

City of Pine Bluff, Arkansas

**Regulatory Basis Financial Statements
and Other Reports**

December 31, 2010

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF PINE BLUFF, ARKANSAS
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Senate Chair
Rep. Tim Summers
House Chair
Sen. David Wyatt
Senate Vice Chair
Rep. Toni Bradford
House Vice Chair

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, 2010, 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, 2010, 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).

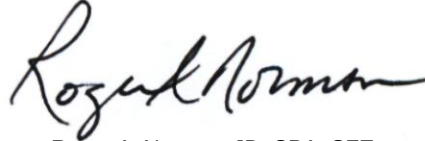
In our opinion, because of the effects on the financial statements of the omissions described in the preceding paragraph, the financial statements referred to above do not present fairly, in all material respects, the respective regulatory basis financial position of the other funds in the aggregate of the City of Pine Bluff, Arkansas, as of December 31, 2010, 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 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, 2010, 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).

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2011 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 the supporting schedules 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

A handwritten signature in black ink, reading "Roger A. Norman". The signature is fluid and cursive, with the first name "Roger" being more prominent than the last name "Norman".

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

Little Rock, Arkansas
October 6, 2011
LOM107610

Sen. Bill Pritchard
Senate Chair
Rep. Tim Summers
House Chair
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Rep. Toni Bradford
House Vice Chair

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, 2010, and have issued our report thereon dated October 6, 2011. 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 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency to be a material weakness:

2010-1 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.

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, and contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 2010:

Mayor: Carl A. Redus, Jr.
City Collector: Albert Ridgell
Finance Director: Steve Miller
City Clerk: Loretta Whitfield
District Court Clerk (Division 1): Debbie Drake
District Court Clerk (Division 2): Veronica Young
Police Chief: Brenda Davis-Jones

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**, **City Collector**, **Finance Director**, **City Clerk**, **District Court Clerk (Division 1)**, **District Court Clerk (Division 2)**, and **Police Chief** were in substantial compliance with Arkansas fiscal and financial laws. Noncompliance with accepted accounting practices was noted in the Offices of **Finance Director**, **District Court Clerk (Division 1)**, and **District Court Clerk (Division 2)**.

The following information system weaknesses were noted in our review of the Finance Director and District Court's computer systems:

Finance Director

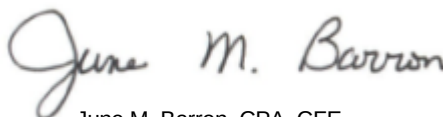
There was no formally documented and approved Disaster Recovery Plan. This situation could cause the entity to be without computer processing for an extended period of time in the event of a disaster or major interruption and could place undue financial and personnel burdens on the resources of the entity.

District Court Clerk – Division 1 and Division 2

There again was no formally documented and approved Disaster Recovery Plan. This situation could cause the entity to be without computer processing for an extended period of time in the event of a disaster or major interruption and could place undue financial and personnel burdens on the resources of the entity.

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 Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

DIVISION OF LEGISLATIVE AUDIT



June M. Barron, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
October 6, 2011

CITY OF PINE BLUFF, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2010

Exhibit A

	<u>General</u>	<u>Street</u>	<u>Other Funds in the Aggregate</u>
ASSETS			
Cash and cash equivalents	\$ 3,709,230	\$ 891,478	\$ 8,551,236
Investments			45,469,213
Accounts receivable	2,293,455	216,247	369,540
Interfund receivables	<u>311,504</u>	<u>600</u>	<u>34,167</u>
TOTAL ASSETS	<u><u>\$ 6,314,189</u></u>	<u><u>\$ 1,108,325</u></u>	<u><u>\$ 54,424,156</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 530,558		\$ 86,662
Interfund payables	34,767	\$ 89,581	221,923
Settlements pending			360,369
Total Liabilities	<u>565,325</u>	<u>89,581</u>	<u>668,954</u>
Fund Balances:			
Reserved (Note 10)	76,500	1,018,744	53,755,202
Unreserved:			
Designated (Note 11)	794,479		
Undesignated	4,877,885		
Total Fund Balances	<u>5,748,864</u>	<u>1,018,744</u>	<u>53,755,202</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 6,314,189</u></u>	<u><u>\$ 1,108,325</u></u>	<u><u>\$ 54,424,156</u></u>

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 -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 1,812,534	\$ 2,783,885	\$ 474,485
Federal aid	1,622,468	112,321	1,366,889
Property taxes	2,386,075	471,070	574,472
Franchise fees	2,987,591		
Sales taxes	13,596,710		
Fines, forfeitures, and costs	856,001		190,851
Interest	9,249	1,597	1,666,939
Local permits and fees	1,277,319		223,882
Sanitation fees	2,681,871		
Transit fees	43,654		
Parks and recreation fees			248,483
Employer pension contributions			527,065
Employee pension contributions			226,484
Other	532,283	127,161	658,991
TOTAL REVENUES	<u>27,805,755</u>	<u>3,496,034</u>	<u>6,158,541</u>
EXPENDITURES			
Current:			
General government	3,577,973		3,690,119
Law enforcement	11,019,932		1,988,107
Highways and streets	142,084	3,228,247	144,143
Public safety	6,584,852		3,563,198
Sanitation	2,585,734		
Health	55,287		
Recreation and culture	955,110		1,708,069
Social services	262,697		4,210
Airport	162,440		
Transit	1,135,274		
Total Current	<u>26,481,383</u>	<u>3,228,247</u>	<u>11,097,846</u>

CITY OF PINE BLUFF, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010

Exhibit B

	<u>General</u>	<u>Street</u>	<u>Other Funds in the Aggregate</u>
EXPENDITURES (CONTINUED)			
Debt Service:			
Bond principal			\$ 110,000
Bond interest and other charges			248,959
Lease principal	\$ 80,368		1,281
Lease interest	8,296		327
Note principal	266,926	\$ 43,668	
Note interest	34,105	11,405	
	<u>26,871,078</u>	<u>3,283,320</u>	<u>11,458,413</u>
TOTAL EXPENDITURES			
	<u>26,871,078</u>	<u>3,283,320</u>	<u>11,458,413</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>934,677</u>	<u>212,714</u>	<u>(5,299,872)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in			1,257,929
Transfers out	(1,257,929)		
Contribution to aviation commission			(40,000)
Contribution to wastewater utility commission			(9,555)
Contribution from civic auditorium complex commission	160,125		
Net gain/loss on sale of investments			730,395
	<u>(1,097,804)</u>		<u>1,938,769</u>
TOTAL OTHER FINANCING SOURCES (USES)			
	<u>(1,097,804)</u>		<u>1,938,769</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(163,127)	212,714	(3,361,103)
FUND BALANCES - JANUARY 1	<u>5,911,991</u>	<u>806,030</u>	<u>57,116,305</u>
FUND BALANCES - DECEMBER 31	<u><u>\$ 5,748,864</u></u>	<u><u>\$ 1,018,744</u></u>	<u><u>\$ 53,755,202</u></u>

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, 2010

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 1,848,973	\$ 1,812,534	\$ (36,439)	\$ 2,686,941	\$ 2,783,885	\$ 96,944
Federal aid	3,739,757	1,622,468	(2,117,289)		112,321	112,321
Property taxes	1,767,098	2,386,075	618,977	530,000	471,070	(58,930)
Franchise fees	3,455,886	2,987,591	(468,295)			
Sales taxes	13,530,639	13,596,710	66,071			
Fines, forfeitures, and costs	1,087,083	856,001	(231,082)			
Interest	19,386	9,249	(10,137)	15,312	1,597	(13,715)
Local permits and fees	1,301,046	1,277,319	(23,727)			
Sanitation fees	2,774,629	2,681,871	(92,758)			
Transit fees	45,000	43,654	(1,346)			
Other	566,251	532,283	(33,968)	211,096	127,161	(83,935)
TOTAL REVENUES	30,135,748	27,805,755	(2,329,993)	3,443,349	3,496,034	52,685
EXPENDITURES						
Current:						
General government	4,470,800	3,577,973	892,827			
Law enforcement	12,216,873	11,019,932	1,196,941			
Highways and streets	155,875	142,084	13,791	4,549,497	3,228,247	1,321,250
Public safety	6,966,101	6,584,852	381,249			
Sanitation	2,988,354	2,585,734	402,620			
Health	55,290	55,287	3			
Recreation and culture	460,019	955,110	(495,091)			
Social services	235,376	262,697	(27,321)			
Airport	202,440	162,440	40,000			
Transit	2,487,715	1,135,274	1,352,441			
Total Current	30,238,843	26,481,383	3,757,460	4,549,497	3,228,247	1,321,250
Debt Service:						
Lease principal		80,368	(80,368)			
Lease interest		8,296	(8,296)			
Note principal		266,926	(266,926)		43,668	(43,668)
Note interest		34,105	(34,105)		11,405	(11,405)
TOTAL EXPENDITURES	30,238,843	26,871,078	3,367,765	4,549,497	3,283,320	1,266,177

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, 2010

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (103,095)</u>	<u>\$ 934,677</u>	<u>\$ 1,037,772</u>	<u>\$ (1,106,148)</u>	<u>\$ 212,714</u>	<u>\$ 1,318,862</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	329,007		(329,007)	500,000		(500,000)
Transfers out	(1,290,488)	(1,257,929)	32,559			
Contribution from civic auditorium complex commission	<u>160,125</u>	<u>160,125</u>				
TOTAL OTHER FINANCING SOURCES (USES)	<u>(801,356)</u>	<u>(1,097,804)</u>	<u>(296,448)</u>	<u>500,000</u>		<u>(500,000)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(904,451)	(163,127)	741,324	(606,148)	212,714	818,862
FUND BALANCES - JANUARY 1	<u>5,911,991</u>	<u>5,911,991</u>		<u>806,030</u>	<u>806,030</u>	
FUND BALANCES - DECEMBER 31	<u><u>\$ 5,007,540</u></u>	<u><u>\$ 5,748,864</u></u>	<u><u>\$ 741,324</u></u>	<u><u>\$ 199,882</u></u>	<u><u>\$ 1,018,744</u></u>	<u><u>\$ 818,862</u></u>

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

CITY OF PINE BLUFF, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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 funds; notes to financial statements; and a supplemental schedule of capital assets.

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

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

General Fund - The General Fund is 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, Parks and Recreation Commission, Historic District Commission, Administration of Justice, and Southeast Arkansas Arts and Science Center Commission.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The following Capital Projects Fund is reported with other funds in the aggregate: Equipment Acquisition and Improvements.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The following Debt Service Fund is reported with other funds in the aggregate: Franchise Fee Revenue Refunding and Acquisition Bonds.

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, District Court (Division 1), District Court (Division 2), Payroll, City Collector, and Health Insurance Premium.

CITY OF PINE BLUFF, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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 60 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, interest, and insurance premiums 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.
- c. Prior to February 1, the budget is legally enacted by action of the City Council.

CITY OF PINE BLUFF, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Budget Law (Continued)

- d. Appropriations lapse at the end of each year.
- e. Under certain conditions, the budget may be amended subsequent to the year-end.

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

Basis of Accounting

The City prepared an annual budget on the regulatory basis for the General Fund, Street Fund, and the other 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 \$100,000, the funds may be deposited or invested as noted below. If the total assets of the fund exceed \$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 \$100,000, the funds may be deposited or invested as noted below. If the total assets of the fund exceed \$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.

CITY OF PINE BLUFF, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 4: Public Fund Investments

A summary of investments by fund types is as follows:

Fund Type	December 31, 2010	
	Reported Amount	Fair Value
Trust	\$ 45,469,213	\$ 48,559,809

These investments are composed of the following:

	December 31, 2010	
	Reported Amount	Fair Value
Federal agency obligations	\$ 2,843,933	\$ 2,903,719
Bonds	16,781,243	17,540,813
Stocks	20,036,559	22,044,886
Mortgages	438,823	444,415
Mutual funds	5,368,655	5,625,976
Totals	\$ 45,469,213	\$ 48,559,809

NOTE 5: Accounts Receivable

The accounts receivable balance at December 31, 2010 is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
State aid	\$ 214,842	\$ 215,247	
Federal aid	434,104		\$ 90,442
Property taxes	28,335		23,584
Franchise fees	247,149		
Sales taxes	1,040,200		
Fines, forfeitures, and costs	37,831		18,456
Interest			223,452
Sanitation fees	221,622		
Other	69,372	1,000	13,606
Totals	\$ 2,293,455	\$ 216,247	\$ 369,540

NOTE 6: Accounts Payable

The accounts payable balance at December 31, 2010 is composed of the following:

Description	General Fund	Other Funds in the Aggregate
Vendor payables	\$ 529,918	\$ 80,994
Salaries payable		5,067
Other	640	601
Totals	\$ 530,558	\$ 86,662

CITY OF PINE BLUFF, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 7: Interfund Balances

Individual fund interfund receivable and payable balances are as follows:

Fund	December 31, 2010	
	Interfund Receivables	Interfund Payables
General	\$ 311,504	\$ 34,767
Street	600	89,581
<u>Other Funds in the Aggregate</u>		
Special Revenue Funds:		
Community Development	33,527	203,650
Parks and Recreation Commission		1,141
Administration of Justice		17,132
Trust Funds:		
Firemen's Pension and Relief	320	
Policemen's Pension and Relief	320	
Totals	<u>\$ 346,271</u>	<u>\$ 346,271</u>

Interfund receivables and payables consist of errors in depositing restricted revenues and expenditures paid by the General Fund for other restricted funds not reimbursed by year-end. These balances are expected to be repaid in 2011.

NOTE 8: Legal Debt Limit

A. Property Tax Secured Bonded Debt

The City is subject to a constitutional limitation for bonded indebtedness equal to 20% of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2010, the legal debt limit for the bonded debt was \$71,781,497. 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 5% of the assessed value of taxable property within the City as determined by the last tax assessment. At December 31, 2010, the legal debt limit for short-term financing obligations was \$19,207,337. The amount of short-term financing obligations was \$727,316, leaving a legal debt margin of \$18,480,021.

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. However, a federal compliance audit is currently being conducted.

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

CITY OF PINE BLUFF, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 10: Reserved Fund Balance

Reserved fund balance consists of the following:

	December 31, 2010
<u>General</u>	
Sewer Improvement District Loan	\$ 76,500
<u>Street</u>	\$ 1,018,744
<u>Other Funds in the Aggregate</u>	
Special Revenue Funds:	
Community Development	\$ 141,660
Parks and Recreation Commission	13,248
Historic District Commission	7,806
Administration of Justice	38,903
Southeast Arkansas Arts and Science	
Center Commission	366,754
Total Special Revenue	568,371
Capital Projects Fund:	
Equipment Acquisition and Improvements	950,977
Debt Service Fund:	
Franchise Fee Revenue Refunding and	
Acquisition Bonds	51
Trust Funds:	
City Retirement	26,468,092
Firemen's Pension and Relief	10,896,430
Policemen's Pension and Relief	14,417,670
Cemetery Trust	453,611
Total Trust	52,235,803
Total Other Funds in the Aggregate	\$ 53,755,202

NOTE 11: General Fund - Designated Fund Balance

General Fund designated fund balance consists of the following:

Description	December 31, 2010
Transit	\$ 463,034
Sewer Improvement District Loan	115,265
Vice Intelligence Narcotics	119,970
Capital Projects	49,708
Public Safety Facility Building	46,502
Totals	\$ 794,479

CITY OF PINE BLUFF, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 12: Commitments

Total commitments consist of the following at December 31, 2010:

	December 31, 2010
Long-Term Liabilities	\$ 6,617,316

Long-Term Liabilities

Long-Term liabilities at December 31, 2010 are comprised of the following:

	December 31, 2010
Franchise Fee Revenue Refunding and Acquisition Bonds, Series 2009; annual installments beginning May 1, 2010 with the final installment due May 1, 2029, interest at 3.15% - 4.5%. Payments are to be made from the Debt Service Fund.	\$ 5,890,000
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 with the final installment due February 16, 2011. Payments are to be made from the General Fund.	36,858
2009 lease-purchase agreement with Ford Motor Credit on the purchase of one 2009 Ford F-150, annual installments of \$4,915 for five years at 6.25% interest with the final installment due February 18, 2013. Payments are to be made from the General Fund.	13,077
2009 lease-purchase agreement with Union Bank on the purchase of one Sharp MX-2600N digital color copier and accessories, monthly installments of \$134 for 60 months at 6.14% interest with the final installment due February 6, 2014. Payments are to be made from the Community Development Fund.	4,614
2007 promissory note with Simmons First National Bank for the purchase of technology equipment for the Police Department, monthly installments of \$12,244 for 60 months at 4.5% interest with the final installment due February 28, 2012. Payments are to be made from the General Fund.	165,504
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 with the final installment due March 13, 2013. Payments are to be made from the General Fund.	184,456
2009 promissory note with Pine Bluff National Bank for the purchase of elevator jacks, annual installments of \$18,000 for five years at 4.75% interest with the final installment due February 17, 2014. Payments are to be made from the General Fund.	64,197

CITY OF PINE BLUFF, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 12: Commitments (Continued)

Long-Term Liabilities (Continued)

	December 31, 2010
2009 promissory note with Pine Bluff National Bank for the purchase of equipment for the Street Department, annual installments of \$55,072 for five years at 4.75% interest with the final installment due February 17, 2014. Payments are to be made from the Street Fund.	\$ 196,410
2009 promissory note with Simmons First National Bank for the purchase of four 2009 Dodge Chargers, annual installments of \$35,306 for two years at 3.92% interest with the final installment due May 20, 2011. Payments are to be made from the General Fund.	33,974
2010 promissory note with Simmons First National Bank for the purchase of one 2009 Dodge Charger and three 2010 Dodge Chargers, annual installments of \$29,332 for two years at 3.92% interest with the final installment due January 5, 2012. Payments are to be made from the General Fund.	28,226
Total Long-Term Liabilities	<u>\$ 6,617,316</u>

Due to the City's regulatory 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.

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, 2010:

Years Ending December 31,	Bonds	Notes	Leases	Total
2011	\$ 470,889	\$ 321,911	\$ 45,702	\$ 838,502
2012	467,314	192,306	6,522	666,142
2013	473,564	139,671	6,522	619,757
2014	474,289	73,072	268	547,629
2015	474,664			474,664
2016 through 2020	2,301,491			2,301,491
2021 through 2025	2,093,945			2,093,945
2026 through 2029	1,669,085			1,669,085
Total Obligations	8,425,241	726,960	59,014	9,211,215
Less Interest	2,535,241	54,193	4,465	2,593,899
Total Principal	<u>\$ 5,890,000</u>	<u>\$ 672,767</u>	<u>\$ 54,549</u>	<u>\$ 6,617,316</u>

NOTE 13: Interfund Transfers

The General Fund transferred \$1,257,929 to the Other Funds in the Aggregate for the following: \$10,710 to Community Development Fund to provide matching funds for a community development grant; \$858,629 and \$47,500 to supplement the Parks and Recreation Commission Fund and Southeast Arkansas Arts and Science Center Commission Fund, respectively; and \$341,090 to the Debt Service Fund for debt related payments.

CITY OF PINE BLUFF, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 14: Pledged Revenues – Franchise Fees

The City has pledged future franchise fees to repay \$6,000,000 in refunding and acquisition bonds that were issued in 2009 to refund certain outstanding lease-purchase agreements and to provide funding for equipment acquisition and various capital improvements. Total principal and interest remaining on the bonds at December 31, 2010 is \$5,890,000 and \$2,535,241, respectively, payable through May 2029. For the current year, principal and interest paid were \$110,000 and \$246,959, respectively.

Per the bond instructions, an amount equal to one-twelfth of the next installment of interest, one-sixth of the next installment of principal, and one-twelfth of the Trustee's annual fees was deposited in the Debt Service Fund.

Franchise fees are deposited into the General Fund and transfers are made to the Debt Service Fund. Franchise fees in excess of debt service requirements are permitted to be used for other city expenditures. The City received \$2,987,591 in franchise fees.

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, 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 shares of any deficit between 911 telephone fee revenue and operating expenses were 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%

The City paid Metropolitan Emergency Communications Association \$655,758 in 2010. 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 – 25-20-108 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 \$574,467 in 2010. Separate financial statements are available at 200 East Eighth Street, Pine Bluff, Arkansas 71601.

CITY OF PINE BLUFF, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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. There were no settlements paid by the City in 2009. Settlements totaled \$293,000 and \$356,042 in 2010 and 2008, 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.
- 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% 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.

CITY OF PINE BLUFF, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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 6% of their salary to the plan. Active volunteer firemen are required to make contributions of \$12 per year. The City is required by state law to contribute an amount equal to but not less than 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 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 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.

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.

CITY OF PINE BLUFF, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 18: Policemen's Pension and Relief Plan (Continued)

Contributions

Active participants of the plan are required to make contributions of 6% of their salary to the plan, provided that such monthly deduction shall be 4% for policemen contributing to the social security system unless increased, but not to exceed 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 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 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 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 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; effective July 1, 2009, 8.5% of gross pay
- B. Paid service also covered by Social Security: no employee contribution; effective July 1, 2009, 2.5% of gross pay
- C. Volunteer fire service: no employee contribution

CITY OF PINE BLUFF, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

**NOTE 19: Local Police and Fire Retirement System (LOPFI)
(A Defined Benefit Pension Plan) (Continued)**

Funding Policy (Continued)

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 Judge 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 for the City of Pine Bluff is a single-employer defined benefit pension plan that covers all non-uniformed full-time employees of the City. The 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.

NOTE 22: Subsequent Event - Sales Tax

On February 8, 2011, voters approved a five-eighths of one percent sales and use tax for general revenues within the City. Collection of this tax began in July 2011.

NOTE 23: Subsequent Event - Bond Issue

On February 8, 2011, voters approved the issuance of up to \$21,805,000 in bonds for various capital improvements. The City is expected to begin issuing these bonds in October 2011. The five-eighths of one percent sales and use tax approved by the voters in February 2011 is expected to be pledged for repayment of the bonds.

CITY OF PINE BLUFF, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2010

Schedule 1

	SPECIAL REVENUE FUNDS					CAPITAL PROJECTS FUND	DEBT SERVICE FUND
	Community Development	Parks and Recreation Commission	Historic District Commission	Administration of Justice	Southeast Arkansas Arts and Science Center Commission	Equipment Acquisition and Improvements	Franchise Fee Revenue Refunding and Acquisition Bonds
ASSETS							
Cash and cash equivalents	\$ 211,972	\$ 60,203	\$ 7,806	\$ 52,115	\$ 403,365	\$ 950,977	\$ 51
Investments							
Accounts receivable	99,811			3,920	4,237		
Interfund receivables	33,527						
TOTAL ASSETS	<u>\$ 345,310</u>	<u>\$ 60,203</u>	<u>\$ 7,806</u>	<u>\$ 56,035</u>	<u>\$ 407,602</u>	<u>\$ 950,977</u>	<u>\$ 51</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable		\$ 45,814			\$ 40,848		
Interfund payables	\$ 203,650	1,141		\$ 17,132			
Settlements pending							
Total Liabilities	<u>203,650</u>	<u>46,955</u>		<u>17,132</u>	<u>40,848</u>		
Fund Balances:							
Reserved	141,660	13,248	\$ 7,806	38,903	366,754	\$ 950,977	\$ 51
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 345,310</u>	<u>\$ 60,203</u>	<u>\$ 7,806</u>	<u>\$ 56,035</u>	<u>\$ 407,602</u>	<u>\$ 950,977</u>	<u>\$ 51</u>

CITY OF PINE BLUFF, ARKANSAS
COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
REGULATORY BASIS
DECEMBER 31, 2010

Schedule 1

	TRUST FUNDS				AGENCY FUNDS					
	City Retirement	Firemen's Pension and Relief	Policemen's Pension and Relief	Cemetery Trust	District Court (Division 1)	District Court (Division 2)	Payroll	City Collector	Health Insurance Premium	Totals
ASSETS										
Cash and cash equivalents	\$ 4,002,363	\$ 428,560	\$ 1,916,631	\$ 156,824	\$ 144,843	\$ 71,561	\$ 47,213	\$ 5,590	\$ 91,162	\$ 8,551,236
Investments	22,354,748	10,388,997	12,428,681	296,787						45,469,213
Accounts receivable	110,981	78,553	72,038							369,540
Interfund receivables		320	320							34,167
TOTAL ASSETS	<u>\$ 26,468,092</u>	<u>\$ 10,896,430</u>	<u>\$ 14,417,670</u>	<u>\$ 453,611</u>	<u>\$ 144,843</u>	<u>\$ 71,561</u>	<u>\$ 47,213</u>	<u>\$ 5,590</u>	<u>\$ 91,162</u>	<u>\$ 54,424,156</u>
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable										\$ 86,662
Interfund payables										221,923
Settlements pending					\$ 144,843	\$ 71,561	\$ 47,213	\$ 5,590	\$ 91,162	360,369
Total Liabilities					<u>144,843</u>	<u>71,561</u>	<u>47,213</u>	<u>5,590</u>	<u>91,162</u>	<u>668,954</u>
Fund Balances:										
Reserved	<u>\$ 26,468,092</u>	<u>\$ 10,896,430</u>	<u>\$ 14,417,670</u>	<u>\$ 453,611</u>						53,755,202
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 26,468,092</u>	<u>\$ 10,896,430</u>	<u>\$ 14,417,670</u>	<u>\$ 453,611</u>	<u>\$ 144,843</u>	<u>\$ 71,561</u>	<u>\$ 47,213</u>	<u>\$ 5,590</u>	<u>\$ 91,162</u>	<u>\$ 54,424,156</u>

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, 2010

Schedule 2

	SPECIAL REVENUE FUNDS					CAPITAL PROJECTS FUND	DEBT SERVICE FUND
	Community Development	Parks and Recreation Commission	Historic District Commission	Administration of Justice	Southeast Arkansas Arts and Science Center Commission	Equipment Acquisition and Improvements	Franchise Fee Revenue Refunding and Acquisition Bonds
REVENUES							
State aid					\$ 21,385		
Federal aid	\$ 1,351,015				15,874		
Property taxes							
Fines, forfeitures, and costs				\$ 71,657			
Interest		\$ 252		122	544	\$ 298	\$ 6
Local permits and fees					223,882		
Parks and recreation fees		248,483					
Employer pension contributions							
Employee pension contributions							
Other	209,078	127,416	\$ 6,800	51	230,265		
TOTAL REVENUES	1,560,093	376,151	6,800	71,830	491,950	298	6
EXPENDITURES							
Current:							
General government	1,772,855		4,675			356,907	
Law enforcement				64,690			
Highways and streets						144,143	
Public safety						1,501,073	
Recreation and culture		1,240,754			467,315		
Social services							
Total Current	1,772,855	1,240,754	4,675	64,690	467,315	2,002,123	
Debt Service:							
Bond principal							110,000
Bond interest and other charges							248,959
Lease principal	1,281						
Lease interest	327						
TOTAL EXPENDITURES	1,774,463	1,240,754	4,675	64,690	467,315	2,002,123	358,959
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(214,370)	(864,603)	2,125	7,140	24,635	(2,001,825)	(358,953)
OTHER FINANCING SOURCES (USES)							
Transfers in	10,710	858,629			47,500		341,090
Contribution to aviation commission						(40,000)	
Contribution to wastewater utility commission						(9,555)	
Net gain/loss on sale of investments							
TOTAL OTHER FINANCING SOURCES (USES)	10,710	858,629			47,500	(49,555)	341,090
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(203,660)	(5,974)	2,125	7,140	72,135	(2,051,380)	(17,863)
FUND BALANCES - JANUARY 1	345,320	19,222	5,681	31,763	294,619	3,002,357	17,914
FUND BALANCES - DECEMBER 31	\$ 141,660	\$ 13,248	\$ 7,806	\$ 38,903	\$ 366,754	\$ 950,977	\$ 51

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, 2010

Schedule 2

	TRUST FUNDS				
	City Retirement	Firemen's Pension and Relief	Policemen's Pension and Relief	Cemetery Trust	Totals
REVENUES					
State aid		\$ 214,948	\$ 238,152		\$ 474,485
Federal aid					1,366,889
Property taxes		287,236	287,236		574,472
Fines, forfeitures, and costs			119,194		190,851
Interest	\$ 805,611	381,565	472,054	\$ 6,487	1,666,939
Local permits and fees					223,882
Parks and recreation fees					248,483
Employer pension contributions	527,065				527,065
Employee pension contributions	226,484				226,484
Other	7,959	26,368	51,054		658,991
TOTAL REVENUES	1,567,119	910,117	1,167,690	6,487	6,158,541
EXPENDITURES					
Current:					
General government	1,555,682				3,690,119
Law enforcement			1,923,417		1,988,107
Highways and streets					144,143
Public safety		2,062,125			3,563,198
Recreation and culture					1,708,069
Social services				4,210	4,210
Total Current	1,555,682	2,062,125	1,923,417	4,210	11,097,846
Debt Service:					
Bond principal					110,000
Bond interest and other charges					248,959
Lease principal					1,281
Lease interest					327
TOTAL EXPENDITURES	1,555,682	2,062,125	1,923,417	4,210	11,458,413
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	11,437	(1,152,008)	(755,727)	2,277	(5,299,872)
OTHER FINANCING SOURCES (USES)					
Transfers in					1,257,929
Contribution to aviation commission					(40,000)
Contribution to wastewater utility commission					(9,555)
Net gain/loss on sale of investments	359,698	121,927	248,739	31	730,395
TOTAL OTHER FINANCING SOURCES (USES)	359,698	121,927	248,739	31	1,938,769
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	371,135	(1,030,081)	(506,988)	2,308	(3,361,103)
FUND BALANCES - JANUARY 1	26,096,957	11,926,511	14,924,658	451,303	57,116,305
FUND BALANCES - DECEMBER 31	\$ 26,468,092	\$ 10,896,430	\$ 14,417,670	\$ 453,611	\$ 53,755,202

CITY OF PINE BLUFF, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
DECEMBER 31, 2010

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

<u>Fund Name</u>	<u>Fund Description</u>
Community Development	City established fund to process grants for low-income housing construction and rehabilitation.
Parks and Recreation Commission	Ark. Code Ann. § 14-269-301 authorizes the City to create a parks and recreation commission to support the parks and recreation facilities within the City and Pine Bluff City Code § 17-77 (1993) 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 Center Commission	Established by Pine Bluff City Code § 17-27 (1993) to provide recreational services and promote cultural growth to the residents of the City.
Equipment Acquisition and Improvements	Pine Bluff Ordinance no. 6290 (September 21, 2009) authorizes the issuance of franchise fee revenue refunding and acquisition bonds. Trustee established fund to account for the disbursement of debt proceeds for equipment acquisition and improvements.
Franchise Fee Revenue Refunding and Acquisition Bonds	Pine Bluff Ordinance no. 6290 (September 21, 2009) authorizes the issuance of franchise fee revenue refunding and acquisition bonds. Trustee established fund to process the payments on the bonded debt.
City Retirement	Pine Bluff City Code § 19-36 (1993) established fund to process the self-supported retirement plan for nonuniformed 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.

CITY OF PINE BLUFF, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
DECEMBER 31, 2010

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

<u>Fund Name</u>	<u>Fund Description</u>
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's cemetery.
District Court (Division 1)	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the District Court.
District Court (Division 2)	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the District Court.
Payroll	City established fund to process the payroll of all employees.
City Collector	City established fund to process returned checks received by the City.
Health Insurance Premium	City established fund 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, 2010
(Unaudited)

Schedule 3

	December 31, 2010
Land	\$ 514,354
Buildings	17,862,116
Infrastructure	16,628,485
Improvements	2,205,415
Heavy machinery	7,219,971
Vehicles	5,758,497
Equipment	<u>3,440,452</u>
Total	<u><u>\$53,629,290</u></u>

CITY OF PINE BLUFF, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
DECEMBER 31, 2010
(Unaudited)

Schedule 4

<u>General</u>	2010	2009	2008	2007	2006
Total Assets	\$ 6,314,189	\$ 6,526,749	\$ 6,896,561	\$ 2,685,820	\$ 1,731,074
Total Liabilities	565,325	614,759	974,783	128,972	166,522
Total Fund Balances	5,748,864	5,911,990	5,921,778	2,556,848	1,564,552
Total Revenues	27,805,755	28,549,262	28,335,664	26,023,975	24,910,677
Total Expenditures	26,871,078	27,743,825	26,145,060	24,813,001	23,932,114
Total Other Financing Sources/Uses	(1,097,804)	(815,225)	(896,853)	(218,678)	(1,064,119)
<u>Street</u>					
Total Assets	\$ 1,108,325	\$ 814,685	\$ 610,200	\$ 687,193	\$ 699,835
Total Liabilities	89,581	8,655	10,722		
Total Fund Balances	1,018,744	806,030	599,478	687,193	699,835
Total Revenues	3,496,034	3,262,972	3,302,057	3,437,211	3,455,525
Total Expenditures	3,283,320	3,296,432	3,601,575	3,449,853	3,470,038
Total Other Financing Sources/Uses		240,012			
<u>Other Funds in the Aggregate</u>					
Total Assets	\$ 54,424,156	\$ 57,592,551	\$ 57,698,381	\$ 62,284,142	\$ 60,159,230
Total Liabilities	668,954	500,448	360,052	564,874	291,077
Total Fund Balances	53,755,202	57,092,103	57,338,329	61,719,268	59,868,153
Total Revenues	6,158,541	6,591,991	8,615,570	11,106,552	8,909,697
Total Expenditures	11,458,413	9,202,796	11,465,866	10,007,290	11,307,925
Total Other Financing Sources/Uses	1,938,769	2,364,579	(1,956,661)	875,548	1,064,119

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