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UTILITIES ACCOUNTING DEPARTMENT
CITY OF NORTH LITTLE ROCK, ARKANSAS

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2017 AND 2016

FILED 10:30 A.M. _____ P.M.
BY via email
DATE 10-1-18
Diane Whitbey, City Clerk and Collector
North Little Rock, Arkansas
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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of North Little Rock, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of the City of North Little Rock Utilities Accounting Department (the "UAD"), a component unit of the City of North Little Rock, Arkansas, which comprise the statements of net position as of December 31, 2017 and 2016, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the UAD as of December 31, 2017 and 2016, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 to the financial statements, the financial statements present only the UAD and do not purport to, and do not present fairly the financial position of the City as of December 31, 2017 and 2016, the changes in its financial position, or where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

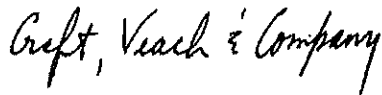
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3-5), budgetary comparison information (page 17), and historical pension information (pages 18-19) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2018, on our consideration of the UAD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the UAD's internal control over financial reporting and compliance.



Craft, Veach & Company, PLC
North Little Rock, Arkansas
August 27, 2018

This section of the Utilities Accounting Department of the City of North Little Rock, Arkansas (the "UAD") annual financial report provides a discussion and analysis of the financial activities of the UAD for the year ended December 31, 2017, by the UAD's management. The focus of the UAD's discussion and analysis is current year's activities, changes in net position, and other currently known facts in conjunction with the UAD's financial statements, beginning on page 6.

Financial Highlights

1. The UAD's assets and deferred outflows of resources decreased by \$6,034,704 to \$607,152 during the year.
2. Total liabilities decreased by \$6,050,070 to \$1,153,164 during the year.
3. Net position decreased by \$502,059 to (\$1,545,892) which compares to prior year net position of \$(1,043,833).

Overview of the Financial Statements

The financial statements include the UAD's financial statements and notes to the financial statements.

Financial Statements

The UAD's annual report includes financial statements which provide both long-term and short-term information about the UAD's financial status. Reporting financial information at this level promotes the perspective similar to that of a private enterprise and assists the assessment of the UAD's financial status at year end and comparing that information with upcoming financing requirements.

These financial statements consist of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position details all current and noncurrent assets, as well as all liabilities, and deferred inflows and outflows or resources as of December 31, 2017. The net position section details the breakdown of net position at the end of the fiscal year. Over time, increases and decreases in UAD's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The Statement of Revenues, Expenses, and Changes in Net Position show the current year operating revenues and expenses detailed by category. Revenues and expenses are presented regardless of when cash is received or disbursed. The change in net position represents the difference between the total revenues and total expenses for the year.

The Statement of Cash Flows details how cash was received and disbursed during the year. The cash and cash equivalents shown on the statement agree with the Statement of Net Position.

Notes to the Financial Statements

The notes to the financial statements are an integral part of the financial statements which provide information vital to the understanding of the financial statements.

Financial Analysis

The financial data is presented in a manner that is consistent from year to year, which allows changes in net position to be observed and used to indicate the UAD's financial position.

The audit report dated August 27, 2018, expresses an unmodified opinion on the financial statements. This unmodified opinion is included on pages 1-2 of this report.

The UAD's net position at December 31, 2017 was (\$1,545,892), which is a decrease of \$502,059 from last year's net position of \$(1,043,833).

Financial Analysis (Continued)

TABLE 1
SUMMARY OF ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS, AND NET POSITION
DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Assets:		
Current assets	\$ 103,138	\$ 2,238,136
Noncurrent assets	-	3,653,120
Capital assets	281,649	314,939
Total Assets	<u>384,787</u>	<u>6,206,195</u>
Deferred Outflows of Resources:		
Deferred outflows of resources related to pensions	<u>222,365</u>	<u>435,661</u>
Total Assets and Deferred Outflows of Resources	<u>607,152</u>	<u>6,641,856</u>
Liabilities:		
Current liabilities	229,020	1,902,020
Noncurrent liabilities	<u>924,144</u>	<u>5,301,214</u>
Total Liabilities	<u>1,153,164</u>	<u>7,203,234</u>
Deferred Inflows of Resources:		
Deferred inflows of resources related to pensions	<u>999,880</u>	<u>482,455</u>
Net Position:		
Net investment in capital assets	281,649	314,939
Unrestricted	<u>(1,827,541)</u>	<u>(1,358,772)</u>
Total Net Position	<u>(1,545,892)</u>	<u>(1,043,833)</u>
Total Liabilities, Deferred Inflows of Resources and Total Net Position	<u>\$ 607,152</u>	<u>\$ 6,641,856</u>

Financial Analysis (Continued)

TABLE 2
SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Revenues:		
Collection	\$ 1,566,518	\$ 2,352,242
Other	24,215	44,144
Investment income	931	3,358
Total Revenues	<u>1,591,664</u>	<u>2,399,744</u>
Expenses:		
Salaries	770,771	1,493,188
Payroll taxes	56,614	109,900
Employee benefits	110,660	378,004
Insurance	8,751	12,201
Postage	53,224	166,349
Professional services	13,368	7,000
Supplies	27,205	61,425
Telephone	58,308	62,919
Maintenance	301,772	417,043
Depreciation	152,436	138,091
Utilities	66,823	106,189
Miscellaneous	70,124	70,235
Total Expenses	<u>1,690,056</u>	<u>3,022,544</u>
Change in Net Position	(98,392)	(622,800)
Beginning Net Position	(1,043,833)	(421,033)
Transfer of Net Assets to:		
North Little Rock Electric Department	(409,048)	-
City of North Little Rock General Fund	5,381	-
Total Transfer of Net Assets	<u>(403,667)</u>	<u>-</u>
Ending Net Position	<u>\$ (1,545,892)</u>	<u>\$ (1,043,833)</u>

Net property, plant and equipment decreased by \$33,290, the amount of depreciation netted with the \$161,429 in additions to capital assets, \$53,215 in disposals to capital assets, and Net Asset transfer to the North Little Rock Electric Department during the fiscal year. As of December 31, 2017, the UAD had \$281,649, net of depreciation, invested in capital assets.

Budget Analysis

Each year the UAD staff, supported by the City Council, develops an operating budget for the following year. For the current year, the actual costs were 96.46% of the budgeted costs.

Request for Information

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the UAD'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 City of North Little Rock, Arkansas; P.O. Box 936; North Little Rock, Arkansas 72115.

UTILITIES ACCOUNTING DEPARTMENT
CITY OF NORTH LITTLE ROCK, ARKANSAS

STATEMENTS OF NET POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Current assets:		
Cash	\$ 76,140	\$ 568,001
Certificates of deposit	-	265,377
Restricted cash and investments – current	-	1,065,205
Accounts receivable:		
Collection fees	-	195,413
Other	-	3,501
Due from other funds	-	4,655
Prepaid expenses	26,998	135,984
Total current assets	103,138	2,238,136
Noncurrent assets:		
Noncurrent cash and investments:		
Cash - restricted	-	727,591
Certificates of deposit - restricted	-	3,986,265
Accrued interest	-	4,469
	-	4,718,325
Less: amount required to meet current obligations	-	(1,065,205)
Total noncurrent cash and investments	-	3,653,120
Capital assets:		
Equipment	706,287	1,509,706
Less: accumulated depreciation	(424,638)	(1,194,767)
Total capital assets, net	281,649	314,939
Total noncurrent assets	281,649	3,968,059
TOTAL ASSETS	384,787	6,206,195
DEFERRED OUTFLOWS OF RESOURCES RELATED TO PENSIONS	222,365	435,661
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	607,152	6,641,856
LIABILITIES		
Current liabilities:		
Accounts payable	24,686	29,707
Due to other City Departments	-	356,278
Current portion of customer deposits	-	1,065,205
Due to General Fund	11,132	39,722
Accrued expenses	193,202	411,108
Total current liabilities	229,020	1,902,020
Noncurrent liabilities:		
Interest earned on restricted investments	214	33,089
Customer deposits, less current portion	-	3,525,043
Accrued pension liability	923,930	1,743,082
Total noncurrent liabilities	924,144	5,301,214
TOTAL LIABILITIES	1,153,164	7,203,234
DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS	999,880	482,455
NET POSITION		
Net investment in capital assets	281,649	314,939
Unrestricted	(1,827,541)	(1,358,772)
TOTAL NET POSITION	(1,545,892)	(1,043,833)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND TOTAL NET POSITION	\$ 607,152	\$ 6,641,856

See accompanying notes to the financial statements.

UTILITIES ACCOUNTING DEPARTMENT
CITY OF NORTH LITTLE ROCK, ARKANSAS

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Operating revenues:		
Collection	\$ 1,566,518	\$ 2,352,242
Other	24,215	44,144
Total operating revenues	1,590,733	2,396,386
Operating expenses:		
Salaries	770,771	1,493,188
Payroll taxes	56,614	109,900
Employee benefits	110,660	378,004
Insurance	8,751	12,201
Postage	53,224	166,349
Professional services	13,368	7,000
Supplies	27,205	61,425
Telephone	58,308	62,919
Maintenance – equipment	301,772	417,043
Depreciation	152,436	138,091
Utilities	66,823	106,189
Miscellaneous	70,124	70,235
Total operating expenses	1,690,056	3,022,544
Operating income (loss)	(99,323)	(626,158)
Nonoperating revenues (expenses):		
Investment income	931	3,358
Total nonoperating revenues (expenses)	931	3,358
Change in net position	(98,392)	(622,800)
Net position, beginning of year	(1,043,833)	(421,033)
Transfer of Net Assets to:		
North Little Rock Electric Department	(409,048)	-
City of North Little Rock General Fund	5,381	-
Total Transfer of Net Assets	(403,667)	-
Net position, end of year	\$ (1,545,892)	\$ (1,043,833)

See accompanying notes to the financial statements.

UTILITIES ACCOUNTING DEPARTMENT
CITY OF NORTH LITTLE ROCK, ARKANSAS

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Receipts from other governments	\$ 1,794,302	\$ 2,392,549
Payments to employees	(782,370)	(1,965,235)
Payments to vendors	(951,393)	(718,519)
Net cash flows provided (used) by operating activities	60,539	(291,205)
Cash flows from investing activities:		
Investment income	931	3,358
Net change in certificates of deposit	4,251,642	329,928
Purchases of equipment	(159,887)	(36,448)
Net cash flows provided (used) by investing activities	4,092,686	296,838
Cash flows from noncapital financing activities:		
Net cash effect of transfers to NLR Electric	(5,372,677)	-
Net change in customer deposits	-	143,052
Net cash flows provided (used) by noncapital financing activities	(5,372,677)	143,052
Net increase (decrease) in cash and cash equivalents	(1,219,452)	148,685
Cash and cash equivalents - beginning of the year	1,295,592	1,146,907
Cash and cash equivalents - end of the year	<u>\$ 76,140</u>	<u>\$ 1,295,592</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (99,323)	\$ (626,158)
Item not requiring cash:		
Depreciation	152,436	138,091
Changes in operating assets and liabilities:		
Accounts receivable	203,569	(3,837)
Prepaid expenses and accrued interest	113,455	(19,912)
Accounts payable, accrued expenses and interest earned on restricted investments	(309,598)	220,611
Net cash provided (used) by operating activities	<u>\$ 60,539</u>	<u>\$ (291,205)</u>

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Reporting Entity

The Utilities Accounting Department (the UAD) of the City of North Little Rock, Arkansas, provided billing and collection services for the North Little Rock Electric, Sanitation and Recycling departments and certain other governmental agencies and utilities in Pulaski County, Arkansas. Collections were remitted regularly to these departments and districts. The UAD generated revenue by charging a collection fee based on the number of bills rendered. These financial statements present only the UAD, an internal service fund, and are not intended to present the financial position or changes in financial position of the City of North Little Rock, Arkansas (the City).

Effective April 1, 2017, personnel assigned to UAD that perform customer service functions (customer service clerks, cashiers, and accounting clerks, as well as supervisors) were reassigned to the North Little Rock Electric Department. The Information Technology personnel remained in the UAD as of December 31, 2017. The Electric Department continued to fund the activities of the UAD, still considered an internal service fund.

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 during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

The financial statements of the UAD have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities are recognized when exchange transactions take place. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations of the UAD. All revenues and expenses not meeting this definition are reported as nonoperating revenues (expenses) in the Statement of Revenues, Expenses and Changes in Net Position.

The UAD has adopted GASB Statement No. 62, *Codification of Accounting and Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, to the extent that those pronouncements or opinions do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Statement of Cash Flows

For purposes of the statement of cash flows, the UAD considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments

Investments are comprised of certificates of deposit and are valued at the lower of cost or fair value. Investment income includes interest income and is reflected as other income in the statements of revenues, expenses and changes in net position.

Accounts Receivable

Accounts receivable are stated at the amount billed to entities for which the UAD provides billing and collection services. Accounts receivable are ordinarily due 14 days after the issuance of the invoice. Accounts past due for more than 30 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk Management

The UAD is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illness; natural disasters; and employee health and accident benefits.

The UAD has joined together with other governmental services to form the Arkansas Municipal League (the Pool), a public entity risk pool currently operating as a common risk management and insurance program for its members. The UAD pays an annual premium to the Pool for its insurance coverage.

The Pool's governing agreement specifies that the Pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop loss amounts. Settled claims have not exceeded this commercial coverage in any of the three preceding years, nor has there been a significant reduction in coverage during the fiscal year.

Compensated Absences

The UAD policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. The expense and related liability are recognized as vacation benefits as earned whether the employee is expected to realize the benefit as time off or in cash. The expense and related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for the benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the date of the Statement of Net Position. Accrued expenses on the Statements of Net Position include liabilities for compensated absences in the amount of \$152,679 and \$282,746 at December 31, 2017 and 2016, respectively.

Net Position

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used to finance the acquisition, construction, or improvement of those assets. Net position is reported as restricted when they are to be used for a particular purpose as specified by creditors, grantors, or donors external to the UAD, including amounts to be deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related liabilities. The UAD's policy is to first apply restricted resources when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

Income Taxes

As a governmental function of the City of North Little Rock, Arkansas, the UAD is exempt from income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the UAD is subject to federal income tax on any unrelated business taxable income.

Date of Management's Review

Management has evaluated subsequent events through August 27, 2018, the date on which the financial statements were available to be issued.

NOTE 2: DEPOSITS 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 UAD's deposit policy is to require collateralization of all deposits in excess of federal depository insurance. At December 31, 2017 all of UAD's bank balances of \$97,025 was insured. At December 31, 2016, \$5,631,645 of the UAD's bank balances of \$6,131,645 were uninsured but were collateralized by the pledging financial instruction. There were no bank balances uninsured and uncollateralized at December 31, 2017 and 2016, respectively.

Investment Income

Investment income consisted of interest income of \$931 and \$3,358 for 2017 and 2016, respectively.

Summary of Carrying Values

The carrying values of bank deposits are included in the Statements of Net Position as follows:

	<u>2017</u>	<u>2016</u>
Carrying Value:		
Deposits	\$ 76,140	\$ 5,547,234
Included in the following Statement of Net Position captions:		
Current assets - cash	76,140	568,001
Current assets - certificates of deposits	-	265,377
Restricted cash and investments:		
Cash	-	727,591
Certificates of deposit	-	3,986,265
	<u>\$ 76,140</u>	<u>\$ 5,547,234</u>

NOTE 3: CAPITAL ASSETS

Capital assets are stated at cost less accumulated depreciation. The UAD uses the straight-line method of depreciation in allocating the cost of the capital assets and equipment to operations over estimated useful lives of 5 to 10 years.

Capital asset activity for the year ended December 31, 2017 was as follows:

	2017				
	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Capital assets at historical cost:					
Equipment	\$ 1,509,706	\$ 161,429	\$ (911,633)	\$ (53,215)	\$ 706,287
Less: Accumulated depreciation	(1,194,767)	(152,436)	869,411	53,154	(424,638)
Total capital assets, net	\$ 314,939	\$ 8,993	\$ (42,222)	\$ (61)	\$ 281,649

NOTE 3: CAPITAL ASSETS (CONTINUED)

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

	2016			
	Beginning Balance	Increases	Transfers	Ending Balance
Capital assets at historical cost:				
Equipment	\$ 1,473,258	\$ 36,448	\$ -	\$ 1,509,706
Less: Accumulated depreciation	(1,056,676)	(138,091)	-	(1,194,767)
Total capital assets, net	<u>\$ 416,582</u>	<u>\$ (101,643)</u>	<u>\$ -</u>	<u>\$ 314,939</u>

NOTE 4: ACCOUNTS PAYABLE – OTHER CITY DEPARTMENTS AND GOVERNMENTAL ENTITIES

Accounts payable to other City departments and governmental entities for the year ended December 31, 2017 consisted of the following:

	2017			
	Electric	Recycle	Sanitation	Total
Collected and uncollected billings to customers	\$ -	\$ -	\$ -	\$ -
Uncollected billings to customers	-	-	-	-
Accounts payable - other City departments and sewer districts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Accounts payable to other City departments and governmental entities for the year ended December 31, 2016 consisted of the following:

	2016			
	Electric	Recycle	Sanitation	Total
Collected and uncollected billings to customers	\$ 4,086,626	\$ 74,944	\$ 7,571	\$ 4,169,141
Uncollected billings to customers	(3,734,288)	(71,255)	(7,320)	(3,812,863)
Accounts payable - other City departments and sewer districts	<u>\$ 352,338</u>	<u>\$ 3,689</u>	<u>\$ 251</u>	<u>\$ 356,278</u>

NOTE 5: OTHER POSTRETIREMENT BENEFIT PLANS

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

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

NOTE 5: OTHER POSTRETIREMENT BENEFIT PLANS (CONTINUED)

The UAD recorded an OPEB cost of \$4,695 for 2017 and \$5,666 for 2016, and a net OPEB obligation of \$120,025 and \$115,330 at December 31, 2017 and 2016, respectively. The UAD's share of the UAAL at January 1, 2018 (the most recent actuarial valuation date) was \$36,553 and is not recorded in the financial statements. The UAAL will be included in the annual OPEB cost over an amortization period of 30 years. The OPEB obligation and UAAL were computed using a discount rate of 5.5% and a healthcare cost inflation rate, which begins at 10.0% and decreases over a period of nine years to an ultimate rate of 5.0%. Additional OPEB Plan disclosures, included required supplementary information, required by GASB 45 may be found in the 2017 Comprehensive Annual Financial Report of the City of North Little Rock, Arkansas.

NOTE 6: NON-UNIFORMED EMPLOYEES RETIREMENT PLAN

The UAD implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB 68*. The provisions of these statements were effective for financial statements for fiscal years beginning after June 15, 2014. These statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.

Plan Description

All full-time employees of the UAD are participants of "The Retirement System of the City of North Little Rock" (the "Non-uniformed Plan") defined benefit plan. The provisions of the Non-uniformed Plan call for employee contributions of 4% of gross earnings to be paid through payroll withholdings. Each month, the UAD has contributed 9% of each employee's monthly compensation.

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

Benefits Provided

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

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

- At age 65
- At age 62 with 5 years of service

Members may retire with a reduced benefit at age 55 with at least 10 years of service. Members are eligible for disability benefits at age 50 with 10 years of service. Death benefits are paid to a surviving spouse based upon age and length of service.

Contributions

For the Non-uniformed Plan as a whole, it is the actuary's opinion that the city and member contributions of 13% as required by the Non-uniformed Plan are not expected to be sufficient to finance the cost of benefits earned by members during the year. The recommended contribution level for the 2018 Plan Year for the City as a whole is 18.74%. For 2017, the UAD's contributions to the Plan were \$67,604.

NOTE 6: NON-UNIFORMED EMPLOYEES RETIREMENT PLAN (CONTINUED)

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

The Plan's collective net pension liability of \$25,122,028 was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. Each component unit's proportion of the net pension liability was based on the component unit's share of contributions to the pension plan relative to the total contributions of all participating component units.

At December 31, 2017, the UAD's proportion was 3.2% and the UAD recorded a liability of \$803,905 for its proportionate share of the net pension liability.

For the year ended December 31, 2017, the UAD recognized pension expense of \$97,499. At December 31, 2017, the UAD reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings on pension plan investments	\$ 46,636	\$ 38,162
Changes of actuarial assumptions	101,779	196,961
Changes in proportion	-	725,992
Net difference between projected and actual earnings on pension plan investments	<u>73,950</u>	<u>38,765</u>
	<u>\$ 222,365</u>	<u>\$ 999,880</u>

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

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Thereafter</u>
<u>\$ (112,660)</u>	<u>\$ (112,660)</u>	<u>\$ (142,478)</u>	<u>\$ (147,249)</u>	<u>\$ (137,558)</u>	<u>\$ (124,905)</u>

Actuarial Assumptions

The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Pay (3.5% Growth)
Remaining Amortization Period	15 Years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	6.5%
Salary Increases	4.0% Annually
Mortality Table	Based on the Retirement Plans 2014 Mortality Table
Average Service Life of All Members	11.08 years

NOTE 6: NON-UNIFORMED EMPLOYEES RETIREMENT PLAN (CONTINUED)

Cost of Living Adjustment (COLA)

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

Long-Term Expected Return on Plan Assets

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

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

Single Discount Rate

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

Sensitivity of the UAD's Proportionate Share of the Net Position Liability to Changes in the Discount Rate:

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

	<u>1% Decrease (5.50%)</u>	<u>Current Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
The UAD's porportionate share of the net pension liability	<u>\$ 1,141,258</u>	<u>\$ 803,905</u>	<u>\$ 567,711</u>

NOTE 7: TRANSFER OF NET ASSETS

On March 13, 2017 the North Little Rock City Council passed Resolution No. 9168 amending the 2017 budget for the City of North Little Rock. This amendment was made to re-distribute the budget for Utilities Accounting Department by excluding remaining information technology staff that would remain in UAD, to the North Little Rock Electric budget for the remainder of the year. The goal was to streamline operations, improve efficiency and utilize staff to increase and enhance service to utility customers. Effective April 1, 2017, the Customer Service Section of Utilities Accounting Department was transferred to North Little Rock Electric's budget and financials. In total, \$9,109,187 of assets, \$9,132,747 of liabilities, and \$409,048 of net assets was transferred from Utilities Accounting Department to North Little Rock Electric Department. Additionally, (\$5,381) of liabilities and \$5,381 of net assets were transferred to the City of North Little Rock General Fund.

SUPPLEMENTARY INFORMATION

UTILITIES ACCOUNTING DEPARTMENT
CITY OF NORTH LITTLE ROCK, ARKANSAS

BUDGETARY COMPARISON SCHEDULE
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017 Budget	2017 Actual	Actual Over (Under Budget)
Operating revenues:			
Collection	\$ 2,359,000	\$ 1,566,518	\$ (792,482)
Other	22,500	24,215	1,715
Total operating revenues	2,381,500	1,590,733	(790,767)
Operating expenses:			
Salaries	817,019	770,771	(46,248)
Payroll taxes	-	56,614	56,614
Employee benefits	64,765	110,660	45,895
Insurance	105,202	8,751	(96,451)
Postage	49,164	53,224	4,060
Professional services	8,750	13,368	4,618
Supplies	70,583	27,205	(43,378)
Telephone	100,684	58,308	(42,376)
Maintenance	411,363	301,772	(109,591)
Depreciation	-	152,436	152,436
Utilities	109,194	66,823	(42,371)
Miscellaneous	15,350	70,124	54,774
Total operating expenses	1,752,074	1,690,056	(62,018)
Operating income (loss)	629,426	(99,323)	(728,749)
Nonoperating revenues (expenses):			
Investment income	-	931	931
Total nonoperating revenues (expenses)	-	931	931
Change in net position	629,426	(98,392)	(727,818)
Net position, beginning of year	(1,043,833)	(1,043,833)	-
Transfer of Net Assets to:			
North Little Rock Electric Department	-	(409,048)	(409,048)
City of North Little Rock General Fund	-	5,381	5,381
	-	(403,667)	(403,667)
Net position, end of year	\$ (414,407)	\$ (1,545,892)	\$ (1,131,485)

UTILITIES ACCOUNTING DEPARTMENT
CITY OF NORTH LITTLE ROCK, ARKANSAS

SCHEDULE OF THE UAD'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST 10 YEARS*
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016	2015
UAD's proportion of the net pension liability	3.2%	6.2%	6.8%
UAD's proportionate share of the net pension liability	\$ 803,905	\$ 1,627,752	\$ 1,267,070
UAD's covered-employee payroll	\$ 751,156	\$ 1,360,069	\$ 1,329,702
UAD's proportionate share of the net pension liability as a percentage of its covered-employee payroll	107.02%	119.68%	95.30%
Plan Fiduciary net position as a percentage of the total pension liability	65.44%	62.24%	69.11%

*Information for years prior to 2015 is not available.

UTILITIES ACCOUNTING DEPARTMENT
CITY OF NORTH LITTLE ROCK, ARKANSAS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST 10 YEARS*
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2017	2016	2015	2014
Actuarially determined contribution	\$ 116,054	\$ 181,025	\$ 150,522	\$ 143,193
Contributions in relation to the actuarially determined contribution	(67,604)	(81,548)	(79,783)	(78,584)
Contribution deficiency (excess)	48,450	99,477	70,739	64,609
Covered-employee payroll	\$ 751,156	\$ 1,360,069	\$ 1,329,702	\$ 1,314,908
Contributions as a percentage of covered-employee payroll	9.00%	6.00%	6.00%	5.98%

*information for years prior to 2014 is not available.



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

To the City Council
City of North Little Rock, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of North Little Rock Utilities Accounting Department (the "UAD"), a component unit of the City of North Little Rock, Arkansas, as of and for the years ended December 31, 2017 and 2016, and have issued our report thereon dated August 27, 2018.

Internal Control over Financial Reporting

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

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

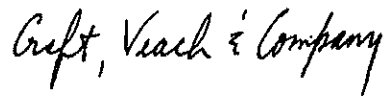
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Craft, Veach & Company". The script is cursive and fluid, with the company name written in a single line.

Craft, Veach & Company, PLC
North Little Rock, Arkansas
August 27, 2018

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

Reference Number	Finding	Status
	None.	

Prior year findings required to be reported by *Government Auditing Standards*:

Reference Number	Finding	Status
	None.	

CONTRACT
FOR
PROFESSIONAL SERVICES
MARION STREET – 16TH TO 18TH STREET

THIS **CONTRACT** is made this 18th day of October, 2018, by and between THE CITY OF NORTH LITTLE ROCK, herein called the “City,” acting herein through its Mayor, Joe A. Smith, and Garver, LLC, herein called “Engineer” or “Consultant.”

In consideration of the mutual covenants herein, the parties agree as follows:

ARTICLE 1 -- SCOPE OF ENGINEER'S BASIC SERVICES

1.01 The Engineer will provide all professional services necessary for the complete design and construction observation of the Project (the “Work”), as generally identified below, and more specifically described in the Scope of Services, attached hereto as Appendix “A”:

- .1 See Appendix A for Scope of Services

ARTICLE 2 – CONTRACT DOCUMENTS

2.01 The Contract Documents shall consist of:

- .1 This fully executed Agreement, including all attachments;
- .2 Notice to Proceed;
- .3 Written Amendments;
- .4 Work Change Directives; and
- .5 Change Order(s).

ARTICLE 3 – ENGINEER'S TEAM MEMBERS

3.01 Team Members:

Todd Mueller, PE – Project Manager
Charles Cullen, PE – Project Engineer

ARTICLE 4 – CITY'S DESIGNATED REPRESENTATIVE

4.01 The City's Designated Representative is:

Chris Wilbourn, PE – NLR Chief Engineer

ARTICLE 5 – DELIVERABLES:

5.01 Consultant shall provide to the City the following:

- .1 See Appendix A for Project Deliverables

ARTICLE 6 – BASIC AGREEMENT AND PERIOD OF SERVICE

6.01 Engineer shall provide or furnish all professional services necessary for the complete design and construction documentation of the Project. If authorized by City, or if required because of changes in the Project, Engineer shall furnish services in addition to those set forth above (“Additional Services”).

ARTICLE 7 -- PAYMENT PROCEDURES

7.01 Engineer shall prepare invoices in accordance with its standard invoicing practices and submit the invoices to City on a monthly basis. Invoices are due and payable within 15 days of receipt.

7.02 As compensation for Engineer providing or furnishing Services and, if applicable, Additional Services, City shall pay Engineer as set forth in Paragraphs 7.01 and 7.04. If City disputes an invoice, either as to amount or entitlement, then City shall promptly advise Engineer in writing or the specific basis of the dispute, may withhold only that portion so disputed, and must pay the undisputed portion.

7.03 City shall pay Engineer for Services as follows:

- .1 An amount equal to the cumulative hours charged to the Project by each class of Engineer’s employee’s times standard hourly rates for each applicable billing class, plus reimbursement of expenses incurred in connection with providing the Services and Engineer’s consultants’ charges, if any.
- .2 Engineer’s standard Hourly Rates are attached as Appendix “B”.
- .3 The maximum total compensation for Services and reimbursable expenses is estimated to be: \$39,400.

7.04 For Additional Services, City shall pay Engineer an amount equal to the cumulative hours charged in providing the Additional Services by each class of Engineer’s employees, times standard hourly rates for each applicable billing class; plus reimbursement of expenses, as defined herein, incurred in connection with providing the Additional Services and Engineer’s consultants’ charges, if any. Engineer’s standard hourly rates are attached as Appendix B. Additional Services will be permitted only if approved in writing by the City and Engineer.

7.05 “Reimbursable expenses” are defined as the following:

- .1 Fees paid for securing approval of authorities having jurisdiction over the Project;
- .2 Printing, reproductions, standard form documents;
- .3 Postage and handling;
- .4 Models, mock-ups, professional photography, and presentation materials requested by the City and prepared in-house by Engineer.

ARTICLE 8 – NON-APPROPRIATION

8.01 Notwithstanding any other provision of this Contract, with respect to any financial obligation of the City which may arise under this Agreement in any fiscal year after the year of execution, in the event the budget or other means of appropriation for any year fails to provide funds in sufficient amounts to discharge such obligation, such failure (i) shall act to terminate this Contract at such time as the then-existing and available appropriations are depleted, and (ii) neither such failure nor termination shall constitute a default or breach of this Contract, including any sub-agreement attachment, schedule, or exhibit thereto, by the Owner. As used herein, the term “appropriation” shall mean and include the due adoption of an appropriation ordinance and budget which contains an allocation of sufficient funds for the performance of fiscal obligations arising under this Contract.

ARTICLE 9 – ENGINEER’S REPRESENTATIONS AND WARRANTIES

9.01 In order to induce City to enter into this Agreement Engineer makes the following representations:

.1 The standard of care for all professional engineering and related services performed or furnished by Engineer under this Agreement will be the care and skill ordinarily used by members of the subject profession practicing under similar circumstances at the same time and in the State of Arkansas, and that all work on the Project shall meet the specifications set forth in the Contract Documents. Engineer further represents and warrants that Engineer and all personnel used to perform the Project, possess the knowledge, skill, and experience necessary to perform the Project.

.2 The Engineer hereby represents that it (and the individual engineers it employees on this Project) are licensed to practice Engineering as required by law in the State of Arkansas. Nothing in this Agreement shall be construed to authorize performance by the Engineer at a standard of care that is reduced from that which is required by law and which is expected of engineers practicing under similar circumstances and conditions.

.3 The Engineer agrees that its designs, Construction Documents, and Services shall conform to all federal, state, and local statutes and regulations applicable to its Services and the Project.

.4 The Engineer agrees and acknowledges that this duty is non-delegable – and that the Engineer, by signing drawings or preparing Construction Documents to submit for purposes of obtaining building and other governmental permits, shall be deemed to certify that it has taken every reasonable measure to ascertain what codes apply to the Project and as applied them accordingly. Nothing in this Agreement shall be construed to eliminate or diminish the Engineer’s responsibility for compliance of its design, it Construction Documents, and its Services provided with local, state, and federal statutes and regulation.

9.02 The Engineer further represents and warrants that:

.1 Engineer has full power and authority to enter into this Agreement and to carry out the Project contemplated by this Agreement.

.2 The Engineer represents and warrants that Engineer will comply with all laws

applicable to the performance of the Project under this Agreement.

.3 The Engineer represents and warrants that Engineer's execution, delivery, and performance of this Agreement will not constitute: (i) a violation of any judgment, order, or decree binding on Engineer; (ii) a breach under any contract by which Engineer is bound; or (iii) an event that would, with notice or lapse of time, or both, constitute such a breach.

.4 The Engineer represents and warrants that the Project will be performed with the degree of skill and care that is required by current, good, and sound professional procedures and practices, and in conformance with generally accepted professional procedures and industry standards prevailing at the time the Project is performed,

.5 The Engineer represents and warrants that Engineer has, and shall maintain in effect for the duration of this Agreement, all licenses, permits qualifications, and approvals of whatsoever nature which are legally required for Engineer to complete the Project. If applicable, Engineer shall also take reasonable steps to ensure that all permitted subcontractors are similarly licensed and qualified.

ARTICLE 10 – EXCLUDED ENGINEER SERVICES

10.01 Engineer shall not at any time supervise, direct, control, or have authority over any Constructor's work, nor shall Engineer have authority over or be responsible for the means, methods, techniques, sequences, or procedures of construction selected or used by any Constructor, or the safety precautions and programs incident thereto, for security or safety at the Project site, nor for any failure of a Constructor to comply with laws and regulations applicable to such Constructor's furnishing and performing of its work. Engineer shall not be responsible for the acts or omissions of any Constructor.

10.02 Engineer neither guarantees the performance of any Constructor nor assumes responsibility for any Constructor's failure to furnish and perform its work.

10.03 Engineer's opinions (if any) of probable construction cost are to be made on the basis of Engineer's experience, qualifications, and general familiarity with the construction industry. However, because Engineer has no control over the cost of labor, materials, equipment, or services furnished by others, or over contractors' methods of determining prices, or over competitive bidding or market conditions, Engineer cannot and does not guarantee that proposals, bids, or actual construction cost will not vary from opinions of probable construction cost prepared by Engineer. If City requires greater assurance as to probable construction cost, then City agrees to obtain an independent cost estimate.

10.04 Engineer shall not be responsible for any decision made regarding the construction contract requirements, or any application, interpretation, clarification, or modification of the construction contract documents other than those made by Engineer or its consultants.

10.05 Engineer's Services do not include any services related to unknown or undisclosed Constituents of Concern, *as defined herein*. If Engineer or any other party encounters, uncovers, or reveals an unknown or undisclosed Constituent of Concern, then Engineer may, at its option and without liability for consequential or any other damages, suspend performance of Services on the portion of the Project affected thereby until the City retains appropriate specialist consultants

or contractors to identify, abate and/or remove the Constituent of Concern and warrant that the portion of the Project affected is in full compliance with applicable laws and regulations, or terminate this Agreement for cause if it is not practical to continue providing Services.

10.06 Engineer's Services and, if applicable, Additional Services, do not include:

- .1 serving as a "municipal advisor" for purposes of the registration requirements of Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (2010) or the municipal advisor for registration rules issued by the Securities and Exchange Commission;
- .2 advising City, or other person or entity, regarding municipal financial products or the issuance of municipal securities, including advice with respect to the structure, timing, terms, or other similar matters concerning such products or issuances;
- .3 providing surety bonding or insurance-related advice, recommendations, counseling, or research, or enforcement of construction insurance or surety bonding requirements; and
- .4 providing legal advice or representation;
- .5 geotechnical, soils or subsurface engineering and/or structural engineering.

ARTICLE 11 – TERMINATION

11.01 The obligation to continue performance under this Agreement may be terminated for cause:

- .1 By either party upon thirty (30) days written notice in the event of substantial failure by the other party to perform in accordance with the Agreement's terms through no fault of the terminating party; or
- .2 Failure to pay Engineer for its Services is a substantial failure to perform and a basis for termination.

11.02 The obligation to continue performance under this Agreement may be terminated by Engineer upon seven days written notice if City demands that Engineer furnish or perform services contrary to Engineer's responsibilities as a licensed professional. Engineer shall have no liability to City on account of a termination for cause by Engineer.

11.03 Notwithstanding the foregoing, this Agreement will not terminate as a result of a substantial failure under paragraph 11.01 if the party receiving such notice begins, within seven (7) days receipt of such notice, to correct its substantial failure to perform and proceeds diligently to cure such failure within no more than thirty (30) days of receipt of notice; provided, however, that if and to the extent such substantial failure cannot be reasonably cured within such thirty (30) day period, and if such party has diligently attempted to cure the same and thereafter continues diligently to cure the same, then the cure period provided for herein shall extend up to, but in no case more than, sixty (60) days after the date of receipt of the notice.

11.04 The obligation to continue performance under this Agreement may be terminated for convenience, by City effective upon Engineer's receipt of written notice from City.

11.05 In the event of any termination under paragraph 11.01, Engineer will be entitled to invoice City and to receive full payment for all Services and, if applicable, Additional Services performed

or furnished in accordance with this Agreement, plus reimbursement of expenses incurred through the effective date of termination in connection with providing the Services and, if applicable, Additional Services, and Engineer's consultants' charges, if any, upon providing documentary support to the City's satisfaction.

ARTICLE 12 – CHANGE ORDERS

12.01 City and Engineer agree and acknowledge as a part of this Agreement that no Change Order, as defined herein, or other form or order or directive is authorized without written assurance by the Director of Finance that lawful appropriations to cover the costs of the additional work have been made, and funds are available. The change order shall be signed by the City's Designated Representative, and the Engineer. It is the Engineer's sole responsibility to know, determine, and ascertain the authority of the City representative signing any change order under this Agreement.

ARTICLE 13 – DISPUTE RESOLUTION

13.01 City and Engineer agree to negotiate each dispute between them in good faith during the thirty (30) days after written notice of dispute. If negotiations are unsuccessful in resolving the dispute, then the dispute shall be mediated by using a mediation service, mutually agreed upon by the parties, located in Pulaski County, Arkansas with the costs being shared equally by the parties. If mediation is unsuccessful, the parties may exercise their rights at law in a court of competent jurisdiction in Pulaski County, Arkansas.

ARTICLE 14 – WAIVER OF “REMOTE” OR “SPECULATIVE” DAMAGES

14.01 City and Engineer agree that neither party will be liable for breach-of-contract damages that the breaching party could not reasonably have foreseen on entry into this Agreement. City agrees that Engineer's total liability to City under this Agreement shall be limited to [AMOUNT] or the total amount of compensation received by Engineer, whichever is greater.

ARTICLE 15 – INSURANCE

15.01 Engineer shall maintain for the duration of this Agreement all forms of insurance required by law in the State of Arkansas, where the Project is located, and the state in which the Engineer is located, if different. In addition to professional liability insurance with a per occurrence basis, the Engineer shall also maintain insurance coverage for comprehensive general liability, automobile liability, and workers compensation by a carrier satisfactory to the City. The Engineer shall ensure that any and all Consultants engaged or employed by the Engineer carry and maintain similar insurance covering their respective portions of the Services.

ARTICLE 16 – COPYRIGHT

16.01 The Engineer and the City warrant that in transmitting Instruments of Service, or any other information, the transmitting party is the copyright owner of such information or has permission from the copyright owner to transmit such information for its use on the Project.

16.02 The Engineer hereby assigns to the City, without reservation, all copyrights in all Project-related documents, models, photographs, and other expression created by the Engineer. Among those documents are certain "Instruments of Service," including the design drawings and the Construction Documents. The assignment provided for in this Section 16.03 shall result in the City being deemed sole copyright holder in the Instruments of Service and in all other designs and drawings created or prepared for this Project; and no other person or entity shall be deemed co-author or joint copyright holder in the works created or prepared for this Project. The City's obligation to pay the Engineer is expressly conditioned upon the Engineer's obtaining a valid written comprehensive assignment of copyrights from its Consultants in terms identical to those that obligate the Engineer to the City as expressed in this subsection, which copyrights the Engineer, in turn, hereby assigns to the City. The City, in consideration, hereby grants the Engineer and its Consultants a revocable, nonexclusive license to reproduce the documents for purposes relating directly to the Engineer's performance of its obligations under this Agreement, for the Engineer's archival records, and for the Engineer's reproduction of drawings and photographs in the Engineer's marketing materials, provided that the Project-related contents of those materials are approved as requested in Section ____ of this Agreement. This nonexclusive license shall terminate automatically upon the occurrence of either a breach of this Agreement by the Engineer or the accused commission by the Engineer of a tort or a crime affecting the City or the Project or upon termination of this Agreement. This nonexclusive license is granted to the Engineer alone and shall not be assigned by the Engineer to any other person or entity, except that the nonexclusive license granted in this Agreement to the Engineer for purposes of the Engineer's performance hereunder may be sub-licensed to the Engineer's Consultants (with the same limitations). Subject to the foregoing, this nonexclusive license shall terminate automatically upon an Engineer's assignment of this nonexclusive license to another or its attempt to do so.

16.04 The Engineer shall obtain similar nonexclusive licenses from the Engineer's consultants consistent with this Agreement.

16.05 In the event City uses the Instruments of Service on other projects not specific to this Scope of Work, the City releases the Engineer from all claims and causes of action arising from such uses.

16.06 Except for the licenses granted in this Article 12, no other license or right shall be deemed granted or implied under this Agreement. No other Project-related data, expression, or documents may be reproduced by the Engineer or its Consultants for any other purpose without the express written permission of the Owner.

16.07 If the City subsequently reproduces Project-related documents or creates a derivative work based upon Project-related documents created by the Engineer, the City shall (where permitted or required by law) remove or completely obliterate the original professional's seals, logos, and other indications on the documents of the identity of the Engineer and its Consultants.

16.08 The Engineer shall maintain the confidentiality of all Project documents and information and shall not publish or in any way disseminate or distribute any Project-related document, including, but not limited to, correspondence, estimates, drawings, specifications, photographs, or any other material relating to the Project without the express written authorization of the City.

ARTICLE 17 – DEFINITIONS

17.01 Constituent of Concern – Any substance, product, waste, or other material of any nature whatsoever (including, but not limited to, Asbestos, Petroleum, Radioactive Material, and PCBs) which is or becomes listed, regulated, or addressed pursuant to (a) the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §§9601 et seq. (“CERCLA”); (b) the Hazardous Materials Transportation Act, 49 U.S.C. §§1801 et seq.; (c) the Resource Conservation and Recovery Act, 42 U.S.C. §§6901 et seq. (“RCRA”); (d) the Toxic Substances Control Act, 15 U.S.C. §§2601 et seq.; (e) the Clean Water Act, 33 U.S.C. §§1251 et seq.; (f) the Clean Air Act, 42 U.S.C. §§7401 et seq.; and (g) any other federal, state, or local statute, law, rule, regulation, ordinance, resolution, code, order, or decree regulating, relating to, or imposing liability or standards of conduct concerning, any hazardous, toxic, or dangerous waste, substance, or material.

17.02 Constructor – any person or entity (not including the Engineer, its employees, agents, representatives, and consultants), performing or supporting construction activities relating to the Project, including but not limited to contractors, subcontractors, suppliers City’s work forces, utility companies, construction managers, testing firms, shippers, and truckers, and the employees, agents, and representatives of any or all of them.

17.03 Designated City Representative – the individual or entity named as such in the Agreement.

17.04 Reimbursable Expenses – expenses defined in Section 6.05 of this Agreement.

17.05 Remote or Speculative Damages – losses that were not reasonably foreseeable as a consequence of the breach, on the Effective Date, by the Party that breaches this Agreement.

ARTICLE 18 – MISCELLANEOUS

18.01 Choice of Law; Venue – The parties hereto agree that this Contract shall be construed under Arkansas law, excluding its conflict of laws rules. The parties further agree that proper jurisdiction and venue for any cause of action arising from this Contract shall be vested in either the U.S. District Court for the Eastern District of Arkansas or the Circuit Court of Pulaski County, Arkansas.

18.02 Non-Waiver – No delay or failure to exercise any right under this Contract shall impair any such right or be construed to be a waiver thereof. No waiver shall be effective unless in writing signed by the party waiving. A waiver of a right on one occasion shall not be deemed to be waiver of such right on any other occasion. A waiver of a right on one occasion shall not be deemed to be a waiver of any other right on that occasion.

18.03 No Assignment – The Project to be performed pursuant to this Contract is personal in nature, and Contractor may not, voluntarily or by operation of law, assign or transfer any of its rights or obligations under this Contract without the prior written consent of the City.

18.04 Merger – This Contract constitutes the full understanding of the parties, a complete allocation of risks between them and a complete and exclusive statement of the terms and conditions of their agreement, related to the Services provided hereunder. All prior agreements,

negotiations, dealings and understandings, whether written or oral, regarding the subject matter hereof, are superseded by and merged into this Contract.

18.05 Data Transmission – City and Engineer may transmit, and shall accept, Project-related correspondence, documents, text, data, drawings, information, and graphic, in electronic media or digital format, either directly, or through access to a secure Project website, in accordance with a mutually agreeable protocol.

18.06 Modification – No conditions, usage of trade, course of dealing or performance, understanding or agreement purporting to modify, vary the terms or conditions of the Contract shall be binding unless hereafter made in writing and signed by the party to be bound, and no modification shall be effected by the acknowledgment or acceptance of any forms containing terms or conditions or variance with or in addition to those set forth in this Contract.

18.07 Severability – Any provision or part of the Contract Documents held to be void or unenforceable under any Law or Regulation shall be deemed stricken, and all remaining provisions shall continue to be valid and binding upon Owner and Contractor, who agree that the Contract Documents shall be reformed to replace such stricken provision or part thereof with a valid and enforceable provision that comes as close as possible to expressing the intention of the stricken provision.

18.08 No Presumption against Drafter – Each of the parties hereto has jointly participated in the negotiation and drafting of this Agreement. In the event an ambiguity or a question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by each of the parties hereto and no presumptions or burdens of proof shall arise favoring any party by virtue of the authorship of any provisions of this Agreement.

18.09 Counterpart Execution – This Contract may be executed in two or more counterparts, each of which is deemed as original but all constitute one and the same instrument.

18.10 Filing – This document shall be filed in the official records of the City Clerk of the City of North Little Rock, Arkansas. Either party may additionally file this document in any other governmental office deemed appropriate; however, the parties waive all claims and defenses in law or equity based upon such additional filing.

[Signatures on Next Page]

IN WITNESS WHEREOF, the parties have caused this Contract to be duly executed on the above date intending to be bound thereby.

City of North Little Rock

By: _____

Joe A. Smith, Mayor

GARVER, LLC

By: _____

John Ruddell, Vice President

ATTEST: _____

Diane Whitbey, City Clerk

Contract reviewed and approved by:

CITY OF NORTH LITTLE ROCK, ARKANSAS

AMY BECKMAN FIELDS

North Little Rock City Attorney

BY: _____

Deputy City Attorney

Date

APPENDIX A – SCOPE OF SERVICES

2.1 General

Generally, the scope of services includes the modification of the plans and construction support services for improvements to Marion Street from 16th Street to 18th Street. Improvements will consist primarily of 860 feet of a 2-lane curbed roadway with a storm sewer system and a sidewalk.

2.2 Final Design

The original contract between the City of North Little Rock and Garver for the Marion Street Improvements dated January 29, 2014, was for the design and bidding of the project between 15th Street and 18th Street. After preliminary plans were completed, at the direction of the City Engineer, the plans were revised to only include the block between 17th Street and 18th Street. Garver will revise the current erosion control plans, maintenance of traffic plans, survey control plans, plan and profiles, cross sections, quantities, and technical specifications for 17th Street to 18th Street to include the block between 16th and 17th Street.

Front end and bid documents to be provided by the Owner.

Garver will also prepare, submit, and coordinate approval of a Stormwater Pollution Prevention Plan (SWPPP) with ADEQ.

2.3 Property Acquisition Documents

Preparation of right-of-way/Easement acquisition documents will be performed by the Owner.

2.4 Bidding Services

Garver will not perform Bidding Services for this project.

2.5 Construction Phase Services

During the construction phase of work, Garver will accomplish the following:

1. Issue a Notice to Proceed letter to the Contractor and attend preconstruction meeting.
2. Attend progress/coordination meetings with the Owner/Contractor.
3. Evaluate and respond to construction material submittals and shop drawings. Corrections or comments made by Garver on the shop drawings during this review will not relieve Contractor from compliance with requirements of the drawings and specifications. The check will only be for review of general conformance with the design concept of the project and general compliance with the information given in the contract documents. The Contractor will be responsible for confirming and correlating all quantities and dimensions, selecting fabrication processes and techniques of construction, coordinating his work with that of all other trades, and performing his work in a safe and satisfactory manner. Garver's review shall not constitute approval of safety precautions or constitute approval of construction means, methods, techniques, sequences, procedures, or assembly of various components. When certification of performance characteristics of materials, systems or equipment is required by the Contract Documents, either directly or implied for a complete and workable system, Garver shall be entitled to rely upon such submittal or implied certification to establish that the materials, systems or equipment will meet the performance criteria required by the Contract Documents.
4. Issue instructions to the Contractor on behalf of the Owner and issue necessary clarifications (respond to RFIs) regarding the construction contract documents.
5. Review the Contractor's progress payment requests based on the actual quantities of contract items completed and accepted, and will make a recommendation to the Owner

regarding payment. Garver's recommendation for payment shall not be a representation that Garver has made exhaustive or continuous inspections to (1) check the quality or exact quantities of the Work; (2) to review billings from Subcontractors and material suppliers to substantiate the Contractor's right to payment; or (3) to ascertain how the Contractor has used money previously paid to the Contractor.

6. Maintain a set of working drawings.
7. Provide part-time resident construction observation services for the 120-calendar-day construction contract performance time. The proposed fee is based on approximately 1 hours per day, 5 days per week, during the 120-calendar-day construction contract performance time. If the construction time extends beyond the time established in this agreement or if the Owner wishes to increase the time or frequency of the observation, the Owner will pay Garver an additional fee agreed to by the Owner and Garver.
8. When authorized by the Owner, prepare change orders for changes in the work from that originally provided for in the construction contract documents. If redesign or substantial engineering or surveying is required in the preparation of these change order documents, the Owner will pay Garver an additional fee to be agreed upon by the Owner and Garver.
9. Participate in final project inspection, prepare punch list, review final project closing documents, and submit final pay request.

Construction observation services will be provided by Garver's Resident Project Representative, who will provide or accomplish the following:

- Consult with and advise the Owner during the construction period.
- Coordinate with the firm providing construction materials quality assurance testing under separate contract with the Owner.
- Maintain a file of quantities incorporated into the work, test reports, certifications, shop drawings and submittals, and other appropriate information.
- Maintain a project diary which will contain information pertinent to each site visit.

The proposed fee for Construction Phase Services is based on a 120-calendar-day construction contract performance time. If the construction time extends beyond the time established in this agreement, and the Owner wants Garver to continue the applicable Construction Phase Services, the Owner will pay Garver an additional fee agreed to by the Owner and Garver.

In performing construction observation services, Garver will endeavor to protect the Owner against defects and deficiencies in the work of the Contractor(s); but Garver cannot guarantee the performance of the Contractor(s), nor be responsible for the actual supervision of construction operations or for the safety measures that the Contractor(s) takes or should take. However, if at any time during construction Garver observes that the Contractor's work does not comply with the construction contract documents, Garver will notify the Contractor of such non-compliance and instruct him to correct the deficiency and/or stop work, as appropriate for the situation. Garver will also record the observance, the discussion, and the actions taken. If the Contractor continues without satisfactory corrective action, Garver will notify the Owner immediately, so that appropriate action under the Owner's contract with the Contractor can be taken.

2.14 Project Deliverables

The following will be submitted to the Owner, or others as indicated, by Garver:

1. Three copies of the Final Design with opinion of probable construction cost.
2. One copy of the revised Final Plans to each potentially affected utility company.
3. Three copies of the Final Plans and Specifications to the Contractor.
4. Two copies of approved shop drawings/submittals from the Contractor.
5. Electronic files as requested.

2.15 Extra Work

The following items are not included under this agreement but will be considered as extra work:

1. Redesign for the Owner's convenience or due to changed conditions after previous alternate direction and/or approval.
2. Submittals or deliverables in addition to those listed herein.
3. Review and approval of utility relocation plans.
4. Design of any utility relocations.
5. Retaining walls or other significant structural design.
6. Street lighting or other electrical design.
7. Environmental Handling and Documentation, including wetlands identification or mitigation plans or other work related to environmentally or historically (culturally) significant items.
8. Coordination with FEMA and preparation/submittal of a CLOMR and/or LOMR.
9. Providing plans for more than one construction project if owner decides to split the project into segments.
10. Services after construction, such as warranty follow-up, operations support, etc.

Extra Work will be as directed by the Owner in writing for an additional fee as agreed upon by the Owner and Garver.

For clarification, this agreement does not include any geotechnical work or materials testing. The Owner will contract directly with a geotechnical subconsultant for materials testing.

2.16 Schedule

Garver shall begin work under this Agreement within ten (10) days of a Notice to Proceed and shall complete the work in accordance with the schedule below:

<u>Phase Description</u>	<u>Calendar Days</u>
Final Design	30 days from Start Date



APPENDIX B

NLR - Marion Street

Garver Hourly Rate Schedule: July 2018 - June 2019

Classification	Rates
Engineers / Architects	
E-1.....	\$ 102.00
E-2.....	\$ 118.00
E-3.....	\$ 142.00
E-4.....	\$ 166.00
E-5.....	\$ 203.00
E-6.....	\$ 254.00
E-7.....	\$ 337.00
Planners / Environmental Specialist	
P-1.....	\$ 122.00
P-2.....	\$ 153.00
P-3.....	\$ 191.00
P-4.....	\$ 216.00
P-5.....	\$ 251.00
P-6.....	\$ 285.00
P-7.....	\$ 345.00
Designers	
D-1.....	\$ 95.00
D-2.....	\$ 111.00
D-3.....	\$ 132.00
D-4.....	\$ 153.00
Technicians	
T-1.....	\$ 74.00
T-2.....	\$ 94.00
T-3.....	\$ 114.00
Surveyors	
S-1.....	\$ 46.00
S-2.....	\$ 60.00
S-3.....	\$ 81.00
S-4.....	\$ 116.00
S-5.....	\$ 153.00
S-6.....	\$ 174.00
2-Man Crew (Survey).....	\$ 186.00
3-Man Crew (Survey).....	\$ 232.00
2-Man Crew (GPS Survey).....	\$ 206.00
3-Man Crew (GPS Survey).....	\$ 252.00
Construction Observation	
C-1.....	\$ 89.00
C-2.....	\$ 115.00
C-3.....	\$ 140.00
C-4.....	\$ 173.00
Management/Administration	
M-1.....	\$ 345.00
X-1.....	\$ 58.00
X-2.....	\$ 79.00
X-3.....	\$ 110.00
X-4.....	\$ 140.00
X-5.....	\$ 172.00
X-6.....	\$ 219.00

APPENDIX B

CITY OF NORTH LITTLE ROCK MARION STREET (16TH TO 18TH)

FEE SUMMARY

Title I Services	Estimated Fees
Final Design	\$7,450.00
Subtotal for Title I Services	\$7,450.00
Title II Services	
Construction Phase Services	\$31,950.00
Subtotal for Title II Services	\$31,950.00

APPENDIX B

CITY OF NORTH LITTLE ROCK MARION STREET (16TH TO 18TH)

FINAL DESIGN

WORK TASK DESCRIPTION	E-5	E-2
	\$203.00	\$118.00
	hr	hr
1. Civil Engineering		
Revise Final Plans		
Cover Sheet		1
Typical Sections		1
Plan & Profile Sheets		8
Cross Sections		8
Maintenance of Traffic Plan		4
Driveways		1
Drainage Improvements		1
Sidewalks		1
Typical Details		
Erosion Control Plans		
Final Review/Walkthrough with City	1	1
Coordination with Utility Companies		1
Coordination and Meetings with Owner	1	1
Coordination with DOT		
Coordination with Health Department		
Technical Specifications	1	8
Quantities		16
Opinion of Probable Construction Cost		1
QC Review	1	2
Subtotal - Civil Engineering	4	55

Hours	4	55
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Salary Costs	\$812.00	\$6,490.00
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SUBTOTAL - SALARIES:	\$7,302.00
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DIRECT NON-LABOR EXPENSES

Document Printing/Reproduction/Assembly	\$74.00
Postage/Freight/Courier	\$0.00
Office Supplies/Equipment	\$0.00
Travel Costs	\$74.00

SUBTOTAL - DIRECT NON-LABOR EXPENSES:	\$148.00
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SUBTOTAL:	\$7,450.00
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SUBCONSULTANTS FEE:	\$0.00
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TOTAL FEE:	\$7,450.00
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APPENDIX B**CITY OF NORTH LITTLE ROCK
MARION STREET (16TH TO 18TH)****CONSTRUCTION PHASE SERVICES**

WORK TASK DESCRIPTION	E-5	C-3	C-2	E-3	X-3
	\$203.00	\$140.00	\$115.00	\$142.00	\$110.00
	hr	hr	hr	hr	hr
1. Civil Engineering					
Preconstruction Meeting	2			2	
Utility Coordination Meeting	2			2	
Progress Meetings with Contractor/City	4			6	
Monthly Pay Requests					10
Shop Drawings/Material Submittals	2			12	
Record Drawings				8	
On-Site Meetings	4		14		
Resident Construction Observation			140		
Contractor's layout, etc.	2				
Quality Assurance of Contractor Layout				20	
Prepare Change Orders				8	
Final Project Inspection and Punchlist	2			8	
Subtotal - Civil Engineering	18	0	154	66	10
2. Structural Engineering					
Response to Inquiries					
Shop Drawings					
Subtotal - Structural Engineering	0	0	0	0	0
3. Mechanical Engineering					
Subtotal - Mechanical Engineering	0	0	0	0	0
4. Electrical Engineering					
Subtotal - Electrical Engineering	0	0	0	0	0

Hours	18	0	154	66	10
Salary Costs	\$3,654.00	\$0.00	\$17,710.00	\$9,372.00	\$1,100.00

SUBTOTAL - SALARIES: **\$31,836.00**

DIRECT NON-LABOR EXPENSES

Document Printing/Reproduction/Assembly	\$62.00
Postage/Freight/Courier	\$0.00
Office Supplies/Equipment	\$0.00
Travel Costs	\$52.00

SUBTOTAL - DIRECT NON-LABOR EXPENSES: **\$114.00**

SUBTOTAL: **\$31,950.00**

SUBCONSULTANTS FEE: **\$0.00**

TOTAL FEE: **\$31,950.00**