

CITY OF JACKSONVILLE, ARKANSAS



Comprehensive Annual Financial Report For the Fiscal Year Ended December 31, 2013



Comprehensive Annual Financial Report

**City of Jacksonville,
Arkansas**

Fiscal Year Ended

December 31, 2013

Prepared by:

FINANCE DEPARTMENT

Cheryl Erkel, CGFM
DIRECTOR OF FINANCE



CITY OF JACKSONVILLE, ARKANSAS

YEAR ENDED DECEMBER 31, 2013

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Introductory Section



City of Jacksonville, Arkansas

#1 Municipal Drive
Jacksonville, AR 72076



June 30, 2014

To the Honorable Mayor, Members of the City Council,
and Citizens of the City of Jacksonville, Arkansas:

Introduction

We submit to you the Comprehensive Annual Financial Report (CAFR) for the City of Jacksonville, Arkansas for the fiscal year ended December 31, 2013. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Jacksonville. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City of Jacksonville as measured by the financial activity of its various funds. We believe that all disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included. To provide a reasonable basis for making these representations, the management of the City of Jacksonville has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Jacksonville's financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP). Because the cost of internal controls should not outweigh their benefits, the City of Jacksonville's framework of internal control has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

The Report

In accordance with state law, this CAFR is presented in conformity with GAAP and audited in accordance with auditing standards generally accepted in the United States of America.

The CAFR is presented in four primary sections: Introductory, Financial, Statistical, and Single Audit. The introductory section includes this transmittal letter, organization structure and a list of elected and appointed officials. The financial section includes management's discussion and analysis (MD&A), the basic financial statements, combining and individual fund financial statements and schedules, as well as the independent auditors' report on the basic financial statements and supplementary information. The MD&A is a narrative introduction, overview and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and it should be read in conjunction with the MD&A. The statistical section includes financial and demographic information, usually presented on a multi-year basis, which is relevant to a financial statement reader.

The City of Jacksonville's financial statements have been audited by McAlister & Associates, P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Jacksonville for the fiscal year ended December 31, 2013 are free of material misstatement. The independent audit

involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent accountants concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Jacksonville's financial statements for the fiscal year ended December 31, 2013, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Jacksonville was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Single Audit Section included herein.

Profile of the Government

The City of Jacksonville was incorporated on September 6, 1941 as a political subdivision of the State of Arkansas and is located in the central part of the state. One unique feature in Jacksonville is that it is the home of the Little Rock Air Force Base, a major training facility for the Air Force's new C-130J. Jacksonville currently occupies a land area of 29 square miles and serves a population of 28,364. The City of Jacksonville is empowered by state statute to extend its corporate limits by annexation when deemed appropriate by the governing council and to levy a property tax, by a vote of the public, on both real and personal properties located within its boundaries to a limit of 5 mills for general operations. In 1993, the voters approved a permanent one-cent sales and use tax and in return, the City rescinded its 5 mills property tax. Jacksonville is one of the few municipal governments in Arkansas that does not levy a property tax for general operations. In 2003, the voters approved an additional one-cent sales and use tax for capital improvements and operations.

The City of Jacksonville has operated under the mayor-council form of government since the day of incorporation. Policymaking and legislative authority are vested in a governing body consisting of the Mayor and ten aldermen. The governing body is responsible, among other things, for adopting the annual budget, appointing committees, and for setting policy and enacting laws for the City. The Mayor is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government and for appointing the various Department Directors. The Mayor presides over the council meetings without voting rights. However, the mayor can cast a positive vote in order to break a tie, can be counted to establish a quorum, and has the authority to veto. The Mayor is elected by the city at large for a term of four years. The council members are elected by the city at large on staggered terms every four years.

The City of Jacksonville provides a full range of services including police and fire protection; emergency medical services; animal control; planning and zoning; construction and maintenance of streets and roads; sanitation and recycling services; parks and recreation services; district court; and general administrative services. In addition, water and sewer services are provided through legally separate authorities, the Jacksonville Municipal Water Works and the Jacksonville Wastewater Utility and, as such, have been included in the comprehensive annual financial report as discretely presented component units. Another separate legal entity reported

as a component unit is the Jacksonville Advertising and Promotion Commission which administers the use of a 2% hotel/motel tax and a 2% prepared food tax collected in Jacksonville. Additional information on these component units can be found in Note 1 in the notes to the basic financial statements.

The annual operating budget serves as the City of Jacksonville's financial planning document. Control over spending and allocation of resources are the main focus of the budget. The annual budget process begins in August of each year. Appropriations requests by fund, function, and department are submitted to the Mayor and resources are allocated based on priorities established by the City Council. The Mayor submits a proposed budget to the City Council. The City Council approves and adopts a final budget before January 1. The budget is prepared by fund, function (e.g., public safety), and department (e.g., police). The Mayor is authorized to transfer budgeted amounts within departments. Any revisions that alter the total expenditures must be approved by the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. These comparisons are part of the required supplementary information located in the financial section.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Jacksonville operates.

Local Economy. The nation is in an economic recovery period that is finally improving after a long period of uncertainty. The national unemployment rate was 6.7% for 2013. The City of Jacksonville faces the challenge of providing services for its citizens in the midst of an uncertain but stabilizing economic climate. The City's unemployment rate went from 8.0% in 2012 to 7.7% in 2013. The first few months of 2014 have shown an increase in the economic climate with the national unemployment rate decreasing to 6.3% and the City's rate decreasing to 6.6%.

The City of Jacksonville has an increasing property tax base which includes appreciation and improvements on property, new subdivisions, new businesses, and annexations. Over the past 5 years, Jacksonville's levy has increased an average of 6% with the 2013 levy collectible in 2014 slightly increasing by 0.3%.

Sales tax revenue derived from the two-cent City sales and use tax and the City's portion (7.4%) of the Pulaski County sales and use tax has been growing at an average rate of 2% over the past 5 years which includes an increase of 4% for 2012 and an increase of 1% for 2013. On average, the sales tax revenue supports approximately 66% of the City's General Fund budget.

The City of Jacksonville receives intergovernmental revenues based on population. According to the 2010 U. S. Census, the population for the city has decreased 5.2% while Pulaski County's population has increased 5.9% compared to the 2000 Census data. However, the City has several projects in the planning stages to increase our population which will justify a special census in 2015.

Long-Term Financial Planning. The City of Jacksonville firmly believes in the pay-as you-go philosophy when possible. We also recognize that the cost associated with borrowing consumes a recognizable portion of the potential to maintain and support infrastructure needs.

The City of Jacksonville's long-term Capital Improvement Plan is based on a comprehensive development plan established by citizen input and requests. The Capital Improvement Plan provides for the orderly replacement of capital facilities and equipment, including buildings and other improvements. Funding for these infrastructure improvements comes primarily from county and local sales and use tax revenue with some citizen donations dedicated to specific projects. The Capital Improvement Plan is updated annually to remove completed projects and to add new projects.

In November 2003, the citizens of Jacksonville voted for an additional one-cent city sales tax. The first \$12 million was allocated to three major projects, construction of a family aquatic center, a joint venture between the City of Jacksonville and the Little Rock Air Force Base for the creation of a joint use educational center, and construction of a joint training center for police, fire, and public works personnel. These were the top three major improvements requested by the citizens and have been completed. All three of these projects have proven to be great assets in our community not only for our citizens but also visitors from other communities.

In July 2005, the citizens of Jacksonville voted to levy an annual ad valorem tax levy at the rate of one (1.0) mill for the acquisition, construction, and equipping of land and capital improvements for the City's public library. The ad valorem tax is pledged to a bond issue in the amount of \$2,500,000 used to finance the project. The tax will expire upon payment in full of the bonds to which it is pledged. The bonds were issued in April, 2006 at a very favorable interest rate.

In 2011, the City took out a five year sanitation services equipment loan for \$1.35 million. The loan paid for the purchase of three trash trucks along with trash cans to implement an automated collection system. The automated collection system allowed for a one day a week pickup for recycling, yard waste, and garbage.

In 2012, the City took out a five year capital improvement loan for \$2.97 million. This loan provided the funding to complete the 40,000 square foot Public Safety Building (which houses the Police Department, the 9-1-1 Communications Department, and a FEMA Safe Room) and other capital improvement projects. In addition to this loan, the City also entered into a capital lease with Motorola for \$2.5 million to upgrade our communication equipment to digital and join the AWIN (Arkansas Wireless Information Network) system.

In 2013, the City took out a five year loan for the purchase of a 160 acres of land and construction of a public trap and skeet shooting range in the amount of \$3.0 million. The public trap and skeet shooting range is a joint effort between the City and the Arkansas Game and Fish Foundation. The Arkansas Game & Fish Foundation obligated \$2.0 million towards the funding of the project.

Relevant Financial Policies. The City of Jacksonville continues to seek additional revenues throughout the year to supplement the sales tax revenue. The majority of these additional revenues are generated through various grants that are restricted to specific purposes. The City uses one-time revenue on items that do not generate recurring expenditures. In 2013, the Police Department purchased tasers and a rifle with the revenues from grants. The Parks and Recreation Department constructed a wildlife observation trail in Paradise Park with the assistance of a grant.

Major Initiatives. Jacksonville is continuously looking for ways to improve the city to ensure the safety of its citizens. In 2013, a dangerous drainage ditch along Redmond Road, from Dupree

Park to Highland, was covered to prevent vehicles from sliding into it during heavy rains. Also the widening of Graham Road was completed that included sidewalks and gutters. The City will be constructing a roundabout at Main Street and Harris Road to improve traffic flow and the safety of pedestrians crossing during 2014.

Jacksonville also strives to improve the quality of life for its citizens. With this in mind, the City joined forces with the Arkansas Game and Fish Foundation to construct the largest state of the art trap and skeet shooting range in the state. It was opened in March of 2014. It offers 14 trap stations, 3 skeet ranges, a 5,000 square foot administration building and 2 pavilions with restroom facilities. A 3-D archery course is scheduled to be added in the future with 20 targets.

Environment Consciousness. The City of Jacksonville is striving to educate the public on environmental awareness. Educational materials regarding recycling initiatives are on display at the recycling park in front of the recycling center. The Parks and Recreation Department will complete the construction of a wildlife observation trail at Paradise Park in 2014. The trail is expected to promote wildlife observation, attract and increase tourism, promote economic development and promote a healthy lifestyle among other things.

Jacksonville is also doing its part to help the environment. The City is providing sidewalks throughout the city for easier mobility by foot or bicycle to reduce ozone pollution. Jacksonville also requires new commercial properties to have a 20' buffer area that is to be maintained in a natural state with dense undergrowth or have a perimeter planting strip 6'ft wide that contains one tree and four shrubs for every forty feet. These properties are also required to have interior planting areas of 100 - 200 feet with one tree for every 15 parking spaces. This increases the oxygen in the atmosphere as well as beautifying the city.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Jacksonville for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2012. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. This was the sixteenth consecutive year that the City of Jacksonville has achieved this prestigious award. We believe that our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the comprehensive annual financial report is a team effort by the entire City of Jacksonville Finance Department. We would like to express our sincere appreciation to each and every staff member with a big "Thank You" for a job well done. Special thanks go to Assistant Finance Director Laura Collie and Accountant Linda Dupree. Their tenacious attention to detail makes this report an excellent communication tool.

We would like to acknowledge the thorough and professional manner in which McAlister & Associates, P.A. conducted the annual audit. Their technical proficiencies add measurably to the quality of the entire report.

Finally, we would like to acknowledge the contributions of the Mayor and City Council who have consistently and actively supported the City's goal of excellence in all aspects of financial management. Their interest, encouragement, and support are sincerely appreciated.

Respectfully submitted,



Gary Fletcher
Mayor



Cheryl Erkel, CGFM
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Jacksonville
Arkansas**

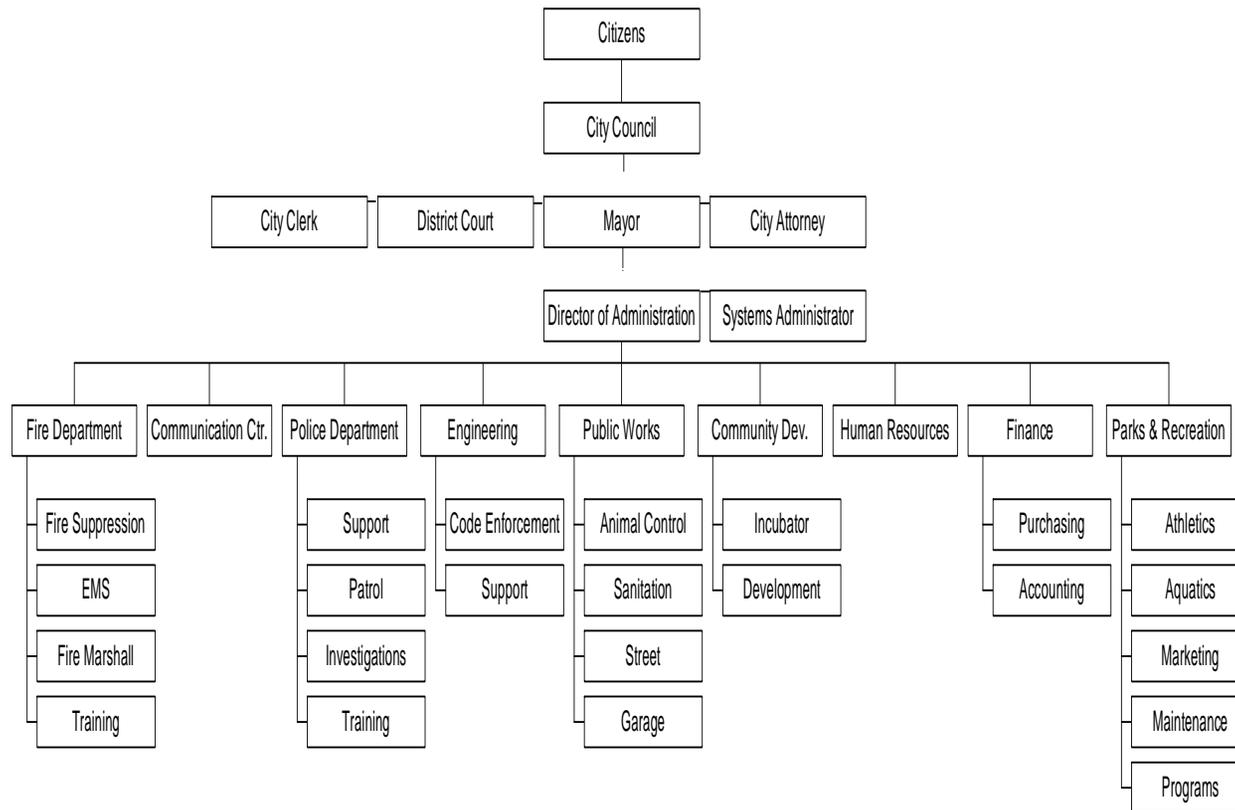
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2012

Executive Director/CEO



City of Jacksonville Organizational Structure



**City of Jacksonville, Arkansas
List of Elected and Appointed Officials
December 31, 2013**

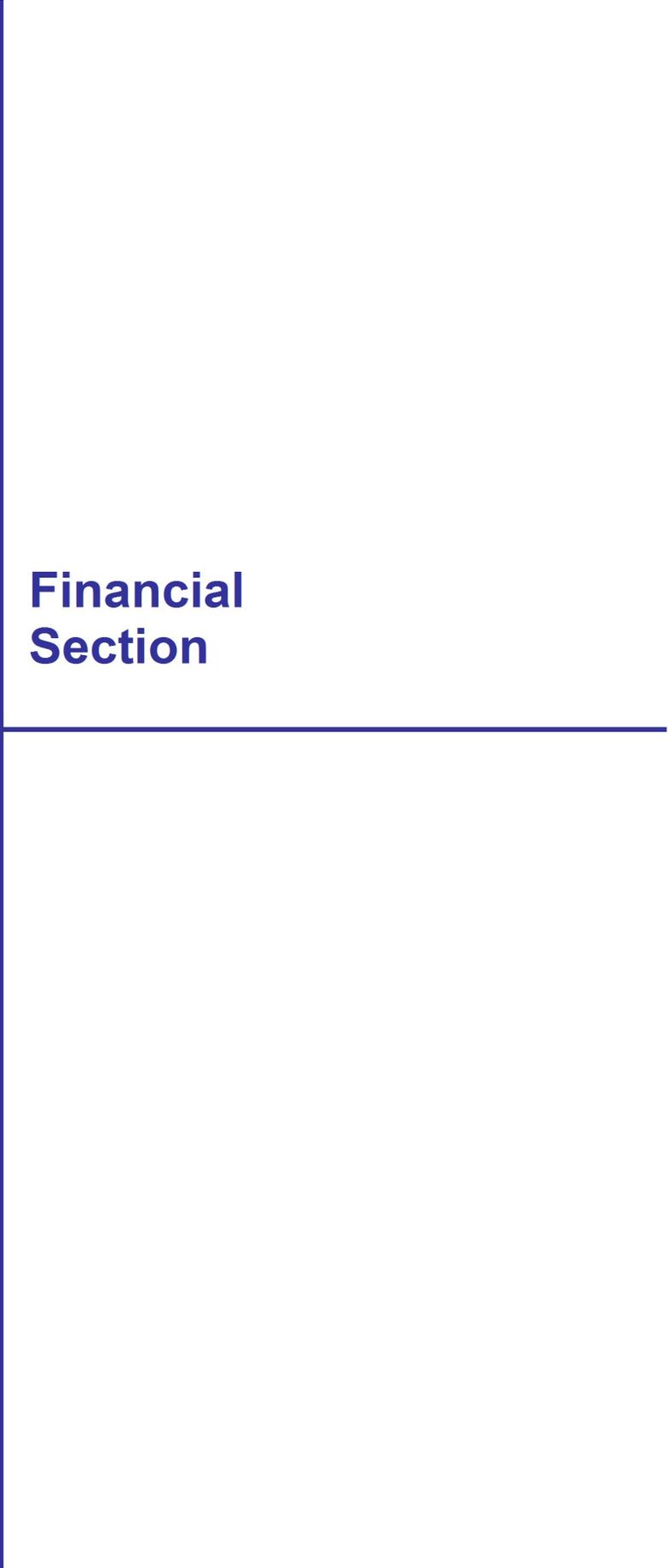
Elected Officials

Gary Fletcher		Mayor	
Kenny Elliot	Ward 1, Position 1	James Bolden III	Ward 1, Position 2
Kevin McCleary	Ward 2, Position 1	Terry Sansing	Ward 2, Position 2
Reedie Ray	Ward 3, Position 1	Barbara Mashburn	Ward 3, Position 2
Mike Traylor	Ward 4, Position 1	Mary Twitty	Ward 4, Position 2
Aaron Robinson	Ward 5, Position 1	Bill Howard	Ward 5, Position 2
Robert Bamberg		City Attorney	
Susan Davitt		City Clerk/Treasurer	
Robert Batton		District Court Judge	

Appointed Officials

City Engineer	James Whisker
Director of Administration	Jim Durham
Director of Public Works	Jimmy Oakley
Community Development Director	Theresa Watson
Director of Finance	Cheryl Erkel
Fire Chief	Alan Laughy
Parks & Recreation Director	Kevin House
Human Resource Director	Jill Ross
Police Chief	Gary Sipes
Sanitation Superintendent	Randy Watkins
Street Superintendent	Hal Toney
Superintendent of Emergency Services	Tabitha Hughes





**Financial
Section**



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Jacksonville, Arkansas as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Jacksonville Municipal Water Works and Jacksonville Wastewater Utility which represent 99%, 99%, and 94%, respectively of the total assets, net position, and total revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports were furnished to us, and our opinion, insofar as it relates to the amounts included for Jacksonville Municipal Water Works and Jacksonville Wastewater Utility, is based solely on the reports of the other auditors. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Honorable Mayor and
Members of the City Council
City of Jacksonville, Arkansas
Independent Auditor's Report
Page Two

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Jacksonville, Arkansas as of December 31, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary and pension listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jacksonville, Arkansas' basic financial statements. The combining and individual fund statements and schedules listed in the table of contents, and the schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

To the Honorable Mayor and
Members of the City Council
City of Jacksonville, Arkansas
Independent Auditor's Report
Page Three

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2014, on our consideration of the City of Jacksonville, Arkansas' internal control over financial reporting and on our tests of its compliance with certain provisions of 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* in considering the City of Jacksonville, Arkansas' internal control over financial reporting and compliance.

McAlister & Associates, P.A.

McAlister & Associates, P.A.
Certified Public Accountants

Jacksonville, Arkansas
June 30, 2014

City of Jacksonville, Arkansas



Management's Discussion and Analysis

For the Year Ended December 31, 2013

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E-mail: cerkel@cityofjacksonville.net

As management of the City of Jacksonville, we offer readers of the City of Jacksonville's financial statements this narrative overview and analysis of the financial activities of the City of Jacksonville for the fiscal year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with additional information we have provided in our letter of transmittal, which can be found in the introductory section of this report, and the City's financial statements that follow this section.

Financial Highlights

- Total assets of the City exceeded total liabilities at the close of 2013 by \$49,153,778 (net position). Of this amount, \$5,023,509 is considered unrestricted net position. The unrestricted net position of the City's governmental activities is \$3,544,078 and may be used to meet the government's on-going obligations to citizens and creditors. The unrestricted net position of the City's business-type activities is \$1,479,431, and may be used to meet the on-going obligation of the City's sanitation and emergency medical services activities.
- The City's reported total net position decreased by \$1,575,851 in 2013. Net position of the governmental activities decreased by \$2,012,958 in 2013, which was a 4% decrease from beginning net position. Net position of the business-type activities increased by \$437,107 in 2013, which was a 46% increase from beginning net position.
- As the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,091,072, which was a decrease of \$2,543,355 from the prior year. The unassigned portion of the fund balances is \$3,089,430, which represents 51% of the total. The unassigned portion is available for use to support operations, funding for special projects, and equipment replacement funding.
- The General Fund reported a fund balance of \$3,219,851 at the end of the current fiscal year. The unassigned fund balance for the General Fund was \$3,089,430 or 15% of total General Fund expenditures. There was a \$1,419,460 decrease in the total fund balance for the General Fund for the year ended December 31, 2013.
- At the close of the current fiscal year, net position of fiduciary funds was \$13,838,151 in trust for pension benefits. There was a \$413,103 increase in the total fiduciary net position held in trust for the year ended December 31, 2013.

- The City’s component units reported net position of \$62,001,059 as of December 31, 2013, a decrease of \$562,317 compared to December 31, 2012 net position of \$62,563,376.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City’s basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. Figure A demonstrates how required parts of this annual report are arranged and shows how they relate to one another. Figure B summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the type of information they contain. The remainder of this overview section of the management’s discussion and analysis explains each of the statements.

Figure A: Required Components of the City’s Annual Financial Report

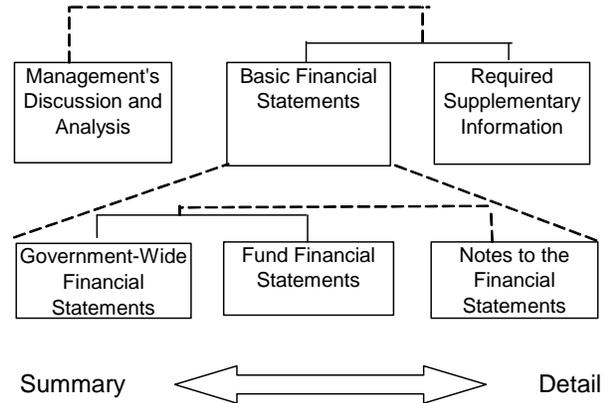


Figure B. Major features of the City's Government-wide and Fund Financial Statements

Types of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City (except fiduciary funds) including component units	Activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private business.	Instances in which the City acts as fiduciary for someone else's resources
Required Financial Statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures & changes in fund balances	Statement of net position Statement of revenues, expenses & changes in fund net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, short-term and long term	All assets and liabilities, both short-term and long-term, the Agency's funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid.	All revenues and expenses during the year, regardless of when cash is received or paid.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to private-sector business.

The *statement of net position* presents the assets, liabilities, and net position of the City of Jacksonville at the end of the fiscal year. The purpose of the statement of net position is to give the financial statement readers a snapshot of the fiscal condition of the City of Jacksonville as of a certain point in time. It presents end-of-year data for assets, liabilities, and net position (assets minus liabilities). Also shown is the sum total liabilities and net position, which equals total assets.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused, vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, parks and recreation, and community development. The business-type activities of the City include sanitation services and emergency medical services.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the following legally separate *component units*:

- Jacksonville Municipal Water Works
- Jacksonville Wastewater Utility
- Jacksonville Advertising and Promotion Commission

Financial information for these component units are reported separately from the financial information presented for the primary government itself. Complete financial statements for these component units may be obtained by contacting the administrative offices listed on page 46 of this report.

The government-wide financial statements can be found on pages 26 through 29 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds - *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains seven individual governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Street, and Special Projects Funds, which are considered to be major funds. Data from the remaining four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 30 through 33 of this report.

Proprietary Funds - Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City maintains a single proprietary fund type, an enterprise fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for sanitation services activities and for emergency medical (ambulance) services provided by the City. The proprietary fund financial statements provide information for the Sanitation Services Enterprise Fund and the Emergency Medical Service Enterprise Fund, which are both major funds for the City.

The basic proprietary fund financial statements can be found on pages 34 through 37 of this report.

Fiduciary Funds - *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide

financial statements because the resources of those funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 38 through 39 of this report.

Notes to the Basic Financial Statements - The notes to the basic financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 45 through 74 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's General Fund budget and the City's pension information. The City adopts an annual appropriation budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. Required supplementary information can be found beginning on page 76 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and other information related to the individual funds is presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 84 through 85 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$49,153,778 at the close of 2013. The largest portion of the City's net position (88%) reflects its net investments in capital assets (e.g., land, buildings, improvements other than buildings, machinery, equipment, and infrastructure). The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

City of Jacksonville, Arkansas

Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 9,052,959	\$ 12,505,283	\$ 1,613,334	\$ 1,267,548	\$ 10,666,293	\$ 13,772,831
Capital assets	51,105,083	48,404,340	1,659,211	1,858,954	52,764,294	50,263,294
Total assets	60,158,042	60,909,623	3,272,545	3,126,502	63,430,587	64,036,125
Long-term liabilities outstanding	9,641,683	8,419,447	498,487	771,818	10,140,170	9,191,265
Other Liabilities	3,729,405	3,690,265	407,234	424,967	4,136,639	4,115,232
Total liabilities	13,371,088	12,109,712	905,721	1,196,785	14,276,809	13,306,497
Net Position:						
Invested in capital assets						
net of related debt	42,058,114	41,063,502	887,393	821,873	42,945,507	41,885,375
Restricted	1,184,762	1,798,969	-	-	1,184,762	1,798,969
Unrestricted	3,544,078	5,937,440	1,479,431	1,107,844	5,023,509	7,045,284
Total Net Position	\$ 46,786,954	\$ 48,799,911	\$ 2,366,824	\$ 1,929,717	\$ 49,153,778	\$ 50,729,628

An additional portion of the City's net position, \$1,184,762 represents resources that are subject to restrictions as to how they may be used. The remaining balance of unrestricted net position \$5,023,509 may be used to meet the City's ongoing obligations to citizens and creditors.

Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
<i>Program revenues:</i>						
Charges for services	\$ 2,114,356	\$ 1,861,350	\$ 3,040,737	\$ 2,879,100	\$ 5,155,093	\$ 4,740,450
Operating grants and contributions	4,428,410	4,236,786	6,500	13,000	4,434,910	4,249,786
Capital grants and contributions	685,232	1,013,992	-	59,196	685,232	1,073,188
	7,227,997	7,112,129	3,047,237	2,951,296	10,275,234	10,063,425
<i>General revenues:</i>						
Property taxes	826,033	784,180	-	-	826,033	784,180
Sales taxes	13,164,041	13,138,610	-	-	13,164,041	13,138,610
Franchise taxes	1,292,667	1,031,798	-	-	1,292,667	1,031,798
Investment earnings	7,026	21,136	688	504	7,714	21,640
Intergovernmental						
Revenues	433,463	459,957	-	-	433,463	459,957
Gain/(loss) on sales of capital assets	31,775	10,263	-	47,881	31,775	58,144
Total general revenues	15,755,005	15,445,944	688	48,384	15,755,693	15,494,328
Total revenues	22,983,002	22,558,073	3,047,925	2,999,680	26,030,927	25,557,753
Expenses						
General government	3,052,269	3,061,493	-	-	3,052,269	3,061,493
Public works	3,605,742	2,872,093	-	-	3,605,742	2,872,093
Parks and recreation services	2,953,709	2,748,589	-	-	2,953,709	2,748,589
Public safety	14,051,451	13,866,306	-	-	14,051,451	13,866,306
Housing and neighborhood programs	588,290	365,162	-	-	588,290	365,162
Interest on long-term debt	154,499	79,563	-	-	154,499	79,563
Sanitation services	-	-	1,585,114	1,531,003	1,585,114	1,531,003
Emergency medical services	-	-	1,615,704	1,460,366	1,615,704	1,460,366
Total expenses	24,405,960	22,993,206	3,200,818	2,991,369	27,606,778	25,984,575
Change in net position before transfers	(1,422,958)	(435,133)	(152,893)	8,311	(1,575,851)	(426,822)
Transfers	(590,000)	(442,496)	590,000	442,496	-	-
Change in net position	(2,012,958)	(877,629)	437,107	450,807	(1,575,851)	(426,822)
Net Position - January 1	48,799,911	49,677,541	1,929,717	1,478,910	50,729,628	51,156,451
Net Position - December 31	\$ 46,786,954	\$ 48,799,911	\$ 2,366,824	\$ 1,929,717	\$ 49,153,778	\$ 50,729,628

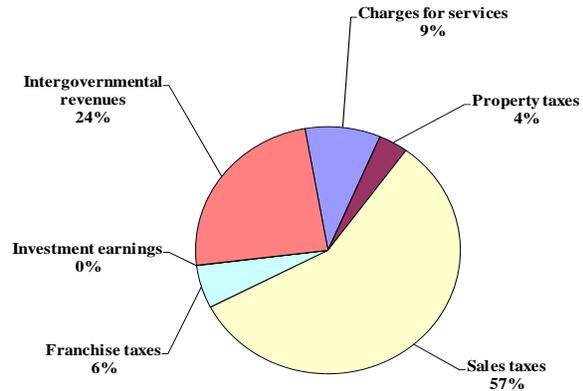
At the end of the current fiscal year, the City of Jacksonville is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. It is important to note that although the total spendable unrestricted net position is \$5,023,509; the City's business-type activities portion \$1,479,431 may not be used to fund governmental activities.

Governmental Activities -

Governmental activities decreased the City's net position in the current period by \$2,012,958. The main elements of the current period changes are:

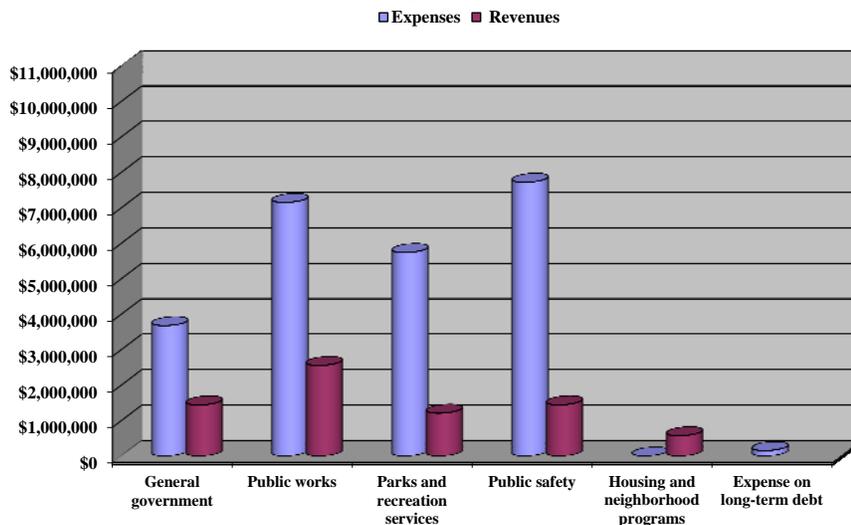
- The completion of the Public Safety Building and the FEMA safe room at the Senior Center.
- The start of construction on the Arkansas Game and Fish Foundation Shooting Complex.
- Additional long term debt obligations obtained for financing capital projects.

Revenues by Source-Governmental Activities

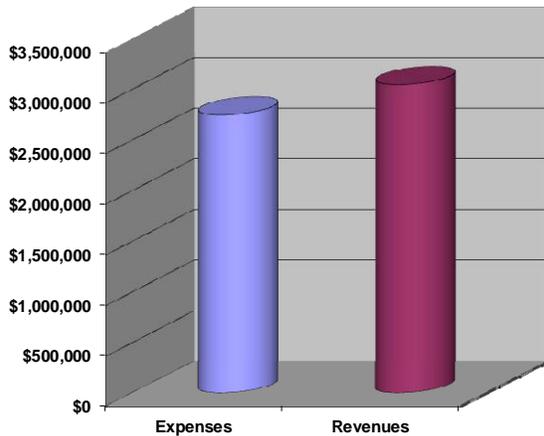


Sales taxes represent 57% or \$13,164,041 of the City's governmental revenue in 2013, grants and contributions added \$5,547,105 or 24% to total revenues, and charges for services added \$2,114,356 or 9% to total revenues.

Expenses and Program Revenues-Governmental Activities



Expenses and Program Revenue-Business-type Activities



Business-type Activities - Business-type activities increased the City's net position by \$437,107.

Sanitation Services accounts for about 56% of the business-type activities. Sanitation service fees are billed through Jacksonville Municipal Water Works (a component unit of the City), net of a billing fee. The charges for services were \$1,908,726 for 2013 compared to \$1,816,770 in 2012. Total expenses for 2013 were \$1,585,114 compared to \$1,531,003 in 2012.

Revenues increased due to an increase in sanitation fees. Expenses increased due to payments made on note payable for the funding of the automated trash pick-up system.

Emergency Medical Services accounts for about 44% of the business-type activities. Ambulance service fees are billed through the City's finance department. The charges for services were \$1,132,011 for 2013 compared to \$1,062,331 in 2012. Total expenses for 2013 were \$1,615,704 compared to \$1,460,366 in 2012. Revenues increased as a result of increased ambulance run volume. Expenses decreased due to less write offs of bad debt in 2013 compared to 2012.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds - The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2013, the City's governmental funds reported combined ending fund balances of \$6,091,072, a decrease of \$2,543,355 in comparison with the prior year. Approximately, 51% of this total, or \$3,089,430, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is restricted to indicate that it is unavailable for new spending because it has already been committed for capital projects, assigned to capital projects, restricted by statute, and other purposes.

The General Fund is the chief operating fund for the City. As of December 31, 2013, the total fund balance of the general fund was \$3,219,851 of which \$3,089,430 was unassigned. This unassigned fund balance represents approximately 15% of total general fund expenditures. The fund balance of the General Fund decreased \$1,419,460 in fiscal year 2013. The 2014 budget

anticipated use of \$739,302 of this fund balance for programs that were not completed in the prior year.

The Street Fund had a total fund balance of \$665,057, which was a decrease of \$130,904 from 2012. The total amount of the fund balance is classified as restricted. The majority of this decrease was due to drainage projects.

The Special Projects Funds had a total fund balance of \$1,809,841, which was a decrease of \$923,800 from 2012. The total amount of the fund balance is classified as assigned. The reduction in fund balance was due to construction costs related to the new Arkansas Game and Fish Foundation Shooting Complex. The ending fund balances and net changes for the Special Projects Funds were:

<u>Fund</u>	<u>Ending Balance</u>	<u>Net Change</u>
Capital Improvements	\$ 90,390	\$ (807,368)
Capital Drainage	699,880	(22,825)
Capital Equipment	1,019,571	(93,607)

The City maintains four nonmajor governmental funds in addition to the above mentioned major funds. These funds had a total fund balance of \$396,323. The net decrease in the fund balances during 2013 for these funds was \$69,191. The ending fund balances and net changes for the nonmajor funds were:

<u>Fund</u>	<u>Ending Balance</u>	<u>Net Change</u>
Grants	\$ 1,212	\$ (60,996)
CDBG	81,356	6,670
HOME	38,299	8,486
2006 Library – Debt Service	275,456	(23,351)

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but with more detail.

Net position for the Sanitation Services Enterprise Fund was \$1,413,369 in 2013 which was an increase of \$330,795 compared to \$1,082,574 in 2012. This increase is due to an increase in fees for sanitation services implemented in March 2011. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

Net position for the Emergency Medical Service Enterprise Fund in 2013 was \$953,455 which was an increase of \$106,312 from \$847,143 in 2012. This increase was due to an increase in supplemental support from the General Fund. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The 2013 General Fund amended budget appropriated \$20,677,929 as compared to the 2012 budget of \$20,074,501, an increase of approximately 3%. The budget was amended due to short-term debt being repaid out of the General Fund instead of the Capital Project Fund.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for governmental and business-type activities as of December 31, 2013, amounts to \$52,764,294 (net of accumulated depreciation). The investment in capital assets includes land, buildings and building improvements, improvements other than buildings, equipment, infrastructure, and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was \$2,501,000 net of depreciation, a 5% increase.

City of Jacksonville Capital Assets, net of depreciation

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 10,567,852	\$ 10,030,852	\$ -	\$ -	\$10,567,852	\$10,030,852
Land improvements	853,818	873,774	-	-	853,818	873,774
Infrastructure	9,380,814	9,574,990	-	-	9,380,814	9,574,990
Buildings	20,972,268	14,268,314	-	-	20,972,268	14,268,314
Vehicles	861,788	921,222	1,135,013	1,292,323	1,996,801	2,213,545
Equipment	4,302,935	4,453,416	524,198	566,631	4,827,133	5,020,047
Construction in progress	4,165,610	8,281,772	-	-	4,165,610	8,281,772
Total	\$ 51,105,083	\$ 48,404,340	\$ 1,659,211	\$ 1,858,954	\$52,764,294	\$50,263,294

Major capital asset events that occurred during 2013 included the following:

- New land acquisitions for the year were \$537,000 with \$532,000 of that amount attributable to land acquired on Wooten Road for economic development that was funded by private donations.
- Buildings increased due to the completion of the Public Safety Building and the addition of a FEMA safe room to the Senior Wellness Center.

Additional information on the City's capital assets can be found in Note 3 on pages 56-58 of this report.

Long-term Debt. At December 31, 2013, the City, the primary government, had long-term bonds outstanding of \$1,580,000. These bonds are secured solely by specified revenue sources. The City's long-term debt decreased by \$205,000 during 2013. This resulted from the maturity of \$55,000 in long-term bonds outstanding plus \$150,000 long-term bonds redeemed with an early call provision.

At December 31, 2013, the City had short term notes payable of \$5,038,839. This includes the balance of a five year note for \$3,100,000 loan to finance the completion of the public safety building, the safe room at the Senior Wellness Center and other capital improvements. In addition, a five year note for \$3,000,000 was incurred to re-finance the purchase of property and the construction of the Arkansas Game and Fish Foundation Shooting Complex.

At December 31, 2013, the City also had a capital lease agreement of \$2,429,113. This lease agreement is for the AWIN Communications upgrade with annual payments to be completed in five years.

State statutes limit the amount of general obligation debt a governmental entity may issue to 20% of its total assessed valuation for long-term debt and 5% for short-term debt. The City had \$1,580,000 in long-term bonds payable and \$7,467,952 in short-term notes payable at December 31, 2013.

Additional information on the City's long-term debt can be found in Note 4 on pages 58-63 of this report.

Economic Factors and Next Year's Budgets and Rates

The City of Jacksonville's Mayor and City Council have an established practice of making annual budgetary decisions for the General and Street Fund by considering revenue growth, staffing needs, unassigned reserve levels as well as reviewing the performance of the local economy to determine continued economic expansion. During this process, they have realized that the economy has had an economic downturn over the past couple of years. With stagnant revenue in many areas due to the lingering effects of the economic downturn, the City considered the impact on its primary revenue source: sales tax.

The Mayor and City Council decided that it was important to increase revenue without raising taxes to our citizens. They decided to focus on increasing our tax bases. Their first objective is to annex existing surrounding property. Next, they will be trying to entice new businesses to relocate within our city limits. Additional efforts are being made throughout the community to establish our own school district. These objectives are meant to stimulate our economy to increase property values, reduce unemployment, and promote growth as well as increase our sales tax revenues.

The goal of the Mayor and City Council is to maintain financial stability by adopting budgets with a minimum unreserved fund balance of 16.6% of operating expenditures. With this in mind, the 2014 budgets were adopted for the General Fund at \$22,011,653 and the Street Fund at \$2,179,758.

Request for Information

This financial report is designed to provide a general overview of the City of Jacksonville's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Finance Director, #1 Municipal Drive, Jacksonville, Arkansas 72076.

General information relating to the City of Jacksonville, Arkansas can be found at the City's website, <http://www.cityofjacksonville.net>.

BASIC FINANCIAL STATEMENTS

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF NET POSITION DECEMBER 31, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets				
Cash and cash equivalents	\$ 2,563,685	\$ 242,885	\$ 2,806,570	\$ 10,078,160
Restricted cash and investments, current	29,427	-	29,427	3,426,508
Investments	1,425,471	450,000	1,875,471	1,375,420
Receivables, net of allowance for uncollectible accounts				
Taxes	1,565,597	-	1,565,597	-
Sales taxes	2,273,229	-	2,273,229	-
Accounts	98,360	919,630	1,017,990	2,533,660
Accrued interest	159	23	182	645
Grants and other governments	61,679	-	61,679	-
Other	253,152	-	253,152	-
Internal balances	(796)	796	-	-
Inventories	-	-	-	427,399
Prepaid expenses and other	-	-	-	57,507
Total current assets	8,269,963	1,613,334	9,883,297	17,899,299
Noncurrent assets				
Restricted assets				
Cash and cash equivalents	254,849	-	254,849	587,456
Less amount required to meet current obligations	(29,427)	-	(29,427)	-
Total restricted assets	225,422	-	225,422	587,456
Capital assets				
Nondepreciable	14,733,462	-	14,733,462	902,480
Depreciable, net	36,371,621	1,659,211	38,030,832	68,244,526
	51,105,083	1,659,211	52,764,294	69,147,006
Other assets				
Net pension asset	557,574	-	557,574	-
Deferred bond issue costs	-	-	-	186,248
Deferred charges	-	-	-	141,502
Total other assets	557,574	-	557,574	327,750
Total noncurrent assets	51,888,079	1,659,211	53,547,290	70,062,212
Total Assets	\$ 60,158,042	\$ 3,272,545	\$ 63,430,587	\$ 87,961,511

See Accompanying Notes to Basic Financial Statements.

Liabilities and Net Position	Primary Government			Component Units
	Governmental	Business-type	Total	
	Activities	Activities		
Current liabilities				
Accounts payable	\$ 709,152	\$ 56,105	\$ 765,257	\$ 1,342,524
Accrued wages payable and related liabilities	313,532	35,369	348,901	-
Accrued expenses and other	139,382	-	139,382	170,316
Accrued interest payable	29,427	1,307	30,734	176,681
Compensated absences, current	572,412	41,122	613,534	-
Bonds payable, current	55,000	-	55,000	340,413
Notes payable, current	1,180,308	273,331	1,453,639	2,416
Capital lease, current	607,278	-	607,278	-
Due to fiduciary funds	41,215	-	41,215	-
Unearned revenue	81,699	-	81,699	-
Total current liabilities	<u>3,729,405</u>	<u>407,234</u>	<u>4,136,639</u>	<u>2,032,350</u>
Noncurrent liabilities				
Bonds payable, net of unamortized discount	1,524,017	-	1,524,017	23,199,019
Notes payable	3,858,531	498,487	4,357,018	31,915
Capital lease	1,821,835	-	1,821,835	-
Customer deposits	-	-	-	694,520
Compensated absences	47,850	-	47,850	-
Net pension obligation	2,062,788	-	2,062,788	-
Net OPEB obligation	326,662	-	326,662	-
Other long-term liabilities	-	-	-	2,648
Total noncurrent liabilities	<u>9,641,683</u>	<u>498,487</u>	<u>10,140,170</u>	<u>23,928,102</u>
Total liabilities	13,371,088	905,721	14,276,809	25,960,452
Net position				
Net investment in capital assets	<u>42,058,114</u>	<u>887,393</u>	<u>42,945,507</u>	<u>47,759,820</u>
Restricted - expendable				
Capital projects	-	-	-	1,641,119
Street maintenance	665,057	-	665,057	-
Debt service	275,456	-	275,456	-
Housing and neighborhood programs	119,655	-	119,655	-
911 fees	-	-	-	-
Grant funds	124,594	-	124,594	-
Total restricted - expendable	<u>1,184,762</u>	<u>-</u>	<u>1,184,762</u>	<u>1,641,119</u>
Unrestricted	<u>3,544,078</u>	<u>1,479,431</u>	<u>5,023,509</u>	<u>12,600,120</u>
Total net position	<u>46,786,954</u>	<u>2,366,824</u>	<u>49,153,778</u>	<u>62,001,059</u>
Total Liabilities and Net Position	<u>\$ 60,158,042</u>	<u>\$ 3,272,545</u>	<u>\$ 63,430,587</u>	<u>\$ 87,961,511</u>

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2013

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General administration	\$ 614,247	\$ 156,458	\$ 25,000	\$ -
City council	143,817	-	-	-
Office of the mayor	245,782	-	-	-
City clerk	140,796	-	-	-
City attorney	192,214	-	-	-
District court	342,963	766,291	-	-
Director of administration	114,376	-	-	-
Director of information technology	241,131	-	-	-
Finance	541,303	20,001	-	-
Human resources	236,759	-	-	-
Fleet services	144,176	28,368	-	-
Community programs	94,705	-	184,401	262,000
Public works	3,605,742	79,073	2,053,044	423,232
Parks and recreation services	2,953,709	797,053	413,100	-
Police	7,928,822	33,670	728,350	-
Fire	4,840,219	822	449,485	-
Emergency communication services	962,308	212,769	-	-
Animal control	320,102	19,365	1,377	-
Housing and neighborhood programs	588,290	486	573,653	-
Interest expense on long-term debt	154,499	-	-	-
Total governmental activities	<u>24,405,960</u>	<u>2,114,356</u>	<u>4,428,410</u>	<u>685,232</u>
Business-type Activities				
Sanitation services	1,585,114	1,908,726	6,500	-
Emergency medical services	1,615,704	1,132,011	-	-
Total business-type activities	<u>3,200,818</u>	<u>3,040,737</u>	<u>6,500</u>	<u>-</u>
Total primary government	<u>\$ 27,606,778</u>	<u>\$ 5,155,093</u>	<u>\$ 4,434,910</u>	<u>\$ 685,232</u>
Component Units				
Municipal Water Works	\$ 6,416,530	\$ 6,756,347	\$ -	\$ -
Wastewater Utility	6,085,464	4,583,752	-	-
Advertising and Promotion Commission	923,725	-	-	-
Total component units	<u>\$ 13,425,719</u>	<u>\$ 11,340,099</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues
 Property taxes
 Sales taxes
 Gross receipts utility franchise fees
 Investment income
 Grants and contributions not restricted to specific programs
 Gain on sale of capital assets
 Other

Transfers

Total general revenues and transfers

Change in Net Position

Net Position, Beginning of Year

Net Position, End of Year

See Accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Position				
Primary Government				Component Units
Governmental Activities	Business-type Activities	Total		
\$ (432,789)	\$ -	\$ (432,789)	\$ -	-
(143,817)	-	(143,817)	-	-
(245,782)	-	(245,782)	-	-
(140,796)	-	(140,796)	-	-
(192,214)	-	(192,214)	-	-
423,328	-	423,328	-	-
(114,376)	-	(114,376)	-	-
(241,131)	-	(241,131)	-	-
(521,302)	-	(521,302)	-	-
(236,759)	-	(236,759)	-	-
(115,808)	-	(115,808)	-	-
351,696	-	351,696	-	-
(1,050,394)	-	(1,050,394)	-	-
(1,743,556)	-	(1,743,556)	-	-
(7,166,802)	-	(7,166,802)	-	-
(4,389,913)	-	(4,389,913)	-	-
(749,539)	-	(749,539)	-	-
(299,360)	-	(299,360)	-	-
(14,151)	-	(14,151)	-	-
(154,499)	-	(154,499)	-	-
(17,177,963)	-	(17,177,963)	-	-
-	330,112	330,112	-	-
-	(483,693)	(483,693)	-	-
-	(153,581)	(153,581)	-	-
\$ (17,177,963)	\$ (153,581)	\$ (17,331,544)	\$ -	-
-	-	-	-	339,817
-	-	-	-	(1,501,712)
-	-	-	-	(923,725)
-	-	-	-	(2,085,620)
826,033	-	826,033	-	-
13,164,041	-	13,164,041	813,307	-
1,292,667	-	1,292,667	-	-
7,026	688	7,714	37,749	-
433,463	-	433,463	431,277	-
31,775	-	31,775	-	-
-	-	-	240,970	-
(590,000)	590,000	-	-	-
15,165,005	590,688	15,755,693	1,523,303	-
(2,012,958)	437,107	(1,575,851)	(562,317)	-
48,799,911	1,929,717	50,729,628	62,563,376	-
\$ 46,786,954	\$ 2,366,824	\$ 49,153,778	\$ 62,001,059	-

CITY OF JACKSONVILLE, ARKANSAS

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2013

	General	Street	Special Projects	Other Governmental Funds	Total
Assets					
Cash	\$ 1,088,088	\$ 382,311	\$ 967,652	\$ 125,634	\$ 2,563,685
Restricted cash	-	-	-	254,849	254,849
Investments	-	375,064	1,050,407	-	1,425,471
Accounts receivable					
Taxes	744,009	549,445	-	272,143	1,565,597
Sales taxes	2,273,229	-	-	-	2,273,229
Accounts	-	1,362	-	96,998	98,360
Accrued interest	-	25	134	-	159
Grants and other governments	52,489	9,190	-	-	61,679
Other	153,153	100,000	-	-	253,153
Due from other funds	36,865	1	-	-	36,866
Total Assets	\$ 4,347,833	\$ 1,417,398	\$ 2,018,193	\$ 749,624	\$ 8,533,048
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 163,458	\$ 305,604	\$ 208,352	\$ 31,738	\$ 709,152
Due to other funds	41,411	-	-	37,467	78,878
Accrued wages payable and related liabilities	294,128	17,561	-	1,843	313,532
Deferred revenue	584,772	364,724	-	251,536	1,201,032
Other liabilities	44,213	64,452	-	30,717	139,382
Total liabilities	1,127,982	752,341	208,352	353,301	2,441,976
Fund Balances					
Restricted					
Street maintenance	-	665,057	-	-	665,057
Debt service	-	-	-	275,456	275,456
Housing & neighborhood programs	-	-	-	119,655	119,655
Grant funds	123,382	-	-	1,212	124,594
Committed					
Equipment	7,039	-	-	-	7,039
Assigned					
Capital projects	-	-	1,809,841	-	1,809,841
Unassigned	3,089,430	-	-	-	3,089,430
Total fund balances	3,219,851	665,057	1,809,841	396,323	6,091,072
Total Liabilities and Fund Balances	\$ 4,347,833	\$ 1,417,398	\$ 2,018,193	\$ 749,624	\$ 8,533,048

See Accompanying Notes to Basic Financial Statements.

CITY OF JACKSONVILLE, ARKANSAS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION DECEMBER 31, 2013

Total fund balances - governmental funds	\$ 6,091,072
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	51,105,083
The Policemen's Pension and Relief Fund has net pension assets not reported as assets in the funds.	557,574
Liabilities that are not due and payable in the current period and are not reported in the funds including:	
Bonds payable	(1,579,017)
Notes payable	(5,038,839)
Capital lease	(2,429,113)
Accrued interest payable	(29,427)
Accrued compensated absences	(620,262)
Other post employment benefits	(326,662)
The Firemen's Pension and Relief Fund has a net pension obligation not reported as a liability in the funds.	(2,062,788)
Amounts reported as deferred revenue are not recognized at the fund level on the modified accrual accrual basis but are reported as revenues on the full accrual basis in the government-wide statements.	<u>1,119,333</u>
Net position of governmental activities	<u>\$ 46,786,954</u>

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2013

	General	Street	Special Projects	Other Governmental Funds	Total
Revenues					
Property taxes	\$ 524,944	\$ -	\$ -	\$ 257,348	\$ 782,292
Sales taxes	13,164,041	-	-	-	13,164,041
Licenses and permits	123,447	-	-	-	123,447
Intergovernmental	1,963,963	1,989,671	72,604	648,429	4,674,667
Charges for services	1,081,303	-	-	-	1,081,303
Fines and fees	798,456	-	-	-	798,456
Utility franchise taxes	1,292,667	-	-	-	1,292,667
Investment income	2,570	856	2,913	687	7,026
Miscellaneous	315,833	56,615	544,225	486	917,159
Total revenues	19,267,224	2,047,142	619,742	906,950	22,841,058
Expenditures					
General government					
General government and administration	411,977	-	558,716	-	970,693
City council	140,141	-	-	-	140,141
Mayor	244,755	-	-	-	244,755
City clerk	139,901	-	-	-	139,901
City attorney	190,914	-	-	-	190,914
District court	356,531	-	-	-	356,531
Director of administration	110,793	-	-	-	110,793
Director of information technology	224,488	-	-	-	224,488
Finance	539,474	-	-	-	539,474
Human resources	232,490	-	-	-	232,490
Fleet services	142,467	-	-	-	142,467
Community programs	109,269	-	89,895	-	199,164
Total general government	2,843,200	-	648,611	-	3,491,811
Public works					
Public works coordinator	126,656	-	-	-	126,656
Engineering	318,556	-	-	-	318,556
Code enforcement	293,038	-	-	-	293,038
Streets and drainage	-	2,178,046	52,496	52,283	2,282,825
Total public works	738,250	2,178,046	52,496	52,283	3,021,075
Parks and recreation services	2,719,935	-	2,755,137	39,658	5,514,730
Police	7,475,513	-	567,035	54,111	8,096,659
Fire	4,486,226	-	-	-	4,486,226
Emergency communication services	768,460	-	109,626	-	878,086
Animal control	322,848	-	-	-	322,848
Housing and neighborhood programs	-	-	-	559,482	559,482
Debt Service					
Principal	1,217,435	-	-	205,000	1,422,435
Interest	82,523	-	-	75,099	157,622
Agent fees	-	-	-	600	600
Total expenditures	20,654,390	2,178,046	4,132,905	986,233	27,951,574
Excess (Deficiency) of Revenues Over Expenditures	(1,387,166)	(130,904)	(3,513,163)	(79,283)	(5,110,516)
Other Financing Sources (Uses)					
Proceeds from long-term debt	-	-	3,157,161	-	3,157,161
Transfers in	567,798	-	-	10,092	577,890
Transfers out	(600,092)	-	(567,798)	-	(1,167,890)
Total other financing sources (uses)	(32,294)	-	2,589,363	10,092	2,567,161
Net Change in Fund Balances	(1,419,460)	(130,904)	(923,800)	(69,191)	(2,543,355)
Fund Balances, Beginning of Year	4,639,311	795,961	2,733,641	465,514	8,634,427
Fund Balances, End of Year	\$ 3,219,851	\$ 665,057	\$ 1,809,841	\$ 396,323	\$ 6,091,072

See Accompanying Notes to Basic Financial Statements.

CITY OF JACKSONVILLE, ARKANSAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2013

Net change in fund balances - total governmental funds \$ (2,543,355)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, for government-wide statements, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The components of capital assets in 2013 are as follows:

Capital asset purchases	4,635,905
Capital asset contributions	124,967
Depreciation expense	(2,060,128)

Revenues that do not provide current financial resources, such as property taxes, are not reported as revenues for the funds but are reported as revenues in the statement of activities.	43,741
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Long-term debt issuance provides current financial resources to governmental funds but issuing debt increases long-term liabilities in the statement of net position: Proceeds from long-term debt	(3,157,161)
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Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds. Change in accrued interest.	3,729
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Governmental funds report the effect of long-term debt issuance costs, premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This includes: Amortization of bond discount Amortization of bond issuance costs	(606) (29,199)
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The repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,422,435
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Expenses that do not require current financial resources are not reported as expenses for the funds but are reported as expenses in the statement of activities. Compensated absences Other post employment benefits	58,378 (65,426)
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Net pension obligation and/or assets do not require current financial resources and are not recorded in governmental funds. However, for government-wide statements, the liabilities and assets are recorded and a corresponding increase/decrease in expense is recognized.	(446,237)
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Change in net position of governmental activities	<u>\$ (2,012,958)</u>
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CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF NET POSITION PROPRIETARY FUNDS DECEMBER 31, 2013

	Business-type Activities - Enterprise Funds		
	Sanitation Services	Emergency Medical Services	Total
Assets			
Current assets			
Cash	\$ 224,686	\$ 18,199	\$ 242,885
Investments	450,000	-	450,000
Accounts Receivable net of allowance for uncollectible accounts	335,988	583,642	919,630
Accrued interest	23	-	23
Due from other funds	1	-	1
Total current assets	1,010,698	601,841	1,612,539
Noncurrent assets			
Capital assets			
Vehicles	1,867,825	521,746	2,389,571
Furniture and equipment	968,546	99,043	1,067,589
	2,836,371	620,789	3,457,160
Less accumulated depreciation	(1,569,656)	(228,293)	(1,797,949)
Net capital assets	1,266,715	392,496	1,659,211
Total noncurrent assets	1,266,715	392,496	1,659,211
Total Assets	\$ 2,277,413	\$ 994,337	\$ 3,271,750
Liabilities and Net Position			
Current liabilities			
Accounts payable	\$ 52,008	\$ 4,097	\$ 56,105
Due to other funds	-	(795)	(795)
Accrued interest	1,307	-	1,307
Note payable - current	273,331	-	273,331
Accrued wages payable	18,943	16,426	35,369
Compensated absences	19,968	21,154	41,122
Total current liabilities	365,557	40,882	406,439
Noncurrent liabilities			
Note payable - long-term	498,487	-	498,487
Total liabilities	864,044	40,882	904,926
Net Position			
Net investment in capital assets	494,897	392,496	887,393
Unrestricted	918,472	560,959	1,479,431
Total net position	1,413,369	953,455	2,366,824
Total liabilities and net position	\$ 2,277,413	\$ 994,337	\$ 3,271,750

See Accompanying Notes to Basic Financial Statements.

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUNDS YEAR ENDED DECEMBER 31, 2013

	Business-type Activities - Enterprise Funds		
	Sanitation Services	Emergency Medical Services	Total
Operating Revenues			
Charges for services	\$ 1,734,938	\$ 1,132,011	\$ 2,866,949
Miscellaneous	173,788	-	173,788
Total operating revenues	1,908,726	1,132,011	3,040,737
Operating Expenses			
Salaries, wages and employee benefits	761,424	710,899	1,472,323
Supplies and materials	269,094	84,782	353,876
Services	73,281	45,851	119,132
Repairs and maintenance	60,804	10,297	71,101
Landfill fees	180,417	-	180,417
Other	12,816	706,774	719,590
Depreciation	200,242	57,101	257,343
Total operating expenses	1,558,078	1,615,704	3,173,782
Operating Income (Loss)	350,648	(483,693)	(133,045)
Nonoperating Revenues (Expenses)			
Intergovernmental	6,500	-	6,500
Interest income	683	5	688
Interest expense	(27,036)	-	(27,036)
Total nonoperating revenues	(19,853)	5	(19,848)
Income (Loss) Before Capital Contributions and Transfers	330,795	(483,688)	(152,893)
Transfers in	-	590,000	590,000
Changes in Net Position	330,795	106,312	437,107
Net Position, Beginning of Year	1,082,574	847,143	1,929,717
Net Position, End of Year	\$ 1,413,369	\$ 953,455	\$ 2,366,824

See Accompanying Notes to Basic Financial Statements.

CITY OF JACKSONVILLE, ARKANSAS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2013**

	Business-type Activities - Enterprise Funds		
	Sanitation Services	Emergency Medical Services	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 1,720,064	\$ 291,108	\$ 2,011,172
Other receipts	173,788	-	173,788
Payments to employees	(764,615)	(704,431)	(1,469,046)
Payments to suppliers	(255,328)	(91,610)	(346,939)
Payments to service providers	(78,374)	(45,961)	(124,335)
Other payments	(265,099)	(10,283)	(275,382)
Net cash provided by (used in) operating activities	530,436	(561,178)	(30,742)
Cash Flows from Noncapital Financing Activities			
Transfers from other funds	-	589,105	589,105
Net cash provided by noncapital financing activities	-	589,105	589,105
Cash Flows from Capital and Related Financing Activities			
Purchases of capital assets	(29,614)	(27,986)	(57,600)
Principal paid on note payable	(265,263)	-	(265,263)
Interest paid on note payable	(27,485)	-	(27,485)
Net cash provided by (used in) capital and related financing activities	(322,362)	(27,986)	(350,348)
Cash Flows from Investing Activities			
Proceeds from maturities of cash investments	375,038	-	375,038
Purchase of cash investments	(450,000)	-	(450,000)
Interest income	689	5	694
Net cash provided by (used in) investing activities	(74,274)	5	(74,269)
Net Increase (Decrease) in Cash	133,800	(54)	133,746
Cash, Beginning of Year	90,885	18,253	109,138
Cash, End of Year	\$ 224,686	\$ 18,199	\$ 242,884

See Accompanying Notes to Basic Financial Statements.

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF CASH FLOWS (CONTINUED)
 PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2013

	Business-type Activities - Enterprise Funds		
	Sanitation Services (Major Fund)	Emergency Medical Services (Major Fund)	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities			
Operating income (loss)	\$ 350,648	\$ (483,693)	\$ (133,045)
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	200,242	57,101	257,343
Changes in operating assets and liabilities			
Receivables, net	(2,058)	(134,129)	(136,187)
Due from other funds	(1)	-	(1)
Accounts payable	(15,204)	(6,925)	(22,129)
Accrued expenses	(3,191)	6,468	3,277
	<u>\$ 530,436</u>	<u>\$ (561,178)</u>	<u>\$ (30,742)</u>

Noncash Investing, Financing , and Capital Activities:
 During 2013 the Sanitation Services Fund had \$6 in accrued interest.

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS DECEMBER 31, 2013

	Employee Benefit Plans	Agency Funds
	<hr/>	<hr/>
Assets		
Cash and cash equivalents	\$ 652,810	\$ 238,563
Investments at fair value		
U.S. Government and agency obligations	2,448,891	-
Corporate bonds	2,341,135	-
Equities	147,345	-
Mutual funds	8,163,980	-
Receivables		
Accounts	1,050	-
Due from other funds	41,216	-
Accrued interest	41,724	-
	<hr/>	<hr/>
Total Assets	<u>\$ 13,838,151</u>	<u>\$ 238,563</u>
Liabilities		
Other liabilities	<u>\$ -</u>	<u>\$ 238,563</u>
Net Position		
Net position held in trust	<u>\$ 13,838,151</u>	

See Accompanying Notes to Basic Financial Statements.

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS YEAR ENDED DECEMBER 31, 2013

	Employee Benefit Plans
Additions	
Contributions	
Employer	\$ 91,207
Plan members	13,835
Contributed from General Fund	
Property taxes	525,994
State insurance turnback and supplements	197,520
	<hr/>
Total contributions	828,556
	<hr/>
Investment income	
Net increase in fair value of investments	1,027,051
Interest and dividends	293,928
Other investment income	2,121
	<hr/>
	1,323,100
Less investment expense	123,174
	<hr/>
Net investment income	1,199,926
	<hr/>
Total Additions	2,028,482
	<hr/>
Deductions	
Benefits paid directly to participants	1,611,379
Administrative expenses	4,000
	<hr/>
Total deductions	1,615,379
	<hr/>
Change in Net Position	413,103
	<hr/>
Net Position, Beginning of Year	13,425,048
	<hr/>
Net Position, End of Year	<u><u>\$ 13,838,151</u></u>

See Accompanying Notes to Basic Financial Statements.

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF NET POSITION DISCRETELY PRESENTED COMPONENT UNITS DECEMBER 31, 2013

	Jacksonville Municipal Water Works	Jacksonville Wastewater Utility	Nonmajor Component Unit Advertising and Promotion Commission	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 4,665,323	\$ 5,146,485	\$ 266,352	\$ 10,078,160
Investments	1,124,786	-	250,634	1,375,420
Receivables, net of allowance for uncollectible accounts				
Accounts	1,551,704	725,511	68,422	2,345,637
Revenues earned and unbilled	-	188,023	-	188,023
Accrued interest	620	-	25	645
Inventories	292,860	134,539	-	427,399
Prepaid expenses	41,154	16,353	-	57,507
Restricted Current Assets				
Cash and cash equivalents	1,748,929	1,677,151	-	3,426,080
Interest receivable	428	-	-	428
Total current assets	9,425,804	7,888,062	585,433	17,899,299
Noncurrent assets				
Restricted assets				
Cash and cash equivalents	-	587,456	-	587,456
Total restricted noncurrent assets	-	587,456	-	587,456
Capital assets				
Land	495,271	407,209	-	902,480
Buildings and improvements	2,194,019	209,999	-	2,404,018
Machinery and equipment	2,008,541	2,305,156	-	4,313,697
Water system	33,633,973	-	-	33,633,973
Sewer system	-	59,492,595	-	59,492,595
Construction in progress	6,498,651	550,882	-	7,049,533
	44,830,455	62,965,841	-	107,796,296
Less accumulated depreciation	(13,836,203)	(24,813,087)	-	(38,649,290)
Net capital assets	30,994,252	38,152,754	-	69,147,006
Other assets				
Bond issue costs (net of accumulated amortization)	-	186,248	-	186,248
Deferred charges	141,502	-	-	141,502
Total noncurrent assets	31,135,754	38,926,458	-	70,062,212
Total Assets	\$ 40,561,558	\$ 46,814,520	\$ 585,433	\$ 87,961,511

See Accompanying Notes to Basic Financial Statements.

	Jacksonville Municipal Water Works	Jacksonville Wastewater Utility	Nonmajor Component Unit Advertising and Promotion Commission	Total
Liabilities and Net Position				
Current liabilities				
Accounts payable	\$ 1,175,910	\$ 68,052	\$ 98,562	\$ 1,342,524
Accrued interest payable	108,238	68,443	-	176,681
Notes payable-current portion	-	2,416	-	2,416
Bonds payable-current portion	-	340,413	-	340,413
Accrued expenses and other	109,916	60,400	-	170,316
Total current liabilities	<u>1,394,064</u>	<u>539,724</u>	<u>98,562</u>	<u>2,032,350</u>
Noncurrent liabilities				
Notes payable	-	31,915	-	31,915
Bonds payable, net of unamortized discount	6,649,639	16,549,380	-	23,199,019
Customer deposits	694,520	-	-	694,520
Other liabilities	2,648	-	-	2,648
Total noncurrent liabilities	<u>7,346,807</u>	<u>16,581,295</u>	<u>-</u>	<u>23,928,102</u>
Total liabilities	<u>8,740,871</u>	<u>17,121,019</u>	<u>98,562</u>	<u>25,960,452</u>
Net Position				
Net investment in capital assets	24,344,613	23,415,207	-	47,759,820
Restricted-expendable	1,641,119	-	-	1,641,119
Unrestricted	5,834,955	6,278,294	486,871	12,600,120
Total net position	<u>31,820,687</u>	<u>29,693,501</u>	<u>486,871</u>	<u>62,001,059</u>
Total Liabilities and Net Position	<u>\$ 40,561,558</u>	<u>\$ 46,814,520</u>	<u>\$ 585,433</u>	<u>\$ 87,961,511</u>

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF ACTIVITIES DISCRETELY PRESENTED COMPONENT UNITS YEAR ENDED DECEMBER 31, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Advertising and Promotion Commission	\$ 923,725	\$ -	\$ -	\$ -
Total governmental activities	923,725	-	-	-
Business-type Activities				
Municipal Water Works	6,416,530	6,756,347	-	-
Wastewater Utility	6,085,464	4,583,752	-	-
Total business-type activities	12,501,994	11,340,099	-	-
Total component units	<u>\$ 13,425,719</u>	<u>\$ 11,340,099</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues				
Sales taxes				
Investment income				
Grants and contributions not restricted to specific programs				
Other				
Total general revenues				
Change in Net Position				
Net Position, Beginning of Year				
Net Position, End of Year				

See Accompanying Notes to Basic Financial Statements.

**Net (Expense) Revenue and
Changes in Net Position**

Jacksonville Municipal Water Works	Jacksonville Wastewater Utility	Advertising and Promotion Commission	Total
\$ -	\$ -	\$ (923,725)	\$ (923,725)
-	-	(923,725)	(923,725)
339,817	-	-	339,817
-	(1,501,712)	-	(1,501,712)
339,817	(1,501,712)	-	(1,161,895)
339,817	(1,501,712)	(923,725)	(2,085,620)
-	-	813,307	813,307
13,497	23,345	907	37,749
166,605	264,672	-	431,277
240,970	-	-	240,970
421,072	288,017	814,214	1,523,303
760,889	(1,213,695)	(109,511)	(562,317)
31,059,798	30,907,196	596,382	62,563,376
<u>\$ 31,820,687</u>	<u>\$ 29,693,501</u>	<u>\$ 486,871</u>	<u>\$ 62,001,059</u>



CITY OF JACKSONVILLE, ARKANSAS

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2013

Note 1: Nature of Operations and Summary of Significant Accounting Policies

The City of Jacksonville, Arkansas (the "City"), is a municipal corporation operating under the authority of Arkansas state statute. The City operates under the Mayor-City Council form of government. Citizens elect the Mayor at large and ten council members by wards. The Mayor and City Council are responsible for setting City policy.

The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America for state and local governments as defined by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting and reporting policies of the City:

Reporting Entity

The accompanying government-wide financial statements present the financial statements of the City of Jacksonville and its component units. The component units are legally separate entities for which the City is considered to be financially accountable. Accountability is defined as the City's substantive appointment of the majority of the component unit's governing board. Furthermore, to be financially accountable, the City must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to or impose specific financial burdens on the City. These component units are further distinguished between *Blended Component Units*, presented as part of the primary government, and *Discretely Presented Component Units*, presented separately.

The City's employee benefit plans, being fiduciary in nature, were not evaluated as potential component units but instead are reported as fiduciary funds.

The City's primary government consists of those funds or organizations that make up the legal entity for which it is financially responsible. Under this criterion, the following are included in the primary government reporting entity:

Blended Component Units

Major Component Unit:

Sanitation Services Fund ("Sanitation Services") – The Sanitation Services Fund is a legally separate fund which has the same governing body as the City. The City has the power to impose its will on Sanitation Services and has a financial benefit or burden relationship with Sanitation Services. Sanitation Services primarily serves the City's solid waste collection and disposal requirements.

Other Component Units:

Community Development Block Grant Fund ("CDBG") – The City Council and Mayor act as the governing body of the CDBG Fund. CDBG resources are used primarily for street improvements, housing programs and various community services that benefit the City.

Emergency Medical Services Fund ("Emergency Services") – The Emergency Medical Services Fund has the same governing body as the City. The City has the power to impose its will on Emergency Services and has a financial benefit or burden relationship with Emergency Services. Emergency Services primarily serves the City's emergency medical transportation services requirements.

Discretely Presented Component Units**Major Component Units:**

Jacksonville Municipal Water Works (“JMWW”) – The City’s Mayor appoints, with City Council approval, a five member Water Commission which acts as the governing body of JMWW. JMWW receives no financial benefit from the City; however, the City has the power to impose its will on JMWW. Rate changes must be approved by the Mayor and City Council. JMWW provides commercial and residential water services that primarily benefit the residents of Jacksonville.

Jacksonville Wastewater Utility (“JWWU”) – JWWU is governed by a five member commission appointed by the Mayor and approved by the City Council. The City has the power to impose its will on JWWU. Rate changes must be approved by the Mayor and City Council. JWWU provides waste water treatment services that primarily benefit the residents of Jacksonville.

There were no significant transactions between the major component units and the City or its other component units in 2013.

Other Component Unit:

Jacksonville Advertising and Promotion Commission (“Commission”) – The seven member governing body is appointed by the City Council. The City has the power to impose its will on the Commission. The Commission has the authority to authorize and disburse expenditures of the City’s hotel/motel tax and prepared food tax.

Complete financial statements of the individual component units can be obtained from their respective administrative offices.

Administrative Offices

Jacksonville Municipal Water Works
1900 Marshall Road
Jacksonville, Arkansas 72076

Jacksonville Wastewater Utility
248 Cloverdale Road
Jacksonville, Arkansas 72076

Jacksonville Advertising and Promotion Commission
1 Municipal Drive
Jacksonville, Arkansas 72076

Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements.

Government-wide Financial Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its component units. Fiduciary activities are excluded from the government-wide statements because they cannot be used to support the City’s own programs. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenues. Direct

expenses are those that are clearly associated with a specific function or identifiable activity. Expenses that cannot be specifically identified to a particular function are charged to funds based on time spent for that function and are included in the functional categories. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or identifiable activity and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or identifiable activity.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category-governmental, proprietary and fiduciary-are presented. The emphasis of fund financial statements is on major governmental and major enterprise funds, each displayed in a separate column. All other governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The *Street Fund* is a special revenue fund which accounts for gasoline and road taxes received from state and county levies. Revenues are expended for maintenance and repair of streets, sidewalks and traffic control signals as well as street lighting.

The *Special Projects Fund* is a capital projects fund used to account for the accumulation of financial resources utilized for construction, renovation, expansion and major improvements of various City facilities, acquisition of land, and new acquisitions and replacements of capital equipment used in City operations. The fund is perpetual.

The City reports the following proprietary (enterprise) funds:

The *Sanitation Services Fund*, a blended component unit of the City, is a major enterprise fund which accounts for the activities of providing solid waste collection and disposal and for operations of the City's waste recycling center.

The *Emergency Medical Services Fund*, a blended component unit of the City, is a nonmajor enterprise fund which accounts for the activities of providing emergency medical transportation services.

Additionally the City reports the following fund types:

Special Revenue Funds – The special revenue funds, which include federal and state grants, are used to account for the proceeds of specific revenue sources, other than expendable trusts or major capital projects, which are legally restricted to expenditures for specified purposes.

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund – The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by enterprise funds.

Pension Trust Funds – Accounts for assets held in trust for the Policemen's Pension and Relief Fund and the Firemen's Pension and Relief Fund. Plan trustees must act in accordance with the specific purposes and terms of these retirement plans.

Agency Funds – Accounts for activities associated with collecting and disbursing fines, court costs, forfeitures and restitution monies for the District Court.

Measurement Focus and Basis of Accounting

Government-wide, Proprietary and Fiduciary Funds

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. However, the agency funds reported in the fiduciary fund have no measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations of the fund. All revenues and expenses not meeting this definition are reported as nonoperating items.

Nonexchange transactions, in which the City receives (or gives) value without directly giving (or receiving) equal value in exchange, include taxes; fines and forfeitures; grants, entitlements, and similar items; and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Franchise taxes, other taxes, and fines and forfeitures are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Grants, entitlements, and donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as deferred revenues. Grants and similar aid to other organizations are recognized as expenses as soon as recipients have met all eligibility requirements. Amounts paid before all eligibility requirements have been met are reported as prepaid items.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included in the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of general long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The City considers revenues reported in the governmental funds to be available if they are collectible within sixty (60) days after year-end. Principal revenue sources considered susceptible to accrual include property taxes, sales taxes, franchise taxes, grant revenues and investment earnings. Other revenues, such as fines and forfeitures, are considered measurable and available only when cash is received by the City. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences which are recognized as expenditures when payment is due. Pension expenditures are recognized when amounts are contributed to a plan or when expected to be liquidated with expendable available financial resources.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Cash and Investments

Cash and cash equivalents include demand deposits and cash on hand. In order to facilitate cash management, the operating cash of certain funds is pooled into common bank accounts.

All investments in the City's Pension Trust Funds are carried at fair value. For all other funds, investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one

year or less at time of acquisition and in nonnegotiable certificates of deposits are carried at amortized cost. Fair value is determined using quoted market prices for all investments.

Investment income includes dividend and interest income and the net change for the year in the fair value of investments. Interest earned on investments is recorded in the funds in which the investments are recorded.

Inventories

Inventories, consisting of material and supplies, are valued at cost. Cost is determined using the first-in, first-out method. The costs of governmental fund type inventories are recorded as expenditures when purchased.

Capital Assets

Capital assets, which include infrastructure, are reported in the government-wide financial statements and the fund financial statements for proprietary funds. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

The City's capitalization policy defines capital assets as assets with an initial value or cost greater than or equal to \$5,000 and an estimated useful life of greater than one year. Exceptions are for infrastructure assets which are defined as having a constructed cost greater than or equal to \$100,000. Renewal and betterments of property and equipment are capitalized, whereas normal repairs and maintenance are charged to expense as incurred.

Capital assets are depreciated using the straight-line method over their estimated useful lives ranging from 15 – 50 years for infrastructure, 10 – 40 years for buildings and 3 – 25 years for land improvements, vehicles and equipment.

Depreciation expense is charged directly to the department/function based on the department that utilizes the related asset.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the columns for governmental activities, business-type activities and component units. These amounts are also reported as liabilities in the fund financial statements for proprietary funds. Debt premiums and discounts are deferred and amortized using the effective interest rate method. Long-term debt is reported net of the applicable debt premium or discount. Debt issuance costs are deferred and amortized over the life of the related debt using the straight-line method.

In the fund financial statements, governmental fund types recognize debt premiums, as well as debt issuance costs, during the current period. The face amount of the debt issued and premiums received are reported as other financing sources. Issuance costs, whether or not withheld from the actual proceeds received, are reported as debt service expenditures.

Compensated Absences

The City allows nonuniformed employees to accumulate unused vacation of up to 80 hours, police to accumulate unused vacation of up to 84 hours, and firefighters to accumulate unused vacation of up to 144 hours for one year. Upon termination, any accumulated unused vacation time will be paid to the employees. Generally, City employees are allowed to accumulate unused sick leave up to a maximum of 90 days. Any accumulated unused sick leave up to 60 days is paid upon employee retirement from service with the City. At the end of term of service, police officers will be paid for any accumulated unused sick leave upon retirement up to 60 days. At the end of term of service, firefighters will be paid for any accumulated unused sick leave upon retirement up to 60 days, provided that payment does not exceed

three months salary. Historically, employees have been compensated for unused sick and vacation time from the General Fund, the Street and CDBG Special Revenue Funds and the Sanitation Services Enterprise Fund as well as the Emergency Medical Services Fund based on the assignment of the employee at termination.

The City records a liability for compensated absences as the employee earns benefits attributable to services rendered that is not contingent on a specific event that is outside the control of the City. Additionally, the City accrues benefits for earned sick leave only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies. Compensated absences are accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in the governmental funds only if they have matured such as a result of employee resignations and retirements.

Deferred Revenue

Deferred inflows consist mainly of unavailable property taxes (government funds only see Note 11) and unearned revenue from state tax turnback and business franchise taxes.

Net Position/Fund Balance

Fund balance of the proprietary funds and net position of the government-wide financial statements of the City are classified in three components: (1) Net assets invested in capital assets, net of related debt, consisting of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets; (2) Restricted expendable net position is noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the City, including amounts deposited with trustees as required by bond indentures, and reduced by the outstanding balances of any related borrowings; (3) Unrestricted net position is the remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt or restricted expendable.

When both restricted and unrestricted resources are available for use, generally it is the City's policy to use restricted resources first. For projects funded by tax-exempt debt proceeds and other sources, the debt proceeds are used first.

The fund balances of the City's governmental funds are classified in five components: (1) Nonspendable fund balance – not in spendable form or legally or contractually required to be maintained intact; (2) Restricted fund balance - expendable net position is noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the City, including amounts deposited with trustees as required by bond indentures, and reduced by the outstanding balances of any related borrowings; (3) Committed fund balance – amounts that can only be used for specific purposes as a result of constraints imposed by an ordinance passed by City Council. Commitments may be changed by issuance of an ordinance by City Council. (4) Assigned fund balance – amounts that are intended to be used for a specific purpose as determined by the Mayor. In governmental funds other than the General Fund, assigned fund balances represent the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. (5) Unassigned fund balance - are the remaining assets less remaining liabilities that do not meet the definition of restricted, committed or assigned.

The City considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The City applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General and Street Funds. All annual appropriations lapse at year end.

Adoption of Accounting Standards

During the year ended December 31, 2013, the City implemented the following financial accounting and reporting standards issued by GASB:

GASB Statement No. 61 - The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34

The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity, amends criteria for reporting component units as if they were part of the primary government (i.e. blending) in certain circumstances and clarifies the reporting of equity interests in legally separate organizations. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012.

GASB Statement No.65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No.66, *Technical Corrections – 2012- an amendment of GASB Statements No. 10 and No. 62*, improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

Future Adoption of Accounting Pronouncements

The GASB has issued the following potentially significant statements which the City has not yet adopted and which require adoption subsequent to December 31, 2013:

GASB Statement No.67 – Financial Reporting for Pension Plans – an amendment of GASB Statement NO. 25

The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2013.

GASB Statement No.68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No.27

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014.

GASB Statement No.69 - Government Combinations and Disposals of Government Operations

This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.

GASB Statement No.70 - Accounting and Financial Reporting for Nonexchange Financial Guarantees

The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013.

GASB Statement No.71 - Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68

The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement should be applied simultaneously with the provisions of Statement No. 68.

Note 2: Deposits and Investments

Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a financial institution, the City will not be able to recover deposits or will be able to recover collateral securities. The City's deposit policy requires compliance with State statutes.

City statute requires that deposits in financial institutions be collateralized with federal depository insurance or other interest bearing securities of the United States, the State of Arkansas, Arkansas political subdivisions or agencies or instrumentalities of these entities at 102 percent. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

At December 31, 2013, the City's primary government bank balances were \$5,536,142. Of this amount, \$4,786,142 was uninsured and collateralized with securities held by the pledging financial institution's agent in the City's name. At December 31, 2013, none of the City's component units' bank balances were exposed to custodial credit risk. The bank balances and carrying amount of the City's deposits held as of December 31, 2013 were as follows:

	Primary Government	Component Units
Carrying value		
Demand deposits	\$ 3,685,375	\$ 13,080,747
Certificates of deposit	1,875,471	2,386,674
	<u>\$ 5,560,846</u>	<u>\$ 15,467,421</u>
Bank balance		
Demand deposits	\$ 3,660,671	\$ 13,112,584
Certificates of deposit	1,875,471	2,386,332
	<u>\$ 5,536,142</u>	<u>\$ 15,498,916</u>

The following schedule reconciles the reported amount of deposits as disclosed above to the government-wide statement of net position and the statement of fiduciary net position:

	Primary Government	Component Units
Carrying value of deposits	\$ 5,559,484	\$ 15,467,421
Cash on hand	1,840	123
Investments classified as cash	266,939	-
	<u>\$ 5,828,263</u>	<u>\$ 15,467,544</u>
As reported on the government-wide statement of net position:		
Cash	\$ 2,806,570	\$ 10,078,160
Restricted cash, current	29,427	3,426,508
Investments	1,875,471	1,375,420
Restricted cash, noncurrent	225,422	587,456
As reported on the statement of fiduciary net position:		
Cash - Employee Benefit Plans	652,810	-
Cash - Agency Fund	238,563	-
	<u>\$ 5,828,263</u>	<u>\$ 15,467,544</u>

Investments

Arkansas statutes and City ordinance authorize the City to invest in (a) direct obligations of the U.S. Government; (b) obligations on which the principal and interest are fully guaranteed, or are fully secured, insured, or covered by commitments or agreements to purchase by the U.S. Government; (c) obligations of agencies and instrumentalities created by act of the United States Congress and authorized thereby to issue such commitments or agreements; (d) pre-refunded municipal bonds, the principal and interest of which are fully secured by the principal and interest of a direct obligation of the U.S. Government; (e) certificates of deposit with banks authorized by State law to receive deposits of public funds; (f) repurchase agreements that are fully collateralized by direct obligations of the U.S. Government, provided that any such repurchase agreement shall provide for the taking of delivery of such collateral directly or

through an authorized custodian; (g) securities of, or other interest in, any open-end type investment company or investment trust registered under the Investment Company Act of 1940, and which is defined as a "money market fund" under 17 CFR § 270.2a-7, provided that the portfolio of such investment company or investment trust shall take delivery of such collateral either directly or through an authorized custodian; and (h) local government trusts.

The pension trust funds are authorized to invest in obligations of the U.S. Treasury, U.S. agencies and instrumentalities, commercial paper, corporate stocks, investment grade corporate bonds, mutual funds and other appropriate securities.

The pension trust funds' investments, carried at fair value, and maturities as of December 31, 2013 were as follows:

Investment Type	Fair Value	Investment Maturities			
		Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
U.S. Government and agency obligations	\$ 2,448,891	\$ 273,638	\$ 1,762,143	\$ 413,111	\$ -
Corporate debt obligations	2,341,135	125,725	1,388,102	630,052	197,257
Money market mutual funds	266,939	266,939	-	-	-
		<u>\$ 666,302</u>	<u>\$ 3,150,244</u>	<u>\$ 1,043,163</u>	<u>\$ 197,257</u>
Corporate equities	147,345				
Bond mutual fund	213,353				
Mutual fund	<u>7,950,627</u>				
Total	<u>\$ 13,368,290</u>				

The following schedule reconciles the carrying amount of investments as disclosed above to the fiduciary statement of net position:

Carrying value of investments	\$ 13,368,290
Investments classified as cash	(266,939)
	<u>\$ 13,101,351</u>
Investments as reported on the statement of fiduciary net position:	
U.S. Government and agency obligations	\$ 2,448,891
Corporate bonds	2,341,135
Equities	147,345
Mutual funds	8,163,980
	<u>\$ 13,101,351</u>

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. Also, investments can be highly sensitive to changes in interest rates due to their terms or characteristics. The City manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures evenly over time as needed to provide the cash flow and liquidity necessary for operations. The City's investment policy states that the maximum maturity for any investment is limited to a final stated maturity of five years, unless the investment funds are defined for use after five years.

The pension trust funds investment policies address interest rate risk by managing asset allocation. The Policemen's Pension and Relief Fund allows for 2% to 30% in cash and cash equivalents, 35% to 75% in fixed income investments and 20% to 50% in equities. The Firemen's Pension and Relief Fund allows 5% to 15% in cash and cash equivalents, 25% to 40% in fixed income investments and 40% to 70% in equities.

Credit Risk – Credit risk of investments is the risk that the issuer or other counterparty will not fulfill its obligations. It is the City’s policy, excluding fiduciary funds, to invest almost exclusively in government-issued treasuries and agencies, and FDIC insured certificates of deposit. At December 31, 2013 the City, exclusive of the pension trust funds, had approximately \$254,849 invested in a U. S. government money market mutual fund with a rating of AAAM by Standard and Poor’s.

The investment policy of the Firemen’s Pension and Relief Fund states that plan assets may be invested in investment grade bonds rated by Standard and Poor’s of BBB+ or better and in commercial paper rated A1 or better. The Policemen’s Pension and Relief Fund investment policy requires a credit analysis of each debt instrument prior to inclusion in the portfolio. The following reports the credit ratings by investment type for the pension trust funds at December 31, 2013.

<u>Investment Type</u>	<u>Fair Value</u>	<u>S&P Rating</u>
U.S. Government and agency obligations	\$ 2,448,891	AAA
Corporate debt obligations		
	158,771	A
	617,380	A-
	159,050	A+
	113,771	AA+
	31,279	B
	8,877	B-
	76,893	B+
	39,866	BB
	47,405	BB-
	49,744	BB+
	366,623	BBB
	100,034	BBB-
	201,649	BBB+
	9,554	BBB-u
	285,051	Unrated
Money market mutual funds	266,939	AAA
Mutual funds	7,950,627	Not rated

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty’s trust department or agent but not in the City’s name. Exclusive of the pension trust funds, at December 31, 2013, investments held by the City were limited to certificates of deposit which were FDIC insured or collateralized at 102% of the deposits fair value and U.S. Treasury Fund money market accounts. The City’s collateral is held by third party financial institutions. Monthly and quarterly collateral reports are sent to the City’s finance department.

Concentration of Credit Risk – The City’s investment policy limits investments in securities from any one issuer to 5% of the City’s portfolio at the time of purchase, and limits investment in any one business sector to 15% of the portfolio. The City had no investments that exceeded these parameters at December 31, 2013.

The Policemen’s Pension and Relief Fund limits investments in any one equity issuer to 7% of the market value of the total portfolio. No single industry may exceed 20% of the portfolio. The Firemen’s Pension and Relief Fund limits investments in the securities of any one company or government agency to 5% of the portfolio, and allows no more than 10% of the portfolio to be invested in any one industry. The portfolios of the pension trust funds had no investments that exceeded these limitations at December 31, 2013.

Note 3: Capital Assets

A summary of changes in capital assets for the year ended December 31, 2013 is presented as follows:

Governmental Activities	Balance December 31, 2012	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2013
Capital Assets, non-depreciable				
Land	\$ 10,030,852	\$ 537,000	\$ -	\$ 10,567,852
Construction in progress	8,281,772	3,657,857	7,774,019	4,165,610
Total capital assets, non-depreciable	<u>18,312,624</u>	<u>4,194,857</u>	<u>7,774,019</u>	<u>14,733,462</u>
Capital Assets, depreciable				
Land improvements	1,382,833	35,246	-	1,418,079
Infrastructure	31,799,310	295,900	-	32,095,210
Buildings	19,487,640	7,427,911	-	26,915,551
Vehicles	5,779,261	210,103	29,662	5,959,701
Equipment	9,524,079	388,402	1,530,638	8,381,843
Total capital assets, depreciable	<u>67,973,122</u>	<u>8,357,561</u>	<u>1,560,300</u>	<u>74,770,383</u>
Less accumulated depreciation				
Land improvements	509,059	55,203	-	564,262
Infrastructure	22,224,320	490,075	-	22,714,395
Buildings	5,219,326	723,957	-	5,943,283
Vehicles	4,858,039	269,537	29,662	5,097,913
Equipment	5,070,663	521,357	1,513,112	4,078,908
Total accumulated depreciation	<u>37,881,407</u>	<u>2,060,128</u>	<u>1,542,774</u>	<u>38,398,761</u>
Total capital assets, depreciable, net	<u>30,091,716</u>	<u>6,297,433</u>	<u>17,526</u>	<u>36,371,621</u>
Total governmental activities, net	<u>\$ 48,404,340</u>	<u>\$ 10,492,289</u>	<u>\$ 7,791,545</u>	<u>\$ 51,105,083</u>
Business-type activities	Balance December 31, 2012	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2013
Capital Assets, depreciable				
Vehicles	\$ 2,666,683	\$ 18,867	\$ -	\$ 2,685,550
Equipment	732,877	38,734	-	771,611
Total capital assets, depreciable	<u>3,399,560</u>	<u>57,601</u>	<u>-</u>	<u>3,457,160</u>
Less accumulated depreciation				
Vehicles	1,374,360	176,177	-	1,550,537
Equipment	166,246	81,167	-	247,412
Total accumulated depreciation	<u>1,540,606</u>	<u>257,344</u>	<u>-</u>	<u>1,797,950</u>
Total business-type activities, net	<u>\$ 1,858,954</u>	<u>\$ (199,743)</u>	<u>\$ -</u>	<u>\$ 1,659,211</u>

Component Units	Balance, December 31, 2012	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2013
Capital Assets, non-depreciable				
Land	\$ 902,375	\$ 105	\$ -	\$ 902,480
Construction in progress	<u>22,384,129</u>	<u>3,545,572</u>	<u>18,880,168</u>	<u>7,049,533</u>
Total capital assets, non-depreciable	<u>23,286,504</u>	<u>3,545,677</u>	<u>18,880,168</u>	<u>7,952,013</u>
Capital Assets, depreciable				
Utility system	73,678,310	7,089,056	(12,359,202)	93,126,568
Buildings and improvements	2,315,762	88,531	275	2,404,018
Furniture and equipment	<u>3,399,039</u>	<u>706,284</u>	<u>(208,374)</u>	<u>4,313,697</u>
Total capital assets, depreciable	<u>79,393,111</u>	<u>7,883,871</u>	<u>(12,567,301)</u>	<u>99,844,283</u>
Less accumulated depreciation	<u>35,520,881</u>	<u>3,387,621</u>	<u>259,212</u>	<u>38,649,290</u>
Total capital assets, depreciable, net	<u>43,872,230</u>	<u>4,496,250</u>	<u>(12,826,513)</u>	<u>61,194,993</u>
Total component units, net	<u>\$ 67,158,734</u>	<u>\$ 8,041,927</u>	<u>\$ 6,053,655</u>	<u>\$ 69,147,006</u>

Construction in progress is composed of the following:

	Expended to December 31, 2013	Estimated Amount To Complete
Primary Government		
General Government		
Main Street/Harris Road	\$ 67,930	\$ 132,070
Oneida Street extension	189,281	7,054
Emma Street extension	45,875	7,125
Main Street alignment	67,397	28,603
Arkansas Game and Fish shooting range	2,791,905	308,095
Graham Road widening	888,524	100,000
Wooten Road Drainage	2,850	3,000
Wildlife observation trail	69,897	2,253
Stonewall drainage	1,913	450,000
Loop Road improvements	40,037	3,319
	<u>\$ 4,165,610</u>	<u>\$ 1,041,519</u>
Component Units		
Jacksonville Municipal Water Works		
West Area tank	\$ 3,278,864	\$ 4,104,422
Drinking Water State Revolving Funds Projects	1,012,481	
SCADA	656,537	244,863
General Samuels	1,550,767	916,233
Jacksonville Wastewater Utility		
LRAFB privatization	451,242	68,758
Hwy 67/167 Relocation	96,790	57,659
"Fairground" property sewer line	2,850	97,150
	<u>\$ 7,049,533</u>	<u>\$ 5,489,084</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities

General government	
General administration	\$ 175,554
Director of administration	2,260
Director of information technology	15,865
Community programs	<u>27,708</u>
Total general government	221,388
Public works	
Engineering	3,508
Streets and drainage	<u>685,548</u>
Total public works	689,056
Parks and recreation services	360,298
Police	383,577
Fire	200,961
Emergency services	193,024
Animal control	<u>11,825</u>
Total depreciation expense - governmental activities	<u>2,060,128</u>

Business-type Activities

Sanitation services	200,242
Emergency medical services	<u>57,101</u>
Total depreciation expense - business-type activities	<u>257,344</u>
Total depreciation expense - primary government	<u><u>\$ 2,317,472</u></u>

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended December 31, 2013 were as follows:

	Balance December 31, 2012	Increases	Decreases	Balance December 31, 2013	Amounts Due In One Year
Governmental Activities					
Bonds payable-					
2006 Library Construction	\$ 1,785,000	\$ -	\$ 205,000	\$ 1,580,000	\$ 55,000
Less: deferred issuance discount	<u>(1,589)</u>	606	-	<u>(983)</u>	-
Bonds payable, net	1,783,411	606	205,000	1,579,017	55,000
Notes payable	3,011,700	3,157,160	1,130,021	5,038,839	1,243,229
Capital lease	2,516,526	-	87,413	2,429,113	607,278
Compensated absences	678,640	24,229	82,607	620,262	572,412
Net pension obligation	1,851,722	211,066	-	2,062,788	-
Net OPEB obligation	<u>261,236</u>	<u>65,426</u>	-	<u>326,662</u>	-
Total governmental activities long-term liabilities	<u>\$ 10,103,235</u>	<u>\$ 3,458,487</u>	<u>\$ 1,505,041</u>	<u>\$ 12,056,681</u>	<u>\$ 2,477,919</u>
Business-type Activities					
Note payable	\$ 1,037,081	\$ -	\$ 265,263	\$ 771,818	\$ 273,331
Compensated absences	45,307	1,700	5,885	41,123	41,125
	<u>\$ 1,082,388</u>	<u>\$ 1,700</u>	<u>\$ 271,148</u>	<u>\$ 812,941</u>	<u>\$ 314,456</u>

Component Units	Balance December 31, 2012	Increases	Decreases	Balance December 31, 2013	Amounts Due In One Year
Jacksonville Municipal					
Water Works					
Water revenue bonds	\$ 3,373,683	\$ 3,275,956	\$ -	\$ 6,649,639	\$ -
Customer deposits	654,729	157,960	118,169	694,520	-
Other liabilities	2,648	-	-	2,648	-
	<u>4,031,060</u>	<u>3,433,916</u>	<u>118,169</u>	<u>7,346,807</u>	<u>-</u>
Jacksonville Wastewater					
Utility					
Wastewater revenue bonds	17,400,000	-	330,000	17,070,000	350,000
Less: deferred issuance discount	(180,207)	-	(9,587)	(170,620)	(9,587)
Note payable	36,632	-	2,300	34,332	2,416
	<u>17,256,425</u>	<u>-</u>	<u>322,713</u>	<u>16,933,712</u>	<u>342,829</u>
Total component units long-term liabilities	<u>\$ 21,287,485</u>	<u>\$ 3,433,916</u>	<u>\$ 440,882</u>	<u>\$ 24,280,519</u>	<u>\$ 342,829</u>

Governmental Activities

2006 Library Construction and Improvement Bonds – Bonds in the amount of \$2,500,000 were issued to finance the cost of acquiring, constructing and equipping of land and additional capital improvements for the public city library operated by the City and the Central Arkansas Library System, and to pay the costs of issuance of the bonds. The bonds are limited obligations of the City, payable solely from the Library Tax (a 1.0 mill ad valorem tax levied on all taxable real and personal property located within the jurisdictional limits of the City), and the proceeds of a sales and use tax implemented pursuant to Amendment 79 to the Arkansas Constitution. Principal payments are due annually beginning March 1, 2008. Interest payments are due semiannually on March 1 and September 1, beginning March 1, 2007. The bonds are subject to mandatory redemption, in whole or in part, on any March 1 from Surplus Tax Receipts, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. On March 1, 2013 an additional \$150,000 in bonds were redeemed under this provision. Bond interest rates range from 3.625% to 4.70% and final maturity is scheduled to be March 1, 2032. Annual debt-service requirements to maturity for the Library Construction and Improvement Bonds Series 2006 are as follows:

Year Ending December 31,	Principal	Interest	Total
2014	\$ 55,000	\$ 97,425	\$ 152,425
2015	60,000	95,125	155,125
2016	60,000	92,725	152,725
2017	65,000	90,128	155,128
2018	65,000	87,333	152,333
2019-2023	385,000	389,468	774,468
2024-2028	475,000	293,658	768,658
2029-2032	415,000	146,180	561,180
Total	<u>\$ 1,580,000</u>	<u>\$ 1,292,040</u>	<u>\$ 2,872,040</u>

Notes Payable

In 2001, the State of Arkansas passed Amendment No. 78 and Act No. 1808, allowing cities and counties to obtain short-term financing agreements for the purpose of acquiring, constructing, installing or renting real property or tangible personal property having an expected useful life of more than one year. These financing agreements may not mature over a period to exceed five years and may have fixed or variable interest rates to be repaid with general fund revenues. At December 31, 2013, the outstanding short-term financing agreements were as follows:

2012 Short-term Financing Note - In June 2012, the City of Jacksonville obtained a loan from First Arkansas Bank & Trust to finance the completion of the Public Safety Building, the construction of a safe room at the Jacksonville Senior Wellness and Activity Center, and other capital improvement projects. The loan was for \$3,100,000 with an interest rate of 2.249% to be repaid over a five year period from general revenues.

2013 Short-term Financing Note – In December 2013, the City of Jacksonville obtained a loan from BanCorpSouth to finance the purchase of property and construction of the Arkansas Game and Fish Foundation Shooting Complex. The note was for \$3,000,000 at 1.8% interest to be repaid over a five year period from general revenues. The balance outstanding on the loan as of December 31, 2013 was \$2,571,611.

The annual debt-service requirements are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,180,308	\$ 90,583	\$ 1,270,891
2015	1,204,860	66,033	1,270,892
2016	1,229,864	41,027	1,270,891
2017	890,820	17,093	907,913
2018	532,987	5,211	538,198
Total	<u>\$ 5,038,839</u>	<u>\$ 219,947</u>	<u>\$ 5,258,786</u>

Capital Lease Obligation

The City entered into an equipment lease/purchase agreement with Motorola Solutions, Inc. on December 20, 2011 for the purpose of upgrading and replacing the existing radio system of the City and to provide infrastructure site improvements to the City's emergency 911 communications system. The capital assets acquired through this capital lease obligation are as follows:

	<u>Governmental Activities</u>
Equipment	\$ 2,516,526
Less accumulated depreciation	(125,813)
Total	<u>\$ 2,390,713</u>

The lease qualifies as a capital lease in Governmental activities for accounting purposes. Therefore, it has been recorded at the present value of the future lease payments as of the inception date. The lease amount is \$2,516,526. The lease is at a stated interest rate of 0%. This obligation was refinanced in 2014. See Note 14 to the basic financial statements.

	<u>Year Ending December 31,</u>	<u>Governmental Activities</u>
	2014	\$ 607,278
	2015	607,278
	2016	607,278
	2017	607,279
Total lease payments		2,429,113
Less amount representing interest		-
Present value of lease payments		<u>\$ 2,429,113</u>

Business-Type Activities**Sanitation Services**

Sanitation Services Equipment Note Payable - In July 2011, the City of Jacksonville entered into a lease purchase agreement with BancorpSouth for financing of automated sanitation equipment. The loan was for \$1,357,676 with an interest rate of 3% to be repaid over a five year period from sanitation services revenues. As of December 31, 2013, the principal balance was \$771,818. The annual debt-service requirements are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 273,332	\$ 19,417	\$ 292,749
2015	281,645	11,103	292,748
2016	216,841	2,720	219,561
Total	<u>\$ 771,818</u>	<u>\$ 33,240</u>	<u>\$ 805,058</u>

Discretely Presented Component Units**Municipal Water Works Revenue Bonds**

Water Capital Improvement Revenue Bonds, Series 2011 – In October 2011, the City of Jacksonville, Arkansas issued \$25,000,000 in Water Capital Improvement Revenue Bonds, with an interest rate of 2.25% and servicing fee rate of 1% for the purpose of financing the cost of the planning, design, and construction of improvements to the City's water system, fund a debt service reserve, and pay expenses of issuing the bonds. The series 2011 Bonds are special obligations secured by the pledge of and payable from revenues derived from the operations of Jacksonville Municipal Water Works. As work is completed, bond funds are advanced to the utility to reimburse eligible project costs incurred, through the disbursement cut-off date of October 15, 2014. Beginning April 15, 2015, principle payments are due semi-annually on April 15 and October 15, with the final payment scheduled at the maturity date of October 15, 2034. Interest and service fee payments are due semiannually on April 15 and October 15 beginning April 15, 2012. At December 31, 2013, the amount drawn down on the bonds was \$6,649,639. Maturities of the revenue bond are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -	\$ 202,123	\$ 202,123
2015	904,526	805,210	1,709,736
2016	934,162	775,574	1,709,736
2017	964,768	744,968	1,709,736
2018	996,378	613,357	1,609,735
2019-2023	5,493,498	3,055,181	8,548,679
2024-2028	6,454,382	2,094,299	8,548,681
2029-2033	7,583,335	965,346	8,548,681
Thereafter	1,668,951	40,790	1,709,741
Total	<u>\$ 25,000,000</u>	<u>\$ 9,296,848</u>	<u>\$ 34,296,848</u>

Wastewater Utility Revenue Bonds

Wastewater Refunding Revenue Bonds, Series 2009A – In December, 2009, the City of Jacksonville, Arkansas issued \$3,970,000 in Wastewater Refunding Revenue Bonds with an interest rate of 5.0% for the purpose of refunding a short-term loan owed to Centennial Bank in the amount of \$3,750,883, fund a debt service reserve, and pay expenses of issuing the bonds. The short-term loan was obtained for the benefit of the Utility and was used to finance the cost of sewer improvements to the system. The Series 2009A Bonds are special obligations secured by the pledge of and payable from revenues derived from the operations of the City's Wastewater Utility system. Principal payments are due annually on December 1 with the final payment scheduled in 2020. Interest payments are due

semiannually on June 1 and December 1. Maturity dates are 2010 to 2020. The bonds are subject to redemption in part by sinking fund installments due on December 1. Bonds maturing on or after June 1, 2015 are also subject to optional redemption at the direction of the City. Extraordinary redemption may occur in the event that excess project funds exist.

Wastewater Construction Revenue Bonds, Series 2009B – In December, 2009, the City of Jacksonville, Arkansas issued \$14,330,000 in Wastewater Construction Revenue Bonds with an interest rate ranging from 4.0% to 5.0% for the purpose of financing the cost of extensions, betterments and improvements to the City's sewer system, fund a debt service reserve, and pay expenses of issuing the bonds. The Series 2009B Bonds are special obligations secured by the pledge of and payable from revenues derived from the operations of the City's Wastewater Utility system. Principal payments are due annually on December 1 with the final payment scheduled in 2039. Interest payments are due semiannually on June 1 and December 1. Maturity dates are 2020 to 2039. Bonds maturing on or after June 1, 2015 are also subject to optional redemption at the direction of the City. Extraordinary redemption may occur in the event that excess project funds exist. Term bonds due December 1, 2034 and 2039 are subject to redemption in part by mandatory sinking fund installments due annually on December 1, beginning in 2030.

Bond discount associated with the Series 2009B issue in the amount of \$208,969 is being amortized as a component of interest expense.

The Utility paid approximately \$859,900 and \$874,800 in interest charges for the years ending December 31, 2013 and 2012, respectively. Approximately \$684,100 was capitalized on bond related construction in progress during 2012.

Wastewater Utility Note Payable

Arkansas Soil and Water Conservation Commission – The \$50,000 promissory note was used to finance the costs of sewer improvements to the Valentine-Wooten Road sewer system to allow acceptance by Jacksonville Wastewater Utility. The note bears interest at 5% and is due in annual installments of \$4,132 including interest. At December 31, 2013 the principal balance on the promissory note was \$34,332 while in 2012 it was \$36,632. Maturity is June 1, 2024.

The following schedule shows the annual debt service requirements to pay principal and interest on revenue bonds as well as the note payable outstanding at December 31, 2013:

<u>Year Ending</u> <u>December 31,</u>	<u>Wastewater Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 350,000	\$ 821,318	\$ 1,171,318
2015	365,000	803,818	1,168,818
2016	385,000	785,567	1,170,567
2017	405,000	766,318	1,171,318
2018	425,000	746,066	1,171,066
2019-2023	2,435,000	3,406,650	5,841,650
2024-2028	3,005,000	2,827,439	5,832,439
2029-2033	3,775,000	2,063,010	5,838,010
2034-2038	4,815,000	1,023,500	5,838,500
2039	1,110,000	55,500	1,165,500
Total	<u>\$ 17,070,000</u>	<u>\$ 13,299,186</u>	<u>\$ 30,369,186</u>

Year Ending December 31,	Note Payable		
	Principal	Interest	Total
2014	2,416	1,716	4,132
2015	2,536	1,596	4,132
2016	2,663	1,469	4,132
2017	2,796	1,336	4,132
2018	2,936	1,196	4,132
2019-2023	17,035	3,625	20,660
2024	3,950	198	4,148
Total	<u>\$ 34,332</u>	<u>\$ 11,136</u>	<u>\$ 45,468</u>

Note 5: Interfund Balances and Transfers

Interfund receivables and payables result from transactions between various funds within the City. The balances by fund at December 31, 2013 are as follows:

Fund	Interfund Receivables	Interfund Payables
Primary Government		
Governmental Funds to/from Nonfiduciary Funds		
General Fund	\$ 36,865	\$ 196
Street	1	
CDBG	-	37,467
	<u>36,867</u>	<u>37,663</u>
Governmental Funds to/from Fiduciary Funds		
General Fund	-	41,215
Total governmental funds	<u>36,867</u>	<u>78,878</u>
Proprietary Fund		
Emergency Medical Services	795	-
Sanitation Services	1	-
Total proprietary funds	<u>796</u>	<u>-</u>
Fiduciary Funds		
Policemen's Pension	20,608	-
Firemen's Pension	20,608	-
Total fiduciary funds	<u>41,215</u>	<u>-</u>
Total	<u>\$ 78,878</u>	<u>\$ 78,878</u>

The outstanding balances between funds result mainly from the time lag between the dates (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The amounts due to the fiduciary funds result from the collection and remittance of property taxes by the General Fund that are levied to fund the Policemen's and Firemen's Pension Plans.

For the year ended December 31, 2013, the interfund transfers in and transfers out are as follows:

Fund	Interfund Transfers	
	In	Out
Governmental Funds:		
Major Funds:		
General Fund	\$ 567,798	\$ 600,092
Capital Projects- Special Projects	-	567,798
Nonmajor Funds	10,092	-
Total Governmental Funds	577,890	1,167,890
Proprietary Fund:		
Emergency Medical Services	590,000	-
Total	\$ 1,167,890	\$ 1,167,890

The transfers out of \$590,000 from the General Fund are transfers out to supplement the Emergency Medical Services Fund for operational expenses.

Note 6: Pension Plans

Pension Trust Funds

Substantially all of the City's employees receive retirement benefits. The City sponsors two single employer defined benefit plans. The City also contributes to the Arkansas Public Employees Retirement System (APERS) and to the Local Police and Fire Retirement System (LOPFI), which are statewide agent multiple-employer defined benefit pension plans. The assets of the Plans are maintained in legally separate trusts and each Plan's assets may be used only for the payment of benefits to the members of that plan or their beneficiaries in accordance with the terms of the Plan.

A. *Summary of Significant Accounting Policies*

Basis of Accounting

The City of Jacksonville's financial statements for its single-employer defined benefit plans are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. City contributions to each plan are recognized when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each Plan.

Method Used to Determine Fair Value of Investments

Investments are stated at fair value in the accompanying statement of fiduciary net position. Fair value of marketable investments, including U.S. government securities and corporate bonds and stocks, is determined by the latest bid price or by the closing exchange price at balance sheet dates (fair value).

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Net appreciation in fair value of investments reflected in the accompanying statement of change in fiduciary net position represents gains or losses realized during the year plus or minus the change in the net unrealized gains or losses on investments. Net unrealized gains or losses on investments represent the change in the difference between the cost and market value of the investments at the beginning versus the end of the year.

B. Membership Information

Membership of each plan consisted of the following at December 31, 2013:

	<u>Policemen's Fund</u>	<u>Firemen's Fund</u>
Retirees and beneficiaries receiving benefits	24	36
Active plan members	-	-
Members on Deferred Retirement Option Plan (DROP)	-	3
	<u>24</u>	<u>41</u>
Total	<u>24</u>	<u>41</u>

C. Financial Information

Separate financial reports are not issued on each plan; however, complete financial information, which has been subjected to auditing procedures, has been included in the supplementary information. The following is the condensed financial information of the pension trust funds:

	<u>Policemen's Pension And Relief Fund</u>	<u>Firemen's Pension And Relief Fund</u>
Assets		
Cash and cash equivalents	\$ 266,569	\$ 386,241
Investments	5,737,759	7,363,592
Receivables	<u>33,509</u>	<u>50,481</u>
Total assets	<u>6,037,837</u>	<u>7,800,314</u>
Net Position		
Net position held in trust for pension benefits	<u>\$ 6,037,837</u>	<u>\$ 7,800,314</u>

	<u>Policemen's Pension And Relief Fund</u>	<u>Firemen's Pension And Relief Fund</u>
Statement of Changes in Fiduciary Net Position		
Additions		
Contributions	\$ 383,349	\$ 445,207
Net investment income	<u>554,952</u>	<u>644,974</u>
Total additions	<u>938,301</u>	<u>1,090,181</u>
Deductions		
Benefits paid directly to participants	587,689	1,023,690
Administrative expenses	<u>3,000</u>	<u>1,000</u>
Total deductions	<u>590,689</u>	<u>1,024,690</u>
Change in Net Position	347,612	65,491
Net Position Held in Trust For Pension Benefits, Beginning of Year	<u>5,690,225</u>	<u>7,734,823</u>
Net Position Held in Trust For Pension Benefits, End of Year	<u>\$ 6,037,837</u>	<u>\$ 7,800,314</u>

D. Plan Descriptions and Funding Information

The **Policemen's Pension and Relief Fund (Policemen's Fund)** is a single-employer defined benefit pension plan administered by the City, established in accordance with legislation enacted by

the Arkansas General Assembly. Benefit provisions are established by State of Arkansas Act #16, as amended. Policemen's Fund assets are administered by a Board of Trustees.

The Policemen's Fund provides retirement benefits for policemen who have completed 20 years of service. Disability benefits are available to policemen who become permanently disabled, unless the disability is the result of gainful employment performed outside of the police department. The Policemen's Fund also provides benefits for surviving spouses and dependent children of deceased policemen. No benefits are vested to participants until normal retirement. At normal retirement, participants may elect to continue working and enter the Deferred Retirement Option Plan ("DROP") for up to 5 years. All policemen hired after January 1, 1983 participate in the Arkansas Local Police and Fire Retirement System created by Act 364 of 1981. Therefore, the Policemen's Fund is effectively closed to new members.

Contributions to the Policemen's Fund are set forth in Arkansas statute. The City's contribution to the Policemen's Fund consists of a one mill real and personal property tax collection, an insurance premium tax turnback collected by the State Insurance Commissioner, and a \$3 assessment against each court case plus 10% of fines and forfeitures collected. Administrative costs are financed through Fund assets approved by the Board of Trustees. Total contributions for 2013 to the Policemen's Fund were \$385,470. The City's share of contributions was \$304,037 and included \$262,997 in property taxes and \$41,040 in state insurance premium taxes and other supplements received from the state. On behalf payments (state insurance premium taxes and other supplements received from the state) are recognized as revenues and expenditures in the appropriate fund.

For the year ended December 31, 2013, the City's total payroll for all employees amounted to \$12,152,030, including police and fire personnel. Total police personnel payroll amounted to \$4,030,281. There are no active police employees covered by this plan.

As of December 31, 2012, the most recent actuarial valuation date, the Policemen's Pension and Relief Fund was 76% funded. The actuarial accrued liability for benefits was \$7,595,561 and the actuarial value of assets was \$5,741,231, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,854,330. The covered payroll (annual payroll of active employees covered by the plan) was \$0 and the ratio of the UAAL to the covered payroll was not applicable as there are no active employees covered by this plan.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The ***Firemen's Pension and Relief Fund (Firemen's Fund)*** is a single-employer defined benefit pension plan administered by the City, established in accordance with legislation enacted by the Arkansas General Assembly. Benefit provisions are established by State of Arkansas Act #14, as amended. Fund assets are administered by a Board of Trustees.

The Firemen's Fund provides retirement benefits for firemen who have completed 20 years of service. Disability benefits are available to firemen who become permanently disabled, unless the disability is the result of gainful employment performed outside of the fire department. The Firemen's Fund also provides benefits for surviving spouses and dependent children of deceased firemen. No benefits are vested to participants until normal retirement. At normal retirement, participants may elect to continue working and enter the DROP for up to 5 years. All firemen hired after January 1, 1983 participate in the Arkansas Local Police and Fire Retirement System created by Act 364 of 1981. Therefore, the Firemen's Fund is effectively closed to new members.

Contributions to the Firemen's Fund are set forth in Arkansas statute. The City's contribution to the Firemen's Fund consists of a one mill real and personal property tax collection and an insurance

premium tax turnback collected by the State Insurance Commissioner. Additionally, the City contributes a percentage of the firemen's salaries which amounted to 6% during 2013. The participants contributed 7% of their salaries in 2013. Participant contributions are returned without interest if the participant terminates covered employment. Contribution provisions applicable to the Fund are established by Arkansas code and may not be less than 6%. Administrative costs are financed through Fund assets approved by the Board of Trustees. Total contributions for 2012 to the Firemen's Fund were \$445,207. The City's share of contributions was \$419,477 and included \$262,997 in property taxes and \$156,480 in state insurance premium taxes. On behalf payments (state insurance premium taxes and other supplements received from the state) are recognized as revenues and expenditures in the appropriate fund.

For the year ended December 31, 2012, the City's total payroll for all employees amounted to \$12,152,030, including police and fire personnel. Total fire personnel payroll amounted to \$3,317,441. There are no active fire employees covered by this plan.

As of December 31, 2012, the most recent actuarial valuation date, the Firemen's Pension and Relief Fund was 64% funded. The accrued liability for benefits was \$11,648,526 and the actuarial value of assets was \$7,513,240 resulting in an unfunded actuarial accrued liability (UAAL) of \$4,135,286. The covered payroll (annual payroll of active employees covered by the plan) was \$0 and the ratio of the UAAL to the covered payroll was not applicable as there are no active employees covered by this plan.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

	2013 Annual Pension Cost and Net Pension Obligation (Asset)	
	Policemen's Fund	Firemen's Fund
Annual required contributions	\$ 429,671	\$ 932,405
Interest on net pension obligation	(42,117)	92,586
Adjustment to annual required contribution	(189,926)	417,518
Annual pension cost	<u>577,480</u>	<u>607,473</u>
Contributions made	<u>342,309</u>	<u>396,407</u>
Increase (decrease) in net pension obligation (asset)	235,171	211,066
Net pension obligation (asset), beginning of year	<u>(792,745)</u>	<u>1,851,722</u>
Net pension obligation (asset), end of year	<u>\$ (557,574)</u>	<u>\$ 2,062,788</u>

Actuarial Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The State of Arkansas Fire and Police Pension Review Board is responsible for the coordination of the actuarial valuations performed on the Policemen's and Firemen's Pension and Relief Funds. Actuarial evaluations are performed annually and the last evaluation was as of December 31, 2012.

Actuarial assumptions used in evaluating the fund include entry age cost method, five year smoothed market for valuing assets, level percent open amortization method, an amortization period of 5 years for active participants and 5 years for retirees, 5% investment rate of return, 4.2% to 8% salary increases, and 4% inflation rate. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The amortization period at December 31, 2013, was thirty years.

Three-Year Trend Information

	Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
Policemen's Fund	12/31/2011	\$ 508,499	66%	\$ (1,064,111)
	12/31/2012	616,186	56%	(792,745)
	12/31/2013	577,480	59%	(557,574)
Firemen's Fund	12/31/2011	\$ 667,745	57%	\$ 1,526,661
	12/31/2012	699,468	57%	1,851,722
	12/31/2013	607,473	65%	2,062,788

Both the net pension asset for the Policemen's Pension and Relief Fund and the net pension obligation for the Firemen's Pension and Relief Fund have been recognized in the City's statement of net position on pages 26 and 27 to comply with GASB standards. Based on interpretation of state law, management of the City believes that if the plans were to become insolvent, whereby remaining plan assets were not adequate to pay current benefits, the City may not be legally obligated to fund any deficiency.

Agent Multiple-Employer Defined Benefit Pension Plan

The **Local Police and Fire Retirement System ("LOPFI")** is a statewide agent multiple-employer retirement program that provides retirement, disability, and survivor benefits to police and fire employees of political subdivisions of the State of Arkansas. LOPFI was created by Act 364 of the 1981 General Assembly. The authority to establish and amend benefit provisions is set forth in Arkansas state statutes and is vested in the Arkansas Legislature with the concurrence of the Governor. Employees hired after January 1, 1983, whose political subdivision had a retirement system in effect at July 1, 1981, are eligible to participate in the plan. LOPFI issues a publicly available financial report that includes financial statements and required supplementary information of the Plan, which may be obtained by contacting the following:

Arkansas Local Police and Fire Retirement System
P.O. Drawer 34164
Little Rock, Arkansas 72203
(501) 682-1745

Contribution requirements are set forth in Arkansas statute. LOPFI members were required to contribute 8.5% of their annual covered salary. The City is required to contribute at an actuarially determined rate, which was 21.69% for participating policemen and 17.71% for participating firemen.

Cost-sharing Multiple-Employer Defined Benefit Pension Plans

Plan Description - The **Arkansas Public Employees Retirement System ("APERS")** is a statewide cost-sharing, multiple employer pension plan established by authority of the Arkansas General Assembly with the passage of Act 177 of 1957 to provide retirement, disability, and survivor benefits for eligible employees and elected officials of state and local governmental entities in Arkansas. The

plan covers all state employees who are not covered by another authorized plan, all county employees, municipal employees whose municipalities have elected coverage under the system, college and university employees and certain non-teaching school employees and other public entities specifically defined by law. APERS issues a publicly available financial report, which may be obtained by contacting the following:

Arkansas Public Employees Retirement System
One Union National Plaza, Suite 400
124 West Capitol
Little Rock, Arkansas 72201

The general administration and responsibility for the proper operation of APERS is vested in a nine-member board of trustees, which includes the State Auditor, State Treasurer, Director of the State Department of Finance and Administration, and three state and three non-state employees appointed by the Governor of Arkansas.

APERS was originally established as a contributory plan. However with the passage of Act 793 of 1977, existing members and previous members were offered the opportunity to choose to become non-contributory members. Anyone joining the System subsequent to January 1, 1978, and had not previously been a member, was automatically enrolled as a non-contributory member. Act 2084 of 2005 provided for a new contributory program mandatory for APERS members first hired on or after July 1, 2005 and those non-contributory members who elected to become contributory. Members participating in the contributory program contribute 5% of their annual compensation. Active APERS members employed before July 1, 2005 were given until December 31, 2005 to elect coverage under the contributory program, or remain in the non-contributory program.

Benefit provisions are established by state law and may be amended by the Arkansas General Assembly. Members are eligible for full retirement benefits (1) at age sixty-five with five years of actual service, (2) at any age with twenty-eight years of actual service, or (3) under the old contributory plan (prior to 7/1/05), at age sixty with twenty years of actual service, or at age fifty-five with thirty-five years of credited service. The normal retirement benefit amount, paid on a monthly basis, is determined by the member's final average salary and the number of years of service. A member may retire with a reduced benefit at age fifty-five with at least five years of actual service or at any age with twenty-five years of actual service. APERS also provides for disability and survivor benefits.

Contributions - Contribution provisions applicable to the participating employers are established by the APERS Board of Trustees, and are based on the actuary's determination of the rate required to fund the plan. Contributory member contribution rates were 5% for fiscal years 2013, 2012, and 2011. The City's contribution rate was 14.88% for fiscal year 2013, 14.24% for fiscal year 2012, and 13.47% for fiscal year 2011.

The City's annual pension costs were \$669,883, \$637,903, and \$566,592, for the years ended December 31, 2013, 2012, and 2011, respectively, and was equal to the required contributions for each year.

Actuarial Assumptions

The information presented was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	<u>Policemen's Pension and Relief Fund</u>	<u>Firemen's Pension and Relief Fund</u>
Actuarial valuation date	12/31/2012	12/31/2012
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent open	Level percent open
Remaining amortization period	30 years	30 years
Asset valuation method	5-year smoothed market	5-year smoothed market
Actuarial assumptions		
Investment rate of return*	5.0%	5.0%
Projected salary increases*	4.2 - 8.0%	4.2 - 8.0%
*Includes Inflation at	4.0%	4.0%
Cost of living adjustments	None	None

Note 7: Deferred Compensation Plan

The City offers its employees the option to participate in a deferred compensation plan. The purpose of the plan is to provide retirement income and other deferred benefits to the City of Jacksonville employees in accordance with the provisions of Section 457 of the Internal Revenue Code, as amended. The plan, available to all permanent employees, permits them to defer a portion of their salary until future years. The employee provides all amounts of compensation under the plan. The City does not have any fiduciary responsibility or administrative duties relating to the deferred compensation plan other than remitting employees' contributions to the trustees. Accordingly, the City has not presented the assets and liabilities from the plan in these basic financial statements. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

At December 31, 2012, all amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in trust by external administrators for the exclusive benefit of participants and their beneficiaries.

Note 8: Other Postemployment Benefits

Plan Description: The City of Jacksonville participates in the Municipal Health Benefit Fund (MHBF), a statewide cost-sharing, multiple employer defined benefit postemployment healthcare plan administered by the Arkansas Municipal League. The MHBF provides medical benefits to retired employees of participating municipalities. Arkansas statute provides that any municipal city official or employee vested in any of the City's retirement plans with 20 years of service and attains 55 years of age may continue to participate in the City's healthcare plan after retirement. The retiree may then continue to participate in the MHBF, receiving the same medical benefits and paying the same premium as active employees, as long as the retiree pays the total premium due to the MHBF. A member retiring under this status will be eligible for all provisions of the standard benefit plan as described in the Fund Booklet, with the exception of the following coverage: Life, AD&D and Disability Income Benefits.

The City does not issue stand alone financial statements of the plan. However, all required information is presented in this report.

Funding Policy: The contribution requirements of plan members are established by terms and conditions as set forth in the MHBFB Funding Booklet. Plan members pay the entire cost of monthly insurance premiums at the same rate charged to active employees and receive a benefit from the blended premium rate from all of the employees participating in the MHBFB insurance plan. The City is not required to make contributions to the plan on behalf of the retirees and funds the plan on a projected pay-as-you-go financing method. The plan has two participants who pay monthly premiums of \$373.83 for single coverage.

Annual OPEB Cost and Net OPEB Obligation: The City's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 98,192
Interest on net OPEB obligation	14,368
Adjustments to ARC	<u>17,974</u>
Annual OPEB cost	94,586
Actual employer contribution	<u>29,160</u>
Increase in net OPEB obligation	65,426
Net OPEB obligation - beginning of year	<u>261,236</u>
Net OPEB obligation - end of year	<u><u>\$ 326,662</u></u>

The components of the annual required contribution (ARC) calculation reflecting a 30 year amortization period of the unfunded actuarial accrued liability (UAAL) as follows:

Normal cost	\$ 53,244
30-year amortization of UAAL	39,829
Interest	<u>5,119</u>
Total annual required contribution (ARC)	<u><u>\$ 98,192</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contribution to the plan, and the net OPEB obligation for 2013 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2011	\$ 106,664	52.9%	\$ 221,435
12/31/2012	106,224	62.5%	261,236
12/31/2013	94,586	30.8%	326,662

Funded Status and Funding Progress: As of January 1, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$610,696, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$610,696. The covered payroll

(annual payroll of active employees covered by the plan) was \$10,221,888, and the ratio of the UAAL to the covered payroll was 6.9%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a discount rate of 5.5% and an annual healthcare cost trend rate of 10% for 2012, 9% for 2011, and then reduced by decrements of 0.5% over time to an ultimate rate of 5% in the 9th year. Additional assumptions also includes a medical subsidy of \$613.62 per retiree and 80% of eligible retirees will select the coverage when they initially retire and 0% will continue past age 65. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012, was 30 years.

Note 9: Interlocal Agreement: Central Arkansas Library System

The cities of Little Rock, Jacksonville, Maumelle and Sherwood and Pulaski and Perry Counties entered into an agreement on January 28, 1998, to establish the public library system for the Central Arkansas area which will offer library services to the public within the communities of each of the participating entities. The agreement states that the funding will be derived from tax millage assessed by the participating entities, state formula distribution, fees and fines and endowment fund earnings and gifts. The Board of Directors shall consist of seven directors for the City of Little Rock, one each for the Cities of Jacksonville, Maumelle and Sherwood, two directors from Pulaski County and one director representing Perry County. The City provided a building and paid \$34,929 for operating expenses in 2013. Separate financial statements of the Central Arkansas Library System are available at 100 Rock Street, Little Rock, Arkansas.

Note 10: Risk Management

The City and its component units have various insurance policies to cover their potential liability risk areas (i.e., automobile, personal property, contents and outside structures, and worker's compensation). The type of coverage and the liability limits vary with each entity. Coverage is provided both commercially and through the Arkansas Municipal League (AML), which is an association of local governments. AML provides the City with automobile and legal defense. Fixed premiums are set annually by AML based on such factors as claims experience, employee class multipliers and population. For risks covered by AML, the City pays no deductible; however, the City pays a \$3,000 fee to AML for each legal matter it handles. Coverage under these policies meets statutory liability limits and requirements, and the City's risk of loss is effectively transferred. Additionally, the City has instituted various safety programs to reduce losses. The budgeting process includes provisions for accumulating funds to cover deductibles and any minor items which would not be covered by commercially purchased policies. There have been no significant reductions in insurance coverage from 2012 to 2013 and there were no settlements that exceeded insurance coverage in the past three fiscal years.

Note 11: Property Taxes

City property taxes are levied each November 1 on the assessed value listed as of January 1 for all real and personal property located in the City. The property tax is considered due the first Monday in January (the lien date) after the levy; however, the tax is not considered delinquent until October 11 of that year. As a result, the majority of the tax is not collected within the time frame necessary to finance the liabilities of the current period. Property taxes which remain delinquent for a period of three years are certified to the land commissioner where a lien is recorded and held on file. If property taxes remain delinquent for a period of seven years, the property will be subsequently sold by the land commissioner. If proceeds from the sale are sufficient to cover all claims, the City will collect on the past due property taxes. Pulaski County is the collecting agent and remits collections to the City, net of a collection fee, on a monthly basis.

In the governmental funds, property taxes are measurable when levied even though not available. As a result, at December 31, 2013 property taxes receivable and related deferred inflows of \$1,817,133 have been recorded in the governmental funds. In the government-wide statement of net position, property taxes are considered earned at the time levied. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible. The appraised value of taxable property upon which the property tax is levied is determined by the county assessor. The assessor estimates full market value and applies the statutory rate of 20 percent to arrive at assessed value.

The City is permitted by Arkansas state law to levy taxes up to \$0.50 per \$100 of assessed valuation on real and personal property for general government services, \$0.50 per \$100 of assessed valuation on real and personal property for the payment of principal and interest on long-term debt, \$0.10 per \$100 of assessed valuation on real and personal property for the police pension funds and \$0.10 per \$100 of assessed valuation on real and personal property for the fire pension funds. The combined tax rate levied by the City in 2013 to finance the above operations was \$0.30 per \$100 of assessed valuation on real and personal property, leaving a tax margin of \$0.90 per \$100 of assessed valuation on real and personal property. Approximately \$2,535,240 of additional taxes could be raised per year based on the current year's assessed value of \$208,233,348 for real property and \$73,459,990 for personal property before the limit is reached.

Millages available to finance City operations and for other purposes are as follows:

<u>Description</u>	<u>Millage Limit</u>	<u>Levied 2013 for 2014 Collections</u>
General purpose	5.00	-
Library Capital Improvement Bonds	5.00	1.00
Firemen's Pension and Relief Fund	1.00	1.00
Policemen's Pension and Relief Fund	1.00	1.00
Roads	1.45	1.45
	<u>13.45</u>	<u>4.45</u>

Note 12: Sales Taxes

In April 1982, Pulaski County began assessing a 1% sales and use tax on retail sales in the county. Each city within Pulaski County receives a portion of the tax based upon population of the city. Currently the City receives approximately 7.41% of the county tax. The tax is collected by the state and remitted to the City, net of a collection fee. County sales taxes remitted to the City or in control of the collecting agent totaled \$5,777,520 for 2013, or an increase of less than 1% from 2012 collections. These taxes are included in the General Fund's sales tax revenues in the accompanying financial statements.

In March 1993, the City began assessing a 1% sales and use tax on retail sales in the City. Upon approval of the tax by the City's voters, the City rescinded its five (5) mill general property tax

assessment. Revenues from the tax are used to fund capital improvements and general municipal services within the City. In November 2003, City voters approved an additional 1% sales and use tax. The City began assessing the tax in January, 2004. Revenues from the additional 1% tax are to be used to construct, develop, maintain, and operate a joint education center, an outdoor family aquatics center, a training facility for the Jacksonville Police and Fire departments, other City capital improvements and for the general operation and improvement of City facilities and services. The tax is collected by the state and remitted to the City, net of a collection fee. Taxes for this purpose remitted to the City or in control of the collecting agent totaled \$7,337,421 for 2013. These taxes are included in the General Fund's sales tax revenues in the accompanying financial statements.

Note 13: Contingencies

Litigation

The City, its agencies, and its employees are defendants in legal proceedings, many of which normally occur in governmental operations. Most of these matters are subject to the legal representation and coverage of the Arkansas Municipal League Legal Defense Program ("Program").

The Program, a pooled risk, funded trust, provides coverage for legal defense, expenses, and damages in suits against City officials and employees and civil rights suits against the municipal government. The Program only pays judgments for actual damages (not punitive damages) imposed on municipal governments and employees. The maximum coverage of any one loss cannot exceed 25% of the Program's funded reserves at the time the lawsuit was filed or the judgment becomes final, or \$1 million, whichever is less.

The City is represented in all other actions by the City attorney. The City appropriates funds as necessary to meet settlements and awards. The City accrues a liability when it is incurred and when the contingency is probable and reasonably estimable.

In the opinion of the City's management and legal counsel, the amount of potential financial exposure as a result of these matters would not have a material adverse impact on the financial position of the City. However, events could occur in the near term that would cause these estimates to change materially.

Contingencies

The City has received federal and state financial assistance in the form of grants and entitlements that are subject to review and audit by the grantor agencies. Such audits could result in requests for reimbursement by the grantor agency for expenditures disallowed under terms and conditions specified in the grant agreements. In the opinion of City management such disallowances, if any, will not be significant.

Note 14: Subsequent Event

Subsequent to year end, the City restructured its capital lease with Motorola Solutions, Inc. in January 2014. The amount due of \$2,429,113 was refinanced for a five year term at an interest rate of 3.196%.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF JACKSONVILLE, ARKANSAS

BUDGETARY COMPARISON SCHEDULE GENERAL FUND YEAR ENDED DECEMBER 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 510,000	\$ 510,000	\$ 524,944	\$ 14,944
Sales taxes	13,319,000	13,234,000	13,164,041	(69,959)
Licenses and permits	138,300	122,153	123,447	1,294
Intergovernmental	1,804,162	1,906,947	1,963,963	57,016
Charges for services	852,627	897,105	1,081,303	184,198
Fines and fees	788,578	791,332	798,456	7,124
Utility franchise taxes	1,032,500	1,229,458	1,292,667	63,209
Investment income	3,000	3,000	2,570	(430)
Contributions	-	-	150,000	150,000
Miscellaneous	499,380	568,189	165,833	(402,356)
Total revenues	18,947,547	19,262,184	19,267,224	5,040
Expenditures				
General government				
General administration	556,569	579,269	411,977	167,292
City council	130,494	130,494	140,141	(9,647)
Mayor	243,322	241,086	244,755	(3,669)
City clerk	141,856	141,856	139,901	1,955
City attorney	197,791	197,003	190,914	6,089
District court	355,544	355,544	356,531	(987)
Director of administration	111,242	109,442	110,793	(1,351)
Director of information technology	234,747	232,513	224,488	8,025
Finance	533,683	530,683	539,474	(8,791)
Human resources	246,068	244,068	232,490	11,578
Fleet services	138,933	136,933	142,467	(5,534)
Community programs	94,268	69,268	109,269	(40,001)
Total general government	2,984,517	2,968,159	2,843,200	124,959
Public works				
Public works coordinator	141,721	130,778	126,656	4,122
Engineering	362,414	359,414	318,556	40,858
Code enforcement	304,158	288,658	293,038	(4,380)
Total public works	808,293	778,850	738,250	40,600
Parks and recreation services				
Police	2,880,370	2,649,941	2,719,935	(69,994)
Fire	7,332,788	7,140,640	7,475,513	(334,873)
Emergency communication services	4,468,843	4,385,272	4,486,226	(100,954)
Animal control	788,909	767,605	768,460	(855)
Debt Service	347,432	342,932	322,848	20,084
Principal	-	1,166,338	1,217,435	(51,097)
Interest	-	78,100	82,523	(4,423)
Agent fees	-	-	-	-
Total expenditures	19,611,152	20,277,837	20,654,390	(376,553)
Excess (Deficiency) of Revenues Over Expenditures				
	(663,605)	(1,015,653)	(1,387,166)	(371,513)
Other Financing Sources (Uses)				
Transfers in	653,590	839,730	567,798	(271,932)
Transfers out	(542,000)	(400,092)	(600,092)	(200,000)
Total other financing sources (uses)	111,590	439,638	(32,294)	(471,932)
Net Change in Fund Balances				
	(552,015)	(576,015)	(1,419,460)	(843,445)
Fund Balances, Beginning of Year				
	4,639,311	4,639,311	4,639,311	-
Fund Balances, End of Year				
	\$ 4,087,296	\$ 4,063,296	\$ 3,219,851	\$ (843,445)

CITY OF JACKSONVILLE, ARKANSAS

**BUDGETARY COMPARISON SCHEDULE
STREET FUND
YEAR ENDED DECEMBER 31, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Intergovernmental	\$ 2,020,000	\$ 2,020,000	\$ 1,989,671	\$ (30,329)
Investment income	2,000	2,000	856	(1,144)
Miscellaneous	10,250	10,250	56,615	46,365
Total revenues	<u>2,032,250</u>	<u>2,032,250</u>	<u>2,047,142</u>	<u>14,892</u>
Expenditures				
Public works				
Streets and drainage	<u>2,326,024</u>	<u>2,326,024</u>	<u>2,178,047</u>	<u>147,977</u>
Total expenditures	<u>2,326,024</u>	<u>2,326,024</u>	<u>2,178,047</u>	<u>147,977</u>
Excess (Deficiency) of Revenues Over Expenditures	(293,774)	(293,774)	(130,905)	162,869
Fund Balances, Beginning of Year	<u>795,961</u>	<u>795,961</u>	<u>795,961</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 502,187</u>	<u>\$ 502,187</u>	<u>\$ 665,056</u>	<u>\$ 162,869</u>

CITY OF JACKSONVILLE, ARKANSAS

DEFINED BENEFIT PENSION PLANS - REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF FUNDING PROGRESS YEAR ENDED DECEMBER 31, 2013

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)	Excess As A Percentage Of Covered Payroll ((a-b)/c)
Policemen's Pension and Relief Fund	12/31/01	\$ 6,229,278	\$ 6,225,478	\$ (3,800)	100%	\$ 142,942		3%
	12/31/03	6,262,947	6,814,559	551,612	92%	170,799	323%	
	12/31/05	6,691,128	6,495,899	(195,229)	103%	197,511		99%
	12/31/07	7,326,955	6,708,070	(618,885)	109%	-	N/A	
	12/31/09	5,812,356	7,427,254	1,614,898	78%	-	N/A	
	12/31/10	6,115,179	7,407,211	1,292,032	83%	-	N/A	
	12/31/11	5,646,710	7,331,455	1,684,745	77%	-	N/A	
	12/31/12	5,741,231	7,595,561	1,854,330	76%	-	N/A	
Firemen's Pension and Relief Fund	12/31/01	8,121,170	9,724,979	1,603,809	84%	532,318	301%	
	12/31/03	7,483,640	10,344,817	2,861,177	72%	367,209	779%	
	12/31/05	8,512,500	10,903,074	2,390,574	78%	331,809	720%	
	12/31/07	9,719,089	10,098,792	379,703	96%	291,124	130%	
	12/31/09	7,861,422	12,233,209	4,371,787	64%	145,612	3002%	
	12/31/10	8,330,439	12,159,653	3,829,214	69%	97,638	3922%	
	12/31/11	7,789,339	12,096,178	4,306,839	64%	-	N/A	
	12/31/12	7,513,240	11,648,526	4,135,286	64%	-	N/A	

CITY OF JACKSONVILLE, ARKANSAS

DEFINED BENEFIT PENSION PLANS - REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF EMPLOYER CONTRIBUTIONS YEAR ENDED DECEMBER 31, 2013

	Year Ended December 31	Annual Required Contribution	Percentage Contributed
Policemen's Pension and Relief Fund	2006	\$ 118,002	264%
	2007	-	n/a
	2008	-	n/a
	2009	416,298	75%
	2010	364,120	88%
	2011	291,321	115%
	2012	379,869	91%
	2013	429,671	80%
Firemen's Pension and Relief Fund	2006	575,716	62%
	2007	575,716	69%
	2008	124,467	318%
	2009	637,139	49%
	2010	1,024,910	31%
	2011	889,248	45%
	2012	971,086	41%
	2013	932,405	43%

CITY OF JACKSONVILLE, ARKANSAS

OTHER POST-EMPLOYMENT BENEFIT PLAN - REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS YEAR ENDED DECEMBER 31, 2013

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)- Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage Of Covered Payroll
1/1/2008	\$ -	\$ 767,549	\$ 767,549	0.0%	\$ 8,995,904	8.5%
1/1/2010	-	876,361	876,361	0.0%	-	-
1/1/2011	-	709,644	709,644	0.0%	-	-
1/1/2013	-	610,696	610,696	0.0%	-	-

The required contribution was determined as part of the latest actuarial evaluation using the projected unit credit actuarial cost method. The actuarial assumptions used included (1) 5.5% rate of return on investments, (2) an annual healthcare cost trend rate of 10% initially reduced by decrements to an ultimate rate of 5% after nine years, and (3) mortality rates based on the 1994 Uninsured Pensioners Mortality Table.

CITY OF JACKSONVILLE, ARKANSAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2013

Budgets and Budgetary Accounting

By December 1 of each year, the City's Mayor is required to submit to the City Council ("Council") a proposed budget for the fiscal year beginning on the following January 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted prior to adoption of the budget to allow citizen input. The state statute governing adoption of annual budgets requires the Council to approve the budget prior to February 1. For practical purposes, the Council usually adopts the budget in December.

Annual budgets are legally adopted for the General Fund and the Street Fund, a special revenue fund. The original budget of the General Fund had to be amended due to reclassification of notes payables and capital leases from Special Revenue Fund to General Fund in 2013. The original budget of the Street Fund was not amended during 2013.

The Mayor is authorized to transfer budgeted amounts within departments; however, any revisions that alter the total expenditures of any department must be approved by the Council.

Appropriations for special projects are made each year by the City Council to finance specific projects and capital outlays. These projects are carried forward each year until they are fully expended or repealed by the City Council.

The City prepares its annual operating budget on a basis consistent with accounting principles generally accepted in the United States of America ("GAAP"). Appropriations lapse at the end of each year. The *Budgetary Comparison Schedules* for the General Fund and for the Street Fund present the original and revised budget amounts in comparison to the actual revenues and expenditures for the current year.



NONMAJOR GOVERNMENTAL FUNDS

The **Special Revenue Funds** account for resources which are designated by law or contractual agreement for particular functions or activities and are legally required to be accounted for in separate funds. Such resources are derived from specific taxes, federal grant and entitlement monies, and multi-year appropriations.

Community Development Block Grant Fund (CDBG) – Accounts for CDBG grant funds received from the U.S. Department of Housing and Urban Development (“HUD”). These revenues are restricted to expenditure for specified projects by HUD, including housing or housing assistance provided to qualified citizens and improvements to neighborhood streets and drainage.

HOME Investment Partnership Program Fund (HOME) – Accounts for HOME grant funds received from the Arkansas Development Finance Authority. These revenues provide assistance for affordable housing to qualified citizens.

Grants Fund – Accounts for grant funds received for various programs. These monies are expended to satisfy purposes as outlined by each federal/state program.

The **Debt Service Fund** accounts for the accumulation of resources for the payment of principal and interest on general long-term debt.

2006 Library Debt Service – The 2006 Library Construction Bonds were issued for the purpose of acquiring, constructing, and equipping capital improvements to the public city library operated by the City and the Central Arkansas Library System. The Series 2006 bonds are limited tax general obligations, payable solely from the Library Tax and the pro-rata portion of the proceeds of a sales and use tax implemented pursuant to Amendment 79 to the Arkansas Constitution.

CITY OF JACKSONVILLE, ARKANSAS

COMBINING BALANCE SHEET
 GOVERNMENTAL FUNDS - NONMAJOR
 DECEMBER 31, 2013

	Special Revenue			Debt Service	Total
	CDBG	HOME	Grants	2006 Library Debt Service	
Assets					
Cash	\$ 32,361	\$ 68,712	\$ 24,561	\$ -	\$ 125,634
Restricted cash	-	-	-	254,849	254,849
Accounts receivable					
Accounts	91,201	5,797	-	-	96,998
Taxes	-	-	-	272,143	272,143
Total Assets	<u>\$ 123,562</u>	<u>\$ 74,509</u>	<u>\$ 24,561</u>	<u>\$ 526,992</u>	<u>\$ 749,624</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 2,896	\$ 5,493	\$ 23,349	\$ -	\$ 31,738
Due to other funds	37,467	-	-	-	37,467
Accrued wages payable	1,843	-	-	-	1,843
Deferred revenue	-	-	-	251,536	251,536
Other liabilities	-	30,717	-	-	30,717
Total liabilities	<u>42,206</u>	<u>36,210</u>	<u>23,349</u>	<u>251,536</u>	<u>353,301</u>
Fund Balances					
Restricted:					
Housing and neighborhood programs	81,356	38,299	-	-	119,655
Grant funds	-	-	1,212	-	1,212
Debt service	-	-	-	275,456	275,456
Total fund balances	<u>81,356</u>	<u>38,299</u>	<u>1,212</u>	<u>275,456</u>	<u>396,323</u>
Total Liabilities and Fund Balances	<u>\$ 123,562</u>	<u>\$ 74,509</u>	<u>\$ 24,561</u>	<u>\$ 526,992</u>	<u>\$ 749,624</u>

CITY OF JACKSONVILLE, ARKANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS - NONMAJOR YEAR ENDED DECEMBER 31, 2013

	Special Revenue			Debt Service	Total
	CDBG	HOME	Grants	2006 Library Debt Service	
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ 257,348	\$ 257,348
Intergovernmental	360,244	213,409	74,776	-	648,429
Investment income	499	-	188	-	687
Miscellaneous	351	135	-	-	486
Total revenues	361,094	213,544	74,964	257,348	906,950
Expenditures					
Public works	-	-	52,283	-	52,283
Parks and recreation services	-	-	39,658	-	39,658
Police	-	-	54,111	-	54,111
Housing and neighborhood programs	354,424	205,058	-	-	559,482
Debt service					
Principal	-	-	-	205,000	205,000
Interest	-	-	-	75,099	75,099
Agent fees	-	-	-	600	600
Total expenditures	354,424	205,058	146,052	280,699	986,233
Excess (Deficiency) of Revenues Over Expenditures	6,670	8,486	(71,088)	(23,351)	(79,283)
Transfers in	-	-	10,092	-	10,092
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	10,092	-	10,092
Net Change in Fund Balances	6,670	8,486	(60,996)	(23,351)	(69,191)
Fund Balances, Beginning of Year	74,686	29,813	62,208	298,807	465,514
Fund Balances, End of Year	<u>\$ 81,356</u>	<u>\$ 38,299</u>	<u>\$ 1,212</u>	<u>\$ 275,456</u>	<u>\$ 396,323</u>



FIDUCIARY FUNDS

Pension Trust Funds

Pension Trust Funds account for assets held in the Policemen's Pension and Relief Fund and the Firemen's Pension and Relief Fund. Fund trustees must act in accordance with the specific purposes and terms of these retirement plans.

Agency Funds

The **Agency Funds** account for activities associated with collecting and disbursing fines, court costs, forfeitures and restitution monies for the District Court.

CITY OF JACKSONVILLE, ARKANSAS

COMBINING STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 DECEMBER 31, 2013

	<u>Employee Retirement Plans</u>		
	<u>Policemen's Pension And Relief Fund</u>	<u>Firemen's Pension And Relief Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 266,569	\$ 386,241	\$ 652,810
Investments			
U.S. Government and agency obligations	788,119	1,660,772	2,448,891
Corporate bonds	1,131,650	1,209,485	2,341,135
Equities	146,485	860	147,345
Mutual funds	3,671,505	4,492,475	8,163,980
Receivables			
Accounts	525	525	1,050
Due from other funds	20,608	20,608	41,216
Accrued interest	12,376	29,348	41,724
	<u>\$ 6,037,837</u>	<u>\$ 7,800,314</u>	<u>\$ 13,838,151</u>
Net Position			
Net position held in trust	<u>\$ 6,037,837</u>	<u>\$ 7,800,314</u>	<u>\$ 13,838,151</u>

CITY OF JACKSONVILLE, ARKANSAS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS YEAR ENDED DECEMBER 31, 2013

	<u>Employee Retirement Plans</u>		
	<u>Policemen's Pension And Relief Fund</u>	<u>Firemen's Pension And Relief Fund</u>	<u>Total</u>
Additions			
Contributions			
Employer	\$ 79,312	\$ 11,895	\$ 91,207
Plan members	-	13,835	13,835
Contributed from General Fund			
Property taxes	262,997	262,997	525,994
State insurance turnback and guarantee fund	41,040	156,480	197,520
Total contributions	<u>383,349</u>	<u>445,207</u>	<u>828,556</u>
Investment income			
Net increase in fair value of investments	488,416	538,635	1,027,051
Interest and dividends	121,915	172,013	293,928
Other investment income	2,121	-	2,121
	<u>612,452</u>	<u>710,648</u>	<u>1,323,100</u>
Less investment expense	<u>57,500</u>	<u>65,674</u>	<u>123,174</u>
Net investment income	<u>554,952</u>	<u>644,974</u>	<u>1,199,926</u>
Total additions	<u>938,301</u>	<u>1,090,181</u>	<u>2,028,482</u>
Deductions			
Benefits paid directly to participants	587,689	1,023,690	1,611,379
Administrative expenses	3,000	1,000	4,000
Total deductions	<u>590,689</u>	<u>1,024,690</u>	<u>1,615,379</u>
Change in Net Position	347,612	65,491	413,103
Net Position Held in Trust			
Beginning of Year	<u>5,690,225</u>	<u>7,734,823</u>	<u>13,425,048</u>
Net Position Held in Trust			
End of Year	<u>\$ 6,037,837</u>	<u>\$ 7,800,314</u>	<u>\$ 13,838,151</u>

CITY OF JACKSONVILLE, ARKANSAS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 YEAR ENDED DECEMBER 31, 2013

	<u>Balance January 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2013</u>
<u>District Court Fines and Forfeitures Fund</u>				
Assets				
Cash	\$ 204,565	\$ 1,455,335	\$ 1,433,426	\$ 226,474
Liabilities				
Other liabilities	\$ 204,565	\$ 1,455,335	\$ 1,433,426	\$ 226,474
<u>District Court Restitution Fund</u>				
Assets				
Cash	\$ 13,119	\$ 3,329	\$ 4,359	\$ 12,089
Liabilities				
Other Liabilities	\$ 13,119	\$ 3,329	\$ 4,359	\$ 12,089
<u>Total Agency Funds</u>				
Assets				
Cash	\$ 217,684	\$ 1,458,664	\$ 1,437,785	\$ 238,563
Liabilities				
Other liabilities	217,684	1,458,664	1,437,785	238,563
Total Liabilities	\$ 217,684	\$ 1,458,664	\$ 1,437,785	\$ 238,563

DISCRETELY PRESENTED COMPONENT UNITS

CITY OF JACKSONVILLE, ARKANSAS

COMBINING STATEMENT OF CASH FLOWS DISCRETELY PRESENTED COMPONENT UNITS YEAR ENDED DECEMBER 31, 2013

	Jacksonville Municipal Water Works	Jacksonville Wastewater Utility	Nonmajor Component Unit Advertising and Promotion Commission	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 6,860,787	\$ 4,341,642	\$ -	\$ 11,202,429
Other receipts	240,970	40,050	-	281,020
Payments to employees	(1,639,968)	(1,930,436)	-	(3,570,404)
Payments to suppliers	(799,765)	(571,730)	(133)	(1,371,628)
Payments to service providers	(248,088)	(276,757)	(908,321)	(1,433,166)
Other payments	(1,900,075)	-	-	(1,900,075)
Net cash provided by (used in) operating activities	2,513,861	1,602,769	(908,454)	3,208,176
Noncapital Financing Activities				
Local tax levy supporting operations	-	-	814,867	814,867
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(3,946,041)	(1,599,323)	-	(5,545,364)
Contributions-in-aid of construction	-	191,925	-	191,925
Proceeds from issuance of long-term debt	3,275,956	-	-	3,275,956
Principal paid on long-term debt	-	(332,300)	-	(332,300)
Interest paid on long-term debt	(146,083)	(839,650)	-	(985,733)
Net cash provided by (used in) capital and related financing activities	(816,168)	(2,579,348)	-	(3,395,516)
Cash Flows from Investing Activities				
Proceeds from maturities of cash investments	2,126,620	-	252,002	2,378,622
Purchase of cash investments	(2,135,612)	-	(100,496)	(2,236,108)
Decrease (increase) in restricted cash	(94,357)	-	-	(94,357)
Interest received	13,789	23,345	944	38,078
Net cash provided by (used in) investing activities	(89,560)	23,345	152,450	86,235
Net Increase (Decrease) in Cash	1,608,133	(953,234)	58,863	713,762
Cash, Beginning of Year	3,057,190	8,364,326	217,805	11,639,321
Cash, End of Year	\$ 4,665,323	\$ 7,411,092	\$ 276,668	\$ 12,353,083
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities				
Operating income (loss)	\$ 544,616	\$ (642,800)	\$ (923,725)	\$ (1,021,909)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation and amortization expense	1,338,095	2,049,526	-	3,387,621
(Gain) loss on disposal of capital assets	-	408,825	-	408,825
Amortization of deferred expenses	35,696	-	-	35,696
Other income, net	240,970	-	-	240,970
Changes in operating assets and liabilities				
Receivables, net	104,440	(197,650)	-	(93,210)
Revenues earned and unbilled	-	(4,410)	-	(4,410)
Prepaid expenses	21,948	4,603	-	26,551
Inventories	43,056	15,635	-	58,691
Due to other entities	68,575	-	-	68,575
Accounts payable	80,449	(36,097)	15,271	59,623
Accrued expenses	(3,775)	5,137	-	1,362
Customer deposits	39,791	-	-	39,791
Net cash provided by (used in) operating activities	\$ 2,513,861	\$ 1,602,769	\$ (908,454)	\$ 3,208,176

Supplemental Disclosure of Noncash, Capital and Financing Activities

Jacksonville Municipal Water Works accepted utility property constructed by private developers. The fair value of this donated property in 2013 was \$166,605 and was \$41,574 in 2012.

Jacksonville Wastewater Utility accepted sewer lines constructed by private developers. The fair value of this donated property in 2013 was \$66,949 and was \$3,341,283 in 2012.

**Statistical
Section**



City of Jacksonville, Arkansas
STATISTICAL SECTION

This section of the City of Jacksonville, Arkansas' comprehensive annual financial report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information reflect about the City's overall financial health.

Contents	Page
Financial Trends	95
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	107
These schedules contain information to help the reader assess the City's most significant local revenue source, the sales tax.	
Debt Capacity	113
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	121
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	124
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

Except where noted, the information in these pages is derived from the City of Jacksonville's comprehensive annual financial report for the relevant year.

CITY OF JACKSONVILLE, ARKANSAS

NET POSITION BY COMPONENT LAST TEN YEARS (Accrual Basis of Accounting)

	<u>2004</u>	<u>2005</u>	<u>2006 (1)</u>	<u>2007</u>
Governmental activities				
Net investment in capital assets	\$ 20,890,597	\$ 22,816,886	\$ 27,499,419	\$ 27,879,856
Restricted	371,542	9,101,847	8,503,883	10,886,550
Unrestricted	15,594,328	9,002,821	13,310,801	14,532,889
Total governmental activities net position	<u>\$ 36,856,467</u>	<u>\$ 40,921,554</u>	<u>\$ 49,314,103</u>	<u>\$ 53,299,294</u>
Business-type activities				
Net investment in capital assets	\$ 684,805	\$ 695,854	\$ 829,617	\$ 805,482
Unrestricted	1,013,533	1,325,624	1,117,417	1,065,041
Total business-type activities net position	<u>\$ 1,698,338</u>	<u>\$ 2,021,478</u>	<u>\$ 1,947,034</u>	<u>\$ 1,870,523</u>
Primary government				
Net investment in capital assets	\$ 21,575,402	\$ 23,512,740	\$ 28,329,036	\$ 28,685,338
Restricted	371,542	9,101,847	8,503,883	10,886,550
Unrestricted	16,607,861	10,328,445	14,428,218	15,597,930
Total primary government net position	<u>\$ 38,554,805</u>	<u>\$ 42,943,032</u>	<u>\$ 51,261,137</u>	<u>\$ 55,169,818</u>

(1) During 2006, the City adopted the infrastructure accounting provisions of GASB 34, *Basic Financial Statements & Management's Discussion & Analysis for State & Local Governments*, as amended. The retroactive application of the new method resulted in an adjustment of \$1,187,724 to beginning 2006 net position of governmental activities.

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 28,763,585	\$ 32,145,339	\$ 34,751,804	\$ 36,800,745	\$ 41,063,504	\$ 42,058,114
5,506,038	4,381,589	2,384,498	2,052,401	1,798,969	3,001,642
16,594,722	15,151,670	13,387,422	10,824,395	5,937,438	1,727,198
<u>\$ 50,864,345</u>	<u>\$ 51,678,598</u>	<u>\$ 50,523,724</u>	<u>\$ 49,677,541</u>	<u>\$ 48,799,911</u>	<u>\$ 46,786,954</u>
\$ 739,316	\$ 590,355	\$ 469,824	\$ 653,790	\$ 821,873	\$ 887,393
1,294,837	467,345	238,833	825,120	1,107,844	1,479,431
<u>\$ 2,034,153</u>	<u>\$ 1,057,700</u>	<u>\$ 708,657</u>	<u>\$ 1,478,910</u>	<u>\$ 1,929,717</u>	<u>\$ 2,366,824</u>
\$ 29,502,901	\$ 32,735,694	\$ 35,221,628	\$ 37,454,535	\$ 41,885,377	\$ 42,945,507
5,506,038	4,381,589	2,384,498	2,052,401	1,798,969	3,001,642
17,889,559	15,619,015	13,626,255	11,649,515	7,045,282	3,206,629
<u>\$ 52,898,498</u>	<u>\$ 52,736,298</u>	<u>\$ 51,232,381</u>	<u>\$ 51,156,451</u>	<u>\$ 50,729,628</u>	<u>\$ 49,153,778</u>

CITY OF JACKSONVILLE, ARKANSAS

CHANGES IN NET POSITION, LAST TEN YEARS (Accrual Basis of Accounting)

	<u>2004</u>	<u>2005 (1)</u>	<u>2006 (2)</u>	<u>2007</u>
Expenses				
Governmental activities:				
General administration	\$ 363,311	\$ 734,778	\$ 455,047	\$ 388,618
City council	95,084	111,291	102,118	109,397
Office of the mayor	174,127	152,621	176,115	172,041
City clerk	112,402	116,683	127,270	126,718
City attorney	107,645	114,336	119,183	128,678
District court	594,516	408,191	291,750	234,382
Director of administration	136,106	111,602	142,448	196,038
Director of information technology	-	-	-	-
Finance	294,188	305,166	310,096	318,849
Purchasing	95,765	101,985	101,979	107,805
Human resources	167,437	183,164	187,502	150,571
Fleet services	139,627	127,439	133,133	128,445
Community programs	220,587	195,258	215,705	144,884
Public works	2,261,430	2,248,802	2,538,869	2,270,571
Parks and recreation services	1,711,103	1,901,421	2,303,225	2,395,010
Police	4,632,578	4,660,087	5,163,602	5,215,852
Fire	3,833,187	3,248,351	3,695,985	4,021,861
Emergency communication services	698,324	744,493	721,985	732,347
Animal control	224,325	248,401	274,976	290,335
Housing and neighborhood programs	506,437	516,614	356,252	592,536
Interest expense on long term debt	-	-	80,355	119,049
Agent fees on long-term debt	-	-	2,654	-
Total governmental activities expenses	<u>16,368,179</u>	<u>16,230,683</u>	<u>17,500,249</u>	<u>17,843,986</u>
Business-type activities				
Sanitation services	1,189,929	1,251,275	1,377,442	1,489,290
Emergency medical services	-	715,616	748,841	775,627
Total business-type activities expenses	<u>1,189,929</u>	<u>1,966,891</u>	<u>2,126,283</u>	<u>2,264,917</u>
Total primary government expenses	<u>\$ 17,558,108</u>	<u>\$ 18,197,574</u>	<u>\$ 19,626,532</u>	<u>\$ 20,108,903</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General administration	\$ 164,082	\$ 230,808	\$ 188,519	\$ 193,711
District court	100,899	280,775	282,379	264,714
Finance	8,001	8,001	8,001	8,001
Fleet services	36,570	47,829	29,230	27,410
Public works	74,829	71,952	70,804	71,392
Parks and recreation services	462,432	588,272	570,584	610,718
Police	351,643	291,397	305,785	281,212
Fire	370,966	3,908	3,406	3,500
Emergency communication services	140,807	156,372	163,256	152,357
Animal control	8,079	7,641	17,542	27,593
Housing and neighborhood programs	17,214	337	2,877	2,408
Operating grants and contributions	2,348,857	3,215,845	3,500,439	3,920,326
Capital grants and contributions	281,308	204,644	-	-
Total governmental activities program revenues	<u>4,365,687</u>	<u>5,107,781</u>	<u>5,142,822</u>	<u>5,563,342</u>
Business-type activities				
Sanitation services	1,172,205	1,194,230	1,210,204	1,246,743
Emergency medical services	-	546,122	531,252	598,883
Operating grants and contributions	14,231	12,000	12,000	12,000
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	<u>1,186,436</u>	<u>1,752,352</u>	<u>1,753,456</u>	<u>1,857,626</u>
Total primary government program revenues	<u>\$ 5,552,123</u>	<u>\$ 6,860,133</u>	<u>\$ 6,896,278</u>	<u>\$ 7,420,968</u>

(1) In 2005 , all ambulance service activities were moved from the Fire Department within the General Fund to the Emergency Medical Services Fund, an enterprise fund.

(2) During 2006, the City adopted the infrastructure accounting provisions of GASB 34, as amended. The retroactive application of the new method resulted in an adjustment of \$1,187,724 to beginning 2006 net position of governmental activities.

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$	5,407,369	\$ 516,564	\$ 1,754,213	\$ 389,238	\$ 454,301	\$ 614,247
	113,241	119,018	115,831	120,634	112,915	143,817
	177,483	197,782	231,562	230,970	240,152	245,782
	124,092	146,559	144,722	212,357	143,434	140,796
	137,970	144,430	184,094	180,478	190,970	192,214
	358,017	312,140	308,593	303,536	336,932	342,963
	290,775	263,454	317,955	125,806	112,868	114,376
	-	-	-	177,839	216,749	241,131
	366,577	503,902	535,466	478,674	659,988	541,303
	112,495	-	-	-	-	-
	198,196	231,641	202,575	245,038	228,913	236,759
	128,695	143,039	176,543	186,396	165,871	144,176
	227,567	225,281	14,139	173,030	198,400	94,705
	2,487,309	3,084,831	2,866,092	2,585,034	2,872,093	7,151,184
	2,586,954	2,688,917	2,515,033	2,602,790	2,748,589	5,739,662
	5,844,669	7,027,162	7,025,994	8,510,214	7,782,731	1,597,427
	4,245,680	3,548,000	4,500,852	3,998,521	4,882,380	4,840,219
	826,476	846,094	800,722	563,861	894,851	962,308
	301,775	301,371	313,564	308,039	306,344	320,102
	361,111	433,766	543,274	273,097	365,162	588,290
	104,386	99,042	92,912	102,070	79,563	154,499
	-	-	-	-	-	-
	<u>24,400,837</u>	<u>20,832,993</u>	<u>22,644,136</u>	<u>21,767,622</u>	<u>22,993,206</u>	<u>24,405,960</u>
	1,574,915	1,579,466	1,629,285	1,628,388	1,531,003	1,585,114
	888,257	1,716,980	1,224,188	1,094,031	1,460,366	1,615,704
	<u>2,463,172</u>	<u>3,296,446</u>	<u>2,853,473</u>	<u>2,722,419</u>	<u>2,991,369</u>	<u>3,200,818</u>
\$	<u>26,864,009</u>	<u>\$ 24,129,439</u>	<u>\$ 25,497,609</u>	<u>\$ 24,490,041</u>	<u>\$ 25,984,575</u>	<u>\$ 27,606,778</u>
\$	163,211	\$ 143,871	\$ 181,945	\$ 162,959	\$ 178,388	\$ 156,458
	259,415	263,377	307,641	311,855	730,677	766,291
	8,068	8,068	8,001	8,026	8,001	20,001
	27,161	75,221	73,845	51,060	37,225	28,368
	67,097	66,674	105,706	67,005	73,871	79,073
	581,325	651,836	732,000	672,790	751,295	797,053
	273,923	277,110	362,790	363,469	59,193	33,670
	5,771	4,418	2,912	2,512	800	822
	169,641	187,703	225,154	205,394	-	212,769
	35,629	32,715	32,350	24,420	20,865	19,365
	1,931	2,065	17,007	535	1,036	486
	3,839,457	3,684,503	3,916,198	3,731,153	4,236,786	4,428,410
	317,671	512,854	419,836	709,285	1,013,992	685,232
	<u>5,750,300</u>	<u>5,910,415</u>	<u>6,385,386</u>	<u>6,310,463</u>	<u>7,112,129</u>	<u>7,227,997</u>
	1,290,468	1,255,037	1,277,118	1,812,390	1,816,769	1,908,726
	665,113	645,163	709,812	1,009,118	1,062,331	1,132,011
	12,000	12,000	12,000	13,500	13,000	6,500
	93,676	-	-	305,495	59,196	-
	<u>2,061,257</u>	<u>1,912,200</u>	<u>1,998,930</u>	<u>3,140,503</u>	<u>2,951,296</u>	<u>3,047,237</u>
\$	<u>7,811,557</u>	<u>\$ 7,822,615</u>	<u>\$ 8,384,316</u>	<u>\$ 9,450,966</u>	<u>\$ 10,063,425</u>	<u>\$ 10,275,234</u>

(continued)

CITY OF JACKSONVILLE, ARKANSAS

CHANGES IN NET POSITION, LAST TEN YEARS (Continued) (Accrual Basis of Accounting)

	<u>2004</u>	<u>2005(1)</u>	<u>2006 (2)</u>	<u>2007</u>
Net (expense)/revenue				
Governmental activities	\$ (12,002,492)	\$ (11,122,902)	\$ (12,357,427)	\$ (12,280,643)
Business-type activities	(3,493)	(214,539)	(372,827)	(407,291)
Total primary government net expense	<u>\$ (12,005,985)</u>	<u>\$ (11,337,441)</u>	<u>\$ (12,730,254)</u>	<u>\$ (12,687,933)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
General property taxes	\$ 639,338	\$ 1,030,288	\$ 978,416	\$ 602,363
Sales taxes	12,060,891	12,799,497	13,028,273	13,128,674
Utility franchise taxes	940,937	1,011,156	1,071,469	1,053,657
Investment earnings	170,530	362,445	772,483	1,038,961
Grants and contributions not restricted to specific programs	445,515	476,590	467,394	722,811
Gain on sale of capital assets	12,415	19,955	16,775	13,600
Transfers	-	(511,943)	(254,750)	(294,231)
Total governmental activities	<u>14,269,626</u>	<u>15,187,989</u>	<u>16,080,060</u>	<u>16,265,834</u>
Business-type activities:				
Investment earnings	20,872	25,736	43,633	36,551
Grants and contributions not restricted	-	-	-	-
Transfers	-	511,943	254,750	294,231
Total business-type activities	<u>20,872</u>	<u>537,679</u>	<u>298,383</u>	<u>330,782</u>
Total primary government	<u>\$ 14,290,498</u>	<u>\$ 15,725,668</u>	<u>\$ 16,378,443</u>	<u>\$ 16,596,616</u>
Changes in Net Position				
Governmental activities	\$ 2,267,133	\$ 4,065,087	\$ 3,722,633	\$ 3,985,191
Business-type activities	17,379	323,140	(74,444)	(76,509)
Total primary government	<u>\$ 2,284,512</u>	<u>\$ 4,388,227</u>	<u>\$ 3,648,189</u>	<u>\$ 3,908,683</u>

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ (18,650,537)	\$ (14,922,578)	\$ (16,258,750)	\$ (15,457,159)	\$ (15,881,077)	\$ (17,177,963)
(401,915)	(1,384,246)	(854,543)	418,084	(40,073)	(153,581)
<u>\$ (19,052,452)</u>	<u>\$ (16,306,824)</u>	<u>\$ (17,113,294)</u>	<u>\$ (15,039,075)</u>	<u>\$ (15,921,150)</u>	<u>\$ (17,331,544)</u>
\$ 755,482	\$ 711,289	\$ 768,342	\$ 777,265	\$ 784,180	\$ 826,033
13,660,175	13,170,622	13,157,342	12,612,511	13,138,610	13,164,041
1,144,223	1,131,386	1,097,960	1,057,234	1,031,798	1,292,667
648,896	247,304	79,823	38,014	21,136	7,026
516,721	511,033	491,200	459,187	459,957	433,463
41,316	365,197	9,209	9,265	10,263	31,775
(551,226)	(400,000)	(500,000)	(342,500)	(442,496)	(590,000)
<u>16,215,587</u>	<u>15,736,831</u>	<u>15,103,876</u>	<u>14,610,976</u>	<u>15,003,448</u>	<u>15,165,005</u>
14,319	7,793	5,500	(17,890)	504	688
-	-	-	27,559	47,881	-
551,226	400,000	500,000	342,500	442,496	590,000
<u>565,545</u>	<u>407,793</u>	<u>505,500</u>	<u>352,169</u>	<u>490,880</u>	<u>590,688</u>
<u>\$ 16,781,132</u>	<u>\$ 16,144,624</u>	<u>\$ 15,609,376</u>	<u>\$ 14,963,144</u>	<u>\$ 15,494,328</u>	<u>\$ 15,755,693</u>
\$ (2,434,950)	\$ 814,253	\$ (1,154,874)	\$ (846,183)	\$ (877,629)	\$ (2,012,958)
163,630	(976,453)	(349,043)	770,253	450,807	437,107
<u>\$ (2,271,320)</u>	<u>\$ (162,200)</u>	<u>\$ (1,503,918)</u>	<u>\$ (75,930)</u>	<u>\$ (426,822)</u>	<u>\$ (1,575,851)</u>

CITY OF JACKSONVILLE, ARKANSAS

**FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN YEARS
(Modified Accrual Basis of Accounting)**

	Pre-GASB 54						
	2004	2005	2006	2007	2008	2009	2010
General Fund							
Reserved	\$ 92,033	\$ 74,054	\$ 114,583	\$ 154,169	\$ 347,968	\$ 68,304	\$ 159,341
Unreserved	1,956,619	2,910,847	3,054,185	3,518,573	3,204,746	3,503,551	3,297,028
Total general fund	<u>\$ 2,048,652</u>	<u>\$ 2,984,901</u>	<u>\$ 3,168,768</u>	<u>\$ 3,672,742</u>	<u>\$ 3,552,714</u>	<u>\$ 3,571,855</u>	<u>\$ 3,456,369</u>
All Other Governmental Funds							
Reserved	\$ 279,509	\$ 9,027,793	\$ 15,456,714	\$ 19,219,331	\$ 13,453,056	\$ 11,395,499	\$ 9,183,135
Unreserved, reported in:							
Special revenue funds	12,919,280	5,287,338	4,536,526	3,172,466	3,857,435	3,572,054	2,995,731
Total all other governmental funds	<u>\$ 13,198,789</u>	<u>\$ 14,315,131</u>	<u>\$ 19,993,240</u>	<u>\$ 22,391,798</u>	<u>\$ 17,310,491</u>	<u>\$ 14,967,553</u>	<u>\$ 12,178,866</u>
	Post-GASB 54						
	2011	2012	2013				
General Fund							
Restricted	\$ 536,440	\$ 537,495	\$ 123,382				
Committed	5,265	5,943	7,039				
Assigned	1,070,000	-	-				
Unassigned	3,792,850	4,095,873	3,089,430				
Total general fund	<u>\$ 5,404,555</u>	<u>\$ 4,639,311</u>	<u>\$ 3,219,851</u>				
All Other Governmental Funds							
Restricted	\$ 1,515,961	\$ 1,261,474	\$ 1,061,380				
Assigned	6,180,291	2,733,641	-				
Total all other governmental funds	<u>\$ 7,696,252</u>	<u>\$ 3,995,115</u>	<u>\$ 1,061,380</u>				



CITY OF JACKSONVILLE, ARKANSAS

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS LAST TEN YEARS (Modified Accrual Basis of Accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Revenues				
Property taxes	\$ 613,899	\$ 672,930	\$ 927,207	\$ 656,126
Sales taxes	12,660,339	12,799,497	13,028,273	13,128,674
Licenses and permits	152,876	189,487	169,994	172,131
Intergovernmental	2,792,271	3,283,377	3,591,056	4,548,611
Charges for services	1,142,733	814,289	774,363	798,949
Fines and fees	455,118	571,794	588,729	559,050
Utility franchise taxes	940,937	1,011,156	1,071,469	1,053,657
Investment income	170,530	362,445	772,483	1,038,961
Contributions	179,739	600,000	326,397	50,000
Miscellaneous	-	310,725	230,472	181,318
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	19,108,442	20,615,700	21,480,443	22,187,476
Expenditures				
General government	2,234,830	3,173,849	3,382,230	3,060,618
Public works	2,130,266	2,549,574	2,405,238	2,415,159
Parks and recreation services	2,959,051	3,188,662	2,249,704	2,167,701
Police	4,535,441	4,704,001	5,054,988	5,434,385
Fire	3,515,473	3,172,319	3,549,403	4,036,326
Emergency communication services	574,431	632,297	601,099	841,219
Animal control	206,696	241,723	258,752	291,596
Housing and neighborhood programs	515,392	515,346	362,303	591,193
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	152,517
Agent fees	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	16,671,580	18,177,771	17,863,717	18,990,713
Excess (Deficiency) of revenues over (under) expenditures	2,436,862	2,437,930	3,616,726	3,196,763
Other Financing Sources (Uses)				
Bonds issued	-	-	2,500,000	-
Proceeds from long-term debt	-	-	-	-
Capital lease	-	-	-	-
Transfers in	13,235,993	15,443,234	14,400,023	16,041,110
Transfers out	(13,235,993)	(15,828,573)	(14,654,773)	(16,335,341)
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	(385,339)	2,245,250	(294,231)
Net change in fund balances	<u>\$ 2,436,862</u>	<u>\$ 2,052,591</u>	<u>\$ 5,861,976</u>	<u>\$ 2,902,531</u>
Debt service as a percentage of noncapital expenditures	0.0%	0.0%	0.0%	0.9%

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$	693,921	\$ 717,792	\$ 723,754	\$ 762,221	\$ 779,861	\$ 782,292
	13,660,175	13,170,622	13,157,342	12,612,511	13,138,610	13,164,041
	145,131	130,663	153,264	122,289	160,514	123,447
	4,312,524	4,102,067	4,305,841	4,053,971	5,310,202	4,674,667
	791,385	919,286	1,026,128	924,618	1,056,207	1,081,303
	554,482	561,429	651,231	651,271	791,192	798,456
	1,144,223	1,131,386	1,097,960	1,057,234	1,031,798	1,292,667
	648,896	247,304	79,823	38,014	21,136	7,026
	-	-	-	-	-	150,000
	517,635	673,468	343,931	818,963	227,747	767,159
	<u>22,468,372</u>	<u>21,654,016</u>	<u>21,539,274</u>	<u>21,041,092</u>	<u>22,517,267</u>	<u>22,841,058</u>
	10,320,417	3,792,768	3,265,843	2,794,399	3,600,208	3,491,811
	2,541,105	2,790,533	3,259,890	4,137,281	3,070,904	3,021,075
	2,407,242	3,087,495	2,568,025	2,332,786	3,694,975	5,514,730
	5,933,565	7,578,930	7,920,716	7,675,658	11,533,317	8,096,659
	4,309,227	4,637,438	5,177,419	4,716,182	4,403,817	4,486,226
	688,307	749,533	672,701	755,149	4,858,959	878,086
	287,466	285,653	299,631	295,563	298,166	322,848
	369,029	429,597	539,016	286,307	371,863	559,482
	155,000	125,000	145,000	135,000	155,000	1,422,435
	106,522	100,616	94,956	104,094	81,468	157,622
	600	250	250	600	700	600
	<u>27,118,480</u>	<u>23,577,813</u>	<u>23,943,447</u>	<u>23,233,019</u>	<u>32,069,377</u>	<u>27,951,574</u>
	(4,650,108)	(1,923,797)	(2,404,173)	(2,191,927)	(9,552,110)	(5,110,516)
	-	-	-	-	-	-
	-	-	-	-	3,011,700	3,157,161
	-	-	-	-	2,516,526	-
	13,317,337	14,053,286	14,209,326	836,647	6,004	577,890
	<u>(13,868,563)</u>	<u>(14,453,286)</u>	<u>(14,709,326)</u>	<u>(1,179,147)</u>	<u>(448,500)</u>	<u>(1,167,890)</u>
	<u>(551,226)</u>	<u>(400,000)</u>	<u>(500,000)</u>	<u>(342,500)</u>	<u>5,085,730</u>	<u>2,567,161</u>
\$	<u>(5,201,335)</u>	<u>(2,323,798)</u>	<u>(2,904,173)</u>	<u>(2,534,427)</u>	<u>(4,466,380)</u>	<u>(2,543,355)</u>
	1.1%	1.2%	1.2%	1.3%	1.2%	7.3%

CITY OF JACKSONVILLE, ARKANSAS

GENERAL GOVERNMENT TAX REVENUES BY SOURCE LAST TEN YEARS (Modified Accrual Basis of Accounting)

Year	General Property Taxes	Sales Taxes			Total Sales Taxes	Utility Franchise Taxes	Total
		City	Pulaski County	Alcoholic Beverage			
2004	\$613,899	\$6,607,601	\$6,048,993	\$3,744	\$12,660,338	\$940,937	\$14,215,174
2005	672,930	6,932,141	5,854,100	13,256	12,799,497	1,011,156	14,483,583
2006	927,207	6,950,892	6,060,027	17,354	13,028,273	1,071,469	15,026,949
2007	656,126	6,880,728	6,230,644	17,302	13,128,674	1,053,657	14,838,457
2008	693,921	7,225,987	6,414,770	20,986	13,661,743	1,144,223	15,499,887
2009	717,792	7,024,714	6,124,922	20,986	13,170,622	1,131,386	15,019,800
2010	723,754	6,932,962	6,205,568	18,812	13,157,342	1,097,960	14,979,056
2011	762,221	6,923,047	5,655,813	33,651	12,612,511	1,057,234	14,431,966
2012	779,861	7,338,792	5,747,451	52,368	13,138,610	1,031,799	14,950,270
2013	782,292	7,337,421	5,777,520	49,100	13,164,041	1,292,667	15,239,000
Change 2004-2013	27.4%	11.0%	-4.5%	1211.4%	4.0%	37.4%	7.2%



CITY OF JACKSONVILLE, ARKANSAS

CITY SALES AND USE TAX REVENUE AND CLASSES OF PAYERS CURRENT YEAR AND TEN YEARS AGO (Modified Accrual Basis of Accounting)

NAICS Economic Sector	Description	Year 2013				Percentage of Total City Sales Tax
		Taxable Sales	City Sales Tax Collected	² Entity Count	Rank	
44-45	Retail Trade	\$ 203,262,996	\$ 4,065,260		1	55.4%
72	Accommodations and Food Services	36,841,155	736,823		2	10.0%
22	Utilities	27,746,596	554,932		3	7.6%
42	Wholesale Trade	26,419,071	528,381		4	7.2%
51	Information and Cultural Industries	22,539,947	450,799		5	6.1%
31-33	Manufacturing	11,257,501	225,150		6	3.1%
53	Rental, Leasing and Real Estate	9,399,488	187,990		7	2.6%
56	Admin & Support & Waste Mngmt & Remediation Services	- 7,088,450	- 141,769		- 8	- 1.9%
81	Other Services (except Public Administration)	6,874,100	137,482		9	1.9%
23	Construction	1,932,519	38,650		10	0.5%
48-49	Transportation and Warehousing	800,236	16,005		11	0.2%
54	Professional, Scientific, and Technical Services	- 718,550	- 14,371		- 12	- 0.2%
52	Finance and Insurance	607,870	12,157		13	0.2%
11	Agriculture, Forestry, Fishing and Hunting	356,750	7,135		14	0.1%
71	Arts, Entertainment, and Recreation	324,957	6,499		15	0.1%
62	Health Care and Social Assistance	176,053	3,521		16	0.0%
61	Educational Services	3,512	70		17	0.0%
*	Suppressed Totals	10,521,277	210,426		n/a	2.9%
	Totals	<u>\$ 366,871,025</u>	<u>\$7,337,421</u>			<u>100.0%</u>

The City of Jacksonville, Arkansas's largest own-source revenue is sales taxes. Sales Taxes primarily come from two separate taxes: a two cent city tax based on point of sale and a portion of the Pulaski County's one-cent tax based on population. The City of Jacksonville makes up approximately 7% of the county population and receives a like portion of the county tax. In 2013, the two cent sales tax generated revenue of \$7,337,421.

Source: Arkansas Department of Finance and Administration, Revenue Division, Sales and Use Tax Section. Arkansas law prohibits the disclosure of the principal revenue payers individually, so they are presented as classes.

¹ NAICS Economic Sector "61" was suppressed in 2004.

* In 2004, if individual economic sector identifiers had four or less entries, DF&A suppressed the taxable sales and tax collection numbers to comply with state statutes. However, in 2013 the individual economic sector identifiers had 2 or less businesses.

² Beginning in 2011, the DF&A no longer provides the Entity Count.

Note: DF&A will not supply "Taxable Sales". Therefore, taxable sales are based on "Tax Collected" divided by 2% for 2004 and divided by 2% for 2013, the tax rates for the corresponding years.

Year 2004				
Taxable Sales	City Sales Tax Collected	Entity Count	Rank	Percentage of Total City Sales Tax
\$ 192,369,106	\$ 3,847,382	748	1	58.2%
\$ 29,625,780	592,516	81	2	9.0%
\$ 20,793,250	415,865	7	3	6.3%
\$ 9,659,438	193,189	440	5	2.9%
\$ 18,439,215	368,784	141	4	5.6%
\$ 5,200,005	104,000	169	7	1.6%
\$ 5,350,299	107,006	151	6	1.6%
\$ -				
\$ 1,530,464	30,609	179	10	0.5%
\$ -				
\$ 2,363,789	47,276	67	8	0.7%
\$ 1,579,750	31,595	61	9	0.5%
\$ 1,216,082	24,322	17	11	0.4%
\$ -				
\$ 380,150	7,603	24	12	0.1%
\$ 119,000	2,380	13	15	0.0%
\$ -				
\$ 250,600	5,012	24	13	0.1%
\$ 168,400	3,368	10	14	0.1%
\$ 14,177	284	5	16	0.0%
\$ - ¹	-	n/a	n/a	n/a
\$ 41,320,548	826,411	240	n/a	12.5%
<u>\$ 330,380,050</u>	<u>\$6,607,601</u>	<u>2,377</u>		<u>100.0%</u>

CITY OF JACKSONVILLE, ARKANSAS

CITY SALES AND USE TAX REVENUE RATES LAST TEN YEARS

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>City Direct Revenue</u>
2004	2.0	\$ 6,607,601
2005	2.0	6,932,141
2006	2.0	6,950,892
2007	2.0	6,880,728
2008	2.0	7,225,987
2009	2.0	7,024,714
2010	2.0	6,932,962
2011	2.0	6,923,047
2012	2.0	7,338,792
2013	2.0	7,337,421

CITY OF JACKSONVILLE, ARKANSAS

ASSESSED AND APPRAISED VALUE OF TAXABLE PROPERTY LAST TEN YEARS

Year	Total Direct Tax Rate		Regular Property		Utility Property		Total Property		Total
			Real	Personal	Real *(1)	Personal	Real	Personal	
2004	2.0	Assessed	\$ 142,820,329	\$ 47,090,180	\$ 1,084,410	\$ 7,825,500	\$ 143,904,739	\$ 54,915,680	\$ 198,820,419
		Appraised	714,101,645	235,450,900	5,422,050	39,127,500	719,523,695	274,578,400	994,102,095
2005	3.0	Assessed	153,273,999	51,160,891	-	13,400,310	153,273,999	64,561,201	217,835,200
		Appraised	766,369,995	255,804,455	-	67,001,550	766,369,995	322,806,005	1,089,176,000
2006	3.0	Assessed	160,670,916	52,285,707	-	14,071,210	160,670,916	66,356,917	227,027,833
		Appraised	803,354,580	261,428,535	-	70,356,050	803,354,580	331,784,585	1,135,139,165
2007	3.0	Assessed	177,401,623	53,305,741	-	14,701,630	177,401,623	68,007,371	245,408,994
		Appraised	887,008,115	266,528,705	-	73,508,150	887,008,115	340,036,855	1,227,044,970
2008	3.0	Assessed	187,275,219	55,503,120	-	15,951,595	187,275,219	71,454,715	258,729,934
		Appraised	936,376,095	277,515,600	-	79,757,975	936,376,095	357,273,575	1,293,649,670
2009	3.0	Assessed	193,088,831	49,438,185	-	16,040,341	193,088,831	65,478,526	258,567,357
		Appraised	965,444,155	247,190,925	-	80,201,705	965,444,155	327,392,630	1,292,836,785
2010	3.0	Assessed	202,266,211	49,397,720	-	16,140,540	202,266,211	65,538,260	267,804,471
		Appraised	1,011,331,055	246,988,600	-	80,702,700	1,011,331,055	327,691,300	1,339,022,355
2011	3.0	Assessed	204,232,215	51,272,975	-	16,919,055	204,232,215	68,192,030	272,424,245
		Appraised	1,021,161,075	256,364,875	-	84,595,275	1,021,161,075	340,960,150	1,362,121,225
2012	3.0	Assessed	202,646,506	53,595,970	-	17,026,315	202,646,506	70,622,285	273,268,791
		Appraised	1,013,232,530	267,979,850	-	85,131,575	1,013,232,530	353,111,425	1,366,343,955
2013	3.0	Assessed	208,233,348	55,876,090	-	17,583,900	208,233,348	73,459,990	281,693,338
		Appraised	1,041,166,740	279,380,450	-	87,919,500	1,041,166,740	367,299,950	1,408,466,690

Source: Pulaski County Tax Assessor.

* (1) Beginning in 2005 the Arkansas Public Service Commission combined the personal and real estate public service accounts. Both are considered personal PSC accounts.

CITY OF JACKSONVILLE, ARKANSAS

PROPERTY TAX RATES AND TAX LEVIES OF DIRECT AND OVERLAPPING GOVERNMENTS LAST TEN YEARS

Local Tax Rates Per \$1,000 Assessed Value

Year	Jacksonville		Pulaski County		Pulaski County Special School District		Totals	
	Real	Personal	Real	Personal	Real	Personal	Real	Personal
2004	\$ 2.00	\$ 2.00	\$10.10	\$ 10.10	\$ 40.70	\$ 40.70	\$ 52.80	\$ 52.80
2005	3.00	3.00	10.10	10.10	40.70	40.70	53.80	53.80
2006	3.00	3.00	10.10	10.10	40.70	40.70	53.80	53.80
2007	3.00	3.00	10.10	10.10	40.70	40.70	53.80	53.80
2008	3.00	3.00	10.10	10.10	40.70	40.70	53.80	53.80
2009	3.00	3.00	10.10	10.10	40.70	40.70	53.80	53.80
2010	3.00	3.00	10.10	10.10	40.70	40.70	53.80	53.80
2011	3.00	3.00	10.10	10.10	40.70	40.70	53.80	53.80
2012	3.00	3.00	10.10	10.10	40.70	40.70	53.80	53.80
2013	3.00	3.00	10.10	10.10	40.70	40.70	53.80	53.80

Tax Levies

2004	\$	685,940	\$	34,575,502	\$	60,770,538	\$	96,031,979
2005		969,376		36,966,112		68,333,446		106,268,933
2006		1,010,344		39,334,921		73,958,559		114,303,824
2007		1,092,143		42,554,360		81,998,888		125,645,391
2008		1,151,423		45,743,106		88,873,909		135,768,438
2009		1,150,690		46,344,553		91,537,250		139,032,493
2010		1,191,800		46,915,434		93,963,825		142,071,059
2011		1,212,353		48,464,111		98,195,347		147,871,810
2012		1,216,108		49,084,104		100,584,377		150,884,589
2013		1,253,591		50,553,806		105,004,294		156,811,691

Note: Property assessments are made, tax rates (millages) are established, and taxes are levied in one year for payment by the taxpayer and collection by local governments the following year.

Taxes are due and payable on or before October 10th. Taxes are recorded as delinquent after October 10th and a 10% penalty is added.

State statutory limits on City tax rate:

General operation	5 mills
General improvement bonds	Unlimited subject to voter approval
Industrial development bonds	5 mills
Firemen's pension and policemen's pension	1 mill each

CITY OF JACKSONVILLE, ARKANSAS

PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN YEARS

Year	Total Tax Levy in Prior Year	Taxes Levied in the Prior Year Collected within the current year		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2004	\$ 638,481	\$ 584,289	91.51%	\$ 55,049	\$ 639,338	100.13%
2005 (1)	685,940	595,789	86.86%	63,200	658,989	96.07%
2006	969,376	735,768	75.90%	68,628	804,396	82.98%
2007	1,010,344	720,412	71.30%	97,603	818,015	80.96%
2008	1,092,143	795,941	72.88%	72,011	867,952	79.47%
2009	1,151,423	838,523	72.82%	69,858	908,381	78.89%
2010	1,150,690	840,076	73.01%	73,819	913,895	79.42%
2011	1,191,800	889,597	74.64%	68,819	958,416	80.42%
2012	1,212,353	905,203	74.66%	102,969	1,008,172	83.16%
2013	1,216,108	897,023	73.76%	79,311	976,335	80.28%

Note: Property assessments are made, tax rates (millages) are established, and taxes are levied in one year for payment by the taxpayer and collection by local governments the following year. Data is not available to show the current level by year of outstanding delinquent taxes.

(1) In July 2005, voters elected to implement a one (1.0) mill tax levy for land acquisition and construction of a new library.

Note: The data in "Total Tax Levy in Prior Years" has been revised for all years. The amounts shown in 2012 Statisticals were Current Year Levy not Prior Year Levy.

CITY OF JACKSONVILLE, ARKANSAS

RATIOS OF OUTSTANDING DEBT BY TYPE LAST TEN YEARS

Year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Notes Payable	Capital Lease	Notes Payable				
2004	\$ -	\$ -	\$ -	\$ -	\$ -	-	-%	\$ -
2005	-	-	-	-	-	-	-%	-
2006	2,500,000	-	-	-	-	2,500,000	0.30%	90.58
2007	2,500,000	-	-	-	-	2,500,000	0.27%	81.90
2008	2,345,000	-	-	-	-	2,345,000	0.40%	119.26
2009	2,220,000	-	-	-	-	2,220,000	0.37%	111.57
2010	2,075,000	-	-	-	-	2,075,000	0.37%	103.86
2011	1,940,000	-	-	1,294,514	-	3,234,514	0.56%	157.44
2012	1,785,000	3,011,700	2,516,526	1,037,081	-	8,350,307	1.39%	394.68
2013	1,580,000	5,038,839	2,429,113	771,818	-	9,819,770	1.36%	387.11

Note: Details regarding the City's outstanding debt can be found in Note 4 to the basic financial statements.

(1) See the Schedule of Demographic and Economic Statistics on page 120 for the personal income and population data.

(2) In 2006, the City issued \$2,500,000 of Library Construction and Improvement Bonds to finance the cost of the new public city library operated by the City and the Central Arkansas Library System.

CITY OF JACKSONVILLE, ARKANSAS

RATIO OF NET BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA LAST TEN YEARS

Year	Population	Assessed Value	Net Bonded Debt	Ratio of Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2004	29,916	\$ 198,820,419	\$ -	-%	\$ -
2005	29,916	217,835,200	-	-%	-
2006	29,916	227,027,833	2,285,053 (1)	1.01%	76.38
2007	29,916	245,408,994	2,215,277	0.90%	74.05
2008	29,916	258,729,934	2,093,224	0.81%	69.97
2009	29,916	258,567,357	1,960,001	0.76%	65.52
2010	28,364	267,804,471	1,817,691	0.68%	64.08
2011	28,364	272,424,245	1,672,256	0.61%	58.96
2012	28,364	273,268,791	7,311,637 (2)	2.68%	257.78
2013	28,364	281,693,338	9,046,969	3.21%	318.96

(1) In 2006, the City issued \$2,500,000 of Library Construction and Improvement Bonds to acquire land and construct a new city library.

CITY OF JACKSONVILLE, ARKANSAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT AS OF DECEMBER 31, 2013

	Debt Available for Retirement	Percentage Applicable	City's Share of Direct & Overlapping Debt
Direct:			
City of Jacksonville	\$ 9,047,952	100%	\$ 9,047,952
Overlapping:			
Pulaski County Special School District	<u>143,915,000</u>	20%	<u>28,783,000</u>
Total direct & estimated overlapping bonded debt	<u>\$ 152,962,952</u>		<u>\$ 37,830,952</u>



CITY OF JACKSONVILLE, ARKANSAS

LEGAL DEBT MARGIN INFORMATION LAST TEN YEARS

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Debt limit	\$ 39,764,084	\$ 54,458,800	\$ 56,756,958	\$ 61,352,249
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>2,285,053</u>	<u>2,215,277</u>
Legal debt margin	<u>\$ 39,764,084</u>	<u>\$ 54,458,800</u>	<u>\$ 54,471,905</u>	<u>\$ 59,136,972</u>
Total net debt applicable to the limit as a percentage of debt limit	-%	-%	4.03%	3.61%

Note: Computation of the City's legal debt margin is set forth in Amendments 78 and 62 to the Constitution of the State of Arkansas.

(1) General obligation debt is not to exceed 20% of assessed value.

(2) Short-term financing debt is not to exceed 5% of assessed value.

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 64,682,484	\$ 64,641,839	\$ 66,951,118	\$ 68,106,061	\$ 68,317,198	\$ 70,423,335
<u>2,093,224</u>	<u>1,960,001</u>	<u>1,817,691</u>	<u>1,672,256</u>	<u>7,014,419</u>	<u>8,772,496</u>
<u>\$ 62,589,260</u>	<u>\$ 62,681,838</u>	<u>\$ 65,133,427</u>	<u>\$ 66,433,805</u>	<u>\$ 61,302,779</u>	<u>\$ 61,650,839</u>
3.24%	3.03%	2.71%	2.46%	10.27%	12.46%

Legal Debt Margin Calculation for 2013

Assessed value	\$ 281,693,338
Debt limit:	
General obligation debt limitation (1)	56,338,668
Short-term financing debt limitation (2)	<u>14,084,667</u>
Total Debt Limitation	<u>70,423,335</u>
Debt applicable to limit:	
General obligation and short-term financing	9,047,952
Less: Amount set aside for repayment in debt service fund	<u>275,456</u>
Total net debt applicable to limit	<u>8,772,496</u>
Legal debt margin	<u>\$ 61,650,839</u>

CITY OF JACKSONVILLE, ARKANSAS

REVENUE BOND COVERAGE LAST TEN YEARS

	Year	Operating Revenue	Operating Expenses (1)	Net Revenue Available for Debt Service
Jacksonville Municipal Water Works	2004	\$ 3,316,404	\$ 2,913,948	\$ 402,456
	2005	4,312,073	3,013,466	1,298,607
	2006	4,663,214	3,222,035	1,441,179
	2007	5,383,683	3,424,310	1,959,373
	2008	5,428,299	3,654,003	1,774,296
	2009	5,368,334	4,312,394	1,055,940
	2010	6,137,715	3,830,624	2,307,091
	2011	6,837,937	4,069,853	2,768,084
	2012	7,352,372	4,266,956	3,085,416
	2013	6,756,347	4,873,636	1,882,711
Jacksonville Wastewater Utility	2004	\$ 2,742,525	\$ 2,239,995	\$ 502,530
	2005	3,208,983	2,282,432	926,551
	2006	3,491,841	2,428,467	1,063,374
	2007	3,868,469	2,441,636	1,426,833
	2008	3,953,064	2,632,217	1,320,847
	2009	4,070,352	2,677,216	1,393,136
	2010	4,096,783	2,685,644	1,411,139
	2011	3,913,742	2,646,923	1,266,819
	2012	4,132,309	2,612,691	1,519,618
	2013	4,583,752	3,177,026	1,406,726

Note: amounts shown are for the City's Discretely Presented Component Units.

(1) Excludes depreciation.

Debt Service Requirements			
Principal	Interest	Total	Coverage
\$ -	\$ -	\$ -	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	812,500	812,500	3.41
-	812,500	812,500	3.80
-	202,123	202,123	9.31
\$ -	\$ -	\$ -	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
285,000	882,818	1,167,818	1.19
300,000	868,568	1,168,568	1.21
315,000	853,568	1,168,568	1.08
330,000	837,818	1,167,818	1.30
350,000	821,318	1,171,318	1.20

CITY OF JACKSONVILLE, ARKANSAS

DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN YEARS

Year	Population		Personal Income (thousands of dollars (4))	Per Capita Income (1)	Median Age	Education Level in Years of Formal Schooling (1)	School Enrollment (2)	Unemployment Rate (3)
2004	29,916	(5)	\$ 559,609	\$ 18,706	29.5	15.0	6,728	6.5%
2005	29,916		825,712	27,601	30.7	15.0	6,741	4.9%
2006	29,916		825,712	27,601	30.7	15.0	6,726	5.4%
2007	29,916		913,156	30,524	31.1	15.0	6,715	5.8%
2008	29,916		588,238	19,663	30.9	15.0	6,234	6.0%
2009	29,916		595,269	19,898	29.9	15.0	6,092	8.0%
2010	28,364	(6)	566,656	19,978	30.0	15.0	5,826	8.5%
2011	28,364		582,738	20,545	30.0	15.0	5,527	7.9%
2012	28,364		600,097	21,157 (7)	30.8	15.0	5,333	8.0%
2013	28,364		577,378	20,356	31.2	15.0	5,279	7.7%

(1) Source: Metroplan-Council of Local Governments

(2) Source: Pulaski County Special School District

(3) Source: Arkansas Department of Workforce Services / www.discoverarkansas.net

(4) Estimation based on Per Capita Income and Population

(5) 2000 Census

(6) 2010 Census

(7) U.S. Census Bureau latest data is 2011

CITY OF JACKSONVILLE, ARKANSAS

PROPERTY VALUE, NEW CONSTRUCTION AND BANK DEPOSITS LAST TEN YEARS

	Commercial Construction		Residential Construction		Bank Deposits (1) (in Thousands)	Property Value
	Number of Permits	Value	Number of Permits	Value		
2004	31	\$ 9,461,417	127	\$ 14,707,038	\$ 195,477	\$ 994,102,095
2005	36	10,762,338	187	21,277,312	207,713	1,089,176,000
2006	40	6,342,442	143	14,725,700	247,885	1,135,139,165
2007	44	13,403,589	130	15,061,748	299,649	1,227,044,970
2008	50	12,455,314	61	8,046,180	315,532	1,293,649,670
2009	31	5,944,317	57	6,523,000	382,184	1,292,836,785
2010	27	9,898,467	60	8,665,968	445,870	1,339,022,355
2011	22	8,412,857	31	3,416,000	432,946	1,362,121,225
2012	29	16,654,110	102	10,687,144	435,620	1,366,343,955
2013	13	5,335,458	32	4,109,500	446,802	1,408,466,690

(1) Source: FDIC

Residential Construction is only new construction.

CITY OF JACKSONVILLE, ARKANSAS

PRINCIPAL EMPLOYERS CURRENT YEAR AND TEN YEARS AGO

<u>Employer</u>	<u>2013</u>			<u>2004</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Little Rock Air Force Base	10,413	1	42.05%	6,297	1	51.60%
Pulaski County Special School Distict	2,632	2	10.63%	573	2	4.70%
Pathfinder, Inc	1,200	3	4.85%	300	6	2.46%
Wal-Mart	380	4	1.53%	500	3	4.10%
North Metro Medical Center	*2 360	5	1.45%	500	4	4.10%
City of Jacksonville	328	3	1.32%	237	7	1.94%
First Arkansas Bank & Trust	260	7	1.05%	137	10	1.12%
First Electric Co-op	225	8	0.91%	n/a	n/a	0.00%
Arkansas Federal Credit Union	200	9	0.81%	n/a	n/a	0.00%
Lomanco, Inc.	185	10	0.75%	180	9	1.48%
Conestoga Wood Specialties, Inc.	n/a	n/a	n/a	200	8	1.64%
Graphic Packaging International	*1 n/a	n/a	n/a	400	5	3.28%
	<u>16,183</u>		<u>65.35%</u>	<u>9,324</u>		<u>76.41%</u>

Sources: Jacksonville Chamber of Commerce
Discover Arkansas.net-Labor Force Statistics

*1 Graphic Packaging International was known as Smurfit-Stone Container Corporation prior to 2008. In 2010 they were no longer in business.
*2 North Metro Medical Center was known as Rebsamen Medical Center prior to 2008.

CITY OF JACKSONVILLE, ARKANSAS

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM LAST TEN YEARS

<u>Function/Program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Government										
Management	12	12	12	12	13	11	12	12	12	12
Finance	7	7	7	7	8	8	8	7	7	8
Police										
Police Officers	74	74	74	74	76	74	76	76	76	79
Civilians	12	12	12	12	12	14	14	19	19	19
Firefighters										
Firefighters	48	48	49	51	51	51	51	53	53	55
Civilians	1	1	1	1	1	1	1	1	1	1
Emergency Medical Services	12	12	12	12	12	12	12	11	12	12
Public Works										
Engineer	3	3	3	3	3	3	3	3	3	4
Other	4	4	6	6	6	10	10	8	10	6
Streets	19	20	20	20	20	22	22	18	22	18
Emergency Communications (9-1-1)	13	13	13	14	14	13	13	13	14	15
Parks and Recreation	43	43	47	43	43	46	45	30	40	55
Sanitation Services	23	23	23	23	24	24	24	16	18	16
Community Development	3	3	3	3	2	3	2	2	2	2
Total Personnel	274	275	282	280	284	291	293	269	288	301

Source: City's Human Resource Department

Note: Does not include elected officials. Mayor acts as full-time Chief Executive Officer.

CITY OF JACKSONVILLE, ARKANSAS

OPERATING INDICATORS BY FUNCTION/PROGRAM LAST TEN YEARS

Function/Program	2004	2005	2006	2007
Police				
Call responses	31,565	28,655	29,396	30,984
Physical arrests	3,355	3,932	4,263	4,028
Parking/traffic violations	5,174	6,518	6,711	6,130
Fire				
Fire alarms	1,855	1,988	1,953	2,031
EMS alarms	2,184	2,346	2,455	2,444
Fire losses	\$ 2,308,400	\$ 649,450	\$ 1,553,050	\$ 199,660
Fire savings	\$ 6,811,450	\$ 3,610,000	\$ 3,221,950	\$ 958,590
911 Communications				
Ambulance land line calls	983	1,056	1,105	978
Ambulance wireless calls	1,201	1,290	1,350	1,466
Fire land line calls	835	895	879	812
Fire wireless calls	1,020	1,093	1,074	1,219
Police land line calls	14,204	12,895	13,228	12,394
Police wireless calls	17,361	15,760	16,168	18,590
Animal Shelter				
Animals handled	2,072	2,500	2,400	2,779
Adoptions	613	878	892	843
Rescued and released to owners	429	526	512	440
Animal cruelty investigations	242	247	354	355
Animal bite investigations	54	78	59	55
Refuse collection				
Refuse collected (cubic yards)	25,871	25,175	26,425	23,918
Recyclables collected,processed,and sold (tons)	595	536	590	606
Recycled yard waste (cubic yards)	36,835	47,345	30,899	30,927
Recycle drive-thru customers	4,565	6,500	6,871	7,400
Other public works				
Asphalt milling (square yards)	29,445	15,875	14,387	4,456
Asphalt overlay (tons)	5,758	5,050	3,610	4,064
Right-of-way and ditch mowing (miles)	1,676	1,450	1,850	1,850
Ditch cleaning (linear feet)	26,358	14,866	12,136	14,989
Pipe/culvert installation (linear feet)	271	1,688	868	710
Storm drain culverts cleaned/flushed (feet)	710	620	710	1,000
Roadways cleaned with street sweeper (miles)	2,450	3,150	9,318	9,318
Potholes repaired	194	202	115	148
Parks and recreation				
Park attendance	363,000	384,142	370,000	390,000
Community Center events booked	314	391	379	321
Pool parties-indoor pool	\$ 26,946	\$ 25,140	\$ 14,045 ^{*3}	\$ 17,255
Pool parties-outdoor pool	- ^{*1}	\$ 9,275 ^{*2}	\$ 18,420	\$ 17,125
Swim lessons	\$ 46,072	\$ 39,917	\$ 28,810	\$ 50,513

Source: Various City departments

Note: Indicators are not available for the general government function.

*1 Existing outdoor pool closed in 2004 for construction of Splash Zone, a new water park.

*2 Splash Zone, a new water park, opened in 2005.

*3 Indoor Pool activities were down in 2006 due to a temporary closure for repairs.

*4 Asphalt overlay project was put on hold in 2008 due to the high increase in fuel costs and the shortage of AC oil.

*5 Indoor Pool activities were down again in 2011. The indoor pool was closed for 8 months in 2011 due to heavy corrosion of the purlins.

2008	2009	2010	2011	2012	2013
35,682	37,672	47,895	47,217	48,167	49,659
4,480	4,343	4,362	4,007	4,050	3,804
5,244	5,472	7,865	7,146	7,399	5,996
2,158	1,884	2,640	3,129	3,129	4,141
2,561	2,667	2,841	3,125	3,216	3,120
\$ 983,851	\$ 785,600	\$ 380,450	\$ 407,600	\$ 963,342	\$ 829,630
\$ 2,562,150	\$ 1,833,020	\$ 2,630,600	\$ 990,800	\$ 1,113,900	\$ 3,014,880
784	830	852	1,406	1,447	1,404
1,828	1,938	1,989	1,718	1,769	1,716
648	635	792	1,408	1,408	1,863
1,510	1,481	1,848	1,721	1,721	2,278
10,705	11,302	14,369	21,248	21,675	1,712
24,977	26,370	33,527	25,969	26,492	2,092
2,515	2,325	2,176	2,063	1,762	1,563
845	869	915	758	564	595
394	405	431	416	419	374
107	85	145	156	107	73
49	40	34	39	33	35
26,419	22,451	23,648	22,503	21,027	21,542
615	649	675	665	609	579
38,950	33,633	32,816	35,768	32,910	33,456
7,680	10,023	8,474	7,500	6,696	7,826
- ^{*4}	19,591	6,111	7,113	8,308	15,513
- ^{*4}	5,245	2,554	1,655	1,956	2,574
1,850	1,850	1,850	1,850	1,850	1,850
16,405	17,008	12,906	11,398	22,322	22,322
170	1,152	1,423	1,000	2,158	2,577
1,500	2,000	3,000	3,000	3,000	3,000
9,318	9,318	9,318	9,318	9,318	9,318
190	247	256	241	167	202
465,114	329,462	487,600	349,525	356,321	375,000
323	323	376	325	338	350
\$ 18,880	\$ 22,240	\$ 24,579 ^{*5}	\$ 9,553	\$ 11,455	\$ 22,030
\$ 15,525	\$ 16,047	\$ 19,825	\$ 22,870	\$ 23,131	\$ 17,226
\$ 50,841	\$ 50,165	\$ 55,850	\$ 31,256	\$ 31,156	\$ 44,310

CITY OF JACKSONVILLE, ARKANSAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM LAST TEN YEARS

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Sub-stations	1	1	1	1	1	1	1	1	1	1
Patrol units	69	69	69	69	69	69	69	69	69	69
Fire										
Fire Stations	4	4	4	4	4	4	4	4	4	4
Fire trucks	4	4	4	4	4	4	4	4	4	4
Ambulances	4	4	4	4	4	4	4	4	4	4
Refuse Collection										
Collection trucks	14	14	15	18	18	18	18	18	18	18
Other public works										
Streets (miles)	113	117	117	118	119	120	120	121	121	121
Highways (miles)	43	43	43	43	43	43	43	52	52	52
Traffic signals (intersections)	23	24	24	24	24	24	24	24	24	24
Parks and recreation										
Acreage	280	280	280	280	283	283	313	318	318	318
Playgrounds	8	8	8	8	9	9	10	10	11	11
Baseball/softball diamonds	11	11	11	11	11	11	11	11	11	11
Soccer fields	4	4	4	4	4	4	4	4	4	4
Community centers	2	2	2	2	2	2	2	2	2	2
Water parks	0	0	1	1	1	1	1	1	1	1

Source: Various City departments.

CITY OF JACKSONVILLE, ARKANSAS

MISCELLANEOUS STATISTICAL DATA DECEMBER 31, 2013

Date of Incorporation September 6, 1941
Form of Government Mayor-Council

Area - Square Miles 29

Miles of Drainage & Sidewalks:

Drainage ditches maintained 279
 Sidewalks 48

Miles of Sewer:

Sanitary 177

Building Permits:	Number	Estimated Cost
Year	Issued	
2004	259	\$25,073,255
2005	317	33,346,625
2006	283	22,160,897
2007	290	29,926,144
2008	219	21,592,695
2009	217	14,288,536
2010	224	20,416,524
2011	171	13,250,658
2012	228	28,930,558
2013	158	10,620,237

Recreation:

Number of parks 16
 Number of indoor basketball courts 2
 Number of outdoor basketball courts 5
 Number of play fields 3
 Number of indoor swimming pools 1
 Number of outdoor swimming pools 3
 Number of pavilions 18
 Number of indoor volleyball courts 2
 Number of outdoor volleyball courts 1
 Number of racquetball courts 2
 Number of indoor fitness tracks 1
 Number of outdoor fitness tracks 6
 Number of cardiovascular/weight training areas 1
 Number of aerobics rooms 1
 Number of fishing lakes 4

(continued)

CITY OF JACKSONVILLE, ARKANSAS

MISCELLANEOUS STATISTICAL DATA DECEMBER 31, 2013

Education:

Number of school buildings	12
Number of teachers	411

Average Daily Attendance:

Preschool	90%
Elementary schools	95%
Middle schools	95%
High schools	93%

Municipal Water Plan:

Number of water meters	11,137
Average daily consumption in gallons	3.6 Million
Plant capacity in gallons	6 Million
Number of fire hydrants	920

Employees as of December 31, 2013:

	Total	Full Time	Seasonal and Part Time
City Government	301	270	31
Jacksonville Wastewater Utility	37	37	0
Jacksonville Municipal Water Works	33	33	0
Commissions:			
Advertising & Promotion	7	0	7
Board of Adjustment	5	0	5
Civil Service	5	0	5
Health Care (Develop.Disabled) Facility Board	5	0	5
Hospital Board	7	0	7
Jacksonville Housing Authority	5	0	5
North Pulaski Waterworks Pub.Facilities Board	5	0	5
Parks and Recreation	7	0	7
Planning	9	0	9
Residential Housing Facilities Board	4	0	4
Wastewater Utility	5	0	5
Water Works	5	0	5
Total Employees	439.5	340	99.5

(continued)

CITY OF JACKSONVILLE, ARKANSAS

MISCELLANEOUS STATISTICAL DATA DECEMBER 31, 2013

Surety Bonds of Principal Officials:

Mayor	\$	250,000
City Attorney		250,000
City Clerk		250,000
Municipal Judge		250,000
Director of Administration		250,000
Systems Administrator		250,000
Chief of Fire Department		250,000
Director of Emergency Communications		250,000
Chief of Police Department		250,000
Director of Engineering		250,000
Director of Public Works		250,000
Director of Housing and Neighborhood Programs		250,000
Director of Human Resources		250,000
Director of Finance		250,000
Director of Parks and Recreation		250,000
City Commissions		
General Manager - Wastewater Utility		250,000
General Manager - Municipal Water Works		250,000



OTHER REQUIRED REPORT



**Independent Auditor's Report on
Compliance With Certain State Acts**

Honorable Mayor and
Members of the City Council
City of Jacksonville, Arkansas

We have examined management's assertions that the City of Jacksonville, Arkansas, complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the year ended December 31, 2013.

- (1) Arkansas Municipal Accounting Law of 1973, § 14-59-101 et seq.;
- (2) Arkansas District Courts and City Courts Accounting Law, § 16-10-201 et seq.;
- (3) Improvement contracts, §§ 22-9-202 – 22-9-204;
- (4) Budgets, purchases, and payments of claims, etc., § 14-58-201 et seq. and 14-58-301 et seq.;
- (5) Investment of public funds, § 19-1-501 et seq.; and
- (6) Deposit of public funds, §§ 19-8-101 – 19-8-107.

Management is responsible for compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Jacksonville, Arkansas, complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2013.

This report is intended solely for the information and use of the governing body, management and the State of Arkansas, and is not intended to be and should not be used by anyone other than these specified parties.

McAlister & Associates, P.A.

McAlister & Associates, P.A.
Certified Public Accountants

Jacksonville, Arkansas
June 30, 2014



**Single
Audit
Section**



**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
In Accordance With *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Jacksonville, Arkansas, as of and for the year ended December 31, 2013, and the related notes to the basic financial statements, which collectively comprise the City of Jacksonville, Arkansas' basic financial statements, and have issued our report thereon dated June 30, 2014. Our report includes a reference to other auditors who audited the financial statements of Jacksonville Municipal Water Works and Jacksonville Wastewater Utility as described in our report on the City of Jacksonville, Arkansas' financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

We noted certain matters that we reported to the City's management in a separate letter dated June 30, 2014.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McAlister & Associates, P.A.

McAlister & Associates, P.A.
Certified Public Accountants

Jacksonville, Arkansas
June 30, 2014

**Independent Auditor's Report on Compliance for Each Major Federal Program
and on Internal Control Over Compliance Required By OMB Circular A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Jacksonville, Arkansas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Jacksonville, Arkansas' major federal programs for the year ended December 31, 2013. The City of Jacksonville, Arkansas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Jacksonville, Arkansas' major federal programs based on our audit of the types of compliance requirements referred to above.

The City's basic financial statements include the operations of Jacksonville Municipal Water Works which expended \$3,138,146 in federal awards. This amount is not included in the City's schedule of expenditures of federal awards for the year ended December 31, 2013. Our audit, described below, did not include the operations of Jacksonville Municipal Water Works because Jacksonville Municipal Water Works engaged other auditors to perform a separate audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of the City of Jacksonville, Arkansas' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Jacksonville, Arkansas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control over Compliance

Management of the City of Jacksonville, Arkansas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Jacksonville, Arkansas' internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Jacksonville, Arkansas' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance noncompliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

McAlister & Associates, P.A.

McAlister & Associates, P.A.
Certified Public Accountants

Jacksonville, Arkansas
June 30, 2014

CITY OF JACKSONVILLE, ARKANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2013

Cluster/Program	Federal Agency/ Pass-Through Agency	CFDA Number	Amount Expended
Community Development Block Grants/ Entitlement Grants	U.S. Department of Housing and Urban Development	14.218	\$ 354,424
	CDBG cluster total		354,424
State and Community Highway Safety	U. S. Department of Transportation Arkansas State Highway and Transportation	20.600	5,722
Alcohol Impaired Driving Countermeasures Incentive Grants 1	U. S. Department of Transportation Arkansas State Highway and Transportation	20.601	12,838
Occupant Protection Incentive Grants	U. S. Department of Transportation Arkansas State Highway and Transportation	20.602	25,059
	Highway Safety cluster total		43,619
Community Development Block Grants/ Disaster Recovery Assistance	U.S. Department of Housing and Urban Development/Arkansas Economic Development Commission	14.228	52,283
HOME Investment Partnerships Program	U.S. Department of Housing and Urban Development / Arkansas Development Finance Authority	14.239	205,058
Organized Crime Drug Enforcement Task Force State and Local Overtime	U.S. Department of Justice/ Drug Enforcement	16.000	12,515
Juvenile Justice and Delinquency Prevention Program	U.S. Department of Justice / Arkansas Department of Human Services	16.540	14,079
Bulletproof Vests Partnership Program	U.S. Department of Justice	16.607	4,489
Public Safety Partnership and Community Policing Grant	U.S. Department of Justice	16.710	168,694
Edward Byrne Memorial Justice Assistance Grant	U.S. Department of Justice	16.738	44,019
Equitable Sharing Program-Asset Forfeiture	U.S. Department of Justice	16.922	85,791
Highway Planning and Construction	U. S. Department of Transportation Arkansas State Highway and Transportation	20.205	100,000
			<u><u>\$ 1,084,971</u></u>

CITY OF JACKSONVILLE, ARKANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2013

General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Jacksonville, Arkansas. All federal financial assistance received by the City directly from federal agencies, as well as federal financial assistance passed through other government agencies, is included on the schedule

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CFDA and Contract Numbers

Federal CFDA numbers are from the Catalog of Federal Domestic Assistance published by the Office of Management and Budget and the General Services Administration.

Subrecipients

Of the federal expenditures presented in the accompanying Schedule of Expenditures of Federal Awards, the City of Jacksonville, Arkansas provided federal awards to subrecipients as follows:

<u>Program</u>	<u>CFDA Number</u>	<u>Subrecipient</u>	<u>Amount Provided</u>
Community Development Block Grants/Entitlement Grants	14.218	Jacksonville Care Channel For The Needy Fishnet Missions	\$ 8,000 824 <u>\$ 8,824</u>

CITY OF JACKSONVILLE, ARKANSAS

SCHEDULE OF EXPENDITURES OF STATE AWARDS YEAR ENDED DECEMBER 31, 2013

<u>Program Grantor / Program Title</u>	<u>State Awards</u>
Arkansas Department of Environmental Quality Solid Waste Management and Recycling Grant	\$ 6,500
Arkansas Department of Health Low Income Swim Lessons	2,000
Arkansas Game and Fish Commission Wildlife Observation Trail Grant	39,658
Total State Awards	<u>\$ 48,158</u>



CITY OF JACKSONVILLE, ARKANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2013

Summary of Auditor's Results

1. The opinion(s) expressed in the independent auditor's report was (were):
 Unmodified Qualified Adverse Disclaimed

2. The independent auditor's report on internal control over financial reporting disclosed:
Significant deficiency(ies)? Yes None reported
Material weakness(es)? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

4. The independent auditor's report on internal control over compliance with requirements applicable to major federal awards programs disclosed:
Significant deficiency(ies)? Yes None reported
Material weakness(es)? Yes No

5. The opinion(s) expressed in the independent auditor's report on compliance with requirements applicable to major federal awards was:
 Unmodified Qualified Adverse Disclaimed

6. The audit disclosed findings that are required to be reported by OMB Circular A-133? Yes No

CITY OF JACKSONVILLE, ARKANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2013

7. The City's major programs were:

Cluster/Program	CFDA Number
Community Development Block Grant (CDBG)	14.218

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$300,000.

9. The City qualified as a low-risk auditee as that term is defined in OMB Circular A-133? Yes No

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
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No matters are reportable.

Findings Required to be Reported by *OMB Circular A-133*

Reference Number	Finding	Questioned Costs
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No matters are reportable.