City of Pine Bluff, Arkansas

Regulatory Basis Financial Statements and Other Reports

December 31, 2012

LEGISLATIVE JOINT AUDITING COMMITTEE

CITY OF PINE BLUFF, ARKANSAS

TABLE OF CONTENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

REGULATORY BASIS FINANCIAL STATEMENTS

SUPPLEMENTARY INFORMATION

OTHER INFORMATION

Sen. Bryan B. King
Senate Chair
Rep. Kim Hammer
House Chair
Sen. Linda Chesterfield
Senate Vice Chair
Rep. John W. Walker
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

Report on the Financial Statements

We have audited the accompanying regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of the City of Pine Bluff, Arkansas, as of and for the year ended December 31, 2012, as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Arkansas Code, as described in Note 1, to meet the requirements permitted by the State of Arkansas. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on Generally Accepted Accounting Principles paragraphs, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Pine Bluff, Arkansas, as of December 31, 2012, or the revenues, expenditures, and changes in net position and, when applicable, cash flows thereof for the year then ended.

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Basis for Adverse Opinion on Regulatory Basis of Accounting

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 the Wastewater Utility Commission, Civic Auditorium Complex Commission, Advertising and Tourist Promotion Commission, and Aviation Commission 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 financial statements also do not disclose all the required information concerning deposit and investment risks. In our opinion, disclosure of this information is required by the regulatory basis of accounting described in Note 1.

Adverse Opinion on Regulatory Basis of Accounting

In our opinion, because of the omissions described in the Basis for Adverse Opinion on Regulatory Basis of Accounting paragraph, the financial statements referred to above do not present fairly, in conformity with the regulatory-basis of accounting, as described in Note 1, the financial position of the other funds in the aggregate of the City of Pine Bluff, Arkansas, as of December 31, 2012, and the regulatory-basis revenues, expenditures, and changes in net position for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

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

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the omission of the information described in the Basis for Qualified Opinion on Regulatory Basis of Accounting paragraph, the financial statements referred to above present fairly, in all material respects, the regulatory-basis financial position of the general fund and street fund of the City of Pine Bluff, Arkansas, as of December 31, 2012, and the regulatory-basis revenues, expenditures, and changes in net position, and the budgetary comparisons for the general fund and street fund for the year then ended in accordance with the financial reporting provisions of the Arkansas Code described in Note 1.

Supplementary and Other Information

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

Because of the omissions described above, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of the state constitution, laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

DIVISION OF LEGISLATIVE AUDIT

Roger Norman

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

Little Rock, Arkansas
July 29, 2013
LOM107612

Sen. Bryan B. King
Senate Chair
Rep. Kim Hammer
House Chair
Sen. Linda Chesterfield
Senate Vice Chair
Rep. John W. Walker
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 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, 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, 2012, and the related notes to the financial statements, and have issued our report thereon dated July 29, 2013. We issued an adverse opinion because the financial statements are prepared by the City on the basis of the financial reporting provisions of Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, with respect to the regulatory basis of accounting described in Note 1, our opinion on the other funds in the aggregate was 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control 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:

2012-1 To ensure the proper safeguarding of assets, financial accounting duties relating to initiating, receipting, depositing, disbursing, and recording transactions should be distributed among appropriate employees. The City officials, as specified in the Other Issues section of this report, did not segregate these duties to sufficiently reduce the risks of fraud or error and properly safeguard the City's assets, because of limited financial resources. We recommend that the financial accounting duties in each office be segregated among employees to the extent possible.

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

Compliance and Other Matters

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

Entity's Response to Findings

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

Other Issues

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

The commentary contained in this section relates to the following officials that held office during 2012:

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 **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 state law and accepted accounting practices was noted in the Office of **Mayor**.

1. Unauthorized Disbursements

   Funds totaling $5,343 were improperly disbursed to an elected official and employees during the period January 1, 2012 through December 31, 2012. These disbursements consisted of undocumented reimbursements to a police officer for the purchase of public relations supplies ($4,290); a nonbusiness travel reimbursement to Mayor Carl A. Redus, Jr., for a trip to the NFL Hall of Fame induction ceremony in Canton, OH ($852); and a nonbusiness travel reimbursement to a fire fighter for a trip to the Fallen Firefighters Memorial in Edenburg, MD ($201).

   In addition, disbursements totaling $80 were paid to a credit card company for meals without any documentation; therefore, the validity of these disbursements could not be determined.

2. The following occurred within the Animal Control Department:

   A. The Department receipted funds totaling $610 during the period January 1, 2012 through April 8, 2013, which were never remitted to the City Collector; and therefore, not deposited in a city bank account.

   B. Department food purchases increased from $2,462 (5,003 lbs.) in 2011 to $7,014 (14,584 lbs.) in 2012. Based on records reviewed and discussions with Department personnel, the increase in the number of animals housed in 2012 was not large enough to justify the increase in food purchases. Most of these purchases were made by an employee who was subsequently terminated for failing to attend a called meeting to discuss the increase in food purchases.

   The Animal Control Director's employment was also terminated February 14, 2013.

Purpose of this Report

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

DIVISION OF LEGISLATIVE AUDIT

June M. Barron

June M. Barron, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
July 29, 2013

Exhibit A

CITY OF PINE BLUFF, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2012

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	$ 5,139,314	$ 551,937	$ 17,702,792
Investments			44,830,760
Accounts receivable	2,079,240	196,138	624,027
Interfund receivables	315,968	600	12,217
TOTAL ASSETS	$ 7,534,522	$ 748,675	$ 63,169,796
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 288,838		$ 108,456
Interfund payables	12,817	$ 40,736	275,232
Settlements pending			337,532
Total Liabilities	301,655	40,736	721,220
Fund Balances: (Note 10)			
Nonspendable			462,395
Restricted	320,328	207,939	60,361,893
Committed			1,511,788
Assigned	307,746	500,000	112,500
Unassigned	6,604,793		
Total Fund Balances	7,232,867	707,939	62,448,576
TOTAL LIABILITIES AND FUND BALANCES	$ 7,534,522	$ 748,675	$ 63,169,796

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, 2012

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	$ 1,820,000	$ 2,233,748	$ 600,437
Federal aid	1,688,845		1,478,581
Property taxes	2,467,160	554,547	590,922
Franchise fees	2,953,882		464,939
Sales taxes	15,553,500	500,000	939,144
Fines, forfeitures, and costs	893,992		293,124
Interest	9,785	883	1,577,112
Local permits and fees	1,160,349		104,203
Sanitation fees	2,511,545		
Transit fees	50,845		
Parks and recreation	256,931		
Employer contribution			899,886
Employee contribution			308,754
Donations			208,192
Other	286,573	151,886	396,864
TOTAL REVENUES	29,653,407	3,441,064	7,862,158
EXPENDITURES			
Current:			
General government	4,160,864		3,526,177
Law enforcement	11,092,320		2,160,479
Highways and streets	76,261	3,701,533	601,024
Public safety	7,104,500		3,513,402
Sanitation	2,648,320		
Health	55,027		
Recreation and culture	2,180,904		470,854
Social services	216,862		4,458
Airport	219,874		
Transit	1,312,632		
Total Current	29,067,564	3,701,533	10,276,394
Debt Service:			
Bond principal			785,000
Bond interest and other charges			512,607
Lease principal	4,354		1,447
Lease interest	561		160
Note principal	186,180	47,915	
Note interest	11,631	7,158	
TOTAL EXPENDITURES	29,270,290	3,756,606	11,575,608

CITY OF PINE BLUFF, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

Exhibit B

	General	Street	Other Funds in the Aggregate
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ 383,117	$ (315,542)	$ (3,713,450)
OTHER FINANCING SOURCES (USES)			
Transfers in	166,790		108,657
Transfers out	(61,577)		(213,870)
Contribution from civic auditorium complex commission	160,125		
Bond proceeds			5,355,000
Bond issuance costs			(116,874)
Net gain/loss on sale of investments			466,186
TOTAL OTHER FINANCING SOURCES (USES)	265,338		5,599,099
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	648,455	(315,542)	1,885,649
FUND BALANCES - JANUARY 1	6,584,412	1,023,481	60,562,927
FUND BALANCES - DECEMBER 31	$ 7,232,867	$ 707,939	$ 62,448,576

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, 2012

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	$ 1,598,703	$ 1,820,000	$ 221,297	$ 2,331,000	$ 2,233,748	$ (97,252)
Federal aid	1,933,971	1,688,845	(245,126)			
Property taxes	2,394,895	2,467,160	72,265	550,029	554,547	4,518
Franchise fees	3,529,409	2,953,882	(575,527)			
Sales taxes	17,263,479	15,553,500	(1,709,979)		500,000	500,000
Fines, forfeitures, and costs	807,000	893,992	86,992			
Interest	8,390	9,785	1,395	2,000	883	(1,117)
Local permits and fees	1,445,300	1,160,349	(284,951)			
Sanitation fees	2,802,411	2,511,545	(290,866)			
Transit fees	46,000	50,845	4,845			
Parks and recreation		256,931	256,931			
Other	558,996	286,573	(272,423)	352,921	151,886	(201,035)
TOTAL REVENUES	32,388,554	29,653,407	(2,735,147)	3,235,950	3,441,064	205,114
EXPENDITURES						
Current:						
General government	3,519,102	4,160,864	(641,762)			
Law enforcement	11,422,697	11,092,320	330,377			
Highways and streets	75,000	76,261	(1,261)	3,972,809	3,701,533	271,276
Public safety	7,364,447	7,104,500	259,947			
Sanitation	2,663,490	2,648,320	15,170			
Health	55,027	55,027				
Recreation and culture	1,942,068	2,180,904	(238,836)			
Social services	235,806	216,862	18,944			
Airport	177,874	219,874	(42,000)			
Transit	1,720,872	1,312,632	408,240			
Total Current	29,176,383	29,067,564	108,819	3,972,809	3,701,533	271,276
Debt Service:						
Lease principal		4,354	(4,354)			
Lease interest		561	(561)			
Note principal	155,360	186,180	(30,820)		47,915	(47,915)
Note interest		11,631	(11,631)		7,158	(7,158)
TOTAL EXPENDITURES	29,331,743	29,270,290	61,453	3,972,809	3,756,606	216,203

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, 2012

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ 3,056,811	$ 383,117	$ (2,673,694)	$ (736,859)	$ (315,542)	$ 421,317
OTHER FINANCING SOURCES (USES)						
Transfers in	1,109,602	166,790	(942,812)	657,524		(657,524)
Transfers out	(2,784,498)	(61,577)	2,722,921			
Contribution from civic auditorium complex commission	223,435	160,125	(63,310)			
TOTAL OTHER FINANCING SOURCES (USES)	(1,451,461)	265,338	1,716,799	657,524		(657,524)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,605,350	648,455	(956,895)	(79,335)	(315,542)	(236,207)
FUND BALANCES - JANUARY 1	6,584,412	6,584,412		1,023,481	1,023,481	
FUND BALANCES - DECEMBER 31	$ 8,189,762	$ 7,232,867	$ (956,895)	$ 944,146	$ 707,939	$ (236,207)

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

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

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

General Fund - The General Fund is used to account for and report all financial resources not accounted for and reported in another fund. The General Fund heading as it appears in the financial statements includes the following accounts: General, Transit, Sewer Improvement District Loan, Vice Intelligence Narcotics, Capital Projects, Public Safety Facility Building, Grants, Drainage Grant, Parks and Recreation Commission, Police Department Special Projects, and Police Athletic League.

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

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

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The following Special Revenue Funds are reported with other funds in the aggregate: Community Development, Historic District Commission, Jail Fee, Administration of Justice, and Southeast Arkansas Arts and Science Center Commission.

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The following Capital Projects Funds are reported with other funds in the aggregate: Sales and Use Tax Capital Improvement Series 2012, Equipment Acquisition and Improvements, and Sales and Use Tax Capital Improvement Series 2011.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The following Debt Service Funds are reported with other funds in the aggregate: Franchise Fee Revenue Refunding and Acquisition Bonds and Sales and Use Tax Improvement Bonds Series 2011 - 2012.

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation – Regulatory (Continued)

Other Funds in the Aggregate (Continued)

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, and Health Insurance Premium.

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 Classifications

1. Nonspendable fund balance - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

2. Restricted fund balance - amounts that are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

3. Committed fund balance - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (passage of an ordinance).

4. Assigned fund balance - amounts that are constrained by the City Council's intent to be used for specific purposes, but are neither restricted nor committed.

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Fund Balances (Continued)

Fund Balance Classifications (Continued)

5. Unassigned fund balance – amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund. This classification may also include negative amounts in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

E. Property Taxes

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

F. Budget Law

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

a. Prior to December 1, the Mayor submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

b. The proposed budget is discussed at a City Council meeting prior to adoption.

c. Prior to February 1, the budget is legally enacted by 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.

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.

G. Fund Balance Classification Policies and Procedures

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

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

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

B. Pension Trust Funds

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

NOTE 4: Public Fund Investments

A summary of investments by fund types is as follows:

	December 31, 2012	
Fund Type	Reported Amount	Fair Value
Trust	$ 44,830,760	$ 48,673,166

These investments are composed of the following:

	December 31, 2012	
Fund Type	Reported Amount	Fair Value
Federal agency obligations	$ 3,112,333	$ 3,119,500
Bonds	19,945,939	21,127,697
Stocks	6,370,664	8,135,299
Municipal obligations	828,448	845,282
Mutual funds	14,573,376	15,445,388
Totals	$ 44,830,760	$ 48,673,166

NOTE 5: Accounts Receivable

The accounts receivable balance at December 31, 2012 is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
State aid	$ 177,891	$ 173,700	
Federal aid	226,406		$ 38,546
Property taxes	72,965	22,438	29,420
Franchise fees	513,647		
Sales taxes	1,007,174		338,837
Interest			210,502
Other	81,157		6,722
Totals	$ 2,079,240	$ 196,138	$ 624,027

NOTE 6: Accounts Payable

The accounts payable balance at December 31**,** 2012 is composed of the following:

Description	General Fund	Other Funds in the Aggregate
Vendor payables	$ 288,838	$ 108,456

NOTE 7: Interfund Balances

Individual fund interfund receivable and payable balances are as follows:

	December 31, 2012	
Fund	Interfund Receivables	Interfund Payables
General	$ 315,968	$ 12,817
Street	600	40,736
Other Funds in the Aggregate		
Special Revenue:		
Community Development	11,577	179,016
Jail Fee		96,216
Trust:		
Firemen's Pension and Relief	320	
Policemen's Pension and Relief	320	
Totals	$ 328,785	$ 328,785

Interfund receivables and payables consist of errors in depositing restricted revenues and interfund loans. These balances are expected to be repaid in 2013.

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, 2012, the legal debt limit for the bonded debt was $72,964,046. There were no property tax secured bond issues.

NOTE 8: Legal Debt Limit (Continued)

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, 2012, the legal debt limit for short-term financing obligations was $19,528,350. The amount of short-term financing obligations was $327,557, leaving a legal debt margin of $19,200,793.

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.

NOTE 10: Details of Fund Balance Classifications

Fund balance classifications at December 31, 2012 are composed of the following:

Description	General	Street	Other Funds in the Aggregate
Fund Balances			
Nonspendable:			
Cemetery trust			$ 462,395
Restricted for:			
General government	$ 146,000		404,644
Law enforcement	174,328		269,591
Highways and streets		$ 207,939	
Capital outlay			11,033,803
Pension benefits			48,653,855
Total Restricted	320,328	207,939	60,361,893
Committed for:			
Debt service			1,265,399
Recreation and culture			246,389
Total Committed			1,511,788
Assigned to:			
General government	34,390		
Law enforcement	59,136		
Highways and streets		500,000	
Transit	151,151		
Capital outlay	63,069		
Recreation and culture			112,500
Total Assigned	307,746	500,000	112,500
Unassigned	6,604,793		
Totals	$ 7,232,867	$ 707,939	$ 62,448,576

NOTE 11: Commitments

Total commitments consist of the following at December 31, 2012:

	December 31, 2012
Long-Term liabilities	$ 20,182,557
Construction contract	417,305
Total Commitments	$ 20,599,862

Long-Term Liabilities

Long-Term liabilities at December 31, 2012 are comprised of the following:

	December 31, 2012
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.	$ 5,395,000
Sales and Use Tax Improvement Bonds, Series 2011; annual installments beginning October 1, 2012 with the final installment due October 1, 2036, interest at 2.0% - 4.625%. Payments are to be made from the Debt Service Fund.	9,105,000
Sales and Use Tax Improvement Bonds, Series 2012; annual installments beginning October 1, 2013 with the final installment due October 1, 2036, interest at 1.0% - 4.125%. Payments are to be made from the Debt Service Fund.	5,355,000
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.	4,626
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.	1,805
2012 promissory note with Pine Bluff National Bank on the purchase of four 2013 Dodge Chargers; one annual installment of $32,870 and two of $34,447at 3.02% interest with the final payment due December 11, 2014. Payments are to be made from	65,854
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	63,962
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.	33,582

NOTE 11: Commitments (Continued)

Long-Term Liabilities (Continued)

	December 31, 2012
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.	$ 102,753
2011 promissory note with Simmons First National Bank for the purchase of four 2011 Dodge Charger patrol cars; annual installments of $57,021 for two years at 3.7% interest with the final installment due July 20, 2013. Payments are to be made from the General Fund.	54,975
Total	$ 20,182,557

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, 2012:

Years Ending December 31,	Bonds	Notes	Leases	Total
2013	$ 1,638,711	$ 231,139	$ 6,522	$ 1,876,372
2014	1,648,084	107,514	268	1,755,866
2015	1,574,159			1,574,159
2016	1,567,081			1,567,081
2017	1,574,211			1,574,211
2018 through 2022	7,202,474			7,202,474
2023 through 2027	6,192,969			6,192,969
2028 through 2032	4,395,558			4,395,558
2033 through 2036	2,846,569			2,846,569
Total Obligations	28,639,816	338,653	6,790	28,985,259
Less Interest	8,784,816	17,527	359	8,802,702
Total Principal	$ 19,855,000	$ 321,126	$ 6,431	$ 20,182,557

NOTE 11: Commitments (Continued)

Construction Contract

The City was contractually obligated for the following construction contract at December 31, 2012:

Project Name	Completion Date	Contract Balance December 31, 2012
Fire Stations #2 and #6 Renovation	April 29, 2013	$ 417,305

NOTE 12: Interfund Transfers

The General Fund transferred $61,577 to Other Funds in the Aggregate for the following: $11,577 to the Community Development Fund to provide matching funds for a community development grant; and $50,000 to supplement the Southeast Arkansas Arts and Science Center Commission Fund. The Other Funds in the Aggregate transferred $166,790 to the General Fund for the following: $81,790 from the Jail Fee Fund and $85,000 from the Capital Projects Fund as reimbursement of expenses. The Other Funds in the Aggregate also transferred $47,080 from the Capital Projects Fund to Southeast Arkansas Arts and Science Center Commission Fund as reimbursement of expenses.

NOTE 13: Pledged Revenues

A. Franchise Fees

The City 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 are $5,395,000 and $2,092,038, respectively, payable through May, 2029. For 2012, principal and interest paid were $250,000 and $212,939, respectively.

Franchise fees are deposited into the General Fund and transfers are made to the Bond Fund. Franchise fees in excess of debt service requirements are permitted to be used for other city expenditures. The City received $3,418,821 in franchise fees.

B. Sales and Use Tax

The City pledged future five-eighths percent sales and use taxes to repay $9,640,000 bonds that were issued in 2011 for various capital improvements and to repay $5,355,000 bonds that were issued in 2012 for various capital improvements. Total principal and interest remaining on the bonds are $9,105,000 and $3,878,845 for the 2011 bond issue and $5,355,000 and $2,813,933 for the 2012 bond issue, respectively, payable October 1, 2012 through October 1, 2036. For 2012, principal and interest paid were $535,000 and $293,168, respectively.

Any sales taxes collected in excess of debt service payments on these bonds is permitted to be used for other city expenditures. The City received $4,314,274 in sales taxes pledged for the repayment of these bonds.

NOTE 14: Joint Venture

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 County 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:

NOTE 14: Joint Venture (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 $594,625 in 2012. 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 $590,910 in 2012. Separate financial statements are available at 200 East Eighth Street, Pine Bluff, Arkansas 71601.

NOTE 15: Jointly Governed Organization

Tri-County Drug Task Force

The Sheriff's Departments of Arkansas, Jefferson, and Lincoln Counties, the Police Department of Pine Bluff, and the Prosecuting Attorney's offices of the 11^{th} Judicial District - East and the 11^{th} Judicial District - West entered into an agreement to establish the Tri-County Drug Task Force. The agreement covers the period July 1, 2012 to June 30, 2013 and may be extended upon written mutual agreement. Funding was provided through a Drug Law Enforcement Program grant applied for by the Tri-County Drug Task Force. No contributions or payments for expenditures were made to the Drug Task Force by the City. The 2012 financial statements of the Tri-County Drug Task Force have not been audited.

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 lawsuits 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 2011 and 2012. Settlements totaled $293,000 in 2010. 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.

NOTE 16: Risk Management (Continued)

Municipal Vehicle Program

A. Liability - This program may pay all sums the municipality legally must pay as damages because of bodily injury, death or property damage to which this agreement applies involving a covered municipal vehicle and for which the municipality is liable. The limit of payment by the program is as follows: $25,000 because of bodily injury to or death of one person in any one accident; $50,000 because of bodily injury to or death of two or more persons in any one accident; and $25,000 because of injury to or destruction of property of others in any one accident. The City shall pay into the program each year a charge established annually by the program administrator for covered municipal vehicles and self-propelled mobile equipment owned or leased by the City.

B. Physical Damage - This program covers motor vehicles and permanently attached equipment which are the property of the participating municipality. Property is valued at the full cost to repair or replace the property after deduction for depreciation. Loss amounts payable will be reduced by the deductible amount of $1,000 per occurrence. The City agrees to pay into the program each year a service charge established annually by the program administrator for covered property.

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

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

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.

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

Deferred Retirement Option Plan

The local firemen's pension and relief board of trustees approved the participation in the Arkansas Fire Fighter's Deferred Retirement Option Plan (DROP). Any full-paid fire fighter who is a member of the firemen's pension and relief fund who has at least 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 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.

NOTE18: 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 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; 10% of all fines and forfeitures collected for violation of ordinances or state law. 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 five 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.

NOTE18: Policemen's Pension and Relief Plan (Continued)

Deferred Retirement Option Plan (Continued)

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: 8.5% of gross pay

B. Paid service also covered by Social Security: 2.5% of gross pay

C. Volunteer fire service: no employee contribution

The City is required to contribute at an actuarially determined rate. The contribution requirements of plan members are established and may be amended by State law. The contribution requirements of the City are established and may be amended by the LOPFI Board of Trustees.

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 municipal employees whose municipalities have elected coverage under this System. 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 allnon-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.

Schedule 1

CITY OF PINE BLUFF, ARKANSAS
COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
REGULATORY BASIS
DECEMBER 31, 2012

	SPECIAL REVENUE FUNDS				
	Community Development	Historic District Commission	Jail Fee	Administration of Justice	Southeast Arkansas Arts and Science Center Commission
ASSETS					
Cash and cash equivalents	$ 528,565	$ 4,972	$ 279,332	$ 86,475	$ 353,807
Investments					
Accounts receivable	38,546				6,722
Interfund receivables	11,577				
TOTAL ASSETS	$ 578,688	$ 4,972	$ 279,332	$ 86,475	$ 360,529
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable					$ 1,640
Interfund payables	$ 179,016		$ 96,216		
Settlements pending					
Total Liabilities	179,016		96,216		1,640
Fund Balances:					
Nonspendable					
Restricted	399,672	$ 4,972	183,116	$ 86,475	
Committed					246,389
Assigned					112,500
Total Fund Balances	399,672	4,972	183,116	86,475	358,889
TOTAL LIABILITIES AND FUND BALANCES	$ 578,688	$ 4,972	$ 279,332	$ 86,475	$ 360,529

CITY OF PINE BLUFF, ARKANSAS
COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
REGULATORY BASIS
DECEMBER 31, 2012

Schedule 1

	CAPITAL PROJECTS FUNDS			DEBT SERVICE FUNDS	
	Sales and Use Tax Capital Improvements Series 2012	Equipment Acquisition and Improvements	Sales and Use Tax Capital Improvements Series 2011	Franchise Fee Revenue Refunding and Acquisition Bonds	Sales and Use Tax Improvement Bonds Series 2011 - 2012
ASSETS					
Cash and cash equivalents	$ 4,975,271	$ 172,448	$ 5,886,084	$ 61	$ 926,501
Investments					
Accounts receivable					338,837
Interfund receivables					
TOTAL ASSETS	$ 4,975,271	$ 172,448	$ 5,886,084	$ 61	$ 1,265,338
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable					
Interfund payables					
Settlements pending					
Total Liabilities					
Fund Balances:					
Nonspendable					
Restricted	$ 4,975,271	$ 172,448	$ 5,886,084		
Committed				$ 61	$ 1,265,338
Assigned					
Total Fund Balances	4,975,271	172,448	5,886,084	61	1,265,338
TOTAL LIABILITIES AND FUND BALANCES	$ 4,975,271	$ 172,448	$ 5,886,084	$ 61	$ 1,265,338

Schedule 1

CITY OF PINE BLUFF, ARKANSAS
COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
REGULATORY BASIS
DECEMBER 31, 2012

	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	Health Insurance Premium	Totals
ASSETS									
Cash and cash equivalents	$ 1,129,934	$ 1,802,486	$ 927,864	$ 291,460	$ 148,203	$ 70,333	$ 51,044	$ 67,952	$ 17,702,792
Investments	24,497,708	7,389,748	12,772,369	170,935					44,830,760
Accounts receivable	122,847	45,872	71,203						624,027
Interfund receivables		320	320						12,217
TOTAL ASSETS	$ 25,750,489	$ 9,238,426	$ 13,771,756	$ 462,395	$ 148,203	$ 70,333	$ 51,044	$ 67,952	$ 63,169,796
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	$ 82,166	$ 24,650							$ 108,456
Interfund payables									275,232
Settlements pending					$ 148,203	$ 70,333	$ 51,044	$ 67,952	337,532
Total Liabilities	82,166	24,650			148,203	70,333	51,044	67,952	721,220
Fund Balances:									
Nonspendable				$ 462,395					462,395
Restricted	25,668,323	9,213,776	$ 13,771,756						60,361,893
Committed									1,511,788
Assigned									112,500
Total Fund Balances	25,668,323	9,213,776	13,771,756	462,395					62,448,576
TOTAL LIABILITIES AND FUND BALANCES	$ 25,750,489	$ 9,238,426	$ 13,771,756	$ 462,395	$ 148,203	$ 70,333	$ 51,044	$ 67,952	$ 63,169,796

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, 2012

Schedule 2

	SPECIAL REVENUE FUNDS					CAPITAL PROJECTS FUNDS		
	Community Development	Historic District Commission	Jail Fee	Administration of Justice	Southeast Arkansas Arts and Science Center Commission	Sales and Use Tax Capital Improvements Series 2012	Equipment Acquisition and Improvements	Sales and Use Tax Capital Improvements Series 2011
REVENUES								
State aid		$ 7,100			$ 20,218			
Federal aid	$ 1,478,581							
Property taxes								
Franchise fees								
Sales taxes								
Fines, forfeitures, and costs			$ 117,015	$ 61,127				
Interest			246	124	187	$ 204	$ 48	$ 768
Local permits and fees					104,203			
Employer contribution								
Employee contribution								
Donations					208,192			
Other	285,835	102			83,320			
TOTAL REVENUES	1,764,416	7,202	117,261	61,251	416,120	204	48	768
EXPENDITURES								
Current:								
General government	1,750,469	7,751				23,913	86,677	
Law enforcement			2,455	46,451				206,699
Highways and streets						69,113	192,121	339,790
Public safety								1,657,354
Recreation and culture					451,186			19,668
Social services								
Total Current	1,750,469	7,751	2,455	46,451	451,186	93,026	278,798	2,223,511
Debt Service:								
Bond principal								
Bond interest and other charges								
Lease principal	1,447							
Lease interest	160							
TOTAL EXPENDITURES	1,752,076	7,751	2,455	46,451	451,186	93,026	278,798	2,223,511
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	12,340	(549)	114,806	14,800	(35,066)	(92,822)	(278,750)	(2,222,743)
OTHER FINANCING SOURCES (USES)								
Transfers in	11,577				97,080			
Transfers out			(81,790)				(132,080)	
Bond proceeds						5,151,478		
Bond issuance costs						(83,385)		
Net gain/loss on sale of investments								
TOTAL OTHER FINANCING SOURCES (USES)	11,577		(81,790)		97,080	5,068,093	(132,080)	
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	23,917	(549)	33,016	14,800	62,014	4,975,271	(410,830)	(2,222,743)
FUND BALANCES - JANUARY 1	375,755	5,521	150,100	71,675	296,875		583,278	8,108,827
FUND BALANCES - DECEMBER 31	$ 399,672	$ 4,972	$ 183,116	$ 86,475	$ 358,889	$ 4,975,271	$ 172,448	$ 5,886,084

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, 2012

Schedule 2

	DEBT SERVICE FUNDS		TRUST FUNDS				
	Franchise Fee Revenue Refunding and Acquisition Bonds	Sales and Use Tax Improvement Bonds Series 2011 - 2012	City Retirement	Firemen's Pension and Relief	Policemen's Pension and Relief	Cemetery Trust	Totals
REVENUES							
State aid				$ 298,987	$ 274,132		$ 600,437
Federal aid							1,478,581
Property taxes				295,461	295,461		590,922
Franchise fees	$ 464,939						464,939
Sales taxes		$ 939,144					939,144
Fines, forfeitures, and costs					114,982		293,124
Interest	4	10,388	$ 770,433	302,318	492,392		1,577,112
Local permits and fees							104,203
Employer contribution			486,992	412,894			899,886
Employee contribution			292,942	15,812			308,754
Donations							208,192
Other					20,710	$ 6,897	396,864
TOTAL REVENUES	464,943	949,532	1,550,367	1,325,472	1,197,677	6,897	7,862,158
EXPENDITURES							
Current:							
General government			1,657,367				3,526,177
Law enforcement					1,904,874		2,160,479
Highways and streets							601,024
Public safety				1,856,048			3,513,402
Recreation and culture							470,854
Social services						4,458	4,458
Total Current			1,657,367	1,856,048	1,904,874	4,458	10,276,394
Debt Service:							
Bond principal	250,000	535,000					785,000
Bond interest and other charges	214,939	297,668					512,607
Lease principal							1,447
Lease interest							160
TOTAL EXPENDITURES	464,939	832,668	1,657,367	1,856,048	1,904,874	4,458	11,575,608
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4	116,864	(107,000)	(530,576)	(707,197)	2,439	(3,713,450)
OTHER FINANCING SOURCES (USES)							
Transfers in							108,657
Transfers out							(213,870)
Bond proceeds		203,522					5,355,000
Bond issuance costs		(33,489)					(116,874)
Net gain/loss on sale of investments			220,492	(93,127)	338,884	(63)	466,186
TOTAL OTHER FINANCING SOURCES (USES)		170,033	220,492	(93,127)	338,884	(63)	5,599,099
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	4	286,897	113,492	(623,703)	(368,313)	2,376	1,885,649
FUND BALANCES - JANUARY 1	57	978,441	25,554,831	9,837,479	14,140,069	460,019	60,562,927
FUND BALANCES - DECEMBER 31	$ 61	$ 1,265,338	$ 25,668,323	$ 9,213,776	$ 13,771,756	$ 462,395	$ 62,448,576

CITY OF PINE BLUFF, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
DECEMBER 31, 2012

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

Fund Name	Fund Description
Community Development	City established fund to process grants for low-income housing construction and rehabilitation.
Historic District Commission	Ark. Code Ann. § 14-172-206 and Pine Bluff Ordinance no. 6133 (March 21, 2005) established fund to process grants to support the historic significance of the buildings, structures, features, sites, and surroundings of the City.
Jail Fee	Ark. Code Ann. § 16-17-129 and Pine Bluff Ordinance no. 6286 (June 15, 2009) allows a city to levy an additional fine not to exceed $20. Funds shall be used exclusively to defray the cost of incarcerating county prisoners, including construction and maintenance of the county jail.
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	Pine Bluff Ordinance no. 4139 (May 5, 1969) established fund to provide recreational services and promote cultural growth to the residents of the City.
Sales and Use Tax Capital Improvements Series 2012	Pine Bluff Ordinance no. 6400 (July 16, 2012) authorized the issuance of sales and use tax improvement bonds as approved by referendum on February 8, 2011. Trustee established fund to account for the disbursement of debt proceeds for capital improvements.
Equipment Acquisition and Improvements	Pine Bluff Ordinance no. 6290 (September 21, 2009) authorized 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.
Sales and Use Tax Capital Improvements Series 2011	Pine Bluff Ordinance no. 6363 (September 19, 2011) authorized the issuance of sales and use tax improvement bonds as approved by referendum on February 8, 2011. Trustee established fund to account for the disbursement of debt proceeds for capital improvements.
Franchise Fee Revenue Refunding and Acquisition Bonds	Pine Bluff Ordinance no. 6290 (September 21, 2009) authorized the issuance of franchise fee revenue refunding and acquisition bonds. Trustee established fund to process the payments on the bonded debt.

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

Fund Name	Fund Description
Sales and Use Tax Improvement Bonds Series 2011 - 2012	Pine Bluff Ordinance no. 6363 (September 19, 2011) and no. 6400 (July 16, 2012) authorized the issuance of sales and use tax improvement bonds as approved by referendum on February 8, 2011. 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 property taxes, state aid, and other revenues allowed by law for support of firefighter retirement programs.
Policemen's Pension and Relief	Ark. Code Ann. § 24-11-403 established fund to receive property taxes, state aid, and other revenues allowed by law for support of police retirement programs.
Cemetery Trust	Ark. Code Ann. §§ 20-17-1013, -1016 established fund to invest 20% of revenue generated from plot sales to provide permanent maintenance of 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.
Health Insurance Premium	City established fund to process insurance premiums withheld from employees' earnings and forwarded to the insurance provider.

Schedule 3

CITY OF PINE BLUFF, ARKANSAS
OTHER INFORMATION
SCHEDULE OF CAPITAL ASSETS
DECEMBER 31, 2012
(Unaudited)

	December 31, 2012
Land	$ 435,354
Buildings	17,880,266
Infrastructure	17,161,180
Improvements	2,265,367
Heavy Equipment	8,931,081
Vehicles	6,009,932
Equipment	3,931,821
Total	$ 56,615,001

Schedule 4

CITY OF PINE BLUFF, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
DECEMBER 31, 2012
(Unaudited)

	2012	2011	2010	2009	2008
General					
Total Assets	$ 7,534,522	$ 6,831,167	$ 6,314,189	$ 6,526,749	$ 6,896,561
Total Liabilities	301,655	246,755	565,325	614,759	974,783
Total Fund Balances	7,232,867	6,584,412	5,748,864	5,911,990	5,921,778
Total Revenues	29,653,407	29,074,106	27,805,755	28,549,262	28,335,664
Total Expenditures	29,270,290	28,605,810	26,871,078	27,743,825	26,145,060
Total Other Financing Sources/Uses	265,338	354,004	(1,097,804)	(815,225)	(896,853)
Street					
Total Assets	$ 748,675	$ 1,038,188	$ 1,108,325	$ 814,685	$ 610,200
Total Liabilities	40,736	14,707	89,581	8,655	10,722
Total Fund Balances	707,939	1,023,481	1,018,744	806,030	599,478
Total Revenues	3,441,064	3,384,678	3,496,034	3,262,972	3,302,057
Total Expenditures	3,756,606	3,379,941	3,283,320	3,296,432	3,601,575
Total Other Financing Sources/Uses				240,012	
Other Funds in the Aggregate					
Total Assets	$ 63,169,796	$ 61,052,939	$ 54,424,156	$ 57,592,551	$ 57,698,381
Total Liabilities	721,220	490,012	668,954	500,448	360,052
Total Fund Balances	62,448,576	60,562,927	53,755,202	57,092,103	57,338,329
Total Revenues	7,862,158	7,561,521	6,158,541	6,591,991	8,615,570
Total Expenditures	11,575,608	10,395,707	11,458,413	9,202,796	11,465,866
Total Other Financing Sources/Uses	5,599,099	9,655,159	1,938,769	2,364,579	(1,956,661)