% to 5.00% are due semi-annually on May 1 and November 1 of each year.

As a result of the refunding, the Airport reduced its total debt service requirements by \$1,021,950, which resulted in an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$845,363.

The bond premium of \$417,990 is being amortized as a component of interest expense and the \$423,599 difference between the carrying amount of the refunded debt and the amount required to reduce the debt was deferred and is being amortized over the remaining life of the Series 2003 Bonds.

***Advertising and Promotion Commission Bonds***

*Advertising and Promotion Commission Bonds - Series 1993* - The Series 1993 Advertising and Promotion Commission Bonds were issued for the purpose of refinancing the outstanding revenue bonds Series 1986, which had been issued to refinance the original Series 1980 bond issue for the construction of a convention center. Serial bond principal payments are due each August 1 (excluding 2005 through 2006). Interest payments are due each February 1 and August 1.

The serial bonds as presented on the combined balance sheet include \$1,690,736 of unamortized premium. These bonds are collateralized by proceeds of the two percent hotel and gross receipts tax levy.

**Series 2003**

During 2003, the Series 2003 Advertising and Promotion Commission Tax Refunding Bonds were issued to advance refund the serial Series 1993 bonds maturing from August 1, 2004 through August 1, 2006. Principal payments are due each August 1 with final payment due in 2006. Interest payments are due each February 1 and August 1.

The serial bonds as presented include an unamortized premium of \$24,798. These bonds are collateralized by proceeds of the 2% hotel, motel and restaurant gross receipts tax levy, and amounts, if any, received from the State turn-back tax levy. The Commission is required to maintain separate sinking and bond fund accounts and adhere to certain operating requirements as stipulated in the bond agreement.

**City of Little Rock, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2005**

**Annual Debt Service Requirements**

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds and revenue bonds, as well as notes payable, outstanding at December 31, 2005. Principal and interest are also disclosed for the component units as follows:

Fiscal Year	Primary Government				Component Units	
	General Obligation Bonds		Revenue Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 5,550,000	\$ 4,330,224	\$ 2,635,000	\$ 2,271,538	\$ 5,009,549	\$ 4,121,247
2007	5,760,000	4,120,686	3,005,000	2,156,670	4,954,912	4,108,426
2008	5,975,000	3,900,141	3,135,000	2,029,393	5,852,229	4,532,619
2009	6,210,000	3,667,881	3,270,000	1,894,693	6,455,520	4,552,792
2010	6,450,000	3,422,839	3,410,000	1,747,158	6,766,860	4,240,459
2011 – 2015	36,545,000	11,901,852	14,480,000	6,334,212	37,700,143	15,838,529
2016 – 2020	34,650,000	5,603,332	8,055,000	3,637,807	29,214,556	7,535,062
2021 – 2025	6,945,000	612,632	6,770,000	1,486,837	17,534,567	2,267,160
2025 – 2030	—	—	2,410,000	259,965	4,710,407	209,188
	<u>\$108,085,000</u>	<u>\$ 37,559,587</u>	<u>\$ 47,170,000</u>	<u>\$ 21,818,273</u>	<u>\$ 118,198,743</u>	<u>\$ 47,405,482</u>

Fiscal Year	Notes Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2006	\$ 4,252,965	\$ 564,651	\$ 80,240	\$ 12,134
2007	4,148,094	411,520	75,663	8,872
2008	3,020,088	260,189	107,613	5,295
2009	2,206,101	157,166	—	—
2010	1,354,865	77,062	—	—
2011 – 2015	<u>415,000</u>	<u>41,047</u>	—	—
	<u>\$ 15,397,113</u>	<u>\$ 1,511,635</u>	<u>\$ 263,516</u>	<u>\$ 26,301</u>

**Capital Lease Obligations**

The City is obligated under leases for land, buildings and equipment that are accounted for as capital leases. Assets under capital leases at December 31, 2005, totaled \$1,893,227, net of accumulated depreciation of \$217,884. The following is a schedule by year of future minimum lease payments under the capital leases including interest at rates of 5.90% together with the present value of the future minimum lease payments as of December 31, 2005:

<u>Year Ending December 31,</u>	
2006	\$ 922,668
2007	<u>6,000</u>
Total minimum lease payments	928,668
Less amount representing interest	<u>9,440</u>
Present value of future minimum lease payments	<u>\$ 919,228</u>

**City of Little Rock, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2005**

**Note 5: Interfund Balances and Transfers**

Interfund receivables and payables as of December 31, 2005, are as follows:

	<b>Interfund Receivables</b>	<b>Interfund Payables</b>
<b>Primary Government</b>		
Governmental Funds to/from Nonfiduciary Funds		
General fund	\$ 5,891,123	\$ —
CDBG fund	—	46,606
NHSP fund	—	12,860
HIPP fund	—	365,108
2006 short-term financing fund	—	72,944
Governmental Funds to/from Fiduciary Funds		
General fund	—	<u>5,447,805</u>
Total governmental funds	<u>5,891,123</u>	<u>5,945,323</u>
Proprietary Funds		
Riverfront park	—	752,760
Zoo	—	1,602,699
Golf courses	—	2,722,416
Concessions services	—	<u>311,209</u>
Total proprietary funds	—	<u>5,389,084</u>
Fiduciary Funds		
Policemen's pension	2,723,902	—
Firemen's pension	<u>2,723,902</u>	<u>4,520</u>
Total fiduciary funds	<u>5,447,804</u>	<u>4,520</u>
Total	<u>\$ 11,338,927</u>	<u>\$ 11,338,927</u>

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

**City of Little Rock, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2005**

Interfund transfers in and transfers out as of December 31, 2005, are as follows:

<b>Interfund Transfers In</b>	<b>Interfund Transfers Out</b>					<b>Totals</b>
	Governmental Funds			Proprietary Funds		
	General	Other Nonmajor Governmental Funds	Internal Service Fund	Waste Disposal	Other Nonmajor Enterprise Funds	
Governmental Funds						
General	\$ —	\$ 402,695	\$ 6,617	\$ 622,292	\$ 304,032	\$ 1,335,636
Other Nonmajor Governmental Funds	800,400	463,799	—	424,497	—	1,688,696
Proprietary Funds						
Presidential Park	—	—	—	—	1,300,000	1,300,000
Other Nonmajor Enterprise Funds	<u>3,216,018</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,216,018</u>
	<u>\$ 4,016,418</u>	<u>\$ 866,494</u>	<u>\$ 6,617</u>	<u>\$ 1,046,789</u>	<u>\$ 1,604,032</u>	<u>\$ 7,540,350</u>

**City of Little Rock, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2005**

**Note 6: Pension Plans**

***Pension Trust Funds***

Substantially all of the City's employees receive retirement benefits. The City sponsors three single employer defined benefit plans and two defined contribution plans. The City also contributes to the Local Police and Fire Retirement System, a statewide agent multiple-employer defined benefit pension plan. The assets of the Plans are maintained in legally separate trusts and each Plan's assets may be used only for the payment of benefits to the members of that Plan or their beneficiaries in accordance with the terms of the Plan.

**A. Summary of Significant Accounting Policies**

*Basis of Accounting*

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

*Method Used to Determine Fair Value of Investments*

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

**B. Membership Information**

Membership of each Plan consisted of the following at December 31, 2005:

	<b>Policemen's Fund</b>	<b>Firemen's Fund</b>	<b>Nonuniformed Benefit Plan</b>	<b>Nonuniformed Contribution Plan</b>	<b>401 (a) Contribution Plan</b>
Retirees and beneficiaries receiving benefits	280	275	109	0	0
Active plan members	0	6	51	984	29
Members on Deferred Retirement Option Plan (DROP)	<u>64</u>	<u>79</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>344</u>	<u>360</u>	<u>160</u>	<u>984</u>	<u>29</u>

**City of Little Rock, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2005**

**C. Financial Information**

Separate financial reports are not issued on each plan; however, complete financial information, which has been subjected to auditing procedures, has been included in the supplementary information. The following is the condensed financial information of the pension trust funds:

	<b>Statement of Fiduciary Net Assets</b>				
	<b>Policemen's Pension and Relief Fund</b>	<b>Firemen's Pension and Relief Fund</b>	<b>Nonuniformed Contribution Plan</b>	<b>Nonuniformed Benefit Plan</b>	<b>401 (a) Contribution Plan</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 1,277,759	\$ 2,498,316	\$ 1,306,999	200,723	\$ —
Investments	58,568,552	81,035,254	31,464,812	9,199,340	4,233,675
Receivables	<u>2,736,745</u>	<u>3,274,365</u>	<u>99,338</u>	<u>112,458</u>	<u>—</u>
Total assets	<u>62,583,056</u>	<u>86,807,935</u>	<u>32,871,149</u>	<u>9,512,521</u>	<u>4,233,675</u>
<b>Liabilities</b>					
Accrued liabilities	<u>—</u>	<u>4,717</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total liabilities	<u>0</u>	<u>4,717</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Assets</b>					
Net assets held in trust for pension benefits	<u>\$ 62,583,056</u>	<u>\$ 86,803,218</u>	<u>\$ 32,871,149</u>	<u>\$ 9,512,521</u>	<u>\$ 4,233,675</u>
<b>Statement of Changes in Fiduciary Net Assets</b>					
<b>Additions</b>					
Contributions	\$ 5,027,167	\$ 4,489,243	\$ 3,079,864	\$ 924,156	\$ 1,019,855
Net investment income	<u>3,608,887</u>	<u>3,385,468</u>	<u>2,071,465</u>	<u>656,501</u>	<u>239,928</u>
Total additions	<u>8,636,054</u>	<u>7,874,711</u>	<u>5,151,329</u>	<u>1,580,657</u>	<u>1,259,783</u>
<b>Deductions</b>					
Benefits paid directly to participants	9,503,875	8,038,422	1,286,890	1,275,347	4,385
Administrative expenses and other	<u>377,546</u>	<u>7,662</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total deductions	<u>9,881,421</u>	<u>8,046,084</u>	<u>1,286,890</u>	<u>1,275,347</u>	<u>4,385</u>
<b>Change in Net Assets</b>	(1,245,367)	(171,373)	3,864,439	305,310	1,255,398
<b>Net Assets Held in Trust For Pension Benefits, Beginning of Year</b>	<u>63,828,423</u>	<u>86,974,591</u>	<u>29,006,710</u>	<u>9,207,211</u>	<u>2,978,277</u>
<b>Net Assets Held in Trust For Pension Benefits, End of Year</b>	<u>\$ 62,583,056</u>	<u>\$ 86,803,218</u>	<u>\$ 32,871,149</u>	<u>\$ 9,512,521</u>	<u>\$ 4,233,675</u>

**City of Little Rock, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2005**

**D. Plan Descriptions and Funding Information**

The *Policemen's Pension and Relief Fund* ("**Policemen's Fund**") is a single-employer defined benefit pension plan administered by the City, established in accordance with legislation enacted by the Arkansas General Assembly. Benefit provisions are established by State of Arkansas Act #16, as amended. Policemen's Fund assets are administered by a Board of Trustees.

The Policemen's Fund provides retirement benefits for policemen who have completed 20 years of service. Disability benefits are available to policemen who become permanently disabled, unless the disability is the direct result of gainful employment performed outside of the police department. The Policemen's Fund also provides benefits for surviving spouses and dependent children of deceased policemen. No benefits are vested to participants until normal retirement. At normal retirement, participants may elect to continue working and enter the Deferred Retirement Option Plan ("DRO") for up to 10 years. All policemen hired after January 1, 1983, participate in the Arkansas Local Police and Fire Retirement System created by Act 364 of 1981. Therefore, the Policemen's Fund is effectively closed to new members.

Contributions to the Policemen's Fund are set forth in Arkansas statute. The City's contribution to the Policemen's Fund consists of a one mill real and personal property tax collection, an insurance premium tax turnback collected by the State Insurance Commissioner, and a \$3 assessment against each court case plus ten percent of fines and forfeitures collected. Additionally, the City contributes a percentage of the policemen's salaries, which amounted to six percent during 2005. The participants contributed six percent of their salaries in 2005. Participant contributions are returned without interest if the participant terminates covered employment. Administrative costs are financed by the Policemen's Fund. Total 2005 contributions to the Policemen's Fund were \$5,027,167. The City's share of contributions was \$4,216,490 and included \$2,783,972 in property taxes and \$1,449,841 in state insurance premium taxes.

The *Firemen's Pension and Relief Fund* ("**Firemen's Fund**") is a single-employer defined benefit pension plan administered by the City, established in accordance with legislation enacted by the Arkansas General Assembly. Benefit provisions are established by State of Arkansas Act #14, as amended. Fund assets are administered by a Board of Trustees.

The Firemen's Fund provides retirement benefits for firemen who have completed 20 years of service. Disability benefits are available to firemen who become permanently disabled, unless the disability is the direct result of gainful employment performed outside of the fire department. The Firemen's Fund also provides benefits for surviving spouses and dependent children of deceased firemen. No benefits are vested to participants until normal retirement. At normal retirement, participants may elect to continue working and enter the DRO for up to ten years. All firemen hired after January 1, 1983, participate in the Arkansas Local Police and Fire Retirement System created by Act 364 of 1981. Therefore, the Firemen's Fund is effectively closed to new members.

**City of Little Rock, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2005**

Contributions to the Firemen’s Fund are set forth in Arkansas statute. The City’s contribution to the Firemen’s Fund consists of a one mill real and personal property tax collection and an insurance premium tax turnback collected by the State Insurance Commissioner. Additionally, the City contributes a percentage of the firemen’s salaries which amounted to six percent during 2005. The participants contributed six percent of their salaries in 2005. Participant contributions are returned without interest if the participant terminates covered employment. Contribution provisions applicable to the Fund are established by Arkansas code and may not be less than six percent. Administrative costs are financed through Fund assets approved by the Board of Directors. Total 2005 contributions to the Firemen’s Fund were \$4,489,243. The City’s share of contributions was \$4,087,092 and included \$2,783,972 in property taxes and \$1,190,769 in state insurance premium taxes.

The *Nonuniformed Employees’ Defined Benefit Pension Plan* (“**Nonuniformed Plan**”) is a single-employer, defined benefit pension plan established under Arkansas state law. Benefit provisions are established and amended by City Ordinance #11088. Plan assets are administered by a Board of Trustees.

The Nonuniformed Plan provides retirement, disability, and survivor benefits to participating employees and/or their beneficiaries or dependents who have met eligibility requirements set forth in the plan’s benefit provisions.

Under the original provisions of the Nonuniformed Plan, participants and the City were required to contribute a certain percentage of the participant’s salary. Effective January 1, 1978, the plan was frozen. Contributions continued to be required through December 31, 1980. As of January 1, 1981, participants of the Nonuniformed Plan became participants in the City of Little Rock Nonuniformed Employees’ Defined Contribution Plan (“**Defined Contribution Plan**”), which became effective for all regular, nonuniformed employees of the City as of that date. Currently, the only contributions the City makes to the Plan on an annual basis are those required to make the Plan actuarially sound. These contributions are made on a one year lag. Contributions during 2005 were \$598,970.

	<b>2005 Annual Pension Cost and Net Pension Obligation (Asset)</b>		
	<b>Policemen’s Fund</b>	<b>Firemen’s Fund</b>	<b>Nonuniformed Plan</b>
Annual required contributions	\$ 12,390,853	\$ 5,161,220	\$ 637,219
Interest on net pension obligation	2,025,551	50,479	—
Adjustment to annual required contribution	<u>(7,143,728)</u>	<u>394,324</u>	<u>—</u>
Annual pension cost	7,272,676	5,606,023	637,219
Contributions made	<u>4,216,490</u>	<u>4,087,092</u>	<u>598,970</u>
Increase in net pension obligation	3,056,186	1,518,931	38,249
Net pension obligation, beginning of the year	<u>33,681,090</u>	<u>267,023</u>	<u>598,970</u>
Net pension obligation, end of the year	<u>\$ 36,737,276</u>	<u>\$ 1,785,954</u>	<u>\$ 637,219</u>

**City of Little Rock, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2005**

**Three-Year Trend Information**

	Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
Policemen's Fund	12/31/2003	\$ 9,210,630	64%	\$ 30,771,539
	12/31/2004	7,654,447	62%	33,681,090
	12/31/2005	7,272,676	58%	36,737,276
Firemen's Fund	12/31/2003	\$ 5,486,516	80%	\$ (833,589)
	12/31/2004	5,289,528	79%	267,023
	12/31/2005	5,606,023	73%	1,785,954
Nonuniformed Plan	12/31/2003	\$ 1,461,740	33%	\$ 981,568
	12/31/2004	486,019	179%	598,970
	12/31/2005	637,219	94%	637,219

Net pension obligations have historically been the responsibility of the general fund. The Nonuniformed Plan uses the aggregate actuarial cost method in calculating the annual actuarially required contribution. This method does not identify or separately amortize unfunded actuarial accrued liabilities.

**Agent Multiple-Employer Defined Benefit Pension Plan**

The *Local Police and Fire Retirement System* (“LOPFI”) is a statewide agent multiple-employer retirement program that provides retirement, disability, and survivor benefits to police and fire employees of political subdivisions of the State of Arkansas. LOPFI was created by Act 364 of the 1981 General Assembly. The authority to establish and amend benefit provisions is set forth in Arkansas state statutes and is vested in the Arkansas Legislature with the concurrence of the Governor. Employees hired after January 1, 1983, whose political subdivision had a retirement system in effect at July 1, 1981, are eligible to participate in the Plan. LOPFI issues a publicly available financial report that includes financial statements and required supplementary information of the Plan, which may be obtained by contacting the following:

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

Contribution requirements are set forth in Arkansas statute. LOPFI members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate, which was 8.37 percent for participating policemen and 9.92 percent for participating firemen.

For 2005, the City's annual pension cost was \$2,511,092 for policemen and \$2,174,645 for firemen, which was equal to the required and actual contributions. Neither Plan has a net pension obligation (NPO). The required contributions were determined as part of the December 31, 2002, actuarial valuation using the entry age actuarial cost method.

**City of Little Rock, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2005**

**Three-Year Trend Information**

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
LOPFI – Policemen	12/31/2003	\$ 1,126,749	100%	\$ 0
	12/31/2004	1,588,722	100%	0
	12/31/2005	2,511,092	100%	0
LOPFI – Firemen	12/31/2003	\$ 707,630	100%	\$ 0
	12/31/2004	1,326,107	100%	0
	12/31/2005	2,174,645	100%	0

**Defined Contribution Plans**

The *Nonuniformed Employees' Defined Contribution Plan* (“**Nonuniformed Contribution Plan**”) is a defined contribution plan administered by an independent fiduciary agent, but governed by a Board of Trustees consisting of City Officials. The Nonuniformed Contribution Plan provides retirement, disability, and survivor benefits for nonuniformed full-time employees who have met eligibility requirements as defined by the plan, with the exception of certain executives and officials who are enrolled in alternate plans. The Nonuniformed Contribution Plan began on January 1, 1981; benefit provisions are established by City Resolution #6482, as amended. The amount of benefits to be paid to any participant depends solely on amounts contributed to the plan plus investment earnings.

The plan requires that employees contribute no less than 3.5 percent and may contribute an additional 10 percent of their base salary. Only contributions up to 3.5 percent are pre-tax. The City is required to contribute four percent of covered payroll each pay period. Participants become fully vested in employer contributions and investment earnings credited to their account after five years of service. Nonvested City contributions and investment earnings are forfeited when participants leave covered employment and are transferred to a separate account which may be used to reduce City contributions. During 2005, employer and employee contributions to the plan were \$2,000,973 and \$1,078,891, respectively.

The *401(a) Money Purchase and Trust Retirement Fund* is a defined contribution pension plan established under Arkansas state law, covering selected employees. Pension expense is recorded for the amount of the City’s required contributions, determined in accordance with the terms of the plan. The plan is administered by a Board of Trustees. The plan provides retirement benefits to plan members and their beneficiaries. Benefit provisions and contribution requirements are contained in the plan documents and were established and can be amended by action of the Board of Directors. During 2005, employer and employee contributions to the plan were \$696,567 and \$323,288 respectively.

**Cost-sharing Multiple-Employee Defined Benefit Pension Plan**

The Arkansas District Judges Retirement system (ADJRS) was established in 2004, in accordance with ACT 1374 of 2003, and the City’s local plan was abolished. The ADJRS plan is being administered by the Arkansas Public Employees Retirement system) (APERS). The City was required to contribute \$3,573,190, the initial accrued liability for the district court personnel who

**City of Little Rock, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2005**

were covered by the local fund on December 31, 2004. This amount will be paid, as part of the City's contractually required contributions, to the cost-sharing plan over a period not to exceed 30 years, by the general fund based on fees assessed by the municipal courts for each criminal case, moving traffic violations, and summons issued. Equity in the City's Municipal Judge Retirement Fund of \$574,545 at December 31, 2004, was transferred to ADJRS in 2005.

**Actuarial Assumptions**

The information presented was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation (actuarial valuations are performed bi-annually) follows:

	<b>Policemen's Pension and Relief Fund</b>	<b>Firemen's Pension and Relief Fund</b>	<b>Nonuniformed Employees Defined Benefit Pension Plan</b>	<b>Local Police and Fire Retirement System – Policemen</b>	<b>Local Police and Fire Retirement System – Firemen</b>
Actuarial valuation date	12/31/05	12/31/05	12/31/03	12/31/02	12/31/02
Actuarial cost method	Entry age normal	Entry age normal	Aggregate cost method Normal	Entry age normal	Entry age normal
Amortization method	Level percent closed	Level percent closed	Not applicable	Level percent open	Level percent open
Remaining amortization period	5 years	5 years	Not applicable	30 years	30 years
Asset valuation method	Market	Market	Market	5-year smoothed market	5-year smoothed market
Actuarial assumptions:					
Investment rate of return*	6.0%	6.0%	8.0%	8.0%	8.0%
Projected salary increases*	4.2-8.0%	4.2-8.0%	4.5%	4.0% - 9.1%	4.1% - 9.1%
*Includes inflation at	4.0%	4.0%	0%	4.0%	4.0%
Cost-of-living adjustments	None	None	None	None	None

**Note 7: Postretirement Health Care and Life Insurance Benefits**

Retiring employees are permitted to continue their coverage in the City's group health insurance plan for varying lengths of time if they pay the full cost of the coverage. In 1997, the City passed Resolution 9933 and began paying 75 percent of insurance premium costs for eligible retired individuals. The amendment includes only those retirees who achieve the "rule of seventy" (a combination of age and years of city government service), and who have worked a minimum of five years for the City of Little Rock. Also, in 1998, the City passed Ordinance 17503,

**City of Little Rock, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2005**

implementing a program to provide full payment of insurance premiums for dependents of employees killed in the line of duty. In addition, retiring employees are permitted to convert their group life insurance coverage to an individual policy at their own expense. These benefits are funded and the related expenditures/expenses are recognized on a “pay-as-you-go” basis. These post-retirement benefits resulted in an immaterial cost to the City in 2005.

**Note 8: Risk Management**

***Workers’ Compensation***

The City participates in a self-funded workers’ compensation plan. All full-time employees are covered by the plan. It is self-funded to a maximum of \$400,000 per occurrence per employee. Coverage amounts in excess of this limit have been obtained by means of a stop loss reinsurance policy. The City records an estimated liability and liquidates that liability within the general fund based on claims made against the City. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not yet reported based on historical experience. Settlements have not exceeded coverage in each of the past three years. The following represents the changes in approximate aggregate liabilities of the workers’ compensation plan for the City for January 1, 2004 to December 31, 2005:

Liability balance, January 1, 2004	\$ 1,027,595
Claims and changes in estimates	427,941
Claims payments	<u>(633,016)</u>
Liability balance, December 31, 2004	822,520
Claims and changes in estimates	878,574
Claims payments	<u>(585,232)</u>
Liability balance, December 31, 2005	<u>\$ 1,115,862</u>

***Insurance Coverage***

The City of Little Rock, Arkansas, and its component units have various insurance policies to cover their potential liability risk areas (*i.e.*, automobile, personal property, contents and outside structures and worker’s compensation). The type of coverage and the liability limits vary with each entity. Coverage is provided both commercially and through the Arkansas Municipal League (AML), which is an association of local governments. AML provides the City with automobile and legal defense coverage. Fixed premiums are set annually by AML based on such factors as claims experience, employee class multipliers and population. For risks covered by AML, the City pays no deductible; however, the City pays a \$2,000 fee to AML for each legal matter it handles. There have been no significant reductions in coverage from 2004 to 2005; nor have settlement amounts exceeded insurance coverage for each of the past three years.

**Note 9: Property Taxes**

City property taxes are levied each October 1 on the assessed value listed as of January 1 for all real and personal property located in the City. The property tax is considered due the first Monday in January after the levy; however, the tax is not considered delinquent until October 11 of that year. As a result, the majority of the tax is not collected within the time frame necessary to finance

**City of Little Rock, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2005**

the liabilities of the current period. Property taxes which remain delinquent for a period of three years are certified to the land commissioner where a lien is recorded and held on file. If property taxes remain delinquent for a period of seven years, the property will be subsequently sold by the land commissioner. If proceeds from the sale are sufficient to cover all claims, the City will collect on the past due property taxes. Pulaski County is the collecting agent and remits collections to the City, net of a collection fee, on a monthly basis.

In the governmental funds, property taxes are measurable when levied even though not available. As a result, at December 31, 2005, property taxes receivable and related deferred revenues of \$33,104,550 have been recorded in the governmental funds. In the government-wide statement of net assets, property taxes are considered earned at the time levied. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible. The appraised value of taxable property upon which the property tax is levied is determined by the county assessor. The assessor estimates full market value of the property and applies the statutory rate of 20 percent to arrive at assessed value.

Milleages available to finance City operations and for other purposes are as follows:

<u>Description</u>	<u>Millage Limit</u>	<u>Levied 2005 for 2006 Collections</u>
General purpose	5.00	5.00
Municipal improvements	3.30	3.30
Library operations	2.80	2.80
Library capital improvement bonds	1.00	1.00
Firemen's relief and pension fund	1.00	1.00
Policemen's pension and relief fund	<u>1.00</u>	<u>1.00</u>
Total	<u>14.10</u>	<u>14.10</u>

**Note 10: Landfill Closure and Postclosure Care Cost**

Federal and state laws and regulations require the Solid Waste Landfill to close the new landfill that began accepting waste after October 9, 1993, by (1) covering the site with an impermeable cap, (2) implementing additional groundwater monitoring, (3) providing a minimum of 30 years of postclosure care, and (4) demonstrating financial assurance for the closure and postclosure care. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The cumulative recognition of this liability of \$2,629,731 is based on 12.9 percent use of Class I Waste total constructed capacity, and 28.1 percent use of Class IV Waste constructed capacity. The Waste Disposal Fund will recognize, as the remaining capacity is filled, an estimated additional \$11,283,054 for final closure and postclosure of the entire landfill, which is expected to close in or about the year 2065. These amounts are based on engineering estimates of what it would cost to perform all closure and postclosure care in 2005. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The City Waste Disposal Fund demonstrates financial assurance for closure and postclosure care through the Environmental Protection Agency's Local Government Financial Test, 40 CFR Part 258, Subpart G, dated November 27, 1996. In this test, the City demonstrates that it is capable of meeting its financial obligations at its municipal solid waste landfill facility through a bond rating requirement where all outstanding general obligation bonds have a current investment grade bond rating.

**City of Little Rock, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2005**

**Note 11: Other Required Disclosures**

The following enterprise funds have deficit net assets as of December 31, 2005:

<u>Fund</u>	<u>Deficit Amount</u>
Presidential Park	\$ (939,641)
River Market Garage	(113,215)
Vehicle Storage Facility	(1,208)
Concessions services	<u>(317,199)</u>
Total deficit net assets	<u>\$ (1,371,263)</u>

The deficit net assets are the result of revenues inadequate to cover expenses, including depreciation, in the current and/or prior years.

**Note 12: Contingencies**

The City participates in several federal financial assistance programs. The City’s grant programs have been audited in accordance with the provisions of the Single Audit Act of 1984, as amended by the Single Audit Act Amendments of 1996, and are subject to resolution of previously identified questioned costs. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time.

The City has an ongoing agreement with the Central Arkansas Transit Authority (“CATA”) to finance 65 percent of its operating deficits. The City could continue to be required to fund CATA’s operating deficits if the current level of services is to be maintained in the future.

The City is a member of the Arkansas Municipal Legal Defense Program (AMLDP), which provides extraordinary legal defense and extraordinary expenses in suits against municipal officials and employees and civil rights suits against the municipal government. The Program only pays judgments for actual damages (not punitive damages) imposed on municipal governments and their officials and employees; which will not exceed 25 percent of the Program’s available funds at the time the lawsuit was filed or the judgment becomes final, or \$1 million, whichever is less. In the opinion of the City Attorney, the amount of financial exposure to the City as a result of litigation matters handled by the Program is not significant to the City.

The City, its agencies, and its employees are defendants in numerous legal proceedings, many of which normally occur in governmental operations. Such litigation includes, but is not limited to, claims assessed against the City for property damage and personal injury, other alleged torts, and alleged violations of state and federal laws.

It is not possible to predict with certainty or exactitude the ultimate outcome of all lawsuits pending or threatened against the City. Based on the current status of all of the legal proceedings, it is the opinion of the City Attorney and management that the ultimate outcome will not have a material adverse impact on the City’s financial position. However, events could occur in the near term that would cause these estimates to change materially.

**City of Little Rock, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2005**

**Note 13: Conduit Debt Obligations**

From time to time, the City has issued economic development and other revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial, commercial, health care facilities and other deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Neither the City, the State nor any political subdivision thereof is obligated in any manner for repayment of the bonds.

As of December 31, 2005, the aggregate principal amount payable on these bonds was approximately \$38,000,000.

**Note 14: Jointly Governed Organization**

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

**Note 15: Subsequent Event**

In April of 2006, the City issued \$6.55 million in short-term financing for capital asset acquisitions.

**Note 16: Changes in Accounting Principle**

In 2005, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*. This new standard revises the existing requirements regarding disclosure of custodial credit risk and establishes requirements for disclosures regarding credit risk, concentration of credit risk, interest rate risk and foreign currency risk. Adoption of GASBS 40 had no effect on the net assets and change in net assets in the prior or current year.

During 2005, the City adopted the infrastructure accounting provisions of GASB 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended. As a result, the City's infrastructure constructed or donated prior to 2002, have been included in the government-wide financial statements. The effect of this change was to increase depreciation expense by \$11,442,362 in 2005. The retroactive application of the new method resulted in an adjustment of \$378,306,301 to beginning 2005 net assets of governmental activities.

During 2005, the City changed its method of accounting for compensated absences in the governmental funds balance sheet. The City believes that the new method more accurately reflects the City's financial position based upon the modified accrual basis of accounting. The effect of this change was to decrease expenditures on the statement of revenues, expenditures and changes in fund balances in the governmental funds by \$150,822 in 2005. Adjustments of \$4,634,826, \$2,465, \$391,368 and \$4,593 for the general, street, street special projects and the street projects funds were made to the 2005 beginning fund balances, respectively.

**City of Little Rock**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended December 31, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 12,862,034	\$ 12,847,275	\$ 18,278,892	\$ 5,431,617
Sales taxes	58,703,539	59,917,037	60,299,892	382,855
Licenses and permits	8,883,274	9,197,034	9,307,627	110,593
Intergovernmental	2,764,330	2,077,205	2,077,206	1
Charges for services	3,347,574	3,006,697	4,600,384	1,593,687
Fines and fees	3,480,294	3,101,278	3,546,843	445,565
Utility franchise taxes	19,918,549	20,933,672	21,877,717	944,045
Investment income and unrealized gains	360,943	250,369	252,450	2,081
Miscellaneous	1,755,544	1,973,427	1,181,459	(791,968)
<b>Total revenues</b>	<u>112,076,081</u>	<u>113,303,994</u>	<u>121,422,470</u>	<u>8,118,476</u>
<b>Expenditures</b>				
<b>General government:</b>				
General administration	15,956,702	15,738,274	15,033,359	704,915
Mayor and Board of Directors	283,541	284,837	303,026	(18,189)
City manager	828,435	803,888	1,198,682	(394,794)
Community programs	332,429	315,675	2,523,200	(2,207,525)
City attorney	1,337,976	1,326,007	1,310,827	15,180
Cable TV	195,948	197,610	195,147	2,463
District court-first division (criminal)	1,117,649	1,110,209	1,096,870	13,339
District court-second division (traffic)	1,088,243	1,048,304	998,099	50,205
District court-third division (environmental)	445,780	432,459	432,999	(540)
Finance	2,491,745	2,406,761	2,333,822	72,939
Human resources	1,230,218	1,235,246	1,204,638	30,608
Information technology	2,721,648	2,647,286	2,591,683	55,603
Planning and development	2,102,009	2,033,709	2,010,685	23,024
<b>Total general government</b>	<u>30,132,323</u>	<u>29,580,265</u>	<u>31,233,037</u>	<u>(1,652,772)</u>
Public works	1,213,972	1,214,006	1,458,683	(244,677)
Parks and recreation services	6,437,136	6,336,095	6,855,090	(518,995)
Fire	26,431,092	26,620,800	29,813,575	(3,192,775)
Police	41,816,289	39,966,305	42,822,725	(2,856,420)
Housing and neighborhood programs	3,826,517	3,582,462	3,802,909	(220,447)
Vacancy savings	(4,332,794)	(56,457)	-	(56,457)
<b>Total expenditures</b>	<u>105,524,535</u>	<u>107,243,476</u>	<u>115,986,019</u>	<u>(8,742,543)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>6,551,546</u>	<u>6,060,518</u>	<u>5,436,451</u>	<u>(624,067)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	1,318,372	1,318,372	1,335,636	17,264
Transfers Out	(7,869,918)	(7,550,794)	(4,016,418)	3,534,376
<b>Total other financing sources (uses)</b>	<u>(6,551,546)</u>	<u>(6,232,422)</u>	<u>(2,680,782)</u>	<u>3,551,640</u>
<b>Net Change in Fund Balances</b>	<u>0</u>	<u>(171,904)</u>	<u>2,755,669</u>	<u>2,927,573</u>
<b>Fund Balances, Beginning of Year, As Previously Reported</b>	15,371,722	15,371,722	15,371,722	0
<b>Change in Accounting Principle</b>	-	-	4,634,826	4,634,826
<b>Fund Balance, Beginning of Year, As Restated</b>	<u>15,371,722</u>	<u>15,371,722</u>	<u>20,006,548</u>	<u>4,634,826</u>
<b>Fund Balances, End of Year</b>	<u>\$ 15,371,722</u>	<u>\$ 15,199,818</u>	<u>\$ 22,762,217</u>	<u>\$ 7,562,399</u>

**City of Little Rock, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2005**

**Notes to Required Supplementary Information**

***Budgets and Budgetary Accounting***

An annual operating budget is prepared for the general fund by the City Manager. The budget reflects revenues expected to be received during the year and expenditures expected to be incurred. The City Manager is required by city and state law to submit these Required Supplementary Information budgets to the Board of Directors for approval. The Board of Directors subsequently adopts this budget by city ordinance by December 31. Departmental expenditures relating to budget items may not exceed their appropriated amounts without approval. As specified in the budget ordinance, the City Manager has authority to approve budget transfers between departments up to \$50,000. Transfers over this amount must receive Board of Directors' approval. The original budget of the General Fund was amended during 2005.

Appropriations for special projects are made each year by the Board of Directors to finance specific events and capital outlays. These projects are carried forward each year until they are fully expended or repealed by Board of Directors' ordinance.

The City prepares its annual operating budget on a basis consistent with accounting principles generally accepted in the United States of America ("GAAP"). Appropriations lapse at the end of each year. The *Budgetary Comparison Schedule – General Fund* presents the original and revised budget amounts in comparison to the actual amounts of revenues and expenditures for the current year.

**City of Little Rock, Arkansas**  
**Defined Benefit Pension Plans – Required Supplementary Information**  
**Schedule of Employer Contributions**  
**Year Ended December 31, 2005**

	<b>Year Ended December 31</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
Policemen's Pension and Relief Fund	2000	\$ 6,235,069	66%
	2001	6,235,069	61%
	2002	12,152,301	35%
	2003	12,179,357	48%
	2004	12,390,853	62%
	2005	12,390,853	34%
Firemen's Pension and Relief Fund	2000	\$ 2,898,636	133%
	2001	1,906,925	173%
	2002	5,129,504	63%
	2003	5,129,504	86%
	2004	5,161,220	79%
	2005	5,161,220	79%
Nonuniformed Employees' Defined Benefit Pension Plan	2000	\$ 71,561	320%
	2001	111,822	100%
	2002	480,172	100%
	2003	1,461,740	33%
	2004	598,970	145%
	2005	637,219	94%
Local Police and Fire Retirement System – Policemen	2000	\$ 1,969,427	100%
	2001	1,923,744	100%
	2002	1,119,450	100%
	2003	1,126,749	100%
	2004	1,558,722	100%
	2005	2,511,092	100%
Local Police and Fire Retirement System – Firemen	2000	\$ 1,043,673	100%
	2001	1,105,645	100%
	2002	720,771	100%
	2003	707,630	100%
	2004	1,326,107	100%
	2005	2,174,645	100%

**City of Little Rock, Arkansas**  
**Defined Benefit Pension Plans - Required Supplementary Information**  
**Schedules of Funding Progress**  
**Year Ended December 31, 2005**

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)	Excess As A Percentage Of Covered Payroll ((a-b)/c)
Policemen's Pension and Relief Fund	12/31/97	\$ 47,864,469	\$ 88,707,782	\$ 40,843,313	54%	\$ 2,785,634	1466%	
	12/31/99	76,251,437	106,616,118	30,364,681	72%	1,629,510	1863%	
	12/31/01	59,371,210	115,944,481	56,573,271	51%	769,767	7349%	
	12/31/03	61,704,750	119,454,990	57,750,240	52%	150,796	38297%	
	12/31/04	59,958,266	119,335,328	59,377,062	50%	-	N/A	
Firemen's Pension and Relief Fund	12/31/97	70,610,935	83,574,653	12,963,718	84%	4,973,319	261%	
	12/31/99	85,047,916	99,683,234	14,635,318	85%	4,050,671	361%	
	12/31/01	81,627,419	105,512,670	23,885,251	77%	3,162,756	755%	
	12/31/03	84,772,761	106,719,410	21,946,649	79%	2,363,860	928%	
	12/31/04	84,064,932	117,809,010	33,744,078	71%	278,939	12097%	
Local Police and Fire Retirement System - Policemen	12/31/99	34,235,652	26,162,580	(8,073,072)	131%	16,017,081		50%
	12/31/00	41,613,848	32,267,068	(9,346,780)	129%	16,757,492		56%
	12/31/01	48,189,393	29,006,614	(19,182,779)	166%	17,917,697		107%
	12/31/02	52,180,728	41,432,227	(10,748,501)	126%	18,888,048		57%
	12/31/03	56,488,789	48,538,609	(7,950,180)	116%	18,981,150		42%
	12/31/04	58,678,303	60,913,436	2,235,133	96%	20,415,382		-11%
Local Police and Fire Retirement System - Firemen	12/31/99	22,889,569	16,802,398	(6,087,171)	136%	8,727,677		70%
	12/31/00	27,907,741	20,469,076	(7,438,665)	136%	9,773,607		76%
	12/31/01	31,990,397	19,932,620	(12,057,777)	160%	11,137,425		108%
	12/31/02	34,862,469	26,909,531	(7,952,938)	130%	12,055,371		66%
	12/31/03	38,223,188	35,328,198	(2,894,990)	108%	13,368,014		22%
	12/31/04	40,512,700	47,400,387	6,887,687	85%	13,368,014		-52%

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

**City of Little Rock, Arkansas**  
**Combining Balance Sheets**  
**Governmental Funds - Nonmajor**  
**December 31, 2005**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 2,256,153	\$ 2,768,994	\$ 5,724,813	\$ 10,749,960
Investments	7,882,936	1,485,687	18,529,469	27,898,092
Accounts receivable	7,053,549	2,723,667	7,799	9,785,015
Interest receivable	31,162	6,174	131,202	168,538
Inventories	943,135	-	-	943,135
Prepaid expenditures and other	<u>16,210</u>	<u>-</u>	<u>712,876</u>	<u>729,086</u>
Total assets	<u>\$ 18,183,145</u>	<u>\$ 6,984,522</u>	<u>\$ 25,106,159</u>	<u>\$ 50,273,826</u>
 <b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 909,230	\$ -	\$ 485,304	\$ 1,394,534
Due to other funds	424,574	-	72,945	497,519
Accrued wages payable and related liabilities	135,169	-	-	135,169
Deferred revenue	<u>5,879,790</u>	<u>2,573,117</u>	<u>-</u>	<u>8,452,907</u>
Total liabilities	<u>7,348,763</u>	<u>2,573,117</u>	<u>558,249</u>	<u>10,480,129</u>
 <b>Fund Balances</b>				
Reserved	5,004,358	4,411,405	24,547,910	33,963,673
Unreserved	<u>5,830,024</u>	<u>-</u>	<u>-</u>	<u>5,830,024</u>
Total fund balances	<u>10,834,382</u>	<u>4,411,405</u>	<u>24,547,910</u>	<u>39,793,697</u>
Total liabilities and fund balances	<u>\$ 18,183,145</u>	<u>\$ 6,984,522</u>	<u>\$ 25,106,159</u>	<u>\$ 50,273,826</u>

**City of Little Rock, Arkansas**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds - Nonmajor**  
**Year Ended December 31, 2005**

	Special Revenue	Debt Service	Capital Projects	Total
<b>Revenues</b>				
General property taxes	\$ 3,786,319	\$ 2,611,072	\$ -	\$ 6,397,391
Intergovernmental	18,358,674	-	-	18,358,674
Charges for services	186,204	-	-	186,204
Fines and fees	2,163,358	-	-	2,163,358
Utility franchise taxes	-	1,711,155	-	1,711,155
Investment income and unrealized gains	154,796	88,851	753,796	997,443
Contributions and donations	427,942	-	-	427,942
Other	2,599,610	541	-	2,600,151
	<u>27,676,903</u>	<u>4,411,619</u>	<u>753,796</u>	<u>32,842,318</u>
<b>Expenditures</b>				
General government				
General administration	19,443	-	-	19,443
City manager	552,128	-	-	552,128
Community programs	61,451	-	-	61,451
District court - first division (criminal)	7,330	-	-	7,330
District court - second division (traffic)	8,493	-	-	8,493
Finance	143,246	-	130,336	273,582
Human resource	259,633	-	16,108	275,741
Information technology	-	-	407,681	407,681
Planning and development	15,279	-	335,269	350,548
	<u>1,067,003</u>	<u>0</u>	<u>889,394</u>	<u>1,956,397</u>
Public works				
Public works	14,240,974	-	2,163,511	16,404,485
Parks and recreation services	2,088,645	-	1,057,485	3,146,130
Fire	2,497,571	-	191,839	2,689,410
Police	2,491,200	-	1,198,082	3,689,282
Fleet	-	-	442,650	442,650
Economic development	421,615	-	-	421,615
Education	46,238	-	2,293,909	2,340,147
Housing and neighborhood programs	3,737,688	-	245,162	3,982,850
Debt service				
Principal	-	1,215,000	-	1,215,000
Interest	-	1,614,640	-	1,614,640
Bond costs	-	24,563	-	24,563
	<u>26,590,934</u>	<u>2,854,203</u>	<u>8,482,032</u>	<u>37,927,169</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>1,085,969</u>	<u>1,557,416</u>	<u>(7,728,236)</u>	<u>(5,084,851)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from issuance of long-term debt	-	-	5,205,000	5,205,000
Transfers in	1,583,265	-	105,431	1,688,696
Transfers out	(866,494)	-	-	(866,494)
	<u>716,771</u>	<u>0</u>	<u>5,310,431</u>	<u>6,027,202</u>
<b>Net Change in Fund Balances</b>	<u>1,802,740</u>	<u>1,557,416</u>	<u>(2,417,805)</u>	<u>942,351</u>
<b>Fund Balances, Beginning of Year, As Previously Reported</b>	8,633,115	2,853,989	26,965,715	38,452,819
Change in Accounting Principle	398,527	-	-	398,527
<b>Fund Balances, Beginning of Year, As Restated</b>	<u>9,031,642</u>	<u>2,853,989</u>	<u>26,965,715</u>	<u>38,851,346</u>
<b>Fund Balances, End of Year</b>	<u>\$ 10,834,382</u>	<u>\$ 4,411,405</u>	<u>\$ 24,547,910</u>	<u>\$ 39,793,697</u>

**City of Little Rock, Arkansas**  
**Combining Balance Sheets**  
**Special Revenue Funds - Nonmajor**  
**December 31, 2005**

	Street	Special Projects	Economic Development	Infrastructure	Emergency 911	CDBG	NHSP	HIPP	Grant	Total
<b>Assets</b>										
Cash and cash equivalents	\$ 248,245	\$ 258,679	\$ 18,953	\$ 203,827	\$ 170,127	\$ 94,251	\$ 817,702	\$ 294,694	\$ 149,675	\$ 2,256,153
Investments	1,862,513	1,943,628	142,405	1,531,496	1,278,283	-	-	-	1,124,611	7,882,936
Accounts receivable	5,420,146	-	-	-	160,000	46,606	-	365,108	1,061,689	7,053,549
Interest receivable	8,078	5,858	664	8,144	5,723	-	-	-	2,695	31,162
Inventories	-	-	-	-	-	276,499	-	666,636	-	943,135
Prepaid expenditures and other	-	16,210	-	-	-	-	-	-	-	16,210
<b>Total assets</b>	<b>\$ 7,538,982</b>	<b>\$ 2,224,375</b>	<b>\$ 162,022</b>	<b>\$ 1,743,467</b>	<b>\$ 1,614,133</b>	<b>\$ 417,356</b>	<b>\$ 817,702</b>	<b>\$ 1,326,438</b>	<b>\$ 2,338,670</b>	<b>\$ 18,183,145</b>
<b>Liabilities and Fund Balances</b>										
<b>Liabilities</b>										
Accounts payable	\$ 394,071	\$ 45,588	\$ -	\$ -	\$ 73,369	\$ 30,350	\$ 9,077	\$ 5,446	\$ 351,329	\$ 909,230
Due to other funds	-	-	-	-	-	46,606	12,860	365,108	-	424,574
Accrued wages payable and related liabilities	114,222	7,034	-	-	-	8,384	-	1,852	3,677	135,169
Deferred revenue	3,733,062	-	-	-	160,000	-	-	-	1,986,728	5,879,790
<b>Total liabilities</b>	<b>4,241,355</b>	<b>52,622</b>	<b>0</b>	<b>0</b>	<b>233,369</b>	<b>85,340</b>	<b>21,937</b>	<b>372,406</b>	<b>2,341,734</b>	<b>7,348,763</b>
<b>Fund Balances</b>										
<b>Reserved</b>										
Developer contribution account	-	1,010,596	-	-	-	-	-	-	-	1,010,596
Stormwater retention	-	244,547	-	-	-	-	-	-	-	244,547
Court automation	-	135,793	-	-	-	-	-	-	-	135,793
911 fees	-	-	-	-	1,380,764	-	-	-	-	1,380,764
Special projects - ADA	153,909	-	-	-	-	-	-	-	-	153,909
Grant funds	-	-	-	-	-	332,016	795,765	954,032	(3,064)	2,078,749
<b>Total reserved</b>	<b>153,909</b>	<b>1,390,936</b>	<b>0</b>	<b>0</b>	<b>1,380,764</b>	<b>332,016</b>	<b>795,765</b>	<b>954,032</b>	<b>(3,064)</b>	<b>5,004,358</b>
<b>Unreserved</b>	<b>3,143,718</b>	<b>780,817</b>	<b>162,022</b>	<b>1,743,467</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,830,024</b>
<b>Total fund balances</b>	<b>3,297,627</b>	<b>2,171,753</b>	<b>162,022</b>	<b>1,743,467</b>	<b>1,380,764</b>	<b>332,016</b>	<b>795,765</b>	<b>954,032</b>	<b>(3,064)</b>	<b>10,834,382</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,538,982</b>	<b>\$ 2,224,375</b>	<b>\$ 162,022</b>	<b>\$ 1,743,467</b>	<b>\$ 1,614,133</b>	<b>\$ 417,356</b>	<b>\$ 817,702</b>	<b>\$ 1,326,438</b>	<b>\$ 2,338,670</b>	<b>\$ 18,183,145</b>

**City of Little Rock, Arkansas**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Special Revenue Funds - Nonmajor**  
**Year Ended December 31, 2005**

	Street	Special Projects	Economic Development	Infrastructure	Emergency 911	CDBG	NHSP	HIPP	Grant	Total
<b>Revenues</b>										
General property taxes	\$ 3,786,319	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,786,319
Intergovernmental	9,128,786	456,548	-	-	-	1,680,876	-	1,084,424	6,008,040	18,358,674
Charges for services	46,968	139,236	-	-	-	-	-	-	-	186,204
Fines and fees	-	326,602	-	-	1,836,756	-	-	-	-	2,163,358
Investment income and unrealized gains	45,161	26,694	3,785	50,121	29,035	-	-	-	-	154,796
Contribution and donations	-	427,942	-	-	-	-	-	-	-	427,942
Miscellaneous	169,547	1,162,815	42,476	-	-	213,631	304,914	457,235	248,992	2,599,610
<b>Total revenues</b>	<b>13,176,781</b>	<b>2,539,837</b>	<b>46,261</b>	<b>50,121</b>	<b>1,865,791</b>	<b>1,894,507</b>	<b>304,914</b>	<b>1,541,659</b>	<b>6,257,032</b>	<b>27,676,903</b>
<b>Expenditures</b>										
General government										
General administration	-	19,443	-	-	-	-	-	-	-	19,443
City manager	-	270,206	-	-	-	-	-	-	281,922	552,128
Community programs	-	-	-	-	-	-	-	-	61,451	61,451
District court - first division (criminal)	-	7,330	-	-	-	-	-	-	-	7,330
District court - second division (traffic)	-	8,493	-	-	-	-	-	-	-	8,493
Finance	-	143,246	-	-	-	-	-	-	-	143,246
Human resource	-	259,633	-	-	-	-	-	-	-	259,633
Planning and development	-	15,279	-	-	-	-	-	-	-	15,279
<b>Total general government</b>	<b>0</b>	<b>723,630</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>343,373</b>	<b>1,067,003</b>
Public works	#####	200,136	-	108,222	-	-	-	-	871,683	14,240,974
Parks and recreation services	67,430	452,130	-	-	-	-	-	-	1,569,085	2,088,645
Fire	-	215,697	-	-	-	-	-	-	2,281,874	2,497,571
Police	-	358,726	-	-	1,502,224	-	-	-	630,250	2,491,200
Economic development	-	-	-	-	-	-	-	-	421,615	421,615
Education	-	46,238	-	-	-	-	-	-	-	46,238
Housing and neighborhood programs	-	132,547	-	-	-	1,798,452	293,355	1,513,334	-	3,737,688
<b>Total expenditures</b>	<b>13,128,363</b>	<b>2,129,104</b>	<b>0</b>	<b>108,222</b>	<b>1,502,224</b>	<b>1,798,452</b>	<b>293,355</b>	<b>1,513,334</b>	<b>6,117,880</b>	<b>26,590,934</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>48,418</b>	<b>410,733</b>	<b>46,261</b>	<b>(58,101)</b>	<b>363,567</b>	<b>96,055</b>	<b>11,559</b>	<b>28,325</b>	<b>139,152</b>	<b>1,085,969</b>
<b>Other Financing Sources (Uses)</b>										
Transfers in	1,042,200	541,065	-	-	-	-	-	-	-	1,583,265
Transfers out	(570,733)	(191,135)	-	-	-	-	-	-	(104,626)	(866,494)
<b>Total other financing sources (uses)</b>	<b>471,467</b>	<b>349,930</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(104,626)</b>	<b>716,771</b>
<b>Net Change in Fund Balances</b>	<b>519,885</b>	<b>760,663</b>	<b>46,261</b>	<b>(58,101)</b>	<b>363,567</b>	<b>96,055</b>	<b>11,559</b>	<b>28,325</b>	<b>34,526</b>	<b>1,802,740</b>
<b>Fund Balances, Beginning of Year, As Previously Reported</b>	<b>2,383,805</b>	<b>1,406,500</b>	<b>115,761</b>	<b>1,801,568</b>	<b>1,017,197</b>	<b>235,961</b>	<b>784,206</b>	<b>925,707</b>	<b>(37,590)</b>	<b>8,633,115</b>
Change in accounting principle	393,937	4,590	-	-	-	-	-	-	-	398,527
<b>Fund Balances, Beginning of Year, As Restated</b>	<b>2,777,742</b>	<b>1,411,090</b>	<b>115,761</b>	<b>1,801,568</b>	<b>1,017,197</b>	<b>235,961</b>	<b>784,206</b>	<b>925,707</b>	<b>(37,590)</b>	<b>9,031,642</b>
<b>Fund Balances, End of Year</b>	<b>\$ 3,297,627</b>	<b>\$ 2,171,753</b>	<b>\$ 162,022</b>	<b>\$ 1,743,467</b>	<b>\$ 1,380,764</b>	<b>\$ 332,016</b>	<b>\$ 795,765</b>	<b>\$ 954,032</b>	<b>\$ (3,064)</b>	<b>\$ 10,834,382</b>

**City of Little Rock, Arkansas**  
**Combining Balance Sheets**  
**Debt Service Funds - Nonmajor**  
**December 31, 2005**

	1998 Street and Drainage	1999 Central Arkansas Library	Junior Lien	2004 Central Arkansas Library	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 41,379	\$ -	\$ 289	\$ 2,727,326	\$ 2,768,994
Investments	1,481,730	-	2,176	1,781	1,485,687
Accounts receivable	-	-	-	2,723,667	2,723,667
Interest receivable	5,588	-	586	-	6,174
Total assets	\$ 1,528,697	\$ 0	\$ 3,051	\$ 5,452,774	\$ 6,984,522
 <b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Deferred revenue	\$ -	\$ -	\$ -	\$ 2,573,117	\$ 2,573,117
Total liabilities	0	-	0	2,573,117	2,573,117
 <b>Fund Balances</b>					
Reserved	1,528,697	-	3,051	2,879,657	4,411,405
Total fund balances	1,528,697	-	3,051	2,879,657	4,411,405
Total liabilities and fund balances	\$ 1,528,697	\$ 0	\$ 3,051	\$ 5,452,774	\$ 6,984,522

**City of Little Rock, Arkansas**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Debt Service Funds - Nonmajor**  
**Year Ended December 31, 2005**

	1998 Street and Drainage	1999 Central Arkansas Library	Junior Lien	2004 Central Arkansas Library	Total
<b>Revenues</b>					
General property taxes	\$ -	\$ -	\$ -	\$ 2,611,072	\$ 2,611,072
Utility franchise taxes	1,428,680	-	282,475	-	1,711,155
Investment income and unrealized gains	47,953	-	4,641	36,257	88,851
Other	-	-	-	541	541
<b>Total revenues</b>	<u>1,476,633</u>	<u>-</u>	<u>287,116</u>	<u>2,647,870</u>	<u>4,411,619</u>
<b>Expenditures</b>					
Debt Service					
Principal	750,000	-	185,000	280,000	1,215,000
Interest	743,988	-	135,398	735,254	1,614,640
Bond costs and other	1,823	-	1,750	20,990	24,563
<b>Total expenditures</b>	<u>1,495,811</u>	<u>-</u>	<u>322,148</u>	<u>1,036,244</u>	<u>2,854,203</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(19,178)</u>	<u>-</u>	<u>(35,032)</u>	<u>1,611,626</u>	<u>1,557,416</u>
<b>Other Financing Sources (Uses)</b>					
Transfers	-	(238,748)	-	238,748	0
<b>Total other financing sources (uses)</b>	<u>0</u>	<u>(238,748)</u>	<u>0</u>	<u>238,748</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	(19,178)	(238,748)	(35,032)	1,850,374	1,557,416
<b>Fund Balance, Beginning of Year</b>	<u>1,547,875</u>	<u>238,748</u>	<u>38,083</u>	<u>1,029,283</u>	<u>2,853,989</u>
<b>Fund Balance, End of Year</b>	<u>\$ 1,528,697</u>	<u>\$ 0</u>	<u>\$ 3,051</u>	<u>\$ 2,879,657</u>	<u>\$ 4,411,405</u>

**City of Little Rock, Arkansas**  
**Combining Balance Sheets**  
**Capital Project Funds - Nonmajor**  
**December 31, 2005**

	1998 Capital Improvements	1995 Capital Improvements	1988 Capital Improvements	Central Arkansas Library	Short-Term Financing 2003	Short-Term Financing 2004	Short-Term Financing 2005	Short-Term Financing 2006	2004 Central Arkansas Library Capital Improvements	Total
<b>Assets</b>										
Cash and cash equivalents	\$ 2,920,137	\$ 45,686	\$ 231,047	\$ 475,561	\$ -	\$ 27,298	\$ 352,749	\$ -	\$ 1,672,335	\$ 5,724,813
Investments	1,694,560	343,271	1,235,970	-	-	205,112	2,650,446	-	12,400,110	18,529,469
Accounts receivable	-	2,191	5,608	-	-	-	-	-	-	7,799
Interest receivable	9,973	2,154	8,235	-	-	3,368	16,743	-	90,729	131,202
Prepaid expenditures	-	-	-	-	-	712,876	-	-	-	712,876
Total assets	<u>\$ 4,624,670</u>	<u>\$ 393,302</u>	<u>\$ 1,480,860</u>	<u>\$ 475,561</u>	<u>\$ 0</u>	<u>\$ 948,654</u>	<u>\$ 3,019,938</u>	<u>\$ 0</u>	<u>\$ 14,163,174</u>	<u>\$ 25,106,159</u>
<b>Liabilities and Fund Balances</b>										
<b>Liabilities</b>										
Accounts payable	\$ 8,644	\$ -	\$ 16,680	\$ -	\$ -	\$ -	\$ 432,529	\$ 27,451	\$ -	\$ 485,304
Due to other funds	-	-	-	-	-	-	-	72,945	-	72,945
Total liabilities	<u>8,644</u>	<u>0</u>	<u>16,680</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>432,529</u>	<u>100,396</u>	<u>0</u>	<u>558,249</u>
<b>Fund Balances</b>										
Reserved	<u>4,616,026</u>	<u>393,302</u>	<u>1,464,180</u>	<u>475,561</u>	<u>-</u>	<u>948,654</u>	<u>2,587,409</u>	<u>(100,396)</u>	<u>14,163,174</u>	<u>24,547,910</u>
Total fund balances	<u>4,616,026</u>	<u>393,302</u>	<u>1,464,180</u>	<u>475,561</u>	<u>0</u>	<u>948,654</u>	<u>2,587,409</u>	<u>(100,396)</u>	<u>14,163,174</u>	<u>24,547,910</u>
Total liabilities and fund balances	<u>\$ 4,624,670</u>	<u>\$ 393,302</u>	<u>\$ 1,480,860</u>	<u>\$ 475,561</u>	<u>\$ 0</u>	<u>\$ 948,654</u>	<u>\$ 3,019,938</u>	<u>\$ 0</u>	<u>\$ 14,163,174</u>	<u>\$ 25,106,159</u>

**City of Little Rock, Arkansas**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Capital Projects Funds - Nonmajor**  
**Year Ended December 31, 2005**

	1998 Capital Improvements	1995 Capital Improvements	1988 Capital Improvements	Central Arkansas Library	Short-Term Financing 2003	Short-Term Financing 2004	Short-Term Financing 2005	Short-Term Financing 2006	2004 Central Arkansas Library Capital Improvements	Total
<b>Revenues</b>										
Investment income and unrealized gains	\$ 137,867	\$ 15,058	\$ 60,606	\$ 31,100	\$ -	\$ 55,538	\$ 66,286	\$ -	\$ 387,341	\$ 753,796
Total revenues	137,867	15,058	60,606	31,100	0	55,538	66,286		387,341	753,796
<b>Expenditures</b>										
General government										
Finance	9,339	-	-	-	-	7,937	12,664	100,396	-	130,336
Human resource	-	-	-	-	-	1,264	14,844	-	-	16,108
Information technology	-	-	-	-	-	109,161	298,520	-	-	407,681
Planning and development	-	-	-	-	-	19,832	315,437	-	-	335,269
Total general government	9,339	0	0	0	0	138,194	641,465	100,396	0	889,394
Public works										
Parks and recreation services	396,298	1,495	915,272	-	-	518,827	331,619	-	-	2,163,511
Fire	-	110,394	-	-	-	150,821	796,270	-	-	1,057,485
Police	-	75,839	-	-	-	101,000	15,000	-	-	191,839
Fleet	-	-	-	-	-	570,112	627,970	-	-	1,198,082
Education	-	-	-	1,467,581	-	209,095	233,555	-	-	442,650
Housing and neighborhood programs	-	-	-	-	-	-	-	-	826,328	2,293,909
Total expenditures	405,637	187,728	915,272	1,467,581	0	1,895,213	2,683,877	100,396	826,328	8,482,032
<b>Deficiency of Revenues Over Expenditures</b>	<b>(267,770)</b>	<b>(172,670)</b>	<b>(854,666)</b>	<b>(1,436,481)</b>	<b>0</b>	<b>(1,839,675)</b>	<b>(2,617,591)</b>	<b>(100,396)</b>	<b>(438,987)</b>	<b>(7,728,236)</b>
<b>Other Financing Sources (Uses)</b>										
Proceeds from issuance of long-term debt	-	-	-	-	-	-	5,205,000	-	-	5,205,000
Transfers	104,626	-	-	-	805	-	-	-	-	105,431
Total other financing sources (uses)	104,626	0	0	0	805	0	5,205,000	0	0	5,310,431
<b>Net Change in Fund Balances</b>	<b>(163,144)</b>	<b>(172,670)</b>	<b>(854,666)</b>	<b>(1,436,481)</b>	<b>805</b>	<b>(1,839,675)</b>	<b>2,587,409</b>	<b>(100,396)</b>	<b>(438,987)</b>	<b>(2,417,805)</b>
<b>Fund Balance, Beginning of Year</b>	<b>4,779,170</b>	<b>565,972</b>	<b>2,318,846</b>	<b>1,912,042</b>	<b>(805)</b>	<b>2,788,329</b>	<b>0</b>	<b>0</b>	<b>14,602,161</b>	<b>26,965,715</b>
<b>Fund Balance, End of Year</b>	<b>\$ 4,616,026</b>	<b>\$ 393,302</b>	<b>\$ 1,464,180</b>	<b>\$ 475,561</b>	<b>\$ 0</b>	<b>\$ 948,654</b>	<b>\$ 2,587,409</b>	<b>\$ (100,396)</b>	<b>\$ 14,163,174</b>	<b>\$ 24,547,910</b>

**City of Little Rock, Arkansas**  
**Schedule of Budgetary Comparison**  
**Street Fund**  
**Year Ended December 31, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 3,678,000	\$ 3,678,000	\$ 3,786,319	\$ 108,319
Intergovernmental	8,982,325	8,982,325	9,128,786	146,461
Charges for services		-	46,968	46,968
Investment income	39,589	39,589	45,161	5,572
Miscellaneous	35,000	97,790	169,547	71,757
	<u>12,734,914</u>	<u>12,797,704</u>	<u>13,176,781</u>	<u>379,077</u>
Total revenues				
Expenditures				
Parks and Recreation services	-	-	67,430	(67,430)
Public works	14,061,362	14,320,145	13,060,933	1,259,212
	<u>14,061,362</u>	<u>14,320,145</u>	<u>13,128,363</u>	<u>1,191,782</u>
Total expenditures				
Deficiency of Revenues Over Expenditures	<u>(1,326,448)</u>	<u>(1,522,441)</u>	<u>48,418</u>	<u>1,570,859</u>
Other Financing Sources (Uses)				
Transfers In	1,044,340	1,044,340	1,042,200	(2,140)
Transfers Out	(461,563)	(570,736)	(570,733)	3
	<u>582,777</u>	<u>473,604</u>	<u>471,467</u>	<u>(2,137)</u>
Total other financing sources				
Net Change in Fund Balances	<u>(743,671)</u>	<u>(1,048,837)</u>	<u>519,885</u>	<u>1,568,722</u>
Fund Balances, Beginning of Year, As Previously Reported	2,383,805	2,383,805	2,383,805	0
Change in Accounting Principle	-	-	393,937	393,937
Fund Balance, Beginning of Year, As Restated	<u>2,383,805</u>	<u>2,383,805</u>	<u>2,777,742</u>	<u>393,937</u>
Fund Balances, End of Year	<u>\$ 1,640,134</u>	<u>\$ 1,334,968</u>	<u>\$ 3,297,627</u>	<u>\$ 1,962,659</u>

**City of Little Rock, Arkansas**  
**Combining Statement of Fund Net Assets**  
**Enterprise Funds - Nonmajor**  
**December 31, 2005**

	Riverfront Park	Zoo	Vehicle Storage	Golf Courses	Fitness Center	Concessions Services	Total
<b>Assets</b>							
<b>Current assets</b>							
Cash and cash equivalents	\$ 100	\$ 70,647	\$ 6,225	\$ 1,624	\$ 37,755	\$ 850	\$ 117,201
Investments	-	488,682	44,523	-	283,342	-	816,547
Accrued interest	-	2,691	-	78	1,153	-	3,922
Inventories	-	64,206	-	-	-	-	64,206
	<u>100</u>	<u>626,226</u>	<u>50,748</u>	<u>1,702</u>	<u>322,250</u>	<u>850</u>	<u>1,001,876</u>
Total current assets							
<b>Noncurrent assets</b>							
Capital assets							
Land and land improvements	2,339,530	1,259,387	-	2,803,940	-	-	6,402,857
Buildings and improvements	3,399,536	2,937,410	37,119	366,341	2,866,210	-	9,606,616
Vehicles	-	372,940	81,378	791,351	31,193	17,133	1,293,995
Furniture and equipment	49,061	131,698	-	340,416	524,634	6,498	1,052,307
	<u>5,788,127</u>	<u>4,701,435</u>	<u>118,497</u>	<u>4,302,048</u>	<u>3,422,037</u>	<u>23,631</u>	<u>18,355,775</u>
Less accumulated depreciation	<u>658,635</u>	<u>891,739</u>	<u>62,738</u>	<u>902,806</u>	<u>758,870</u>	<u>21,268</u>	<u>3,296,056</u>
Net capital assets	<u>5,129,492</u>	<u>3,809,696</u>	<u>55,759</u>	<u>3,399,242</u>	<u>2,663,167</u>	<u>2,363</u>	<u>15,059,719</u>
Total assets	<u>\$ 5,129,592</u>	<u>\$ 4,435,922</u>	<u>\$ 106,507</u>	<u>\$ 3,400,944</u>	<u>\$ 2,985,417</u>	<u>\$ 3,213</u>	<u>\$ 16,061,595</u>

	Riverfront Park	Zoo	Vehicle Storage	Golf Courses	Fitness Center	Concessions Services	Total
<b>Liabilities and Net Assets</b>							
<b>Current liabilities</b>							
Accounts payable	\$ 34,431	\$ 98,166	\$ 54,302	\$ 51,765	\$ 22,841	\$ 1,457	\$ 262,962
Due to other funds	752,760	1,602,699	-	2,722,416	-	311,209	5,389,084
Accrued wages payable and related liabilities	6,004	33,156	10,766	18,987	-	683	69,596
Accrued expenses and other	20,509	137,211	29,810	74,660	33,654	5,284	301,128
Capital lease obligation - current portion	-	-	-	96,941	-	-	96,941
Total current liabilities	<u>813,704</u>	<u>1,871,232</u>	<u>94,878</u>	<u>2,964,769</u>	<u>56,495</u>	<u>318,633</u>	<u>6,119,711</u>
<b>Noncurrent liabilities</b>							
Compensated absences	<u>4,078</u>	<u>105,254</u>	<u>12,837</u>	<u>67,609</u>	<u>59,099</u>	<u>1,779</u>	<u>250,656</u>
Total liabilities	<u>817,782</u>	<u>1,976,486</u>	<u>107,715</u>	<u>3,032,378</u>	<u>115,594</u>	<u>320,412</u>	<u>6,370,367</u>
<b>Net assets</b>							
Invested in capital assets, net of related debt	5,129,492	3,809,696	55,759	3,399,242	2,663,167	2,363	15,059,719
Restricted	-	91,800	-	-	-	-	91,800
Unrestricted	<u>(817,682)</u>	<u>(1,442,060)</u>	<u>(56,967)</u>	<u>(3,030,676)</u>	<u>206,656</u>	<u>(319,562)</u>	<u>(5,460,291)</u>
Total net assets	<u>4,311,810</u>	<u>2,459,436</u>	<u>(1,208)</u>	<u>368,566</u>	<u>2,869,823</u>	<u>(317,199)</u>	<u>9,691,228</u>
Total liabilities and net assets	<u>\$ 5,129,592</u>	<u>\$ 4,435,922</u>	<u>\$ 106,507</u>	<u>\$ 3,400,944</u>	<u>\$ 2,985,417</u>	<u>\$ 3,213</u>	<u>\$ 16,061,595</u>

**City of Little Rock, Arkansas**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Enterprise Funds - Nonmajor**  
**Year Ended December 31, 2005**

	Riverfront Park	Zoo	Vehicle Storage	Golf Courses	Fitness Center	Concessions Services	Total
<b>Operating Revenues</b>							
Charges for goods and services	\$ 388,355	\$ 2,035,070	\$ 868,235	\$ 1,666,277	\$ 638,102	\$ 74,554	\$ 5,670,593
Miscellaneous	8,839	-	598,392	135,332	13,684	-	756,247
Total operating revenues	<u>397,194</u>	<u>2,035,070</u>	<u>1,466,627</u>	<u>1,801,609</u>	<u>651,786</u>	<u>74,554</u>	<u>6,426,840</u>
<b>Operating Expenses</b>							
Salaries, wages and employee benefits	326,806	2,014,545	572,022	1,245,206	532,508	49,603	4,740,690
Supplies and materials	49,689	537,125	32,487	137,655	41,275	44,723	842,954
Services	197,027	606,079	546,458	525,759	142,280	7,692	2,025,295
Repairs and maintenance	54,510	119,471	22,615	248,401	22,981	4,201	472,179
Other	323,237	176,689	22,583	37,562	5,011	2,471	567,553
Depreciation and amortization	85,569	135,571	7,852	97,843	136,414	-	463,249
Total operating expenses	<u>1,036,838</u>	<u>3,589,480</u>	<u>1,204,017</u>	<u>2,292,426</u>	<u>880,469</u>	<u>108,690</u>	<u>9,111,920</u>
<b>Operating Income (Loss)</b>	<u>(639,644)</u>	<u>(1,554,410)</u>	<u>262,610</u>	<u>(490,817)</u>	<u>(228,683)</u>	<u>(34,136)</u>	<u>(2,685,080)</u>
<b>Nonoperating Revenues (Expenses)</b>							
Interest income	-	15,353	-	-	3,984	-	19,337
Other	-	302,204	-	-	20,147	-	322,351
Net nonoperating revenues (expenses)	<u>0</u>	<u>317,557</u>	<u>0</u>	<u>0</u>	<u>24,131</u>	<u>0</u>	<u>341,688</u>
<b>Income (Loss) Before Transfers</b>	<u>(639,644)</u>	<u>(1,236,853)</u>	<u>262,610</u>	<u>(490,817)</u>	<u>(204,552)</u>	<u>(34,136)</u>	<u>(2,343,392)</u>
<b>Transfers In</b>	406,157	1,508,468	-	902,214	357,344	41,835	3,216,018
<b>Transfers Out</b>	<u>(96,941)</u>	<u>(458,945)</u>	<u>(263,134)</u>	<u>(619,235)</u>	<u>(165,777)</u>	<u>-</u>	<u>(1,604,032)</u>
	<u>309,216</u>	<u>1,049,523</u>	<u>(263,134)</u>	<u>282,979</u>	<u>191,567</u>	<u>41,835</u>	<u>1,611,986</u>
<b>Change in Net Assets</b>	(330,428)	(187,330)	(524)	(207,838)	(12,985)	7,699	(731,406)
<b>Net Assets, Beginning of Year</b>	<u>4,642,238</u>	<u>2,646,766</u>	<u>(684)</u>	<u>576,404</u>	<u>2,882,808</u>	<u>(324,898)</u>	<u>10,422,634</u>
<b>Net Assets, End of Year</b>	<u>\$ 4,311,810</u>	<u>\$ 2,459,436</u>	<u>\$ (1,208)</u>	<u>\$ 368,566</u>	<u>\$ 2,869,823</u>	<u>\$ (317,199)</u>	<u>\$ 9,691,228</u>

**City of Little Rock, Arkansas**  
**Combining Statement of Cash Flows**  
**Proprietary Funds - Nonmajor**  
**Year Ended December 31, 2005**

	Riverfront Park	Zoo	Vehicle Storage	Golf Courses	Fitness Center	Concession Services	Total
<b>Operating Activities</b>							
Receipts from customers	\$ 388,355	\$ 2,035,070	\$ 868,235	\$ 1,666,277	\$ 638,102	\$ 74,554	\$ 5,670,593
Other receipts	8,839	-	598,392	135,332	13,684	-	756,247
Payments to employees	(323,744)	(1,998,072)	(566,483)	(1,054,798)	(512,547)	(52,447)	(4,508,091)
Payments to suppliers	(61,693)	(549,191)	(32,487)	(137,655)	(41,275)	(49,578)	(871,879)
Payments to service providers	(197,027)	(180,863)	(558,056)	(606,679)	(132,322)	(7,692)	(1,682,639)
Other payments	(117,644)	(368,428)	(45,198)	(285,880)	(27,993)	(6,672)	(851,815)
Net cash provided by (used in) operating activities	(302,914)	(1,061,484)	264,403	(283,403)	(62,351)	(41,835)	(1,487,584)
<b>Noncapital Financing Activities</b>							
Transfers from other funds	406,157	1,508,468	-	902,214	357,344	41,835	3,216,018
Transfers to other funds	(96,941)	(458,945)	(263,134)	(619,235)	(165,777)	-	(1,604,032)
Net cash provided by (used in) noncapital financing activities	309,216	1,049,523	(263,134)	282,979	191,567	41,835	1,611,986
<b>Capital and Related Financing Activities</b>							
Purchase of capital assets	(6,302)	(29,233)	-	-	-	-	(35,535)
Proceeds from sale of capital assets	-	45,106	-	776	-	-	45,882
Net cash provided by (used in) capital and related financing activities	(6,302)	15,873	0	776	0	0	10,347
<b>Investing Activities</b>							
Proceeds from sale of investments	-	4,169,612	35,979	-	130,520	-	4,336,111
Purchase of investments	-	(4,166,211)	(35,307)	-	(240,087)	-	(4,441,605)
Interest income	-	15,354	-	(78)	2,832	-	18,108
Net cash provided by (used in) investing activities	0	18,755	672	(78)	(106,735)	0	(87,386)
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	0	22,667	1,941	274	22,481	0	47,363
<b>Cash and Cash Equivalents, Beginning of Year</b>	100	47,980	4,284	1,350	15,274	850	69,838
<b>Cash and Cash Equivalents, End of Year</b>	\$ 100	\$ 70,647	\$ 6,225	\$ 1,624	\$ 37,755	\$ 850	\$ 117,201
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities</b>							
Operating income (loss)	\$ (639,644)	\$ (1,554,410)	\$ 262,610	\$ (490,817)	\$ (228,683)	\$ (34,136)	\$ (2,685,080)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities							
Depreciation and amortization expense	85,569	135,571	7,852	97,843	136,414	-	463,249
(Gain) loss on disposal of assets	-	(4,492)	-	3,096	-	-	(1,396)
Changes in assets and liabilities							
Accounts Receivable	-	(902)	-	-	-	-	(902)
Due to/due from other funds, net	260,102	329,171	-	140,408	9,958	(4,460)	735,179
Inventories	-	(6,673)	-	-	-	-	(6,673)
Accounts payable	(12,004)	23,778	(11,598)	(83,933)	-	(4,855)	(88,612)
Accrued expenses	3,063	16,473	5,539	50,000	19,960	1,616	96,651
Net cash provided by (used in) operating activities	\$ (302,914)	\$ (1,061,484)	\$ 264,403	\$ (283,403)	\$ (62,351)	\$ (41,835)	\$ (1,487,584)
<b>Noncash Capital Activities</b>							
Capital assets acquired by donation	\$ -	\$ 268,507	\$ -	\$ -	\$ 20,146	\$ -	\$ -
Capital lease obligations incurred	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**City of Little Rock, Arkansas**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**Year Ended December 31, 2005**

	Employee Retirement Plans					Total
	Policemen's Pension and Relief Fund	Firemen's Pension and Relief Fund	Nonuniformed Employees' Defined Contribution Plan	Nonuniformed Employees' Defined Benefit Plan	401(a) Money Purchase And Trust Retirement Fund	
<b>Additions</b>						
Contributions						
Employer	\$ 196,389	\$ 257,251	\$ 2,326,159	\$ 598,970	\$ 696,567	\$ 4,075,336
Plan members	196,389	257,251	1,078,891	-	323,288	1,855,819
Property taxes contributed from general fund	2,783,972	2,783,972	-	-	-	5,567,944
State insurance turnback and guarantee fund	1,449,841	1,190,769	-	-	-	2,640,610
Other	400,576	-	(325,186)	325,186	-	400,576
<b>Total contributions</b>	<b>5,027,167</b>	<b>4,489,243</b>	<b>3,079,864</b>	<b>924,156</b>	<b>1,019,855</b>	<b>14,540,285</b>
Investment income						
Net increase in fair value of investments	2,438,425	927,490	484,919	172,522	138,645	4,162,001
Interest and dividends	1,199,280	2,662,750	1,650,005	497,292	101,283	6,110,610
	3,637,705	3,590,240	2,134,924	669,814	239,928	10,272,611
Less investment expense	28,818	204,772	63,459	13,313	-	310,362
<b>Net investment income</b>	<b>3,608,887</b>	<b>3,385,468</b>	<b>2,071,465</b>	<b>656,501</b>	<b>239,928</b>	<b>9,962,249</b>
<b>Total additions</b>	<b>8,636,054</b>	<b>7,874,711</b>	<b>5,151,329</b>	<b>1,580,657</b>	<b>1,259,783</b>	<b>24,502,534</b>
<b>Deductions</b>						
Benefits paid directly to participants	9,503,875	8,038,422	1,286,890	1,275,347	4,385	20,108,919
Administrative expenses	341,193	7,662	-	-	-	348,855
Other	36,353	-	-	-	-	36,353
<b>Total deductions</b>	<b>9,881,421</b>	<b>8,046,084</b>	<b>1,286,890</b>	<b>1,275,347</b>	<b>4,385</b>	<b>20,494,127</b>
<b>Change in Net Assets</b>	<b>(1,245,367)</b>	<b>(171,373)</b>	<b>3,864,439</b>	<b>305,310</b>	<b>1,255,398</b>	<b>4,008,407</b>
<b>Net Assets Held in Trust For Pension Benefits, Beginning of Year</b>	<b>63,828,423</b>	<b>86,974,591</b>	<b>29,006,710</b>	<b>9,207,211</b>	<b>2,978,277</b>	<b>191,995,212</b>
<b>Net Assets Held in Trust For Pension Benefits, End of Year</b>	<b>\$ 62,583,056</b>	<b>\$ 86,803,218</b>	<b>\$ 32,871,149</b>	<b>\$ 9,512,521</b>	<b>\$ 4,233,675</b>	<b>\$ 196,003,619</b>

**City of Little Rock, Arkansas**  
**Statement of Changes in Assets and Liabilities**  
**Agency Fund - Court Fund**  
**Year Ended December 31, 2005**

	<u>Balance</u> January 1, 2005	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> December 31, 2005
<b>Assets</b>				
Cash and cash equivalents	\$ 142,621	\$ 99,004	\$ -	\$ 241,625
Investments - mutual funds	<u>59,772</u>	<u>-</u>	<u>59,772</u>	<u>0</u>
	<u>\$ 202,393</u>	<u>\$ 99,004</u>	<u>\$ 59,772</u>	<u>\$ 241,625</u>
<b>Liabilities</b>				
Accrued liabilities	<u>\$ 202,393</u>	<u>\$ 39,232</u>	<u>\$ 0</u>	<u>\$ 241,625</u>

**City of Little Rock, Arkansas**  
**Combining Statement of Net Assets**  
**Discretely Presented Component Units - Nonmajor**  
**December 31, 2005**

	Oakland Fraternal Cemetery	Mt. Holly Cemetery	Advertising And Promotion Commission	Port Authority	Ambulance Authority	Central Arkansas Transit	Museum of Discovery	Arkansas Arts Center	Workforce Investment Board	Central Arkansas Library	Total
<b>Assets</b>											
<b>Current assets</b>											
Cash and cash equivalents	\$ 102,319	\$ 73,082	\$ 434,869	\$ 726,368	\$ 617,776	\$ 1,166,780	\$ 58,477	\$ 1,961,504	\$ 7,369	\$ 3,340,775	\$ 8,489,319
Investments	25,198	-	-	2,022,930	1,479,850	-	-	20,154,297	-	214,797	23,897,072
Restricted cash and investments - current	-	-	2,289,473	-	-	-	-	-	-	-	2,289,473
Accounts receivable, net of allowance for uncollectible accounts	28,970	-	212,496	117,982	3,035,450	31,559	86,349	483,844	-	21,793	4,018,443
Taxes receivable, net of allowance	-	-	743,945	-	-	-	-	-	-	10,412,205	11,156,150
Inventories	-	-	-	1,609	126,005	429,548	30,787	164,590	-	-	752,539
Prepaid expenses	-	-	182,266	30,355	156,726	224,676	-	-	69,127	71,034	734,184
Other	1,927	-	-	-	13,204	129,946	39,813	95,139	-	-	280,029
<b>Total current assets</b>	<b>158,414</b>	<b>73,082</b>	<b>3,863,049</b>	<b>2,899,244</b>	<b>5,429,011</b>	<b>1,982,509</b>	<b>215,426</b>	<b>22,859,374</b>	<b>76,496</b>	<b>14,060,604</b>	<b>51,617,209</b>
<b>Noncurrent assets</b>											
<b>Restricted assets</b>											
Cash and cash equivalents	-	-	1,825,915	-	-	-	251,987	-	-	642,856	2,720,758
Investments	2,580,120	864,947	3,535,073	-	-	-	-	-	-	1,320,201	8,300,341
Interest receivable	-	-	69,382	-	-	-	-	-	-	-	69,382
	2,580,120	864,947	5,430,370	0	0	0	251,987	0	0	1,963,057	11,090,481
Less amounts required to meet current obligations	-	-	2,289,473	-	-	-	-	-	-	-	2,289,473
<b>Total restricted assets</b>	<b>2,580,120</b>	<b>864,947</b>	<b>3,140,897</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>251,987</b>	<b>0</b>	<b>0</b>	<b>1,963,057</b>	<b>8,801,008</b>
<b>Capital assets</b>											
Land	19,972	13,089	2,134,263	3,832,895	185,781	1,684,690	-	125,321	-	3,070,326	11,066,337
Construction in progress	-	-	-	-	679,643	-	-	-	-	-	679,643
Buildings, improvements and other facilities	187,427	-	50,334,069	19,427,832	1,375,131	26,587,823	4,586,424	13,829,121	-	34,137,853	150,465,680
Vehicles	121,660	-	-	-	4,338,605	20,395,382	-	-	-	-	24,855,647
Furniture and equipment	15,898	-	4,753,117	136,048	2,379,995	4,086,160	129,738	3,114,558	-	3,629,077	18,244,591
Other	-	-	2,699,782	-	648,195	-	-	-	-	85,004	3,432,981
	344,957	13,089	59,921,231	23,396,775	9,607,350	52,754,055	4,716,162	17,069,000	0	40,922,260	208,744,879
Less accumulated depreciation	168,903	-	20,961,352	9,238,842	6,341,100	17,833,975	2,063,547	6,139,128	-	9,358,216	72,105,063
<b>Net capital assets</b>	<b>176,054</b>	<b>13,089</b>	<b>38,959,879</b>	<b>14,157,933</b>	<b>3,266,250</b>	<b>34,920,080</b>	<b>2,652,615</b>	<b>10,929,872</b>	<b>0</b>	<b>31,564,044</b>	<b>136,639,816</b>
<b>Other assets</b>											
Long-term investments	-	-	-	-	493,280	-	-	-	-	-	493,280
Deferred bond issue costs	-	-	131,524	-	-	-	-	-	-	-	131,524
Other assets	-	-	-	-	3,271	-	-	776,603	-	-	779,874
<b>Total other assets</b>	<b>0</b>	<b>0</b>	<b>131,524</b>	<b>0</b>	<b>496,551</b>	<b>0</b>	<b>0</b>	<b>776,603</b>	<b>0</b>	<b>0</b>	<b>1,404,678</b>
<b>Total noncurrent assets</b>	<b>2,756,174</b>	<b>878,036</b>	<b>42,232,300</b>	<b>14,157,933</b>	<b>3,762,801</b>	<b>34,920,080</b>	<b>2,904,602</b>	<b>11,706,475</b>	<b>0</b>	<b>33,527,101</b>	<b>146,845,502</b>
<b>Total assets</b>	<b>\$ 2,914,588</b>	<b>\$ 951,118</b>	<b>\$ 46,095,349</b>	<b>\$ 17,057,177</b>	<b>\$ 9,191,812</b>	<b>\$ 36,902,589</b>	<b>\$ 3,120,028</b>	<b>\$ 34,565,849</b>	<b>\$ 76,496</b>	<b>\$ 47,587,705</b>	<b>\$ 198,462,711</b>

## Liabilities and Net Assets

### Current liabilities

Accounts payable	\$ -	\$ -	\$ 131,825	\$ 18,948	\$ 118,480	\$ 139,483	\$ 102,957	\$ 65,932	\$ 43,445	\$ 265,199	\$ 886,269
Accrued wages payable and related liabilities	-	-	322,754	823	-	923,353	-	-	7,835	101,159	1,355,924
Accrued compensated absences	-	-	300,614	-	-	-	-	-	-	618,565	919,179
Bonds payable - current portion	-	-	1,806,666	-	-	-	-	-	-	-	1,806,666
Notes payable - current portion	-	-	-	-	-	-	202,694	-	-	-	202,694
Capital lease payable - current portion	-	-	-	-	-	-	20,472	-	-	69,081	89,553
Deferred revenue	-	-	121,267	2,815	104,238	-	44,000	200,121	-	154,002	626,443
Accrued expenses and other	12,814	-	550,329	-	676,372	3,442	28,317	1,609,875	-	-	2,881,149
<b>Total current liabilities</b>	<b>12,814</b>	<b>0</b>	<b>3,233,455</b>	<b>22,586</b>	<b>899,090</b>	<b>1,066,278</b>	<b>398,440</b>	<b>1,875,928</b>	<b>51,280</b>	<b>1,208,006</b>	<b>8,767,877</b>

### Noncurrent liabilities

Bonds payable, net of unamortized premium	-	-	16,506,414	-	-	-	-	-	-	-	16,506,414
Notes payable	-	-	-	-	-	-	171,202	-	-	-	171,202
Capital lease payable	-	-	-	-	-	-	11,340	-	-	982,975	994,315
Deferred revenue	-	-	-	-	-	-	-	1,236,648	-	-	1,236,648
<b>Total noncurrent liabilities</b>	<b>0</b>	<b>0</b>	<b>16,506,414</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>182,542</b>	<b>1,236,648</b>	<b>0</b>	<b>982,975</b>	<b>18,908,579</b>
<b>Total liabilities</b>	<b>12,814</b>	<b>0</b>	<b>19,739,869</b>	<b>22,586</b>	<b>899,090</b>	<b>1,066,278</b>	<b>580,982</b>	<b>3,112,576</b>	<b>51,280</b>	<b>2,190,981</b>	<b>27,676,456</b>

### Net Assets

Invested in capital assets, net of related debt	176,054	13,089	20,778,323	14,157,933	3,266,250	33,235,390	2,652,615	10,929,872	-	30,512,281	115,721,807
Restricted - expendable	1,691,405	899,393	2,843,846	-	-	2,121,807	251,987	769,548	-	259,014	8,837,000
Restricted - unexpendable	-	-	-	-	-	-	-	3,897,743	-	372,118	4,269,861
Unrestricted	1,034,315	38,636	2,733,311	2,876,658	5,026,472	479,114	(365,556)	15,856,110	25,216	14,253,311	41,957,587
<b>Total net assets</b>	<b>2,901,774</b>	<b>951,118</b>	<b>26,355,480</b>	<b>17,034,591</b>	<b>8,292,722</b>	<b>35,836,311</b>	<b>2,539,046</b>	<b>31,453,273</b>	<b>25,216</b>	<b>45,396,724</b>	<b>170,786,255</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,914,588</b>	<b>\$ 951,118</b>	<b>\$ 46,095,349</b>	<b>\$ 17,057,177</b>	<b>\$ 9,191,812</b>	<b>\$ 36,902,589</b>	<b>\$ 3,120,028</b>	<b>\$ 34,565,849</b>	<b>\$ 76,496</b>	<b>\$ 47,587,705</b>	<b>\$ 198,462,711</b>

**Statement of Activities**  
**Discretely Presented Component Units - Nonmajor - All Component Units**  
**Year Ended December 31, 2005**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Central Arkansas Library	\$ 13,109,121	\$ 301,231	\$ 759,130	\$ 2,562,983	\$ (9,485,777)	\$ -	\$ (9,485,777)
Workforce Investment Board	1,064,178	-	1,038,208	-	(25,970)	-	(25,970)
Total governmental activities	14,173,299	301,231	1,797,338	2,562,983	(9,511,747)	0	(9,511,747)
Business-type Activities							
Oakland Fraternal Cemetery	285,021	187,314	-	-	-	(97,707)	(97,707)
Mt. Holly Cemetery	101,846	63,029	21,949	-	-	(16,868)	(16,868)
Advertising and Promotion Commission	13,155,708	2,598,134	-	-	-	(10,557,574)	(10,557,574)
Port Authority	1,690,566	1,994,207	-	-	-	303,641	303,641
Ambulance Authority	13,864,027	13,412,069	-	-	-	(451,958)	(451,958)
Central Arkansas Transit	14,293,122	1,743,806	-	-	-	(12,549,316)	(12,549,316)
Arkansas Museum of Science and History	2,625,846	1,512,100	-	-	-	(1,113,746)	(1,113,746)
Arkansas Arts Center	7,420,083	3,949,655	-	-	-	(3,470,428)	(3,470,428)
Total business-type activities	53,436,219	25,460,314	21,949	0	0	(27,953,956)	(27,953,956)
Total component units	\$ 67,609,518	\$ 25,761,545	\$ 1,819,287	\$ 2,562,983	(9,511,747)	(27,953,956)	(37,465,703)
General revenues							
General property taxes					9,640,725	-	9,640,725
Sales taxes					-	8,737,782	8,737,782
Investment income and unrealized gains					162,029	2,058,302	2,220,331
Grants and contributions not restricted to specific programs					115,248	14,416,315	14,531,563
Other					51,313	6,037,911	6,089,224
Total general revenues					9,969,315	31,250,310	41,219,625
Change in net assets					457,568	3,296,354	3,753,922
Net Assets, Beginning of Year, As Previously Reported					44,964,372	121,932,368	166,896,740
Adjustment applicable to prior years					-	135,593	135,593
Adjustment applicable to change in accounting principle					-	-	-
Net Assets, Beginning of Year, As Restated					44,964,372	122,067,961	167,032,333
Net Assets, End of Year					\$ 45,421,940	\$ 125,364,315	\$ 170,786,255

**City of Little Rock, Arkansas**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary - Component Units - Nonmajor**  
**Year Ended December 31, 2005**

	Oakland Fraternal Cemetery	Mt. Holly Cemetery	Advertising And Promotion Commission	Port Authority	Ambulance Authority	Central Arkansas Transit	Arkansas Museum of Science and History	Arkansas Arts Center	Total
<b>Operating Revenues</b>									
Charges for goods and services	\$ 187,314	\$ 63,029	\$ 1,577,818	\$ 1,132,847	\$ 13,272,802	\$ 1,743,806	\$ 1,512,100	\$ 1,651,125	\$ 21,140,841
Other	-	21,949	1,020,316	861,360	139,267	-	-	2,298,530	4,341,422
Total operating revenues	<u>187,314</u>	<u>84,978</u>	<u>2,598,134</u>	<u>1,994,207</u>	<u>13,412,069</u>	<u>1,743,806</u>	<u>1,512,100</u>	<u>3,949,655</u>	<u>25,482,263</u>
<b>Operating Expenses</b>									
Salaries, wages and employee benefits	208,076	76,091	5,607,120	594,404	10,228,485	7,921,820	741,938	2,110,419	27,488,353
Supplies and materials	290	-	60,603	37,228	524,886	1,671,209	116,923	671,029	3,082,168
Services	20,122	-	2,294,895	136,588	1,402,377	878,029	474,386	1,944,303	7,150,700
Utilities	5,921	2,972	820,764	24,326	282,967	206,101	90,115	273,193	1,706,359
Repairs and maintenance	21,309	22,783	1,053,637	196,097	646,876	-	277,086	362,855	2,580,643
Other	9,517	-	821,200	59,398	-	675,187	517,190	1,353,743	3,436,235
Depreciation and amortization	19,786	-	1,477,675	642,525	778,436	2,940,776	385,392	704,541	6,949,131
Total operating expenses	<u>285,021</u>	<u>101,846</u>	<u>12,135,894</u>	<u>1,690,566</u>	<u>13,864,027</u>	<u>14,293,122</u>	<u>2,603,030</u>	<u>7,420,083</u>	<u>52,393,589</u>
<b>Operating Income (Loss)</b>	<u>(97,707)</u>	<u>(16,868)</u>	<u>(9,537,760)</u>	<u>303,641</u>	<u>(451,958)</u>	<u>(12,549,316)</u>	<u>(1,090,930)</u>	<u>(3,470,428)</u>	<u>(26,911,326)</u>
<b>Nonoperating Revenue (Expenses)</b>									
Intergovernmental revenue	-	-	1,936,494	-	-	3,779,097	-	-	5,715,591
Local tax levy	-	-	8,737,782	-	-	-	-	-	8,737,782
Donations, contributions and grants received	-	20,795	111,517	-	-	7,565,197	705,196	6,013,610	14,416,315
Investment income	42,735	8,702	369,593	52,764	58,924	5,458	2,411	1,517,715	2,058,302
Interest expense	-	-	(1,019,814)	-	-	-	(22,816)	-	(1,042,630)
Other, net	(210,955)	1,529	78,142	31,289	560,618	-	1,975	(140,278)	322,320
Total nonoperating revenues (expenses)	<u>(168,220)</u>	<u>31,026</u>	<u>10,213,714</u>	<u>84,053</u>	<u>619,542</u>	<u>11,349,752</u>	<u>686,766</u>	<u>7,391,047</u>	<u>30,207,680</u>
<b>Change in Net Assets</b>	<u>(265,927)</u>	<u>14,158</u>	<u>675,954</u>	<u>387,694</u>	<u>167,584</u>	<u>(1,199,564)</u>	<u>(404,164)</u>	<u>3,920,619</u>	<u>3,296,354</u>
<b>Net Assets, Beginning of Year As Previously Reported</b>	3,118,608	936,960	25,679,526	16,646,897	8,125,138	37,035,875	2,856,710	27,532,654	121,932,368
Adjustment applicable to prior years	49,093	-	-	-	-	-	86,500	-	135,593
<b>Net Assets, Beginning of Year, As Restated</b>	<u>3,167,701</u>	<u>936,960</u>	<u>25,679,526</u>	<u>16,646,897</u>	<u>8,125,138</u>	<u>37,035,875</u>	<u>2,943,210</u>	<u>27,532,654</u>	<u>122,067,961</u>
<b>Net Assets, End of Year</b>	<u>\$ 2,901,774</u>	<u>\$ 951,118</u>	<u>\$ 26,355,480</u>	<u>\$ 17,034,591</u>	<u>\$ 8,292,722</u>	<u>\$ 35,836,311</u>	<u>\$ 2,539,046</u>	<u>\$ 31,453,273</u>	<u>\$ 125,364,315</u>

**City of Little Rock, Arkansas**  
**Combining Statement of Cash Flows**  
**Discretely Presented Component Units**  
**Year Ended December 31, 2005**

	Wastewater Utility	National Airport	Other Component Units	Total
<b>Operating Activities</b>				
Receipts from customers	\$ 29,956,129	\$ 18,719,533	\$ 21,470,208	\$ 70,145,870
Other receipts	400,347	179,996	4,444,101	5,024,444
Payments to employees	(14,547,195)	(5,377,015)	(27,103,541)	(47,027,751)
Payments to suppliers	(1,618,655)	(7,824,555)	(6,442,477)	(15,885,687)
Payments for contractual services	(1,647,811)	-	(7,437,663)	(9,085,474)
Payments for utilities	(1,204,433)	-	(1,500,408)	(2,704,841)
Other payments	(1,237,185)	-	(2,655,708)	(3,892,893)
Net cash provided by (used in) operating activities	<u>10,101,197</u>	<u>5,697,959</u>	<u>(19,225,488)</u>	<u>(3,426,332)</u>
<b>Noncapital Financing Activities</b>				
Donations, contributions and operating grants/subsidies	-	163,204	11,585,777	11,748,981
Local tax levy supporting operations	-	-	8,272,139	8,272,139
Other	-	-	(154,318)	(154,318)
Net cash provided by noncapital financing activities	<u>0</u>	<u>163,204</u>	<u>19,703,598</u>	<u>19,866,802</u>
<b>Capital and Related Financing Activities</b>				
Purchase of capital assets	(23,874,063)	(13,093,356)	(3,384,323)	(40,351,742)
Proceeds from sale of capital assets	557,060	195	17,987	575,242
Contributions, donations and grants	-	5,883,096	1,756,355	7,639,451
Passenger facility charge	-	5,242,185	-	5,242,185
Intergovernmental revenue received for debt service	-	-	1,936,494	1,936,494
Local tax levy used for debt service	-	-	465,643	465,643
Proceeds from issuance of long-term debt	26,879,208	-	-	26,879,208
Principal paid on long-term debt	(5,035,661)	(1,625,000)	(1,240,000)	(7,900,661)
Interest paid on long-term debt	(2,122,914)	(1,474,131)	(1,235,724)	(4,832,769)
Other	16,011	(15,169)	1,072,087	1,072,929
Net cash used in capital and related financing activities	<u>(3,580,359)</u>	<u>(5,082,180)</u>	<u>(611,481)</u>	<u>(9,274,020)</u>
<b>Investing Activities</b>				
Proceeds from sale of investments	-	-	13,210,821	13,210,821
Purchase of investments	(3,360,914)	-	(11,824,707)	(15,185,621)
Interest received	574,845	1,258,696	612,948	2,446,489
Net cash provided by investing activities	<u>(2,786,069)</u>	<u>1,258,696</u>	<u>1,999,062</u>	<u>471,689</u>
<b>Increase in Cash and Cash Equivalents</b>	<u>3,734,769</u>	<u>2,037,679</u>	<u>1,865,691</u>	<u>7,638,139</u>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>14,589,449</u>	<u>35,237,865</u>	<u>5,393,749</u>	<u>55,221,063</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 18,324,218</u>	<u>\$ 37,275,544</u>	<u>\$ 7,259,440</u>	<u>\$ 62,859,202</u>

**Reconciliation of Operating Income (Loss) to Net Cash  
Provided By (Used In) Operating Activities**

Operating income (loss)	\$ 4,303,129	\$ (729,571)	\$ (20,194,360)	\$ (16,620,802)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities				
Depreciation and amortization expense	5,496,016	6,354,364	6,949,132	18,799,512
Other	-	-	(5,848,036)	(5,848,036)
Changes in assets and liabilities				
Receivables, net	(52,889)	390,719	(703,683)	(365,853)
Prepaid expenses	24,192	(9,116)	32,025	47,101
Inventories	(106,138)	-	(82,620)	(188,758)
Other assets	-	-	(62,827)	(62,827)
Accounts payable	236,157	(243,140)	204,506	197,523
Accrued expenses	200,730	(65,297)	255,721	391,154
Other liabilities	-	-	224,654	224,654
	<u>-</u>	<u>-</u>	<u>224,654</u>	<u>224,654</u>
Net cash provided by (used in) operating activities	\$ <u>10,101,197</u>	\$ <u>5,697,959</u>	\$ <u>(19,225,488)</u>	\$ <u>(3,426,332)</u>

**Noncash Capital Activities**

During 2005, the Little Rock Wastewater Utility received donated capital assets in the amount of \$4,396,730.

During 2005, the Little Rock National Airport had accruals to leased property in the amount of \$796,398, net of depreciation of \$1,545,000 and addition to capital assets and unrealized equity in capital assets of \$1,312,348.

**City of Little Rock, Arkansas**  
**Combining Statement of Cash Flows**  
**Discretely Presented Component Units - Enterprise - Nonmajor**  
**Year Ended December 31, 2005**

	Oakland Fraternal Cemetery	Mt. Holly Cemetery	Advertising And Promotion Commission	Port Authority	Ambulance Authority	Central Arkansas Transit	Arkansas Museum of Science and History	Arkansas Arts Center	Total
<b>Operating Activities</b>									
Receipts from customers	\$ 201,079	\$ 83,784	\$ 1,534,752	\$ 1,149,932	\$ 13,599,124	\$ 1,677,998	\$ 1,495,025	\$ 1,728,514	\$ 21,470,208
Other receipts	-	27,737	1,020,316	-	616,457	22,603	-	2,756,988	4,444,101
Payments to employees	(181,721)	(75,175)	(5,438,141)	(594,390)	(10,135,052)	(7,838,471)	(755,665)	(2,084,926)	(27,103,541)
Payments to suppliers	(1,337)	(402)	(320,656)	(262,922)	(3,411,044)	(1,627,067)	(86,301)	(732,748)	(6,442,477)
Payments for contractual services	(11,644)	(12,476)	(3,230,727)	(37,228)	-	(1,498,861)	(474,386)	(2,172,341)	(7,437,663)
Payments for utilities	(4,452)	(4,519)	(809,853)	(24,326)	(282,967)	-	(119,013)	(255,278)	(1,500,408)
Other payments	(59,930)	(4,791)	(554,606)	(130,567)	-	(263,113)	(679,557)	(963,144)	(2,655,708)
Net cash provided by (used in) operating activities	(58,005)	14,158	(7,798,915)	100,499	386,518	(9,526,911)	(619,897)	(1,722,935)	(19,225,488)
<b>Noncapital Financing Activities</b>									
Donations, contributions and operating grants/subsidies	-	-	-	-	-	9,542,368	705,196	1,338,213	11,585,777
Local tax levy supporting operations	-	-	8,272,139	-	-	-	-	-	8,272,139
Payments on noncapital line of credit	-	-	-	-	-	-	(17,547)	-	(17,547)
Payments for interest	-	-	-	-	-	-	(22,816)	-	(22,816)
Other	(210,955)	-	-	31,289	-	-	1,975	23,373	(154,318)
Net cash provided by noncapital financing activities	(210,955)	-	8,272,139	31,289	0	9,542,368	666,808	1,361,586	19,663,235
<b>Capital and Related Financing Activities</b>									
Purchase of capital assets	(119,004)	-	(301,133)	(347,725)	(723,220)	(1,581,462)	-	(311,779)	(3,384,323)
Proceeds from contributions received for construction of capital assets	-	-	-	-	-	1,756,355	-	-	1,756,355
Intergovernmental revenue received for debt service	-	-	1,936,494	-	-	-	-	-	1,936,494
Local tax levy used for debt service	-	-	465,643	-	-	-	-	-	465,643
Principal paid on long-term debt	-	-	(1,240,000)	-	-	-	-	-	(1,240,000)
Interest paid on long-term debt	-	-	(1,162,137)	-	-	-	(73,587)	-	(1,235,724)
Proceeds from sale of capital assets	-	-	-	-	-	17,987	-	-	17,987
Other	-	-	78,142	993,945	-	-	-	-	1,072,087
Net cash provided by (used in) capital and related financing activities	(119,004)	-	(222,991)	646,220	(723,220)	192,880	(73,587)	(311,779)	(611,481)
<b>Investing Activities</b>									
Proceeds from sale of investments	262,316	204,900	2,460,934	740,668	500,000	-	-	9,042,003	13,210,821
Purchase of investments	(87,661)	(195,315)	(2,330,790)	(2,022,930)	-	-	-	(7,188,011)	(11,824,707)
Interest received	162,717	10,703	369,593	46,995	9,435	5,296	2,411	5,798	612,948
Net cash provided by (used in) investing activities	337,372	20,288	499,737	(1,235,267)	509,435	5,296	2,411	1,859,790	1,999,062
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(50,592)	34,446	749,970	(457,259)	172,733	213,633	(24,265)	1,186,662	1,825,328
<b>Cash and Cash Equivalents, Beginning of Year</b>	152,911	38,636	1,510,814	1,183,627	445,043	953,147	334,729	774,842	5,393,749
<b>Cash and Cash Equivalents, End of Year</b>	\$ 102,319	\$ 73,082	\$ 2,260,784	\$ 726,368	\$ 617,776	\$ 1,166,780	\$ 310,464	\$ 1,961,504	\$ 7,219,077

**Reconciliation of Operating Income (Loss) to Net Cash Provided By  
(Used In) Operating Activities**

Operating income (loss)	\$	(54,972)	\$	14,158	\$	(9,537,760)	\$	303,641	\$	167,584	\$	(12,549,316)	\$	(1,090,930)	\$	2,553,235	\$	(20,194,360)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities																		
Depreciation and amortization expense		19,786		-		1,477,676		642,525		778,436		2,940,776		385,392		704,541		6,949,132
Other		-		-		-		(861,360)		-		(17,987)		114,719		(5,083,408)		(5,848,036)
Changes in assets and liabilities																		
Receivables, net		(28,970)		-		(3,866)		17,085		(414,118)		(18,815)		13,256		(268,255)		(703,683)
Prepaid expenses		-		-		37,220		3,865		-		(9,060)		-		-		32,025
Inventories		-		-		-		-		-		(23,613)		(12,283)		(46,724)		(82,620)
Other assets		9,479		-		-		-		(38,917)		-		(24,403)		(8,986)		(62,827)
Accounts payable		-		-		37,629		(5,271)		(106,467)		67,755		42,905		167,955		204,506
Accrued expenses		(3,328)		-		168,684		14		-		83,349		(13,727)		20,729		255,721
Other liabilities		-		-		21,502		-		-		-		(34,826)		237,978		224,654
Net cash provided by (used in) operating activities	\$	<u>(58,005)</u>	\$	<u>14,158</u>	\$	<u>(7,798,915)</u>	\$	<u>100,499</u>	\$	<u>386,518</u>	\$	<u>(9,526,911)</u>	\$	<u>(619,897)</u>	\$	<u>(1,722,935)</u>	\$	<u>(19,225,488)</u>

**Supplemental Cash Flows Information**

Capital assets acquired through noncash capital grants and gifts \$ 111,517

**City of Little Rock, Arkansas**  
**Government-wide Expenditures By Function**  
**December 31, 2005**

<i>Governmental Activities</i>	2002	2003	2004	2005
General government	\$ 32,396,254	\$ 35,574,263	\$ 34,359,791	\$ 40,398,560
Public works	15,012,426	14,080,582	17,719,543	17,058,825
Parks and recreation services	8,369,683	7,794,235	9,883,758	14,806,781
Fire	24,049,681	26,118,472	31,208,716	34,634,751
Police	45,155,190	46,825,265	45,662,770	51,542,680
Economic development	1,010,845	1,212,133	3,903,098	3,204,412
Education	2,165,955	147,691	-	-
Housing and neighborhood programs	6,291,854	8,336,416	7,080,401	7,490,875
Interest and other debt related expenses	2,846,062	1,982,712	4,444,875	4,349,992
	<u>137,297,950</u>	<u>142,071,769</u>	<u>154,262,952</u>	<u>173,486,876</u>
 <i>Business-type Activities</i>				
Presidential park	1,175,807	1,007,338	879,301	943,061
Waste disposal	12,259,655	11,150,818	11,875,889	12,424,204
Rivermarket garage	625,335	732,316	1,314,471	1,607,057
Riverfront park	784,993	839,162	974,874	1,036,838
Zoo	2,973,358	2,986,464	3,252,245	3,589,480
Impound services	1,049,717	1,165,744	1,349,155	1,204,017
Golf courses	2,071,829	1,785,887	2,066,676	2,292,426
Fitness center	988,999	807,110	774,098	880,469
Concessions services	305,706	234,171	150,066	108,690
	<u>22,235,399</u>	<u>20,709,010</u>	<u>22,636,775</u>	<u>24,086,242</u>
 Total Primary Government	 <u>\$ 159,533,349</u>	 <u>\$ 162,780,779</u>	 <u>\$ 176,899,727</u>	 <u>\$ 197,573,118</u>

Note: This is the fourth year of implementation for GASB 34; therefore, additional years will be presented in the future for comparison.

**City of Little Rock, Arkansas**  
**Government-wide Revenues**  
**December 31, 2005**

Fiscal Year	Program Revenues			General Revenues						Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Property Taxes	Sales Taxes	Utility Franchise Fees	Unrestricted Investment Earnings	Grants and Contributions Not Restricted to Specific Programs		
2002	\$ 39,312,783	\$ 5,542,201	\$ 3,886,509	\$ 33,604,029	\$ 52,651,567	\$ 20,662,981	\$ 1,830,354	\$ 10,127,862	\$ 167,618,286	
2003	45,581,503	5,977,538	2,120,944	33,090,573	54,800,103	23,588,872	838,282	22,165,634	188,163,449	
2004	42,061,103	5,736,809	1,679,975	35,414,871	56,529,897	21,868,645	1,454,797	23,767,495	188,513,592	
2005	47,309,461	6,992,565	1,974,622	33,542,201	60,299,892	23,588,872	3,279,876	32,225,475	209,212,964	

Note: This is the fourth year of implementation for GASB 34; therefore, additional years will be presented in the future for comparison.

**City of Little Rock, Arkansas**  
**General Governmental Expenditures By Function**  
**Last Ten Years**

<b>Year</b>	<b>General Government</b>	<b>Public Works</b>	<b>Parks and Recreation and Zoo</b>	<b>Fire Department</b>	<b>Police Department</b>	<b>Housing</b>	<b>Debt Service</b>	<b>Total</b>
1996	\$20,601,947	\$10,434,352	\$ 9,080,773	\$18,013,336	\$28,736,806	\$ —	\$ —	\$86,867,214
1997	20,843,027	11,144,759	9,027,538	18,947,394	31,349,489	1,723,423	—	93,035,630
1998	19,341,962	11,992,820	5,993,408	20,029,742	33,556,985	3,763,609	—	94,678,526
1999	19,887,154	12,455,528	5,841,945	21,216,068	35,747,276	2,715,732	11,234,009	109,097,712
2000	17,871,392	14,252,388	6,338,521	22,306,492	37,805,145	3,743,189	11,564,784	113,881,911
2001	23,524,497	14,786,617	6,726,829	22,796,308	39,077,823	3,790,440	34,012,761	144,715,275
2002	32,929,128	22,794,707	8,228,295	23,138,524	44,459,817	9,041,226	9,377,825	149,969,522
2003	31,993,462	17,928,685	7,957,319	28,040,943	44,059,630	9,676,745	11,604,070	151,260,854
2004	37,827,535	21,525,933	10,069,417	31,560,941	45,102,475	7,470,436	5,092,297	158,649,034
2005	36,489,457	24,577,640	14,462,219	35,338,417	53,510,378	7,905,898	11,851,081	184,135,090

Note: Amounts shown include expenditures of the General and Street funds. In 1998, the City began allocating general and administrative costs to selected functions. In 1998, the golf, zoo and fitness center divisions were moved to the Parks Services Enterprise fund.

Beginning in 2000, total general governmental expenditures include expenditures of the debt service fund.

Beginning in 2002, all governmental expenditures were included in this schedule.

General governmental expenditures include expenditures of fleet, economic development and education.

**City of Little Rock, Arkansas**  
**General Governmental Revenues By Source**  
**Last Ten Years**

<b>Year</b>	<b>General Property Taxes</b>	<b>Sales Taxes</b>	<b>Licenses and Permits</b>	<b>Inter-Governmental</b>	<b>Charges for Services</b>	<b>Fines</b>	<b>Utility Franchises</b>	<b>Investment Income</b>	<b>Miscellaneous</b>	<b>Total</b>
1996	\$17,681,642	\$42,411,415	\$5,920,580	\$22,591,046	\$7,831,010	\$2,342,056	\$17,247,978	\$5,541,312	\$6,986,068	\$128,553,107
1997	19,884,272	44,001,614	5,721,198	20,577,204	8,456,481	2,563,059	19,107,881	3,774,025	4,070,666	128,156,400
1998	20,620,773	47,120,624	5,763,625	19,932,996	6,433,445	2,846,202	18,683,481	3,801,618	8,000,569	133,203,333
1999	23,871,010	51,702,310	6,181,976	17,220,874	7,403,101	4,256,702	18,559,057	2,987,259	5,160,408	137,342,697
2000	22,868,735	53,336,605	7,431,080	14,598,419	7,450,835	3,201,807	19,069,532	4,960,856	7,496,166	140,414,035
2001	24,091,887	53,593,748	5,934,438	22,689,575	5,685,858	3,023,609	21,734,193	2,407,670	5,461,012	144,621,990
2002	24,357,097	52,651,567	8,268,835	19,556,572	5,789,188	3,803,560	20,662,981	1,450,829	2,511,736	139,052,365
2003	29,372,970	51,240,765	8,708,523	18,621,039	4,759,347	5,313,622	20,890,103	484,545	4,040,306	143,431,220
2004	31,155,365	60,089,235	8,859,344	19,837,898	4,492,433	5,077,073	21,868,645	1,231,311	3,797,305	156,408,609
2005	33,293,444	60,299,892	9,307,627	20,435,880	4,786,588	5,710,201	23,588,872	2,757,859	4,766,386	164,946,749

Note: Amounts shown include revenues of the general, special revenue, debt service and capital projects funds.

Starting in 1998, a portion of Parks and Recreation revenue (charges for services) moved to the Recreation Services Fund.

**City of Little Rock, Arkansas**  
**Property Tax Levies and Collections**  
**Last Ten Years**

<b>Year</b>	<b>Total Tax Levy in Prior Year</b>	<b>Collection of Taxes Levied in Prior Year Collected During Current Period</b>	<b>Percentage of Levy Collected</b>	<b>Prior Year's Collections</b>	<b>Total Collections</b>	<b>Percentage of Total Collections to Tax Levy</b>
1996	\$ 24,475,526	\$ 22,461,215	91.77%	\$ 1,125,487	\$ 23,586,702	96.37%
1997	26,963,108	24,787,129	91.93%	1,534,932	26,322,061	97.62%
1998	27,797,124	25,538,110	91.87%	1,391,375	26,929,485	96.88%
1999	28,643,946	26,264,228	91.69%	1,585,989	27,850,217	97.23%
2000	27,569,362	24,545,114	89.03%	1,825,803	26,370,917	95.65%
2001	29,018,683	26,562,458	91.53%	2,173,776	28,736,234	99.03%
2002	30,002,023	27,439,091	91.45%	1,315,458	28,754,549	95.84%
2003	30,429,999	27,897,089	91.68%	1,093,861	28,990,950	95.27%
2004	32,178,180	28,396,113	88.25%	2,479,883	30,875,996	95.95%
2005	33,908,999	29,478,375	86.93%	2,901,113	32,379,488	95.49%

Note: Property assessments are made, tax rates (millages) are established, and taxes are levied in one year for payment by the taxpayer and collection by local governments the following year. Data is not available to show the current level by year of outstanding delinquent taxes.

**City of Little Rock, Arkansas**  
**Assessed and Appraised Value of Taxable Property**  
**Last Ten Years**

Year		Real Property		Utility Property	
		Real	Personal	Real	Personal
1996	Assessed	\$ 1,428,541,025	\$ 485,978,670	\$ 16,908,259	\$ 72,876,724
	Appraised	7,142,705,125	2,429,893,350	84,541,295	364,383,620
1997	Assessed	1,456,295,246	481,789,958	17,191,450	80,754,280
	Appraised	7,281,476,230	2,408,949,790	85,957,250	403,771,400
1998	Assessed	1,484,277,481	504,485,165	17,562,743	91,220,332
	Appraised	7,421,387,405	2,522,425,825	87,813,715	456,101,660
1999	Assessed	1,525,806,492	558,481,620	17,025,082	77,526,966
	Appraised	7,629,032,460	2,792,408,100	85,125,410	387,634,830
2000	Assessed	1,564,188,888	585,688,215	20,197,101	104,939,832
	Appraised	7,820,944,440	2,928,441,075	100,985,505	524,699,160
2001	Assessed	1,594,846,478	609,181,800	23,514,256	124,601,186
	Appraised	7,974,232,390	3,045,909,000	117,571,280	623,005,930
2002	Assessed	1,645,954,792	601,976,300	24,815,572	112,959,382
	Appraised	8,229,773,960	3,009,881,500	124,077,860	564,796,910
2003	Assessed	1,746,230,726	631,976,635	26,233,090	119,324,708
	Appraised	8,731,153,630	3,159,883,175	131,165,450	596,623,540
2004	Assessed	1,863,590,893	654,022,465	24,928,143	116,973,443
	Appraised	9,317,954,465	3,270,112,325	124,640,715	584,867,215
2005	Assessed	1,994,266,062	685,092,668	0	172,885,916
	Appraised	9,971,330,310	3,425,463,340	0	864,429,580

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

Source: Pulaski County Tax Assessor.

Note: Tax collections shown above do not include Act 9 Real Estate Valuations.

Note: The Arkansas Public Service Commission has combined the personal and real estate public service accounts. It is all considered Personal PSC Accounts.

<b>Total Property</b>		
<b>Real</b>	<b>Personal</b>	<b>Total</b>
\$ 1,445,449,284	\$ 558,855,394	\$ 2,004,304,678
7,227,246,420	2,794,276,970	10,021,523,390
1,473,486,696	562,544,238	2,036,030,934
7,367,433,480	2,812,721,190	10,180,154,670
1,501,840,224	595,705,497	2,097,545,721
7,509,201,120	2,978,527,485	10,487,728,605
1,542,831,574	636,008,586	2,178,840,160
7,714,157,870	3,180,042,930	10,894,200,800
1,584,385,989	690,628,047	2,275,014,036
7,921,929,945	3,453,140,235	11,375,070,180
1,618,360,734	733,782,986	2,352,143,720
8,091,803,670	3,668,914,930	11,760,718,600
1,670,770,364	714,935,682	2,385,706,046
8,353,851,820	3,574,678,410	11,928,530,230
1,772,463,816	751,301,343	2,523,765,159
8,862,319,080	3,756,506,715	12,618,825,795
1,888,519,036	770,995,908	2,659,514,944
9,442,595,180	3,854,979,540	13,297,574,720
1,994,266,062	857,978,584	2,852,244,646
9,971,330,310	4,289,892,920	14,261,223,230

**City of Little Rock, Arkansas**  
**Property Tax Rates and Tax Levies**  
**of Direct and Overlapping Governments**  
**Last Ten Years**

**Local Tax Rates – Per \$1,000 of Assessed Value**

Year	Little Rock		Pulaski County		Little Rock School District		Totals	
	Real	Personal	Real	Personal	Real	Personal	Real	Personal
1996	12.43	12.43	10.20	10.20	41.40	41.40	64.03	64.03
1997	12.00	12.00	9.80	9.80	41.40	41.40	63.20	63.20
1998	12.00	12.00	10.10	10.10	41.40	41.40	63.50	63.50
1999	13.10	13.10	10.10	10.10	41.40	41.40	64.60	64.60
2000	13.10	13.10	10.10	10.10	46.40	46.40	69.60	69.60
2001	13.10	13.10	10.10	10.10	46.40	46.40	69.60	69.60
2002	13.10	13.10	10.10	10.10	46.40	46.40	69.60	69.60
2003	13.10	13.10	10.10	10.10	46.40	46.40	69.60	69.60
2004	14.10	14.10	10.10	10.10	46.40	46.40	70.60	70.60
2005	14.10	14.10	10.10	10.10	46.40	46.40	70.60	70.60

**Tax Levies**

1996	\$24,475,526	\$25,644,828	\$75,727,326	\$125,847,680
1997	26,963,108	27,940,374	81,491,677	136,395,159
1998	27,797,124	29,535,731	82,273,506	139,606,361
1999	28,643,946	27,675,504	87,122,906	143,442,356
2000	27,569,362	28,938,769	101,348,383	157,856,514
2001	29,018,683	30,105,515	103,862,006	162,986,204
2002	30,002,023	30,851,011	104,429,847	165,282,881
2003	30,429,999	32,572,873	109,860,977	172,863,849
2004	32,178,180	34,575,502	115,295,060	182,048,742
2005	33,908,999	36,966,112	121,733,219	192,608,330

Note: Property assessments are made, tax rates (millages) are established, and taxes are levied in one year for payment by the taxpayer and collection by local governments the following year.

Taxes are due and payable on or before October 1. Taxes are recorded as delinquent after October 1 and a 10 percent penalty is added.

State statutory limits on City tax rate:

General operation	5 mills
General improvement bonds	Unlimited subject to voter approval
Industrial development bonds	5 mills
Firemen's pension and policemen's pension	1 mill each

**City of Little Rock, Arkansas**  
**Top Ten Employers**  
**December 31, 2005**

<b>Employer</b>	<b>Type of Business</b>	<b>Number of Employees</b>
State of Arkansas	Government	28,100
Federal Government	Government	9,400
University of Arkansas Medical Sciences	Education/Medical Services	8,500
Public School Districts	Education	7,868
Baptist Health	Medical Services	7,571
Little Rock Air Force Base	Government	4,500
Acxiom	Data Processing	4,388
St. Vincent Infirmiry Medical Center	Medical Services	3,500
Entergy Arkansas	Utility	2,881
Veterans Administration Hospitals	Medical Services	2,785

**City of Little Rock, Arkansas**  
**Computation of Legal Debt Margin**  
**December 31, 2005**

Computation of the City's legal debt margin as set forth in Amendments 78 and 62 to the Constitution of the State of Arkansas is as follows:

Assessed value	\$2,852,244,646	
General obligation debt limitation (20% of assessed value)		\$ 570,448,929
Short-term financing debt limitation (5% of assessed value)		<u>142,612,232</u>
Total Debt Limitation		\$ 713,061,161
General obligation and short-term financing debt outstanding	121,457,274	
Less amount available in debt service fund		<u>12,942,568</u>
Total amount of debt applicable to debt limitation		<u>108,514,706</u>
Legal debt margin		\$ <u>604,546,455</u>

**City of Little Rock, Arkansas**  
**Ratio of Net General Bonded Debt to Assessed Value**  
**and Net Bonded Debt Per Capita**  
**Last Ten Years**

<b>Year</b>	<b>Population</b>	<b>Assessed Value</b>	<b>Net Bonded Debt</b>	<b>Ratio of Bonded Debt to Assessed Value</b>	<b>Net Bonded Debt Per Capita</b>
1996	181,280 (1)	\$ 2,004,304,678	\$ 46,459,570	2.32%	\$ 256.29
1997	181,280 (1)	2,036,030,934	38,888,605	1.91%	214.52
1998	183,951 (1)	2,097,545,721	31,290,644	1.49%	170.10
1999	183,951 (1)	2,178,840,160	48,596,434	2.23%	264.18
2000	183,133 (2)	2,275,014,036	40,126,743	1.76%	219.11
2001	183,133 (2)	2,352,143,720	33,479,841	1.42%	182.82
2002	183,133 (2)	2,385,706,046	38,893,210	1.63%	212.38
2003	183,133 (2)	2,523,765,159	34,274,288	1.36%	187.16
2004	183,133 (2)	2,659,514,944	111,748,264	4.20%	610.20
2005	183,133 (2)	2,852,244,646	108,514,706	3.80%	592.55

Source:

- (1) Estimated
- (2) 2000 Census

**City of Little Rock, Arkansas**  
**Ratio of Annual Debt Service Expenditures**  
**For General Obligation Bonded Debt**  
**to Total General Governmental Expenditures**  
**Last Ten Years**

<b>Year</b>	<b>Principal</b>	<b>Interest and Fiscal Charges</b>	<b>Total Debt Service</b>	<b>Total General Governmental Expenditures*</b>	<b>Ratio of Debt Service to Total General Governmental Expenditures</b>
1996	\$ 5,990,000	\$ 3,090,685	\$ 9,080,685	\$ 86,867,214	10.5%
1997	7,050,000	2,766,607	9,816,607	93,035,630	10.6%
1998	6,420,000	2,258,545	8,678,545	94,678,526	9.2%
1999	7,705,000	3,004,142	10,709,142	109,097,712	9.8%
2000	4,015,000	2,240,514	6,255,514	113,881,911	5.5%
2001	3,035,000	1,909,676	4,944,676	144,715,275	3.4%
2002	7,385,000	2,706,179	10,091,179	149,969,522	6.7%
2003	9,660,000	1,932,911	11,592,911	151,260,854	7.7%
2004	11,055,000	1,539,645	12,594,645	157,353,468	8.0%
2005	7,000,000	4,324,542	11,324,542	157,743,594	7.2%

\*Total general governmental expenditures include expenditures of the general and street funds.

Beginning in 2000, total general governmental expenditures include expenditures of the debt service fund.

**City of Little Rock, Arkansas**  
**Computation of Direct and Overlapping Bonded Debt**  
**December 31, 2005**

	<b>Funds Available for Retirement</b>	<b>Percentage Applicable to Little Rock</b>	<b>Little Rock's Share of Bonded Debt</b>
City of Little Rock	\$ 148,301,331	100%	\$ 148,301,331
Little Rock Public School District	<u>174,978,291</u>	100%	<u>174,978,291</u>
Total	<u>\$ 323,279,623</u>		<u>\$ 323,279,622</u>

# City of Little Rock, Arkansas

## Revenue Bond Coverage

### Last Ten Years

	Operating Revenue (1)	Operating Expenses (2)	Net Revenue	Principal (3)	Debt Service Requirements		Coverage
					Interest	Total	
1996 Municipal Water Works	\$ 18,532,804	\$ 13,740,517	\$ 4,792,287	\$ 850,000	\$ 21,286	\$ 871,286	5.50
Wastewater Utility	17,597,511	10,127,885	7,469,626	1,331,364	1,770,825	3,102,189	2.41
Regional Airport	10,478,713	6,646,960	3,831,753	310,321	1,049,668	1,359,989	2.82
A&P Commission	9,486,674	7,139,481	2,347,193	805,000	1,661,381	2,466,381	0.95
Port Authority	<u>984,360</u>	<u>766,153</u>	<u>218,207</u>	<u>115,000</u>	<u>19,975</u>	<u>134,975</u>	<u>1.62</u>
Total	<u>\$ 57,080,062</u>	<u>\$ 38,420,996</u>	<u>\$ 18,659,066</u>	<u>\$ 3,411,685</u>	<u>\$ 4,523,135</u>	<u>\$ 7,934,820</u>	<u>2.35</u>
1997 Municipal Water Works	\$ 18,798,444	\$ 14,377,046	\$ 4,421,398	\$ —	\$ —	\$ —	—
Wastewater Utility	17,466,112	10,882,931	6,583,181	1,380,003	1,720,112	3,100,115	2.12
Regional Airport	10,971,046	6,867,016	4,104,030	2,948,373	1,640,710	4,589,083	0.89
A&P Commission	9,652,940	6,910,855	2,742,085	830,000	1,629,583	2,459,583	1.11
Port Authority	<u>965,377</u>	<u>842,748</u>	<u>122,629</u>	<u>120,000</u>	<u>12,900</u>	<u>132,900</u>	<u>0.92</u>
Total	<u>\$ 57,853,919</u>	<u>\$ 39,880,596</u>	<u>\$ 17,973,323</u>	<u>\$ 5,278,376</u>	<u>\$ 5,003,305</u>	<u>\$ 10,281,681</u>	<u>1.75</u>
1998 Municipal Water Works	\$ 19,363,560	\$ 15,534,727	\$ 3,828,833	\$ —	\$ —	\$ —	—
Wastewater Utility	17,900,210	11,753,474	6,146,736	1,434,395	1,663,738	3,098,133	1.98
Regional Airport	11,511,850	7,034,976	4,476,874	1,020,000	1,555,344	2,575,344	1.74
A&P Commission	1,794,408	7,123,606	(5,329,198)	870,000	1,594,722	2,464,722	(2.16)
Port Authority	<u>1,246,059</u>	<u>827,689</u>	<u>418,370</u>	<u>130,000</u>	<u>6,000</u>	<u>136,000</u>	<u>3.08</u>
Total	<u>\$ 51,816,087</u>	<u>\$ 42,274,472</u>	<u>\$ 9,541,615</u>	<u>\$ 3,454,395</u>	<u>\$ 4,819,804</u>	<u>\$ 8,274,199</u>	<u>1.15</u>
1999 Municipal Water Works	\$ 20,498,784	\$ 16,811,195	\$ 3,687,589	\$ 172,000	\$ 7,026	\$ 179,026	20.60
Wastewater Utility	17,696,083	12,166,208	5,529,875	1,599,404	1,709,981	3,309,385	1.67
Regional Airport	40,116,961	7,442,719	32,674,242	7,110,000	1,224,642	8,334,642	3.92
A&P Commission	10,213,751	7,730,443	2,483,308	900,000	1,556,442	2,456,442	1.01
Port Authority	<u>905,763</u>	<u>707,691</u>	<u>198,072</u>	<u>35,000</u>	<u>875</u>	<u>35,875</u>	<u>5.52</u>
Total	<u>\$ 89,431,342</u>	<u>\$ 44,858,256</u>	<u>\$ 44,573,086</u>	<u>\$ 9,816,404</u>	<u>\$ 4,498,966</u>	<u>\$ 14,315,370</u>	<u>3.11</u>
2000 Municipal Water Works	\$ 22,725,615	\$ 17,153,814	\$ 5,571,801	\$ —	\$ —	\$ —	—
Wastewater Utility	20,422,070	13,019,665	7,402,405	1,855,200	1,668,838	3,524,038	2.10
Regional Airport	12,344,600	8,829,907	3,514,693	2,060,000	2,180,334	4,240,334	0.83
A&P Commission	10,808,321	8,049,902	2,758,419	980,000	1,468,162	2,448,162	1.13
Port Authority	<u>1,069,602</u>	<u>885,582</u>	<u>184,020</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 67,370,208</u>	<u>\$ 47,938,870</u>	<u>\$ 19,431,338</u>	<u>\$ 4,895,200</u>	<u>\$ 5,317,334</u>	<u>\$ 10,212,534</u>	<u>1.90</u>
2001 Municipal Water Works	\$ 9,745,708	\$ 9,703,581	\$ 42,127	\$ —	\$ —	\$ —	—
Wastewater Utility	20,295,613	14,379,127	5,916,486	785,200	584,916	1,370,116	4.32
Regional Airport	15,477,681	9,813,814	5,663,867	1,290,000	1,905,199	3,195,199	1.77
A&P Commission	9,562,149	8,631,913	930,236	980,000	1,470,393	2,450,393	0.38
Port Authority	<u>1,557,904</u>	<u>897,932</u>	<u>659,972</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 56,639,055</u>	<u>\$ 43,426,367</u>	<u>\$ 13,212,688</u>	<u>\$ 3,055,200</u>	<u>\$ 3,960,508</u>	<u>\$ 7,015,708</u>	<u>1.88</u>

	<b>Operating Revenue (1)</b>	<b>Operating Expenses (2)</b>	<b>Net Revenue</b>	<b>Principal (3)</b>	<b>Debt Service Requirements</b>		<b>Coverage</b>
					<b>Interest</b>	<b>Total</b>	
2002 Wastewater Utility	\$ 21,136,586	\$ 16,208,850	\$ 4,927,736	\$ 1,820,787	\$ 1,432,987	\$ 3,253,774	1.51
Regional Airport	16,578,846	10,130,512	6,448,334	1,365,000	1,776,477	3,141,477	2.05
A&P Commission	<u>11,176,391</u>	<u>9,454,023</u>	<u>1,722,368</u>	<u>1,030,000</u>	<u>1,422,373</u>	<u>2,452,373</u>	<u>0.70</u>
Total	<u>\$ 48,891,823</u>	<u>\$ 35,793,385</u>	<u>\$ 13,098,438</u>	<u>\$ 4,215,787</u>	<u>\$ 4,631,837</u>	<u>\$ 8,847,624</u>	<u>1.48</u>
2003 Wastewater Utility	\$ 27,811,390	\$ 19,474,453	\$ 8,336,937	\$ 1,594,617	\$ 1,999,172	\$ 3,593,789	2.32
Regional Airport	16,293,109	12,689,242	3,603,867	1,772,352	1,672,764	3,445,116	1.05
A&P Commission	<u>11,401,613</u>	<u>8,798,459</u>	<u>2,603,154</u>	<u>886,202</u>	<u>1,349,830</u>	<u>2,236,032</u>	<u>1.16</u>
Total	<u>\$ 55,506,112</u>	<u>\$ 40,962,154</u>	<u>\$ 14,543,958</u>	<u>\$ 4,253,171</u>	<u>\$ 5,021,766</u>	<u>\$ 9,274,937</u>	<u>1.57</u>
2004 Wastewater Utility	\$ 30,295,588	\$ 21,380,806	\$ 8,914,782	\$ 2,336,322	\$ 2,050,350	\$ 4,386,672	2.03
Regional Airport	17,236,278	13,191,863	4,044,415	1,545,000	1,544,706	3,089,706	1.31
A&P Commission	<u>12,118,527</u>	<u>9,183,566</u>	<u>2,934,961</u>	<u>1,205,000</u>	<u>1,184,546</u>	<u>2,389,546</u>	<u>1.23</u>
Total	<u>\$ 59,650,393</u>	<u>\$ 43,756,235</u>	<u>\$ 15,894,158</u>	<u>\$ 5,086,322</u>	<u>\$ 4,779,602</u>	<u>\$ 9,865,924</u>	<u>1.61</u>
2005 Wastewater Utility	\$ 30,609,507	\$ 22,985,329	\$ 7,624,178	\$ 5,035,661	\$ 2,122,914	\$ 7,158,575	1.07
Regional Airport	18,508,810	14,401,111	4,107,699	1,695,000	1,404,936	3,099,936	1.33
A&P Commission	<u>13,350,552</u>	<u>10,658,219</u>	<u>2,692,333</u>	<u>1,265,000</u>	<u>25,300</u>	<u>1,290,300</u>	<u>2.09</u>
Total	<u>\$ 62,468,869</u>	<u>\$ 48,044,659</u>	<u>\$ 14,424,210</u>	<u>\$ 7,995,661</u>	<u>\$ 3,553,150</u>	<u>\$ 11,548,811</u>	<u>1.25</u>

Note: Amounts shown are for the City's Discretely Presented Component Units:

- (1) Includes proceeds from long-term debt and various nonoperating revenues (intergovernmental revenue and local tax levy).
- (2) Excludes depreciation.
- (3) Includes bond defeasance.

	<b>Pledged Revenue (4)</b>	<b>Operating Expenses (5)</b>	<b>Net Revenue</b>	<b>Principal</b>	<b>Debt Service Requirements</b>		<b>Coverage</b>
					<b>Interest</b>	<b>Total</b>	
River Market Garage	<u>\$ 1,774,378</u>	<u>\$ 779,065</u>	<u>\$ 995,313</u>	<u>\$ 65,000</u>	<u>\$ 563,058</u>	<u>\$ 628,058</u>	<u>1.58</u>

- (4) Includes all revenues of the City derived from the ownership, control and operation of the City's various parking facilities.
- (5) Excludes depreciation.

### Demographic Statistics Last Ten Years

Year	Population	Per Capita Income	Median Age	Education Level in Years of Formal Schooling	School Enrollment	Unemploymen t Percentage Rate
1996	181,280 (1)	20,746 (4)	32.3	13.5	27,001	3.3%
1997	181,280 (1)	24,029 (4)	32.3	13.5	27,351	3.4%
1998	183,951 (1)	24,906 (4)	32.3	13.5	27,371	3.4%
1999	183,951 (1)	25,889 (4)	32.3	13.5	27,511	4.1%
2000	183,133 (2)	25,889 (4)	33.9	13.5	27,400	3.1%
2001	183,133 (2)	25,889 (4)	34.5	13.5	27,387	4.3%
2002	183,133 (2)	23,209 (4)	34.5	13.4	27,574	4.3%
2003	183,133 (2)	23,209 (4)	34.5	13.4	27,980	4.6%
2004	183,133 (2)	23,209 (4)	34.5	13.4	27,891	4.4%
2005	183,133 (2)	23,209 (4)	34.5	13.4	28,699 (3)	3.8%

(1) Estimated

(2) 2000 Census

Registered students 26,524 (3)

Kindergarten 2,175 (3)

28,699

(3) As of October 2004, enrollment

(4) State Library

Source: Metroplan – Council of Local Governments, Pulaski County, Little Rock Public Schools, State Library

**Property Value, New Construction and Bank Deposits  
Last Ten Years**

Year	Commercial Construction (1)		Residential Construction (1)			Property Value (3)		
	Number of Permits	Value	Number of Permits	Value	Bank Deposits (in thousands) (2)	Real	Personal	Utility
1996	159	\$ 119,408,307	496	\$ 87,379,145	\$ 5,282,203	\$ 7,142,705,125	\$ 2,429,893,350	\$ 448,924,915
1997	94	90,761,244	458	115,561,179	3,864,181	7,281,476,230	2,408,949,790	489,728,650
1998	84	68,475,000	556	110,179,000	1,981,092	7,421,387,405	2,522,425,825	543,915,375
1999	138	100,030,893	555	101,877,483	3,916,946	7,629,032,460	2,792,408,100	472,760,240
2000	139	193,487,215	510	101,839,118	2,712,083	7,820,944,440	2,928,441,075	625,684,665
2001	104	164,063,228	484	122,786,690	2,832,465	7,974,232,390	3,045,909,000	740,577,210
2002	78	180,659,144	590	137,152,590	3,602,180	8,229,773,960	3,009,881,500	688,874,770
2003	96	124,394,465	727	175,801,381	3,362,318	8,731,153,630	3,159,883,175	727,788,990
2004	153	141,391,525	797	208,581,390	4,486,847	9,317,958,760	3,270,128,460	709,508,130
2005	113	183,023,886	978	252,222,968	5,154,490	9,971,330,310	3,425,463,340	864,429,580

Sources:

- (1) City of Little Rock Neighborhood and Planning Department
- (2) Chamber of Commerce
- (3) Pulaski County Tax Assessor

**City of Little Rock, Arkansas**  
**Insurance Coverage**  
**December 31, 2005**

Name of Company	Policy Number	Policy Period		Details of Coverage	Co-Insurance	Liability Limits	Annual Premium
		From	To				
Real property insurance – Travelers Indemnity Co.	KTKCMB9868 B56405	10/01/05	09/30/06	Blanket coverage for various City buildings and structures, against fire, windstorm, hail, explosion, riots, smoke, vandalism, etc. Coverage includes damage to buildings and contents. \$5,000 deductible per occurrence.	None	Blanket Coverage	\$ 243,155
Vehicle liability insurance – Municipal League	N/A	01/01/05	12/31/05	Bodily injury and property damage liability coverage on owned, non-owned and hired rolling stock (automobiles, trucks, heavy equipment) under the control of the City. \$1,000 deductible per occurrence on property damage liability.	None	\$25/50/25 (thousands)	423,743
Honesty and faithful performance bond – Arkansas Fidelity Bond Trust	Bond #FBTF10	01/01/05	12/31/05	Honesty and faithful performance coverage for City employees and officials pursuant to State Act Number 728 of 1987. Excess coverage liability limits are in effect for certain high exposure officials.	None	\$250,000 per year employee	9,131
Public official liability – Municipal League	N/A	01/01/05	12/31/05	\$1,000,000 each and every loss and maximum aggregate excess of the retained limit will pay no more than one-fourth of program assets to any one judgment.	None	Lesser of \$1,000,000 or 25% of the available funds	408,437
Workers' Compensation Insurance – Self-Insured – Mid West Employee Casualty Company – Excess Workers' Compensation	EWC006885	07/01/05	06/30/06	Self-insured: \$400,000 specific retention. Claims are handled through a third party administrator and excess reinsurance is maintained.	Yes – Midwest Employers Casualty Company	\$1,000,000 employer liability-injury limit statutory	103,867

**City of Little Rock, Arkansas**  
**Miscellaneous Statistical Data**  
**December 31, 2005**

<b>Date of Incorporation</b>	November 07, 1831
<b>Date of Adoption of Charter</b>	November 02, 1835
<b>Form of Government</b>	Director-Manager
<b>Date of Director-Manager Government</b>	November 11, 1957

<b>Area – Square Miles</b>	122
----------------------------	-----

**Miles of Streets and Alleys**

Streets	2,527
Graded and surface treatment	426
Paved – permanent (concrete and asphalt)	2,039
Alleys	63
Drainage ditches maintained	745

**Miles of Sewer**

Storm	350
Sanitary	1,248

**Building Permits**

Year	Number Issued	Estimated Cost
1996	2,351	\$ 281,153,259
1997	2,315	277,926,135
1998	2,330	295,624,822
1999	2,613	309,887,249
2000	2,243	488,530,453
2001	4,384	300,318,597
2002	4,561	489,610,493
2003	4,432	458,553,311
2004	5,032	475,269,768
2005	5,330	620,819,782

**Fire Protection**

Number of stations	20
Number of uniformed employees	373

**Police Protection**

Number of stations	4
Number of uniformed employees	528

**City of Little Rock, Arkansas**  
**Miscellaneous Statistical Data (Continued)**  
**December 31, 2005**

**Recreation**

Total acres	5,767
Number of parks, including park development	54
Number of playgrounds	45
Number of tennis courts	52
Number of basketball courts	36
Number of museums	1
Number of golf courses	3
Number of ball fields	24
Number of play fields	18
Number of zoos	1
Number of adult centers	1
Number of community centers	6
Number of fitness centers	1
Number of swimming pools	4
Number of soccer fields	9
Number of pavilions	19
Number of volleyball courts	9
Total park attendance – 2005	906,941
Total zoo attendance – 2005	275,584
Total zoo outreach program – 2005	72,978

**Education**

Number of school buildings	48
Number of teachers	2,160
Number of registered students, except kindergarten	26,524
Number of registered students in kindergarten	2,175

**Average Daily Attendance**

Elementary schools	11,679
High schools	12,383
Special schools	287
Kindergarten	2,175

**City of Little Rock, Arkansas**  
**Miscellaneous Statistical Data (Continued)**  
**December 31, 2005**

Employees as of December 31, 2004:

<b>City Government</b>	<b>Total</b>	<b>Full Time</b>	<b>Seasonal and Part Time</b>
AFSCME	467	467	—
IAFF	373	373	—
FOP	528	528	—
Nonunion	<u>1,055</u>	<u>733</u>	<u>322</u>
	<u>2,423</u>	<u>2,101</u>	<u>322</u>
<b>Commissions</b>			
Wastewater Utility	246	240	6
Little Rock National Airport	143	141	2
Advertising and Promotion	211	118	93
Port Authority	8	8	—
Ambulance Authority	339	212	127
Central Arkansas Transit Authority	179	175	4
Museum of Discovery	31	12	19
Arkansas Arts Center	75	41	34
Central Arkansas Library System	<u>228</u>	<u>145</u>	<u>83</u>
	<u>1,460</u>	<u>1,092</u>	<u>368</u>
Total employees	<u>3,883</u>	<u>3,193</u>	<u>690</u>
<b>Population</b>			
1900			38,165
1910			45,941
1920			65,142
1930			81,657
1940			88,039
1950			102,310
1960			107,813
1962 Special census			125,671
1964 Special census			128,929
1970 Census			144,824
1974 Special census			139,703
1978 Special census			144,224
1980 Census			159,024
1985 Special census			178,134
1987 Area Planning Commission estimate			185,000
1988 Area Planning Commission estimate			187,600
1989 Area Planning Commission estimate			187,600
1990 Census			175,795
1991 Revised census			175,818
1992 U.S. Census Bureau estimate			176,870
1996 Area Planning Commission estimate			181,280
1997 Area Planning Commission estimate			181,280
1998 Area Planning Commission estimate			183,951
2000 Census			183,133

**City of Little Rock, Arkansas**  
**Miscellaneous Statistical Data (Concluded)**  
**December 31, 2005**

**Surety Bonds of Principal Officials as of December 31, 2005**

City Manager	\$ 250,000
Assistant to the City Manager	250,000
Municipal Judges	250,000
Director of Finance	250,000
City Controller	250,000
City Attorney	250,000
Chief of Fire Department	250,000
Chief of Police Department	250,000
Parks and Recreation Director	250,000
Director of Human Resources	250,000
Director of Management Support	250,000
Director of Planning and Development	250,000
Director of Public Works	250,000
Director of Housing and Neighborhood Programs	250,000
Director of Fleet Services	250,000
Treasury Manager	250,000
Zoo Director	250,000
 City Commissions	
Manager – Wastewater Utility	100,000
Manager – Little Rock National Airport	250,000
Manager – Little Rock Port Authority	100,000
Executive Director – Little Rock Advertising and Promotion Commission	100,000



## Independent Accountants' Report on Compliance with Certain State Acts

Honorable Jim Dailey, Mayor  
and Members of the Board of Directors  
City of Little Rock, Arkansas

We have examined management's assertions that the City of Little Rock, Arkansas, complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the year ended December 31, 2005.

- (a) Municipal Accounting Law, Act 159 of 1973, Act 616 of 1979 and Act 308 of 1977 (Arkansas Statutes 19-5301 – 19-5317);
- (b) Municipal Courts, Police Courts, City Courts and Justice of the Peace Courts Accounting Law of 1977, Act 332 of 1977, Acts 677 and 776 of 1985, Act 904 of 1991 and Act 1256 of 1996 (Arkansas Statutes 22-1101 – 22-1108);
- (c) Municipal Court and Police Department Uniform Filing Fees and Court Cost, Act 1341 of 1997;
- (d) Bonding of Municipal Officers and Employees, Act 338 of 1955, Act 677 of 1975, Act 940 of 1977 and Act 1014 of 1987 (Arkansas Statutes 13-412 – 13-412.3) (Replaced by Act 5 of 1985);
- (e) Improvement Contracts over \$10,000, Act 159 of 1949, Act 183 of 1957, Act 477 of 1961, Act 370 of 1977, Act 266 of 1981, Act 871 of 1983, Acts 758 and 759 of 1987, Act 936 of 1989, Act 728 of 1991, Act 645 of 1993 and Act 1319 of 1995 (Arkansas Statutes 14-611 – 14-614);
- (f) Budgets, Purchases over \$2,000; Payments of Claims, Etc., Act 28 of 1959, Act 154 of 1979, Acts 344 and 926 of 1981, Act 745 of 1985 and Act 812 of 1995 (Arkansas Statutes 19-4421 – 19-4430);
- (g) Investment of Public Funds, Act 273 of 1943; Act 106 of 1973, Act 402 of 1995 and Act 1341 of 2000 (Arkansas Statutes 13-901 – 13-904); and
- (h) Deposit of Public Funds, Act 21 of 1935, Acts 57 and 62 of 1945, Act 122 of 1947, Act 18 of 1964, Acts 89 and 107 of 1973, Act 250 of 1987, Act 459 of 1991 and Acts 232 and 700 of 1995 (Arkansas Statutes 13-801 – 13-805).

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

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

In our opinion, the City of Little Rock, Arkansas, complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2005.

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.

BKD,LLP

June 9, 2006



**Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters Based on an Audit of  
the Financial Statements Performed in  
Accordance with *Government Auditing Standards***

Honorable Jim Dailey, Mayor  
and Members of the Board of Directors  
City of Little Rock, Arkansas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Little Rock, Arkansas, as of and for the year ended December 31, 2005, which collectively comprise its basic financial statements and have issued our report dated June 9, 2006, which contained an explanatory paragraph regarding a change in accounting principles. 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. The financial statements of the component units Oakland Fraternal Cemetery; Mt. Holly Cemetery; Arkansas Museum of Science and History and Little Rock Advertising and Promotion Commission were not audited in accordance with *Government Auditing Standards*.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-01, 2005-02 and 2005-03.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above to be material weaknesses.

### ***Compliance and Others Matters***

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

We also noted certain additional matters that we reported to the City's management in a separate letter dated June 9, 2006.

This report is intended solely for the information and use of the governing body, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

June 9, 2006



## Independent Accountants' Report on Compliance and Internal Control Over Compliance with Requirements Applicable to Major Federal Awards Programs

Honorable Jim Dailey, Mayor  
and Members of the Board of Directors  
City of Little Rock, Arkansas

### Compliance

We have audited the compliance of the City of Little Rock, Arkansas with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the compliance of the City of Little Rock, Arkansas based on our audit.

The City of Little Rock, Arkansas' financial statements include the operations of the Central Arkansas Transit Authority, Little Rock National Airport, Little Rock Workforce Investment Board, and Little Rock Wastewater Utility which expended \$3,337,188, \$22,992,857, \$1,011,677 and \$17,078,536, respectively in federal awards. These amounts are not included in the City's schedule of expenditures of federal awards for the year ended December 31, 2005. Our audit, described below, did not include the operations of these component units because each engaged auditors to perform separate audits in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Little Rock, Arkansas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

### ***Internal Control Over Compliance***

The management of the City of Little Rock, Arkansas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-04 and 2005-05.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable conditions described above to be a material weakness.

This report is intended solely for the information and use of the governing body, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

June 9, 2006

**City of Little Rock, Arkansas**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2005**

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Amount Expended
Child and Adult Care Food Programs	U.S. Department of Agriculture/Arkansas Department of Human Services	10.558	\$ 297,177
Street Tree Inventory	U.S. Department of Agriculture/Arkansas Forestry Commission	10.652	9,529
Community Development Block Grants/ Entitlement Grants	U.S. Department of Housing and Urban Development	14.218	1,527,977
Emergency Shelter Grants Program	U.S. Department of Housing and Urban Development	14.231	920
HOME Investment Partnerships Program	U.S. Department of Housing and Urban Development	14.239	1,069,612
Community Block Grants - Section 108 Loan Guarantees	U.S. Department of Housing and Urban Development	14.248	98,909
COPS 04 Technology	U.S. Department of Justice	16.710	99,916
Local Law Enforcement Block Grants Program	U.S. Department of Justice	16.592	198,950
Justice Assistance Grant	U.S. Department of Justice	16.738	193,187
Historical Preservation Fund	Department of Interior, National Park Service/Arkansas Department of Heritage	15.904	18,349
Technical Preservation Grant	Department of Interior, National Park Service	15.915	5,200
Urban Park and Recreation Recovery Program	Department of Interior, National Park Service	15.919	433,675
State and Local Domestic Preparedness Exercise Support	U.S. Department of Homeland Security/Arkansas Department of Emergency Management	97.006	282,514
Flood Mitigation Assistance	U.S. Department of Homeland Security/Arkansas Department of Emergency Management	97.029	41,407
Emergency Operations Planning	U.S. Department of Homeland Security/Arkansas Department of Emergency Management	97.051	855
Hazard Materials Assistance Program	U.S. Department of Homeland Security/Arkansas Department of Emergency Management	97.021	27,268
State Domestic Preparedness Equipment Support Program	U.S. Department of Homeland Security/Arkansas Department of Emergency Management	97.004	573,153
Assistance to Firefighters Grant	U.S. Department of Homeland Security	97.044	429,800
Hurricane Katrina Case Management Program	U.S. Department of Homeland Security/Arkansas Department of Emergency Management	97.084	432,191
State Homeland Security Program	U.S. Department of Homeland Security/Arkansas Department of Emergency Management	97.067	807,403
Metropolitan Medical Response System	U.S. Department of Homeland Security	97.071	201,264
Public Works and Economic Development Facilities	U.S. Department of Commerce, Economic Administration	11.300	142,657
State and Community Highway Safety	U. S. Department of Transportation/ Arkansas State Highway and Transportation	20.600	120,462
Highway Planning and Construction	U.S. Department of Transportation/ Arkansas State Highway and Transportation	20.205	784,300
CATA Markham Street	U.S. Department of Transportation	20.205	<u>8,244</u>
			<u>\$ 7,804,919</u>

**City of Little Rock, Arkansas**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended December 31, 2005**

**Notes to Schedule:**

1. This schedule includes the federal awards activity of the City of Little Rock, Arkansas, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organization*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. Of the federal expenditures presented in this schedule, the City of Little Rock, Arkansas, provided federal awards to subrecipients as follows:

Program	CFDA No.	Subrecipient	Amount Provided
Community Development Block Grant	14.218	Various	\$ 269,555
HOME Investment Partnerships Program	14.239	Various	<u>443,722</u>
Total provided to subrecipients			<u>\$ 713,277</u>

**City of Little Rock, Arkansas**  
**Schedule of Expenditures of State Awards**  
**Year Ended December 31, 2005**

<b>Program Grantor/Program Title</b>	<b>State Awards</b>
<b>State of Arkansas</b>	
Arkansas River Trail	\$ 631,505
<b>Arkansas Department of Health</b>	
Tobacco Prevention & Education Program (TPEP)	61,451
<b>Arkansas Department of Parks &amp; Tourism</b>	
Boyle Park	83,353
Trails for Life Grant Program	113,845
<b>Arkansas Department of Finance &amp; Administration</b>	
Arkansas for Drug Free Youth	17,000
Economic Development Fund of Arkansas	10,733
<b>Arkansas Department of Economic Development</b>	
Economic Infrastructure Fund	276,722
<b>Arkansas State Police</b>	
Selective Traffic Enforcement Program	<u>736</u>
Total State Awards	<u>\$ 1,195,345</u>



**City of Little Rock, Arkansas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2005**

7. The Organization's major programs were:

<b>Cluster/Program</b>	<b>CFDA Number</b>
HOME Investment Partnership Program (HIPP)	14.239
Community Development Block Grant (CDBG)	14.218
Urban Park and Recreation Recovery Program	15.919
Highway Planning and Construction	20.205
State Domestic Preparedness Equipment Support Program	97.004
Assistance to Firefighters Grant	97.044
Homeland Security Grant Program	97.067
Hurricane Katrina Case Management Initiative Program	97.084

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$300,000.

9. The Organization qualified as a low-risk auditee as that term is defined in OMB Circular A-133?  Yes  No

**City of Little Rock, Arkansas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2005**

**Findings Required to be Reported by Government Auditing Standards**

Reference Number	Finding	Questioned Costs
2005-01	<p>Criteria or Specific Requirement  Management is responsible for establishing and maintaining effective internal control over general ledger accounts being reconciled and monitored on a regular basis.</p> <p>Condition  Certain general ledger accounts (including construction in progress, CDBG and Home inventory, grant accounts receivable and deferred revenue, and pension accounts) were not reconciled appropriately throughout the year, resulting in significant work and adjustment, necessary at year-end.</p> <p>Context  Incomplete or inaccurate reconciliation schedules were noted during review of construction in progress, inventory, grant receivables and deferred revenue, and pension accounts.</p> <p>Effect  Potentially material misstatements in the financial statements due to error or fraud could occur and not be prevented or detected in a timely manner. In addition, inaccurate information may be provided to management and external agencies.</p> <p>Cause  Internal control procedures were not followed or do not exist to ensure adequate review of account reconciliations or to ensure that pension, benefit, and inventory information is provided to the Finance department in an accurate, complete and timely manner.</p> <p>Recommendation  Management should implement procedures to help ensure the timely review of general ledger account reconciliations. In addition, internal control procedures should be developed to ensure that accurate and timely information is available to Finance from other departments for management review and external reporting.</p> <p>Views of Responsible Officials and Planned Corrective Actions  Finance management will enhance reconciliation review procedures. Management will develop controls to ensure better coordination and communication to Finance to improve the availability of timely accurate information for management review and external reporting.</p>	None

**City of Little Rock, Arkansas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2005**

Reference Number	Finding	Questioned Costs
2005-02	<p>Criteria or Specific Requirement  Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition  Incompatible duties exist within several departments.</p> <p>Context  Individuals responsible for having access, recording and monitoring responsibilities in the cash disbursements/accounts payable, cash receipts/revenue recognition and payroll cycles exist in many departments.</p> <p>Effect  Potentially material misstatements in the financial statements or material misappropriations of assets due to error or fraud could occur and not be prevented or detected in a timely manner.</p> <p>Cause  Duties in the cash disbursements/accounts payable, cash receipts/revenue and payroll recognition cycles are not adequately segregated and/or monitoring or other compensating controls are insufficient.</p> <p>Recommendation  Management should periodically evaluate the costs versus the benefits of further segregation of duties or addition of monitoring or other compensating controls and implement those changes it deems appropriate for which benefits are determined to exceed costs.</p> <p>Views of Responsible Officials and Planned Corrective Actions  Management continues to monitor the cost versus the benefits of further segregation of duties within the cash disbursements/accounts payable, cash receipts/revenue and payroll recognition cycles. The City's Internal Audit Department conducts various departmental and cycle audits to mitigate the risk of misappropriate of assets.</p>	None

**City of Little Rock, Arkansas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2005**

Reference Number	Finding	Questioned Costs
2005-03	<p>Criteria or Specific Requirement  Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition  Communication issues exist between some departments and the Finance department concerning financial and other significant information.</p> <p>Context  The Finance department is responsible to ensure all transactions are accounted for and reconciled on a monthly basis. However, information is either not provided or is not provided in an accurate and timely manner from other departments.</p> <p>Effect  Significant transactions are not communicated to Finance or are not communicated in an accurate and timely manner. This created significant reconciling issues with pensions and home inventories, and gathering of supporting documentation and adjusting entries at year-end.</p> <p>Cause  Internal controls do not exist or were not followed to ensure all information was provided to the Finance department in an accurate, complete and timely manner.</p> <p>Recommendation  Management should implement and monitor internal controls to help ensure all departments understand the significance of providing the Finance department accurate, complete information in a timely manner. In addition, the departments should not rely on external agencies to track and be able to provide financial information at year-end. All transactions, contracts and other agreements should be tracked, documented, reconciled, monitored and provided to the Finance department at least on a monthly basis.</p> <p>Views of Responsible Officials and Planned Corrective Actions  Management will develop controls to ensure better coordination and communication of accurate information to the Finance Department in a timely manner.</p>	None

**City of Little Rock, Arkansas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2005**

**Findings Required to be Reported by OMB Circular A-133**

Reference Number	Finding	Questioned Costs
2005-04	<p style="text-align: center;"><u>Highway Planning and Construction Program, CFDA 20.205, U.S. Department of Transportation/Arkansas State Highway and Transportation</u></p> <p>Criteria or Specific Requirement  Management is responsible for establishing and maintaining effective internal control over financial reporting of grant awards.</p> <p>Condition  Changes in Transportation Improvement Project (TIP) grant awards were not documented in individual grant files to ensure adequate documentation of match requirements.</p> <p>Context  Tracking of annual adjustments to grant awards is critical to accurately determine match requirements. Reconciliation of grant award expenditures is required to accurately report to external agencies.</p> <p>Effect  Grant awards by project and funding source and other capital improvement project awards required additional reconciling procedures at year-end to ensure the schedule of federal awards expenditures was accurately stated.</p> <p>Cause  Internal control procedures do not exist or were not followed to help ensure expenditures and awards were accurately stated and external agencies were provided accurate financial information.</p> <p>Recommendation  Management should implement and monitor internal controls to help ensure that all TIP award changes are documented within the individual grant files to ensure that federal awards and expenditures are accurately stated and documented.</p> <p>Views of Responsible Officials and Planned Corrective Actions  TIP awards are adjusted annually. The awards were tracked by Public Works in a spreadsheet provided by Metroplan, but award changes were not detailed in each individual project file. The Grants Department has developed a document to track award changes in each project file and will coordinate with Public Works to ensure that award changes are appropriately documented for ongoing projects. The City is implementing a new Financial Accounting System which will facilitate better tracking of reimbursable expenditures, match, and awards by project.</p>	None

**City of Little Rock, Arkansas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2005**

Reference Number	Finding	Questioned Costs
2005-05	<p style="text-align: center;"><u>Community Development Block Grant (CDBG) and HOME Investment Partnership Program (HIPP), CFDA Nos. 14.218 and 14.239, U.S. Department of Housing and Urban Development</u></p> <p>Criteria or Specific Requirement Equipment and real property management.</p> <p>Condition Home and CDBG equipment inventory was not tracked or monitored to ensure inventory listings were updated, additions recorded with all required information documented or disposals addressed in accordance with federal requirements.</p> <p>Context Inventory listings were not accurate, complete or maintained in a manner required by federal regulations.</p> <p>Effect Potentially, material misstatements in equipment inventory could occur due to error or fraud and not be prevented or detected in a timely manner. In addition, noncompliance with federal regulations when inventory is disposed of or purchased could occur.</p> <p>Cause Internal controls do not exist or were not followed to help prevent noncompliance with federal regulations. Inventory transactions should be reconciled and updated monthly in the federally funded inventory listings. In addition, all inventory transactions should be tracked, updated, purchases and disposals recorded and monitored in accordance with federal requirements.</p> <p>Recommendation Management should implement and monitor internal control procedures to help ensure inventory is recorded correctly, documented in accordance with federal requirements and monitored to ensure differences or discrepancies can be addressed in a timely manner.</p> <p>Views of Responsible Officials and Planned Corrective Actions Finance management will enhance reconciliation review procedures. Management will develop controls to ensure better coordination and communication to Finance to improve the availability of timely accurate information for management review and external reporting.</p>	None

**City of Little Rock, Arkansas**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended December 31, 2005**

**Findings Required to be Reported by OMB Circular A-133**

Reference Number	Finding	Status
2004-05	<u>Highway Planning and Construction</u> <u>CFDA Nos. 20.205</u> <u>U.S. Department of Transportation/Arkansas State Highway and</u> <u>Transportation Department</u>	Resolved
	<p>Criteria or Specific Requirement Procurement.</p> <p>Condition An on-going project construction file, including related bidding documentation, was not available for review.</p> <p>Context One bidding file selected for testing had been misplaced and could not be reviewed.</p> <p>Effect Procurement testing for the procurement in question could not be completed due to the unavailability of the bidding file related to a current year construction project.</p> <p>Cause Internal controls do not exist or were not followed to ensure supporting documentation was maintained on a construction project as required by federal requirements.</p> <p>Recommendation Management should implement and monitor internal control procedures to help ensure document retention is maintained in accordance with federal regulations.</p> <p>Views of Responsible Officials and Planned Corrective Actions The construction procurement phase of the project is being performed by the Arkansas State Highway and Transportation Department with all files maintained by that department. The City maintains files related to engineering design and acquisition of easements.</p>	

**City of Little Rock, Arkansas**  
**Summary Schedule of Prior Audit Findings (Continued)**  
**Year Ended December 31, 2005**

Reference Number	Finding	Status
2004-06	<p><u>Highway Planning and Construction, Community Development Block Grant (CDBG) and HOME Investment Partnership Program (HIPP), Public Works and Economic Development Facilities and State and Local Domestic Preparedness CFDA Nos. 20.205, 14.218 and 14.239, 11.300 and 97.004 U.S. Department of Transportation/Arkansas State Highway and Transportation Department, U.S. Department of Housing and Urban Development, U.S. Department of Commerce, Economic Development and Department of Homeland Security/Arkansas Department of Emergency Management</u></p> <p>Criteria or Specific Requirement Equipment and real property management.</p> <p>Condition Capital assets were not tracked or monitored to ensure inventory listings were updated, additions recorded with all required information documented or disposals addressed in accordance with federal requirements. In addition, monitoring of capital assets purchased with federal monies does not appear to be occurring or is not documented to reflect procedures performed.</p> <p>Context Capital asset listings were not accurate, complete or maintained in a manner required by federal regulations.</p> <p>Effect Potentially, material misstatements in depreciable and nondepreciable capital assets could occur due to error or fraud and not be prevented or detected in a timely manner. In addition, noncompliance with federal regulations when capital assets are disposed of or purchased could occur.</p> <p>Cause Internal controls do not exist or were not followed to help prevent noncompliance with federal regulations. Capital asset transactions should be reconciled and updated monthly in the federally funded equipment inventory listings. In addition, all capital asset transactions should be tracked, updated, purchases and disposals recorded and monitored in accordance with federal requirements.</p> <p>Recommendation Management should implement and monitor internal control procedures to help ensure capital assets are recorded correctly, documented in accordance with federal requirements and monitored to ensure differences or discrepancies can be addressed in a timely manner.</p>	Partially resolved. See similar finding at 2005-05.

**City of Little Rock, Arkansas**  
**Summary Schedule of Prior Audit Findings (Continued)**  
**Year Ended December 31, 2005**

Reference Number	Finding	Status
	Views of Responsible Officials and Planned Corrective Actions Capital asset reports were monitored, updated, and reviewed by the applicable departments in 2005 on an annual basis. Effective with the quarter ended June 30, 2005, capital asset inventories will be conducted quarterly rather than annually. Monitoring procedures will be developed, one-on-one technical assistance and annual training will be provided to departments administering grants to ensure inventory accountability.	
2004-07	<u>Community Development Block Grant (CDBG) and HOME Investment Partnership Program (HIPP)</u> <u>CFDA Nos. 14.218 and 14.239</u> <u>U.S. Department of Housing and Urban Development</u>	Resolved
	Criteria or Specific Requirement Program income.	
	Condition Refunds were not being properly recorded in the financial system.	
	Context Refunds received for expenditures previously reported and reimbursed by HUD are being reported as program income instead of reducing the expenditure to which they relate.	
	Effect Program income and grant expenditures have been overstated in the financial system and reports submitted to HUD.	
	Cause Internal control procedures were not followed to help ensure refunds were properly reflected in the general ledger system.	
	Recommendation Management should implement and monitor internal control procedures to help ensure refunds recorded in the financial system and reports submitted to HUD are amended accordingly.	
	Views of Responsible Officials and Planned Corrective Actions This finding was initially identified during the 2003 audit completed in June 2004. Actions were taken following the audit in 2004 to ensure that CDBG and HOME refunds are properly recorded in the financial system. This will ensure that reports submitted to HUD are accurate. The Grants Division monitors program income and ensures that refunds are properly credited to the project from which the funds were spent.	

**City of Little Rock, Arkansas**  
**Summary Schedule of Prior Audit Findings (Continued)**  
**Year Ended December 31, 2005**

Reference Number	Finding	Status
2004-08	<p style="text-align: center;"><u>Community Development Block Grant (CDBG) and HOME Investment Partnership Program (HIPP)</u>  <u>CFDA Nos. 14.218 and 14.239</u>  <u>U.S. Department of Housing and Urban Development</u></p> <p>Criteria or Specific Requirement Reporting.</p> <p>Condition  Program income reported to HUD did not agree with the amount reported in the general ledger system.</p> <p>Context  Program income reported by the City in its Consolidated Annual Performance and Evaluation Report (CAPER) did not agree to the program income reflected in the financial records.</p> <p>Effect  Program income reported to HUD can not be substantiated with verifiable evidence.</p> <p>Cause  Internal control procedures were not followed to help ensure reported program income agrees to the internal records.</p> <p>Recommendation  Management should implement and monitor internal control procedures to help ensure reports submitted to grantors are complete, accurate and reconciled with internal records.</p> <p>Views of Responsible Officials and Planned Corrective Actions  This was a finding initially identified in the 2003 audit completed June 2004. The program income identified in the City's financial records and CAPER are different due to timing differences associated with when deposits were actually entered into the City's general ledger system and the IDIS system. The Grants Division will monitor the program income deposits monthly to ensure that deposits are made timely in the IDIS financial system and that year-end reconciliations are timely and complete.</p>	Resolved

**City of Little Rock, Arkansas**  
**Summary Schedule of Prior Audit Findings (Continued)**  
**Year Ended December 31, 2005**

Reference Number	Finding	Status
2004-09	<p style="text-align: center;"><u>Community Development Block Grant (CDBG) and HOME Investment Partnership Program (HIPP)</u>  <u>CFDA No. 14.218 and 14.239</u>  <u>U.S. Department of Housing and Urban Development</u></p> <p>Criteria or Specific Requirement  Program income.</p> <p>Condition  Program income was not spent prior to submission of additional requests for reimbursements to HUD.</p> <p>Context  Program income is not spent before requests for reimbursements are made. In addition, program income is not segregated and used by the program in which it is generated.</p> <p>Effect  Potential disallowed costs and noncompliance with federal regulations exists due to the lack of documentation, segregation by program and use of program income. In addition, cash in excess of the amount allowed by HUD existed at year-end.</p> <p>Cause  Internal control procedures were not followed or do not exist to help ensure compliance with HUD regulations as required.</p> <p>Recommendation  Management should implement and monitor internal control procedures to help ensure all HUD regulations are followed as required.</p> <p>Views of Responsible Officials and Planned Corrective Actions  The City will implement procedures to ensure that program income is segregated and used by the program in which it is generated before additional requests for reimbursement are made. The income on hand at the end of the year will be minimized. The annual plan update due November 15, 2005 will be amended to include budgets for specific proposed income uses.</p>	Resolved

**City of Little Rock, Arkansas**  
**Summary Schedule of Prior Audit Findings (Continued)**  
**Year Ended December 31, 2005**

Reference Number	Finding	Status
2004-10	<p style="text-align: center;"><u>Public Works and Economic Development Facilities</u>  <u>CFDA No. 11.300</u>  <u>U.S. Department of Commerce, Economic Development</u></p> <p>Criteria or Specific Requirement  Matching.</p> <p>Condition  The required match portion of grant expenditures was not tracked and/or documented to ensure compliance with the respective grant award.</p> <p>Context  Match expenditures were not tracked and/or documented in such a manner to ensure all grant award requirements by project were met and approved as required.</p> <p>Effect  Potential noncompliance with grant requirements or unbudgeted expenditures may be incurred by the City due to the inability to determine at any point and time the match requirement and/or status of the match requirement by project.</p> <p>Cause  Internal control procedures were not followed or do not exist to help ensure compliance with federal regulations as required.</p> <p>Recommendation  Management should implement and monitor internal control procedures to help ensure all expenditures, cash receipts, requests for reimbursements and matching funds by project are tracked, documented at can be assessed at any point in time as required by federal regulations.</p> <p>Views of Responsible Officials and Planned Corrective Actions  The City and the Project Administrator, Central Arkansas Planning and Development District (CAPDD), administered the EDA project. Grant matching funds, receipts, and disbursements are being tracked by both agencies to ensure that matching funds are spent accurately. One error occurred that was caught internally and adjusted prior to year end to properly allocate matching funds. The funding agency reimbursed the City for the approved proportionate share of the requisition as outlined in the grant agreement documents.</p>	Resolved

**City of Little Rock, Arkansas**  
**Summary Schedule of Prior Audit Findings (Continued)**  
**Year Ended December 31, 2005**

Reference Number	Finding	Status
2004-11	<p style="text-align: center;"><u>Public Works and Economic Development Facilities</u>  <u>CFDA No.11.300</u>  <u>U.S. Department of Commerce, Economic Administration</u></p> <p>Criteria or Specific Requirement  Cash management.</p> <p>Condition  A request for reimbursement was made for an inappropriate purpose.</p> <p>Context  A request for reimbursement was made for the appraised value of donated land. No expenditure was incurred for the land and federal dollars should not have been received.</p> <p>Effect  Excess federal cash was maintained for a period of time by the City. This error was ultimately found by City personnel and rectified.</p> <p>Cause  Internal control procedures were not followed or do not exist to help ensure all federal cash draw downs were for eligible purposes and excess cash not maintained.</p> <p>Recommendation  Management should implement and monitor internal control procedures to help ensure all requests for reimbursements are for appropriate expenditures as defined by the grant award and federal regulations and that excess cash is not maintained.</p> <p>Views of Responsible Officials and Planned Corrective Actions  The reimbursement was treated as an advance for other allowable expenditures and approved by the grantor agency. Procedures will be implemented to ensure requests for reimbursement are accurate.</p>	Resolved

**City of Little Rock, Arkansas**  
**Summary Schedule of Prior Audit Findings (Continued)**  
**Year Ended December 31, 2005**

Reference Number	Finding	Status
2004-12	<p style="text-align: center;"><u>State and Domestic Preparedness Training Program</u>  <u>Public Works and Economic Development Facilities</u>  <u>CFDA Nos.97.004 and 11.300</u>  <u>Department of Homeland Security/</u>  <u>Arkansas Department of Emergency Management and U.S. Department</u>  <u>of Commerce, Economic Administration</u></p> <p>Criteria or Specific Requirement Cash management.</p> <p>Condition Request for reimbursements were made prior to funds being expended and interest is not returned in a timely manner.</p> <p>Context Federal funds were being drawn based on the issuance of purchase orders, before the goods/services were received and ready for payment. In addition, excess interest earned on advance draw downs had not been returned at year-end.</p> <p>Effect Excess federal cash was maintained by the City and interest not returned in a timely manner.</p> <p>Cause Internal control procedures were not followed or do not exist to help ensure all federal cash draws were not drawn in advance of payment and that interest earned returned to the grantor as required.</p> <p>Recommendation Management should monitor internal control procedures to help ensure excess federal cash is not maintained and interest earned is returned in accordance with federal regulations.</p> <p>Views of Responsible Officials and Planned Corrective Actions The City requested funds for reimbursement of 80% at the direction of the funding agency based on purchase orders submitted to vendors. However, due to the fact that the equipment ordered is supplied nationwide by a sole source provider, delivery of the equipment was delayed for nearly one year. Internal control procedures are now in place to seek reimbursement after the equipment is received. Interest earned on excess cash balances has now been returned.</p>	Resolved

**City of Little Rock, Arkansas**  
**Summary Schedule of Prior Audit Findings (Continued)**  
**Year Ended December 31, 2005**

Reference Number	Finding	Status
2004-13	<p style="text-align: center;"><u>Community Development Block Grant (CDBG) and HOME Investment Partnership Program (HIPP)</u>  <u>CFDA Nos. 14.218 and 14.239</u>  <u>U.S. Department of Housing and Urban Development</u></p> <p>Criteria or Specific Requirement  Allowable costs/cost principles.</p> <p>Condition  The cost allocation plan as approved by HUD is not being consistently applied.</p> <p>Context  The salary of the grant accountant for the CDBG and HOME programs was charged in total to CDBG. Furthermore, the time analysis used to allocate other costs between the two programs had not been updated in over two years.</p> <p>Effect  Failure to utilize the cost allocation plan could lead to potential noncompliance with grant requirements or programs being over/under budget.</p> <p>Cause  Internal control procedures were not followed or do not exist to help ensure cost allocation plans were properly implemented and updated on a timely basis.</p> <p>Recommendation  Management should monitor internal control procedures to help ensure approved cost allocation plans are implemented. Additionally, time studies utilized to support the cost allocation plan should be performed on an annual basis and supporting documentation maintained.</p> <p>Views of Responsible Officials and Planned Corrective Actions  The CDBG cost allocation plan was reviewed in 2005 and proposed changes recommended and implemented in 2005. The department has developed procedures to ensure that written documentation of time study analysis is maintained. The Grants Division will implement procedures to ensure that the cost allocation plan review and supporting documentation is maintained annually.</p>	Resolved

**City of Little Rock, Arkansas**  
**Summary Schedule of Prior Audit Findings (Concluded)**  
**Year Ended December 31, 2005**

Reference Number	Finding	Status
2004-14	<p style="text-align: center;"><u>Highway Planning and Construction, State and Domestic Preparedness Training Program, Public Works and Economic Development Facilities</u>  <u>CFDA Nos. 20.205, 97.004 and 11.300</u>  <u>U.S. Department of Transportation/Arkansas State Highway and Transportation Department, U.S. Department of Commerce, Economic Development</u>  <u>and U.S. Department of Homeland Security/Arkansas Department of Emergency Management</u></p> <p>Criteria or Specific Requirement  Allowable costs/cost principles.</p> <p>Condition  The City does not utilize a cost rate/allocation method. Costs are being manually allocated based on a direct cost percentage. Also, the method used is not consistent from year-to-year.</p> <p>Context  Indirect costs are not allocated among the various grants in a manner that is consistent or meaningful.</p> <p>Effect  Indirect costs are not accurately charged or not charged at all to the various grant programs.</p> <p>Cause  An approved indirect cost rate/allocation method has not been devised and applied in a consistent and meaningful manner.</p> <p>Recommendation  Management should devise a meaningful and approved indirect cost plan in order to accurately allocate indirect costs to the various grants.</p> <p>Views of Responsible Officials and Planned Corrective Actions  This was a finding in our 2003 audit completed in June of 2004. Action was taken and an Indirect Cost Rate was completed in 2004 and approved by HUD effective for 2005. A plan is in place for implementation of the rate in 2005.</p>	Resolved