City of Pine Bluff, Arkansas

Basic Financial Statements (Modified Cash Basis), Supplementary Information and Other Reports

December 31, 2003

LEGISLATIVE JOINT AUDITING COMMITTEE

CITY OF PINE BLUFF, ARKANSAS
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Sen. Henry "Hank" Wilkins, IV
Senate Co-Chair
Rep. Tommy G. Roebuck
House Co-Chair
Sen. Randy Laverty
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Rep. David Evans
House Co-Vice Chair

Arkansas

Charles L. Robinson, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE
DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major governmental fund, and the aggregate remaining fund information of the City of Pine Bluff, Arkansas, as of and for the year ended December 31, 2003, which collectively comprise a portion of the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1(C), the City prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The Wastewater Utility Fund, Civic Auditorium Complex and Advertising and Tourist Promotion Commission, Aviation Commission and Arts and Science Center for Southeast Arkansas Commission have not been included in the City's financial statements. Accounting principles generally accepted in the United States of America, as applied to the City's modified cash basis of accounting, require the Wastewater Utility Fund to be presented as a major enterprise fund and financial information about the Wastewater Utility Fund to be part of the business-type activities, thus increasing the activity's assets, liabilities, receipts, and disbursements. The amount by which this departure would affect the assets, liabilities, receipts, and disbursements of the business-type activities and the omitted major fund is not reasonably determinable. These accounting principles, as applied to the City's modified cash basis of accounting, also require the Civic Auditorium Complex and Advertising and Tourist Promotion Commission, Aviation Commission and Arts and Science Center for Southeast Arkansas Commission, which are minor funds, to be presented as part of the governmental activities. The amount by which these departures would affect the assets, liabilities, revenues, and expenditures of the governmental activities and aggregate remaining fund information is not reasonably determinable. Also, as a result, the financial statements referred to above do not present fairly, in conformity with the basis of accounting described in Note 1(C), the modified cash basis financial position of the Wastewater Utility Fund, Civic Auditorium Complex and Advertising and Tourist Promotion Commission, Aviation Commission, and Arts and Science Center for Southeast Arkansas Commission of the City of Pine Bluff, Arkansas, as of December 31, 2003, and the changes in modified cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1(C). The City's financial statements also do not disclose all the required information concerning deposits and investments, which should be included in order to conform with the basis of accounting described in Note 1(C).

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In our opinion, because of the effects of not reporting the Wastewater Utility, Civic Auditorium Complex and Advertising and Tourist Promotion Commission, Aviation Commission and Arts and Science Center for Southeast Arkansas Commission as described in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with the basis of accounting described in Note 1(C), the modified cash basis financial position of the business-type activities and aggregate remaining fund information of the City of Pine Bluff, Arkansas, as of December 31, 2003, and the changes in modified cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1(C).

In addition, in our opinion, except for the effects of not disclosing all required information concerning deposits and investments, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each presented major fund of the City of Pine Bluff, Arkansas, as of and for the year ended December 31, 2003, and the respective changes in modified cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1(C).

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2004 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The required supplementary information, as listed in the accompanying table of contents, including Management's Discussion and Analysis, the General and Street Funds Budgetary Comparison Schedules and Notes, and Pension Fund Schedules of Funding Progress and Schedules of Contributions and Notes, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information in the Schedule of Fixed Assets, listed in the table of contents as Schedule 7, is presented for the purpose of additional analysis, but it is neither a required part of the financial statements nor supplementary information required by the Governmental Accounting Standards Board. We have not applied auditing procedures to this information and, accordingly, express no opinion on the Schedule of Fixed Assets.

DIVISION OF LEGISLATIVE AUDIT

Charles L. Robinson, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
August 5, 2004
LOM107603

Sen. Henry "Hank" Wilkins, IV
Senate Co-Chair
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LEGISLATIVE JOINT AUDITING COMMITTEE
DIVISION OF LEGISLATIVE AUDIT

REPORT ON COMPLIANCE, INTERNAL CONTROL OVER FINANCIAL REPORTING AND OTHER MANAGEMENT ISSUES

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

We have audited the financial statements of the City of Pine Bluff, Arkansas, as of and for the year ended December 31, 2003 and have issued our report thereon dated August 5, 2004. In our report, our opinions on the business-type activities and aggregate remaining fund information were adverse because of the effects on the financial statements of not including the Wastewater Utility Fund, which is a major proprietary fund, and Civic Auditorium Complex and Advertising and Tourist Promotion Commission, Aviation Commission and Arts and Science Center for Southeast Arkansas Commission. Our opinions on governmental activities and each presented major governmental fund were qualified because required disclosures were not made concerning deposits and investments. 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.

Compliance

A. <u>Government Auditing Standards</u>

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

B. <u>State Laws</u>

We reviewed the City's compliance with certain Arkansas laws concerning General and District Court accounting, budgeting, purchasing, bonding and investing and depositing of public funds. The City was in substantial compliance with these laws except for the District Court accounting laws.

<u>Internal Control Over Financial Reporting</u>

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

The City had inadequate control over cash transactions because of insufficient segregation of duties.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above relating to inadequate segregation of duties to be a material weakness.

Other Management Issues

The commentary contained in this section relates to the following officials that held office during 2003:

Mayor: Dutch King
Finance Director: Ed Bogy
Treasurer: Greg Gustek
City Clerk: Katy Hagan
District Judge (Division 1): Robert Tolson
District Judge (Division 2): Waymond Brown
District Court Clerk (Division 1): Debbie Lewis
District Court Clerk (Division 2): Veronica Young
Police Chief: Daniel Moses

Our audit procedures indicated that the Offices of **Finance Director, Treasurer, City Clerk** and **Police Chief** were in substantial compliance with Arkansas fiscal and financial laws. Noncompliance with state law and inadequate internal control procedures were noted in the Offices of **Mayor, District Court (Division 1)** and **District Court (Division 2)** and are cited below:

During our audit of the records of the **Transit Department** for the period January 1, 2003 through June 9, 2004, we discovered unaccounted for funds totaling $5,182.

Management failure to compare individual receipts with cash and checks deposited contributed to this shortage being undetected until audited.

Our examination of credit card purchases and other expenditures revealed unauthorized disbursements for non-business related meals and entertainment, gratuities and fuel and car washes for a personal vehicle totaling $4,888. The City was reimbursed $1,984 for the fuel and car washes. Unauthorized disbursements of $2,904 have not been reimbursed.

The City also expended $3,011 of City funds for food and flowers for funerals, illnesses, etc., donations, and Chamber of Commerce dues. The Attorney General has held that these types of expenditures are constitutionally suspect, and City funds should not be expended for these purposes.

A review of credit card purchases also revealed that $4,219 of expenditures were not adequately documented and late payment charges of $358 were paid by the City. The City should require the credit card user to remit the invoices received from the merchant to the accounting department as support for any credit card purchase and all credit card billings should be addressed to the accounting department in order to insure prompt payment. Our audit also noted accommodation purchases of $970.

In September 2002, the City contracted with Southeast Arkansas Community Development Corporation (SEACDC) - a nonprofit corporation, to create a downtown redevelopment district. SEACDC was paid $82,000 in advance for this project. Former City Alderman Billy Freeman was the president of and responsible for the operations of this corporation. As of September 2004, this contractual obligation had not been fulfilled. We recommend the City take action to recover these funds.

The City also made advances totaling $71,648 to SEACDC for community development construction projects in 2002. The check issued by SEACDC to repay the advance was returned by the bank because of insufficient funds. The City referred this matter to the Prosecuting Attorney, and Mr. Freeman was subsequently charged with and pleaded guilty to theft of property charges in Jefferson County Circuit Court in January 2004.

Two elected City Council members, Jack Foster and Billy Freeman, were convicted in U. S. District Court of "aiding and abetting attempted extortion under color of official right" for selling their council votes on a property re-zoning issue.

The ending balances in the **District Courts'** (Division 1 and 2) bank accounts, $156,869 and $51,904, respectively, were not identified with receipts issued for cases not yet adjudicated. Failure to identify these receipts precludes the ability to properly disburse the funds after the cases have been processed through court.

The **District Courts** (Division 1 and 2) maintained the Administration of Justice Funds in violation of Ark. Code Ann. 16-10-308. State law requires that these funds be maintained by the City Treasurer. This resulted in a lack of oversight by the City Council and these funds not being budgeted. While analyzing the expenditures in these accounts, we noted that Division 1 purchased office workstations costing $18,057 without taking competitive bids. Also, in addition to the required monthly funding of the retirement plan, Division 1 transferred $186,824 to the Municipal Judge and Clerk Retirement Fund in 2003 and $83,522 in 2004 without City Council approval. These funds should be reimbursed to the Administration of Justice Fund.

The **District Courts** (Division 1 and 2) have contracted with private companies to provide probation and home detention monitoring services for individuals ordered on probation and home detention through the Courts. These companies collect and retain fees from the offenders in apparent violation of Arkansas Code. The responsibilities for the collection of fines and fees assessed in District Court are outlined in Ark. Code Ann. 16-13-709.

This report is intended solely for the information and use of the Legislative Joint Auditing Committee, state executive and oversight management, City management, the federal awarding agencies and pass-through entities, if applicable and is not intended to be and should not be used by anyone other than these specified parties.

DIVISION OF LEGISLATIVE AUDIT

David J. Kraft, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
August 5, 2004

The City Of PINE BLUFF Arkansas

DUTCH KING
MAYOR

Management's Discussion And Analysis

This discussion and analysis letter will provide an overview of the City of Pine Bluff's financial activities for the fiscal year. All information provided in this letter should be read in conjunction with the financial statements.

Financial Highlights

1. The total assets of the City exceeded its total liabilities at the close of this fiscal year by $3,510,697. Of this amount, $1,688,373 is unrestricted and is available to be used to meet the City's obligations.

2 As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $3,510.697.

3. At the end of the current fiscal year the unreserved fund balance for the general fund was $1,535.660.

4. The City's total debt increased by $1,562,834. The main factor for this increase was the issuance of $1,585,345 in debt for the Convention Center to replace boilers and air conditioning equipment.

5. Net assets of fiduciary funds were $60,713,540 at the close of the current fiscal year. Of these funds $60,137,335 was held in trust for pension benefits, $359,127 was held in the Cemetery Trust Fund, and $217,078 was held in agency funds.

Overview of the City's Annual Financial Report

The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements. The statements are prepared using the modified cash basis of accounting. Revenues are reported when they are received and expenses are reported when they are paid.

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1. Government-wide financial statements tell how services were financed and what are the City's net assets. This information is provided by the statements of net assets and of activities. The statement of net assets presents the City's Assets and Liabilities, with the difference between the two reported as Net Assets. The changes in assets can be used to determine if the financial position is improving or deteriorating. The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year.
   Government activities consist of the City's basic services such as general administration, police, fire, community development, parks and recreation, and public works. Taxes, licenses, fines, and federal and state grants finance a majority of these activities.

2. Fund financial statements group related accounts that measure cash and all financial assets that can be converted to cash that have been segregated for specific activities or objectives. The funds have been established by local, state, or federal laws. The statements are also grouped into two main categories: governmental funds and fiduciary funds.

   A. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

      The City maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance for the General Fund and Street Fund which are considered to be major funds. The data from the other six governmental funds are combined into a single, aggregated presentation.

B. Fiduciary funds are used to account for resources held for the benefit of parties outside the governments. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

3. Notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government wide and fund financial statements.

4. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Also the City adopts an annual appropriation budget. Included in this report are budget comparison statements for the General and Street Funds with a legally adopted budget to demonstrate compliance with the budget.

Government Wide Financial Analysis

City of Pine Bluff
Net Assets

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 3,694,532
LIABILITIES	
Settlements pending	183,835
NET ASSETS	$ 3,510,697

Reserved	$ 606,199
Unreserved	2,904,498
TOTAL NET ASSETS	$ 3,510,697

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by $3,510,697 at the end of the year.

An additional portion of the City's net assets (17.3%) represents resources that are subject to restrictions as to how they may be used. The remaining balance of unrestricted net assets (2,904,498) may be used to meet the government's on-going obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in net assets for the government as a whole and for its separate governmental activities.

City of Pine Bluff
Changes in Net Assets

	Governmental Activities
REVENUES	
Program Revenues	
Fees, fines and charges for services	$ 4,895,863
Operating grants and contributions	3,129,227
Total Program Revenues	$ 8,025,090
General Revenues	
Property Taxes	$ 2,751,470
Franchise Taxes	2,341,964
Sales taxes	12,231,345
State and Federal aid	3,515,811
Interest	34,846
Miscellaneous	3,590,823
	$ 24,466,259
Total Revenues	$ 32,491,349

EXPENSES	
General government	$ 6,458,426
Public Safety	15,835,609
Streets and public works	7,919,328
Health and welfare	231,884
Recreation and culture	2,008,563
Community development	1,698,121
Total Expenses	$ 34,151,931
Changes in net assets	$ -1,660,582
Net assets January 1	5,171,279
Net assets December 31	$ 3,510,697

Governmental activities decreased the City's net assets by $1,660,582. The main reasons for the decrease are:

1. Street Fund disbursements exceeded revenues by $349.784.

2. Other Governmental Funds exceeded revenues by $1,324,581.

Sales taxes of $12,231,345 represented 37.6% of the City's governmental revenue while grants of $6,645,038 represented 20.5% of the City's governmental revenue. Current year expenses were 105.1% of current year revenues.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2003, the City's governmental funds reported combined ending fund balances of $3,510,697, a decrease of $1,660.582 in comparison with the prior year. Of this amount $1,688,373 represents unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for capital projects, debt service and other purposes.

The General Fund accounts for most of the City's fundamental services. The Fund balance is important because it shows the financial resources available to be spent on the indispensable services provided by the City. At the end of the year, the City had a General Fund total fund balance of $2,141,859. The total unreserved fund balance for the General Fund is $1,535,660. The unreserved balance is available to be spent by the City in a way that would best benefit its citizens. The remainder of the total fund balance $606,199 is reserved meaning it is not available for spending because it has already been committed. The special revenue fund had a total fund balance of $638,168. The net decrease in fund balance during the year was $349,784.

General Fund Budgetary Highlights

The original General Fund budget appropriation was $24,566,107 compared to the final budget total of $28,587,968. The major item's of the $3,652,331 increase in appropriations are as follows:

1. Rebudget of 2002 budget items to be spent in 2003 $1,242,941.
2. Payment to the Health Insurance Fund because premiums were less than claims paid $1,000,000.
3. To fund salary and fringe benefits of unbudgeted 27th payday $555,571.
4. A general adjustment at the end of the year to correct various accounts $290,868.
5. Write off a receivable from the Pine Bluff Convention Center $196,121.

Long-Term Debt

At the end of the year, the City had lease purchase agreements payable totaling $3,355,419. Of the debt $1,704,577 is for the Civic Center Complex and the remainder is for the Convention Center.

Economic Factors and Next Year Budgets and Rates

Due to decreasing revenue estimates it will be necessary to reduce the City's 2004 General Fund budget and to transfer some expenditures from the General Fund to other funds.

Requests for Information

This financial report is designed to supply a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for addition financial information should be addressed to the Finance Director, City of Pine Bluff, 200 East 8th Avenue, Pine Bluff, Arkansas 71601.

Dutch King, Mayor

Ed Bogy, Finance Director

CITY OF PINE BLUFF, ARKANSAS
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2003

Exhibit A

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	$ 3,694,532
LIABILITIES	
Settlements pending	183,835
NET ASSETS	
Restricted:	
Other purposes	1,822,324
Unrestricted	1,688,373
TOTAL NET ASSETS	**$ 3,510,697**

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

Exhibit B

CITY OF PINE BLUFF, ARKANSAS
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
DECEMBER 31, 2003

		Program Receipts		Net (Disbursements) Receipts and Changes in Net Assets Primary Government
Functions/Programs	**Disbursements**	**Fees, Fines and Charges for Services**	**Operating Grants and Contributions**	**Governmental Activities**
Primary Government:				
Governmental activities:				
General government	$ 6,458,426	$ 1,046,588		$ (5,411,838)
Public safety	15,835,609	1,067,984	$ 612,398	(14,155,227)
Streets and public works	7,919,328	2,781,291	1,014,880	(4,123,157)
Health and welfare	231,884		38,875	(193,009)
Recreation and culture	2,008,563			(2,008,563)
Community development	1,698,121		1,463,074	(235,047)
Total governmental activities	$ 34,151,931.00	$ 4,895,863.00	$ 3,129,227.00	$ (26,126,841.00)
General revenues:				
Taxes:				
Property taxes				2,751,470
Franchise taxes				2,341,964
Sales taxes				12,231,345
State and federal aid				3,515,811
Interest				34,846
Other miscellaneous				3,590,823
Total general revenues				24,466,259
Change in net assets				(1,660,582)
Net assets - beginning				5,171,279
Net assets - ending				**$ 3,510,697**

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

Exhibit C

CITY OF PINE BLUFF, ARKANSAS
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
DECEMBER 31, 2003

	General	Street	Other Governmental Funds	Totals December 31, 2003
ASSETS				
Cash and cash equivalents	$ 2,325,694	$ 638,168	$ 730,670	$ 3,694,532
LIABILITIES AND FUND BALANCES				
Liabilities:				
Settlements pending	$ 183,835			$ 183,835
Fund balances:				
Reserved for:				
Other purposes	606,199			606,199
Unreserved, reported in:				
General fund	1,535,660			1,535,660
Special revenue funds		$ 638,168	$ 730,670	1,368,838
Total Fund Balances	2,141,859	638,168	730,670	3,510,697
TOTAL LIABILITIES AND FUND BALANCES	**$ 2,325,694**	**$ 638,168**	**$ 730,670**	**$ 3,694,532**

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

CITY OF PINE BLUFF, ARKANSAS
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2003

Exhibit D

	General	Street	Other Governmental Funds	Totals Year Ended December 31, 2003
RECEIPTS				
State aid	$ 1,252,359	$ 2,454,693		$ 3,707,052
Federal aid	1,340,096		$ 1,597,890	2,937,986
Property taxes	2,242,143	509,327		2,751,470
Franchise taxes	2,341,964			2,341,964
Sales taxes	12,231,345			12,231,345
Fines, forfeitures and costs	894,243		136,859	1,031,102
Interest	23,617	8,209	3,020	34,846
Local permits and fees	1,083,470	476,596		1,560,066
Sanitation fees	2,267,580			2,267,580
Transit fees	37,115			37,115
Other	595,284		2,995,539	3,590,823
TOTAL RECEIPTS	24,309,216	3,448,825	4,733,308	32,491,349
DISBURSEMENTS				
Current:				
General government	3,690,593		2,767,833	6,458,426
Public safety	15,511,942		323,667	15,835,609
Streets and public works	4,120,719	3,798,609		7,919,328
Health and welfare	231,884			231,884
Recreation and culture	658,952		1,349,611	2,008,563
Community development	81,343		1,616,778	1,698,121
TOTAL DISBURSEMENTS	24,295,433	3,798,609	6,057,889	34,151,931
EXCESS OF REVENUES OVER (UNDER) DISBURSEMENTS	13,783	(349,784)	(1,324,581)	(1,660,582)

CITY OF PINE BLUFF, ARKANSAS
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2003

Exhibit D

	General	Street	Other Governmental Funds	Totals Year Ended December 31, 2003
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 1,033,961		$ 1,309,300	$ 2,343,261
Transfers out	(2,343,261)			(2,343,261)
TOTAL OTHER FINANCING SOURCES (USES)	(1,309,300)		1,309,300	0
NET CHANGE IN FUND BALANCES	(1,295,517)	$ (349,784)	(15,281)	(1,660,582)
FUND BALANCES - JANUARY 1	3,437,376	987,952	745,951	5,171,279
FUND BALANCES - DECEMBER 31	$ 2,141,859	$ 638,168	$ 730,670	$ 3,510,697

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

Exhibit E

CITY OF PINE BLUFF, ARKANSAS
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2003

	Employee Retirement Plans				**Private Purpose Trust**	
	Firemen's Pension	Policemen's Pension	Municipal Judge's and Clerk's Retirement	City Retirement	Cemetery Trust Fund	Agency Funds
ASSETS						
Cash and cash equivalents	$ 3,837,986	$ 3,216,949	$ 419,125	$ 10,422,735	$ 36,133	$ 217,078
Investments:						
U.S. Government obligations	3,754,974	1,391,823	301,573	2,716,315	322,994	
Domestic corporate bonds	5,061,042	2,040,504		5,248,929		
Common and foreign stocks	4,893,079	6,897,409	37,481	6,769,669		
Mortgages		2,190,084				
Mutual funds	336,557		247,905	353,196		
Total Investments	14,045,652	12,519,820	586,959	15,088,108	322,994	
TOTAL ASSETS	17,883,638	15,736,769	1,006,084	25,510,843	359,127	217,078
LIABILITIES						
Settlements pending						$ 217,078
Held in trust for pension benefits and other purposes	$ 17,883,638	$ 15,736,769	$ 1,006,084	$ 25,510,843	$ 359,127	

(Schedules of funding progress for the Firemen's and Policemen's Pension plans are presented as Schedules 2 and 4.)

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

Exhibit F

CITY OF PINE BLUFF, ARKANSAS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2003

	Employee Retirement Plans				Private Purpose Trust
	Firemen's Pension	Policemen's Pension	Municipal Judge's and Clerk's Retirement	City Retirement	Cemetery Trust
ADDITIONS					
Contributions:					
Employer	$ 344,181	$ 446,002	$ 202,962	$ 476,039	$ 7,470
Other sources - state funds	610,854	618,315			
Plan member	71,297	19,986		264,470	
Total Contributions	1,026,332	1,084,303	202,962	740,510	7,470
Investment income:					
Interest	677,425	407,199	28,886	875,938	12,998
Dividends	81,623	205,725	1,649	113,576	426
Investment income	759,048	612,924	30,535	989,514	13,424
TOTAL ADDITIONS	1,785,380	1,697,227	233,497	1,730,024	20,894
DEDUCTIONS					
Benefits	1,654,175	1,586,816	19,726	781,329	
Refunds of contributions				37,339	
Administrative expense	72,442	93,603	9,552	64,619	3,180
TOTAL DEDUCTIONS	1,726,617	1,680,419	29,278	883,287	3,180
NET INCREASE	58,763	16,808	204,219	846,737	17,715
FUND BALANCE RESERVED FOR EMPLOYEES' PENSION BENEFITS					
NET ASSETS - beginning of the year	17,824,875	15,719,961	801,865	24,664,106	341,413
NET ASSETS - end of the year	$ 17,883,638	$ 15,736,769	$ 1,006,084	$ 25,510,843	$ 359,127

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

NOTE 1: Summary of Significant Accounting Policies

As discussed further in Note 1(C), these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Financial Reporting Entity

The City of Pine Bluff was incorporated under the laws of the State of Arkansas and operates under an elected Mayor-Council form of government. The financial statements of the reporting entity include those of the City (the primary government).

B. Basis of Presentation

Government-Wide Financial Statements
The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, and other non-exchange receipts. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements
Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts and disbursements. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

a. Total assets, liabilities, receipts, disbursements of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
b. Total assets, liabilities, receipts, disbursements of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity included in the financial statements are described below:

Governmental Funds

General Fund
The General Fund is the primary operating fund and is used to account for all financial resources, except those required to be accounted for in another fund. It is always classified as a major fund. The General Fund heading as it appears in the financial statements includes the following bank accounts: General Fund, Transit Fund, SID Loan Fund, VIN Fund, Capital Projects Fund and Public Safety Building Fund.

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Governmental Funds (Continued)

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific receipt sources that are legally restricted to disbursements for specific purposes. Management has elected to classify the Street Fund, which is a special revenue fund used to account for funds legally restricted for street expenditures, as a major fund. The reporting entity includes the following special revenue funds, all of which are reported as nonmajor funds: CDBG Fund, Health Insurance, LLEBG, Parks and Recreation and Administration of Justice Fund.

Fiduciary Funds

Trust and Agency Funds

Trust and Agency Funds are used to account for assets held by the entity in a trustee capacity, or as an agent for individuals, private organizations, other governmental units and other funds. These include Expendable, Nonexpendable and Pension Trust Funds and Agency Funds.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the current financial resources measurement focus, within the limitations of the modified cash basis of accounting, as defined below.

In the fund financial statements, the "current financial resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

All governmental, proprietary, and fiduciary funds utilize a "current financial resources" measurement focus. Only cash, cash equivalents, investments and settlements pending are generally included on their balance sheets. Governmental funds use fund balance as their measure of available spendable financial resources at the end of the period. Proprietary and fiduciary fund equity is classified as net assets.

Basis of Accounting

The financial statements are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, receipts, and disbursements when they result from cash transactions with a provision for investments, payroll taxes withheld, and settlements pending. The basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets (such as accounts receivable, interfund receivables, and fixed assets) and their related receipts and certain liabilities (such as accounts payable, interfund payables, and long-term debt) and their related disbursements are not recorded in these financial statements.

NOTE 1: Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Basis of Accounting (Continued)

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Assets, Liabilities and Equity

Cash and Cash Equivalents

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

Investments

Investments are reported at cost.

Liabilities

For the purpose of financial reporting, liabilities include settlements pending. Settlements pending are considered fines, forfeitures, costs, property taxes, state funds and interest that have not been transferred to the appropriate entities.

Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

The City has no policy regarding whether to first use reserved or unreserved resources when a disbursement is incurred for purposes for which both reserved and unreserved net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance.

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Receipts and Disbursements

Program Receipts

In the Statement of Activities, modified cash basis receipts that are derived directly from each activity or from parties outside the City's taxpayers are reported as program receipts. The City has the following program receipts in each activity:

General government	Licenses and permits
Public safety	Court fines, animal control fees, jail fees or reimbursements, operating grants include: Local Law Enforcement Block Grant, Act 833, Drug Law Enforcement Grant and Juvenile Justice Grant.
Streets and public works	Street cuts, mowing fees, sanitation fees, operating grants include: Federal Mass Transit Authority Grant and State Mass Transit Authority Grant.
Health and welfare	Operating grants include: Department of Human Services Grant and a State Youth Grant
Recreation and culture	Parks and recreation fees and concessions, community center fees and senior citizen center fees.
Community development	Mortgage deposits, operating grants include Community Development Block Grants.

All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

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 10.

NOTE 2: Cash and Investments

Custodial credit risk information for deposits and investments has not been provided, as required by Governmental Accounting Standards Board Statement No. 3. This statement requires disclosure relating to whether deposits are insured or secured with collateral and whether investments are insured or registered.

NOTE 3: Legal or Contractual Provisions for Deposits and Investments

A. Governmental Fund Types

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/or time deposits. Public funds may also be invested in direct obligations of the United States of America and obligations the principal and interest on which are fully guaranteed by the United States of America.

NOTE 3: Legal or Contractual Provisions for Deposits and Investments (Continued)

B. Pension Trust Funds

1. Policemen's Pension

State law provides that if the total assets of the policemen's pension trust fund are less than five hundred thousand dollars ($500,000), the funds may be deposited or invested as noted below. If the total assets of the fund exceed five hundred thousand dollars ($500,000), the fund may employ a professional investment advisor to invest the assets subject to the prudent investor rule and/or in no-load mutual funds.

2. Firemen's Pension

State law provides that if the total assets of the firemen's pension trust fund are less than one hundred thousand dollars ($100,000), the funds may be deposited or invested as noted below. If the total assets of the fund exceed one hundred thousand dollars ($100,000), the fund may employ a professional investment advisor to invest the assets subject to the prudent investor rule and/or in no-load mutual funds.

3. Policemen’s and Firemen’s Pension Investments

The funds may be deposited or invested as noted in Note 4(A) and may include deposits in federally insured savings and loans located in the State of Arkansas and notes secured by mortgages on real estate guaranteed either by the United States government or by a corporation approved by the State Commissioner of Insurance. Investments of other types are allowed by state law, but it has not been a common practice to utilize them.

4. Municipal Judge's and Clerk's Retirement

Municipal Judge's and Clerk's Retirement funds are allowed the same type of deposits and investments as listed in 4(A) above. Additionally, they may purchase interest-bearing securities in the State of Arkansas, or certificates of the United States, or any or all of such securities. They may also deposit in federally insured savings and loans located in the State of Arkansas. If the total assets of the fund exceed one hundred thousand dollars ($100,000), assets may be invested subject to the prudent investor rule.

NOTE 4: Public Fund Investments

A summary of investments by fund types is as follows:

	December 31, 2003	
Fund Type	Reported Amount	Fair Value
Fiduciary	$ 42,563,534	$ 47,717,158

NOTE 4: Public Fund Investments (Continued)

These investments are composed of the following:

	December 31, 2003	
	Reported Amount	Fair Value
U.S. Government obligations	$ 8,487,681	$ 8,840,180
Domestic corporate bonds	12,350,474	13,157,790
Common and foreign stocks	18,597,638	22,539,310
Mortgages	2,190,083	2,180,811
Mutual funds	937,658	999,067
Totals	$ 42,563,534	$ 47,717,158

NOTE 5: Legal Debt Limit - Tax Secured Bond Issues

The City is subject to a constitutional limitation for bonded indebtedness equal to twenty percent (20%) of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2003, the legal debt limit for the City was $66,737,093. There were no property tax secured bond issues.

NOTE 6: Federal Funds Program Compliance

The federal grants of the City have not yet received a compliance audit in accordance with Federal Program requirements and therefore, any instances of noncompliance with Federal Grant requirements have not been determined.

NOTE 7: Commitments

Total commitments consist of the following at December 31, 2003:

	December 31, 2003
Long-Term Debt	$ 3,355,419

NOTE 7: Commitments (Continued)

Long-Term Debt

Long-Term Debt at December 31, 2003 is comprised of the following:

	December 31, 2003
Lease-purchase agreements payable	$3,355,419

Due to the city's modified cash basis of accounting, these liabilities are not recorded in the financial statements.

Compensated Absences

Compensated absences do vest or accumulate.
The amount of compensated absences was not determined.

Debt Service Requirements to Maturity

The City is obligated for the following amounts:

Years Ending December 31,	Leases
2004	$ 332,013
2005	350,212
2006	350,212
2007	350,212
2008	350,212
2009 through 2013	1,751,063
2014 through 2018	1,323,367
2019	40,032
Total Obligations	4,847,323
Less Interest	1,491,904
Total Principal	$ 3,355,419

NOTE 8: 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. There were no significant reductions in insurance coverage in the major categories of risk from coverage in the prior year.

NOTE 8: Risk Management (Continued)

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 annually based on the cost experience of the particular municipality or group as determined by the 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 $25,000 for bodily injury per person, $50,000 for bodily injury per accident and $25,000 for property damage per accident. The city shall pay into the program each year a charge established annually by the program administrator for covered municipal vehicles and mobile equipment owned or leased by the city.

B. Physical Damage – This program covers 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 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 percent 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 $2,000 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 $300,000 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 $1,000 deductible per occurrence.

NOTE 9: Municipal Judge's and Clerk's Retirement Plan

Plan Description

The Municipal Judge's and Clerk's Retirement Plan is a single-employer defined benefit pension plan that covers the Municipal Judges and Clerks of the City. The plan, administered by the City, provides retirement, disability and death benefits to plan members and their beneficiaries. The plan does not provide for post-retirement benefit increases. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. Current membership of the plan was not determined. The plan does not issue a stand-alone financial report but is included in the City's financial report.

Summary of Significant Accounting Policies

Basis of Accounting. The Municipal Judge's and Clerk's Retirement Plan financial statements are prepared using the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Contributions are recognized when paid rather than when due. Benefits are recognized when paid.

Method Used to Value Investments. Investments are reported at cost.

Contributions

Contributions are not required by the City or the covered employees under present legislation. If the accumulated assets of the fund ever become deficient to pay the retirement benefits under the plan, the deficiency shall be met by payments from the City's General Fund and proportionately from the County's General Fund, if the salary of the Municipal Judge is paid partially by the County, until such time as the plan accumulates funds sufficient to pay benefits. Total contributions were $202,962.

Annual Pension Cost and Net Pension Obligation

Governmental Accounting Standards Board Statement No. 27 requires the disclosure of the annual pension cost and net pension obligation. The statement also requires an actuarial valuation to be performed at least biennially with the disclosure of the date of the valuation and identification of the actuarial methods and significant assumptions used to determine the annual required contribution. The City did not obtain an actuarial valuation for the plan, therefore, the above information is not available.

Trend Information

The required trend information is not available, since the plan did not have an actuarial valuation.

NOTE 10: Firemen's Pension and Relief Plan

Plan Description

The Firemen's Pension and Relief Plan is a single-employer defined benefit pension plan that covers municipal firemen employed prior to January 1, 1983. The plan, administered by the City, provides retirement, disability and survivor benefits. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. State law does provide that upon actuarial soundness of the plan, the Board may increase retirement benefits. At December 31, 2001, plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	58*
DROP Participants	17*
Active members	12*

The plan was closed to new entrants on January 1, 1983. The plan does not issue a stand-alone financial report but is included in the City's financial report.

Summary of Significant Accounting Policies

Basis of Accounting. The Firemen's Pension and Relief Plan financial statements are prepared using the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Contributions are recognized when paid rather than when due. Benefits and refunds are recognized when paid.

Method Used to Value Investments. Investments are reported at cost.

Contributions

Active participants of the plan are required to make contributions of not less than six percent (6%) of their salary to the plan. Active volunteer firemen are required to make contributions of twelve dollars ($12) per year. The City is required by state law to contribute an amount equal to but not less than six percent (6%) of the participant's salary and an amount equal to the contribution paid by any volunteer fireman. The plan is also funded with state insurance tax and property tax on real estate and personal property. If the funds in the plan should be insufficient to make full payment of the amount of pensions to all persons entitled, then the funds shall be prorated among those entitled by the proper authorities as may be deemed just and equitable.

Annual Pension Cost and Net Pension Obligation

The annual pension cost for the plan for the current year is $2,632,198. The employer's contribution to the plan for the current year is $344,181 and the contributions from other contributing entities are $610,854. Any difference between the annual pension cost and the employer's contributions and the contributions from other contributing entities has not been reflected in the City's financial statements because the City is not obligated to pay the statutorily required benefits if the plan's assets are not sufficient.

NOTE 10: Firemen's Pension and Relief Plan (Continued)

Deferred Retirement Option Plan

The local firemen's pension and relief board of trustees approved the participation in the Arkansas Fire Fighter's Deferred Retirement Option Plan (DROP). Any full-paid fire fighter who is a member of the firemen's pension and relief fund who has at least twenty (20) years of credited service and who is eligible to receive a service retirement pension may elect to participate in the plan. The duration of participation shall not exceed five (5) years.

When a member begins participation in the DROP, the contribution of the fire fighter and the employer contribution shall continue to be paid. Municipal matching contributions for employees who elect the DROP shall be credited equally to the firemen's pension and relief fund and to the deferred retirement plan. The monthly retirement benefits that would have been due had the member elected to cease employment and receive a service retirement shall be paid into the DROP account.

At the end of the five years, the participant has certain options regarding the method of payment.

At the conclusion of the member's participation, the member shall terminate employment with all participating municipalities as a fire fighter and start receiving the member's accrued monthly retirement benefit from the firemen's pension and relief fund.

* Information obtained from actuarial report

NOTE 11: Policemen's Pension and Relief Plan

Plan Description

The Policemen's Pension and Relief Plan is a single-employer defined benefit pension plan that covers municipal policemen employed prior to January 1, 1983. The plan, administered by the City, provides retirement, disability and survivor benefits. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. State law does provide that upon actuarial soundness of the plan, the Board may increase retirement benefits. At December 31, 2001, plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	81*
DROP Participants	6*
Active members	7*

The plan was closed to new entrants on January 1, 1983. The plan does not issue a stand-alone financial report but is included in the City's financial report.

Summary of Significant Accounting Policies

Basis of Accounting. The Policemen's Pension and Relief Plan financial statements are prepared using the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Contributions are recognized when paid rather than when due. Benefits and refunds are recognized when paid.

NOTE 11: Policemen's Pension and Relief Plan (Continued)

Method Used to Value Investments. Investments are reported at cost.

Contributions

Active participants of the plan are required to make contributions of six percent (6%) of their salary to the plan, provided that such monthly deduction shall be four percent (4%) for policemen contributing to the social security system unless increased, but not to exceed six percent (6%), by the majority of the contributing members of the police department covered by social security. The City is required by state law to contribute an amount equal to but not less than six percent (6%) of the participant's salary; provided, however, that the City's contributions shall not exceed the amount contributed by the policemen except where authorized by appropriation of the City's governing body. The plan is also funded with state insurance tax; property tax on real estate and personal property; and ten percent (10%) of all fines and forfeitures collected by the police department of such City. If the funds in the plan should be insufficient to make full payment of the amount of pensions to all persons entitled, the beneficiaries shall be paid prorating the funds available among them.

Annual Pension Cost and Net Pension Obligation

The annual pension cost for the plan for the current year is $5,287,427. The employer's contribution to the plan for the current year is $446,002 and the contributions from other contributing entities is $618,315. Any difference between the annual pension cost and the employer's contributions and the contributions from other contributing entities has not been reflected in the City's financial statements because the City is not obligated to pay the statutorily required benefits if the plan's assets are not sufficient.

Deferred Retirement Option Plan

The local policemen's pension and relief board of trustees approved the participation in the Arkansas Police Officer's Deferred Retirement Option Plan (DROP). Any police officer who is a member of the policemen's pension and relief fund who has at least twenty (20) years of credited service and who is eligible to receive a service retirement pension may elect to participate in the plan. The duration of participation shall not exceed five (5) years, except in certain circumstances as allowed by law.

When a member begins participation in the DROP, the contribution of the police officer and the employer contribution shall continue to be paid. Municipal matching contributions for employees who elect the DROP shall be credited equally to the policemen's pension and relief fund and to the deferred retirement plan. The monthly retirement benefits that would have been due had the member elected to cease employment and receive a service retirement shall be paid into the DROP account.

The participant has certain options regarding the method of payment.

At the conclusion of the member's participation, the member shall terminate employment with all participating municipalities as a police officer and start receiving the member's accrued monthly retirement benefit from the policemen's pension and relief fund.

* Information obtained from actuarial report.

NOTE 12: 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, P. O. Drawer 34164, Little Rock, Arkansas 72203 or by calling 1-501-682-1745.

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: 6% of gross pay

B. Paid service also covered by Social Security: no employee contribution

C. Volunteer fire service: no employee contribution

The City is required to contribute at an actuarially determined rate; the current rates are 10.37% and 9.20% of annual covered payroll for paid service fire and paid service police, respectively. 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.

Annual Pension Cost

For 2002, the City's annual pension cost was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2000 revised actuarial valuation using the individual entry age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 4.1% to 9.1% per year, and (c) 3% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 4%. The actuarial value of assets was equal to reported book value, adjusted to partially recognize the difference between book value and market value. Changes in accumulated unrealized appreciation/depreciation are spread over five (5) year periods. The City's unfunded actuarial accrued liability is being amortized as a level percent of payroll on an open basis. The remaining amortization period was 30 years.

**NOTE 12: Local Police and Fire Retirement System (LOPFI) (Continued)
(A Defined Benefit Pension Plan)**

Trend Information for LOPFI

Paid Service Fire	2002	2001	2000
Annual Pension Cost (APC)	$ 151,801	$ 221,064	$ 221,406
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	$ 0	$ 0	$ 0
Paid Service Police			
Annual Pension Cost (APC)	$ 279,408	$ 400,620	$ 492,482
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	$ 0	$ 0	$ 0

NOTE 13: Non-Uniformed Employees Pension Plan

Plan Description

The Non-Uniformed Employees Pension Plan of the City of Pine Bluff is a single-employer defined pension plan that covers all non-uniformed full-time employees of the City. The pension plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions and contribution requirements may be amended by the City of Pine Bluff Retirement Board and the Pine Bluff City Council.

Funding Policy

Funding is provided by contributions of 3% by the employee and 7% by the City of the employee's total annual compensation. The City's total contribution in 2003 was $476,039.

Annual Pension Cost and Net Pension Obligation

Annual Required Contribution	$835,636
Interest on Net Pension Obligation	(99,297)
Adjustment to Annual Required Contribution	(116,828)
Annual Pension Cost	619,511
Contributions Made	754,242
Increase in Net Pension Obligation	(134,731)
Net Pension Obligation - Beginning of Year	(1,654,954)
Net Pension Obligation - End of Year	$(1,789,685)

The annual required contribution for 2003 was determined as part of the January 1, 2003 actuarial valuation using the entry age normal cost method. The actuarial assumptions included a 6% investment rate of return and projected salary increases of 4%.

NOTE 13: Non-Uniformed Employees Pension Plan (Continued)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Plan Assets	Entry Age Actuarial Accrued Liability	Unfunded Accrued Liability (UAL)	Funded Ratio	Annual Covered Payroll	UAL as a % of Covered Payroll
12-31-98	$22,903,573	$12,568,881	$(10,334,692)	182%	$5,767,331	(179%)
12-31-99	$23,373,446	$14,176,802	$(9,196,644)	165%	$6,053,792	(152%)
12-31-00	$23,701,586	$17,414,322	$(6,287,264)	136%	$6,368,372	(99%)
12-31-01	$24,678,591	$19,083,782	$(5,594,809)	129%	$6,894,620	(81%)
12-31-02	$25,996,440	$21,298,251	$(4,698,189)	122%	$7,249,571	(65%)
12-31-03	$28,285,110	$23,475,751	$(4,809,359)	120%	$7,168,412	(67%)

NOTE 14: Joint Ventures

A. Metropolitan Emergency Communications Association

The City of Pine Bluff belongs to the Metropolitan Emergency Communications Association, as set up by an amended interlocal cooperation agreement, dated May 13, 1996, which is composed of the Cities of Pine Bluff, White Hall, Redfield, Altheimer, Wabbaseka, Humphrey, and Sherrill and Jefferson County. The Association is governed by seven commissioners which include the City of Pine Bluff's Mayor, Police Chief and Fire Chief, Jefferson County's County Judge and Sheriff, the Office of Emergency Service's Coordinator and the Chairman of the 911 Administrative Board by virtue of their term in office or employment with the local government. Pursuant to the aforementioned amended agreement for 1996, the participants' percentage share of any deficit between 911 telephone fee revenue and operating expenses was as follows:

City of Pine Bluff	70.76%
City of White Hall	2.25%
City of Redfield	.63%
City of Altheimer	.57%
City of Wabbaseka	.19%
City of Humphrey	.21%
City of Sherrill	.04%
Jefferson County	25.35%
Total	100.00%

Separate financial statements are not available.

B. Pine Bluff and Jefferson County Library System

The City of Pine Bluff and Jefferson County entered into an agreement in August 1979 in accordance with Ark. Code Ann. 25-20-101 through 25-20-108 to establish a library system for the Jefferson County, Arkansas area. The System is composed of five (5) members appointed by the Jefferson County Judge with Quorum Court approval and six (6) members appointed by the Mayor of Pine Bluff and ratified by the City Council. Title to fixed assets held by the constituent governmental units and used for library purposes at the time of the execution of this agreement shall remain unchanged, although additional assets may be acquired in the name of the System. The Board shall fix the number and salaries of employees of the System. Separate financial statements are available at 200 East Eighth Street, Pine Bluff, Arkansas 71601.

NOTE 15: Revenue Bond Issues

The following revenue bonds were issued for securing and developing industry within the City of Pine Bluff. The bonds are being retired by a lease-rental plan with the following corporations:

Corporation	Ordinance Authorizing Issuance	Year of Issuance	Original Amount of Bonds Issued	Bonds Outstanding as of December 31, 2003
International Paper Company	Various	Various	$ 17,585,000	$ 17,345,000
AR Health Facilities Board	5329	1989	810,000	375,000
Weyerhaeuser Company	Various	1977	1,500,000	1,000,000
Rolling Pin, Inc.	5733	1998	9,000,000	2,985,000
Coltec Industries, Inc.	5552	1993	3,000,000	2,100,000
Totals			$ 31,895,000	$ 23,805,000

The bonds are special obligations of the City and do not constitute an indebtedness of the City within any Constitutional or statutory limitation, but are payable solely from lease-rentals of certain properties, and are secured by a statutory mortgage lien on the same. Accordingly, these bonds are not reflected on the accompanying financial statements.

NOTE 16: Subsequent Event

The City was a defendant in U.S District Court Case No. 02-3600 - *Pennsylvania National Mutual Casualty Insurance Company, a Pennsylvania Corporation (Penn National) and Cannon Contracting (Cannon) v. City of Pine Bluff*. The plaintiffs filed action concerning a claim by the surety of David Mitchell Construction, Inc. (DMC) which contracted with the City for debris removal from the December 2000 ice storms. The surety, Penn National, notified the City prior to a settlement agreement with DMC and others in June 2001 that it claimed priority to the funds since there were unpaid subcontractor claims. The U.S. District Court ruled in favor of the City. However, the plaintiffs appealed the decision and the Eighth (8th) Circuit Court of Appeals reversed the lower court's decision (Case No. 02-3646). As a result, the City paid $834,870 on May 3, 2004 to resolve this lawsuit.

Schedule 1

CITY OF PINE BLUFF, ARKANSAS
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS (Unaudited)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	**Final**	**Amounts**	**Positive (Negative)**
Beginning Budgetary Fund Balance:	$ 2,341,000	$ 2,341,000	$ 3,437,376	$ 1,096,376
Resources (Inflows):				
State aid:				
General turnback	920,000	920,000	845,248	(74,752)
State pension funds	300,000	300,000	215,870	(84,130)
State mass transit authority grants	130,968	130,968	41,021	(89,947)
State youth grant		4,315	4,315	
Fire protection funds			111,344	111,344
DHS grant			34,561	34,561
Federal aid:				
Federal mass transit authority grants	549,026	834,273	973,858	139,585
Juvenile justice grant		106,397	29,039	(77,358)
Drug law enforcement grants			337,199	337,199
Property taxes	1,560,000	1,722,000	2,242,143	520,143
Franchise taxes	2,545,500	2,358,676	2,341,964	(16,712)
Sales Taxes	12,400,000	12,400,000	12,231,345	(168,655)
Fines, forfeitures, and costs	1,133,620	1,030,687	894,243	(136,444)
Interest	39,600	18,600	23,617	5,017
Local permits and fees	1,054,400	1,157,400	1,083,470	(73,930)
Sanitation fees	2,276,284	2,276,284	2,267,580	(8,704)
Transit fees			37,115	37,115
Other	143,776	485,761	595,284	109,523
Other financing sources:				
Transfers in	289,133	343,961	1,033,961	690,000
Amounts available for appropriation	$ 25,683,307	$ 26,430,322	$ 28,780,553	$ 2,350,231
Charges to Appropriations (Outflows):				
General government	$ 3,675,760	$ 5,901,888	$ 3,690,593	$ 2,211,295
Public safety	15,648,504	16,028,715	15,511,942	516,773
Streets and public works	3,619,729	4,968,990	4,120,719	848,271
Health and welfare	151,238	182,661	231,884	(49,223)
Recreation and culture	1,181,743	1,161,753	658,952	502,801
Community development			81,343	(81,343)
Other financing uses:				
Transfers out	289,133	343,961	2,343,261	(1,999,300)
Total Charges to Appropriations	24,566,107	28,587,968	26,638,694	1,949,274
Ending Budgetary Fund Balance	$ 1,117,200	$ (2,157,646)	$ 2,141,859	$ 4,299,505

Schedule 1

CITY OF PINE BLUFF, ARKANSAS
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS (Unaudited)
STREET FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
Beginning Budgetary Fund Balance:	$ 150,000	$ 150,000	$ 987,952	$ 837,952
Resources (Inflows):				
State aid:				
Street turnback	2,470,000	2,470,000	2,454,693	(15,307)
Property taxes	450,000	450,000	509,327	59,327
Interest	12,000	12,000	8,209	(3,791)
Local permits and fees			476,596	476,596
Other	110,000	140,000		(140,000)
Amounts available for appropriation	3,192,000	3,222,000	4,436,777	1,214,777
Charges to Appropriations (Outflows):				
Streets and public works	3,042,000	4,052,624	3,798,609	254,015
Ending Budgetary Fund Balance	$ 150,000	$ (830,624)	$ 638,168	$ 1,468,792

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 General and Special Revenue Funds for the calendar year commencing the following January 1. The operating budget includes proposed disbursements 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 action 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 receipts and disbursements represent the formal operating budget adopted by the City Council, as amended by the Council during the year.

The City did not comply with the above requirements in that a budget was not adopted for some General and Special Revenue Funds.

Basis of Accounting

The City prepared an annual budget on the modified cash basis for all the General Funds except for the SID Loan, VIN and Public Safety Facility Building Funds and all the Special Revenue Funds except for the Health Insurance, LLEBG and Administration of Justice Funds. Formal budgetary policies are not employed for the Fiduciary Fund Types.

Schedule 2

CITY OF PINE BLUFF, ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FIREMEN'S PENSION AND RELIEF PLAN
(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) [Entry Age] (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/2001	$ 19,431,504	$ 24,737,423	$ 5,305,919	79%	$ 566,035	937%
12/31/1999	18,726,124	19,126,630	400,506	98%	944,214	42%
12/31/1997	16,344,206	17,408,583	1,064,377	94%	1,750,051	61%

Assets are valued at market beginning 12-31-97.

Schedule 3

CITY OF PINE BLUFF, ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES
FIREMEN'S PENSION AND RELIEF PLAN
(Unaudited)

	Employer Contributions		Other Entities Contributions	
Year Ended December 31,	Annual Required Contribution (ARC)	Percentage Contributed	Required Contribution	Percentage Contributed
2003	$ 2,632,198	13%	$ 610,854	100%
2002	1,147,747	39%	111,747	100%
2001	268,711	168%	118,487	100%
2000	268,711	196%	190,539	100%
1999	368,909	140%	177,674	100%
1998	368,909	144%	182,613	100%

Schedule 4

CITY OF PINE BLUFF, ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
POLICEMEN'S PENSION AND RELIEF PLAN
(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) [Entry Age] (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/2001	$ 18,473,503	$ 25,095,723	$ 6,622,220	74%	$ 282,546	2344%
12/31/1999	18,482,524	19,688,625	1,206,101	94%	619,628	195%
12/31/1997	16,416,295	19,024,232	2,607,937	86%	1,364,210	191%

Assets are valued at market beginning 12-31-97.

Schedule 5

CITY OF PINE BLUFF, ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES
POLICEMEN'S PENSION AND RELIEF PLAN
(Unaudited)

	Employer Contributions		Other Entities Contributions	
Year Ended December 31,	Annual Required Contribution (ARC)	Percentage Contributed	Required Contribution	Percentage Contributed
2003	$ 5,287,427	8%	$ 618,315	100%
2002	1,437,950	39%	170,023	100%
2001	324,606	161%	171,744	100%
2000	324,606	158%	156,586	100%
1999	507,927	115%	177,642	100%
1998	507,927	115%	175,245	100%

CITY OF PINE BLUFF, ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
NOTE TO THE SCHEDULE OF FUNDING PROGRESS AND SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES
DECEMBER 31, 2003

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

	Firemen's Pension and Relief Fund	Policemen's Pension and Relief Plan
Valuation date	12/31/01	12/31/01
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent closed	Level percent closed
Remaining amortization period	6 years	6 years
Asset valuation method	Market	Market
Actuarial assumptions:		
Investment rate of return	6%	6%
Projected salary increases*	4.2-8.0%	4.2-8.0%
* Includes inflation at	4%	4%
Cost-of-living adjustments	None	None

CITY OF PINE BLUFF, ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
LOCAL POLICE AND FIRE RETIREMENT PLAN
(Unaudited)

Schedule 6

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) [Entry Age] (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll [(b-a)/c]
Paid Service Fire						
12/31/2002	$ 7,459,376	$ 5,934,416	$ (1,524,960)	126%	$ 2,528,764	(60%)
12/31/2001	6,828,413	4,262,094	(2,566,319)	160%	2,306,184	(111%)
12/31/2000	5,968,506	3,799,318	(2,169,188)	157%	2,152,514	(101%)
Paid Service Police						
12/31/2002	$ 12,045,439	$ 8,911,027	$ (3,134,412)	135%	$ 4,652,458	(67%)
12/31/2001	11,595,070	6,566,409	(5,028,661)	177%	4,406,588	(114%)
12/31/2000	10,278,313	6,034,059	(4,244,254)	170%	4,323,886	(98%)

CITY OF PINE BLUFF, ARKANSAS
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF FIXED ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Unaudited)

Schedule 7

	Original Cost	Accumulated Depreciation	Balance at December 31, 2003
General Fixed Assets			
Land	$ 384,515		$ 384,515
Buildings	12,935,007	$ (9,286,914)	3,648,093
Infrastructure	14,181,055	(9,862,000)	4,319,055
Improvements	1,585,403	(242,440)	1,342,963
Heavy Machinery	7,845,423	(5,051,217)	2,794,206
Vehicles	4,137,334	(2,941,225)	1,196,109
Equipment	1,838,400	(1,254,644)	583,756
Total	$ 42,907,137	$ (28,638,440)	$ 14,268,697