

City of Jonesboro, Arkansas

**Regulatory Basis Financial Statements
and Other Reports**

December 31, 2008

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF JONESBORO, ARKANSAS
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Sen. Bobby L. Glover
Senate Co-Chair
Rep. Johnny Hoyt
House Co-Chair
Sen. Bill Pritchard
Senate Co-Vice Chair
Rep. Beverly Pyle
House Co-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 Jonesboro, Arkansas Officials and Council Members
Legislative Joint Auditing Committee

We have audited the accompanying regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of the City of Jonesboro, Arkansas, as of and for the year ended December 31, 2008, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described more fully in Note 1(B and C), the City has prepared these financial statements using accounting practices prescribed or permitted by Arkansas Code, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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

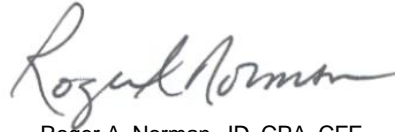
The financial statements referred to above do not disclose all the required information concerning deposit and investment risks, which should be included in order to conform with the regulatory basis of accounting described in Note 1(C).

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2009 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of the state constitution, laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in cursive script, appearing to read "Roger A. Norman".

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

Little Rock, Arkansas
December 16, 2009
LOM104908

Sen. Bobby L. Glover
Senate Co-Chair
Rep. Johnny Hoyt
House Co-Chair
Sen. Bill Pritchard
Senate Co-Vice Chair
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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 Jonesboro, Arkansas Officials and Council Members
Legislative Joint Auditing Committee

We have audited the accompanying regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of the City of Jonesboro, Arkansas, as of and for the year ended December 31, 2008, and have issued our report thereon dated December 16, 2009. We issued an adverse opinion because the City prepared the financial statements using accounting practices prescribed or permitted by Arkansas Code, which differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, with respect to the basis of accounting described in Note 1(C), our opinions on the general fund, street fund, and other funds in the aggregate were qualified because required disclosures were not made concerning deposit and investment risks. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

2008-1 To ensure the proper safeguarding of assets, financial accounting duties relating to initiating, receipting, depositing, disbursing, and recording cash transactions should be distributed among appropriate employees. The City officials, as specified in the Other Issues section of this report, did not segregate these duties to sufficiently reduce the risks of fraud or error and properly safeguard the City's assets, because of limited financial resources. We recommend that the financial accounting duties in each office be segregated among employees to the extent possible.

The City officials, as specified in the Other Issues section of this report, responded and indicated that their offices will segregate the duties relating to initiating, receipting, depositing, disbursing, and recording cash transactions to the extent possible with the current staffing levels. The City officials have also indicated a Compliance Officer has been added to review segregation of duties on a regular basis.

2008-2 Effective application security requires that users only be assigned the data access necessary for their job. Security access again appears excessive for some Finance Application user accounts as Department Heads and Managers given purchase order approval or commit authority have the ability to approve or commit payment for any departments' purchase orders. The lack of segregation of functions for some users prohibits the proper safeguarding of City assets and data.

This condition exists because it was originally thought that the application did not include functionality to restrict users with purchase order payment approval authority to only their respective department's purchase orders. However, the city has researched this functionality, determined that the application is capable of recommended restrictions and is working to implement corrections.

We again recommend the City Finance Application Security Administrator review and revise security accounts defined in the Springbrook Application for Department Heads and Managers to restrict access to only their appropriate departments.

The Treasurer/Finance Director responded that the City has assigned a Springbrook specialist to revise security protocols and review controls.

2008-3 Arkansas Code requires monthly bank reconciliations. Timely and accurate bank reconciliations again were not prepared for the consolidated bank account and operating account primarily due to staff turnover and a large number of errors in the accounting records that resulted in misstatements of cash in the General Fund of \$468,160. Timely reconciliations are essential in order to ensure proper accounting of receipts and disbursements and safeguarding of city assets and proper financial reporting.

We again recommend that procedures be implemented to ensure timely and accurate bank reconciliations.

The Treasurer/Finance Director has responded that timely and accurate bank reconciliations are being prepared and the City's Compliance Officer will review and report quarterly to the City Council. The appropriate adjustments to the financial records have been made by City management.

2008-4 Arkansas Code requires City management to maintain financial records. Significant errors were noted in some of the adjusting journal entries. In addition there were numerous posting, classification, and omission errors to the financial records. General Fund contained misstatements in assets, liabilities, revenues, and expenditures in the amounts of \$537,899, \$252,891, \$377,441, and \$934,601, respectively. Street Fund contained misstatements in assets of \$66,966 and in revenues of \$66,716. Other Funds in the Aggregate contained misstatements in assets, revenues, and expenditures in the amounts of \$315,851, 261,111, and \$409,258, respectively. Adjusting journal entries, supporting documentation, and financial transactions should be reviewed by proper supervisory personnel to avoid erroneous or invalid entries to the financial records.

We recommend procedures be implemented to ensure that all adjustments, documentation, and financial transactions be reviewed and approved by the appropriate supervisory personnel.

The Treasurer/Finance Director responded that every effort will be made to ensure that correct entries and postings are made to the accounting records and the appropriate entries to the financial records are approved. The appropriate adjustments to the financial records have been made by City management.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2008-1, 2008-2, 2008-3 and 2008-4 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of the state constitution, laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the Internal Control over Financial Reporting section as items 2008-3 and 2008-4.

The City's response to the findings identified in our audit is described above. We did not audit the City's response and, accordingly, we express no opinion on it.

Other Issues

The following issue is not a significant deficiency, material weakness or material instance of noncompliance, but is presented to assist in the efficient operation of the City.

The commentary contained in this section relates to the following officials that held office during 2008:

Mayor: Doug Formon
Treasurer/Finance Director: Don Ray, Jim Barksdale
District Court Clerk: Jerry Eldridge, Joe Monroe
Police Chief: Michael Yates
Airport Commissioner: Jason Chandler, Brian Fulkerson

We reviewed the City's compliance with certain Arkansas laws concerning general and district court accounting, budgeting, purchasing, and investing and depositing of public funds.

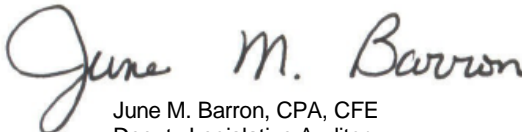
Our audit procedures indicated that the offices of **Mayor, District Court Clerk, Police Chief** and **Airport Commissioner** were in substantial compliance with Arkansas fiscal and financial laws. Noncompliance with state law and accepted accounting practices was noted in the office of **Treasurer/Finance Director**.

Treasurer/Finance Director

Again, there is no formal documented and approved business continuity plan to help the City operate during a disaster situation.

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

DIVISION OF LEGISLATIVE AUDIT



June M. Barron, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
December 16, 2009

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

Exhibit A

	General	Street	Other Funds In The Aggregate
ASSETS			
Cash and cash equivalents	\$ 12,397,512	\$ 3,813,316	\$ 15,952,657
Investments			13,176,054
Accounts receivable	2,454,216	305,558	1,165,477
Interfund receivables	1,767,728	302	9,006
TOTAL ASSETS	\$ 16,619,456	\$ 4,119,176	\$ 30,303,194
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,004,984	\$ 58,888	\$ 1,317,135
Interfund payables	9,599	160	1,767,277
Settlements pending			480,342
Total Liabilities	1,014,583	59,048	3,564,754
Fund Balances:			
Reserved (Note 10)	1,735,187	4,060,128	26,738,440
Unreserved:			
Designated for fire truck purchases	434,873		
Undesignated	13,434,813		
Total Fund Balances	15,604,873	4,060,128	26,738,440
TOTAL LIABILITIES AND FUND BALANCES	\$ 16,619,456	\$ 4,119,176	\$ 30,303,194

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

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

Exhibit B

	<u>General</u>	<u>Street</u>	<u>Other Funds In The Aggregate</u>
REVENUES			
State aid	\$ 1,054,557	\$ 2,544,557	\$ 251,393
Federal aid	333,032	82,629	2,945,563
Property taxes	427,599	997,316	2,169,656
Franchise taxes	2,066,006		178,962
Sales taxes	17,469,482	67,108	7,866,512
Fines, forfeitures and costs	1,794,341		191,193
Interest and dividends	605,511	165,169	1,050,067
Local permits and fees	1,485,407		422,680
Sanitation fees	337,451		
Water tax	426,328		
Advertising and promotion tax			369,396
Employer contributions			607,468
Other	1,345,046	48,683	772,212
	<u>1,345,046</u>	<u>48,683</u>	<u>772,212</u>
TOTAL REVENUES	<u>27,344,760</u>	<u>3,905,462</u>	<u>16,825,102</u>

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

Exhibit B

	General	Street	Other Funds In The Aggregate
EXPENDITURES			
Current:			
General government	\$ 4,790,207		\$ 2,473,414
Law enforcement	11,174,140		1,935,128
Highways and streets	469,155	\$ 3,929,541	4,578,876
Public safety	6,693,127		4,941,846
Sanitation	3,560,366		496,339
Health	399,996		
Recreation and culture	1,535,083		2,550,789
Social services			47,500
Airport			1,041,543
Total Current	28,622,074	3,929,541	18,065,435
Debt Service:			
Principal reduction on note payable	1,845,637	184,406	
Interest on note payable	137,664	20,938	
Contract payment			400,000
TOTAL EXPENDITURES	30,605,375	4,134,885	18,465,435
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,260,615)	(229,423)	(1,640,333)

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

Exhibit B

	<u>General</u>	<u>Street</u>	<u>Other Funds In The Aggregate</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 1,690,576	\$ 27,326	\$ 195,733
Transfers out	(195,733)		(1,717,902)
Net loss on sale of investments			(464,509)
Net depreciation in fair market value of investments			(2,049,940)
	<u>1,494,843</u>	<u>27,326</u>	<u>(4,036,618)</u>
TOTAL OTHER FINANCING SOURCES (USES)			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1,765,772)	(202,097)	(5,676,951)
FUND BALANCES - JANUARY 1	<u>17,370,645</u>	<u>4,262,225</u>	<u>32,415,391</u>
FUND BALANCES - DECEMBER 31	<u>\$ 15,604,873</u>	<u>\$ 4,060,128</u>	<u>\$ 26,738,440</u>

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

CITY OF JONESBORO, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 1,302,486	\$ 1,054,557	\$ (247,929)	\$ 2,670,606	\$ 2,544,557	\$ (126,049)
Federal aid	24,277	333,032	308,755	82,629	82,629	
Property taxes	746	427,599	426,853	910,664	997,316	86,652
Franchise taxes	1,801,812	2,066,006	264,194			
Sales taxes	15,132,767	17,469,482	2,336,715	17,705	67,108	49,403
Fines, forfeitures and costs	1,408,467	1,794,341	385,874			
Interest and dividends	819,874	605,511	(214,363)	185,472	165,169	(20,303)
Local permits and fees	1,318,524	1,485,407	166,883			
Sanitation fees	425,646	337,451	(88,195)			
Water tax	417,405	426,328	8,923			
Other	1,668,910	1,345,046	(323,864)	359,340	48,683	(310,657)
TOTAL REVENUES	24,320,914	27,344,760	3,023,846	4,226,416	3,905,462	(320,954)
EXPENDITURES						
Current:						
General government	6,585,533	4,790,207	1,795,326			
Law enforcement	11,174,871	11,174,140	731			
Highways and streets	470,000	469,155	845	4,361,580	3,929,541	432,039
Public safety	6,700,014	6,693,127	6,887			
Sanitation	4,264,177	3,560,366	703,811			
Health	400,000	399,996	4			
Recreation and culture	1,549,932	1,535,083	14,849			
Total Current	31,144,527	28,622,074	2,522,453	4,361,580	3,929,541	432,039

CITY OF JONESBORO, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2008

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)						
Debt Service:						
Principal reduction on note payable	\$ 1,846,750	\$ 1,845,637	\$ 1,113	\$ 185,000	\$ 184,406	\$ 594
Interest on note payable	155,000	137,664	17,336	21,000	20,938	62
TOTAL EXPENDITURES	<u>33,146,277</u>	<u>30,605,375</u>	<u>2,540,902</u>	<u>4,567,580</u>	<u>4,134,885</u>	<u>432,695</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(8,825,363)</u>	<u>(3,260,615)</u>	<u>5,564,748</u>	<u>(341,164)</u>	<u>(229,423)</u>	<u>111,741</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1,689,076	1,690,576	1,500		27,326	27,326
Transfers out	<u>(200,000)</u>	<u>(195,733)</u>	<u>4,267</u>			
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,489,076</u>	<u>1,494,843</u>	<u>5,767</u>		<u>27,326</u>	<u>27,326</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(7,336,287)</u>	<u>(1,765,772)</u>	<u>5,570,515</u>	<u>(341,164)</u>	<u>(202,097)</u>	<u>139,067</u>
FUND BALANCES - JANUARY 1	<u>17,370,645</u>	<u>17,370,645</u>		<u>4,262,225</u>	<u>4,262,225</u>	
FUND BALANCES - DECEMBER 31	<u>\$ 10,034,358</u>	<u>\$ 15,604,873</u>	<u>\$ 5,570,515</u>	<u>\$ 3,921,061</u>	<u>\$ 4,060,128</u>	<u>\$ 139,067</u>

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

CITY OF JONESBORO, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1: Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Jonesboro 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.

B. Basis of Presentation - Regulatory

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

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

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

General Fund - The General Fund is the primary operating fund and is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund heading as it appears in the financial statements includes the following accounts: General, Operating, Credit Card, Sanitation, Parking, Parks and Recreation, Forum and Fire Truck.

Street Fund - The Street Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for maintaining and constructing highways and streets.

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

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The following Special Revenue Funds are reported with other funds in the aggregate: Emergency 911, Advertising and Promotion, Federal Grants, Community Development Block Grant, Airport Commission, Jonesboro Economical Transportation System, Federal Forfeitures, State Forfeitures, Library, and District Court Mediation.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The following Capital Projects Funds are reported with other funds in the aggregate: Capital Improvement and Sales Tax Construction.

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: Policemen's Pension, Nonuniformed Employees' Pension, Cemetery Perpetual Care, District Court, Payroll, and Cafeteria Plan and Insurance.

CITY OF JONESBORO, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting - Regulatory

The financial statements are prepared on the regulatory basis of accounting as prescribed or permitted by Arkansas Code. This regulatory basis differs from accounting principles generally accepted in the United States of America. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty (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 accounts and certificates of deposit.

Investments

Investments are reported at cost except for the nonuniformed employees' pension fund investments which are stated at marked value.

Settlements Pending

Settlements pending are considered fines, forfeitures, costs, cafeteria plan payments and unremitted payroll account balances that have not been transferred to the appropriate entities.

Fund Balance

1. Reserved Fund Balance indicates that portion of fund balance that is not appropriable for expenditure or is legally segregated for a specific future use.
2. Designated Fund Balance indicates that portion of fund balance for which the entity has made tentative plans for financial resource utilization in a future period.
3. Undesignated Fund Balance indicates that portion of fund balance not reserved or designated.

E. Property Taxes

A lien attaches to the real property in January and on personal property in June of each year. Property taxes are collectible beginning the first business day of March of the subsequent year, but are not considered delinquent until after October 10. Property taxes reflected as revenues on the financial statements include the property tax relief distribution made by the State of Arkansas. The purpose of this distribution is to reimburse the municipality for property tax credits in accordance with Arkansas Code.

CITY OF JONESBORO, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1: Summary of Significant Accounting Policies (Continued)

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.

NOTE 2: Cash and Investments

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

NOTE 3: Legal or Contractual Provisions for Deposits and Investments

A. Governmental Fund Types

State law generally requires that municipal funds be deposited in federally insured banks located in the State of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and/or time deposits. Public funds may also be invested in direct obligations of the United States of America and obligations the principal and interest on which are fully guaranteed by the United States of America.

B. Pension Trust Funds

(1) Policemen's Pension

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

(2) Nonuniformed Employees' Pension

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

CITY OF JONESBORO, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

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

B. Pension Trust Funds (Continued)

(3) Policemen's Pension Investments

The funds may be deposited or invested as noted in Note 3(A) and may include deposits in federally insured savings and loans located in the State of Arkansas and notes secured by mortgages on real estate guaranteed either by the United States government or by a corporation approved by the State Commissioner of Insurance. Investments of other types are allowed by state law, but it has not been a common practice to utilize them.

(4) Nonuniformed Employees' Pension Investments

The City entered into a Group Annuity Contract with Principal Financial Group dated August 7, 2002. Contributions may be deposited or invested into mutual funds by Principal Financial Group. Investments as of December 31, 2008 consisted of the following types of funds: Large U.S. Equity, Small/Mid U.S. Equity, International Equity, Short-Term Fixed Income and Fixed Income Funds.

NOTE 4: Public Fund Investments

A summary of investments by fund types is as follows:

Fund Type	December 31, 2008	
	Reported Amount	Fair Value
Trust	\$ 13,176,054	\$ 12,347,562

These investments are composed of the following:

	December 31, 2008	
	Reported Amount	Fair Value
Domestic corporate bonds	\$ 2,044,398	\$ 1,918,564
Mutual funds	4,700,690	4,656,046
Equities	3,154,736	2,325,841
U.S. Government obligations	1,179,699	1,304,839
Federal agency obligations	2,096,531	2,142,272
Totals	\$ 13,176,054	\$ 12,347,562

CITY OF JONESBORO, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 5: Accounts Receivable

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

<u>Description</u>	<u>General Fund</u>	<u>Street Fund</u>	<u>Other Funds in the Aggregate</u>
State aid	\$ 191,025	\$ 196,867	
Federal aid	305,472		\$ 84,284
Property taxes	24,181	42,570	150,873
Franchise taxes	362,214		
Sales taxes	1,279,510	50,872	711,443
Fines, forfeitures and costs	1,530		94
Interest and dividends			47,344
Local permits and fees	7,417		110,305
Sanitation fees	34,067		
Advertising and promotion tax			31,097
Water tax	31,188		
Other	217,612	15,249	30,037
Totals	<u>\$ 2,454,216</u>	<u>\$ 305,558</u>	<u>\$ 1,165,477</u>

NOTE 6: Accounts Payable

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

<u>Description</u>	<u>General Fund</u>	<u>Street Fund</u>	<u>Other Funds in the Aggregate</u>
Vendor payables	\$ 196,417	\$ 58,888	\$ 1,140,119
Payroll taxes payable			80,508
Other	808,567		96,508
Totals	<u>\$ 1,004,984</u>	<u>\$ 58,888</u>	<u>\$ 1,317,135</u>

CITY OF JONESBORO, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 7: Interfund Balances

Individual fund interfund receivable and payable balances are as follows:

Fund	December 31, 2008	
	Interfund Receivables	Interfund Payables
General Fund	\$ 1,767,728	\$ 9,599
Street	302	160
Other Funds in the Aggregate:		
Special Revenue Funds:		
Emergency 911	109	
Advertising and Promotion	8,897	
Federal Grants		28,201
Jonesboro Economical Transportation System		50,000
Capital Projects Fund:		
Capital Improvement		1,689,076
Totals	<u>\$ 1,777,036</u>	<u>\$ 1,777,036</u>

Interfund receivables and payables consist of errors in depositing restricted revenues and interfund loans. These balances are expected to be repaid before the end of the 2009 calendar year.

NOTE 8: Legal Debt Limit

A. Bonded Debt

The City is subject to a constitutional limitation for bonded indebtedness equal to twenty percent (20%) of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2008, the legal debt limit for the bonded debt was \$167,593,272. There were no property tax secured bond issues.

B. Short-term Financing Obligations

The City is subject to a constitutional limitation for short-term financing obligations equal to five percent (5%) of the assessed value of taxable property within the City as determined by the last tax assessment. At December 31, 2008, the legal debt limit for short-term financing obligations was \$42,903,205. The amount of short-term financing obligations was \$5,642,542 leaving a legal debt margin of \$37,260,663.

CITY OF JONESBORO, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 9: Federal Funds Program Compliance

A separate report was issued for the federal grants of the City. The following material instances of noncompliance were reported:

Federal Transit Formula Grant – CFDA No. 20.507: Charges totaling \$199,170 were requested for reimbursement in the amount of \$155,480 that was unallowable due to being either duplicated or unallowable charges.

Metropolitan Planning Grant – CFDA No. 20.505; Grant No. AR-81-X013: Charges totaling \$11,470 were requested for reimbursement in the amount of \$9,176 for expenditures that were subsequently reduced.

Disaster Grants – Public Assistance – CFDA No. 97.036; Grant No. FEMA 1751-DR-AR: Charges totaling \$51,866 were requested for reimbursement in the amount of \$38,900 for expenditures that the supporting documentation could not be provided by management.

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

NOTE 10: Reserved Fund Balance

Reserved fund balance consists of the following:

	December 31, 2008
<u>General</u>	
Future retirement costs	\$ 1,673,880
Court automation	61,307
Total General	\$ 1,735,187
<u>Street</u>	\$ 4,060,128
<u>Other Funds in the Aggregate</u>	
Special Revenue Funds:	
Emergency 911	\$ 785,396
Advertising and Promotion	409,293
Federal Grants	257,177
Jonesboro Economical Transportation System	(19,947)
Community Development Block Grant	312,594
Airport Commission	240,341
District Court Mediation	4,142
Federal Forfeitures	40,295
State Forfeitures	51,689
Total Special Revenue	2,080,980

CITY OF JONESBORO, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 10: Reserved Fund Balance (Continued)

	December 31, 2008
<u>Other Funds in the Aggregate (Continued)</u>	
Capital Projects Funds:	
Sales Tax Construction	\$ 94,102
Capital Improvement	7,453,347
Total Capital Projects	7,547,449
Trust Funds:	
Policemen's Pension	10,758,503
Nonuniformed Employees' Pension	5,127,195
Cemetery Perpetual Care	1,224,313
Total Trust	17,110,011
Total Other Funds in the Aggregate	\$ 26,738,440

NOTE 11: Deficit Fund Balance

The following fund has a deficit fund balance as of December 31, 2008:

	December 31, 2008
Jonesboro Economical Transportation System	\$ (19,947)

NOTE 12: Commitments

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

	December 31, 2008
Long-Term Debt	\$ 8,457,401
Construction Contracts	2,121,468
Total Commitments	\$ 10,578,869

CITY OF JONESBORO, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2008

NOTE 12: Commitments (Continued)

Long-Term Debt

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

	December 31, 2008
Estimated cost of landfill closure and post closure costs.	\$ 67,400
Compensated absences	2,747,459
Note payable dated April 21, 2006 to Banc of America Leasing and Capital, LLC for the purchase of forty police cars, six fire trucks and four street trucks. One payment of \$1,010,536 due December 15, 2006 (made on January 10, 2007), one payment of \$861,620 due December 15, 2007, and three annual payments of \$989,155, \$925,208, \$925,388 due December 15 of 2008, 2009, and 2010, respectively, interest rate of 3.65%. Payment of the entire balance was made from the General Fund on January 13, 2009.	1,754,160
Contract payable dated April 5, 2005 with the Craighead County Solid Waste Disposal Authority to allow the City to use the County's landfill. The agreement called for one payment in 2005 of \$1,000,000 and annual payments thereafter of \$400,000 for ten years. Payments are to be made from the Capital Improvement Fund.	2,800,000
Note payable dated March 27, 2007 to Banc of America Leasing and Capital, LLC for the purchase of thirty police cars and three sanitation trucks. The agreement calls for five annual payments of \$311,190 beginning March 27, 2008, interest rate of 3.627%. Payment of the entire balance was made from the General Fund on January 13, 2009.	1,088,382
Total Long-Term Debt	\$ 8,457,401

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

Post Employment Benefits Other Than Pensions

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

Estimated Cost of Landfill Closure and Post Closure Costs

State and federal laws require that the City of Jonesboro place a final cover on its Class IV landfill when closed and perform certain maintenance and monitoring functions at the landfill site for two (2) years after closure. Closure and post closure care costs will be paid near or after the date the landfill stops accepting waste. The estimated liability for landfill closure and post closure care costs has a balance of \$67,400 as of December 31, 2008, which is based on the use of one hundred percent (100%) of the estimated capacity of the landfill. The cost is for monitoring the methane gas in the landfill gas collection and control system for the next two (2) years. This amount is based on what it would cost to perform all closure and post closure care in 2008. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The City is no longer accepting refuse and is awaiting final approval from the Arkansas Department of Environmental Quality for official closure of the landfill.

CITY OF JONESBORO, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 12: Commitments (Continued)

Debt Service Requirements to Maturity

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

Years Ending December 31,	Contracts	Notes	Total
2009	\$ 400,000	\$ 2,879,169	\$ 3,279,169
2010	400,000		400,000
2011	400,000		400,000
2012	400,000		400,000
2013	400,000		400,000
2014 through 2015	800,000		800,000
Total Obligations	2,800,000	2,879,169	5,679,169
Less Interest		36,627	36,627
Total Principal	\$ 2,800,000	\$ 2,842,542	\$ 5,642,542

Construction Contracts

The City was contractually obligated for the following construction contracts at December 31, 2008:

Project Name	Actual Completion Date	Contract Balance December 31, 2008
City of Jonesboro Parking Lots	May 30, 2009	\$ 104,399
Apron/Taxiway Rehabilitation	November 30, 2009	75,620
Jonesboro Fire Department #6	November 30, 2009	853,742
Jonesboro Fire Department #2	November 30, 2009	1,087,707
Total Construction Contracts		\$ 2,121,468

NOTE 13: Interfund Transfers

Advertising and Promotion Fund transferred \$1,500 to the General Fund for operating costs. Capital Improvement Fund transferred \$1,689,076 to the General Fund for capital expenditures. General Fund transferred \$41,010 to the Airport Commission Fund and \$130,000 to the Jonesboro Economical Transportation System primarily for operating expenses. General Fund transferred \$24,723 to State Forfeitures Fund for capital expenditures. Sales Tax Construction Fund transferred \$27,326 to Street Fund for reimbursement of expenses.

NOTE 14: Subsequent Events

- A. A grant from the National Scenic Byways Program in the amount of \$1,766,525 was awarded to the City in 2009 and will be used to develop the walking and biking trail from The Mall at Turtle Creek to Arkansas State University and on to the downtown area at Matthews Avenue and South Main Street.
- B. The City retired early notes payable totaling \$2,842,542 to Banc of America Leasing and Capital, LLC on January 13, 2009.

CITY OF JONESBORO, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 15: Joint Venture

A. Craighead County – Jonesboro Public Library

Craighead County and the City of Jonesboro entered into an agreement in July 1941 in accordance with Ark. Code Ann. § 13-2-401 to establish the Craighead County – Jonesboro Public Library. The agreement stated that resources would be consolidated in order to provide more complete, efficient and economical service. The County and City were given equal representation on the library board and each entity retained title to all books, bookcases, shelves, desks, etc. that were moved to the Craighead County – Jonesboro Public Library location. Separate financial statements are available at 315 West Oak Avenue, Jonesboro, Arkansas 72401. The City of Jonesboro paid \$1,742,832 to the Craighead County – Jonesboro Public Library for the year ending December 31, 2008.

B. Crowley's Ridge Regional Library

The Craighead County – Jonesboro Public Library and the Poinsett County Library entered into an agreement in February 1978 in accordance with Ark. Code Ann. § 13-2-401 to establish the Crowley's Ridge Regional Library. The agreement states that each county shall provide its own quarters and county and branch library staff members are to be employed by the county library boards with salaries to be paid from county library funds. Regional staff members are to be selected by the regional board with the approval of the Arkansas Library Commission. The Craighead County librarian shall serve as the regional librarian and may employ a regional staff with the salaries being provided from the regional funds. The Arkansas Library Commission shall supervise the Crowley's Ridge Regional Library for the period of this agreement. Separate financial statements are available at 315 West Oak Avenue, Jonesboro, Arkansas 72401.

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 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 area:

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.

The City participates in the Arkansas Public Entities Risk Management Association (APERMA) public entity risk pool for coverage in the following areas:

Building and Contents Program - This program is a blanket policy with coverage up to \$100,000,000 for any one loss with a \$500 deductible. Even though the APERMA property program limits are blanket, the City's property limits are tied back to the insurance statement of values. The City shall pay into the program each year a charge established annually by the Risk Management Fund Board for covered city property.

CITY OF JONESBORO, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 16: Risk Management (Continued)

Vehicle Program

- A. Liability - This program may pay all sums the City legally must pay as damages because of bodily injury, death or property damage to which this agreement applies involving a covered city vehicle and for which the City is liable. The limit of payment for in-state claims is \$25,000 for bodily injury per person, \$50,000 for bodily injury per accident and \$25,000 for property damage per accident (\$100,000 respectively for out-of-state claims). The City shall pay into the program each year a charge established annually by the Risk Management Fund Board for covered city vehicles owned or leased by the City.

- B. Physical Damage - This program covers vehicles and mobile equipment which are the property of the participating city. Property is valued at the cost to repair or replace the property after deduction for depreciation. Loss amounts will be reduced by the deductible amount of \$1,000 for Police Department vehicles and \$500 for all other covered vehicles and mobile equipment. The City agrees to pay into the program each year a service charge established annually by the Risk Management Fund Board for covered property.

General Liability Program - The program shall provide legal defense in civil rights suits against the city government of a participating city and pay judgments imposed on City officials and employees and the city government and city-formed boards and commissions. Coverage is limited to \$350,000 per case with an annual aggregate of \$350,000. The City shall pay into the program each year a charge established annually by the Risk Management Fund Board for this coverage.

The City also participates in the Self-Insured Fidelity Bond Program administered by the Governmental Bonding Board. This program covers actual losses sustained by the participating entity through any fraudulent or dishonest act or acts committed by any of the officials or employees, acting alone or in collusion with others, during the bond period to an amount not exceeding the lesser of \$250,000 or the amount of the bond. Premiums for coverage are determined by the State Risk Manager and approved by the Board. These premiums are paid by the State Treasurer from funds withheld from the Municipal Aid Fund. There is a \$1,000 deductible per occurrence.

NOTE 17: Policemen's Pension and Relief Plan

Plan Description

The Policemen's Pension and Relief Plan is a single-employer defined benefit pension plan that covers municipal policemen employed prior to January 1, 1983. The plan, administered by the City, provides retirement, disability and survivor benefits. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. State law does provide that upon actuarial soundness of the plan, the Board may increase retirement benefits. The plan was closed to new entrants on January 1, 1983. The plan does not issue a stand-alone financial report but is included in the City's financial report.

Contributions

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

CITY OF JONESBORO, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

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

Deferred Retirement Option Plan

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

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

The participant has certain options regarding the method of payment.

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

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

Funding Policy

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

- A. Paid service not covered by Social Security: 6% of gross pay
- B. Paid service also covered by Social Security: no employee contribution
- C. Volunteer fire service: no employee contribution

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

CITY OF JONESBORO, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

**NOTE 19: Nonuniformed Employee's Pension Plan
(A Defined Benefit Plan)**

Plan Description

Paid nonuniformed employees participate in the Nonuniformed Employee's Pension Plan, a single employer PERS. An employee is eligible to join the plan in November after completing two years of continuous service, provided he is less than fifty-six (56) years of age. Any pension plan member who has attained the age of sixty-five years and has served as an employee for at least five (5) years is entitled to receive a monthly pension. Benefits are based on years of service and is equal to 1.5% for each year of service times the career average earnings. Retired employees shall receive a monthly benefit of not less than \$50. The plan allows for early retirement at age fifty-five (55) with reduced benefits.

The plan also provides for similar benefits upon the physical or mental disability of a participant. The plan provides for survivor benefits equal to the employee's contribution plus interest.

The City contributes the annual required contribution necessary to fund the unfunded actuarial accrued liability over thirty (30) years.

NOTE 20: Related Party Transaction

City Water and Light

City Water and Light provides residents of the City of Jonesboro electrical, water and wastewater service. Although City Water and Light operates as a separate organization, the City Council appoints six (6) of its sixteen board members. Separate financial statements are available at 400 East Monroe Avenue, Jonesboro, Arkansas 72401.

During 2008, City Water and Light contributed a total of \$300,000 to the City's General Fund. City Water and Light also provided street lights, fire hydrants, free utility service to city buildings and other services totaling approximately \$1,454,346.

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

Schedule 1

	SPECIAL REVENUE FUNDS									
	Emergency 911	Advertising and Promotion	Federal Grants	Jonesboro Economic Transportation System	Community Development Block Grant	Library	Airport Commission	District Court Mediation	Federal Forfeitures	State Forfeitures
ASSETS										
Cash and cash equivalents	\$ 633,418	\$ 369,299	\$ 214,837	\$ 31,982	\$ 322,268		\$ 245,320	\$ 4,142	\$ 40,201	\$ 51,689
Investments										
Accounts receivable	154,166	31,097	70,541		17,444	\$ 96,508	73,039		94	
Interfund receivables	109	8,897								
TOTAL ASSETS	\$ 787,693	\$ 409,293	\$ 285,378	\$ 31,982	\$ 339,712	\$ 96,508	\$ 318,359	\$ 4,142	\$ 40,295	\$ 51,689
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ 2,297			\$ 1,929	\$ 27,118	\$ 96,508	\$ 78,018			
Interfund payables			\$ 28,201	50,000						
Settlements pending										
Total Liabilities	2,297		28,201	51,929	27,118	96,508	78,018			
Fund Balances:										
Reserved	785,396	\$ 409,293	257,177	(19,947)	312,594		240,341	\$ 4,142	\$ 40,295	\$ 51,689
TOTAL LIABILITIES AND FUND BALANCES	\$ 787,693	\$ 409,293	\$ 285,378	\$ 31,982	\$ 339,712	\$ 96,508	\$ 318,359	\$ 4,142	\$ 40,295	\$ 51,689

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

Schedule 1

	CAPITAL PROJECTS FUNDS		TRUST FUNDS			AGENCY FUNDS			Totals
	Sales Tax Construction	Capital Improvement	Policemen's Pension	Nonuniformed Employees' Pension	Cemetery Perpetual Care	District Court	Payroll	Cafeteria Plan and Insurance	
ASSETS									
Cash and cash equivalents	\$ 94,102	\$ 9,555,074	\$ 2,017,667	\$ 590,268	\$ 1,223,938	\$ 295,040	\$ 118,273	\$ 145,139	\$ 15,952,657
Investments			8,639,127	4,536,927					13,176,054
Accounts receivable		620,504	101,709		375				1,165,477
Interfund receivables									9,006
TOTAL ASSETS	\$ 94,102	\$ 10,175,578	\$ 10,758,503	\$ 5,127,195	\$ 1,224,313	\$ 295,040	\$ 118,273	\$ 145,139	\$ 30,303,194
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable		\$ 1,033,155					\$ 78,110		\$ 1,317,135
Interfund payables		1,689,076							1,767,277
Settlements pending						\$ 295,040	40,163	\$ 145,139	480,342
Total Liabilities		2,722,231				295,040	118,273	145,139	3,564,754
Fund Balances:									
Reserved	\$ 94,102	7,453,347	\$ 10,758,503	\$ 5,127,195	\$ 1,224,313				26,738,440
TOTAL LIABILITIES AND FUND BALANCES	\$ 94,102	\$ 10,175,578	\$ 10,758,503	\$ 5,127,195	\$ 1,224,313	\$ 295,040	\$ 118,273	\$ 145,139	\$ 30,303,194

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

Schedule 2

	SPECIAL REVENUE FUNDS								
	Emergency 911	Advertising and Promotion	Federal Grants	Jonesboro Economical Transportation System	Community Development Block Grant	Library	Airport Commission	District Court Mediation	Federal Forfeitures
REVENUES									
State aid			\$ 76,548	\$ 74,811					
Federal aid			139,784	1,253,488	\$ 451,598		\$ 995,915		
Property taxes						\$ 1,742,832			
Franchise taxes									
Sales taxes	\$ 342,639		248,777		23,368				
Fines, forfeitures and costs									
Interest and dividends	26,797	\$ 14,311	2,752	404			3,944	\$ 22,083	\$ 52,624
Local permits and fees	422,680							1,617	69
Advertising and promotion tax		369,396							
Employer contributions									
Other	206,015			170,271	4,470		202,504		
TOTAL REVENUES	998,131	383,707	467,861	1,498,974	479,436	1,742,832	1,202,363	23,700	52,693
EXPENDITURES									
Current:									
General government				1,606,668	296,689				
Law enforcement			90,464					41,295	25,727
Highways and streets					87,864				
Public safety	954,033								
Sanitation									
Recreation and culture		189,583	273,565		6,000	1,742,832			
Social services					47,500				
Airport							1,041,543		
Total Current	954,033	189,583	364,029	1,606,668	438,053	1,742,832	1,041,543	41,295	25,727

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

Schedule 2

	SPECIAL REVENUE FUNDS									
	Emergency 911	Advertising and Promotion	Federal Grants	Jonesboro Economical Transportation System	Community Development Block Grant	Library	Airport Commission	District Court Mediation	Federal Forfeitures	State Forfeitures
EXPENDITURES (Continued)										
Debt Service:										
Contract payment										
TOTAL EXPENDITURES	\$ 954,033	\$ 189,583	\$ 364,029	\$ 1,606,668	\$ 438,053	\$ 1,742,832	\$ 1,041,543		\$ 41,295	\$ 25,727
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	44,098	194,124	103,832	(107,694)	41,383	0	160,820		(17,595)	26,966
OTHER FINANCING SOURCES (USES)										
Transfers in				130,000			41,010			24,723
Transfers out		(1,500)								
Net loss on sale of investments										
Net depreciation in fair market value of investments										
TOTAL OTHER FINANCING SOURCES (USES)		(1,500)		130,000			41,010			24,723
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	44,098	192,624	103,832	22,306	41,383		201,830		(17,595)	51,689
FUND BALANCES - JANUARY 1	741,298	216,669	153,345	(42,253)	271,211		38,511	\$ 4,142	57,890	
FUND BALANCES - DECEMBER 31	\$ 785,396	\$ 409,293	\$ 257,177	\$ (19,947)	\$ 312,594	\$ 0	\$ 240,341	\$ 4,142	\$ 40,295	\$ 51,689

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

Schedule 2

	CAPITAL PROJECT FUNDS		TRUST FUNDS			Totals
	Sales Tax Construction	Capital Improvement	Policemen's Pension	Nonuniformed Employees' Pension	Cemetery Perpetual Care	
REVENUES						
State aid		\$ 42,938	\$ 57,096			\$ 251,393
Federal aid		104,778				2,945,563
Property taxes			426,824			2,169,656
Franchise taxes		178,962				178,962
Sales taxes		7,251,728				7,866,512
Fines, forfeitures and costs			116,486			191,193
Interest and dividends	\$ 3,317	403,959	542,364		\$ 50,533	1,050,067
Local permits and fees						422,680
Advertising and promotion tax						369,396
Employer contributions			2,376	\$ 605,092		607,468
Other	24,527	121,433	2,376		40,616	772,212
TOTAL REVENUES	27,844	8,103,798	1,147,522	605,092	91,149	16,825,102
EXPENDITURES						
Current:						
General government		318,962		250,215	880	2,473,414
Law enforcement		554,159	1,223,483			1,935,128
Highways and streets		4,491,012				4,578,876
Public safety		3,987,813				4,941,846
Sanitation		496,339				496,339
Recreation and culture		338,809				2,550,789
Social services						47,500
Airport						1,041,543
Total Current		10,187,094	1,223,483	250,215	880	18,065,435

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

Schedule 2

	CAPITAL PROJECT FUNDS		TRUST FUNDS			Totals
	Sales Tax Construction	Capital Improvement	Policemen's Pension	Nonuniformed Employees' Pension	Cemetery Perpetual Care	
EXPENDITURES (Continued)						
Debt Service:						
Contract payment		\$ 400,000				\$ 400,000
TOTAL EXPENDITURES		10,587,094	\$ 1,223,483	\$ 250,215	\$ 880	18,465,435
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 27,844	(2,483,296)	(75,961)	354,877	90,269	(1,640,333)
OTHER FINANCING SOURCES (USES)						
Transfers in						195,733
Transfers out	(27,326)	(1,689,076)				(1,717,902)
Net loss on sale of investments			(464,509)			(464,509)
Net depreciation in fair market value of investments				(2,049,940)		(2,049,940)
TOTAL OTHER FINANCING SOURCES (USES)	(27,326)	(1,689,076)	(464,509)	(2,049,940)		(4,036,618)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	518	(4,172,372)	(540,470)	(1,695,063)	90,269	(5,676,951)
FUND BALANCES - JANUARY 1	93,584	11,625,719	11,298,973	6,822,258	1,134,044	32,415,391
FUND BALANCES - DECEMBER 31	\$ 94,102	\$ 7,453,347	\$ 10,758,503	\$ 5,127,195	\$ 1,224,313	\$ 26,738,440

CITY OF JONESBORO, ARKANSAS
 NOTES TO SCHEDULES 1 AND 2
 DECEMBER 31, 2008

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

Fund Name	Fund Description
Emergency 911	Ark. Code Ann. § 12-10-318 established fund to receive fees collected by commercial mobile radio service providers for 911 emergency services.
Advertising and Promotion	City Ordinance No. 73:2435 established fund to collect hotel or motel accommodations tax to be used exclusively for advertising and promoting the City.
Federal Grants	Monies set aside by federal grant agreements to be used for specific purposes.
Jonesboro Economical Transportation System	City Ordinance No. 05:211 established fund to receive federal grant funds to provide community transportation system.
Community Development Block Grant	City Ordinance No. 05:240 established fund to receive grant funds for various city departments.
Library	Amendment No. 30 to the Arkansas Constitution authorized a property tax for operation of city libraries.
Airport Commission	Ark. Code Ann. § 14-359-101 established fund to operate and manage the Municipal Airport.
District Court Mediation	Monies set aside by federal grant agreements to be used for specific purposes.
Federal Forfeitures	Fund established to receive asset forfeitures resulting from federal drug offense cases due to arresting agency.
State Forfeitures	Fund established to receive asset forfeitures resulting from state drug offense cases due to arresting agency.
Sales Tax Construction	Bond issue funds set aside for street improvements.
Capital Improvement	City Ordinance No. 00:1021 established fund to receive one half of one percent sales and use tax within the City of Jonesboro for financing capital improvements of a public nature.
Policemen's Pension	Ark. Code Ann. § 24-11-401 established fund to receive millages, state insurance turnback and other revenues allowed by law for support of police retirement programs.
Nonuniformed Employees' Pension	Fund established for employee retirement.
Cemetery Perpetual Care	Trust fund for cemetery maintenance.
District Court	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures and costs collected by the District Court.
Payroll	Fund established to account for payroll expenditures.
Cafeteria Plan and Insurance	Fund established to account for employee benefit plan withholdings and payments and to account for health insurance collections and payments for retirees and COBRA eligible former employees.

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

Schedule 3

	<u>December 31, 2008</u>
Land	\$ 6,836,361
Buildings	32,921,067
Equipment	<u>28,383,722</u>
Total	<u>\$ 68,141,150</u>

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

Schedule 4

<u>General</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Total Assets	\$ 16,619,456	\$ 16,274,900	\$ 15,558,368	\$ 15,409,311	\$ 12,508,668
Total Liabilities	1,014,583				
Total Fund Balances	15,604,873	16,274,900	15,558,368	15,409,311	12,508,668
Total Revenues	27,344,760	24,302,882	19,193,431	18,482,633	16,053,375
Total Expenditures	30,605,375	29,143,280	20,086,310	17,115,087	15,530,157
<u>Street</u>					
Total Assets	4,119,176	4,128,970	3,579,877	3,288,908	3,214,085
Total Liabilities	59,048				
Total Fund Balances	4,060,128	4,128,970	3,579,877	3,288,908	3,214,085
Total Revenues	3,905,462	5,188,068	3,808,043	4,121,889	3,961,786
Total Expenditures	4,134,885	4,638,975	3,517,074	4,047,066	4,750,196
<u>Other Funds in the Aggregate</u>					
Total Assets	30,303,194	33,280,174	40,119,192	39,123,029	41,028,583
Total Liabilities	3,564,754	606,186	396,392	205,385	476,129
Total Fund Balances	26,738,440	32,673,988	39,722,800	38,917,644	40,552,454
Total Revenues	16,825,102	18,871,479	21,125,347	17,905,953	19,855,369
Total Expenditures	18,465,435	21,061,448	19,909,810	18,545,494	17,542,853

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