City of Pine Bluff, Arkansas

Regulatory Basis Financial Statements and Other Reports

December 31, 2008

LEGISLATIVE JOINT AUDITING COMMITTEE

CITY OF PINE BLUFF, ARKANSAS
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Arkansas

Roger A. Norman, JD, 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 regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of the City of Pine Bluff, Arkansas, as of and for the year ended December 31, 2008, 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 more fully in Note 1(B and C), the City has prepared these financial statements using accounting practices prescribed or permitted by Arkansas Code, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Pine Bluff, Arkansas, as of December 31, 2008, or the changes in its financial position or where applicable, its cash flows, thereof for the year then ended. Further, the City has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The Wastewater Utility Commission, Civic Auditorium Complex Commission, Advertising and Tourist Promotion Commission and Aviation Commission Funds have not been included in the City's regulatory basis financial statements. The regulatory basis as prescribed or permitted by Arkansas Code requires these funds to be presented as part of the other funds in the aggregate, thus increasing the column's assets, liabilities, revenues, and expenditures. The amount by which this departure would affect the assets, liabilities, revenues, and expenditures of the other funds in the aggregate column is not reasonably determinable. The City's regulatory basis financial statements also do not disclose all the required information concerning deposit and investment risks, which should be included in order to conform with the regulatory basis of accounting described in Note 1(C).

In our opinion, because of the effects on the financial statements of the omissions described in the preceding paragraph, the financial statements referred to above do not present fairly, in all material respects, the respective regulatory basis financial position of the other funds in the aggregate of the City of Pine Bluff, Arkansas, as of December 31, 2008, and the respective changes in the regulatory basis financial position for the year then ended on the basis of accounting as described in Note 1(C).

In our opinion, except for the effects of not disclosing all required information concerning deposit and investment risks, the financial statements referred to above present fairly, in all material respects, the respective regulatory basis financial position of the general fund and street fund of the City of Pine Bluff, Arkansas, as of December 31, 2008, and the respective changes in the regulatory basis financial position, and the budgetary results for the general fund and street fund for the year then ended on the basis of accounting as described in Note 1(C).

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In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2009 on our consideration of the City's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the accompanying regulatory basis financial statements of the City of Pine Bluff, Arkansas. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the City of Pine Bluff, Arkansas. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, because of the effects on the financial information in supporting schedules 1 and 2 of the omissions described above, such information is not presented fairly in all material respects in relation to the financial statements taken as a whole. The supplementary information in the Schedule of Capital Assets required by the regulatory basis of presentation and the Schedule of Selected Information for the Last Five Years as listed in the table of contents as Schedules 3 and 4 are presented for the purpose of additional analysis. We have not applied auditing procedures to this information and, accordingly, we express no opinion on these schedules.

DIVISION OF LEGISLATIVE AUDIT

Roger Norman

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

Little Rock, Arkansas
August 20, 2009
LOM107608

Arkansas

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

LEGISLATIVE JOINT AUDITING COMMITTEE
DIVISION OF 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*

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

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 Pine Bluff, Arkansas, as of and for the year ended December 31, 2008 and have issued our report thereon dated August 20, 2009. We issued an adverse opinion because the City prepared the financial statements using accounting practices prescribed or permitted by Arkansas Code, which differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices 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 basis of accounting described in Note 1(C), our opinion on the other funds in the aggregate was adverse because of the effects on the financial statements of not including the Wastewater Utility Commission, Civic Auditorium Complex Commission, Advertising and Tourist Promotion Commission and Aviation Commission Funds, which are material to other funds in the aggregate, and our opinions on the general fund and street fund were qualified because required disclosures were not made concerning deposit and investment risks. 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.

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

In planning and performing our audit, we considered the City of Pine Bluff's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting as prescribed or permitted by Arkansas Code such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting:

2008-1 To ensure the proper safeguarding of assets, financial accounting duties relating to initiating, receipting, depositing, disbursing, and recording cash transactions should be distributed among appropriate employees. The City officials, as specified in the Other Issues section of this report, 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 cash transactions to the extent possible with the current staffing levels.

2008-2 The City Collector is responsible for ensuring compliance with accounting procedures relating to the receipt and bank deposit of municipal funds as set forth in Municipal Accounting Law and City policy. A review of the receipting and depositing processes indicated instances in which receipts were not:

- Deposited intact;
- Issued at the time of collection, but at the time of deposit;
- Issued sequentially;
- Issued for correct amount of received; nor
- Voided with original copies being attached and an explanation provided.

Internal controls over procedures to issue receipts and deposit related revenue were circumvented which contributed to undeposited receipts of $860 and unreceipted checks on hand totaling $13,297 on July 14, 2009, which were subsequently receipted and deposited. The City Collector should implement internal control procedures to ensure proper processing of receipts. Of the undeposited $860, City Collector Albert Ridgell made restitution of $357, leaving $503 due the City. Mr. Ridgell responded that corrective action will be taken to implement the recommendation.

2008-3 Proper information systems management includes establishing controls over access to programs and data input controls as well as providing a means to trace a transaction from the beginning to the end of a process in order to provide reasonable assurance that unauthorized or erroneous disclosure, modification or destruction of information will be prevented or timely detected. The AS400 system is used by the City of Pine Bluff to record city revenue. A special review of the AS400 system security and data input controls revealed the following:

Data Access Security

1. Employees share a username and password that has unlimited access to all data and functions in the Collector's system. Failure to properly assign or limit access permissions and lack of an audit trail allows users the ability to process and conceal unauthorized transactions. In addition, the absence of a reliable audit trail prevents monitoring and detection efforts.
2. The Collector's application fails to segregate the functions of cash receipting and accounts receivable management. Employees have the ability to create a case and account balance information; make adjustments to fines owed (with no audit trail of balance changes); create and void receipts; and write-off/close unpaid account balances without proper authorization from the Courts.

Data Integrity

3. All employees have unlimited access to the write-off function, which allows the user to reduce or eliminate account balances with no audit trail. These conditions enable concealment of improper activity and inhibit management's ability to track account balances and collections.
4. The City has contracted with Accounts Billing Services (ABS), which states that the agency will provide collection services on all accounts delinquent for 90 days or longer. The Collector's application does not provide adequate system functionality to automate the management of delinquent accounts. The Collector's Office manually flags accounts for collection and notifies the software vendor to email a list of delinquent accounts to the collection agency. These circumstances may hinder the agency's collection outcomes and reduce city revenue.

System Interfaces

5. Fines due in the Collector's System are not reconciled to fines originally charged and entered in the Court System, reducing the integrity of account balances. Delinquent receipts paid in the Collector's Office are not consistently reported to the collection agency and payments in the Collector's System are not being reconciled to the ABS System. System interfaces should be verified by end users to ensure that data is complete, accurate and properly authorized.

   We recommend City management implement procedures to ensure proper information system internal controls are utilized. The **City Collector** has responded that corrective action will be taken to address these weaknesses.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2008-1, 2008-2 and 2008-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of the City's 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the Internal Control over Financial Reporting section as item 2008-2.

The City's response to the findings identified in our audit is described above. We did not audit the City's response 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 2008:

Mayor: Carl A. Redus, Jr.
City Collector: Albert Ridgell
Finance Director: Steve Miller
City Clerk: Loretta Whitfield
District Court Clerk (Division I): Debbie Drake
District Court Clerk (Division II): Veronica Young
Police Chief: John Howell
Parks and Recreation Commission Director: Angela Parker
Southeast Arkansas Arts and Science Commission Director: Janelle Powell

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**, **Finance Director**, **City Clerk**, **District Court Clerk (Division I)**, **District Court Clerk (Division II)** and **Police Chief** were in substantial compliance with Arkansas fiscal and financial laws. Noncompliance with state law and accepted accounting practices were noted in the Offices of **City Collector**, **Parks and Recreation Commission Director** and **Southeast Arkansas Arts and Science Commission Director**.

Parks and Recreation Commission Director

According to an investigation conducted by the Parks and Recreation Department and the Police Department, Mr. Raymond Jenkins, Townsend Park Athletic Director, submitted falsified documentation to pay umpires during the period April 27, 2009 through May 8, 2009; however, these umpires had not worked, but cashed the paychecks and returned funds totaling $630 to Mr. Jenkins who was terminated from employment on June 2, 2009.

Southeast Arkansas Arts and Science Commission Director

A financial institution serving as a depository of public funds and wishing to provide only imaged documents is required by Ark. Code Ann. § 10-2-501 et seq. to meet certain requirements. These measures are taken to assure the authenticity of bank documents; however, we found the documents provided by the City's bank were not in accordance with the above code.

This report is intended solely for the information and use of the Legislative Joint Auditing Committee, local City government, state executive and oversight management, the federal awarding agencies and pass-through entities, if applicable, and other parties as required by Arkansas Code, and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Arkansas Code Annotated § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

DIVISION OF LEGISLATIVE AUDIT

June M. Barron

June M. Barron, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
August 20, 2009

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Exhibit A

CITY OF PINE BLUFF, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2008

	General	Street	Other Funds In The Aggregate
ASSETS			
Cash and cash equivalents	$ 4,417,531	$ 340,947	$ 5,240,238
Investments			51,890,966
Accounts receivable	2,382,086	269,253	567,177
Interfund receivables	96,944		
TOTAL ASSETS	$ 6,896,561	$ 610,200	$ 57,698,381
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 974,783	$ 2,784	$ 16,523
Interfund payables		7,938	89,006
Settlements pending			254,523
Total Liabilities	974,783	10,722	360,052
Fund Balances:			
Reserved (Note 10)	76,500	599,478	57,338,329
Unreserved:			
Designated (Note 11)	492,216		
Undesignated	5,353,062		
Total Fund Balances	5,921,778	599,478	57,338,329
TOTAL LIABILITIES AND FUND BALANCES	$ 6,896,561	$ 610,200	$ 57,698,381

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

Exhibit B

CITY OF PINE BLUFF, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

	General	Street	Other Funds In The Aggregate
REVENUES			
State aid	$ 1,536,397	$ 2,527,140	$ 952,087
Federal aid	1,360,922		2,468,142
Property taxes	2,336,783	531,580	566,500
Franchise taxes	3,099,393		
Sales taxes	13,769,087		
Fines, forfeitures and costs	1,290,797		67,546
Interest and dividends	40,487	11,959	2,357,084
Local permits and fees	1,501,988		174,377
Sanitation fees	2,681,832		
Transit	42,826		
Parks and recreation fees			286,674
Other	675,152	231,378	1,743,160
TOTAL REVENUES	28,335,664	3,302,057	8,615,570
EXPENDITURES			
Current:			
General government	3,632,288		2,126,018
Law enforcement	10,062,646		2,179,121
Highways and streets	95,264	3,601,575	
Public safety	6,696,972		2,385,664
Sanitation	2,851,812		
Health	58,200		
Recreation and culture	1,132,299		2,243,139
Social services	15,674		
Community development			2,531,924
Transit	1,060,148		
Total Current	25,605,303	3,601,575	11,465,866

Exhibit B

CITY OF PINE BLUFF, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

	General	Street	Other Funds In The Aggregate
EXPENDITURES (CONTINUED)			
Debt Service:			
Lease principal	$ 310,107		
Lease interest	82,716		
Notes payable principal	124,750		
Notes payable interest	22,184		
TOTAL EXPENDITURES	26,145,060	$ 3,601,575	$ 11,465,866
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,190,604	(299,518)	(2,850,296)
OTHER FINANCING SOURCES (USES)			
Transfers in			896,853
Transfers out	(896,853)		
Net realized gain/loss on investment			(2,853,514)
TOTAL OTHER FINANCING SOURCES (USES)	(896,853)		(1,956,661)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,293,751	(299,518)	(4,806,957)
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	2,556,848	898,996	62,145,286
Restatement adjustment	2,071,179		
FUND BALANCES - JANUARY 1, AS RESTATED	4,628,027	898,996	62,145,286
FUND BALANCES - DECEMBER 31	$ 5,921,778	$ 599,478	$ 57,338,329

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

CITY OF PINE BLUFF, 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, 2008

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	$ 1,719,077	$ 1,536,397	$ (182,680)	$ 2,643,996	$ 2,527,140	$ (116,856)
Federal aid		1,360,922	1,360,922			
Property taxes	1,822,000	2,336,783	514,783	540,000	531,580	(8,420)
Franchise taxes	3,004,544	3,099,393	94,849			
Sales taxes	13,088,634	13,769,087	680,453			
Fines, forfeitures and costs	1,470,280	1,290,797	(179,483)			
Interest	53,274	40,487	(12,787)	24,000	11,959	(12,041)
Local permits and fees	1,429,754	1,501,988	72,234			
Sanitation fees	2,708,928	2,681,832	(27,096)			
Transit	1,492,720	42,826	(1,449,894)			
Other	835,092	675,152	(159,940)	159,004	231,378	72,374
TOTAL REVENUES	27,624,303	28,335,664	711,361	3,367,000	3,302,057	(64,943)
EXPENDITURES						
Current:						
General government	4,109,619	3,632,288	477,331			
Law enforcement	10,590,522	10,062,646	527,876			
Highways and streets	70,872	95,264	(24,392)	3,916,577	3,601,575	315,002
Public safety	6,900,452	6,696,972	203,480			
Sanitation	2,618,712	2,851,812	(233,100)			
Health	58,200	58,200				
Recreation and culture	640,579	1,132,299	(491,720)			
Social services	12,600	15,674	(3,074)			
Transit	1,453,057	1,060,148	392,909			
Total Current	26,454,613	25,605,303	849,310	3,916,577	3,601,575	315,002
Debt Service:						
Lease principal		310,107	(310,107)			
Lease interest		82,716	(82,716)			
Notes payable principal		124,750	(124,750)			
Notes payable interest		22,184	(22,184)			
TOTAL EXPENDITURES	26,454,613	26,145,060	309,553	3,916,577	3,601,575	315,002

CITY OF PINE BLUFF, 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, 2008

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURESS	$ 1,169,690	$ 2,190,604	$ 1,020,914	$ (549,577)	$ (299,518)	$ 250,059
OTHER FINANCING SOURCES (USES)						
Transfers out	(1,400,501)	(896,853)	503,648			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(230,811)	1,293,751	1,524,562	(549,577)	(299,518)	250,059
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	2,556,848	2,556,848		898,996	898,996	
Restatement adjustment	2,071,179	2,071,179				
FUND BALANCES - JANUARY 1, AS RESTATED	4,628,027	4,628,027		898,996	898,996	
FUND BALANCES - DECEMBER 31	$ 4,397,216	$ 5,921,778	$ 1,524,562	$ 349,419	$ 599,478	$ 250,059

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

NOTE 1: Summary of Significant Accounting Policies

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 reporting entity includes all funds of the City. The following funds of the City are not presented in this report: Wastewater Utility Commission, Civic Auditorium Complex Commission, Advertising and Tourist Promotion Commission and Aviation Commission.

B. Basis of Presentation – Regulatory

The financial statements are presented in accordance with the regulatory basis of presentation as prescribed or permitted by Arkansas Code. 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 fund; 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 the primary operating fund and is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund heading as it appears in the financial statements includes the following accounts: General, Transit, Sewer Improvement District Loan, Vice Intelligence Narcotics, Capital Projects and Public Safety Facility Building.

Street Fund - The Street Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures 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 the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The following Special Revenue Funds are reported with other funds in the aggregate: Community Development Block Grant, Parks and Recreation Commission, Historic District Commission, Administration of Justice and Southeast Arkansas Arts and Science Commission.

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. The following Trust and Agency Funds are reported with other funds in the aggregate: City Retirement, Firemen's Pension and Relief, Policemen's Pension and Relief, Cemetery Trust, Payroll, District Court (Division I), District Court (Division II), City Collector and Health Insurance Premium.

NOTE 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting - Regulatory

The financial statements are prepared on the regulatory basis of accounting as prescribed or permitted by Arkansas Code. This regulatory basis differs from accounting principles generally accepted in the United States of America. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current period. 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, certificates of deposit, treasury bills 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, insurance premiums and interest that have not been transferred to the appropriate entities.

Fund Balance

1. Reserved Fund Balance indicates that portion of fund balance that is not appropriable for expenditure or is legally segregated for a specific future use.

2. Designated Fund Balance indicates that portion of fund balance for which the entity has made tentative plans for financial resource utilization in a future period.

3. Undesignated Fund Balance indicates that portion of fund balance not reserved or designated.

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 10. 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.

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Budget Law (Continued)

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

<u>Basis of Accounting</u>

The City prepared an annual budget on the regulatory basis for the General Fund, Street Fund and the other Special Revenue Funds.

NOTE 2: Cash and Investments

Deposit and 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 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.

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 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.

(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 3(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.

NOTE 4: Public Fund Investments

A summary of investments by fund types is as follows:

Fund Type	December 31, 2008 Reported Amount	December 31, 2008 Fair Value
Trust	$ 51,890,966	$ 45,757,780

These investments are composed of the following:

	December 31, 2008 Reported Amount	December 31, 2008 Fair Value
Federal agency obligations	$ 7,186,202	$ 7,412,233
Domestic corporate bonds	14,994,586	14,688,593
Common and foreign stock	22,461,113	17,594,229
Mortgages	3,616,556	3,663,718
Mutual funds	3,632,509	2,399,007
Totals	$ 51,890,966	$ 45,757,780

NOTE 5: Accounts Receivable

The accounts receivable balance at December 31, 2008 is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
State aid	$ 184,734	$ 246,520	
Federal aid			$ 102,836
Property taxes	97,853	22,733	
Franchise taxes	655,345		
Sales taxes	1,049,239		
Fines, forfeitures and costs	51,490		3,240
Interest and dividends			431,228
Local permits and fees			1,537
Sanitation fees	230,557		
Other	112,868		28,336
Totals	$ 2,382,086	$ 269,253	$ 567,177

NOTE 6: Accounts Payable

The accounts payable balance at December 31, 2008 is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor payables	$ 974,783	$ 2,784	$ 11,581
Payroll taxes payable			4,942
Totals	$ 974,783	$ 2,784	$ 16,523

NOTE 7: Interfund Balances

Individual fund interfund receivable and payable balances are as follows:

	December 31, 2008	
Fund	Interfund Receivables	Interfund Payables
General Fund	$ 96,944	
Street		$ 7,938
Other Funds in the Aggregate:		
Special Revenue Funds:		
Community Development Block Grant		87,561
Parks and Recreation Commission		1,445
Totals	$ 96,944	$ 96,944

Interfund receivables and payables consist of expenses paid by the general fund for other restricted funds not reimbursed by year-end. These balances are expected to be repaid in 2009.

NOTE 8: Legal Debt Limit

A. Bonded Debt

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, 2008, the legal debt limit for the bonded debt was $69,319,986. There were no property tax secured bond issues.

B. Short-Term Financing Obligations

The City is subject to a constitutional limitation for short-term financing obligations equal to five percent (5%) of the assessed value of taxable property within the City as determined by the last tax assessment. At December 31, 2008, the legal debt limit for short-term financing obligations was $18,592,315. The amount of short-term financing obligations was $935,656 leaving a legal debt margin of $17,653,659.

NOTE 9: 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. Disbursements that are not in accordance with the federal program requirements are subject to reimbursement by the City.

NOTE 10: Reserved Fund Balance

Reserved fund balance consists of the following:

		December 31, 2008
General		
Sewer Improvement District Loan	$	76,500
Street	$	599,478
Other Funds in the Aggregate		
Special Revenue Funds:		
Community Development Block Grant	$	167,195
Parks and Recreation Commission		20,615
Historic District Commission		6,225
Administration of Justice		429,716
Southeast Arkansas Arts and Science Commission		245,335
Total Special Revenue		869,086
Trust Funds:		
City Retirement		26,524,538
Firemen's Pension and Relief		13,660,379
Policemen's Pension and Relief		15,840,974
Cemetery		443,352
Total Trust		56,469,243
Total Other Funds in the Aggregate	$	57,338,329

NOTE 11: General Fund - Designated Fund Balance

General Fund designated fund balance consists of the following:

Description		December 31, 2008
Transit	$	66,117
Sewer Improvement District Loans		42,639
Vice Intelligence Narcotics		126,586
Capital Projects		225,031
Public Safety Facility Building		31,843
Total	$	492,216

NOTE 12: Commitments

Total commitments consist of the following at December 31, 2008:

		December 31, 2008
Long-Term Debt	$	3,376,128

NOTE 12: Commitments (Continued)

Long-Term Debt

Long-Term Debt at December 31, 2008 is comprised of the following:

	December 31, 2008
A 2001 lease-purchase agreement with Saulsbury Hill Financial for the purpose of replacement and refurbishment of the heating and cooling systems of the Civic Center Complex and associated energy conservation measures, quarterly installments of $47,522 for 15 years at 5.8% interest. Payments are to be made from the General Fund.	$ 1,179,820
A 2003 lease-purchase agreement with First Security Leasing for the purpose of replacement and refurbishment of the heating and cooling systems of the Convention Center and associated energy conservation measurers, quarterly installments of $40,031 for 16 years at 5.9% interest. Payments are to be made from the Advertising and Tourist Promotion Commission Fund.	1,260,651
A 2008 lease-purchase agreement with Ford Motor Credit on the purchase of three 2008 Mercury Grand Marquis, annual installments of $20,338 for three years at 6.8% interest. Payments are to be made from the General Fund.	36,874
A 2008 lease-purchase agreement with Ford Motor Credit on the purchase of two 2009 Ford Crown Victorias, two 2009 Dodge Chargers and a 2009 Ford Explorer, annual installments of $39,180 for three years at 6.3% interest. Payments are to be made from the General Fund.	71,531
A 2008 lease-purchase agreement with Ford Motor Credit on the purchase of three 2009 Ford Crown Victorias, annual installments of $24,231 for three years at 6.3% interest. Payments are to be made from the General Fund.	44,240
A 2007 lease-purchase agreement with Smart Chevrolet on the purchase of three 2007 Chevrolet Impalas, annual installments of $19,343 for three years at 6.1% interest. Payments are to be made from the General Fund.	18,231
A 2007 lease-purchase agreement with Ford Motor Credit on the purchase of five 2008 Ford Crown Victorias, annual installments of $39,719 for three years at 6.1% interest. Payments are to be made from the General Fund.	37,433
A 2008 promissory note with Simmons First National Bank for the purchase of a 2008 Pierce fire truck, annual installments of $66,599 for five years at 4.1% interest. Payments are to be made from the General Fund.	295,645
A 2007 promissory note with Simmons First National Bank for the purchase of technology equipment for an upgrade by the Police Department, monthly installments of $12,244 for 60 months at 4.5% interest. Payments are to be made from the General Fund.	431,703
Total Long-Term Debt	$ 3,376,128

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

NOTE 12: Commitments (Continued)

Compensated Absences

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

Post-Employment Benefits Other Than Pensions

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

Debt Service Requirements to Maturity

The City is obligated for the following amounts at December 31, 2008:

Years Ending December 31,	Notes	Leases	Total
2009	$ 213,533	$ 493,021	$ 706,554
2010	213,533	433,962	647,495
2011	213,533	350,212	563,745
2012	89,901	350,212	440,113
2013	66,599	350,213	416,812
2014 through 2018		1,323,366	1,323,366
2019		40,031	40,031
Total Obligations	797,099	3,341,017	4,138,116
Less Interest	69,751	692,237	761,988
Total Principal	$ 727,348	$ 2,648,780	$ 3,376,128

NOTE 13: Interfund Transfers

The amounts of $846,853 and $50,000 were transferred from the General Fund to the Other Funds in the Aggregate to supplement the Parks and Recreation Commission and Southeast Arkansas Arts and Science Commission, respectively.

NOTE 14: Prior Year Restatement

The January 1, 2008 General Fund fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances was increased by $2,071,179 to reflect a net adjustment for prior year receivables and payables.

NOTE 15: 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 Services 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:

NOTE 15: Joint Ventures (Continued)

A. Metropolitan Emergency Communications Association (Continued)

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%

The City paid Metropolitan Emergency Communications Association $623,483 in 2008.

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 to -108 to establish a library system for the Jefferson County, Arkansas area. The System is composed of five members appointed by the Jefferson County Judge with Quorum Court approval and six 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. The City paid the Pine Bluff and Jefferson County Library System $566,471 in 2008. Separate financial statements are available at 200 East Eighth Street, Pine Bluff, Arkansas 71601.

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. There have been several lawsuit settlements in the past three years that exceeded the coverage provided by the Arkansas Municipal League Legal Defense Fund. The settlements paid by the City totaled $356,042, $296,958 and $259,720 in 2008, 2007 and 2006, 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 $25,000 for bodily injury or death per person, $50,000 for bodily injury or death 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.

NOTE 16: Risk Management (Continued)

Municipal Vehicle Program (Continued)

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 $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 $1,000 deductible per occurrence.

NOTE 17: 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. 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.

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.

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.

NOTE 17: Firemen's Pension and Relief Plan (Continued)

Deferred Retirement Option Plan (Continued)

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.

NOTE 18: 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. 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.

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.

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.

NOTE 19: 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 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.

NOTE 20: Arkansas Public Employees Retirement System

Plan Description

The City contributes to the Arkansas Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan that covers the District Judges and Court Clerks. PERS 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 PERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 W. Capitol, Little Rock, Arkansas 72201 or by calling 1-800-682-7377.

Funding Policy

PERS has contributory and non-contributory plans. Contributory members are required by code to contribute 5% of their salary. Each participating employer is required by code to contribute at a rate established by the Board of Trustees of the system based on the annual actuarial valuation.

NOTE 21: City Retirement Plan

Plan Description

The City Retirement Plan of the City of Pine Bluff is a single-employer defined benefit pension plan that covers all nonuniformed full-time employees of the City. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefits 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.

Schedule 1

CITY OF PINE BLUFF, ARKANSAS
COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
REGULATORY BASIS
DECEMBER 31, 2008

	SPECIAL REVENUE FUNDS					TRUST FUNDS			
	Community Development Block Grant	Parks and Recreation Commission	Historic District Commission	Administration of Justice	Southeast Arkansas Arts and Science Commission	City Retirement	Firemen's Pension and Relief	Policemen's Pension and Relief	Cemetery Trust
ASSETS									
Cash and cash equivalents	$ 151,920	$ 21,856	$ 6,225	$ 426,476	$ 255,911	$ 1,517,378	$ 328,434	$ 2,158,974	$ 118,541
Investments						24,753,563	13,211,573	13,601,019	324,811
Accounts receivable	102,836	4,614		3,240	1,537	253,597	120,372	80,981	
TOTAL ASSETS	$ 254,756	$ 26,470	$ 6,225	$ 429,716	$ 257,448	$ 26,524,538	$ 13,660,379	$ 15,840,974	$ 443,352
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable		$ 4,410			$ 12,113				
Interfund payables	$ 87,561	1,445							
Settlements pending									
Total Liabilities	87,561	5,855			12,113				
Fund Balances:									
Reserved	167,195	20,615	$ 6,225	$ 429,716	245,335	$ 26,524,538	$ 13,660,379	$ 15,840,974	$ 443,352
TOTAL LIABILITIES AND FUND BALANCES	$ 254,756	$ 26,470	$ 6,225	$ 429,716	$ 257,448	$ 26,524,538	$ 13,660,379	$ 15,840,974	$ 443,352

Schedule 1

CITY OF PINE BLUFF, ARKANSAS
COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
REGULATORY BASIS
DECEMBER 31, 2008

	AGENCY FUNDS					
	Payroll	District Court Division I	District Court Division II	City Collector	Health Insurance Premium	Totals
ASSETS						
Cash and cash equivalents	$ 12,111	$ 215,592	$ 17,820	$ 5,221	$ 3,779	$ 5,240,238
Investments						51,890,966
Accounts receivable						567,177
TOTAL ASSETS	$ 12,111	$ 215,592	$ 17,820	$ 5,221	$ 3,779	$ 57,698,381
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable						$ 16,523
Interfund payables						89,006
Settlements pending	$ 12,111	$ 215,592	$ 17,820	$ 5,221	$ 3,779	254,523
Total Liabilities	12,111	215,592	17,820	5,221	3,779	360,052
Fund Balances:						
Reserved						57,338,329
TOTAL LIABILITIES AND FUND BALANCES	$ 12,111	$ 215,592	$ 17,820	$ 5,221	$ 3,779	$ 57,698,381

CITY OF PINE BLUFF, ARKANSAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

Schedule 2

	SPECIAL REVENUE FUNDS				
	Community Development Block Grant	Parks and Recreation Commission	Historic District Commission	Administration of Justice	Southeast Arkansas Arts and Science Commission
REVENUES					
State aid		$ 401,418			$ 35,754
Federal aid	$ 2,468,142				
Property taxes					
Fines, forfeitures and costs				$ 67,546	
Interest and dividends		227		5,561	1,785
Local permits and fees					174,377
Parks and recreation fees		286,674			
Other	215,528	31,177			405,980
TOTAL REVENUES	2,683,670	719,496		73,107	617,896
EXPENDITURES					
Current:					
General government			$ 1,394		
Law enforcement				70,496	
Public safety					
Recreation and culture		1,648,867			594,272
Community development	2,531,924				
TOTAL EXPENDITURES	2,531,924	1,648,867	1,394	70,496	594,272
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	151,746	(929,371)	(1,394)	2,611	23,624
OTHER FINANCING SOURCES (USES)					
Transfers in		846,853			50,000
Net realized gain/loss on investment					
TOTAL OTHER FINANCING SOURCES (USES)		846,853			50,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	151,746	(82,518)	(1,394)	2,611	73,624
FUND BALANCES - JANUARY 1	15,449	103,133	7,619	427,105	171,711
FUND BALANCES - DECEMBER 31	$ 167,195	$ 20,615	$ 6,225	$ 429,716	$ 245,335

CITY OF PINE BLUFF, ARKANSAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

Schedule 2

	TRUST FUNDS				
	City Retirement	Firemen's Pension and Relief	Policemen's Pension and Relief	Cemetery Trust	Totals
REVENUES					
State aid		$ 192,047	$ 322,868		$ 952,087
Federal aid					2,468,142
Property taxes		283,250	283,250		566,500
Fines, forfeitures and costs					67,546
Interest and dividends	$ 1,147,934	555,984	633,177	$ 12,416	2,357,084
Local permits and fees					174,377
Parks and recreation fees					286,674
Other	755,679	43,539	291,257		1,743,160
TOTAL REVENUES	1,903,613	1,074,820	1,530,552	12,416	8,615,570
EXPENDITURES					
Current:					
General government	2,120,769			3,855	2,126,018
Law enforcement			2,108,625		2,179,121
Public safety		2,385,664			2,385,664
Recreation and culture					2,243,139
Community development					2,531,924
TOTAL EXPENDITURES	2,120,769	2,385,664	2,108,625	3,855	11,465,866
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(217,156)	(1,310,844)	(578,073)	8,561	(2,850,296)
OTHER FINANCING SOURCES (USES)					
Transfers in					896,853
Net realized gain/loss on investment	(1,417,810)	(1,093,130)	(342,574)		(2,853,514)
TOTAL OTHER FINANCING SOURCES (USES)	(1,417,810)	(1,093,130)	(342,574)		(1,956,661)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1,634,966)	(2,403,974)	(920,647)	8,561	(4,806,957)
FUND BALANCES - JANUARY 1	28,159,504	16,064,353	16,761,621	434,791	62,145,286
FUND BALANCES - DECEMBER 31	$ 26,524,538	$ 13,660,379	$ 15,840,974	$ 443,352	$ 57,338,329

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

Fund Name	Fund Description
Community Development Block Grant	City established fund to process the U.S. Department of Housing and Urban Development grant to construct low-income housing.
Parks and Recreation Commission	Ark. Code Ann. § 14-26-301 authorizes the City to create a parks and recreation commission to support the parks and recreation facilities within the City and City Ordinance No. 4198 created such a fund.
Historic District Commission	Ark. Code Ann. § 14-172-206 established fund to process grants to support the historic significance of the buildings, structures, features, sites and surroundings of the City.
Administration of Justice	Ark. Code Ann. § 16-17-126 authorizes District Court filing fees for writs of garnishment and executions to be appropriated for any permissible use in the administration of the District Court.
Southeast Arkansas Arts and Science Commission	Established by City Ordinance No. 4198 to provide recreation and culture services to the residences of the City.
City Retirement	City established fund to process the self-supported retirement plan to all nonuniform employees.
Firemen's Pension and Relief	Ark. Code Ann. § 24-11-801 established fund to receive millages, state insurance turnback and other revenues allowed by law for support of firefighter retirement programs.
Policemen's Pension and Relief	Ark. Code Ann. § 24-11-401 established fund to receive millages, state insurance turnback and other revenues allowed by law for support of police retirement programs.
Cemetery Trust	City established fund to invest revenue generated from plot sales to be used to maintain the City cemetery.
Payroll	The City established this fund to process the payroll of all employees.
District Court Division I	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures and costs collected by the District Court.
District Court Division II	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures and costs collected by the District Court.
City Collector	This fund was established to process insufficient checks written to all city accounts.
Health Insurance Premium	This fund was established to process insurance premiums withheld from employees' earnings and forwarded to the insurance provider.

CITY OF PINE BLUFF, ARKANSAS
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
DECEMBER 31, 2008
(Unaudited)

Schedule 3

	December 31, 2008
Land	$ 366,854
Buildings	17,798,726
Infrastructure	14,996,932
Improvements	1,774,445
Heavy machinery	7,668,215
Vehicles	4,280,495
Equipment	2,851,680
Total	$ 49,737,347

CITY OF PINE BLUFF, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
DECEMBER 31, 2008
(Unaudited)

Schedule 4

	2008	2007	2006	2005	2004
General					
Total Assets	$ 6,896,561	$ 2,685,820	$ 1,731,074	$ 1,865,211	$ 1,772,225
Total Liabilities	974,783	128,972	166,522	215,103	247,847
Total Fund Balances	5,921,778	2,556,848	1,564,552	1,650,108	1,524,378
Total Revenues	28,335,664	26,023,975	24,910,677	24,673,920	23,502,189
Total Expenditures	26,145,060	24,813,001	23,932,114	22,881,025	23,129,690
Street					
Total Assets	$ 610,200	$ 687,193	$ 699,835	$ 714,348	$ 598,359
Total Liabilities	10,722				
Total Fund Balances	599,478	687,193	699,835	714,348	598,359
Total Revenues	3,302,057	3,437,211	3,455,525	3,504,579	3,552,902
Total Expenditures	3,601,575	3,449,853	3,470,038	3,388,590	3,592,711
Other Funds in the Aggregate					
Total Assets	$ 57,698,381	$ 62,284,142	$ 60,159,230	$ 61,486,393	$ 64,276,596
Total Liabilities	360,052	564,874	291,077	284,131	273,244
Total Fund Balances	57,338,329	61,719,268	59,868,153	61,202,262	64,003,352
Total Revenues	8,615,570	11,106,552	8,909,697	11,378,037	11,332,229
Total Expenditures	11,465,866	10,007,290	11,307,925	15,846,292	9,545,990

The financial statements are prepared on the regulatory basis of accounting as reported in Note 1(C) of the audit reports.