City of Pine Bluff, Arkansas

Regulatory Basis Financial Statements and Other Reports

December 31, 2015

LEGISLATIVE JOINT AUDITING COMMITTEE

CITY OF PINE BLUFF, ARKANSAS

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Arkansas

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Senate Chair
Sen. Linda Chesterfield
Senate Vice Chair

Rep. Mary Broadaway
House Chair
Rep. Sue Scott
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Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS 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, 2015, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-412, as described in Note 1, to meet the requirements permitted by the State of Arkansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Basis for Qualified Opinions on Regulatory Basis of Accounting

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

Qualified Opinions on Regulatory Basis of Accounting

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

Unmodified Opinions on Regulatory Basis of Accounting

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

Emphasis of Matter

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

Other Matters

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of the state constitution, laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT

Roger A. Norman

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

Little Rock, Arkansas
July 8, 2016
LOM107615

Arkansas

Sen. Jimmy Hickey, Jr.
Senate Chair
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Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of the City of Pine Bluff, Arkansas, as of and for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated July 8, 2016. We issued an adverse opinion because the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, with respect to the regulatory basis of accounting described in Note 1, our opinion on the other funds in the aggregate was qualified because required disclosures were not made concerning investment risks, and our opinions on the general fund and street fund were unmodified.

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

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

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

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

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

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

Compliance and Other Matters

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

Entity's Response to Finding

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

Other Issues

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

Mayor: Debe Hollingsworth
City Collector: Sharon Johnson
Finance Director: Steve Miller
City Clerk: Loretta Whitfield
District Court Clerk (Division 1): Debbie Drake
District Court Clerk (Division 2): Veronica Young
Police Chief: Jeff Hubanks

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 above offices were in substantial compliance with Arkansas fiscal and financial laws.

Purpose of this Report

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

ARKANSAS LEGISLATIVE AUDIT

Marti Steel

Marti Steel, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
July 8, 2016

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

Exhibit A

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	$ 6,185,374	$ 982,278	$ 7,833,062
Investments			35,993,004
Accounts receivable	1,480,360	41,182	904,733
Interfund receivables	682,786		
TOTAL ASSETS	$ 8,348,520	$ 1,023,460	$ 44,730,799
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 667,859	$ 51,287	$ 158,458
Interfund payables		6,884	675,902
Settlements pending			244,565
Total Liabilities	667,859	58,171	1,078,925
Fund Balances:			
Nonspendable			483,533
Restricted	311,920	590,516	40,802,217
Committed			2,293,217
Assigned	73,149	374,773	261,797
Unassigned	7,295,592		(188,890)
Total Fund Balances	7,680,661	965,289	43,651,874
TOTAL LIABILITIES AND FUND BALANCES	$ 8,348,520	$ 1,023,460	$ 44,730,799

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

Exhibit B

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

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	$ 1,856,875	$ 3,240,854	$ 661,745
Federal aid			2,800,275
Property taxes	2,866,833	563,378	373,511
Franchise fees	2,788,090		460,447
Sales taxes	16,166,747		1,100,899
Fines, forfeitures, and costs	590,389		338,765
Interest	46,578	2,516	1,108,073
Local permits and fees	1,307,533		110,843
Sanitation fees	2,772,885		
Transit fees			46,663
Parks and recreation fees	188,230		
Employer contribution			532,365
Employee contribution			228,176
Donations			462,357
Net gain on sale of investments			1,157,042
Sale of fine art collection			31,483
Other	329,825	70,901	271,411
TOTAL REVENUES	28,913,985	3,877,649	9,684,055
EXPENDITURES			
Current:			
General government	4,744,548		5,175,728
Law enforcement	11,176,517		5,100,338
Highways and streets	126,823	3,702,758	13,178
Public safety	7,651,302		447,188
Sanitation	2,660,472		29,795
Health	54,292		
Recreation and culture	1,860,200		756,682
Social services	341,176		4,621
Airport	150,767		
Transit			1,096,390
Total Current	28,766,097	3,702,758	12,623,920
Debt Service:			
Bond principal			965,000
Bond interest and other charges			635,148
Note principal	157,551		
Note interest	2,983		
TOTAL EXPENDITURES	28,926,631	3,702,758	14,224,068

Exhibit B

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

	General	Street	Other Funds in the Aggregate
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ (12,646)	$ 174,891	$ (4,540,013)
OTHER FINANCING SOURCES (USES)			
Transfers in	40,084		384,470
Transfers out	(384,470)		(40,084)
Loan proceeds	438,831		
Contribution from civic auditorium complex commission	111,170		
TOTAL OTHER FINANCING SOURCES (USES)	205,615		344,386
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	192,969	174,891	(4,195,627)
FUND BALANCES - JANUARY 1,	7,487,692	790,398	47,847,501
FUND BALANCES - DECEMBER 31	$ 7,680,661	$ 965,289	$ 43,651,874

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, 2015

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	$ 1,887,184	$ 1,856,875	$ (30,309)	$ 2,328,161	$ 3,240,854	$ 912,693
Federal aid	1,500		(1,500)			
Property taxes	2,272,814	2,866,833	594,019	588,000	563,378	(24,622)
Franchise fees	3,166,858	2,788,090	(378,768)			
Sales taxes	17,358,530	16,166,747	(1,191,783)	897,919		(897,919)
Fines, forfeitures, and costs	681,671	590,389	(91,282)			
Interest	48,740	46,578	(2,162)	621	2,516	1,895
Local permits and fees	1,232,676	1,307,533	74,857			
Sanitation fees	2,758,390	2,772,885	14,495			
Parks and recreation fees		188,230	188,230			
Other	480,097	329,825	(150,272)	123,863	70,901	(52,962)
TOTAL REVENUES	29,888,460	28,913,985	(974,475)	3,938,564	3,877,649	(60,915)
EXPENDITURES						
Current:						
General government	4,709,192	4,744,548	(35,356)			
Law enforcement	12,186,156	11,176,517	1,009,639			
Highways and streets	171,542	126,823	44,719	5,017,159	3,702,758	1,314,401
Public safety	7,882,672	7,651,302	231,370			
Sanitation	2,676,298	2,660,472	15,826			
Health	54,292	54,292				
Recreation and culture	1,949,317	1,860,200	89,117			
Social services	220,922	341,176	(120,254)			
Airport	150,767	150,767				
Total Current	30,001,158	28,766,097	1,235,061	5,017,159	3,702,758	1,314,401
Debt Service:						
Note principal		157,551	(157,551)			
Note interest		2,983	(2,983)			
TOTAL EXPENDITURES	30,001,158	28,926,631	1,074,527	5,017,159	3,702,758	1,314,401

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, 2015

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ (112,698)	$ (12,646)	$ 100,052	$ (1,078,595)	$ 174,891	$ 1,253,486
OTHER FINANCING SOURCES (USES)						
Transfers in	973,066	40,084	(932,982)	308,610		(308,610)
Transfers out	(2,547,624)	(384,470)	2,163,154			
Loan proceeds	619,000	438,831	(180,169)			
Contribution from civic auditorium complex commission	111,170	111,170				
TOTAL OTHER FINANCING SOURCES (USES)	(844,388)	205,615	1,050,003	308,610		(308,610)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(957,086)	192,969	1,150,055	(769,985)	174,891	944,876
FUND BALANCES - JANUARY 1		7,487,692	7,487,692		790,398	790,398
FUND BALANCES - DECEMBER 31	$ (957,086)	$ 7,680,661	$ 8,637,747	$ (769,985)	$ 965,289	$ 1,735,274

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. Under accounting principles generally accepted in the United States of America (GAAP) as established by the *Government Accounting Standards Board*, the following funds of the City would have been included in the reporting entity: Waste Water Utility Commission, Civic Auditorium Complex Commission, Advertising and Tourist Promotion Commission, and Aviation Commission Funds. However, under Arkansas's regulatory basis described below, inclusion of these funds is not required and these funds are not included in this report.

B. Basis of Presentation – Regulatory

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

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

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

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

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, Southeast Arkansas Arts and Science Center Commission, Vice Intelligence Narcotics, Grants, Emergency Vehicle, Department of Housing and Urban Development Storm Recovery Drainage Grant, and Transit.

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 outlay, 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 Improvements Series 2012, Sales and Use Tax Capital Improvements Series 2011, and Capital Improvement Series 2014.

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation – Regulatory (Continued)

Other Funds in the Aggregate (Continued)

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: Sales and Use Tax Improvement Bond Series 2011-2012 and Franchise Fee Improvement Refunding and Improvement Bond Series 2014.

Permanent Funds – Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry. The following Permanent Fund is reported with other funds in the aggregate: Cemetery Trust.

Pension Trust Funds – Pension Trust Funds are used to report resources that are required to be held in trust for the members and beneficiaries of pension plans. The following Pension Trust Funds are reported with other funds in the aggregate: City Retirement and Policemen's Pension and Relief.

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

D. Assets, Liabilities, and Fund Balances

Cash and Cash Equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts, 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.

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

Fund Balance Classifications (Continued)

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.

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 ordinance or resolution of the City Council.

d. Appropriations lapse at the end of each year.

e. Under certain conditions, the budget may be amended subsequent to the year-end.

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

Basis of Accounting

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

G. Fund Balance Classification Policies and Procedures

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

G. Fund Balance Classification Policies and Procedures (Continued)

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 Deposits with Financial Institutions

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

	Carrying Amount	Bank Balance
Insured (FDIC)	$ 2,269,487	$ 2,276,175
Collateralized:		
Collateral held by pledging bank or pledging bank's trust department or agent not in the City's name	12,720,596	12,613,306
Total Deposits	$ 14,990,083	$ 14,889,481

The above total deposits do not include cash on hand of $10,631.

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

NOTE 3: Legal or Contractual Provisions for Deposits and Investments

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

Pension Trust Funds

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

NOTE 4: Public Fund Investments

A summary of investments by fund types is as follows:

	December 31, 2015	
Fund Type	Reported Amount	Fair Value
Permanent	$ 103,641	$ 105,153
Pension Trust	35,889,363	40,163,158
Totals	$ 35,993,004	$ 40,268,311

These investments are composed of the following:

	December 31, 2015	
Investment Type	Reported Amount	Fair Value
Federal agency obligations	$ 4,432,687	$ 4,409,445
Bonds	12,074,778	12,348,915
Stocks	8,261,710	9,625,281
Municipal obligations	500,000	514,782
Mutual funds	10,723,829	13,369,888
Totals	$ 35,993,004	$ 40,268,311

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

NOTE 5: Accounts Receivable

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
Federal aid			$ 61,702
Property taxes	$ 124,708	$ 25,203	16,401
Franchise fees	233,246		259,369
Sales taxes	1,024,110		341,178
Interest			124,176
Other	98,296	15,979	101,907
Totals	$ 1,480,360	$ 41,182	$ 904,733

NOTE 6: Accounts Payable

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

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor payables	$ 375,530	$ 42,809	$ 158,458
Retirement payable	292,329	8,478	
Totals	$ 667,859	$ 51,287	$ 158,458

NOTE 7: Interfund Balances

Individual fund interfund receivable and payable balances are as follows:

	December 31, 2015	
Fund	Interfund Receivables	Interfund Payables
General	$ 682,786	
Street		$ 6,884
Other Funds in the Aggregate:		
Special Revenue Funds:		
Community Development		126,999
Jail Fee		108,288
Grants		168,082
Department of Housing and Urban Development Storm Recovery Drainage Grant		100
Transit		272,433
Totals	$ 682,786	$ 682,786

Interfund receivables and payables consist of errors in depositing restricted revenues, matching grant funds, and reimbursement for expenses paid by the General Fund. The General Fund received $371,000 prior to July 8, 2016 and the remainder is expected to be repaid later in 2016.

NOTE 8: Legal Debt Limit

A. Property Tax Secured Bonded Debt

The City is subject to a constitutional limitation for bonded indebtedness equal to 20% of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2015, the legal debt limit for the bonded debt was $72,768,200. 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, 2015, the legal debt limit for short-term financing obligations was $19,834,844. The amount of short-term financing obligations was $596,730, leaving a legal debt margin of $19,238,114.

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 for 2015 federal funds. A separate report was issued for the 2014 federal funds.

The following material instances of noncompliance were reported for the Supportive Housing Program:

Finding 2014-1 During our testing of cash management, from a population of six draw downs, a sample of one draw down for $91,880 on February 28, 2014 was tested. From this draw down, we noted that $39,688 was not expended until March 20, 2014, April 7, 2014, and April 21, 2014, which indicates excess cash balances were on hand. Therefore, funds are not being disbursed in a reasonable time period.

Finding 2014-2 The Annual Progress Reports for 2013 and 2014 were submitted on September 9, 2014 and June 30, 2015, respectively, which exceeded the 90-day deadline for timely submission. Further, the reported financial information did not agree to the accounting records.

NOTE 9: Federal Funds Program Compliance (Continued)

The following material instances of noncompliance were reported for the COPS Hiring Recovery Program:

Finding 2014-3 The City uses a spreadsheet to separately track salary and benefit expenses for officers hired under the COPS Hiring grant program to ensure salaries charged are within budgetary limits set forth by the grant. Personnel preparing and approving reimbursement requests were unaware of the matching requirement.

Finding 2014-4 The City uses a spreadsheet to separately track salary and benefit expenses for officers hired under the COPS Hiring grant program to ensure salaries charged are within budgetary limits set forth by the grant. Personnel preparing and approving reimbursement requests were unaware of the budgetary limits set forth in the grant.

The following material instance of noncompliance was reported for the HOME Investment Partnership Program:

Finding 2014-5 The first semi-annual report was submitted May 2, 2014 and the second semi-annual report was submitted December 12,2014.

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, 2015, are composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances:			
Nonspendable			$ 483,533
Restricted for:			
General government	$ 146,000		122,576
Law enforcement	165,501		475,460
Highways and streets		$ 590,516	
Recreation and culture	419		58,401
Capital outlay			1,378,616
Pension benefits			38,767,164
Total Restricted	311,920	590,516	40,802,217
Committed for:			
Debt service			1,713,459
Recreation and culture			338,073
Capital outlay			241,685
Total Committed			2,293,217
Assigned to:			
General government	24,577		
Law enforcement	8,055		
Highways and streets		374,773	
Capital outlay	23,935		200
Recreation and culture	16,582		261,597
Total Assigned	73,149	374,773	261,797
Unassigned	7,295,592		(188,890)
Totals	$ 7,680,661	$ 965,289	$ 43,651,874

NOTE 11: Deficit Fund Balances

The following fund has a deficit fund balance as of December 31, 2015:

	December 31, 2015
Other Funds in the Aggregate:	
Special Revenue Fund:	
Transit	$ (188,890)

NOTE 12: Commitments

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

	December 31, 2015
Long-term liabilities	$ 22,180,716
United States Department of Housing and Urban Development Grant Repayment	157,061
Construction contracts	795,632
Total Commitments	$ 23,133,409

Long-term liabilities

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

	December 31, 2015
Franchise Fee Revenue Refunding and Improvement Bonds, Series 2014; annual installments beginning May 1, 2015 with the final installment due May 1, 2039, interest at 1.0% - 4.25%. Payments are to be made from the Debt Service Fund.	$ 5,705,000
Sales and Use Tax Improvement Bonds, Series 2011; annual installments beginning October 1, 2012 with the final settlement due October 1, 2036, interest at 2.0% - 4.625%. Payments are to be made from the Debt Service Fund.	7,540,000
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.	4,885,000
2013 promissory note with Simmons First National Bank for the purchase of one 2013 Ford Fusion, one 2013 Ford 150, and one 2013 Chevy Silverado; annual installments of $26,468 for three years at 2.17% with the final installment due March 5, 2016. Payments are to be made from the General Fund.	25,823
2014 promissory note with Simmons First National Bank for the purchase of two 2014 Dodge Chargers and one Dodge Pick-up; annual installments of $22,250 for two years at 2.23% interest with the final installment due on March 6, 2016. Payments are to be made from the General Fund.	21,707
2015 promissory note with Simmons First National Bank for the purchase of three 2016 Dodge Chargers and seven 2016 Ford Explorers; annual installments of $91,768 for three years at 1.79% interest with the final installment due on August 14, 2018. Payments are to be made from the General Fund.	270,000
2015 promissory note with Relyance Bank for the purchase of various equipment for the Street department, a turf mower, two Ford Fusions, various equipment for the Police department, an Inspection department vehicle, and a Community Development vehicle; one payment of $69,800 and annual installments of $73,872 for four years at 2.27% interest with the final installment due on March 7, 2019. Payments are to be made from the General Fund.	279,200
Compensated Absences	3,453,986
Total Long-term liabilities	$ 22,180,716

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

NOTE 12: Commitments (Continued)

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, 2015:

Years Ending December 31,	Bonds	Notes	Total
2016	$ 1,585,475	$ 218,434	$ 1,803,909
2017	1,591,955	165,684	1,757,639
2018	1,586,000	170,337	1,756,337
2019	1,508,362	69,442	1,577,804
2020	1,500,330		1,500,330
2021 through 2025	6,847,229		6,847,229
2026 through 2030	5,707,174		5,707,174
2031 through 2035	3,910,524		3,910,524
2036 through 2039	986,812		986,812
Total Obligations	25,223,861	623,897	25,847,758
Less Interest	7,093,861	27,167	7,121,028
Total Principal	$ 18,130,000	$ 596,730	$ 18,726,730

United States Department of Housing and Urban Development Grant Repayment

The City of Pine Bluff's Community Development Department received notification from the United States Department of Housing and Urban Development of instances of noncompliance within the City's Community Development Block Grant and Home Investment Partnerships (HOME) Program. These instances of noncompliance will result in repayment of nonfederal funds of $157,061.

Construction Contracts

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

Project Name	Estimated Completion Date	Contract Balance December 31, 2015
Animal Control Office - Architectural	Completed March 21, 2016	$ 3,943
Animal Control Office Renovation	Completed March 21, 2016	276,558
Joe Thomas Police Facility - Architectural	November 30, 2016	5,199
Joe Thomas Police Facility Renovation	November 30, 2016	509,932
Total		$ 795,632

NOTE 13: Interfund Transfers

The General Fund transferred $384,470 to Other Funds in the Aggregate for the following: $63,527 to the Community Development Fund to provide matching funds for a community development grant; $49,097 to supplement the Southeast Arkansas Arts and Science Center Commission Fund; and $271,846 to supplement the Transit Fund. The Other Funds in the Aggregate transferred $40,084 to the General Fund as reimbursement of expenses from the Jail Fee Fund.

NOTE 14: Pledged Revenues

A. Franchise Fees

The City pledged future franchise fees to repay $6,015,000 in capital improvement refunding and improvement bonds that were issued in 2014 to refund the 2009 series refunding and acquisition bonds and to provide funding for various capital improvements. Total principal and interest remaining on the bonds are $5,705,000 and $1,804,520, respectively, payable through May 2039. For 2015, principal and interest paid were $310,000 and $175,953, respectively.

Franchise fees in excess of debt service requirements are permitted to be used for other city expenditures. The City received $3,248,537 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 $7,540,000 and $3,028,055 for the 2011 bond issue and $4,885,000 and $2,261,286 for the 2012 bond issue, respectively, payable October 1, 2012 through October 1, 2036. For 2015, principal and interest paid were $485,000 and $272,730, respectively, for the 2011 bond issue. For 2015, principal and interest paid were $170,000 and $171,765, respectively, for the 2012 bond issue.

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 $4,329,945 in sales taxes for the repayment of these bonds.

NOTE 15: Joint Ventures

A. Metropolitan Emergency Communications Association

The City of Pine Bluff belongs to the Metropolitan Emergency Communications Association as set up by an amended interlocal cooperation agreement, dated May 13, 1996, which is composed of the Cities of Pine Bluff, White Hall, Redfield, Altheimer, Wabbaseka, Humphrey, and Sherrill and Jefferson County. The Association Is governed by seven commissioners which include the City of Pine Bluff's Mayor, Police Chief, and Fire Chief; Jefferson County's County Judge and Sheriff; the Office of Emergency Services Coordinator; and the Chairman of the 911 Administrative Board by virtue of their term in office or employment with the local government. Pursuant to the aforementioned amended agreement for 1996, the participants' percentage 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 $632,676 in 2015. Separate financial statements are not available.

NOTE 15: Joint Ventures (Continued)

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 Pine Bluff and Jefferson County Library 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 Pine Bluff and Jefferson County Library System. The Board shall fix the number and salaries of employees of the Pine Bluff and Jefferson County Library System. The City paid the Pine Bluff and Jefferson County Library System $600,302 in 2015. Separate financial statements are available at 200 East Eighth Street, Pine Bluff, Arkansas 71601.

NOTE 16: Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and participation in a public entity risk pool. The amount of settlements, if any, has not exceeded the insurance coverage for each of the past three years. There were no settlements paid by the City in 2013. Payments made by the City in 2015 and 2014 in excess of Arkansas Municipal League's coverage totaled $175,000 and $2,500, respectively. There were no significant reductions in insurance coverage in the major categories of risk from coverage in the prior year.

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

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

Municipal Vehicle Program

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

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

Municipal 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.

NOTE 16: Risk Management (Continued)

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: 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; all forfeitures and fines imposed upon any member of the police department by way of discipline; all money given or donated to such fund; all money deducted from the salary of any member of the police department on account of absence or loss of time; all rewards paid for any purpose and 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. Based on the December 31, 2014 actuarial valuation, the plan has a net pension liability of $11,471,193.

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 18: Local Police and Fire Retirement System (LOPFI)
(A Defined Benefit Pension Plan)

Plan Description

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

Funding Policy

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

A. Paid service not covered by Social Security: 8.5% of gross pay

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

C. Volunteer fire service: no employee contribution

The City is required to contribute at an actuarially determined rate. The contribution requirements of plan members are established and may be amended by State law. The contribution requirements of the City are established and may be amended by the LOPFI Board of Trustees. The plan is also funded with state insurance tax. The City's contribution to the plan was $549,256 and the amount of insurance tax paid by the state to the plan for the benefit of the City was $986,525 for the year ended December 31, 2015.

Net Pension Liability

The City's proportionate share of the collective net pension liability at December 31, 2014 (actuarial valuation date and measurement date) was $10,126,199.

NOTE 19: Arkansas Public Employees Retirement System

Plan Description

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

Funding Policy

APERS has contributory and non-contributory plans. Contributory members are required by State law to contribute 5% of their salary. Each participating employer is required by State law to contribute at a rate established by the Board of Trustees of the system, based on the annual actuarial valuation. The City's contribution on behalf of the District Court Clerk only was $6,962 for the year ended December 31, 2015.

NOTE 20: City Retirement Plan

Plan Description

The City Retirement Plan for the City of Pine Bluff is a single-employer defined 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. The City's contribution to the plan was $532,365 for the year ended December 31, 2015. Based on the January 1, 2016 actuarial valuation, the plan has an unfunded actuarial liability of $1,881,000.

NOTE 21: Voluntary Grant Reduction in Lieu of Repayment

The City voluntarily requested reductions in grant funding for the City's Community Development Block Grant and HOME Investment Partnership Program to resolve findings of noncompliance by the United States Department of Housing and Urban Development. These reductions will total $214,211 and will be withheld over the next two years as follows:

Years Ending December 31,	Total
2016	$ 108,828
2017	105,383
Total	$ 214,211

Schedule 1

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

	SPECIAL REVENUE FUNDS							
	Community Development	Historic District Commission	Jail Fee	Administration of Justice	Southeast Arkansas Arts and Science Center Commission	Vice Intelligence Narcotics	Grants	Emergency Vehicle
ASSETS								
Cash and cash equivalents	$ 234,015	$ 1,436	$ 108,288	$ 222,986	$ 559,999	$ 186,861	$ 202,567	$ 65,801
Investments								
Accounts receivable	61,702				101,907			
TOTAL ASSETS	$ 295,717	$ 1,436	$ 108,288	$ 222,986	$ 661,906	$ 186,861	$ 202,567	$ 65,801
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	$ 47,578				$ 3,835			$ 188
Interfund payables	126,999		$ 108,288				$ 168,082	
Settlements pending								
Total Liabilities	174,577		108,288		3,835		168,082	188
Fund Balances:								
Nonspendable								
Restricted	121,140	$ 1,436		$ 222,986	58,401	$ 186,861	34,285	65,613
Committed					338,073			
Assigned					261,597		200	
Unassigned								
Total Fund Balances	121,140	1,436		222,986	658,071	186,861	34,485	65,613
TOTAL LIABILITIES AND FUND BALANCES	$ 295,717	$ 1,436	$ 108,288	$ 222,986	$ 661,906	$ 186,861	$ 202,567	$ 65,801

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

Schedule 1

	SPECIAL REVENUE FUNDS		CAPITAL PROJECTS FUNDS		DEBT SERVICE FUNDS	
	Department of Housing and Urban Development Storm Recovery Drainage Grant	Transit	Sales and Use Tax Capital Improvements Series 2012	Capital Improvement Series 2014	Sales and Use Tax Improvement Bond Series 2011 - 2012	Franchise Fee Improvement Refunding and Improvement Bond Series 2014
ASSETS						
Cash and cash equivalents	$ 100	$ 90,977	$ 1,344,331	$ 241,685	$ 870,994	$ 241,918
Investments						
Accounts receivable					341,178	259,369
TOTAL ASSETS	$ 100	$ 90,977	$ 1,344,331	$ 241,685	$ 1,212,172	$ 501,287
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable		$ 7,434				
Interfund payables	$ 100	272,433				
Settlements pending						
Total Liabilities	100	279,867				
Fund Balances:						
Nonspendable						
Restricted			$ 1,344,331			
Committed				$ 241,685	$ 1,212,172	$ 501,287
Assigned						
Unassigned		(188,890)				
Total Fund Balances		(188,890)	1,344,331	241,685	1,212,172	501,287
TOTAL LIABILITIES AND FUND BALANCES	$ 100	$ 90,977	$ 1,344,331	$ 241,685	$ 1,212,172	$ 501,287

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

Schedule 1

	PERMANENT FUND	TRUST FUNDS		AGENCY FUNDS				
	Cemetery Trust	City Retirement	Policemen's Pension and Relief	District Court (Division 1)	District Court (Division 2)	Payroll	Health Insurance Premium	Totals
ASSETS								
Cash and cash equivalents	$ 379,892	$ 2,126,573	$ 710,074	$ 123,627	$ 60,227	$ 43,107	$ 17,604	$ 7,833,062
Investments	103,641	22,825,186	13,064,177					35,993,004
Accounts receivable		90,240	50,337					904,733
TOTAL ASSETS	$ 483,533	$ 25,041,999	$ 13,824,588	$ 123,627	$ 60,227	$ 43,107	$ 17,604	$ 44,730,799
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable		$ 99,423						$ 158,458
Interfund payables								675,902
Settlements pending				$ 123,627	$ 60,227	$ 43,107	$ 17,604	244,565
Total Liabilities		99,423		123,627	60,227	43,107	17,604	1,078,925
Fund Balances:								
Nonspendable	$ 483,533							483,533
Restricted		24,942,576	$ 13,824,588					40,802,217
Committed								2,293,217
Assigned								261,797
Unassigned								(188,890)
Total Fund Balances	483,533	24,942,576	13,824,588					43,651,874
TOTAL LIABILITIES AND FUND BALANCES	$ 483,533	$ 25,041,999	$ 13,824,588	$ 123,627	$ 60,227	$ 43,107	$ 17,604	$ 44,730,799

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, 2015

Schedule 2

	SPECIAL REVENUE FUNDS									
	Community Development	Historic District Commission	Jail Fee	Administration of Justice	Southeast Arkansas Arts and Science Center Commission	Vice Intelligence Narcotics	Grants	Emergency Vehicle	Department of Housing and Urban Development Storm Recovery Drainage Grant	Transit
REVENUES										
State aid					$ 14,330		$ 370,048			$ 107,573
Federal aid	$ 1,222,473					$ 116,381	240,150		$ 698,865	522,406
Property taxes										
Franchise fees										
Sales taxes										
Fines, forfeitures, and costs			$ 98,720	$ 77,523				$ 70,760		
Interest			571	304	188	374		97		180
Local permits and fees					110,843					
Transit fees										46,663
Employer contribution										
Employee contribution										
Donations					462,357					
Net gain on sale of investments										
Sale of fine art collection					31,483					
Other	197,658				61,226		2			10,434
TOTAL REVENUES	1,420,131		99,291	77,827	680,427	116,755	610,200	70,857	698,865	687,256
EXPENDITURES										
Current:										
General government	1,480,402						276,714		698,865	
Law enforcement			237,780	45,120		102,373	66,219	10		
Highways and streets							9,385			
Public safety										
Sanitation							29,795			
Recreation and culture					511,183		203,520			
Social services										
Transit										1,096,390
Total Current	1,480,402		237,780	45,120	511,183	102,373	585,633	10	698,865	1,096,390
Debt Service:										
Bond principal										
Bond interest and other charges										
TOTAL EXPENDITURES	1,480,402		237,780	45,120	511,183	102,373	585,633	10	698,865	1,096,390
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(60,271)		(138,489)	32,707	169,244	14,382	24,567	70,847		(409,134)
OTHER FINANCING SOURCES (USES)										
Transfers in	63,527				49,097					271,846
Transfers out			(40,084)							
TOTAL OTHER FINANCING SOURCES (USES)	63,527		(40,084)		49,097					271,846
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	3,256		(178,573)	32,707	218,341	14,382	24,567	70,847		(137,288)
FUND BALANCES - JANUARY 1	117,884	$ 1,436	178,573	190,279	439,730	172,479	9,918	(5,234)		(51,602)
FUND BALANCES - DECEMBER 31	$ 121,140	$ 1,436	$ 0	$ 222,986	$ 658,071	$ 186,861	$ 34,485	$ 65,613	$ 0	$ (188,890)

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, 2015

Schedule 2

	CAPITAL PROJECTS FUNDS			DEBT SERVICE FUNDS		PERMANENT FUND	TRUST FUNDS		
	Sales and Use Tax Capital Improvements Series 2012	Sales and Use Tax Capital Improvements Series 2011	Capital Improvement Series 2014	Sales and Use Tax Improvement Bond Series 2011 - 2012	Franchise Fee Improvement Refunding and Improvement Bond Series 2014	Cemetery Trust	City Retirement	Policemen's Pension and Relief	Totals
REVENUES									
State aid								$ 169,794	$ 661,745
Federal aid									2,800,275
Property taxes								373,511	373,511
Franchise fees					$ 460,447				460,447
Sales taxes				$ 1,100,899					1,100,899
Fines, forfeitures, and costs								91,762	338,765
Interest	$ 271	$ 53	$ 56	7,515	27	$ 11,297	$ 693,650	393,490	1,108,073
Local permits and fees									110,843
Transit fees									46,663
Employer contribution							532,365		532,365
Employee contribution							228,176		228,176
Donations									462,357
Net gain on sale of investments							321,723	835,319	1,157,042
Sale of fine art collection									31,483
Other							2,091		271,411
TOTAL REVENUES	271	53	56	1,108,414	460,474	11,297	1,778,005	1,863,876	9,684,055
EXPENDITURES									
Current:									
General government	455,573		13,536				2,250,638		5,175,728
Law enforcement	1,156,626	1,150,467	271,817					2,069,926	5,100,338
Highways and streets	3,793								13,178
Public safety	371,212	75,976							447,188
Sanitation									29,795
Recreation and culture	41,973	6							756,682
Social services						4,621			4,621
Transit									1,096,390
Total Current	2,029,177	1,226,449	285,353			4,621	2,250,638	2,069,926	12,623,920
Debt Service:									
Bond principal				655,000	310,000				965,000
Bond interest and other charges				455,395	179,753				635,148
TOTAL EXPENDITURES	2,029,177	1,226,449	285,353	1,110,395	489,753	4,621	2,250,638	2,069,926	14,224,068
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,028,906)	(1,226,396)	(285,297)	(1,981)	(29,279)	6,676	(472,633)	(206,050)	(4,540,013)
OTHER FINANCING SOURCES (USES)									
Transfers in									384,470
Transfers out									(40,084)
TOTAL OTHER FINANCING SOURCES (USES)									344,386
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(2,028,906)	(1,226,396)	(285,297)	(1,981)	(29,279)	6,676	(472,633)	(206,050)	(4,195,627)
FUND BALANCES - JANUARY 1	3,373,237	1,226,396	526,982	1,214,153	530,566	476,857	25,415,209	14,030,638	47,847,501
FUND BALANCES - DECEMBER 31	$ 1,344,331	$ 0	$ 241,685	$ 1,212,172	$ 501,287	$ 483,533	$ 24,942,576	$ 13,824,588	$ 43,651,874

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

Fund Name	Fund Description
Community Development	Established 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 county to levy an additional fine, not to exceed $20. Funds shall be used exclusively to defray the cost of incarcerating county prisoners; construction, maintenance, and operation of the county jail; purchase and maintenance of jail equipment; and training, salaries, and certificate pay for jailers and deputy sheriffs.
Administration of Justice	Ark. Code Ann. § 16-17-126 authorizes district court 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.
Vice Intelligence Narcotics	Established to process the Department of Justice and the Department of the Treasury's Federal Equitable sharing grants for law enforcement purposes.
Grants	Established to process various state and federal grants.
Emergency Vehicle	Ark. Code Ann. § 27-22-103 established fund for the fine for failure to insure motor vehicles to be used for the purchase and maintenance of rescue, emergency medical, and law enforcement vehicles, communication equipment, animals owned or used by law enforcement agencies, life-saving medical apparatus, and law enforcement apparatus.
Department of Housing and Urban Development Storm Recovery Drainage Grant	Established to process the United States Department of Housing and Urban Development's Storm Recovery Grant.

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

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

Fund Name	Fund Description
Transit	Established to process revenues and expenditures of the City Transit Department including grants issued under the United States Department of Transportation Urban Mass Transportation Act of 1964.
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.
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.
Capital Improvement Series 2014	Pine Bluff Ordinance no. 6481 (March 17, 2014) authorized the issuance of franchise fee revenue refunding and improvement bonds. Trustee established fund to account for the disbursement of proceeds for capital improvements.
Sales and Use Tax Improvement Bond 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.
Franchise Fee Improvement Refunding and Improvement Bond Series 2014	Pine Bluff Ordinance no. 6481 (March 17, 2014) authorized the issuance of franchise fee revenue refunding and improvement bonds. Trustee established fund to process the payments on the bonded debt.
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.
City Retirement	Pine Bluff City Code § 19-36 (1993) established fund to process the self-supported retirement plan for nonuniformed employees.
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.

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

Fund Name	Fund Description
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	Established to process the payroll of all employees.
Health Insurance Premium	Established to process insurance premiums withheld from employees' earnings and forwarded to the insurance provider.

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

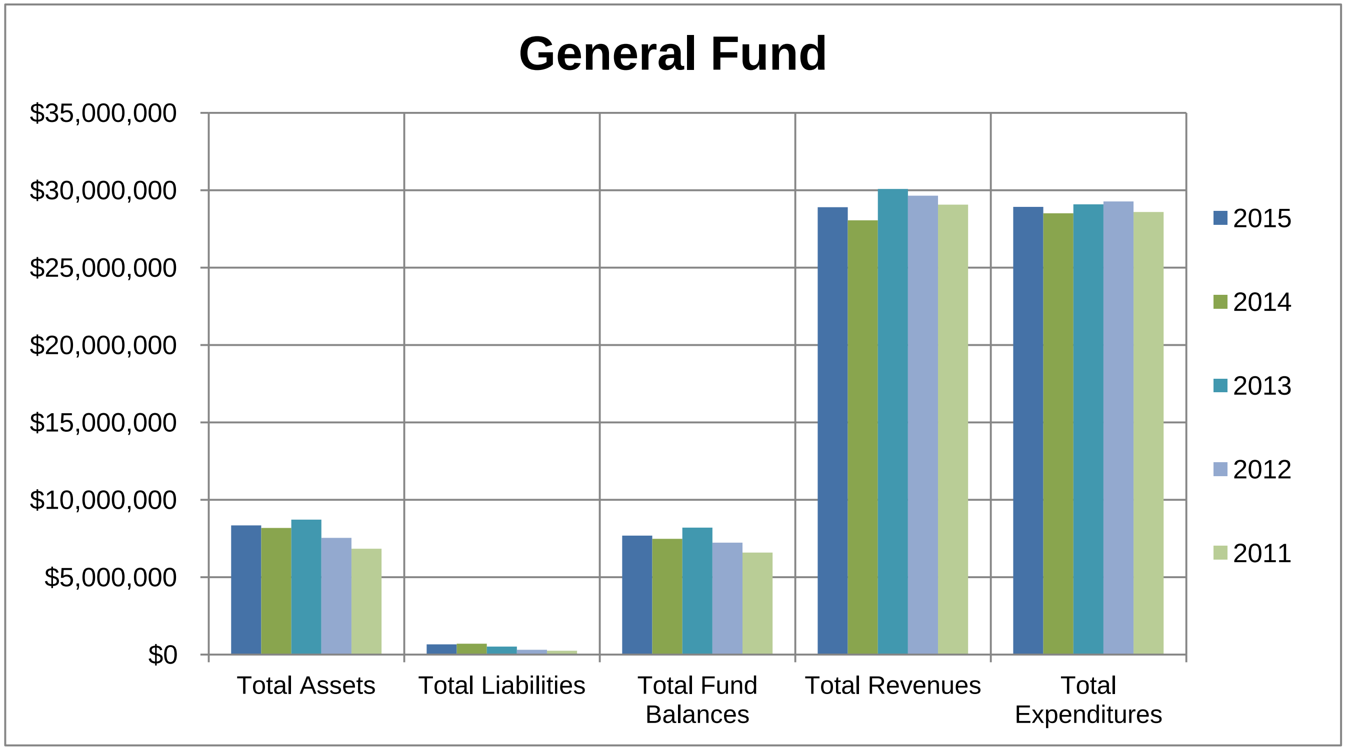
Schedule 3

	December 31, 2015
Land	$ 613,981
Buildings	20,400,540
Infrastructure	18,696,329
Improvements	3,656,006
Heavy equipment	9,871,423
Vehicles	6,510,319
Equipment	3,669,839
Total	$ 63,418,437

Schedule 4-1

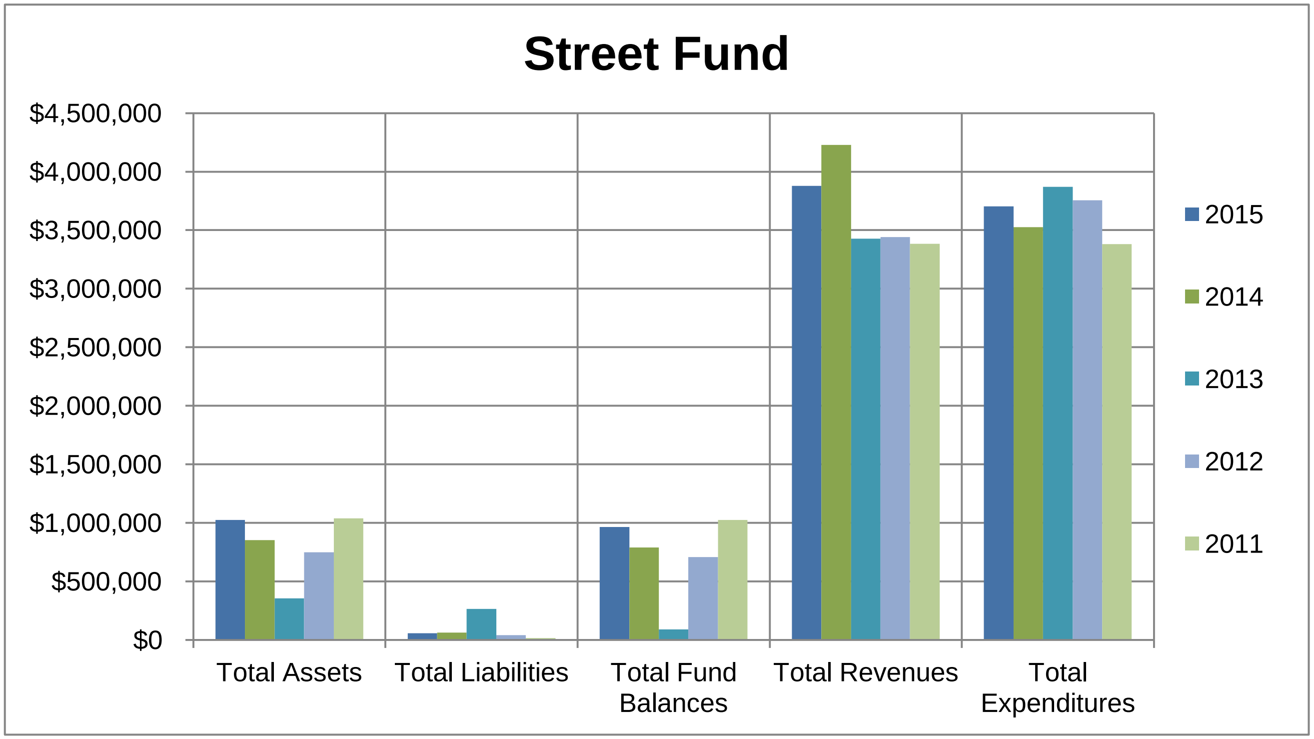
CITY OF PINE BLUFF, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - GENERAL FUND - REGULATORY BASIS
DECEMBER 31, 2015
(Unaudited)

General	2015	2014	2013	2012	2011
Total Assets	$ 8,348,520	$ 8,183,923	$ 8,713,056	$ 7,534,522	$ 6,831,167
Total Liabilities	667,859	696,231	508,472	301,655	246,755
Total Fund Balances	7,680,661	7,487,692	8,204,584	7,232,867	6,584,412
Total Revenues	28,913,985	28,053,602	30,084,182	29,653,407	29,074,106
Total Expenditures	28,926,631	28,511,861	29,092,205	29,270,290	28,605,810
Total Other Financing Sources/Uses	205,615	(38,005)	306,427	265,338	354,004



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

Street	2015	2014	2013	2012	2011
Total Assets	$ 1,023,460	$ 851,718	$ 354,642	$ 748,675	$ 1,038,188
Total Liabilities	58,171	61,320	264,909	40,736	14,707
Total Fund Balances	965,289	790,398	89,733	707,939	1,023,481
Total Revenues	3,877,649	4,227,291	3,426,927	3,441,064	3,384,678
Total Expenditures	3,702,758	3,526,626	3,871,433	3,756,606	3,379,941
Total Other Financing Sources/Uses					



CITY OF PINE BLUFF, ARKANSAS

Schedule 4-3

SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - OTHER FUNDS IN THE AGGREGATE - REGULATORY BASIS

DECEMBER 31, 2015

(Unaudited)

Other Funds in the Aggregate	2015	2014	2013	2012	2011
Total Assets	$ 44,730,799	$ 48,866,715	$ 50,538,938	$ 63,169,796	$ 61,052,939
Total Liabilities	1,078,925	1,019,214	1,346,724	721,220	490,012
Total Fund Balances	43,651,874	47,847,501	49,192,214	62,448,576	60,562,927
Total Revenues	9,684,055	9,478,315	6,748,247	7,862,158	7,561,521
Total Expenditures	14,224,068	12,324,978	14,163,268	11,575,608	10,395,707
Total Other Financing Sources/Uses	344,386	1,281,322	(6,015,669)	5,599,099	9,655,159