



**REPORT OF EXPENDITURES ON FURNITURE,
ACCESSORIES AND FIXED ASSETS
FOR THE YEARS 2005, 2006, and 2007**

Prepared for Members of the City Council

April 15, 2008

Prepared by

DEPARTMENT OF FINANCE

Report of Expenditures on Furniture, Accessories, and Fixed Assets
for the Years 2005, 2006, and 2007

This report is produced by the city of Jonesboro Finance Department and presented to the City Council in response to a preliminary draft report entitled, "Procedures Relating to Specific Expenditures in Compliance with the State and Local Laws, dated March 4, 2008, produced by Crowe Chizek and Company LLC. This response concentrates on that part of the Crowe Chizek accounting firm's report which focused on the City's expenditures on furniture, accessories, and fixed assets during the years 2005, 2006, and 2007.

As a preliminary remark, it must be noted that the Crowe Chizek accounting firm's report did not *itemize* the City's expenditures on furniture and accessories, therefore; **their expenditure figures includes monies spent not only on furniture, but also on non-furniture items under the \$1,500 capitalization threshold**, e.g. computers, printers, cameras, scanners, bulletproof vests, firearms, etc., *items not normally considered furniture*.

Under the asset record-keeping portion of Governmental Accounting Standards Board (GASB) 34, a guideline for state and local governmental financial reporting, the City's asset capitalization is set at a minimum threshold of \$1,500¹. Therefore, under the City's "chart of accounts list," items purchased as office supplies, supplies inventory, and minor equipment that cost less than the \$1,500 threshold are classified as supplies while items costing more than \$1,500 and having a useful life of over one year are capitalized as fixed assets, e.g. machinery, heavy equipment, motor vehicles, etc.

Also, to comply with GASB 34, the Finance Department's report must consider that "the cost of a fixed asset includes all ancillary charges necessary to place the asset into its intended location and condition of intended use." Therefore, the cost of a fixed asset to the City includes the purchase price plus taxes paid, plus transportation costs paid by the City to transport the asset to the location for its intended use as well as associated costs for installation. For example, the cost of a police car is capitalized including the addition of new major components and improvements that enhance the operation of the police car and which make it suitable for purpose, e.g. seat partition, emergency light system, roof lights, etc.

However, **the cost of all of these additional major components purchased for police vehicles by the Police Department were, in the Crowe Chizek accounting firm's report, classified under "furniture and accessories."** Also, expenditures classified under "furniture and accessories" in the Crowe Chizek's report include not just the cost of furniture and accessories, but also includes the cost of equipment used on a daily basis by the Jonesboro Police Department such as bulletproof vests, firearms, radar equipment, flashlights, 12V battery booster packs, etc. In addition, under "furniture and accessories," fire equipment purchased by the Jonesboro Fire Department, plus computer equipment purchased by the Information Systems Department and for the uses of the City as well as recreation equipment for the Department of Parks and Recreation can be found.

Although there is considerable room for professional judgment in the area of asset capitalization classification, **it appears that the Crowe Chizek's report chose to lump all expenditure under "furniture and accessories," a judgment which in fact distorts the picture of City expenditures under the heading of Public Safety.**

After a careful reading of the Crowe Chizek's report and comparing it with the City's purchase order lists, including the records of expenditure, the City's Finance Department concludes that the city actually spent \$129,140 for "furniture and accessories" during the years 2005, 2006, and 2007, not \$615,332ⁱ in the three years, as reported. In fact, during the aforementioned three year period, the police department's expenditure on "furniture and accessories" was actually \$1,998, not \$323,950ⁱⁱⁱ as reported in the Crowe Chizek's report.

Respectively submitted to the City Council and citizens of the city of Jonesboro, April 15, 2008

ⁱ On March 6, 2007, the fixed asset capitalization threshold was increased to \$1,500 from \$1,000 (Resolution: 2007:36 and Enactment Number: 2007:36).

ⁱⁱ Excerpted from Crowe Chizek's report entitled, "Procedures Relating to Specific Expenditures in Compliance with State and Local Laws, dated March 4, 2008, Appendix A.

ⁱⁱⁱ Excerpted from Crowe Chizek's report entitled, "Procedures Relating to Specific Expenditures in Compliance with State and Local Laws, dated March 4, 2008, Appendix A.

Expenditure on Furniture by Department during 3 Year Period, 2005-2007

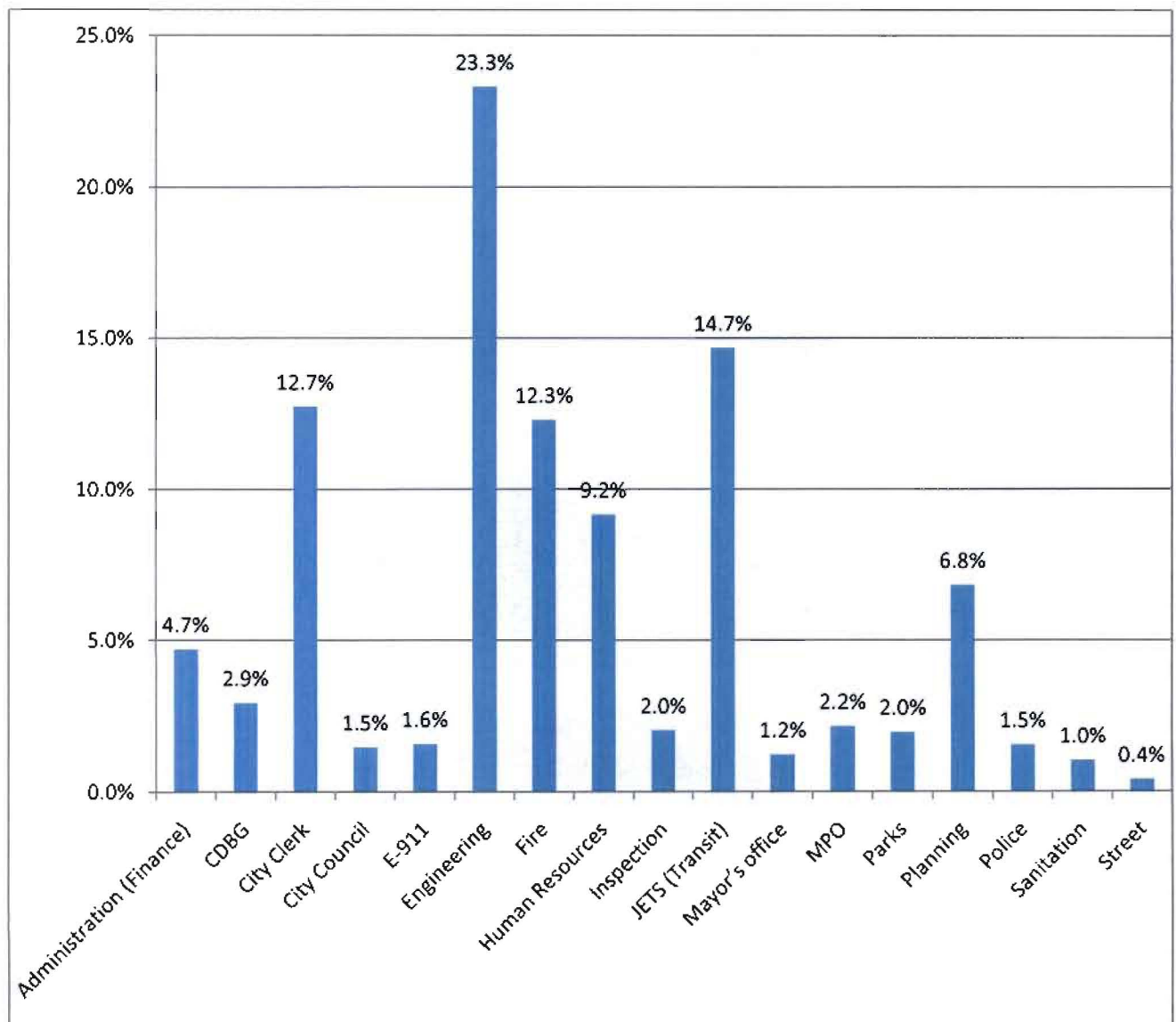
Department	2007	2006	2005	Total	Percentage
Administration (Finance)	0 \$	3,839 \$	2,239 \$	6,078	4.7%
Animal Control	0	0	0	0	0.0%
Building maintenance	0	0	0	0	0.0%
CDBG	0	0	3,790	3,790	2.9%
City Attorney	0	0	0	0	0.0%
City Clerk	0	0	16,438	16,438	12.7%
City Council	0	1,898	0	1,898	1.5%
E-911	0	0	2,029	2,029	1.6%
Engineering	21,683	309	8,101	30,093	23.3%
Fire	3,865	5,910	6,092	15,867	12.3%
Human Resources	1,637	2,694	7,495	11,826	9.2%
Information Systems	0	0	0	0	0.0%
Inspection	425	2,069	119	2,613	2.0%
JETS (Transit)	7,021	11,930	0	18,951	14.7%
Mayor's office	0	1,583	0	1,583	1.2%
MPO	0	0	2,782	2,782	2.2%
Parks	130	2,400	0	2,530	2.0%
Planning	3,012	5,700	99	8,811	6.8%
Police	665	731	602	1,998	1.5%
Sanitation	216	1,117	0	1,333	1.0%
Street	220	0	301	521	0.4%
	\$ 38,873	\$ 40,180	\$ 50,087	\$ 129,140	100.0%

Police Department Expenditures on Furniture and Fixed Assets during 3 Year Period, 2005-2007

	2007	2006	2005	Total	Percentage
Furniture	665	731	602	\$ 1,998	0.06%
Minor Equipment	19,342	63,821	93,961	\$ 177,124	5.65%
Fixed Assets	1,083,680	1,504,084	366,078	\$ 2,953,842	94.28%
	\$ 1,103,687	\$ 1,568,636	\$ 460,641	\$ 3,132,964	100.00%



Expenditure on Furniture by Department during 3 Year Period, 2005-2007



Expenditures on Furniture and Accessories, 2007

Department	City's Finance Department			Discrepancies between two figures	Crowe Chizek Furniture & Accessories
	Furniture & Accessories	Minor Equipment < \$1,500	Total		
Police	665	\$ 19,342	\$ 20,007	\$ 51,736	\$ 71,743
Sanitation	216	0	216	216	0
Street	220	0	220	220	0
Information Systems	0	0	0	0	0
Transit (JETS)	7,021	0	7,021	7,021	0
Fire	3,865	0	3,865	3,865	0
Parks	130	11,113	11,243	11,243	0
Planning	3,012	0	3,012	3,012	0
Engineering	21,683	0	21,683	21,683	0
Inspection	425	0	425	425	0
Mayor's Office	0	0	0	0	0
Human Resources	1,637	0	1,637	1,637	0
	\$ 38,874	\$ 30,455	\$ 69,329		\$ 71,743

Expenditure on Fixed Assets, 2007

Department	City's Finance Department		Discrepancies between two figures	Crowe Chizek Fixed Assets
	Fixed Assets > \$1,500			
Police	\$ 1,083,680	\$ 52,401	\$ 1,031,279	
Sanitation	1,026,579	0	1,026,579	
Street	610,421	0	610,421	
Information Systems	254,454	0	254,454	
Transit (JETS)	208,403	0	208,403	
Fire	101,498	0	101,498	
Parks	90,399	37,220	53,179	
Planning	35,232	0	35,232	
Engineering	33,843	0	33,843	
Inspection	30,152	0	30,152	
Mayor's Office	23,136	0	23,136	
	\$ 3,497,797		\$ 3,408,176	

Expenditures on Furniture and Accessories, 2006

Department	City's Finance Department			Discrepancies between two figures	Crowe Chizek Furniture & Accessories
	Furniture & Accessories	Minor Equipment < \$1,000	Total		
Administration (Finance)	\$ 3,839	0	\$ 3,839	0	\$ 3,839
Police	731	63,821	64,552	86,333	150,885
Fire	5,910	24,557	30,467	1	30,466
Inspection	2,069	0	2,069	0	2,069
Animal Control	0	1,769	1,769	0	1,769
City Attorney	0	76	76	183	259
Planning	5,700	213	5,913	0	5,913
Information Systems	0	41,991	41,991	0	41,991
Human Resources	2,694	0	2,694	0	2,694
Building Maintenance	0	1,559	1,559	0	1,559
Alderman (City Council)	1,898	225	2,123	1	2,122
Street	0	919	919	0	919
Engineering	309	747	1,056	309	747
Transit (JETS)	11,930	6,779	18,709	0	18,709
Sanitation	1,117	3,846	4,963	1	4,962
Parks	2,400	18,123	20,523	0	20,523
Mayor's Office	1,583	0	1,583	0	1,583
	\$ 40,180	\$ 164,625	\$ 204,805		\$ 291,009

Expenditure on Fixed Assets, 2006

Department	City's Finance Department		Discrepancies between two figures	Crowe Chizek Fixed Assets
	Fixed Assets > \$1,000			
Administration (Finance)	0		0	0
Police	1,504,084		86,138	1,417,946
Fire	2,662,063		187,590	2,474,473
Inspection	17,938		0	17,938
Animal Control	57,481		11,524	45,957
City Attorney	0		0	0
Planning	0		0	0
Information Systems	59,836		0	59,836
Human Resources	0		0	0
Building Maintenance	39,207		0	39,207
Alderman (City Council)	0		0	0
Street	1,585,278		35,290	1,549,988
Engineering	29,442		0	29,442
Transit (JETS)	558,015		57,504	500,511
Sanitation	1,329,570		17,290	1,346,860
Parks	72,734		0	72,734
Mayor's Office	6,322		0	6,322
	7,921,970			\$ 7,561,214

Expenditures on Furniture and Accessories, 2005

Department	City's Finance Department			Discrepancies between two figures	Crowe Chizek Furniture & Accessories
	Furniture & Accessories	Minor Equipment < \$1,000	Total		
Fire	\$ 6,092	\$ 21,031	\$ 27,123	0	\$ 27,123
Street	301	14,680	14,981	301	14,680
Sanitation	0	2,506	2,506	20,579	23,085
Police	602	93,961	94,563	6,759	101,322
Transit (JETS)	0	0	0	0	0
Parks	0	14,215	14,215	0	14,215
E-911	2,029	273	2,302	0	2,302
Information systems	0	27,546	27,546	0	27,546
City Clerk	16,438	701	17,139	208	17,347
Engineering	8,101	645	8,746	5,618	3,128
Building Maintenance	0	2,517	2,517	0	2,517
Fire Act	0	967	967	0	967
MPO	2,782	2,248	5,030	726	5,756
Human Resources	7,495	0	7,495	3,237	4,258
CDBG	3,790	0	3,790	0	3,790
Animal Control	0	957	957	957	0
Administration (Finance)	2,239	1,712	3,951	0	3,951
Inspection	119	0	119	0	119
City Attorney	0	474	474	0	474
Planning	99	0	99	99	0
	\$ 50,087	\$ 184,433	\$ 234,520		\$ 252,580

Expenditure on Fixed Assets, 2005

Department	City's Finance Department		Discrepancies between two figures	Crowe Chizek Fixed Assets
	Fixed Assets > \$1,000			
Fire	\$ 718,364		0	\$ 718,364
Street	472,307		0	472,307
Sanitation	447,280		20,579	426,701
Police	366,078		6,759	359,319
Transit (JETS)	208,230		0	208,230
Parks	178,735		0	178,735
E-911	124,137		0	124,137
Information systems	94,795		0	94,795
City Clerk	21,764		0	21,764
Engineering	21,007		0	21,007
Building Maintenance	0		18,690	18,690
Fire Act	10,399		0	10,399
MPO	5,865		0	5,865
Human Resources	0		3,237	3,237
CDBG	2,300		0	2,300
Animal Control	0		957	957
Administration (Finance)	6,788		6,788	0
Inspection	0		0	0
City Attorney	0		0	0
	\$ 2,678,049			\$ 2,666,807



City of Jonesboro

515 West Washington
Jonesboro, AR 72401

Signature Copy

Resolution: 2007:36

File Number: RES-07:85

Enactment Number: 2007:36

A RESOLUTION DEFINING CAPITAL ASSET AND SETTING GUIDELINES FOR
ITEMS TO BE CHARGED TO A CAPITAL ACCOUNT IN THE CITY OF JONESBORO,
ARKANSAS

WHEREAS, at the recommendation of the Finance Director, the City Council finds it in the best interest of the City to define capital assets and to set guidelines for items to be charged to a capital account;

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF
JONESBORO, ARKANSAS:

Section 1: Capital asset, also referred to as a fixed asset, is hereby defined as an asset of a durable nature, which is expected to be used for a period greater than one year, and includes such assets as land, land improvements, including infrastructure, buildings, equipment, furniture, tools, etc., but capital assets do not include computer software;

Section 2: Historical cost is hereby defined as the usual basis for valuing fixed assets, and is measured by the cash price of obtaining the asset and getting it ready for its intended use;

Section 3: The purchase price, freight, sales tax, and installation costs are considered part of the cost of fixed assets;

Section 4: Assets acquired by gift are valued at their fair market value or appraised value on the date of acquisition;

Section 5: A record of assets having a purchase price or fair market value of \$1,500 or more will be maintained in the City's finance fixed asset inventory. All lower values will be maintained and inventoried by each Department and/or Department Head.

PASSED AND APPROVED this 6th day of March, 2007.

Doug Formon, Mayor

Date _____

Donna Jackson, MMC, City Clerk

Date _____