

Sen. Randy Laverty
Senate Co-Chair
Rep. J R Rogers
House Co-Chair
Sen. Bobby L. Glover
Senate Co-Vice Chair
Rep. Johnny Hoyt
House Co-Vice Chair

Arkansas



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

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

December 9, 2008

To the Honorable Mayor and Council Members
City of Jonesboro, Arkansas

We have audited the 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, 2007, and have issued our report thereon dated October 15, 2008. Audit findings are disclosed on pages 3 through 5 of the enclosed audit report. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under US Generally Accepted Auditing Standards and Government Auditing Standards

Our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the regulatory basis of accounting as prescribed or permitted by Arkansas Code. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the 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. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope of the Audit

We performed the audit according to the planned scope communicated to the Mayor in our Notice of Audit Services letter.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our Notice of Audit Services letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

Management has corrected all such misstatements.

Material misstatements detected as a result of audit procedures are disclosed in the 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* in the enclosed audit report.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 15, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year. These discussions occurred in the normal course of our professional relationship.

Arkansas Code Annotated § 10-4-418 requires this report to be reviewed by the governing body. This law also requires the governing body to take appropriate action relating to each finding and recommendation contained in the report.

This information is intended solely for the use of the Mayor and Council members and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

DIVISION OF LEGISLATIVE AUDIT



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

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Arkansas



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LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

TO: Auditee
FROM: *RAN* Roger A. Norman, JD, CPA, CFE
Legislative Auditor
DATE: December 9, 2008
SUBJECT: Legislative Joint Auditing Committee Review Of:

City of Jonesboro
December 31, 2007

The enclosed report will be presented to the Committee on Counties and Municipalities of the Legislative Joint Auditing Committee for its review at **2:00 p.m.**, on **Monday, December 15, 2008**, in Conference Room 151, State Capitol Building, Little Rock, Arkansas.

The Committee on Counties and Municipalities will make its report to the full membership of the Legislative Joint Auditing Committee regarding your audit at **9:00 a.m.**, on **Tuesday, December 16, 2008**, in Conference Room 171, State Capitol Building, Little Rock, Arkansas.

If you should have any questions or comments regarding this matter, please feel free to contact us.

City of Jonesboro, Arkansas

**Regulatory Basis Financial Statements
and Other Reports**

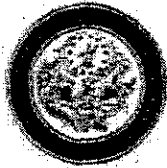
December 31, 2007

LEGISLATIVE JOINT AUDITING COMMITTEE



Sen. Randy Lavery
Senate Co-Chair
Rep. J R Rogers
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Arkansas



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

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

City of 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, 2007, 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, 2007, 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(B and C).

In our opinion, except for the effects on the financial statements of the omissions described in the preceding paragraph, 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, 2007, 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 described in Note 1(B and C).

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2008 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 Schedules 1 and 2 of the omissions 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 listed in the table of contents as Schedule 3 is required by the regulatory basis of presentation and is presented for the purpose of additional analysis. We have not applied auditing procedures to this information and, accordingly, we express no opinion on the Schedule of Capital Assets.

DIVISION OF LEGISLATIVE AUDIT

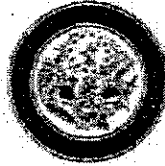


Roger A. Norman, JD, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
October 15, 2008
LOM104907

Sen. Randy Laverly
Senate Co-Chair
Rep. J R Rogers
House Co-Chair
Sen. Bobby L. Glover
Senate Co-Vice Chair
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Arkansas



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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, 2007, and have issued our report thereon dated October 15, 2008. We issued an adverse opinion because the City prepared the financial statements using accounting principles 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(B and 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 of 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 of Jonesboro's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Jonesboro's internal control over financial reporting.

Our consideration of internal control 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 entity'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:

2007-1 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.

2007-2 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.

2007-2 (Continued)

This condition exists because the application does not include functionality to restrict users with purchase order payment approval authority to only their respective department's purchase orders. Failure to properly assign access permissions increases the risk of accidental or intentional unauthorized transactions or data manipulation.

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 Finance Department is currently working with the Information Systems Department to review system access and further limit staff access based on user needs.

2007-3 Arkansas Code requires monthly bank reconciliations. Timely and accurate bank reconciliations again were not prepared for the consolidated bank account primarily due to a large number of errors in the accounting records and illness of key accounting staff. Timely reconciliations are essential in order to ensure proper accounting of receipts and disbursements and safeguarding of city assets.

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.

2007-4 Arkansas Code requires City management to maintain financial records. The City's financial records again contained omissions/errors that were considered material as enumerated below:

The financial records for the General Fund contained misstatements in cash of \$435,011 due primarily to posting errors and omissions and also contained receipt and disbursement misstatements of \$148,582 and \$2,317,122, respectively, due to omitted entries, classification errors and posting errors.

The financial records for the Street Fund contained misstatements in disbursements of \$600,250 due to misclassification of lease payments.

The effect of these omissions and misstatements constitutes a significant control deficiency in the process of preparing financial records. We again recommend City management implement procedures to ensure that all assets, receipts and disbursements are properly accounted for and recorded.

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.

2007-5 Documentation is necessary for validation of the adjusting journal entries to the financial records. The City again failed to maintain complete supporting documentation for adjusting journal entries. The deficiency was primarily due to a lack of supervision and inadequate training. Without adequate documentation, erroneous or invalid entries could be made to the financial records.

We again recommend procedures be implemented to ensure that only authorized individuals make adjustments to the financial records and all adjustments and documentation be reviewed and approved by the Treasurer/Finance Director and maintained for audit purposes.

The Treasurer/Finance Director responded that procedures have been established to review all adjusting entries on a weekly basis.

2007-6 In order to ensure the proper safeguarding of assets, two or more signatures should be required for all cash disbursements including fund transfers. Again, numerous transfers between accounts were made with only the signature of the City accountant. Failure by the Treasurer/Finance Director to establish and maintain proper controls over cash disbursements could make the City's assets vulnerable to misappropriation.

We again recommend the Treasurer/Finance Director establish and maintain controls to ensure that a minimum of two signatures be required to disburse funds including transfers between accounts.

The Treasurer/Finance Director responded that a depository board has been established and written procedures will be drafted to govern transfers and assure proper signatures are required.

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 2007-1, 2007-2, 2007-3, 2007-4, 2007-5 and 2007-6 to be material weaknesses.

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

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 2007-3 and 2007-4.

Other Issues

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

The commentary contained in this section relates to the following officials that held office during 2007:

Mayor: Doug Formon
Treasurer/Finance Director: Don Ray
District Court Clerk: Jerry Eldridge
Police Chief: Michael Yates
Airport Commissioner: George Stem

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.

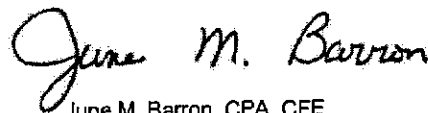
Our audit procedures indicated that the Offices of **Mayor**, **District Court Clerk**, **Police Chief** and **Airport Commissioner** were in substantial compliance with Arkansas fiscal and financial laws. Noncompliance with state law and accepted accounting practices was noted in the Office of **Treasurer/Finance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

Treasurer/Finance Director

1. Again, there is no formal documented and approved business continuity plan to help the City operate during a disaster situation.
2. Six-month financial statements again were not published in noncompliance with Ark. Code Ann. § 14-59-116.

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
October 15, 2008

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CITY OF JONESBORO, ARKANSAS
 BALANCE SHEET - REGULATORY BASIS
 DECEMBER 31, 2007

	General	Street	Other Funds In The Aggregate
ASSETS			
Cash and cash equivalents	\$ 16,274,900	\$ 4,128,970	\$ 16,526,022
Investments			16,754,152
TOTAL ASSETS	<u>\$ 16,274,900</u>	<u>\$ 4,128,970</u>	<u>\$ 33,280,174</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payroll taxes withheld			\$ 71,598
Settlements pending			534,588
Total Liabilities			<u>606,186</u>
Fund Balances:			
Reserved	\$ 1,856,999	\$ 4,128,970	32,673,988
Unreserved:			
Designated for fire truck purchases	394,368		
Undesignated	14,023,533		
Total Fund Balances	<u>16,274,900</u>	<u>4,128,970</u>	<u>32,673,988</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 16,274,900</u>	<u>\$ 4,128,970</u>	<u>\$ 33,280,174</u>

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

CITY OF JONESBORO, ARKANSAS
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2007

	General	Street	Other Funds In The Aggregate
RECEIPTS			
State aid	\$ 1,464,039	\$ 2,644,165	\$ 2,528,339
Federal aid	24,036		3,097,293
Property taxes	399,381	901,648	1,928,531
Franchise taxes	1,783,972		178,962
Sales taxes	14,882,168	1,199,969	7,079,498
Fines, forfeitures and costs	1,628,353		190,948
Interest and dividends	921,863		1,499,917
Local permits and fees	1,417,101	201,474	358,214
Sanitation fees	805,464		
Advertising and promotion tax	413,273		280,993
Water tax			
Employer contributions	563,232	240,812	509,139
Other			1,219,645
	<u>24,302,882</u>	<u>5,188,068</u>	<u>18,871,479</u>
TOTAL RECEIPTS			
DISBURSEMENTS			
Current:			
General government	5,374,395		4,279,106
Law enforcement	9,348,277		2,033,341
Highways and streets	385,430	4,303,437	6,001,943
Public safety	6,202,610		3,014,293
Sanitation	4,152,755		1,668,588
Health	402,716		
Recreation and culture	1,448,869		1,955,033
Social services	9,524		135,500
Airport			1,573,644
Total Current	<u>27,324,576</u>	<u>4,303,437</u>	<u>20,661,448</u>

CITY OF JONESBORO, ARKANSAS
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2007

	General	Street	Other Funds In The Aggregate
DISBURSEMENTS (CONTINUED)			
Debt Service:			
Principal reduction on note payable	\$ 1,574,111	\$ 291,186	
Interest on note payable	244,593	44,352	
Contract payment			\$ 400,000
TOTAL DISBURSEMENTS	29,143,280	4,638,975	21,061,448
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,840,398)	549,093	(2,189,969)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,690,352		301,367
Transfers out	(220,000)		(1,771,719)
Net gain on sale of investments			356,707
Net appreciation in fair market value of investments			341,380
TOTAL OTHER FINANCING SOURCES (USES)	1,470,352		(772,265)
EXCESS OF RECEIPTS AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER USES	(3,370,046)	549,093	(2,962,234)
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	15,558,368	3,579,877	39,722,800
Restatement adjustment	4,086,578		(4,086,578)
FUND BALANCES - JANUARY 1, AS RESTATED	19,644,946	3,579,877	35,636,222
FUND BALANCES - DECEMBER 31	\$ 16,274,900	\$ 4,128,970	\$ 32,673,988

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

CITY OF JONESBORO, ARKANSAS
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2007

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
State aid	\$ 935,483	\$ 1,464,039	\$ 528,556	\$ 2,609,205	\$ 2,644,165	\$ 34,960
Federal aid	30,800	24,036	(6,764)			
Property taxes	18,000	399,381	381,381	750,000	901,648	151,648
Franchise taxes	1,770,000	1,783,972	13,972			
Sales taxes	15,993,085	14,882,168	(1,110,917)	1,199,969	1,199,969	
Fines, forfeitures and costs	1,831,000	1,628,353	(202,647)			
Interest and dividends	903,750	921,863	18,113	150,000	201,474	51,474
Local permits and fees	1,235,500	1,417,101	181,601			
Sanitation fees	785,000	805,464	20,464			
Water tax	410,000	413,273	3,273			
Other	555,300	563,232	7,932	75,000	240,812	165,812
TOTAL RECEIPTS	24,467,918	24,302,882	(165,036)	4,784,174	5,188,068	403,894
DISBURSEMENTS						
Current:						
General government	5,295,643	5,374,395	(78,752)			
Law enforcement	9,794,528	9,348,277	446,251			
Highways and streets	385,430	385,430		4,884,323	4,303,437	580,886
Public safety	7,177,884	6,202,610	975,274			
Sanitation	4,834,402	4,152,755	681,647			
Health		402,716	(402,716)			
Recreation and culture	1,548,631	1,448,869	99,762			
Social services	9,524	9,524				
Total Current	29,046,042	27,324,576	1,721,466	4,884,323	4,303,437	580,886

CITY OF JONESBORO, ARKANSAS
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2007

	General		Street		Variance Favorable (Unfavorable)
	Budget	Actual	Budget	Actual	
DISBURSEMENTS (CONTINUED)					
Debt Service:					
Principal reduction on note payable	\$ 1,574,111	\$ (1,574,111)	\$ 291,186	\$ 291,186	\$ (291,186)
Interest on note payable	244,593	(244,593)	44,352	44,352	(44,352)
TOTAL DISBURSEMENTS	\$ 29,046,042	29,143,280	\$ 4,884,323	4,638,975	245,348
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,578,124)	(4,840,398)	(100,149)	549,093	649,242
OTHER FINANCING SOURCES (USES)					
Transfers in	1,817,300	1,690,352			(126,948)
Transfers out	(220,000)	(220,000)			
TOTAL OTHER FINANCING SOURCES (USES)	1,597,300	1,470,352			(126,948)
EXCESS OF RECEIPTS AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER USES	(2,980,824)	(3,370,046)	(100,149)	549,093	649,242
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	15,658,000	15,558,368	3,000,000	3,579,877	579,877
Restatement adjustment	3,375,000	4,086,578			711,578
FUND BALANCES - JANUARY 1, AS RESTATED	19,033,000	19,644,946	3,000,000	3,579,877	579,877
FUND BALANCES - DECEMBER 31	\$ 16,052,176	\$ 16,274,900	\$ 2,899,851	\$ 4,128,970	\$ 1,229,119

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

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CITY OF JONESBORO, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 1: Summary of Significant Accounting Policies

As discussed further in Note 1(B and C), these financial statements are presented in accordance with the regulatory basis of presentation and accounting as prescribed or permitted by Arkansas Code. This regulatory basis of presentation and accounting differs from accounting principles generally accepted in the United States of America.

A. Financial Reporting Entity

The City of Jonesboro, Arkansas 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 Fund Accounting

The accounting system is organized and operated on a fund basis. 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. Arkansas Code 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 (receipts), expenditures (disbursements), and changes in fund equity (balances); a comparison of the final adopted budget to the actual expenditures for the general fund and street fund; notes to the financial statements; and a supplemental schedule of capital assets.

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

General Fund - The General Fund is the general 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, Sanitation, Parking, Parks and Recreation, Forum and Fire Truck.

Street Fund - The Street Fund is used to account for the proceeds of specific receipt sources that are legally restricted to disbursements 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 receipt sources that are legally restricted to disbursements 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, Alberto Culver Grant, 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: Policeman's Pension, Nonuniformed Employees' Pension, Cemetery Perpetual Care, Police Bond and Fine, District Court, Payroll, Cafeteria Plan and Insurance.

C. Basis of Accounting

The financial statements are presented using a regulatory basis of accounting. This basis recognizes assets, liabilities, fund balance, receipts, and disbursements when they result from cash transactions with a provision for investments, payroll taxes withheld, and settlements pending. This regulatory basis differs from accounting principles generally accepted in the United States of America.

CITY OF JONESBORO, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

As a result of the use of this regulatory basis of accounting, certain assets (such as accounts receivable, interfund receivables, and capital assets) and their related receipts and certain liabilities (such as accounts payable, interfund payables, and long-term debt) and their related disbursements 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 market value.

Liabilities

For the purpose of financial reporting, liabilities include payroll taxes withheld but not yet paid and settlements pending. Settlements pending are considered fines, forfeitures, costs, and cafeteria plan payments that have not been transferred to the appropriate entities.

Fund Balance

1. Reserved Fund Balance indicates that portion of fund balance, which has been legally segregated for specific purposes.
2. Designated Fund Balance indicates that portion of fund balance for which the entity has made tentative plans.
3. Undesignated Fund Balance indicates that portion of fund balance, which is available for budgeting in future periods.

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.

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

CITY OF JONESBORO, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Budget Law (Continued)

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.

(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 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, 2007 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.

CITY OF JONESBORO, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2007

NOTE 4: Public Fund Investments

A summary of investments by fund types is as follows:

Fund Type	December 31, 2007	
	Reported Amount	Fair Value
Trust	\$ 16,754,152	\$ 16,998,258

These investments are composed of the following:

	December 31, 2007	
	Reported Amount	Fair Value
Domestic corporate bonds	\$ 2,839,810	\$ 3,005,982
Mortgaged-backed securities	373	362
Mutual funds	6,573,468	6,599,517
Equities	2,800,697	2,750,877
U.S. Government obligations	1,197,973	1,265,787
Federal agency obligations	3,341,831	3,375,733
Totals	\$ 16,754,152	\$ 16,998,258

NOTE 5: 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, 2007, the legal debt limit for the bonded debt was \$154,750,271. 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, 2007, the legal debt limit for short-term financing obligations was \$39,598,200. The amount of short-term financing obligations was \$8,136,353, leaving a legal debt margin of \$31,461,847.

NOTE 6: Federal Funds Program Compliance

The federal funds of the City of Jonesboro are currently being audited in accordance with federal program requirements and therefore, any instances of noncompliance with federal grant requirements have not been determined. Disbursements that are not in accordance with the federal program requirements are subject to reimbursement by the City.

CITY OF JONESBORO, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2007

NOTE 7: Reserved Fund Balance

Reserved fund balance consists of the following:

	December 31, 2007
<u>General</u>	
Future retirement costs	\$ 1,808,504
Court automation	48,495
	\$ 1,856,999
 <u>Street</u>	
	\$ 4,128,970
 <u>Other Funds in the Aggregate</u>	
Special Revenue Funds:	
Emergency-911	\$ 583,586
Advertising and promotion	202,674
Federal grants	156,283
Community development block grant	168,969
Airport commission	130,286
Jonesboro economical transportation system	(11,624)
Federal forfeitures	69,778
District court mediation	4,142
Library	3,023
Total Special Revenue	1,307,117
 Capital Projects Funds:	
Sales tax construction	93,584
Capital improvement	12,553,260
Total Capital Projects	12,646,844
 Trust Funds:	
Policemen's pension	11,276,338
Nonuniformed employees' pension	6,309,585
Cemetery perpetual care	1,134,104
Total Trust	18,720,027
 Total Other Funds in the Aggregate	 \$ 32,673,988

NOTE 8: Deficit Fund Balances

The following fund has a deficit fund balance as of December 31, 2007:

	December 31, 2007
Jonesboro economical transportation system	\$ (11,624)

CITY OF JONESBORO, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 9: Commitments

Total commitments consist of the following at December 31, 2007:

	December 31, 2007
Long-term debt	\$ 11,211,887
Construction contracts	3,326,280
Other commitment	1,000,000
Total Commitments	\$ 15,538,167

Long-Term Debt

Long-Term Debt at December 31, 2007 is comprised of the following:

	December 31, 2007
Estimated cost of landfill closure and postclosure costs.	\$ 202,213
Compensated absences	2,873,321
Note payable to Daimler Chrysler Services for the purchase of two Sterling trucks for the Street Department dated April 21, 2006. Two annual payments of \$38,643 and one final payment of \$120,000 due on July 1, 2008, interest rate of 4.68%. Payments are to be made from the Street Fund.	114,635
Note payable to Sun Trust Leasing Corporation dated March 30, 2006 for six sanitation trucks. Twenty-three monthly payments of \$20,287 and one final payment of \$740,287 due on March 31, 2008, interest rate of 4.48%. Payments are to be made from the General Fund.	772,761
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 and \$925,388 due December 15 of 2008, 2009 and 2010, respectively, interest rate of 3.65%. Payments are to be made from the General Fund.	2,648,957
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.	3,200,000
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%. Payments are to be made from the General Fund.	1,400,000
Total Long-Term Debt	\$ 11,211,887

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

CITY OF JONESBORO, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 9: Commitments (Continued)

Estimated Cost of Landfill Closure and Postclosure 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 years after closure. Closure and postclosure care costs will be paid near or after the date the landfill stops accepting waste. The estimated liability for landfill closure and postclosure care costs has a balance of \$202,213 as of December 31, 2007, which is based on the use of 100% of the estimated capacity of the landfill. Of that amount, \$89,850 is for actual landfill closure. The remaining \$112,363 is related to the landfill gas collection and control system. This amount is based on what it would cost to perform all closure and postclosure care in 2007. 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.

Debt Service Requirements to Maturity

The City is obligated for the following amounts at December 31, 2007:

<u>Years Ending December 31,</u>	<u>Contracts</u>	<u>Notes</u>	<u>Total</u>
2008	\$ 400,000	\$ 2,201,206	\$ 2,601,206
2009	400,000	1,236,398	1,636,398
2010	400,000	1,236,578	1,636,578
2011	400,000	311,190	711,190
2012	400,000	311,190	711,190
2013 through 2015	1,200,000		1,200,000
Total Obligations	<u>3,200,000</u>	<u>5,296,562</u>	<u>8,496,562</u>
Less Interest		<u>360,209</u>	<u>360,209</u>
Total Principal	<u>\$ 3,200,000</u>	<u>\$ 4,936,353</u>	<u>\$ 8,136,353</u>

Construction Contracts

The City was contractually obligated for the following construction contracts at December 31, 2007:

<u>Project Name</u>	<u>Estimated /Actual Completion Date</u>	<u>Contract Balance December 31, 2007</u>
Airfield Lighting and Marking Rehabilitation	July 31, 2008	\$ 239,339
Jonesboro Fire Department #7	October 31, 2008	1,131,870
Jonesboro Fire Department #3	October 31, 2008	1,299,677
Animal Control Building	October 31, 2008	655,394
Total Construction Contracts		<u>\$ 3,326,280</u>

Other Commitment

The City Council by resolution committed \$1,000,000 to Arkansas State University towards the Caraway Road Overpass Project. The entire amount was payable at December 31, 2007. Funds were paid March 10, 2008.

NOTE 10: Interfund Transfers

Advertising and Promotion Fund transferred \$18,000 to the General Fund for operating costs. Capital Improvement Fund transferred \$1,672,352 to the General Fund for capital expenditures. General Fund transferred \$90,000 to the Airport Fund and \$130,000 to the Jonesboro Economical Transportation System Fund primarily for operating expenses. Capital Improvement Fund transferred \$81,367 to the Federal Grants Fund for capital expenditures.

CITY OF JONESBORO, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 11: Prior Year Restatement

The General Fund beginning fund balance was restated \$4,086,578 to include funds that were previously reported as Other Funds in the Aggregate.

NOTE 12: Subsequent Events

During 2008, the City began construction of two new fire stations with an estimated cost of \$4 million. Estimated completion date for both projects is June 2009.

NOTE 13: 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 \$1,542,075 to the Craighead County – Jonesboro Public Library for the year ending December 31, 2007.

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 14: 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, 2007

NOTE 14: 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 \$250,000 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 15: 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, 2007

NOTE 15: 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 16: 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, 2007

**NOTE 17: 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 18: 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 of its sixteen board members. Separate financial statements are available at 400 East Monroe Avenue, Jonesboro, Arkansas 72401.

During 2007, 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 \$1,461,679.

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CITY OF JONESBORO, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2007

	SPECIAL REVENUE FUNDS								
	Advertising and Promotion	Emergency 911	Federal Grants	Jonesboro Economical Transportation System	Community Development Block Grant	District Court Mediation	Airport Commission	Federal Forfeitures	Library
ASSETS									
Cash and cash equivalents	\$ 202,674	\$ 583,586	\$ 156,283	\$ (11,624)	\$ 168,969	\$ 4,142	\$ 131,700	\$ 69,778	\$ 3,023
Investments									
TOTAL ASSETS	\$ 202,674	\$ 583,586	\$ 156,283	\$ (11,624)	\$ 168,969	\$ 4,142	\$ 131,700	\$ 69,778	\$ 3,023
LIABILITIES AND FUND BALANCES									
Liabilities:									
Payroll taxes withheld							\$ 1,414		
Settlements pending									
Total Liabilities							1,414		
Fund Balances:									
Reserved	\$ 202,674	\$ 583,586	\$ 156,283	\$ (11,624)	\$ 168,969	\$ 4,142	\$ 130,286	\$ 69,778	\$ 3,023
TOTAL LIABILITIES AND FUND BALANCES	\$ 202,674	\$ 583,586	\$ 156,283	\$ (11,624)	\$ 168,969	\$ 4,142	\$ 131,700	\$ 69,778	\$ 3,023

City Ordinance No. 73:2435 established fund to collect hotel or motel accommodations tax to be used exclusively for advertising and promoting the City.
 Ark. Code Ann. § 12-10-318 established fund to receive fees collected by commercial mobile radio service providers for 911 emergency services.
 Monies set aside by federal grant agreements to be used for specific purposes.
 City Ordinance No. 05:211 established fund to receive federal grant funds to provide community transportation system.
 Monies set aside by federal grant agreements to be used for specific purposes.
 City Ordinance No. 05:240 established fund to receive federal grant funds for various city departments.
 Monies set aside by federal grant agreements to be used for specific purposes.
 Ark. Code Ann. § 14-359-101 established fund to operate and manage the Jonesboro Municipal Airport.
 Fund established to receive asset forfeitures resulting from federal drug offense cases paid due to arresting agency.
 Amendment No. 30 to the Arkansas Constitution authorized a property tax for operation of city libraries.

Advertising and Promotion
 Emergency 911
 Federal Grants
 Jonesboro Economical Transportation System
 Community Development Block Grant
 District Court Mediation
 Airport Commission
 Federal Forfeitures
 Library

CITY OF JONESBORO, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2007

	CAPITAL PROJECTS FUNDS		TRUST FUNDS		
ASSETS					
Cash and cash equivalents					
Investments	\$ 93,584		\$ 831,771		\$ 1,134,104
		\$ 12,553,260	10,444,567	\$ 6,309,585	
TOTAL ASSETS	<u>\$ 93,584</u>	<u>\$ 12,553,260</u>	<u>\$ 11,276,338</u>	<u>\$ 6,309,585</u>	<u>\$ 1,134,104</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payroll taxes withheld					
Settlements pending					
Total Liabilities					
Fund Balances:					
Reserved	\$ 93,584	\$ 12,553,260	\$ 11,276,338	\$ 6,309,585	\$ 1,134,104
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 93,584</u>	<u>\$ 12,553,260</u>	<u>\$ 11,276,338</u>	<u>\$ 6,309,585</u>	<u>\$ 1,134,104</u>

Sales Tax Construction
 Capital Improvement

Bond issue funds set aside for street improvements.
 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.

Police's Pension
 Nonuniformed Employees' Pension
 Cemetery Perpetual Care

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.
 Fund established for employee retirement.
 Trust fund for cemetery maintenance.

CITY OF JONESBORO, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2007

	AGENCY FUNDS				
	District Court	Payroll	Cafeteria Plan	Insurance	Totals
ASSETS					
Cash and cash equivalents	\$ 472,272	\$ 104,541	\$ 27,915	\$ 44	\$ 16,526,022
Investments					16,754,152
TOTAL ASSETS	\$ 472,272	\$ 104,541	\$ 27,915	\$ 44	\$ 33,280,174
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payroll taxes withheld		\$ 70,184			\$ 71,598
Settlements pending	\$ 472,272	34,357	\$ 27,915	\$ 44	534,588
Total Liabilities	472,272	104,541	27,915	44	606,186
Fund Balances:					
Reserved					32,673,988
TOTAL LIABILITIES AND FUND BALANCES	\$ 472,272	\$ 104,541	\$ 27,915	\$ 44	\$ 33,280,174

District Court
 Payroll
 Cafeteria Plan
 Insurance

Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures and costs collected by the District Court.
 Fund established to account for payroll expenditures.
 Fund established to account for employee benefit plan withholdings and payments.
 Fund established to account for health insurance collections and payments for retirees and COBRA eligible former employees.

CITY OF JONESBORO, ARKANSAS
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2007

	SPECIAL REVENUE FUNDS									
	Advertising and Promotion	Emergency 911	Federal Grants	Jonesboro Economic Transportation System	Community Development Block Grant	District Court Mediation	Airport Commission	Federal Forfeitures	Alberto Culver Grant	Library
RECEIPTS										
State aid										
Federal aid										
Property taxes										
Franchise taxes										
Sales taxes		\$ 390,090								
Fines, forfeitures and costs										
Interest and dividends										
Local permits and fees	\$ 5,655	27,685	2,131	489				\$ 71,739		
Advertising and promotion tax	280,993	358,214					3,920	318		
Employer contributions										
Other		196,547	530,477	155,793	22,671		203,978			
TOTAL RECEIPTS	286,648	972,536	675,531	1,088,967	886,376		1,479,709	72,057	1,500,000	1,542,075
DISBURSEMENTS										
Current:										
General government			93,559	1,330,315	654,192				1,500,000	
Law enforcement			508,611					6,600		
Highways and streets										
Public safety										
Sanitation		967,815	110,012							
Recreation and culture	167,425									
Social services					234,865					
Airport					135,500					
Total Current	167,425	967,815	712,182	1,330,315	1,024,557		1,573,644	6,600	1,500,000	1,542,075
Debt Service:										
Contract payment										
TOTAL DISBURSEMENTS	167,425	967,815	712,182	1,330,315	1,024,557		1,573,644	8,600	1,500,000	1,542,075

CITY OF JONESBORO, ARKANSAS
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2007

	SPECIAL REVENUE FUNDS									
	Advertising and Promotion	Emergency 911	Federal Grants	Jonesboro Economical Transportation System	Community Development Block Grant	District Court Mediation	Airport Commission	Federal Forfeitures	Alberto Culver Grant	Library
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 119,223	\$ 4,721	\$ (36,651)	\$ (241,348)	\$ (138,181)		\$ (93,935)	\$ 65,457		
OTHER FINANCING SOURCES (USES)										
Transfers in			81,367	130,000			90,000			
Transfers out	(18,000)									
Net gain on sale of investments										
Net appreciation in fair market value of investments										
TOTAL OTHER FINANCING SOURCES (USES)	(18,000)		81,367	130,000			90,000			
EXCESS OF RECEIPTS AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER USES	101,223	4,721	44,716	(111,348)	(138,181)		(3,935)	65,457		
FUND BALANCES - JANUARY 1	101,451	578,865	111,567	99,724	307,150	4,142	134,221	4,321		3,023
FUND BALANCES - DECEMBER 31	\$ 202,674	\$ 583,586	\$ 156,283	\$ (11,624)	\$ 168,969	\$ 4,142	\$ 130,286	\$ 69,778	\$ 0	\$ 3,023

City Ordinance No. 73-2435 established fund to collect hotel or motel accommodations tax to be used exclusively for advertising and promoting the City.
 Ark. Code Ann. § 12-10-318 established fund to receive fees collected by commercial mobile radio service providers for 911 emergency services.
 Monies set aside by federal grant agreements to be used for specific purposes.
 City Ordinance No. 05-211 established fund to receive federal grant funds to provide community transportation system.
 City Ordinance No. 05-240 established fund to receive federal grant funds for various city departments.
 Monies set aside by federal grant agreements to be used for specific purposes.
 Ark. Code Ann. § 14-359-101 established fund to operate and manage the Jonesboro Municipal Airport.
 Fund established to receive asset forfeitures resulting from federal drug offense cases due to arresting agency.
 State grant monies for the Alberto Culver Company.
 Amendment No. 30 to the Arkansas Constitution authorized a property tax for operation of city libraries.

CITY OF JONESBORO, ARKANSAS
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2007

	CAPITAL PROJECTS FUNDS					TRUST FUNDS					Totals	
	Sales Tax Construction	Capital Improvement	Police/men's Pension	Nonuniformed Employee's Pension	Cemetery Perpetual Care	Sales Tax Construction	Capital Improvement	Police/men's Pension	Nonuniformed Employee's Pension	Cemetery Perpetual Care		
RECEIPTS												
State aid		\$ 821,686	\$ 92,832									\$ 2,528,339
Federal aid												3,097,293
Property taxes				396,456								1,928,531
Franchise taxes		178,962										178,962
Sales taxes		6,688,408										7,079,498
Fines, forfeitures and costs												190,948
Interest and dividends			119,209									1,499,917
Local permits and fees	\$ 3,372	860,598	535,851					\$ 59,888				358,214
Advertising and promotion tax												280,993
Employer contributions												509,139
Other		54,289	5,075					50,815				1,219,645
TOTAL RECEIPTS	3,372	8,604,943	1,144,498					110,703				18,871,479
DISBURSEMENTS												
Current:												
General government		465,925										4,279,106
Law enforcement		483,464						16,086				2,033,341
Highways and streets		6,001,943		1,024,646			219,029					6,001,943
Public safety		1,936,466										3,014,293
Sanitation		1,668,588										1,668,588
Recreation and culture		10,668										1,955,033
Social services												135,500
Airport												1,573,644
Total Current		10,577,074	1,024,646				219,029	16,086				20,661,448
Debt Service:												
Contract payment		400,000										400,000
TOTAL DISBURSEMENTS		10,977,074	1,024,646				219,029	16,086				21,061,448

CITY OF JONESBORO, ARKANSAS
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2007

	CAPITAL PROJECTS FUNDS			TRUST FUNDS			
	Sales Tax Construction	Capital Improvement	Policemen's Pension	Nonuniformed Employee's Pension	Cemetery Perpetual Care	Totals	
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 3,372	\$ (2,372,131)	\$ 119,852	\$ 285,035	\$ 94,617	\$ (2,189,969)	
OTHER FINANCING SOURCES (USES)							
Transfers in						301,367	
Transfers out		(1,753,719)	356,707			(1,771,719)	
Net gain on sale of investments				341,380		341,380	
Net appreciation in fair market value of investments						341,380	
TOTAL OTHER FINANCING SOURCES (USES)		(1,753,719)	356,707	341,380		(772,265)	
EXCESS OF RECEIPTS AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER USES	3,372	(4,125,850)	476,559	626,415	94,617	(2,962,234)	
FUND BALANCES - JANUARY 1	90,212	16,679,110	10,799,779	5,683,170	1,039,487	35,636,222	
FUND BALANCES - DECEMBER 31	\$ 93,584	\$ 12,553,260	\$ 11,276,338	\$ 6,309,585	\$ 1,134,104	\$ 32,673,988	

Sales Tax Construction Capital Improvement Policemen's Pension Nonuniformed Employees' Pension Cemetery Perpetual Care	Bond issue funds set aside for street improvements. 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. 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. Fund established for employee retirement. Trust fund for cemetery maintenance.
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CITY OF JONESBORO, ARKANSAS
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
DECEMBER 31, 2007
(Unaudited)

Schedule 3

	<u>December 31, 2007</u>
Land	\$ 5,868,552
Buildings and improvements	27,908,557
Equipment	<u>27,626,789</u>
Total	<u>\$ 61,403,898</u>