

NEW ISSUE  
BOOK-ENTRY ONLY

*In the opinion of Bond Counsel, under existing law and assuming compliance with certain covenants described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes, (ii) interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, (iii) with respect to certain corporations, interest on the Bonds will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations, (iv) the Bonds are “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code, (v) interest on the Bonds is exempt from State of Arkansas income tax, and (vi) the Bonds are not subject to property taxes in the State of Arkansas. See, **LEGAL MATTERS, Tax Exemption**, herein.*

**\$5,500,000**  
**CITY OF SHERWOOD, ARKANSAS**  
**HOTEL AND RESTAURANT GROSS**  
**RECEIPTS TAX BONDS**  
**SERIES 2017**

Dated: Date of Delivery

Due: December 1, as shown below

Principal of and interest on the Bonds are payable from a first and prior pledge of the receipts derived by the City of Sherwood, Arkansas (the “City”) from a two percent (2%) tax levied by the City on gross receipts or gross proceeds from motels, hotels, and restaurants. See **THE BONDS, Security** herein. Interest on the Bonds is payable semiannually on June 1 and December 1 in each year, commencing December 1, 2017, and the Bonds mature (on December 1 of each year), bear interest and are priced to yield as follows:

[Maturity Schedule included on inside cover page]

The Bonds of each maturity will be initially issued as a single registered bond registered in the name of Cede & Co., the nominee of The Depository Trust Company (“DTC”), New York, New York. The Bonds will be available for purchase in book-entry form only, in denominations of Five Thousand and No/Dollars (\$5,000.00) or any integral multiple thereof. Except in limited circumstances described herein, purchasers of the Bonds will not receive physical delivery of Bonds. Payments of principal of and interest on the Bonds will be made by Bank of the Ozarks, Little Rock, Arkansas, as the Trustee, directly to Cede & Co., as nominee for DTC, as registered owner of the Bonds, to be subsequently disbursed to DTC Participants and thereafter to the Beneficial Owners of the Bonds, all as further described herein.

The Bonds are subject to optional, extraordinary, and mandatory redemption from sinking fund installments prior to the maturity as described herein.

The Bonds are offered, subject to prior sale, when, as, and if issued and received by the Underwriter named below, subject to the approval of legality by Wright, Lindsey & Jennings LLP, Little Rock, Arkansas, Bond Counsel, and subject to certain other conditions. Stephen Cobb, Esq. will approve certain proceedings of the City in connection with the issuance of the Bonds.

This cover page contains information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

**Stephens Inc.**

Dated: March 6, 2017.

## MATURITY SCHEDULE

**\$5,500,000**  
**CITY OF SHERWOOD, ARKANSAS**  
**HOTEL AND RESTAURANT GROSS**  
**RECEIPTS TAX BONDS**  
**SERIES 2017**

<u>Maturity (December 1)</u>	<u>Type of Bond</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP* Number</u>
2022	Term	\$935,000	2.125%	2.125%	824369 AP7
2027	Term	\$870,000	3.125%	3.125%	824369 AQ5
2032	Term	\$1,020,000	3.500%	3.500%	824369 AR3
2037	Term	\$1,210,000	3.750%	3.875%	824369 AS1
2042	Term	\$1,465,000	4.000%	4.000%	824369 AT9

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Municipal Assurance Corp. ("MAC") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, MAC has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding MAC supplied by MAC and presented under the heading "RESERVE INSURER."

No dealer, broker, salesman, or other person has been authorized by the City or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or other solicitation of an offer to buy, nor shall there be any sale of the Bonds by any persons in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City since the date hereof.

**CITY OF SHERWOOD, ARKANSAS**

**Mayor and Council**

Virginia Hillman Young, Mayor  
Beverly Williams  
Charles Harmon  
Kenneth Keplinger  
Kevin Lilly  
Marina Brooks  
Mary Jo Heye  
Mike Sanders  
Tim McMinn

**City Clerk-Treasurer**

Angela Nicholson

**City Attorney**

Stephen Cobb

**Accountants**

Legislative Audit Committee  
State of Arkansas

**BOND COUNSEL**

Wright, Lindsey & Jennings LLP  
Little Rock, Arkansas

**UNDERWRITER**

Stephens Inc.  
Little Rock, Arkansas

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## OFFICIAL STATEMENT

**\$5,500,000**

**CITY OF SHERWOOD, ARKANSAS  
HOTEL AND RESTAURANT GROSS  
RECEIPTS TAX BONDS  
SERIES 2017**

### INTRODUCTION TO OFFICIAL STATEMENT

This Introduction is subject in all respects to the more complete information contained in this Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement, including the Cover Page hereof and exhibit hereto. A full review should be made of the entire Official Statement, as well as the Authorizing Ordinance described herein.

This Official Statement of the City of Sherwood, Arkansas (the “City”) is furnished in connection with the offering by the City of its \$5,500,000 principal amount of Hotel and Restaurant Gross Receipts Tax Bonds, Series 2017, dated April 11, 2017 (the “Bonds”). The Bonds are being issued for the purpose of (i) financing various capital improvements to and within the City’s public parks and recreation facilities, including the design and construction of soccer fields, tennis courts, and splash pad and various other improvements (together, the “Projects”); (ii) funding a debt service reserve; and (iii) paying the costs of issuance of the Bonds. The Projects will be undertaken on behalf of the City by the Advertising and Promotion Commission of the City (the “Commission”). See **THE COMMISSION**.

The City is a city of the first class duly organized under the laws of the State of Arkansas (the “State”) and is located in central Arkansas. The City is authorized under Amendment No. 62 to the Constitution of the State (“Amendment 62”), Title 14, Chapter 164, Subchapter 3 of the Arkansas Code of 1987 Annotated (the “Authorizing Legislation”), and Title 26, Chapter 75, Subchapter 6 of the Arkansas Code of 1987 Annotated (the “Tax Legislation”) to issue capital improvement bonds and to expend the proceeds thereof for the intended purposes. See **DESCRIPTION OF THE CITY OF SHERWOOD**.

The Bonds are not general obligations of the City, but are special obligations payable solely from collections of an existing two percent (2%) tax levied by the City on the gross receipts or gross proceeds from motels, hotels, and restaurants (the “Tax”). See **THE TAX and THE BONDS, Security**. The Tax is levied under Ordinance No. 905 adopted December 19, 1989, as amended by Ordinance No. 931 adopted June 25, 1990, and as further amended by Ordinance No. 1077 adopted November 23, 1992 (collectively, the “Tax Ordinance”). The issuance of the Bonds and the pledging of collections of the Tax (the “Pledged Revenues”) to the payment of the principal of and interest on the Bonds was approved by the electors of the City at the general election held November 8, 2016. The Bonds are being issued pursuant to and in full compliance with Amendment 62 and the Authorizing Legislation and Ordinance No. 2137 of the City, adopted on February 27, 2017 (the “Authorizing Ordinance”). See **THE AUTHORIZING ORDINANCE**.

The Bonds will be initially issued in book-entry form and purchasers of Bonds will not receive certificates representing their interest in the Bonds purchased. See **THE BONDS**,

Book-Entry Only System. The Bonds will contain such other terms and provisions as described herein. See **THE BONDS, Generally.**

The Bonds are issuable only as fully registered bonds, without coupons, in the denomination of Five Thousand and No/Dollars (\$5,000.00) or any integral multiple thereof. Interest is payable December 1, 2017, and semiannually thereafter on each June 1 and December 1. Principal is payable December 1, 2017, and annually thereafter at the principal office of Bank of the Ozarks, Little Rock, Arkansas, as trustee and paying agent for the Bonds (the “Trustee”). Interest is payable by check mailed by the Trustee to the registered owners as of the record date for each interest payment date. The record date for payment of interest on the Bonds shall be the fifteenth (15<sup>th</sup>) day of the calendar month next preceding each interest payment date. A Bond may be transferred, in whole or in part (in integral multiples of \$5,000.00), but only upon delivery of the Bond, together with a written instrument of transfer, to the Trustee. See **THE BONDS, Generally.**

The Bonds are subject to optional redemption on and after June 1, 2022. The Bonds are also subject to extraordinary redemption from Bond Proceeds not needed for the purposes intended. The Bonds maturing on December 1 in the years 2022, 2027, 2032, 2037, and 2042 are subject to mandatory sinking fund redemption as described herein. The Trustee shall give at least thirty (30) days’ notice of redemption. See **THE BONDS, Redemption.**

Under existing law and assuming compliance with certain covenants described herein, (i) interest on the Bonds is excludable from gross income for federal income tax purposes, (ii) interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, (iii) with respect to certain corporations, interest on the Bonds will be taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on such corporations, (iv) the Bonds are “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code, (v) interest on the Bonds is exempt from State of Arkansas income tax, and (vi) the Bonds are not subject to property taxes in the State of Arkansas. See **LEGAL MATTERS, Tax Exemption.**

It is expected that the Bonds will be available for delivery on or about April 11, 2017, through the facilities of the Depository Trust Company in New York, New York.

The Commission and the Trustee have entered into a Continuing Disclosure Agreement in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Continuing Disclosure Agreement”). See **CONTINUING DISCLOSURE AGREEMENT.**

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the Authorizing Ordinance and the Continuing Disclosure Agreement summarized herein are available upon request from Stephens Inc., 111 Center Street, Suite 2300, Little Rock, Arkansas 72201, Attention: Public Finance.

## **THE BONDS**

Book-Entry Only System. When the Bonds are issued, ownership interests will be available to purchasers through a book-entry only system (“Book-Entry Only System”)

maintained by the Depository Trust Company (“DTC”), New York, New York, or its successor. DTC will act as securities depository for the Bonds. The Bonds will each be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate for each maturity of the Bonds will be issued in the aggregate principal amount of the maturity, and will be deposited with DTC of the Trustee as its “FAST” agent.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants” and, collectively with a Direct Participant, the “Participants”). DTC has a Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtc.org](http://www.dtc.org).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (the “Beneficial Owner”) is, in turn, to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except in the event that use of the Book-Entry Only System for the Bonds is discontinued.

So long as Cede & Co., as nominee of DTC, is the registered owner of any of the Bonds, the Beneficial Owners of such Bonds will not receive or have the right to receive physical delivery of the Bonds, and references herein to the registered owners of such Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of such Bonds.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If fewer than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

So long as any Bond is registered in the name of DTC's nominee, all principal, interest, and premium, if any, payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest, and premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

The information concerning DTC and DTC's Book-Entry Only System set forth above has been obtained from DTC. Neither the Underwriters nor the City make any representation or warranty regarding the accuracy or completeness thereof.

**So long as the Bonds are in book-entry only form, Cede & Co., as nominee for DTC, will be treated as the sole owner of the Bonds for all purposes under the Authorizing Ordinance, including receipt of all principal of and interest on the Bonds, receipt of notices, voting and requesting or directing the Trustee to take or not to take, or consenting to, certain actions under the Authorizing Ordinance. The City and the Trustee have no responsibility or obligation to the Participants or the Beneficial Owners with respect to (i) the accuracy of any records maintained by DTC or any Participant; (ii) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Bonds; (iii) the delivery or timeliness of delivery by any Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Authorizing Ordinance to be given to owners of Bonds; (iv) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or (v) other action taken by DTC or Cede & Co. as owner of the Bonds.**

Generally. The Bonds are dated, mature, and bear interest as set forth on the cover page hereof. The principal of the Bonds is payable upon presentation and surrender at the principal office of the Trustee. Payment of interest on the Bonds will be made to each registered owner thereof by check or draft mailed by the Trustee to such owner at his address as such name and address appear on the registration book of the City kept by the Trustee on the record date which is the fifteenth (15<sup>th</sup>) day of the calendar month next preceding the calendar month in which such interest payment date falls. All such payments will be made in lawful money of the United States of America.

The Bonds are issuable in the form of registered Bonds without coupons in the denomination of Five Thousand and No/Dollars (\$5,000) each or any integral multiple thereof, interchangeable in accordance with the provisions of the Authorizing Ordinance. In the event any Bond is mutilated, lost, or destroyed, the City shall, if not then prohibited by law, execute and the Trustee may authenticate a new Bond in accordance with the provisions therefor in the Authorizing Ordinance.

Each Bond is transferable by the registered owner thereof or by his attorney duly authorized in writing at the principal office of the Trustee. Upon such transfer a new fully registered Bond or Bonds of the same maturity, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange therefor.

No charge shall be made to any registered owner of any Bond for the privilege of registration, but any registered owner of any Bond requesting any such registration shall pay any tax or other governmental charge required to be paid with respect thereto. Except as otherwise provided in the immediately preceding sentence, the cost of preparing each new Bond upon each exchange or transfer and any other expenses of the City or the Trustee incurred in connection therewith shall be paid by the City. Neither the City nor the Trustee shall be required to transfer or exchange any Bonds selected for redemption in whole or in part.

The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or interest of any Bond shall be made only to or upon the order of the registered owner thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be a Saturday or Sunday or shall be in the State a legal holiday or a day on which banking institutions are authorized by law to close, then payment of interest or principal need not be made on such date but may be made on the next succeeding business day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after the date of maturity or date fixed for redemption.

Redemption. The Bonds are subject to optional, extraordinary, and mandatory sinking fund redemption as follows:

(a) Optional Redemption. The Bonds may be redeemed at the option of the City, from funds from any source, on and after June 1, 2022, in whole at any time, or in part on any interest payment date, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. If fewer than all of the Bonds shall be called for redemption, the particular maturities of the Bonds to be redeemed shall be selected by the City in its discretion. If fewer than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portion thereof to be redeemed from such maturity shall be selected by lot by the Trustee.

(b) Extraordinary Redemption. The Bonds shall be redeemed from Bond Proceeds not needed for the purposes intended, in inverse order of maturity (and by lot within a maturity in such manner as the Trustee shall determine), in whole or in part, on any interest payment date, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date.

[Remainder of page intentionally left blank.]

(c) Mandatory Sinking Fund Redemption. To the extent not previously redeemed, the Bonds maturing on December 1 in the years 2022, 2027, 2032, 2037, and 2042 are subject to mandatory sinking fund redemption by lot in such manner as the Trustee shall determine, on December 1 in the years and in the amounts set forth below, at a redemption price equal to the principal amount being redeemed plus accrued interest to the date of redemption:

Bonds Maturing December 1, 2022

<u>Year</u> <u>(December 1)</u>	<u>Amount</u>
2017	\$170,000
2018	145,000
2019	150,000
2020	155,000
2021	155,000
2022 (maturity)	160,000

Bonds Maturing December 1, 2027

<u>Year</u> <u>(December 1)</u>	<u>Amount</u>
2023	\$160,000
2024	170,000
2025	175,000
2026	180,000
2027 (maturity)	185,000

Bonds Maturing December 1, 2032

<u>Year</u> <u>(December 1)</u>	<u>Amount</u>
2028	\$190,000
2029	195,000
2030	205,000
2031	210,000
2032 (maturity)	220,000

[Remainder of page intentionally left blank.]

Bonds Maturing December 1, 2037

<u>Year</u> <u>(December 1)</u>	<u>Amount</u>
2033	\$225,000
2034	235,000
2035	240,000
2036	250,000
2037 (maturity)	260,000

Bonds Maturing December 1, 2042

<u>Year</u> <u>(December 1)</u>	<u>Amount</u>
2038	\$270,000
2039	280,000
2040	295,000
2041	305,000
2042 (maturity)	315,000

In the case of any redemption of Bonds prior to maturity, the Trustee shall mail or send via other standard means, including electronic or facsimile communication, a copy of the redemption notice to the registered owners of the Bonds to be redeemed, in each case not less than thirty (30) nor more than sixty (60) days prior to the date of redemption. After the date for redemption no further interest shall accrue on any Bond called for redemption if funds for redemption of such Bond have been deposited with the Trustee as provided in the Authorizing Ordinance.

Notwithstanding the above, so long as the Bonds are issued in book-entry only form, if fewer than all the Bonds of an issue are called for redemption, the particular Bonds to be redeemed will be selected pursuant to the procedures established by DTC. So long as the Bonds are issued in book-entry only form, notice of redemption will be given only to Cede & Co., as nominee for DTC. The Trustee will not give any notice of redemption to the Beneficial Owners of the Bonds.

Purpose for Bonds. The Bonds are being issued to finance the costs of the Projects. The City will also pay a premium for a debt service reserve policy and pay costs of issuing the Bonds from Bond proceeds.

[Remainder of page intentionally left blank.]

The Projects will be undertaken on behalf of the City by the Commission. Construction is expected to begin at the end of calendar year 2017 with completion of the larger Projects expected in the Spring of 2019. The sources and uses of funds to accomplish the Projects are estimated by the City as follows:

**Series 2017 Bonds**

**Sources**

Principal Amount of Bonds	\$5,500,000.00
Original Issue Discount	<u>(21,404.90)</u>
Total Sources	<b>\$5,478,595.10</b>

**Uses**

Deposit to Construction Fund	\$5,371,786.40
Total Costs of Issuance, Underwriters' Discount, and Debt Service Reserve Policy Premium	<u>106,808.70</u>
Total Uses	<b>\$5,478,595.10</b>

The payment of Underwriters' discount and the fee of Bond Counsel are contingent on the Bonds being issued. See **MISCELLANEOUS, Underwriting** for a description of the Underwriters' discount. The City will deposit the net proceeds of the Bonds (principal amount less Underwriters' discount, debt service reserve policy premium, and certain issuance costs) (the "Bond Proceeds") into a special fund designated "2017 Parks & Recreation Construction Fund" (the "Construction Fund") established with the Trustee. Moneys contained in the Construction Fund will be disbursed by the Commission solely in payment of Projects costs, paying necessary expenses incidental thereto, and paying expenses of issuing the Bonds. Disbursements shall be on the basis of requisitions which shall contain at least the following information: the person to whom payment is being made; the amount of the payment; and the purpose by general classification of the payment. For a description of how the Bond proceeds are to be invested pending use and the provisions governing those investments, see **THE AUTHORIZING ORDINANCE, Investments**.

**Security.** The Bonds are not general obligations of the City but are special obligations, secured by a first and prior pledge of the Pledged Revenues, which consist of collections of an existing two percent (2%) tax on the gross receipts from motels, hotels, and restaurants. The Bonds are secured under the Authorizing Ordinance. For a summary of the terms of the Authorizing Ordinance, see **THE AUTHORIZING ORDINANCE**.

The City has outstanding its Library Construction Bonds, Series 2015 (the "2015 Bonds") in the approximate principal amount of \$5,355,000.00. The 2015 Bonds are secured by the Library Tax and the Special Tax Collections and have a final maturity of March 1, 2036.

The City through its Public Facilities Board issued bonds titled Capital Improvement and Refunding Bonds, Series 2010 in the original amount of \$7,000,000.00, which Bonds were refunded in 2016 and titled Capital Improvement Refunding Bonds, Series 2016 in the amount of \$6,105,000.00 (the "Series 2016 Bonds"). The Series 2016 Bonds have a final maturity of March 1, 2038, and are payable from and secured by a pledge of revenues payable to the Issuer by the City pursuant to a Park and Recreational Facilities Lease Agreement (the "Lease Agreement"). The City's obligations under the Lease Agreement are secured by a pledge of revenues derived by the City from the collection of franchise fees.

The City also has outstanding an issue of sewer revenue bonds in the approximate principal amount of \$290,000 secured by a pledge of sewer revenues collected from users of the City’s sewer system. The final maturity of the sewer revenue bonds is October 1, 2019.

A debt service reserve will be funded with a municipal bond debt service reserve insurance policy (the “Policy”) issued by Municipal Assurance Corp., a financial guaranty insurance company organized under the laws of, and domiciled in, the State of New York ( “MAC”). See **RESERVE INSURER** for more information concerning MAC. The face amount of the Policy will be an amount equal to one-half (1/2) of the maximum annual principal and interest requirements for the Bonds. See **THE AUTHORIZING ORDINANCE, The Debt Service Reserve Fund**.

The City may issue bonds secured by a pledge of the Pledged Revenues on a parity with the pledge in favor of the Bonds. See **THE AUTHORIZING ORDINANCE, Additional Parity Bonds**.

### **DESCRIPTION OF THE CITY OF SHERWOOD**

**General.** The City is organized under the laws of the State of Arkansas as a city of the first class and was chartered in April of 1948. The City is located in the central part of the State.

The City is located in Pulaski County which is in the geographic center of the State of Arkansas. It is nearly equidistant from the four corners of the State and is the third largest municipality in Pulaski County, Arkansas. Within a radius of 500 miles from the center of the City are located 24 metropolitan areas and substantial portions of 17 states containing over a third of the nation’s population. Major cities within this radius include: St. Louis, 340 miles northeast; Kansas City, 424 miles northwest; Atlanta, 516 miles east; New Orleans, 434 miles south; Oklahoma City, 340 miles northwest; Dallas, 326 miles southwest; and Memphis, 135 miles northeast.

**Government.** The City operates under the City Council form of municipal government. It has an eight member City Council elected from four wards. The Mayor’s position is a citywide elected position. All Council members and the Mayor serve four-year terms.

<b><u>Name</u></b>	<b><u>Occupation</u></b>	<b><u>Term Expires</u></b>
Virginia Hillman Young	Mayor	12/31/2018
Beverly Williams	Retired	12/31/2018
Charles Harmon	Attorney	12/31/2020
Kenneth Keplinger	Retired	12/31/2018
Kevin Lilly	AT&T	12/31/2020
Marina Brooks	Retired	12/31/2020
Mary Jo Heye	Student	12/31/2018
Mike Sanders	Information Technology	12/31/2020
Tim McMinn	Minister	12/31/2018

The Mayor presides at meetings of the City Council, is the ceremonial head of the City government, and is entitled to a vote to affirm measures before the Council in legislative matters. The Mayor also has the power to veto measures adopted by the Council.

The City Clerk is elected at-large and serves a term of four years. The current City Clerk is Angela Nicholson who has held that office since August 27, 2007.

Source: The City Clerk of the City of Sherwood.

Following are selected indices and financial information for the City of Sherwood:

The population trend\* since 2000 is as follows:

<u>Year</u>	<u>City</u>	<u>Growth (%)</u>
2015	30,517 (Estimate)**	0.467%
2014	30,375 (Estimate)**	0.743%
2013	30,151 (Estimate)**	0.691%
2012	29,944 (Estimate)**	-0.083%
2011	29,969 (Estimate)**	1.511%
2010	29,523 (Census)	1.290%
2009	29,147 (Estimate)**	1.749%
2008	28,646 (Estimate)**	1.639%
2007	28,184 (Estimate)**	1.203%
2006	27,849 (Estimate)**	1.705%
2005	27,382 (Estimate)**	1.306%
2004	27,029 (Estimate)**	6.716%***
2000	25,328 (Census)	N/A

\*Source: United States Census Bureau.

\*\*Population estimates as of July 1.

\*\*\*Represents percentage increase from 2000 to 2004.

**Transportation.** The City of Sherwood is served by U.S. Highways 67/167 and Arkansas State Highway 107 connecting with Interstate 430 at its eastern terminus and with Interstate 40 at its western terminus. The City is served by the Union Pacific Railroad. Several motor freight carriers provide service from Sherwood to major cities across the United States.

The City, located approximately twelve (12) miles from Little Rock, the capital of Arkansas, also has access to the Bill and Hillary Clinton National Airport, with major airline and freight service connections to major cities across the United States, and to the Port of Little Rock on the Arkansas River.

**Economic Data.** For comparative purposes the economic data of the Little Rock-North Little Rock Metropolitan Statistical Area (the “Little Rock MSA”) of which Sherwood is a part, is shown along with economic data for Pulaski County, the State of Arkansas, and, in certain instances, the United States.

**Income and Retail Sales.** Available recent per capita income and retail sales figures for the Little Rock MSA and Pulaski County are as follows:

<u>Year</u>	<u>Retail Sales (\$000)<sup>(*)</sup></u>	<u>Per Capita Income</u>	
	<u>Pulaski County</u>	<u>Little Rock MSA</u>	<u>Pulaski County</u>
2005	\$6,428,030	\$33,612	\$38,689
2006	\$7,237,434	\$34,946	\$40,080
2007	\$8,455,750	\$36,959	\$42,544
2008	\$8,509,331	\$37,391	\$42,491
2009	\$5,435,603	\$36,676	\$41,185
2010	\$7,299,415	\$36,531	\$40,577
2011	\$7,863,136	\$37,867	\$42,042
2012	\$7,859,842	\$40,035	\$45,163
2013	\$7,748,695	\$38,965	\$43,231
2014	\$7,632,101	\$40,074	\$44,657
2015	N/A**	\$41,062	\$45,862

Source: University of Arkansas at Little Rock, Institute for Economic Advancement citing Nielsen Claritas 2009-2014 for Retail Sales and the Bureau of Economic Analysis for Per Capita Income.

\*Retail Sales are estimates.

\*\*The Retail Sales data is no longer being collected by the University of Arkansas at Little Rock, Institute for Economic Advancement.

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**Employment.** The civilian labor force in Little Rock, Arkansas MSA, the State of Arkansas, and the United States and its employment have been as follows:

<u>Year</u>	<u>Civilian Labor Force (in thousands)</u>			<u>Number Employed (in thousands)</u>		
	<u>Little Rock/MSA</u>	<u>Arkansas</u>	<u>United States</u>	<u>Little Rock/MSA</u>	<u>Arkansas</u>	<u>United States</u>
2005	334	1,345	149,320	318	1,275	141,730
2006	337	1,365	151,428	321	1,294	144,427
2007	340	1,369	153,124	325	1,296	146,047
2008	344	1,375	154,287	327	1,300	145,362
2009	341	1,358	154,142	318	1,252	139,877
2010	347	1,353	153,889	322	1,242	139,064
2011	350	1,362	153,617	324	1,249	139,869
2012	348	1,342	154,975	325	1,240	142,469
2013	342	1,307	155,389	320	1,212	143,929
2014	340	1,304	155,922	321	1,224	146,305
2015	346	1,330	157,130	330	1,260	148,834

Source: University of Arkansas at Little Rock, Institute for Economic Advancement citing the Bureau of Labor Statistics.

The annual average unemployment rates for the Little Rock MSA, the State of Arkansas, and the United States since 2005 are as follows:

<u>Year</u>	<u>Unemployment Rate %</u>		
	<u>Little Rock MSA</u>	<u>Arkansas</u>	<u>United States</u>
2005	4.7	5.2	5.1
2006	4.6	5.2	4.6
2007	4.6	5.3	4.6
2008	4.7	5.5	5.8
2009	6.7	7.8	9.3
2010	7.2	8.2	9.6
2011	7.3	8.3	8.9
2012	6.7	7.6	8.1
2013	6.5	7.3	7.4
2014	5.5	6.1	6.2
2015	4.7	5.2	5.3

Source: University of Arkansas at Little Rock, Institute for Economic Advancement citing the Bureau of Labor Statistics.

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**Residential Construction.** The following table shows the number of new housing starts in the City, as reflected by building permits issued:

**New Residential Construction**

<b><u>Year</u></b>	<b><u>Number of Permits</u></b>
2000	136
2001	148
2002	197
2003	245
2004	287
2005	259
2006	251
2007	205
2008	125
2009	99
2010	96
2011	82
2012	144
2013	159
2014	128
2015	187
2016	216

Source: City of Sherwood, Arkansas

**Education.** Primary and secondary education for the City’s inhabitants is provided by the Pulaski County Special School District of Pulaski County, Arkansas. The newest school, Sylvan Hills Middle School, is a state of the art facility and opened in August of 2012. As of the Fall of 2016, the enrollment of the Pulaski County Special School District was approximately 12,846 (all the schools in the District). The City is also served directly by nearby Abundant Life School, which had an enrollment in the Fall of 2016 of approximately 310 students (Grades K-12), as well as other private schools in Pulaski County.

Sources: Pulaski County Special School District website and Abundant Life School.

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**Higher Education.** The City is located near a number of educational institutions with instruction in undergraduate, graduate, and professional fields. The following is a list of colleges and universities located within the Little Rock/North Little Rock MSA with approximate on-campus enrollments for the 2016 fall academic semester:

Arkansas Baptist College	878
Central Baptist College (Conway)	832
Jacksonville-Little Rock Air Force Base University Center	1,173 <sup>(1)(2)</sup>
Hendrix College (Conway)	1,328
Philander Smith College	756
Pulaski Technical College	6,576
University of Arkansas at Little Rock	11,261
University of Arkansas Bowen School of Law	404
University of Arkansas Medical Sciences Campus	2,869
University of Central Arkansas (Conway)	11,487
Webster University	368 <sup>(2)</sup>

Source: Arkansas Baptist College Institutional Research; Central Baptist College Registrar’s Office; Jacksonville-Little Rock Air Force Base University Center Education Services Officer; Hendrix College Director of Institutional Research; Philander Smith College Institutional Research; Pulaski Technical College Institutional Research, Planning, & Effectiveness; University of Arkansas at Little Rock Institutional Research; University of Arkansas for Medical Sciences Associate Provost for Enrollment Services and Academic Administration, University of Central Arkansas Institutional Research; and Webster University Assistant Director, Little Rock area.

<sup>(1)</sup>Includes numbers from Webster University branch located on that campus and military and civilian enrollments.

<sup>(2)</sup> Sessions 1 & 2 for the Fall 2016 academic semester enrollment numbers.

**Medical Facilities.** Hospitals in the cities of Little Rock, North Little Rock, and Conway serve patients from throughout Arkansas and the City. Baptist Health Medical Center-Little Rock, the area’s largest hospital, has an 827-bed capacity. Baptist Health Medical Center-North Little Rock has a 225-bed capacity. St. Vincent Infirmiry Medical Center is a 615-bed general hospital. St. Vincent Medical Center/North is located in Sherwood, and is a 69-bed general care hospital. The Arkansas Children’s Hospital is a 359-bed facility that administers acute pediatric care to children up to age 21. The Central Arkansas Veterans Healthcare System includes two hospitals: Eugene J. Towbin Healthcare Center in North Little Rock, which has an 391-bed capacity; and John L. McClellan Memorial Veterans Hospital, located on the campus of the University of Arkansas for Medical Sciences Medical Center, which has a 219-bed capacity. The Arkansas Heart Hospital is a 110-bed facility specializing in cardiac care. University of Arkansas for Medical Sciences Medical Center has a 450-bed capacity, and the Arkansas State Hospital is a 321-bed psychiatric hospital. Arkansas Surgical Hospital is a 49-bed surgery and general medical care hospital located in North Little Rock. Conway Regional Medical Center is a 154-bed acute care hospital serving Conway, Faulkner County and North Pulaski County. North Metro Medical Center located in Jacksonville, Arkansas, and is a 113-bed surgery and general care hospital. In September 2016, Baptist Health Medical Center opened a new 111-bed general care hospital in Conway, Arkansas.

Source: Arkansas Department of Health; Central Arkansas Veterans Healthcare System; and Baptist Health Website: [www.baptist-health.com/conway](http://www.baptist-health.com/conway) – Baptist Health Medical Center-Conway.

**City Employees.** As of December 31, 2016, the City employment (unaudited) was as follows:

<u>Category</u>	<u>Number of Employees</u>
Administration	7
Police	97
Hot Checks	6
District Court	15
Engineering	7
Waste Water	9
Human Resources	2
Computer Services	4
Public Works – Sanitation	18
Bill Harmon Recreation Center	6
Parks and Recreation	10
Sherwood Forest	3
After School/Day Camp	2
Greens at North Hills	8
Sports Complex	4
Building Maintenance	1
Senior Citizens Center	4
Animal Services	6
Public Works – Drainage	9
Public Works – Street	<u>8</u>
Total	226

Source: City of Sherwood, Arkansas.

**Port of Little Rock.** The development of the Arkansas River through the McClellan-Kerr Arkansas River Navigation System has resulted in a four hundred forty-eight (448) mile navigation channel with seventeen (17) locks and dams from the Mississippi River northwest to a point fifteen (15) miles east of Tulsa, Oklahoma. The ability to provide low-cost, bulk transportation has created opportunities for industrial development in the area.

Little Rock is also the location of Foreign Trade Zone #14. The Zone is located in the Little Rock Port Industrial Park and allows imported goods to be stored or processed without payment of customs duty or posting of bond until the goods are moved out of the Zone and into normal domestic commerce.

The facility includes an Industrial Harbor which is four thousand five hundred (4,500) feet long, three hundred twenty (320) feet wide, and fifteen (15) feet deep. The Harbor is surrounded by three hundred twelve (312) acres of new industrial sites and provides an additional two (2) miles of water frontage.

Source: Arkansas Port Authority, Executive Director.

**Bill and Hillary Clinton National Airport.** The Bill and Hillary Clinton National Airport is located within the city limits of Little Rock and is approximately fourteen (14) miles from Sherwood. It is served by six (6) major airlines. It has three (3) runways and twelve (12) gates (all with jetways). In 2016, one million nine hundred ninety-one thousand five hundred four (1,991,504) passengers traveled through this facility.

Source: Bill and Hillary Clinton National Airport Website: clintonairport.com– Activity Report.

**North Little Rock Municipal Airport.** The North Little Rock Municipal Airport is located within the city limits of Sherwood and North Little Rock. It is open to the public and is the largest General Aviation Airport in the state. There are approximately one hundred sixty-five (165) aircraft based on the property. The Airport offers multiple services, accommodates multiple tenants, and can accommodate helicopters and fixed-wing aircraft.

Source: North Little Rock Municipal Airport.

## **THE COMMISSION**

General. The Advertising and Promotion Commission of the City of Sherwood, Arkansas (the “Commission”), was created pursuant to the authority of the Tax Legislation. The Commission is responsible for the advancement and promotion of the City and its environs. The Commission is composed of seven (7) members, each of whom shall reside within the City, as follows: four (4) members shall be owners or managers of businesses in the tourism industry, at least three (3) of whom shall be owners or managers of hotels, motels, or restaurants, and all of whom shall be appointed by the City Council for staggered terms of four (4) years; two (2) members shall be members of the City Council and selected by the City Council; and one (1) member shall be from the public at-large and shall be nominated by the Mayor of the City and approved by the City Council for a term of four (4) years. At such time that a vacancy exists on the Commission in any of the four tourism positions or the at-large position, it shall be filled by appointment made by the remaining members of the Commission with approval of the City. The present members of the Commission are as follows:

<u>Name</u>	<u>Term Expires</u>	<u>Representative Position</u>
Marina Brooks (Chair)	12/31/2018	Alderman
Kenneth Keplinger	12/31/2018	Alderman
Karen Bryant	11/25/2020	Restaurant Owner
Danny Gilliland	11/25/2017	Restaurant Owner
Mita Sitaram	11/25/2019	Hotel Owner
Nita Pilkington	11/25/2019	Resident/Banker
Faith Cavin	11/30/2018	Restaurant Owner

Commission Operations and Finances. The Commission’s purpose is to help promote and support the City through community events (July 4<sup>th</sup> Family Celebration, Sherwood Fest, and the Trail of Holiday Lights), contribute advertising dollars used for various City promotions, and provide contributions for the development of the City (new City Limits signs, ballpark lighting, event rental space improvements, and the City’s first dog park). The Commission has an annual budget of approximately \$981,700.

Financial Statements. Set forth in Exhibit A to this Official Statement are the City’s audited Regulatory Basis Financial Statements and Other Reports for the period ending December 31, 2015, which include the financial statements for the Commission. These financial statements should be read in their entirety, together with any notes and supplemental information affixed thereto.

Source: City of Sherwood, Arkansas.  
1398349-v1

## THE TAX

Generally. Pursuant to Title 26, Chapter 75, Subchapter 6 of the Arkansas Code of 1987 Annotated (the “Tax Legislation”) and the Tax Ordinance, the City has levied the Tax which is a two percent (2%) tax upon the gross receipts from hotels, motels, and restaurants. The City began collecting the Tax in 1990.

Pursuant to the Authorizing Legislation, the City has pledged the amounts received from the Tax to the payment of the Bonds. The Commission has approved such pledge, as required by statute. The Tax is collected by the Commission, or a designated agent, in the same manner and at the same time as the Arkansas gross receipts tax.

The City has covenanted in the Authorizing Ordinance that the Tax will not be repealed, and the rate of two percent (2%) will not be reduced, for so long as there are Bonds outstanding. In addition, the City has further covenanted that all necessary action will be taken, from time to time, to collect the Tax in the full amount due and to apply the Pledged Revenues in the manner provided in the Authorizing Ordinance.

As of January 31, 2017, the City estimates that there are at least ninety-one (91)\* businesses, including full service restaurants, fast food restaurants, private clubs, gas stations, and delis selling prepared foods and one hotel from which the Pledged Revenues are currently being collected. There is no single tax payer that accounts for ten percent (10%) or more of the Pledged Revenues.

Historical collections of the audited Pledged Revenues as well as the unaudited Pledged Revenues for 2016 have been as indicated:

<u>Year</u>	<u>Total Amount*</u>
2016	\$914,195**
2015	\$892,727
2014	\$867,595
2013	\$795,725
2012	\$702,602

\*As provided for in Acts of 2015, Act 1102, § 1, effective July 22, 2015, public records regarding information related to taxes collected by particular entities under the Tax Legislation shall not be disclosed to the public, however, disclosure can be made to the public regarding information or other records regarding the total taxes collected under the Tax Legislation.

\*\*The Pledged Revenues for 2016 are unaudited.

As of December 31, 2016, there were seven (7) businesses that were delinquent in their payment of the Pledged Revenues.

Source: City of Sherwood, Arkansas.

Application of Tax Receipts. Once collected by the Commission, or its designated agent, Tax receipts will be deposited into the Revenue Fund (hereinafter identified). Provision will first be made for the payment of debt service on the Bonds by making the necessary deposits into the Bond Fund and the Debt Service Reserve Fund (hereinafter identified). The balance of the funds shall be transferred to the City’s Advertising and Promotion Fund

(the “Advertising and Promotion Fund”). Moneys in the Advertising and Promotion Fund will be used for such lawful purposes as are approved by the Commission.

Future Tax Receipts. Tax receipts will be contingent upon the amount of business handled by local hotels, motels, and restaurants. Such business activity will generally be dependent upon economic conditions within the City and the surrounding trade area. Accordingly, the City cannot predict with certainty the expected amount of Tax receipts to be received and, therefore, there can be no assurance that Tax receipts will be sufficient to pay the principal of and interest on the Bonds.

## **THE AUTHORIZING ORDINANCE**

Set forth below is a summary of certain portions of the Authorizing Ordinance. This summary does not purport to be comprehensive and reference is made to the full text of the Authorizing Ordinance for a complete description of its provisions. The City will covenant as set forth below in the Authorizing Ordinance.

The Revenue Fund. (a) All collections of the Tax as and when received shall be deposited into a special fund of the City in a depository selected by the City which is created by the Authorizing Ordinance and designated the “Hotel and Restaurant Gross Receipts Tax Revenue Fund” (the “Revenue Fund”). Except as provided in (c) below, moneys in the Revenue Fund shall be used to make the following deposits not later than by the twenty-fifth (25<sup>th</sup>) day of each month, commencing in April 2017, to the following funds and accounts in the following order of priority:

- (1) one-sixth (1/6) of the interest on the Bonds next due, except for the initial interest payment date of December 1, 2017, in which case one-eighth (1/8) of the interest due on that date shall be deposited - Debt Service Account in the Bond Fund; and
- (2) one twelfth (1/12) of the principal of the Bonds next due at maturity or upon mandatory sinking fund redemption except for the initial principal or sinking fund payment date of December 1, 2017, in which case one-eighth (1/8) of the amount due on that date shall be deposited - Debt Service Account in the Bond Fund, and beginning December 2017 and for each Bond Year thereafter, one-twelfth (1/12) of the principal of the Bonds next due - Debt Service Account in the Bond Fund; and
- (3) the amount, if any, which may be necessary to reimburse MAC with respect to the Policy and to fund and maintain the Debt Service Reserve Fund at any required level - Debt Service Reserve Fund; and
- (4) the Trustee’s fees and expenses and other administrative charges next due, any arbitrage rebate due the United States Treasury under Section 148(f) of the Internal Revenue Code of 1986, as amended (the “Code”), and the fees for any arbitrage rebate calculation - Expense Account in the Bond Fund; and
- (5) any amount to cover any deficiency in the monthly transfers required by (1) through (4) above for any previous month.

(b) The deposits made into the Debt Service Account in the Bond Fund shall be reduced in order to take into account as a credit (1) interest earnings, (2) accrued interest deposited therein from Bond proceeds, and (3) transfers from the Debt Service Reserve Fund.

(c) Anything herein to the contrary notwithstanding, there shall be transferred from the Revenue Fund into the Bond Fund not less than five (5) business days before each June 1 and December 1, excluding June 1, 2017, an amount, in addition to other moneys in the Bond Fund, that will be sufficient to cause the Bond Fund to have moneys to pay the principal of and interest on the Bonds on the next due date thereof.

(d) After making the monthly deposits as set forth above, all amounts in the Revenue Fund shall be transferred to the Advertising and Promotion Fund and be used for any lawful purpose.

The Bond Fund. There is created by the Authorizing Ordinance a special fund of the City in the Trustee which is designated "Hotel and Restaurant Gross Receipts Tax Bond Fund" (the "Bond Fund") for the purpose of providing funds for the payment of principal of and interest on the Bonds as they become due at maturity or at redemption prior to maturity, any arbitrage rebate, the fees for any arbitrage rebate calculation, and the Trustee's fees and expenses. There shall be established in the Bond Fund the following accounts into which moneys from the Revenue Fund shall be deposited monthly: (a) Debt Service Account; (b) Redemption Account; and (c) Expense Account. Moneys in the following Bond Fund accounts shall be used on each interest payment date in the following order of priority as and when necessary:

- (1) to pay the interest on the Bonds then due - Debt Service Account;
- (2) to pay the principal of the Bonds then due - Debt Service Account;
- (3) to pay the Trustee's fees and expenses and other administrative charges then due - Expense Account; and
- (4) to redeem Bonds prior to maturity - Redemption Account.

In addition, moneys in the Expense Account in the Bond Fund shall be used to pay any arbitrage rebate due under Section 148(f) of the Code and the fees for any arbitrage rebate calculation.

When the moneys in the Bond Fund shall be and remain sufficient to pay (i) the principal of the Bonds then outstanding, (ii) interest on the Bonds until the next interest payment date, (iii) the Trustee's fees and expenses, (iv) any arbitrage rebate due under Section 148(f) of the Code and the fees for any arbitrage rebate calculation, there shall be no obligation to make any further payments into the Bond Fund [and any Pledged Revenues remaining in the Bond Fund after the principal of, premium, if any, and interest on the Bonds have been paid shall first be used to reimburse MAC for any amounts owing with respect to the Policy] and the balance shall be transferred to the Advertising and Promotion Fund and be used for any lawful purpose.

The Construction Fund. There is created by the Authorizing Ordinance a special fund of the City in the Trustee which is designated the “2017 Parks & Recreation Construction Fund” (the “Construction Fund”) in the Trustee for the purposes of accomplishing the Projects, paying expenses incidental thereto, and paying the Costs of Issuance. Moneys in the Construction Fund shall also be used to pay the principal of and interest on the Bonds when due if moneys in the Bond Fund are not sufficient for that purpose. Disbursements shall be made from the Construction Fund on the basis of requisitions which shall specify: the name of the person, firm, or corporation to whom payment is to be made; the amount of the payment; the purpose of the payment; and that the payment is a proper charge on the Construction Fund. Each requisition must be signed by two (2) authorized representatives of the City. The Trustee shall issue its check upon the Construction Fund payable to the person, firm, or corporation designated in the requisition.

The Debt Service Reserve Fund. (a) There is created by the Authorizing Ordinance a special fund of the City in the Trustee designated “Hotel and Restaurant Gross Receipts Tax Debt Service Reserve Fund” (the “Debt Service Reserve Fund”). There shall be established in the Debt Service Reserve Fund a Reserve Account into which shall be deposited the Policy (the “Reserve Account”) which shall be in an amount equal to one-half (1/2) of the maximum annual principal and interest requirements on the Bonds. The Reserve Account in the Debt Service Reserve Fund shall only secure the Bonds. Moneys in the Reserve Account in the Debt Service Reserve Fund shall be used to make the payments described in clauses (1) and (2) above with respect to the Bonds if moneys in the Debt Service Account in the Bond Fund are not otherwise sufficient for that purpose. The City may establish an account or accounts in the Debt Service Reserve Fund to separately secure Additional Parity Bonds (and not the Bonds) in an amount not to exceed one-half (1/2) of the maximum annual principal and interest requirements on such Additional Parity Bonds. Other accounts in the Debt Service Reserve Fund may be established with cash or a surety bond or debt service reserve insurance policy.

(b) The prior written consent of MAC shall be a condition precedent to the deposit of any credit facility (a “Credit Facility”) credited to the Reserve Account in the Debt Service Reserve Fund established for the Bonds in lieu of a cash deposit into the Reserve Account. Amounts drawn under the Policy shall be available only for the payment of scheduled principal and interest on the Bonds when due.

(c) From the Pledged Revenues and in accordance with the provisions of the Authorizing Ordinance and the Reserve Agreement, the City shall repay any draws under the Policy and pay all related reasonable expenses incurred by MAC and shall pay interest thereon from the date of payment by MAC at the Late Payment Rate. “Late Payment Rate” means the lesser of (x) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate (“Prime Rate”) (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus five percent (5%), and (ii) the then applicable highest rate of interest on the Bonds and (y) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of three hundred sixty (360) days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as MAC shall specify. If the interest provisions of this subparagraph (b) shall result in an effective rate of interest which, for any period,

exceeds the limit of the usury or any other laws applicable to the indebtedness created herein, then all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party hereto, be applied as additional interest for any later periods of time when amounts are outstanding hereunder to the extent that interest otherwise due hereunder for such periods plus such additional interest would not exceed the limit of the usury or such other laws, and any excess shall be applied upon principal immediately upon receipt of such moneys by MAC, with the same force and effect as if the City had specifically designated such extra sums to be so applied and MAC had agreed to accept such extra payment(s) as additional interest for such later periods. In no event shall any agreed-to or actual exaction as consideration for the indebtedness created herein exceed the limits imposed or provided by the law applicable to this transaction for the use or detention of money or for forbearance in seeking its collection.

(d) Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to one-twelfth (1/12) of the aggregate of Policy Costs related to such draw.

(e) Amounts in respect of Policy Costs paid to MAC shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to MAC on account of principal due, the coverage under the Policy will be increased by a like amount, subject to the terms of the Policy. The obligation to pay Policy Costs shall be secured by a valid lien on all revenues and other collateral pledged as security for the Bonds (subject only to the priority of payment provisions set forth under the Authorizing Ordinance).

Investments. (a) Moneys held for the credit of the Construction Fund shall be invested and reinvested in Permitted Investments (as hereinafter defined) or other investments permitted by State law, which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than the date or dates when such money will be required for the purposes intended.

(b) Moneys held for the credit of the Bond Fund and the Revenue Fund shall be invested and reinvested in Permitted Investments, which will mature, or which will be subject to redemption by the holder thereof at the option of the holder, not later than the date or dates on which the money shall be required for the payment of the principal of and interest on the Bonds when due.

(c) All cash and investments in the Reserve Account shall be transferred to the Bond Fund for payment of debt service on the Bonds before any drawing may be made on the Policy or any other Credit Facility credited to the Reserve Account in lieu of cash. Payment of any Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Credit Facilities (including the Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Account. Payment of Policy Costs and reimbursement of amounts with respect to other Credit Facilities shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Account. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable

alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

(d) The Trustee shall invest and reinvest any funds held by it pursuant to the direction of the City and in the Trustee's discretion in the absence of any direct instructions from the City.

(e) Obligations purchased as an investment of any fund or account shall be deemed at all times a part of such fund. Any profit or loss realized on investments of moneys in any fund shall be charged to said fund.

"Permitted Investments" include:

(1) Direct or fully guaranteed obligations of the United States of America ("Government Securities");

(2) Obligations guaranteed as a payment of principal and interest by the United States of America ("Government Guaranteed Securities");

(3) Cash (insured at all times by the FDIC or otherwise collateralized with obligations described in clauses (1) or (2) above);

(4) Time deposits or certificates of deposit of banks, including the Trustee, which are insured by the FDIC, or if in excess of insurance coverage, collateralized by Government Securities, Government Guaranteed Securities, or other securities authorized by State law to secure public funds.

Permitted Investments shall mature, or shall be subject to redemption by the holder thereof, at the option of such holder, not later than (A) the payment date for interest or principal and interest in the case of the Bond Fund and (B) five (5) years for the Debt Service Reserve Fund. The Trustee shall follow any investment instructions of the City which are not inconsistent with the foregoing provisions of this paragraph.

Certain Covenants. The City covenants that:

(a) It will not take, suffer, or permit any action which may cause the interest payable on the Bonds to be included in gross income for federal income tax purposes, including any use of proceeds of the sale of the Bonds or Pledged Revenues directly or indirectly in such manner as to cause the Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code.

(b) It will not use or permit the use of the Projects or the Bond Proceeds in such manner as to cause the Bonds to be "private activity bonds" within the meaning of Section 141 of the Code.

(c) The City covenants that it will faithfully and punctually perform all duties with reference to the Tax and the Bonds required by the Constitution and laws of the State and by the Authorizing Ordinance, including the collection of the Tax, as therein

specified and covenanted, the segregating of the Tax receipts and the applying of the Tax receipts as provided in the Authorizing Ordinance.

(d) It will make any arbitrage rebate payment due the United States under Section 148(f) of the Code from moneys in the Bond Fund.

Defaults and Remedies. (a) If there be any default in the payment of the principal of and interest on the Bonds, if the City defaults in the performance of any covenant contained in the Authorizing Ordinance, the Trustee may, and upon the written request of the Beneficial Owners of not less than ten percent (10%) in principal amount of the Bonds then outstanding shall, by proper suit compel the performance of the duties of the officials of the City and officials of the State, under the Authorizing Ordinance, to take any action or obtain any proper relief in law or equity available under the Constitution and laws of the State.

(b) No Beneficial Owner of any Bond shall have any right to institute any suit, action, mandamus, or other proceeding in equity or in law for the protection or enforcement of any right under the Authorizing Ordinance or under the Constitution and laws of the State unless such Beneficial Owner previously shall have given to the Trustee written notice of the default on account of which such suit, action, or proceeding is to be taken, and unless the Beneficial Owners of not less than ten percent (10%) in principal amount of the Bonds then outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers herein granted or granted by the Constitution and laws of the State, or to institute such action, suit, or proceeding in its name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the cost, expense, and liabilities to be incurred therein or thereby and the Trustee shall have refused or neglected to comply with such request within a reasonable time, and such notification, request, and offer of indemnity are in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trust of the Authorizing Ordinance or to any other remedy thereunder. No one or more Beneficial Owners of the Bonds shall have any right in any manner whatever by his or their action to affect, disturb, or prejudice the security of the Authorizing Ordinance, or to enforce any right thereunder except in the manner therein provided, that all proceedings at law or in equity shall be instituted, had, and maintained in the manner therein provided and for the benefit of all Beneficial Owners of the outstanding Bonds, and any individual rights of action or other right given to one or more of such Beneficial Owners by law are restricted by the Authorizing Ordinance to the rights and remedies therein detailed.

(c) All rights of action under the Authorizing Ordinance or under any of the Bonds secured thereby, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds, and any such suit, action, or proceeding instituted by the Trustee shall be brought in its name and for the benefit of all the Beneficial Owners of the Bonds, subject to the provisions of the Authorizing Ordinance.

(d) No remedy conferred upon or reserved to the Trustee or to the Beneficial Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy

given under the Authorizing Ordinance or given by any law or by the Constitution of the State.

(e) No delay or omission of the Trustee or of any Beneficial Owners of the Bonds to exercise any right or power accrued upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy given by the Authorizing Ordinance to the Trustee and to the Beneficial Owners of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

(f) The Trustee may, and upon the written request of the Beneficial Owners of not less than a majority in principal amount of the Bonds then outstanding shall, waive any default which shall have been remedied before the entry of final judgment or decree in any suit, action, or proceeding instituted under the provisions of the Authorizing Ordinance or before the completion of the enforcement of any other remedy, but no such waiver shall extend to or affect any other existing or any subsequent default or defaults or impair any rights or remedies consequent thereon.

(g) Upon a failure to pay Policy Costs when due or any other breach of the terms of Section 11 in the Authorizing Ordinance, MAC shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Authorizing Ordinance, other than (i) acceleration of the maturity of the Bonds or (ii) remedies which would adversely affect owners of the Bonds.

Defeasance. The Bonds shall be deemed paid when there has been deposited with the Trustee in the Bond Fund an amount sufficient to pay the principal or redemption price of and interest on the Bonds to the date of maturity or redemption. The Bonds shall also be deemed paid if there shall be irrevocably deposited with the Trustee moneys sufficient to make such payment and/or government securities which are direct obligations of the United States of America ("Government Securities") maturing as to principal and interest in such amounts and at such times as will provide sufficient moneys to make such payment, and all necessary and proper fees, compensation, and expenses of the Trustee with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. All moneys must be insured at all times by the Federal Deposit Insurance Corporation ("FDIC") or otherwise collateralized with Government Securities.

On the payment of any Bonds within the meaning of the Authorizing Ordinance, the Trustee shall hold in trust, for the benefit of the Beneficial Owners of such Bonds, all such moneys and/or Government Securities.

When all the Bonds shall have been paid within the meaning of the Authorizing Ordinance and if the Trustee has been paid its fees and expenses or provision has been made therefor, if any arbitrage rebate payment has been paid or provision has been made therefor and if there are no amounts due MAC, the Trustee shall take all appropriate action to cause (i) the pledge and lien of the Authorizing Ordinance to be discharged and cancelled, (ii) all moneys held by it pursuant to the Authorizing Ordinance and which are not required for the payment of such Bonds, to be paid over or delivered to or at the direction of the City.

Additional Parity Bonds. The City covenants that it will not issue any bonds, or incur any obligation, secured by a lien on or pledge of Pledged Revenues, except as hereinafter

provided. The City may issue Additional Parity Bonds so long as the City has received collections of Pledged Revenues for a twelve (12) month period that ends not less than thirty (30) and not more than ninety (90) days prior to the date that the Additional Parity Bonds are authorized by the City to be issued, in an amount equal to or in excess of one hundred thirty percent (130%) of the maximum annual debt service requirement for the Bonds, any Policy Costs then due and owing MAC, any outstanding Additional Parity Bonds, and the Additional Parity Bonds proposed to be issued.

The City may issue bonds or incur obligations secured by a lien on and pledge of Pledged Revenues subordinate to the lien and pledge in favor of the Bonds.

The Trustee. The Trustee shall be responsible for the exercise of good faith and ordinary prudence in the execution of its trusts and duties. The recitals in the Authorizing Ordinance and in the Bonds are the recitals of the City and not of the Trustee. The Trustee shall not be required to take any action unless it shall have been requested to do so in writing by the Beneficial Owners of not less than ten percent (10%) in principal amount of Bonds then outstanding and shall have been offered reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby. The Trustee may resign at any time by sixty (60) days' notice in writing to the City and the registered owners of the Bonds. The majority in principal amount of the Beneficial Owners of the outstanding Bonds or the City, so long as it is not in default under the Authorizing Ordinance, may at any time, with or without cause, remove the Trustee. In the event of a vacancy in the office of Trustee either by resignation or by removal, the City shall forthwith designate a new Trustee. The Trustee and any successor Trustee shall file a written acceptance and agreement to execute the trusts and duties imposed upon it by the Authorizing Ordinance, but only upon the terms and conditions set forth in the Authorizing Ordinance and subject to the provisions of the Authorizing Ordinance, to all of which the respective Beneficial Owners of the Bonds agree. Such written acceptance shall be filed with the City, and a copy thereof shall be placed in the bond transcript. Any successor Trustee shall have all the powers herein granted to the original Trustee.

The Trustee shall ascertain the necessity for a claim upon the Policy in accordance with the provisions of "THE AUTHORIZING ORDINANCE, Debt Service Reserve Fund (c)-(e)" thereof and to provide notice to MAC in accordance with the terms of the Policy at least five (5) business days prior to each date upon which interest or principal is due on the Bonds. Where deposits are required to be made by the City with the Trustee to the Bond Fund for the Bonds more often than semi-annually, the Trustee shall be instructed to give notice to MAC of any failure of the City to make timely payment in full of such deposits within two (2) business days of the date due.

Supplemental Ordinances. The terms of the Authorizing Ordinance constitute a contract between the City and the Beneficial Owners of the Bonds and no variation or change in the undertaking set forth in the Authorizing Ordinance shall be made while any of the Bonds are outstanding, except as hereinafter set forth. The Beneficial Owners of not less than seventy-five percent (75%) in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, to consent to and approve the adoption by the City of a supplemental ordinance as shall be necessary or desirable for the purpose of modifying, altering, amending, adding to, or rescinding, in any particular, any of the terms or provisions contained in the Authorizing Ordinance or in any supplemental ordinance. The Trustee may consent to any change without the consent of seventy-five percent (75%) of the

Beneficial Owners of the aggregate principal amount of Bonds outstanding in order to cure any ambiguity or formal defect or omission in the Authorizing Ordinance or any amendment thereto or if the Trustee determines that such change is not to the material prejudice of the Beneficial Owners of the Bonds, provided, however, that nothing therein contained shall permit or be construed as permitting (i) an extension of the maturity of the principal of or the interest on any Bond issued thereunder, or (ii) a reduction in the principal amount of any Bond or the rate of interest thereon, or (iii) the creation of a pledge of Pledged Revenues superior to the pledge created by the Authorizing Ordinance, or (iv) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (v) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental ordinance.

## CONTINUING DISCLOSURE AGREEMENT

During the past five (5) years, the City has been obligated to comply with continuing disclosure agreements involving three (3) bond issues. Such agreements require the City to file annual reports with the trustees, as the dissemination agents. The dissemination agents are required to file the annual reports with the Municipal Securities Rulemaking Board on its Electronic Municipal Market Access system (“EMMA”) within various time periods set by those agreements. While the City has not made any determination as to materiality, the following summarizes a non-exhaustive discussion of the City’s compliance with its continuing disclosure obligation over the past five (5) years.

For the 2010 Capital Improvement Bonds, the City did not file annual financial information for 2011 through 2013. On August 27, 2015, the City filed late annual financial information for 2014, which included information for fiscal years 2011 through 2013. The 2011 and 2012 audited financial statements were filed ninety-one (91) and sixty-nine (69) days late, respectively. The 2013 audited financial statements were timely filed. The 2010 Bonds were refunded in 2016.

Annual financial information and audited financial statements for the other two outstanding bond issues have been timely filed.

The continuing disclosure agreements also obligated the City to file a notice of the occurrence of any significant event listed in the Securities and Exchange Commission, Rule 15c2-12(b)(5). The City did not timely file a Notice of Failure to file operating data relating to the 2010 Capital Improvement Bonds.

The City has taken steps to ensure that all required audited financial statements, supplemental data, and significant event notices are filed in a timely manner in the future.

Set forth below is a summary of certain portions of the Continuing Disclosure Agreement. This summary does not purport to be comprehensive and reference is made to the full text of the Continuing Disclosure Agreement for a complete description of the provisions.

Purpose of the Continuing Disclosure Agreement. The Continuing Disclosure Agreement is executed and delivered by the City and the Trustee for the benefit of the Beneficial Owners of the Bonds and in order to assist the Underwriter in complying with the Securities and Exchange Commission, Rule 15c2-12(b)(5).

Definitions. In addition to the definitions set forth in this Official Statement, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any annual report provided by the City pursuant to, and as described in, the Continuing Disclosure Agreement.

“Beneficial Owner” of a Bond shall mean any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories, or other intermediaries).

“Dissemination Agent” shall mean the Trustee, acting in its capacity as Dissemination Agent, or any successor Dissemination Agent designated in writing by the City and which has filed with the Trustee a written acceptance of such designation.

“EMMA” shall mean the Electronic Municipal Market Access System as described in 1934 Act Release No. 59062 and maintained by the MSRB for purposes of the Rule.

“Listed Events” shall mean any of the events listed hereunder.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Provision of Annual Report. (a) The City shall, or cause the Dissemination Agent to, not later than June 30 of each year (or one hundred eighty (180) days after the end of the City’s fiscal year, if such fiscal year changes), commencing with the report after the end of the 2016 fiscal year, provide to the MSRB, through its continuing disclosure service portal provided through EMMA at <http://www.emma.msrb.org> or any similar system acceptable to the Securities and Exchange Commission, an Annual Report which is consistent with the requirements of the Continuing Disclosure Agreement. The Annual Report shall be in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in the Continuing Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, but, in such event, such audited financial statements shall be submitted within sixty (60) days after receipt thereof by the City. If the City’s fiscal year changes, it shall give notice of such change in the manner as for a Listed Event.

(b) No later than fifteen (15) days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the City shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the City and the Dissemination Agent to determine if the City is in compliance with the first sentence of this subsection (b).

(c) If the Trustee is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Trustee shall send a notice to the MSRB.

Content of Annual Report. The City's Annual Report shall contain or incorporate by reference the following:

(a) Pledged Revenues for the latest calendar year and the four (4) previous years, if available.

(b) The annual financial statements of the City prepared using accounting practices prescribed by Arkansas Code Annotated Section 10-4-412 as it may be amended from time to time, or any successor statute, which shall be audited by the Legislative Joint Auditing Committee, Division of the Legislative Audit of the State of Arkansas or by an independent certified public accountant.

Any or all of the items above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the City is an "obligated person" (as defined by the Rule), which have been submitted to the MSRB or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so incorporated by reference and certify that the submitted documents comply with the requirements of the Continuing Disclosure Agreement. The Trustee shall not be responsible in any manner for the content of any notice or Annual Report prepared or delivered by the City pursuant to the Continuing Disclosure Agreement and shall have no duty or obligation to review any such notice or Annual Report.

Reporting of Significant Events. (a) This caption describes the giving of notices of the occurrence of any of the following events:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security.
7. Modification to rights of security holders, if material.
8. Bond calls (excluding mandatory sinking fund redemptions), if material.
9. Defeasances and tender offers.

10. Release, substitution, or sale of property securing repayment of the securities, if material.

11. Rating changes.

12. Bankruptcy, insolvency, receivership, or similar event of the obligated person.

13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) After the occurrence of a Listed Event (excluding an event described in (a)8 above), the City shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence.

(c) After the occurrence of a Listed Event (excluding an event described in (a)8 above), whether by notice from the Trustee or otherwise, the City shall file (or shall cause the Dissemination Agent to file), in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event, a notice of such occurrence with the MSRB, through its continuing disclosure service portal provided through EMMA at <http://www.msrb.emma.org> or any other similar system that is acceptable to the Securities and Exchange Commission, with a copy to the Trustee (if the Trustee is not the Dissemination Agent). Each notice of the occurrence of a Listed Event shall be captioned "Notice of Listed Event" and shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. In the event of a Listed Event described in (a)8 above, the Trustee shall make the filing and notice thereof need not be given any earlier than the notice for the underlying event is given to registered owners of affected Bonds pursuant to the terms of the Authorizing Ordinance.

Termination of Reporting Obligation. The City's obligations under the Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption, or payment in full of all the Bonds.

Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Continuing Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or audit prepared by the City pursuant to the Continuing Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee.

Amendment; Waiver. Notwithstanding any other provision of the Continuing Disclosure Agreement, the City and the Trustee may amend the Continuing Disclosure

Agreement, and any provisions of the Continuing Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the requirements for providing an Annual Report, to the contents of the Annual Report, or the reporting of Listed Events, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Beneficial Owners of the Bonds in the same manner as provided in the Authorizing Ordinance for amendments to the Authorizing Ordinance with the consent of Beneficial Owners, or (ii) does not, in the opinion of the nationally recognized bond counsel, materially impair the interests of the Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of the Continuing Disclosure Agreement, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason of the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Additional Information. Nothing in the Continuing Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in the Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by the Continuing Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by the Continuing Disclosure Agreement, the City shall have no obligation under the Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Default. In the event of a failure of the City or the Trustee to comply with any provision of the Continuing Disclosure Agreement, the Trustee, the City, or any Beneficial Owner may (and the Trustee, at the request of the Underwriter or the Beneficial Owners of at least twenty-five percent (25%) aggregate principal amount of outstanding Bonds, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City, the Dissemination Agent, or the Trustee, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement.

A default under the Continuing Disclosure Agreement shall not be deemed a default under the Authorizing Ordinance, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the City, the Dissemination Agent, or the Trustee to comply with the Continuing Disclosure Agreement shall be an action to compel performance. The City, the Dissemination Agent, and their members, officers, and employees shall incur no liability under the Continuing Disclosure Agreement by reason of any act or failure to act thereunder.

Duties of Trustee and Dissemination Agent and Right of Indemnity. The Dissemination Agent (if other than the Trustee) and the Trustee in its capacity as Dissemination Agent shall have only such duties as are specifically set forth in the Continuing Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent and the Trustee, their officers, directors, employees, and agents, harmless against any loss, expense, and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorney’s fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent’s or the Trustee’s gross negligence or willful misconduct.

Beneficiaries. The Continuing Disclosure Agreement shall inure solely to the benefit of the City, the Commission, the Trustee, the Dissemination Agent, the Underwriter, and the Beneficial Owners and shall create no rights in any other person or entity.

### **DEBT SERVICE COVERAGE**

Set forth below is the debt service coverage information for the Bonds. In arriving at the amount of annual Pledged Revenues for this calculation, the City examined collections of the Tax for 2016. See **SECURITY FOR THE BONDS**, Tax Receipts.

The coverage set forth below is only an estimate based on actual collections of the Pledged Revenues and there can be no assurance that future receipts will equal the amount shown below. See **THE TAX**, Future Tax Receipts.

Estimated debt service coverage is as follows:	
Pledged Revenues Available for Debt Service <sup>(1)</sup>	\$914,195.00
Maximum Annual Debt Service	\$331,862.50
Debt Service Coverage	2.75

<sup>(1)</sup>Based on unaudited Pledged Revenues received in 2016.

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## DEBT SERVICE REQUIREMENTS

The following table shows amounts required to pay scheduled principal and interest on the Bonds during each year ending:

<u>Year</u>	<u>Bond Principal</u>	<u>Bond Interest</u>	<u>Total Debt Service</u>
2017 <sup>(1)</sup>	\$ 170,000.00	\$ 119,300.52	\$ 289,300.52
2018 <sup>(1)</sup>	145,000.00	183,118.76	328,118.76
2019 <sup>(1)</sup>	150,000.00	180,037.50	330,037.50
2020 <sup>(1)</sup>	155,000.00	176,850.00	331,850.00
2021 <sup>(1)</sup>	155,000.00	173,556.26	328,556.26
2022 <sup>(1) (2)</sup>	160,000.00	170,262.50	330,262.50
2023 <sup>(1)</sup>	160,000.00	166,862.50	326,862.50
2024 <sup>(1)</sup>	170,000.00	161,862.50	331,862.50
2025 <sup>(1)</sup>	175,000.00	156,550.00	331,550.00
2026 <sup>(1)</sup>	180,000.00	151,081.26	331,081.26
2027 <sup>(1) (2)</sup>	185,000.00	145,456.26	330,456.26
2028 <sup>(1)</sup>	190,000.00	139,675.00	329,675.00
2029 <sup>(1)</sup>	195,000.00	133,025.00	328,025.00
2030 <sup>(1)</sup>	205,000.00	126,200.00	331,200.00
2031 <sup>(1)</sup>	210,000.00	119,025.00	329,025.00
2032 <sup>(1) (2)</sup>	220,000.00	111,675.00	331,675.00
2033 <sup>(1)</sup>	225,000.00	103,975.00	328,975.00
2034 <sup>(1)</sup>	235,000.00	95,537.50	330,537.50
2035 <sup>(1)</sup>	240,000.00	86,725.00	326,725.00
2036 <sup>(1)</sup>	250,000.00	77,725.00	327,725.00
2037 <sup>(1) (2)</sup>	260,000.00	68,350.00	328,350.00
2038 <sup>(1)</sup>	270,000.00	58,600.00	328,600.00
2039 <sup>(1)</sup>	280,000.00	47,800.00	327,800.00
2040 <sup>(1)</sup>	295,000.00	36,600.00	331,600.00
2041 <sup>(1)</sup>	305,000.00	24,800.00	329,800.00
2042 <sup>(1) (2)</sup>	315,000.00	12,600.00	327,600.00
<b>Totals</b>	<b>\$5,500,000.00</b>	<b>\$3,027,250.56</b>	<b>\$8,527,250.56</b>

<sup>(1)</sup> Term Bond, subject to mandatory sinking fund redemption.

<sup>(2)</sup> Final Maturity of Term Bond.

[Remainder of page intentionally left blank.]

## LEGAL MATTERS

Legal Proceedings. There is no litigation pending seeking to restrain or enjoin the Tax or the issuance or delivery of the Bonds, or questioning or affecting the legality of the Tax or Bonds or the proceedings and authority under which the Bonds are to be issued, or questioning the right of the City to adopt the Authorizing Ordinance or to issue the Bonds or the levy and pledge of the Tax by the City.

Legal Opinions. Legal matters incident to the authorization and issuance of the Bonds are subject to the unqualified approving opinion of Wright, Lindsey & Jennings LLP, Little Rock, Arkansas, Bond Counsel. Certain legal matters will be passed upon for the City by Stephen Cobb, Esq., City Attorney.

Tax Exemption. In the opinion of Wright, Lindsey & Jennings LLP, Bond Counsel, under existing law the interest on the Bonds is exempt from all Arkansas state, county, and municipal taxes.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes a number of requirements that must be satisfied in order for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess earnings on the investment of bond proceeds be paid periodically to the United States of America, and a requirement that the City file an information report with the Internal Revenue Service.

The opinion of Bond Counsel will assume continuing compliance with the covenants of the City pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the City with respect to matters solely within its knowledge which Bond Counsel has not independently verified. If the City should fail to comply with the covenants or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery thereof, regardless of the date on which the event causing such taxability occurs.

The Code imposes a twenty percent (20%) alternative minimum tax on the "alternative minimum taxable income" of a corporation (other than an "S" corporation, a regulated investment company, a REIT, or a REMIC), if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. The "Superfund Revenue Act of 1986" also imposes an additional twelve percent (12%) "environmental tax" on the alternative minimum taxable income of a corporation in excess of two million dollars (\$2,000,000). Generally, for taxable years after 1989, a corporation's alternative minimum taxable income will include its "adjusted current earnings." Because interest on obligations the interest on which is excludable from gross income for federal income tax purposes, such as the Bonds, is included in a corporation's "adjusted current earnings," ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

Bond Counsel will express no opinion as to any federal, state, or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of the Bonds.

Prospective purchasers of the Bonds should be aware that (i) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, for taxable years beginning after December 31, 1986, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by fifteen percent (15%) of the sum of certain items, including interest on the Bonds; (ii) for taxable years beginning after December 31, 1986, interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code; (iii) passive investment income including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than twenty-five percent (25%) of the gross receipts of such Subchapter S corporation is passive investment income; and (iv) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income, receipts, or accruals of interest on the Bonds.

Prospective purchasers of the Bonds should be further aware that Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Bonds, except with respect to certain financial institutions (within the meaning of Section 265(b)(5) of the Code).

An exception allows a deduction of eighty percent (80%) of interest expense allocable to "qualified tax-exempt obligations." Under the Code, the term includes any obligation which (1) is not a "private activity bond" within the meaning of the Code (excluding from that term "qualified 501(c)(3) bonds"), (2) is issued by an issuer (and subordinate entities) which reasonably anticipates to issue not more than ten million dollars (\$10,000,000) of tax-exempt obligations (other than private activity bonds (excluding from that term "qualified 501(c)(3) bonds" under Section 145 of the Code) during the calendar year, and (3) is so designated by the issuer.

The City has designated the Bonds as "qualified tax-exempt obligations" and has (1) covenanted not to use the Projects in a manner which would cause the Bonds to be "private activity bonds," and (2) represented that the City and its subordinate entities have not and will not issue more than ten million dollars (\$10,000,000) of such tax-exempt obligations during calendar year 2017.

Prospective purchasers of the Bonds should also be aware that A.C.A. § 26-51-431(b) (Supp. 1995) states that Section 265(a) of the Internal Revenue Code is adopted for the purpose of computing Arkansas individual income tax liability. Subsection (c) provides that in computing Arkansas corporation income tax liability, no deduction shall be allowed for interest "on indebtedness incurred or continued to purchase or carry obligations the interest on which is wholly exempt from the taxes imposed by Arkansas law." On December 8, 1993, the Arkansas Department of Finance and Administration Revenue Division issued Revenue Policy Statement 1993-2, which provides in part:

Financial institutions may continue to deduct interest on indebtedness incurred or continued to purchase or carry obligations which generate tax-exempt income to the same extent that the interest was deductible prior to

the adoption of Section 17 of Act 785 of 1993 (A.C.A. § 26-51-431(b) and (c) (Supp. 1995)).

As shown on the cover page of this Official Statement, certain of the Bonds are being sold at an original issue discount (collectively, the “Discount Bonds”). The difference between the initial public offering prices, as set forth on the cover page, of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes, as described above.

The amount of original issue discount which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the Beneficial Owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption, or payment at maturity). Amounts received upon disposition of such Discount Bond which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days which are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to the product of (i) the yield of maturity for such Discount Bond (determined by compounding at the each of accrual period) and (ii) the amount which would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Beneficial Owners of the Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond.

Current or future legislative proposals, if enacted into law, may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent holders of the Bonds from realizing the full current benefit of the tax status of such interest. Recent legislative proposals include provisions that would limit the amount of exclusions (including tax-exempt interest) and deductions available to certain high income taxpayers. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. The introduction or enactment of any such legislative proposals may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations, or litigation, as to which Bond Counsel expresses no opinion.

It is not an event of default on the Bonds if legislation is enacted reducing or eliminating the exclusion of interest on state and local government bonds from gross income for federal or state income tax purposes.

## **RESERVE INSURER**

**Municipal Assurance Corp.** MAC is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure, and structured finance markets. Neither AGL nor any of the shareholders or affiliates of AGL, other than MAC, is obligated to pay any debts of MAC or any claims under any insurance policy issued by MAC.

MAC is wholly owned by Municipal Assurance Holdings Inc., which, in turn, is owned 61% by Assured Guaranty Municipal Corp. and 39% by Assured Guaranty Corp.

MAC’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) and “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”). Each rating of MAC should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of MAC in its sole discretion. In addition, the rating agencies may at any time change MAC’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by MAC. MAC only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by MAC on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

### Current Financial Strength Ratings.

On July 8, 2016, KBRA issued a financial guaranty surveillance report in which it affirmed the insurance financial strength rating of “AA+”, with a Stable Outlook, of MAC. MAC can give no assurance as to any further ratings action that KBRA may take.

On July 27, 2016, S&P issued a credit rating report in which it affirmed MAC’s financial strength rating of “AA” (stable outlook). MAC can give no assurance as to any further ratings action that S&P may take.

For more information regarding MAC's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

#### Capitalization of MAC.

As of September 30, 2016, MAC's policyholders' surplus and contingency reserve were approximately \$726 million and its unearned premium reserve was approximately \$363 million, in each case, determined in accordance with statutory accounting principles.

#### Incorporation of Certain Documents by Reference.

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to MAC are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- i. the Annual Report on Form 10-K for the fiscal year ended December 31, 2015 (filed by AGL with the SEC on February 26, 2016);
- ii. the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016 (filed by AGL with the SEC on May 5, 2016);
- iii. the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2016 (filed by AGL with the SEC on August 4, 2016); and
- iv. the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2016 (filed by AGL with the SEC on November 4, 2016).

All financial statements of MAC and all other information relating to MAC included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Municipal Assurance Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding MAC included herein under the caption "RESERVE INSURER; Municipal Assurance Corp." or included in a document incorporated by reference herein (collectively, the "MAC Information") shall be modified or superseded to the extent that any subsequently included MAC Information (either directly or through incorporation by reference) modifies or supersedes such previously included MAC Information. Any MAC Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

## Miscellaneous Matters.

MAC makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, MAC has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding MAC supplied by MAC and presented under the heading “RESERVE INSURER”.

### **MISCELLANEOUS**

Underwriting. Under a Bond Purchase Agreement (the “Agreement”) entered into by and between the City, as issuer, and Stephens Inc., as underwriter (the “Underwriter”), the Bonds are being purchased at a price of \$5,415,345.10 (principal amount less \$21,404.90 of original issue discount and less \$63,250.00 of Underwriter’s discount). The Agreement provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligations of the Underwriter to accept delivery of the Bonds is subject to various conditions contained in the Agreement, including the absence of pending or threatened litigation questioning the validity of the Bonds or any proceedings in connection with the issuance thereof, and the absence of material adverse changes in the financial or business condition of the City.

The Underwriter intends to offer the Bonds to the public initially at the offering prices set forth on the cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering price.

The Underwriter may also serve from time to time as underwriter or financial advisor for other bonds issued by the City, its component units, or related enterprises.

Enforceability of Remedies. Rights of the registered owners of the Bonds and the enforceability of the remedies available under the Authorizing Ordinance may depend on judicial action and may be subject to the valid exercise of the constitutional powers of the United States of America and of the sovereign police powers of the State or other governmental units having jurisdiction, and to the application of federal bankruptcy laws or other debtor relief or moratorium laws in general. Therefore, enforcement of those remedies may be delayed or limited, or the remedies may be modified or unavailable, subject to the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel expresses no opinion as to any effect upon any right, title, interest, or relationship created by or arising under the Authorizing Ordinance resulting from the application of state or federal bankruptcy, insolvency, reorganization, moratorium, or similar debtor relief laws affecting creditors’ rights which are presently or may from time to time be in effect.

Information in Official Statement. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of

the estimates will be realized. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or Beneficial Owners of any of the Bonds.

The information contained in this Official Statement has been taken from sources considered to be reliable, but is not guaranteed. To the best of the knowledge of the undersigned the Official Statement does not include any untrue statement of a material fact, nor does it omit the statement of any material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

[Signature page follows]

The execution of this Official Statement has been duly authorized by the City.

CITY OF SHERWOOD, ARKANSAS

By: \_\_\_\_\_  
Virginia Hillman Young, Mayor

CITY OF SHERWOOD, ARKANSAS  
ADVERTISING AND PROMOTIONS  
COMMISSION

By: \_\_\_\_\_  
Marina Brooks, Chair

Dated: As of the Cover Page hereof.

**EXHIBIT A**

**City of Sherwood, Arkansas**

Regulatory Basis Financial Statements  
and Other Reports

December 31, 2015

**City of Sherwood, Arkansas**

**Regulatory Basis Financial Statements  
and Other Reports**

**December 31, 2015**

LEGISLATIVE JOINT AUDITING COMMITTEE

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# Arkansas



**Sen. Jimmy Hickey, Jr.**  
Senate Chair  
**Sen. Linda Chesterfield**  
Senate Vice Chair

**Rep. Mary Broadway**  
House Chair  
**Rep. Sue Scott**  
House Vice Chair

**Roger A. Norman, JD, CPA, CFE, CFF**  
Legislative Auditor

## **LEGISLATIVE JOINT AUDITING COMMITTEE** **ARKANSAS LEGISLATIVE AUDIT**

### INDEPENDENT AUDITOR'S REPORT

City of Sherwood, Arkansas Officials and Council Members  
Legislative Joint Auditing Committee

#### **Report on the Financial Statements**

We have audited the accompanying regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of the City of Sherwood, Arkansas, as of and for the year ended December 31, 2015, and the related notes to the financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-412, as described in Note 1, to meet the requirements permitted by the State of Arkansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

#### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements permitted by the State of Arkansas.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

#### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Sherwood, Arkansas, as of December 31, 2015, or the revenues, expenditures, and changes in net position and, where applicable, cash flows thereof for the year then ended.

**Basis for Qualified Opinion on Regulatory Basis of Accounting**

The City’s financial statements do not disclose all the required information concerning investment risks. In our opinion, disclosure of this information is required by the regulatory basis of accounting described in Note 1.

**Qualified Opinion on Regulatory Basis of Accounting**

In our opinion, except for the omission of the information described in the “Basis for Qualified Opinions on Regulatory Basis of Accounting” paragraph, the financial statements referred to above present fairly, in all material respects, the regulatory basis financial position of the other funds in the aggregate of the City of Sherwood, Arkansas, as of December 31, 2015, and the regulatory basis revenues, expenditures, and changes in net position for the year then ended in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-412 described in Note 1.

**Unmodified Opinions on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis financial position of the general fund and street fund of the City of Sherwood, Arkansas, as of December 31, 2015, and the regulatory basis revenues, expenditures, and changes in net position, and the budgetary comparisons for the general fund and street fund for the year then ended in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-412 described in Note 1.

**Emphasis of Matter**

As discussed in Note 1 to the financial statements, the City would have included some funds under accounting principles generally accepted in the United States of America (GAAP) as established by the *Government Accounting Standards Board*. However, under the regulatory basis, these funds are not required to be included as part of the reporting entity.

**Other Matters**

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the accompanying regulatory basis financial statements. The accompanying supplementary information and other information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the omission of the information described above, the supplementary information is fairly stated, in all material respects, in relation to the regulatory basis financial statements as a whole on the basis of accounting described in Note 1.

The other information has not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2016, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of the state constitution, laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



Roger A. Norman, JD, CPA, CFE  
Legislative Auditor

Little Rock, Arkansas  
October 19, 2016  
LOM108215

# Arkansas

**Sen. Jimmy Hickey, Jr.**  
Senate Chair  
**Sen. Linda Chesterfield**  
Senate Vice Chair



**Rep. Mary Broadway**  
House Chair  
**Rep. Sue Scott**  
House Vice Chair

**Roger A. Norman, JD, CPA, CFE, CFF**  
Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

### INDEPENDENT AUDITOR'S REPORT

City of Sherwood, Arkansas Officials and Council Members  
Legislative Joint Auditing Committee

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 accompanying regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of the City of Sherwood, Arkansas, as of and for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated October 19, 2016. We issued an adverse opinion because the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, with respect to the regulatory basis of accounting described in Note 1, our opinion on the other funds in the aggregate was qualified because required disclosures were not made concerning investment risks, and our opinions on the general fund and street fund were unmodified.

#### Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency to be a material weakness:

2015-1 To ensure the proper safeguarding of assets, financial accounting duties relating to initiating, receipting, depositing, disbursing, and recording transactions should be distributed among appropriate employees. The City officials, as specified in the Other Issues section of this report, again did not segregate these duties to sufficiently reduce the risks of fraud or error and properly safeguard the City's assets, because of limited financial resources. We recommend that the financial accounting duties in each office be segregated among employees to the extent possible.

The City officials, as specified in the Other Issues section of this report, responded and indicated that their offices will segregate the duties relating to initiating, receipting, depositing, disbursing, and recording transactions to the extent possible with the current staffing levels.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of the state constitution, 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*.

### Entity's Response to Finding

The City's response to the finding identified in our audit is described above. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Other Issues

The following issues are not significant deficiencies, material weaknesses, or material instances of noncompliance, but are issues that are presented to assist in the efficient operation of the City.

The commentary contained in this section relates to the following officials that held office during 2015:

Mayor: Virginia Young  
Clerk/Treasurer: Angela Nicholson  
District Court Clerk: Barbara Collier  
Police Chief: James Bedwell

We reviewed the City's compliance with certain Arkansas laws concerning general and district court accounting, budgeting, purchasing, and investing and depositing of public funds.

Our audit procedures indicated that the offices of **Mayor**, **Clerk/Treasurer**, and **Police Chief** were in substantial compliance with Arkansas fiscal and financial laws. Noncompliance with state law and accepted accounting practices was noted in the office of **District Court Clerk**.

### **District Court Clerk**

The District Court Clerk was unable to identify \$154,099 remaining in the bank account with receipts issued for cases not yet adjudicated and payments made on all unpaid individual time accounts, as required by Ark. Code Ann. § 16-10-209. A similar finding was issued in the prior year report.

### 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT



Marti Steel, CPA  
Deputy Legislative Auditor

Little Rock, Arkansas  
October 19, 2016

CITY OF SHERWOOD, ARKANSAS  
BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2015

Exhibit A

	General	Street	Other Funds in the Aggregate
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,537,954	\$ 1,503,539	\$ 9,131,453
Investments			4,606,429
Accounts receivable	1,420,562		555,544
Interfund receivables			5,491
<b>TOTAL ASSETS</b>	<b>\$ 5,958,516</b>	<b>\$ 1,503,539</b>	<b>\$ 14,298,917</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 571,167	\$ 18,533	\$ 41,407
Interfund payables	5,491		
Settlements pending			724,656
<b>Total Liabilities</b>	<b>576,658</b>	<b>18,533</b>	<b>766,063</b>
Fund Balances:			
Restricted	102,010	1,485,006	13,532,854
Assigned	301,714		
Unassigned	4,978,134		
<b>Total Fund Balances</b>	<b>5,381,858</b>	<b>1,485,006</b>	<b>13,532,854</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,958,516</b>	<b>\$ 1,503,539</b>	<b>\$ 14,298,917</b>

The accompanying notes are an integral part of these financial statements.

CITY OF SHERWOOD, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2015

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 494,846	\$ 1,982,213	\$ 10,893
Federal aid	121,213		293,649
Property taxes		640,948	535,309
Franchise fees	436,443		2,036,592
Sales taxes	11,226,460		
Fines, forfeitures, and costs	2,130,570		162,597
Interest	21,697	7,575	195,609
Local permits and fees	566,958		
Sanitation fees	2,008,061		
Advertising and promotion taxes			892,727
911 fees	163,808		
Parks and recreation fees	485,984		
Country club fees and rentals	464,544		
Childcare	195,265		
Employer pension contribution			88,691
Donations	51,683		
Gain on sale of investments			63,639
Other	159,408	5,971	82,029
<b>TOTAL REVENUES</b>	<b>18,526,940</b>	<b>2,636,707</b>	<b>4,361,735</b>
EXPENDITURES			
Current:			
General government	4,180,108		458,062
Law enforcement	8,181,815		224,958
Highways and streets	441,312	2,620,206	10,033
Public safety	1,137,378		
Sanitation	2,153,544		15,040
Recreation and culture	3,097,415		784,053
Social services	295,644		271,177
Total Current	19,487,216	2,620,206	1,763,323
Debt Service:			
Lease principal	308,419		145,000
Lease interest	1,389		293,078
<b>TOTAL EXPENDITURES</b>	<b>19,797,024</b>	<b>2,620,206</b>	<b>2,201,401</b>

CITY OF SHERWOOD, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2015

Exhibit B

	General	Street	Other Funds in the Aggregate
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (1,270,084)	\$ 16,501	\$ 2,160,334
OTHER FINANCING SOURCES (USES)			
Transfers in	1,552,111		535,410
Transfers out			(2,087,521)
Bond proceeds			6,000,000
Bond issuance costs			(110,128)
TOTAL OTHER FINANCING SOURCES (USES)	1,552,111		4,337,761
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	282,027	16,501	6,498,095
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	5,091,127	1,468,505	7,034,759
Restatement adjustment (Note 12)	8,704		
FUND BALANCES - JANUARY 1, AS RESTATED	5,099,831	1,468,505	7,034,759
FUND BALANCES - DECEMBER 31	\$ 5,381,858	\$ 1,485,006	\$ 13,532,854

The accompanying notes are an integral part of these financial statements.

CITY OF SHERWOOD, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2015

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 493,400	\$ 494,846	\$ 1,446	\$ 1,940,000	\$ 1,982,213	\$ 42,213
Federal aid		121,213	121,213			
Property taxes				600,000	640,948	40,948
Franchise fees	470,000	436,443	(33,557)			
Sales taxes	11,785,200	11,226,460	(558,740)			
Fines, forfeitures, and costs	2,312,500	2,130,570	(181,930)			
Interest	16,000	21,697	5,697	8,000	7,575	(425)
Local permits and fees	582,000	566,958	(15,042)			
Sanitation fees	1,975,250	2,008,061	32,811			
911 fees	141,000	163,808	22,808			
Parks and recreation fees	565,000	485,984	(79,016)			
Country club fees and rentals	501,000	464,544	(36,456)			
Childcare	235,000	195,265	(39,735)			
Donations		51,683	51,683			
Other	119,600	159,408	39,808	15,500	5,971	(9,529)
<b>TOTAL REVENUES</b>	<b>19,195,950</b>	<b>18,526,940</b>	<b>(669,010)</b>	<b>2,563,500</b>	<b>2,636,707</b>	<b>73,207</b>
EXPENDITURES						
Current:						
General government	4,584,180	4,180,108	404,072			
Law enforcement	8,785,034	8,181,815	603,219			
Highways and streets	527,258	441,312	85,946	2,967,684	2,620,206	347,478
Public safety	1,137,378	1,137,378				
Sanitation	2,225,882	2,153,544	72,338			
Recreation and culture	3,719,633	3,097,415	622,218			
Social services	289,729	295,644	(5,915)			
Total Current	21,269,094	19,487,216	1,781,878	2,967,684	2,620,206	347,478
Debt Service:						
Lease principal		308,419	(308,419)			
Lease interest		1,389	(1,389)			
<b>TOTAL EXPENDITURES</b>	<b>21,269,094</b>	<b>19,797,024</b>	<b>1,472,070</b>	<b>2,967,684</b>	<b>2,620,206</b>	<b>347,478</b>

CITY OF SHERWOOD, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2015

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (2,073,144)	\$ (1,270,084)	\$ 803,060	\$ (404,184)	\$ 16,501	\$ 420,685
OTHER FINANCING SOURCES (USES)						
Transfers in	2,073,144	1,552,111	(521,033)			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES		282,027	282,027	(404,184)	16,501	420,685
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	800,469	5,091,127	4,290,658		1,468,505	1,468,505
Restatement adjustment (Note 12)		8,704	8,704			
FUND BALANCES - JANUARY 1, AS RESTATED	800,469	5,099,831	4,299,362		1,468,505	1,468,505
FUND BALANCES - DECEMBER 31	<u>\$ 800,469</u>	<u>\$ 5,381,858</u>	<u>\$ 4,581,389</u>	<u>\$ (404,184)</u>	<u>\$ 1,485,006</u>	<u>\$ 1,889,190</u>

The accompanying notes are an integral part of these financial statements.

CITY OF SHERWOOD, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**NOTE 1: Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

The City of Sherwood was incorporated under the laws of the State of Arkansas and operates under an elected Mayor-Council form of government. The reporting entity includes all funds of the City. Under accounting principles generally accepted in the United States of America (GAAP) as established by the *Government Accounting Standards Board*, the following fund of the City would have been included in the reporting entity: Wastewater Fund. However, under Arkansas's regulatory basis described below, inclusion of this fund is not required and this fund is not included in this report.

**B. Basis of Presentation – Regulatory**

The financial statements are presented in accordance with the regulatory basis of presentation as prescribed or permitted by Ark. Code Ann. § 10-4-412. The law requires that the financial statements be presented on a fund basis with, as a minimum, the general fund and street fund presented separately with all other funds included in the financial statements presented in the aggregate. This law also stipulates that the financial statements consist of a balance sheet; a statement of revenues, expenditures, and changes in fund balances; a comparison of the final adopted budget to the actual expenditures for the general and street funds; notes to financial statements; and a supplemental schedule of capital assets.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with related liabilities and residual balances, and changes therein, which are segregated for purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds are recognized in the accompanying regulatory basis financial statements.

**General Fund** - The General Fund is used to account for and report all financial resources not accounted for and reported in another fund. The General Fund heading as it appears in the financial statements includes the following accounts: General, General Fund Automated Clearing House (ACH), Criminal Investigation, General Fund Reserve, Departmental Donations, Administrative Merchant, and 457 (b) Employer Contribution.

**Street Fund** - The Street Fund (Special Revenue Fund) is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Street Fund accounts for and reports the proceeds of state highway turnback and property taxes that are restricted or committed for maintaining and constructing highways and streets.

**Other Funds in the Aggregate** - Other Funds in the Aggregate consist of all funds included in the financial statements except for the General and Street Funds. The following types of funds are included in this column as follows:

**Special Revenue Funds** - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The following Special Revenue Funds are reported with other funds in the aggregate: Advertising and Promotion, Drug Control, General Improvement, District Court Automation, Franchise Fee, Federal Drug Control, Sylvan Hills Elementary Childcare Grant, DWI Court Grant, Justice Assistance Grant, Library Tax, and ABC Financial Grant.

**Capital Projects Funds** - Capital Projects Fund are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets. The following Capital Projects Fund is reported with other funds in the aggregate: Library Construction Bonds, Series 2015 Project.

**Debt Service Funds** - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The following Debt Service Fund is reported with other funds in the aggregate: Library Construction Bonds, Series 2015 Debt Service.

CITY OF SHERWOOD, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**B. Basis of Presentation – Regulatory (Continued)**

**Other Funds in the Aggregate (Continued)**

Pension Trust Funds – Pension Trust Funds are used to report resources that are required to be held in trust for the members and beneficiaries of pension plans. The following Pension Trust Fund is reported with other funds in the aggregate: Municipal Employees Retirement.

Agency Funds - Agency Funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). The following Agency Funds are reported with other funds in the aggregate: Administration of Justice, Police Bond and Fine, District Court, and Small Claims.

**C. Basis of Accounting - Regulatory**

The financial statements are prepared on the regulatory basis of accounting as prescribed or permitted by Ark. Code Ann. § 10-4-412. This regulatory basis differs from accounting principles generally accepted in the United States of America. Revenues generally are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period. However, most state aid received from the State Treasury is by state law revenue of the year in which it was received by the government. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. As a result of the use of this regulatory basis of accounting, capital assets and long-term debt are not recorded in these financial statements.

**D. Assets, Liabilities, and Fund Balances**

Cash and Cash Equivalents

For the purpose of financial reporting, “cash and cash equivalents” includes all demand and savings accounts, and short-term investments with an original maturity of three months or less.

Investments

Investments are reported at cost.

Settlements Pending

Settlements pending are considered fines, forfeitures, costs, prosecuting attorney’s fees, and hot check collections that have not been transferred to the appropriate entities.

Fund Balance Classifications

1. Restricted fund balance - amounts that are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
2. Assigned fund balance - amounts that are constrained by the City Council’s intent to be used for specific purposes, but are neither restricted nor committed.
3. Unassigned fund balance – amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund. This classification may also include negative amounts in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

CITY OF SHERWOOD, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**E. Property Taxes**

A lien attaches to the real property in January and on personal property in June of each year. Property taxes are collectible beginning the first business day of March of the subsequent year, but are not considered delinquent until after October 15. Property taxes reflected as revenues on the financial statements include the property tax relief distribution made by the State of Arkansas. The purpose of this distribution is to reimburse the municipality for property tax credits in accordance with Arkansas Code.

**F. Budget Law**

State law requires that these procedures be followed in establishing the budgetary data:

- a. Prior to December 1, the Mayor submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. The proposed budget is discussed at a City Council meeting prior to adoption.
- c. Prior to February 1, the budget is legally enacted by ordinance or resolution of the City Council.
- d. Appropriations lapse at the end of each year.
- e. Under certain conditions, the budget may be amended subsequent to the year-end.

The budgeted revenues and expenditures represent the formal operating budget adopted by the City Council, as amended by the Council during the year.

Basis of Accounting

The City prepared an annual budget on the regulatory basis for the General Fund, Street Fund, and the other operating funds.

**G. Fund Balance Classification Policies and Procedures**

The Municipality's highest level of decision-making authority is its City Council. The establishment of amounts classified as committed fund balances and any subsequent modifications to such balances are the result of formal action taken by the City Council through passage of an ordinance. The City Council is authorized to assign amounts to a specific purpose, although a formal policy has not been established.

The Municipality does not have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available. For classification of fund balance amounts, restricted resources are considered spent before unrestricted. The Municipality does not have a policy addressing which resources to use within the unrestricted fund balance when committed, assigned, or unassigned fund balances are available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts.

There were no committed fund balances at year-end.

CITY OF SHERWOOD, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**NOTE 2: Cash Deposits with Financial Institutions**

Cash deposits are carried at cost (carrying value). A comparison of the bank balance and carrying value is as follows:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 974,783	\$ 974,783
Collateralized:		
Collateral held by the City's agent, pledging bank, or pledging bank's trust department or agent in the City's name	7,763,149	8,308,853
U.S. government guaranteed accounts	6,430,367	6,430,321
<b>Total Deposits</b>	<b>\$ 15,168,299</b>	<b>\$ 15,713,957</b>

The above total deposits do not include cash on hand of \$4,647.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2015, none of the City's bank balances were exposed to custodial credit risk.

**NOTE 3: Legal or Contractual Provisions for Deposits and Investments**

State law generally requires that municipal funds be deposited in federally insured banks located in the State of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and time deposits. Public funds may be invested in eligible investment securities having a maturity of not longer than 5 years from the date of acquisition unless, as documented at the time of acquisition, the investment is to fund or support a specific purpose and there are no expectations that the investment will be sold before maturity; an Arkansas bank certificate of deposit; an account established by a local government joint investment trust; or an Arkansas financial institution repurchase agreement for eligible investment securities in which the seller agrees to repurchase the investment at a price including interest earned during the holding period as determined by the repurchase agreement.

**Pension Trust Funds**

State law generally requires that pension funds be deposited in banks. Pension funds may be invested in interest-bearing bonds of the United States, of the State of Arkansas, or of the city in which the board is located, in a local government joint investment trust, in the Arkansas Local Police and Fire Retirement System, or in savings and loan associations duly established and authorized to do business in this state. State law also provides that if the total assets of the pension trust fund exceed \$100,000, the board may employ an investment advisor to invest the assets, subject to terms, conditions, limitations, and restrictions imposed by law upon the Arkansas Local Police and Fire Retirement System.

**NOTE 4: Public Fund Investments**

A summary of investments by fund types is as follows:

Fund Type	December 31, 2015	
	Reported Amount	Fair Value
Pension Trust - Municipal Employees Retirement	\$ 4,606,429	\$ 5,309,215

CITY OF SHERWOOD, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**NOTE 4: Public Fund Investments (Continued)**

These investments are composed of the following:

Investment Type	December 31, 2015	
	Reported Amount	Fair Value
US government agency obligation	\$ 400,000	\$ 392,982
Foreign bonds	23,813	18,921
Municipal bonds	333,500	340,921
Corporate bonds	1,687,634	1,613,389
Mutual funds	137,747	139,455
Common stock	2,023,735	2,803,547
<b>Totals</b>	<b>\$ 4,606,429</b>	<b>\$ 5,309,215</b>

Investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk have not been provided as required by Governmental Accounting Standards Board Statement no. 40

**NOTE 5: Accounts Receivable**

The accounts receivable balance at December 31, 2015, is composed of the following:

Description	General Fund	Other Funds in the Aggregate
Franchise fees	\$ 99,178	\$ 459,735
Sales taxes	901,340	
Fines, forfeitures, and costs	188,712	11,386
Interest	3,359	
Local permits and fees	6,155	
Sanitation fees	169,177	
Advertising and promotion taxes		84,423
911 fees	41,055	
Parks and recreation fees	948	
Country club fees and rentals	869	
Childcare	3,230	
Donations	300	
Other	6,239	
<b>Totals</b>	<b>\$ 1,420,562</b>	<b>\$ 555,544</b>

**NOTE 6: Accounts Payable**

The accounts payable balance at December 31, 2015, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor payables	\$ 323,373	\$ 3,327	\$ 41,407
Salaries payable	110,369	4,555	
Payroll taxes payable	137,425	10,651	
<b>Totals</b>	<b>\$ 571,167</b>	<b>\$ 18,533</b>	<b>\$ 41,407</b>

CITY OF SHERWOOD, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**NOTE 7: Interfund Balances**

Individual fund interfund receivable and payable balances are as follows:

Fund	December 31, 2015	
	Interfund Receivables	Interfund Payables
General		\$ 5,491
Other Funds in the Aggregate:		
Special Revenue:		
District Court Automation	\$ 5,491	
<b>Totals</b>	<b>\$ 5,491</b>	<b>\$ 5,491</b>

Interfund receivables and payables consist of errors in depositing restricted revenues. These balances were repaid in January 2015.

**NOTE 8: Legal Debt Limit**

A. Property Tax Secured Bonded Debt

The City is subject to a constitutional limitation for bonded indebtedness equal to 20% of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2015, the legal debt limit for the bonded debt was \$93,297,973. The general obligation debt, net of amounts available in the debt service fund for bond retirement was \$5,464,590, leaving a legal debt margin of \$87,833,383.

B. Short-term Financing Obligations

The City is subject to a constitutional limitation for short-term financing obligations equal to 5% of the assessed value of taxable property within the City as determined by the last tax assessment. At December 31, 2015, the legal debt limit for short-term financing obligations was \$23,324,493. The amount of short-term financing obligations was \$594,939, leaving a legal debt margin of \$22,729,554.

**NOTE 9: Details of Fund Balance Classifications**

Fund balance classifications at December 31, 2015, are composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
<b>Fund Balances</b>			
<b>Restricted for:</b>			
Law enforcement	\$ 74,413	\$ 1,485,006	\$ 660,547
Recreation and culture	19,597		1,662,441
Social services	8,000		
Pension benefits			4,784,584
Debt service			535,410
Capital outlay			5,889,872
<b>Total Restricted</b>	<b>102,010</b>	<b>1,485,006</b>	<b>13,532,854</b>
<b>Assigned to:</b>			
Pension benefits	301,714		
<b>Unassigned</b>			
	<b>4,978,134</b>		
<b>Totals</b>	<b>\$ 5,381,858</b>	<b>\$ 1,485,006</b>	<b>\$ 13,532,854</b>

CITY OF SHERWOOD, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**NOTE 10: Commitments**

Total commitments consist of the following at December 31, 2015:

	December 31, 2015
Long-term liabilities	\$ 14,172,047
Noncancellable lease	385,814
Construction contract	81,021
<b>Total Commitments</b>	<b>\$ 14,638,882</b>

Long-term liabilities

Long-term liabilities at December 31, 2015 are comprised of the following:

	December 31, 2015
Lease-purchase agreement w ith Sherw ood Public Facilities Board, dated March 24, 2010, in the amount of \$7,000,000 for the purchase of the North Hills Country Club. Annual installments of \$95,000 to \$415,000 due March 1 beginning in 2001 through March 2040; interest at 2.0% to 5.0% due March 1 and September 1 beginning September 2010. Payments are to be made from the Franchise Fee Fund.	\$ 6,214,167
Lease-purchase agreement w ith PNC Equipment, dated September 6, 2013, in the amount of \$45,230, for the purchase of golf course law n equipment. 36 monthly payments of \$1,354 at 5.25% interest, beginning October 28, 2013. Payments are to be made from the General Fund.	11,930
Lease-purchase agreement w ith Motorola Solutions, Inc. dated July 24, 2012, in the amount of \$1,449,129, for the purchase of radio communication equipment. Five annual payments of \$289,826 at 0.00% interest, beginning August 2, 2013. Payments are to be made from the General Fund.	579,652
Lease-purchase agreement w ith PNC Equipment, dated January 16, 2014, in the amount of \$7,138, for the purchase of golf course maintenance equipment. 36 monthly payments of \$220 at 7.00% interest, beginning May 22, 2014. Payments are to be made from the General Fund.	3,357
2015 Library Construction Bonds; annual installments of \$325,000 to \$1,055,000 due March 1 beginning in 2016 through March 2036; interest rate from 1.80% to 3.125%. Payments are to be made from the Library Construction Bonds, Series 2015 Debt Service Fund.	6,000,000
Compensated absences	1,362,941
<b>Total Long-term liabilities</b>	<b>\$ 14,172,047</b>

Due to the City's regulatory basis of accounting, these liabilities are not recorded in the financial statements.

Post Employment Benefits Other Than Pensions

The amount of any actuarially determined accrued liability for post employment benefits other than pensions was not determined.

CITY OF SHERWOOD, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**NOTE 10: Commitments (Continued)**

Debt Service Requirements to Maturity

The City is obligated for the following amounts at December 31, 2015:

<u>Years Ending December 31,</u>	<u>Bonds</u>	<u>Leases</u>	<u>Total</u>
2016	\$ 752,822	\$ 740,442	\$ 1,493,264
2017	357,075	726,719	1,083,794
2018	357,625	435,693	793,318
2019	358,075	434,881	792,956
2020	358,425	433,640	792,065
2021 through 2025	1,772,825	2,173,410	3,946,235
2026 through 2030	1,766,294	2,159,310	3,925,604
2031 through 2035	1,591,437	2,154,140	3,745,577
2036 through 2040	226,969	1,950,789	2,177,758
Total Obligations	7,541,547	11,209,024	18,750,571
Less Interest	1,541,547	4,399,918	5,941,465
Total Principal	<u>\$ 6,000,000</u>	<u>\$ 6,809,106</u>	<u>\$ 12,809,106</u>

Noncancellable Lease

The City entered into noncancellable lease agreements for office equipment and golf course equipment. Terms of the lease are monthly rental payments of \$156, \$185, \$130, \$74, \$74, \$225, \$58, \$101, and \$4,257 for 60 months; \$192 for 63 months; \$424, and \$3,479 for 48 months; \$216, \$55, \$55, \$55, \$3,471, and \$3,675 for 36 months. At the end of the lease term the City has the option to purchase the equipment at fair market value. The City is obligated for the following amounts for the next five years:

<u>Year</u>	<u>December 31, 2015</u>
2016	\$ 152,960
2017	140,977
2018	67,521
2019	24,356
Total	<u>\$ 385,814</u>

Rental expense for 2015 was \$134,892.

Construction Contracts

The City was contractually obligated for the following construction contract at December 31, 2015:

<u>Project Name</u>	<u>Completion Date</u>	<u>Contract Balance December 31, 2015</u>
The Greens at North Hills Maintenance Building	August 2016	<u>\$ 81,021</u>

CITY OF SHERWOOD, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**NOTE 11: Interfund Transfers**

The Other Funds in the Aggregate (Franchise Fee) transferred \$1,552,111 to the General Fund for excess franchise fees above lease payments due the Sherwood Public Facilities Board. Within Other Funds in the Aggregate, \$535,410 was transferred from the Library Tax Fund to the Library Construction Bonds, Series 2015 Debt Service Fund for debt service in accordance with the issuance of Library Construction Bonds.

**NOTE 12: Prior Year Restatement**

The beginning fund balance for the General Fund was increased \$8,704 to correct prior year's errors.

**NOTE 13: Subsequent Events**

On May 3, 2016, the City issued \$6,105,000 of Capital Improvement Revenue Refunding Bonds, Series 2016 with interest rates ranging from 2.0 to 3.625 percent. The bond proceeds will be used to refund the Sherwood Public Facilities Board Capital Improvement Revenue Refunding and Improvement Bonds, Series 2010, provide a debt service reserve and pay necessary expenses of issuing the bonds and accomplishing the refunding.

**NOTE 14: Pledged Revenues**

Franchise Fees:

The City pledged future franchise fees collected from public utilities for the privilege of using the streets, highways, and other public places in the City to repay a \$7,000,000 lease-purchase agreement with the Sherwood Public Facilities Board executed March 24, 2010. Total principal and interest remaining on the bonds are \$6,214,167 and \$4,399,487, respectively, payable through September 1, 2040. For 2015, principal and interest paid were \$145,000 and \$293,078, respectively.

The Franchise Fee Fund received \$2,036,592 of the pledged revenues and transferred \$1,552,111 in excess franchise fees to the General Fund in 2015. Pledged revenues received in excess of debt service requirements for the lease-purchase agreement may be used for other City expenditures.

Real and Personal Property Taxes:

The City pledged one and three tenths mil (.0013) annual ad valorem tax levied upon all taxable real and personal property located within the City to repay a \$6,000,000 in bonds that were issued in 2015 to finance the cost of acquiring, constructing, and equipping a new public library. Total principal and interest remaining on the bonds are \$6,000,000 and \$1,541,547, respectively.

The City received \$535,309 in property taxes in 2015. Any taxes collected in excess of debt service payments on these bonds must be used to retire the bonds.

**NOTE 15: Joint Venture: Central Arkansas Regional Library**

The cities of Little Rock, Jacksonville, Maumelle, and Sherwood and Pulaski and Perry Counties entered into an agreement on January 28, 1998 in accordance with Ark. Code Ann. § 25-20-101. The purpose of this agreement is for the constructing, operating, and maintaining a public library system for the central Arkansas area which will offer library services to the public within the communities of each of the participating entities. Funding for this agreement will be derived from the tax millage assessed by the participating entities, state formula distribution, fines, endowment earnings, and gifts. The Board of Directors shall consist of seven directors for the City of Little Rock; one each for the Cities of Jacksonville, Maumelle, and Sherwood; two directors from Pulaski County and one director representing Perry County. The City provided a building and paid \$1,115 for operating expenses and \$3,655 for salaries in 2015. Separate financial statements for the Central Arkansas Regional Library are available at 100 Rock Street, Little Rock, Arkansas.

CITY OF SHERWOOD, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**NOTE 16: Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and participation in a public entity risk pool. Settlements paid by the City in excess of Arkansas Municipal Leagues' coverage totaled \$19,000 and \$25,000 in 2014 and 2015, respectively. There were no significant reductions in insurance coverage in the major categories of risk from coverage in the prior year.

The City participates in the Arkansas Municipal League Program (public entity risk pools) for coverage in the following areas:

Workers' Compensation - This program provides statutory benefits for losses incurred by municipal officials, employees, and volunteer fire fighters while performing work for the municipality. Rates for municipalities participating in this program are revised by class code on an annual basis by the Arkansas Workers' Compensation Commission.

Municipal Vehicle Program

- A. Liability - This program may pay all sums the municipality legally must pay as damages because of bodily injury, death or property damage to which this agreement applies involving a covered municipal vehicle and for which the municipality is liable. The limit of payment by the program is as follows: \$25,000 because of bodily injury to or death of one person in any one accident; \$50,000 because of bodily injury to or death of two or more persons in any one accident; and \$25,000 because of injury to or destruction of property of others in any one accident. The City shall pay into the program each year a charge established annually by the program administrator for covered municipal vehicles and self-propelled mobile equipment owned or leased by the City.
- B. Physical Damage - This program covers motor vehicles and permanently attached equipment which are the property of the participating municipality. Property is valued at the full cost to repair or replace the property after deduction for depreciation. Loss amounts payable will be reduced by the deductible amount of \$1,000 per occurrence. The City agrees to pay into the program each year a service charge established annually by the program administrator for covered property.

Municipal Property Program - This program covers insurable property and equipment, exclusive of motor vehicles and water vessels, which belong to or are in the care, custody, or control of a participating municipality. Property is valued at the full cost to repair or replace the property after deduction of depreciation or as agreed to by the participating municipality and program. Loss amounts payable will be reduced by the deductible amount of \$5,000, or in the case of flood or earthquake, \$100,000. The municipality agrees to pay into the program each year a service charge established annually by the program administrator for property for which the municipality desires coverage.

Municipal Legal Defense Program - The program shall, at the sole discretion of the program administrators, provide extraordinary legal defense and extraordinary expenses in suits against municipal officials and employees and civil rights suits against the municipal government of a participating municipality and pay extraordinary judgments (for actual damages – not punitive damages) imposed on municipal officials and employees and the municipal government. The program shall never be liable to reimburse the municipal government, municipal officials, and employees because of judgment in any one lawsuit for more than 25% of the program's available funds at time the lawsuit was filed or the judgment becomes final, or \$1 million, whichever is less. The City agrees to pay into the program each year a charge established by the steering committee. Each city also agrees to pay the first \$3,000 of the aggregate cost for all expenses on each lawsuit. This cost deposit is not refundable.

The City also participates in the Self-Insured Fidelity Bond Program administered by the Governmental Bonding Board. This program covers actual losses sustained by the participating entity through any fraudulent or dishonest act or acts committed by any of the officials or employees, acting alone or in collusion with others, during the bond period to an amount not exceeding the lesser of \$250,000 or the amount of the bond. Premiums for coverage are determined by the State Risk Manager and approved by the Board. These premiums are paid by the State Treasurer from funds withheld from the Municipal Aid Fund. There is a \$2,500 deductible per occurrence.

CITY OF SHERWOOD, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**NOTE 17: Local Police and Fire Retirement System (LOPFI)  
(A Defined Benefit Pension Plan)**

Plan Description

The City contributes to the Local Police and Fire Retirement System (LOPFI), an agent multiple employer retirement system that acts as a common investment and administrative agent for cities and towns in Arkansas. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Local Police and Fire Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for LOPFI. That report may be obtained by writing to Arkansas Local Police and Fire Retirement System, 620 W. 3<sup>rd</sup>, Suite 200, Little Rock, Arkansas 72201, by calling 1-866-859-1745, or on their website [www.lopfi-prb.com](http://www.lopfi-prb.com).

Funding Policy

The employee contribution rate depends on the type of service being rendered and whether or not the service is also covered by Social Security. The different employee contribution rates required by state law are:

- A. Paid service not covered by Social Security: 8.5% of gross pay
- B. Paid service also covered by Social Security: 2.5% of gross pay
- C. Volunteer fire service: no employee contribution

The City is required to contribute at an actuarially determined rate. The contribution requirements of plan members are established and may be amended by State law. The contribution requirements of the City are established and may be amended by the LOPFI Board of Trustees. The plan is also funded with state insurance tax. The City's contribution to the plan was \$509,607 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$270,254 for the year ended December 31, 2015.

Net Pension Liability

The City's proportionate share of the collective net pension liability at December 31, 2014 (actuarial valuation date and measurement date) was \$5,214,353.

**NOTE 18: Arkansas Public Employees Retirement System**

Plan Description

The City contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan that covers municipal employees whose municipalities have elected coverage under this System. The City of Sherwood has elected coverage only for the District Judge and Clerk through APERS. APERS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, 124 W. Capitol, Suite 400, Little Rock, Arkansas 72201, by calling 1-800-682-7377, or on their website [www.apers.org](http://www.apers.org).

Funding Policy

APERS has contributory and non-contributory plans. Contributory members are required by State law to contribute 5% of their salary. Each participating employer is required by State law to contribute at a rate established by the Board of Trustees of the system, based on the annual actuarial valuation. The City's contribution to the plan was \$9,447 for the year ended December 31, 2015.

Net Pension Liability

The City's proportionate share of the collective net pension liability at June 30, 2015 (actuarial valuation date and measurement date) was \$224,051.

CITY OF SHERWOOD, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**NOTE 19: Municipal Employees Retirement Plan**

Plan Description

The Municipal Employees Retirement Plan is a single-employer defined benefit plan which covers the City of Sherwood's employees except those covered by the LOPFI, elected officials, and the Court Clerk. The plan, administered by the City, provided retirement, disability, and survivor benefits. Benefits and contributions are established by the Municipal Employees Retirement Board. The plan does not issue a stand-alone financial report but is included in the City's financial report.

Funding Policy

Employees are not required to contribute to the plan. Employer contributions are determined by the retirement board upon the advice of an actuary employed by the Board. Employer contributions were \$88,692 in 2015. The City Council approved Sherwood Ordinance no. 1882 (November 22, 2010) to freeze further benefit accruals after the effective date (December 31, 2010). Employees hired after the effective date will not be eligible to participate in the plan. Any employees with accrued benefits as of the effective date shall be fully vested in such benefits.

**NOTE 20: City of Sherwood 457(b) Retirement Plan  
(A Defined Benefit Plan)**

The City Council approved Sherwood Ordinance no. 1875 (September 21, 2010) authorizing the creation of the City of Sherwood 457(b) Retirement Plan to be effective January 1, 2011.

Plan Description

The current plan consists of the employer's discretionary matching and the employee's contribution to the 457(b) plan. There are two classes of eligible employees: (a) full and part-time employees that are eligible for benefits offered by the City; (b) elected officials; employees covered by Arkansas Local Police and Fire Retirement (LOPFI), Arkansas Public Employees Retirement (APERS), Arkansas District Judge Retirement System (ADJRS), or Arkansas Judicial Retirement System. Employees are 100% vested in the City's discretionary matching contributions. Within 90 days of severance from employment, attainment of retirement age, or death, participants may take their benefits in a lump sum or rollover.

Funding Policy

The employee has the option of pre-tax or Roth deferrals. A mandatory contribution of 3.0% of the employee's compensation to the plan is required for employees in class (a). Additional contributions can be made by the employee limited to the lesser of: 100% of the employee's compensation, or \$17,500. Each plan participant in class (a) who was actively employed by the City on the last day of the plan year and completed 1,000 hours of service during such plan year shall be entitled to share in the discretionary matching contribution. These contribution rates are established by the Municipal Employees Retirement Board and approved by City Council. On February 25, 2013, the Sherwood City Council approved ordinance no. 1979 authorizing a 3% matching contribution and a 3% non-discretionary contribution for the 2013 plan year. The City's contribution to the plan was \$279,791 for the year ended December 31, 2015. In addition, \$301,714 was held in the City's name for matching and non-discretionary contribution at December 31, 2015.

CITY OF SHERWOOD, ARKANSAS  
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -  
 REGULATORY BASIS  
 DECEMBER 31, 2015

Schedule 1

SPECIAL REVENUE FUNDS								
	Advertising and Promotion Commission	Drug Control	General Improvement	District Court Automation	Franchise Fee	Federal Drug Control	DWI Court Grant	Library Tax
ASSETS								
Cash and cash equivalents	\$ 1,039,392	\$ 2,137	\$ 3	\$ 623,786	\$ 111,036	\$ 6,741	\$ 20,263	\$ 2
Investments								
Accounts receivable	84,423			11,386	459,735			
Interfund receivables				5,491				
<b>TOTAL ASSETS</b>	<b>\$ 1,123,815</b>	<b>\$ 2,137</b>	<b>\$ 3</b>	<b>\$ 640,663</b>	<b>\$ 570,771</b>	<b>\$ 6,741</b>	<b>\$ 20,263</b>	<b>\$ 2</b>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 32,150	\$ 118		\$ 2,856		\$ 6,283		
Settlements pending								
Total Liabilities	<u>32,150</u>	<u>118</u>		<u>2,856</u>		<u>6,283</u>		
Fund Balances:								
Restricted	<u>1,091,665</u>	<u>2,019</u>	<u>\$ 3</u>	<u>637,807</u>	<u>\$ 570,771</u>	<u>458</u>	<u>\$ 20,263</u>	<u>\$ 2</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,123,815</b>	<b>\$ 2,137</b>	<b>\$ 3</b>	<b>\$ 640,663</b>	<b>\$ 570,771</b>	<b>\$ 6,741</b>	<b>\$ 20,263</b>	<b>\$ 2</b>

CITY OF SHERWOOD, ARKANSAS  
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -  
 REGULATORY BASIS  
 DECEMBER 31, 2015

Schedule 1

	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TRUST FUND	AGENCY FUNDS				Totals
	Library Construction Bonds, Series 2015 Project	Library Construction Bonds, Series 2015 Debt Service	Municipal Employees Retirement	Administration of Justice	Police Bond and Fine	District Court	Small Claims	
<b>ASSETS</b>								
Cash and cash equivalents	\$ 5,889,872	\$ 535,410	\$ 178,155	\$ 1,007	\$ 30,599	\$ 671,956	\$ 21,094	\$ 9,131,453
Investments			4,606,429					4,606,429
Accounts receivable								555,544
Interfund receivables								5,491
<b>TOTAL ASSETS</b>	<u>\$ 5,889,872</u>	<u>\$ 535,410</u>	<u>\$ 4,784,584</u>	<u>\$ 1,007</u>	<u>\$ 30,599</u>	<u>\$ 671,956</u>	<u>\$ 21,094</u>	<u>\$ 14,298,917</u>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable								\$ 41,407
Settlements pending				\$ 1,007	\$ 30,599	\$ 671,956	\$ 21,094	724,656
Total Liabilities				<u>1,007</u>	<u>30,599</u>	<u>671,956</u>	<u>21,094</u>	<u>766,063</u>
Fund Balances:								
Restricted	\$ 5,889,872	\$ 535,410	\$ 4,784,584					13,532,854
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 5,889,872</u>	<u>\$ 535,410</u>	<u>\$ 4,784,584</u>	<u>\$ 1,007</u>	<u>\$ 30,599</u>	<u>\$ 671,956</u>	<u>\$ 21,094</u>	<u>\$ 14,298,917</u>

CITY OF SHERWOOD ARKANSAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -  
 REGULATORY BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2015

Schedule 2

SPECIAL REVENUE FUNDS								
	Advertising and Promotion Commission	Drug Control	General Improvement	District Court Automation	Franchise Fee	Federal Drug Control	Sylvan Hills Elementary Childcare Grant	DWI Court Grant
REVENUES								
State aid			\$ 10,893					
Federal aid							\$ 1,869	\$ 9,707
Property taxes								
Franchise fees					\$ 2,036,592			
Fines, forfeitures, and costs		\$ 1,933		\$ 132,683		\$ 27,981		
Interest	\$ 1,186	59	31	2,750	763	53		
Advertising and promotion taxes	892,727							
Employer pension contribution								
Gain on sale of investments								
Other	82,029							
<b>TOTAL REVENUES</b>	<b>975,942</b>	<b>1,992</b>	<b>10,924</b>	<b>135,433</b>	<b>2,037,355</b>	<b>28,034</b>	<b>1,869</b>	<b>9,707</b>
EXPENDITURES								
Current:								
General government	410,124							
Law enforcement		17,268	10,866	84,061		32,260		9,707
Highways and streets								
Sanitation								
Recreation and culture	675,100		5,400		5,400			
Social services							1,869	
Total Current	1,085,224	17,268	16,266	84,061	5,400	32,260	1,869	9,707
Debt Service:								
Lease principal					145,000			
Lease interest					293,078			
<b>TOTAL EXPENDITURES</b>	<b>1,085,224</b>	<b>17,268</b>	<b>16,266</b>	<b>84,061</b>	<b>443,478</b>	<b>32,260</b>	<b>1,869</b>	<b>9,707</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(109,282)	(15,276)	(5,342)	51,372	1,593,877	(4,226)		
OTHER FINANCING SOURCES (USES)								
Transfers in								
Transfers out					(1,552,111)			
Bond proceeds								
Bond issuance costs								
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>					<b>(1,552,111)</b>			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(109,282)	(15,276)	(5,342)	51,372	41,766	(4,226)		
FUND BALANCES - JANUARY 1	1,200,947	17,295	5,345	586,435	529,005	4,684		20,263
FUND BALANCES - DECEMBER 31	\$ 1,091,665	\$ 2,019	\$ 3	\$ 637,807	\$ 570,771	\$ 458	\$ 0	\$ 20,263

CITY OF SHERWOOD ARKANSAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -  
 REGULATORY BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2015

Schedule 2

	SPECIAL REVENUE FUNDS			CAPTIAL PROJECTS	DEBT SERVICE FUND	TRUST FUND	Totals
	Justice Assistance Grant	Library Tax	ABC Financial	Library Construction Bonds, Series 2015 Project	Library Construction Bonds, Series 2015 Debt Service	Municipal Employees Retirement	
REVENUES							
State aid							\$ 10,893
Federal aid	\$ 12,765		\$ 269,308				293,649
Property taxes		\$ 535,309					535,309
Franchise fees							2,036,592
Fines, forfeitures, and costs							162,597
Interest		103				\$ 190,664	195,609
Advertising and promotion taxes							892,727
Employer pension contribution						88,691	88,691
Gain on sale of investments						63,639	63,639
Other							82,029
<b>TOTAL REVENUES</b>	<b>12,765</b>	<b>535,412</b>	<b>269,308</b>			<b>342,994</b>	<b>4,361,735</b>
EXPENDITURES							
Current:							
General government						47,938	458,062
Law enforcement	12,765					58,031	224,958
Highways and streets						10,033	10,033
Sanitation						15,040	15,040
Recreation and culture						98,153	784,053
Social services			269,308				271,177
Total Current	12,765		269,308			229,195	1,763,323
Debt Service:							
Lease principal							145,000
Lease interest							293,078
<b>TOTAL EXPENDITURES</b>	<b>12,765</b>		<b>269,308</b>			<b>229,195</b>	<b>2,201,401</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		535,412				113,799	2,160,334
OTHER FINANCING SOURCES (USES)							
Transfers in					\$ 535,410		535,410
Transfers out		(535,410)					(2,087,521)
Bond proceeds				\$ 6,000,000			6,000,000
Bond issuance costs				(110,128)			(110,128)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>		<b>(535,410)</b>		<b>5,889,872</b>	<b>535,410</b>		<b>4,337,761</b>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES		2		5,889,872	535,410	113,799	6,498,095
FUND BALANCES - JANUARY 1						4,670,785	7,034,759
FUND BALANCES - DECEMBER 31	\$ 0	\$ 2	\$ 0	\$ 5,889,872	\$ 535,410	\$ 4,784,584	\$ 13,532,854

CITY OF SHERWOOD, ARKANSAS  
 NOTES TO SCHEDULES 1 AND 2  
 DECEMBER 31, 2015

The following funds and descriptions represent all funds reported as other funds in the aggregate.

Fund Name	Fund Description
Advertising and Promotion Commission	Ark. Code Ann. § 26-75-606 established fund to account for the tax levied on gross receipts of hotels, restaurants, etc. The tax shall be used for the advertising and promoting of the city and its environs; construction, maintenance, and operation of a convention center, operation of tourist promotion facilities, and payment of principal and interest in connection with bonds issued.
Drug Control	Ark. Code Ann. § 5-64-505 established fund to receive asset forfeitures resulting from drug offense cases due to arresting agency. The revenues shall only be used for law enforcement purposes.
General Improvement	Established in 2011 to receive grant funds from the State of Arkansas.
District Court Automation	Ark. Code Ann. § 16-13-704 established fund to receive district court installment fees of 1/2 of \$5 per month on each person to be used for court-related technology.
Franchise Fee	Established by Sherwood Ordinance no. 1862 (February 22, 2010) to account for franchise fees collected to repay a lease-purchase agreement with the Public Facilities Board for the North Hills Country Club. Franchise fees collected in excess of debt service requirements may be used for other City purposes.
Federal Drug Control	Established in 2010 to receive asset forfeitures resulting from federal drug offense cases.
Sylvan Hills Elementary Childcare Grant	Established in 2012 to receive grant funds from the Arkansas Community Economic Development for the purpose of constructing a childcare center on the campus of Sylvan Hills Elementary School.
DWI Court Grant	Established in 2010 to receive DWI Court federal grant funds.
Justice Assistance Grant	Established to account for grants from the Department of Justice.
Library Tax	Established by Sherwood Ordinance no. 284 (October 26, 2015) to account for the real and personal property taxes pledged for the repayment of the library bonds.
ABC Financial Grant	Established in 2015 to account for Community Development Block Grants.
Library Construction Bonds, Series 2015 Project	Established by Sherwood Ordinance no. 284 (October 26, 2015) to pay for the purchase of land and the construction of a new public library.
Library Construction Bonds, Series 2015 Debt Service	Established by Sherwood Ordinance no. 284 (October 26, 2015) to maintain principal and interest payments of bonds.

CITY OF SHERWOOD, ARKANSAS  
NOTES TO SCHEDULES 1 AND 2  
DECEMBER 31, 2015

The following funds and descriptions represent all funds reported as other funds in the aggregate.

<u>Fund Name</u>	<u>Fund Description</u>
Municipal Employees Retirement	Sherwood Ordinance no. 811 (December 28, 1997) established fund to provide retirement and incidental benefits for all eligible full-time city employees.
Administration of Justice	Ark. Code Ann. § 16-10-308 established fund to receive the city's share of uniform court costs and filing fees levied by state law to be used to defray a part of the expenses of the administration of justice in the city.
Police Bond and Fine	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the police department.
District Court	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the district court.
Small Claims	Ark. Code Ann. § 16-17-707 established account to receive fees relating to small claims and civil case filings.

CITY OF SHERWOOD, ARKANSAS  
OTHER INFORMATION  
SCHEDULE OF CAPITAL ASSETS  
DECEMBER 31, 2015  
(Unaudited)

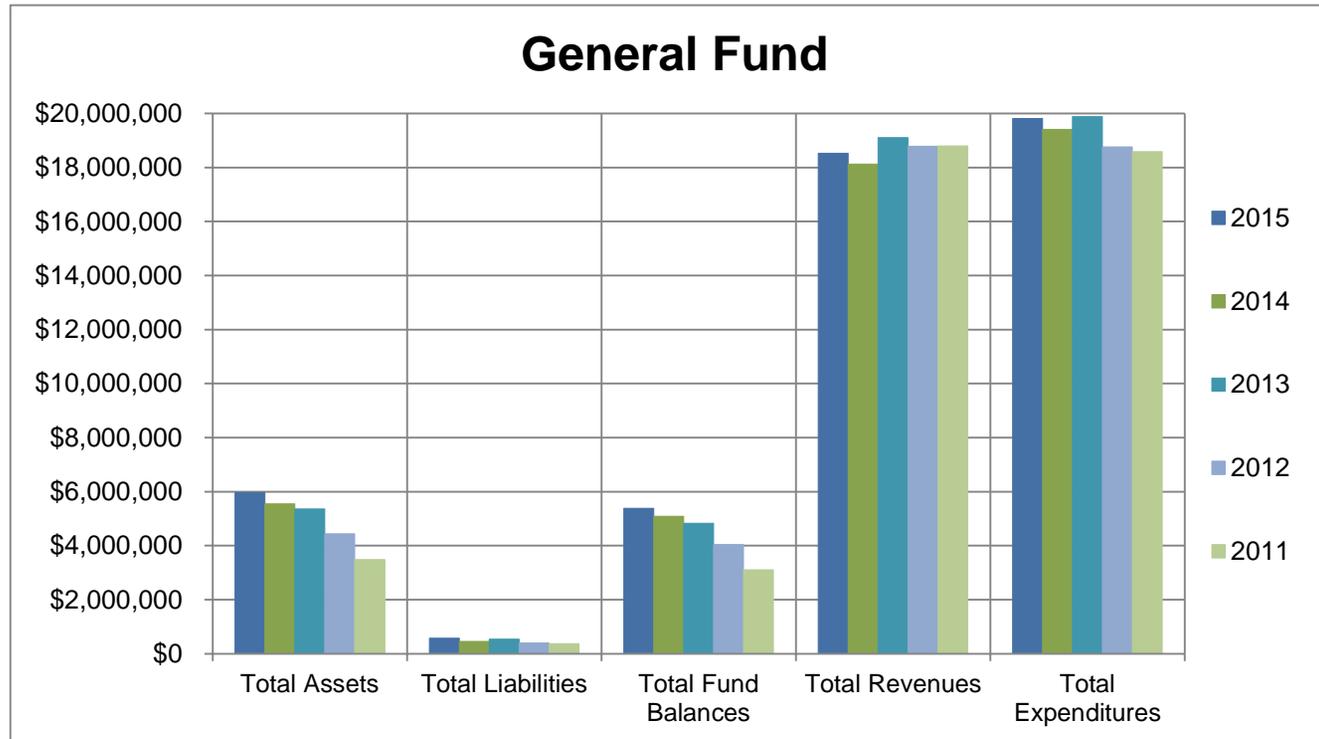
Schedule 3

	<u>December 31, 2015</u>
Land	\$ 3,485,502
Buildings	10,943,530
Equipment	13,604,722
Construction in progress	<u>68,413</u>
Total	<u>\$ 28,102,167</u>

CITY OF SHERWOOD, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - GENERAL FUND - REGULATORY BASIS  
 DECEMBER 31, 2015  
 (Unaudited)

Schedule 4-1

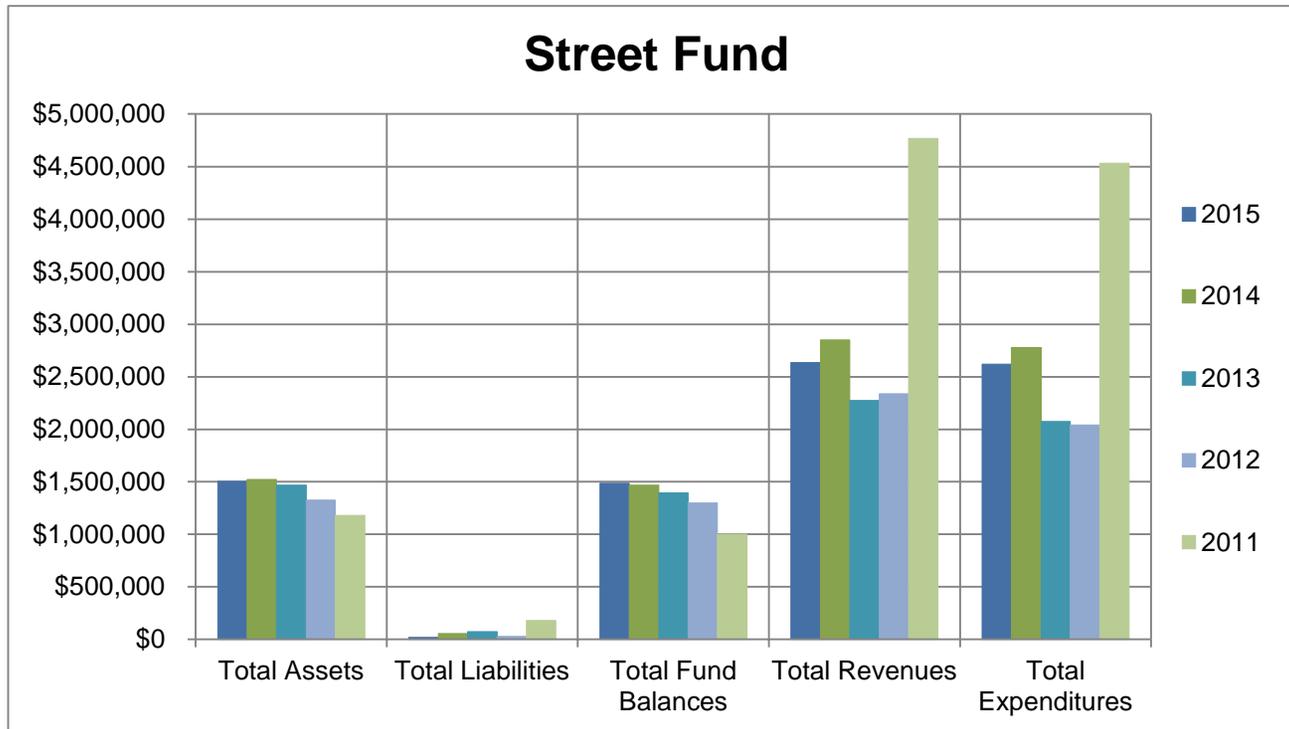
<b>General</b>	2015	2014	2013	2012	2011
Total Assets	\$ 5,958,516	\$ 5,550,701	\$ 5,359,735	\$ 4,437,908	\$ 3,481,981
Total Liabilities	576,658	459,574	531,245	397,826	370,013
Total Fund Balances	5,381,858	5,091,127	4,828,490	4,040,082	3,111,968
Total Revenues	18,526,940	18,126,267	19,111,197	18,789,825	18,795,383
Total Expenditures	19,797,024	19,411,726	19,874,786	18,766,307	18,592,331
Total Other Financing Sources/Uses	1,552,111	1,548,096	1,410,766	904,596	204,883



CITY OF SHERWOOD, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - STREET FUND - REGULATORY BASIS  
 DECEMBER 31, 2015  
 (Unaudited)

Schedule 4-2

<u>Street</u>	2015	2014	2013	2012	2011
Total Assets	\$ 1,503,539	\$ 1,522,166	\$ 1,468,072	\$ 1,326,255	\$ 1,180,512
Total Liabilities	18,533	53,661	72,705	27,107	179,690
Total Fund Balances	1,485,006	1,468,505	1,395,367	1,299,148	1,000,822
Total Revenues	2,636,707	2,850,087	2,275,121	2,338,346	4,770,518
Total Expenditures	2,620,206	2,776,949	2,074,423	2,040,020	4,532,099



CITY OF SHERWOOD, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - OTHER FUNDS IN THE AGGREGATE - REGULATORY BASIS  
 DECEMBER 31, 2015  
 (Unaudited)

Schedule 4-3

<u>Other Funds in the Aggregate</u>	2015	2014	2013	2012	2011
Total Assets	\$ 14,298,917	\$ 7,679,273	\$ 7,305,966	\$ 7,882,008	\$ 7,530,087
Total Liabilities	766,063	644,517	599,684	618,753	801,327
Total Fund Balances	13,532,854	7,034,756	6,706,282	7,263,255	6,728,760
Total Revenues	4,361,735	3,520,749	3,358,152	2,976,287	2,668,805
Total Expenditures	2,201,401	1,646,290	2,068,707	1,514,293	1,680,808
Total Other Financing Sources/Uses	4,337,761	(1,548,096)	(1,332,187)	(927,499)	(175,288)

