

CITY OF JACKSONVILLE, ARKANSAS



Comprehensive Annual Financial Report For the Fiscal Year Ended December 31, 2014

In Memory of Ron Newport

July 1930 – July 2015



On April 25, 2014, the City of Jacksonville dedicated the Recycling Education Park in Ron Newport's name due to his commitment to recycling and recycling education.

“It was under his leadership that Keep Jacksonville Beautiful took off as far expanding and developing from picking up litter to art and culture we now see around the city. Sculpture can now be found both at City Hall as well as at the new Public Safety Building. He has been instrumental in bringing a major work of art to the grounds at the Nixon Library. Murals painted by local high school art students now adorn the walls of buildings on Main Street. Ron developed the idea of the Recycling Park both to expand the arts through recycled material but also as an educational center for both school children and adults. I can't think of anyone so worthy to recognize and pay tribute to than Ron Newport and I want his legacy to carry on for decades to inspire others. Those who truly make the greatest contributions and impact in our society many times are everyday citizens following their passion that want the world to be a better place than they found it. That's Ron Newport.” Mayor Gary Fletcher.

Comprehensive Annual Financial Report

**City of Jacksonville,
Arkansas**

Fiscal Year Ended

December 31, 2014

Prepared by:

FINANCE DEPARTMENT

Cheryl Erkel, CGFM
DIRECTOR OF FINANCE



CITY OF JACKSONVILLE, ARKANSAS

YEAR ENDED DECEMBER 31, 2014

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YEAR ENDED DECEMBER 31, 2014

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CITY OF JACKSONVILLE, ARKANSAS

YEAR ENDED DECEMBER 31, 2014

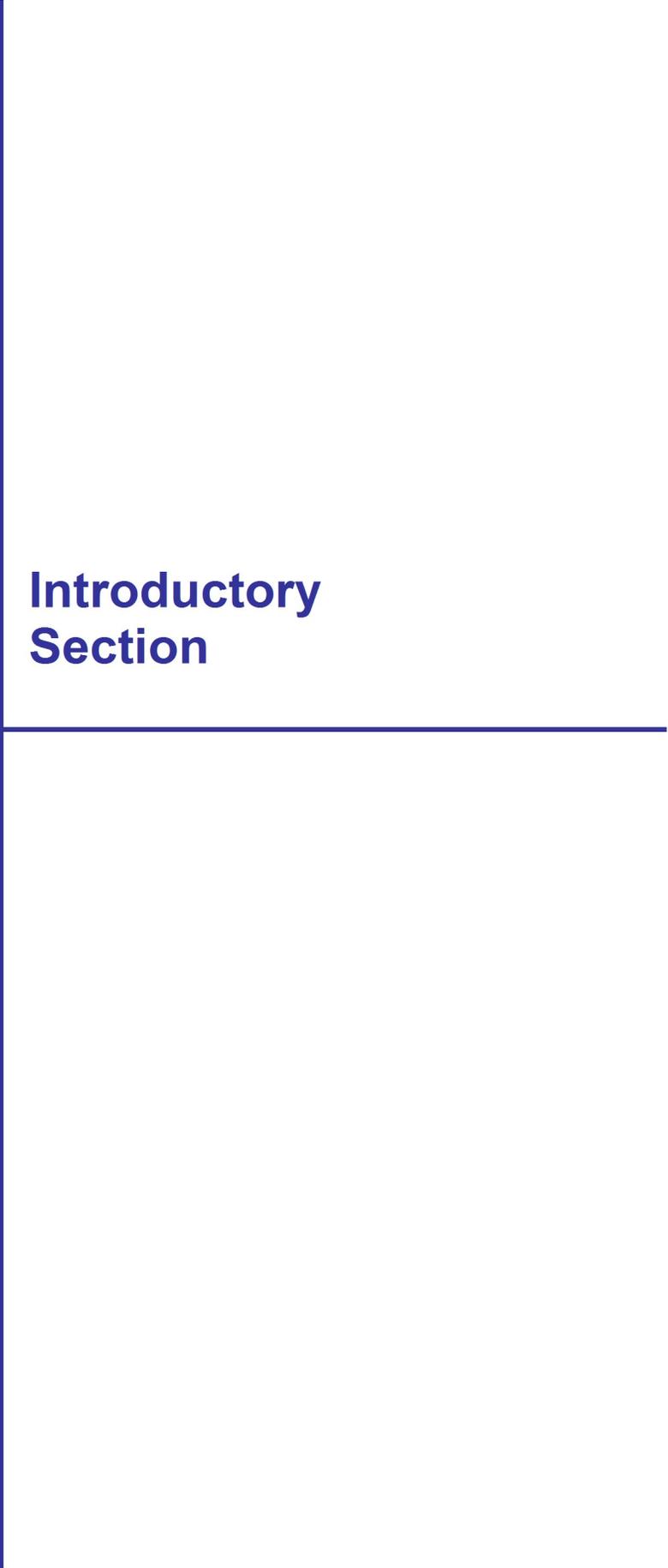
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Introductory Section



City of Jacksonville, Arkansas

#1 Municipal Drive
Jacksonville, AR 72076



June 30, 2015

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, 2014. 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 Compliance. 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, 2014 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, 2014, 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.

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 5.6% for 2014. 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 7.7% in 2013 to 6.1% in 2014. The first few months of 2015 have shown an increase in the economic climate with the national unemployment rate decreasing to 5.5% and the City's rate decreasing to 5.7%.

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 1% for 2013 and an increase of 1% for 2014. On average, the sales tax revenue supports approximately 64% 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.

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 2014, the Police Department purchased tasers and body cameras along with Special Response Team equipment with the revenues from grants. And the Animal Shelter received a mobile adoption unit through donations.

Major Initiatives. Jacksonville is continuously looking for ways to improve the city to ensure the safety of its citizens. In 2014, a roundabout at Main Street and Harris Road was completed to improve traffic flow and the safety of pedestrians crossing. Sidewalks continued to be added as well as curbs and gutters.

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 opened February 1, 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 completed this year with 20 targets along with an RV park.

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 has completed the construction of a wildlife observation trail at Paradise Park. The trail promotes

wildlife observation, attracting and increasing tourism, promotes economic development as well as a healthy lifestyle.

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, 2013. 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 Wendie Key. 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**

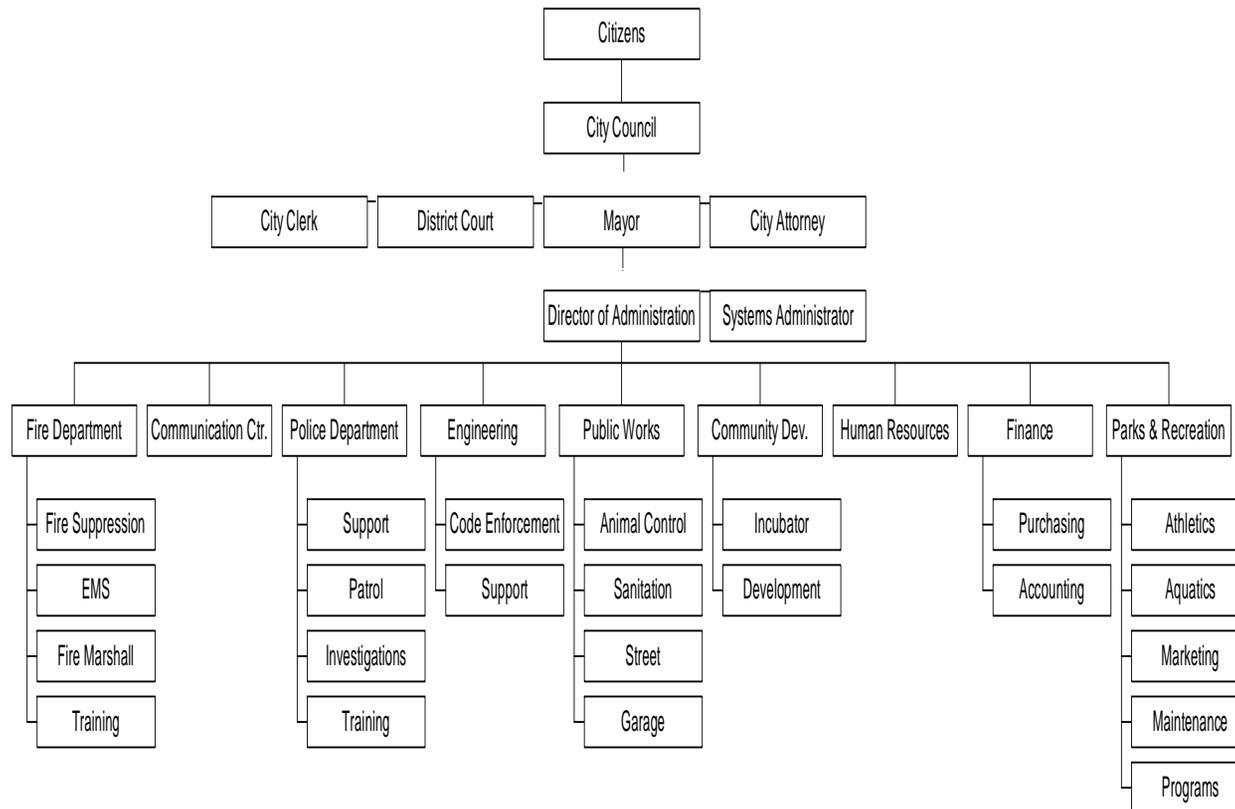
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO



City of Jacksonville Organizational Structure



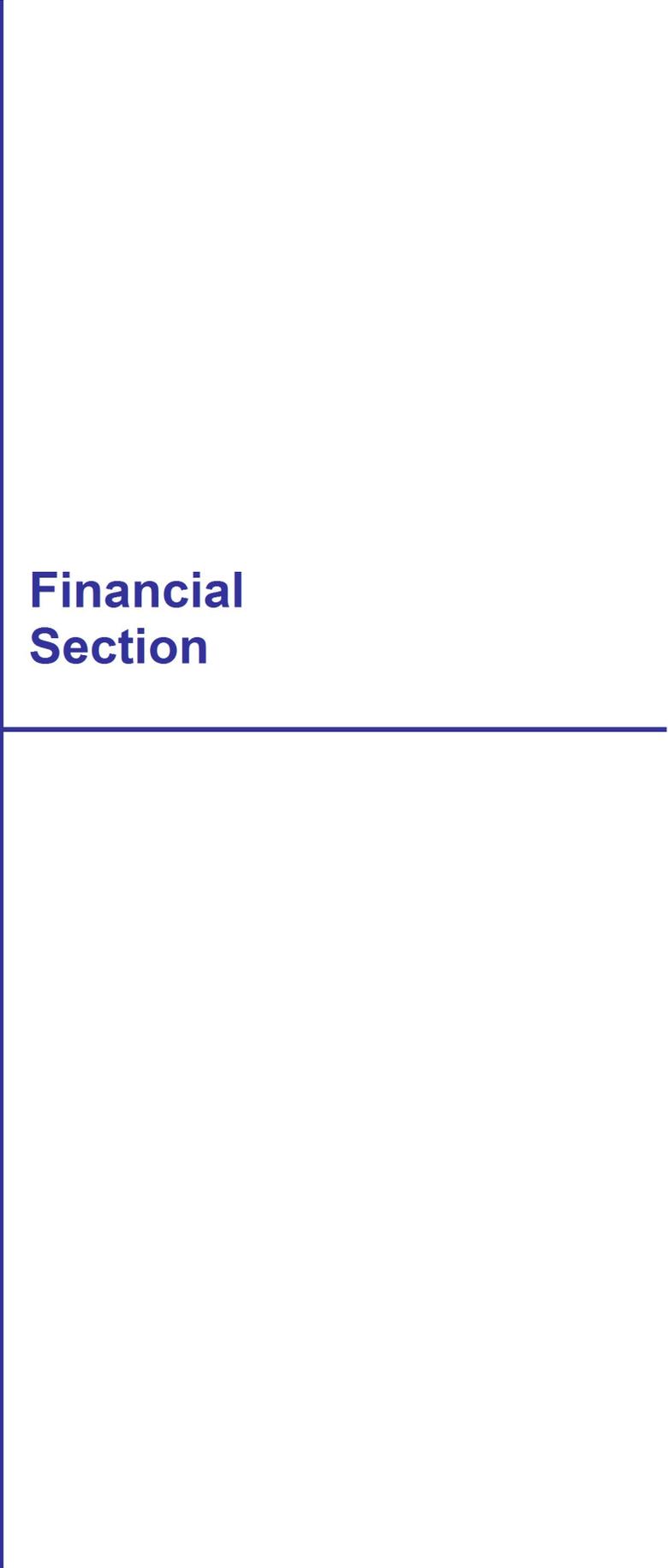
**City of Jacksonville, Arkansas
List of Elected and Appointed Officials
December 31, 2014**

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 Bamburg		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	Kenny Boyd
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 (the City) as of and for the year ended December 31, 2014, 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 91%, 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

Opinions

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, 2014, 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.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2014, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans, an Amendment of GASB Statement No.25*. Our opinions are not modified with respect to this matter.

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/other postemployment benefit information 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's basic financial statements. The accompanying supplementary information including the combining and individual fund statements, budgetary comparison schedule-street fund and the statement of changes in assets and liabilities – agency fund as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information including the combining and individual fund statements, budgetary comparison schedule-street fund and the statement of changes in assets and liabilities – agency fund, 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.

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

In our opinion, based on our audit and the procedures performed as described above, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The introductory section and statistical section 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2015, on our consideration of the City's 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's internal control over financial reporting and compliance.

McAlister & Associates, P.A.

McAlister & Associates, P.A.
Certified Public Accountants

Jacksonville, Arkansas
June 30, 2015

City of Jacksonville, Arkansas



Management's Discussion and Analysis

For the Year Ended December 31, 2014

Office of the Finance Director, Cheryl Erkel, CGFM
#1 Municipal Drive, Jacksonville, AR 72076
Phone: (501) 982-4502 Fax: (501) 985-9768
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, 2014. 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 2014 by \$50,032,604 (net position). Of this amount, \$4,367,899 is considered unrestricted net position. The unrestricted net position of the City's governmental activities is \$2,694,078 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 \$1,673,821, 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 increased by \$878,827 in 2014. Net position of the governmental activities increased by \$581,977 in 2014, which was a 1% increase from beginning net position. Net position of the business-type activities increased by \$296,850 in 2014, which was a 13% increase from beginning net position.
- As the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,856,505, which was a decrease of \$234,005 from the prior year. The unassigned portion of the fund balances is \$2,375,306, which represents 41% 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 \$2,435,403 at the end of the current fiscal year. The unassigned fund balance for the General Fund was \$2,375,306 or 12% of total General Fund expenditures. There was a \$669,575 decrease in the total fund balance for the General Fund for the year ended December 31, 2014.
- At the close of the current fiscal year, net position of fiduciary funds was \$13,566,673 in trust for pension benefits. There was a \$271,478 decrease in the total fiduciary net position held in trust for the year ended December 31, 2014.

- The City’s component units reported net position of \$61,461,834 as of December 31, 2014, a decrease of \$539,225 compared to December 31, 2013 net position of \$62,001,059.

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

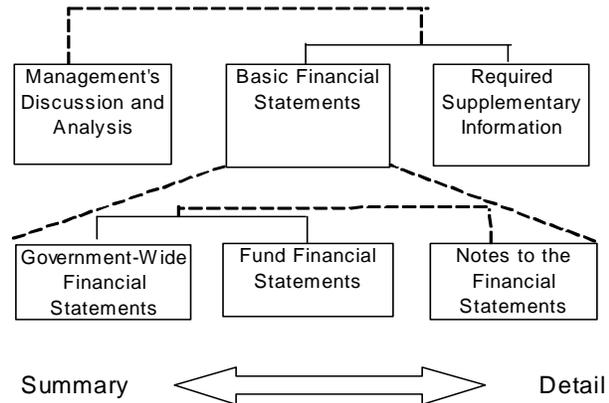


Figure B. Major features of the City's Government-wide and Fund Financial Statements

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 information on all of the City's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, as applicable, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the year. All changes in net position 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 reported in this statement for some items will only result in cash flows in future 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 discretely presented 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 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 eight individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, the Street Fund, Special Projects Fund, and 2006 Library Debt Service Fund, which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major 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 32 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 36 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 own 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 76 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 78 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 88 through 89 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 \$50,032,604 at the close of 2014.

The largest portion of the City’s net position (88%) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, machinery, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. 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	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 8,493,597	\$ 9,052,959	\$ 1,824,787	\$ 1,613,334	\$ 10,318,384	\$ 10,666,293
Capital assets	50,431,628	51,105,083	1,465,190	1,659,211	51,896,819	52,764,294
Total assets	58,925,225	60,158,042	3,289,977	3,272,545	62,215,202	63,430,587
Long-term liabilities outstanding	8,131,289	9,641,683	193,692	498,487	8,324,981	10,140,170
Other Liabilities	3,424,444	3,729,405	432,611	407,234	3,857,055	4,136,639
Total liabilities	11,555,733	13,371,088	626,303	905,721	12,182,036	14,276,809
Net Position:						
Invested in capital assets						
net of related debt	42,843,428	42,058,114	989,853	887,393	43,833,282	42,945,507
Restricted	1,831,423	1,184,762	-	-	1,831,423	1,184,762
Unrestricted	2,694,641	3,544,078	1,673,821	1,479,431	4,368,462	5,023,509
Total Net Position	\$ 47,369,493	\$ 46,786,954	\$ 2,663,674	\$ 2,366,824	\$ 50,033,167	\$ 49,153,778

An additional portion of the City's net position, \$1,831,423 (3.7%) represents resources that are subject to restrictions as to how they may be used. The remaining balance of unrestricted net position of \$4,367,899 represents 8.8% of the City's net position and is available for expenditures.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
<i>Program revenues:</i>						
Charges for services	\$ 2,448,522	\$ 2,114,356	\$ 3,235,114	\$ 3,040,737	\$ 5,683,636	\$ 5,155,093
Operating grants and contributions	4,598,762	4,428,410	-	6,500	4,598,762	4,434,910
Capital grants and contributions	211,790	685,232	-	-	211,790	685,232
	<u>7,259,074</u>	<u>7,227,997</u>	<u>3,235,114</u>	<u>3,047,237</u>	<u>10,494,188</u>	<u>10,275,234</u>
<i>General revenues:</i>						
Property taxes	838,864	826,033	-	-	838,864	826,033
Sales taxes	13,406,409	13,164,041	-	-	13,406,409	13,164,041
Franchise taxes	1,137,932	1,292,667	-	-	1,137,932	1,292,667
Investment earnings	5,059	7,026	908	688	5,967	7,714
Intergovernmental revenues	470,303	433,463	-	-	470,303	433,463
Gain/(loss) on sales of capital assets	-	31,775	-	-	-	31,775
Other	331,187	-	-	-	331,187	-
Total general revenues	<u>16,189,754</u>	<u>15,755,005</u>	<u>908</u>	<u>688</u>	<u>16,190,662</u>	<u>15,755,693</u>
Total revenues	<u>23,448,828</u>	<u>22,983,002</u>	<u>3,236,022</u>	<u>3,047,925</u>	<u>26,684,850</u>	<u>26,030,927</u>
Expenses						
General government	2,954,074	3,052,269	-	-	2,954,074	3,052,269
Public works	2,247,748	3,605,742	-	-	2,247,748	3,605,742
Parks and recreation services	3,380,464	2,953,709	-	-	3,380,464	2,953,709
Public safety	13,360,106	14,051,451	-	-	13,360,106	14,051,451
Housing and neighborhood programs	239,470	588,290	-	-	239,470	588,290
Interest on long-term debt	224,750	154,499	-	-	224,750	154,499
Sanitation services	-	-	1,522,422	1,585,114	1,522,422	1,585,114
Emergency medical services	-	-	1,876,427	1,615,704	1,876,427	1,615,704
Total expenses	<u>22,406,612</u>	<u>24,405,960</u>	<u>3,398,849</u>	<u>3,200,818</u>	<u>25,805,461</u>	<u>27,606,778</u>
Change in net position before transfers	1,042,216	(1,422,958)	(162,827)	(152,893)	879,389	(1,575,851)
Transfers	(459,677)	(590,000)	459,677	590,000	-	-
Change in net position	<u>582,539</u>	<u>(2,012,958)</u>	<u>296,850</u>	<u>437,107</u>	<u>879,389</u>	<u>(1,575,851)</u>
Net assets, Beginning of Year, as previously reported	46,786,954	48,799,911	2,366,824	1,929,717	49,153,778	50,729,628
Adjustment applicable to prior years	-	-	-	-	-	-
Adjustment applicable to change in accounting	-	-	-	-	-	-
Net Position - January 1	<u>46,786,954</u>	<u>48,799,911</u>	<u>2,366,824</u>	<u>1,929,717</u>	<u>49,153,778</u>	<u>50,729,628</u>
Net Position - December 31	<u>\$ 47,369,493</u>	<u>\$ 46,786,954</u>	<u>\$ 2,663,674</u>	<u>\$ 2,366,824</u>	<u>\$ 50,033,167</u>	<u>\$ 49,153,777</u>

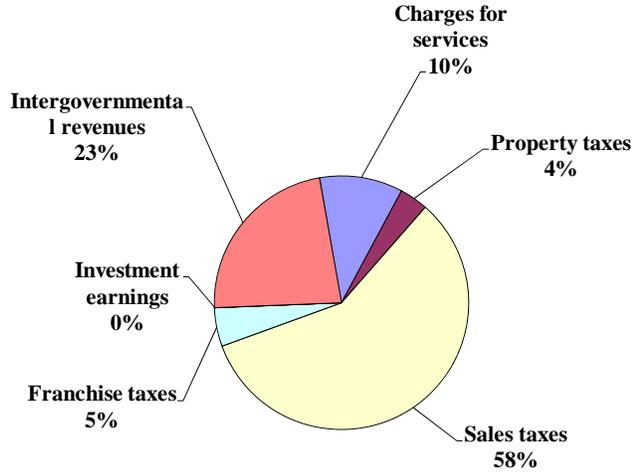
Governmental Activities - Governmental activities increased the City's net position by \$582,539. The main elements of the current period changes are:

- The continued construction on the Arkansas Game and Fish Foundation Shooting Complex.

Revenues by Source-Governmental Activities

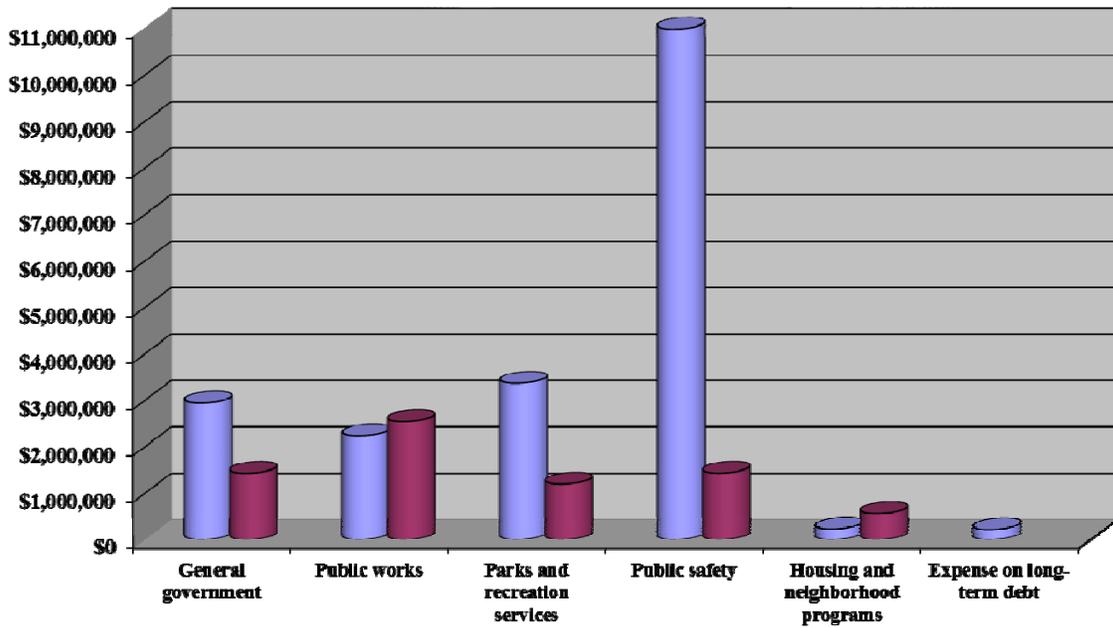
- Additional long term debt obligations obtained for financing capital projects.

Sales taxes represent 58% or \$13,406,409 of the City's governmental revenue in 2014, grants and contributions added \$5,141,739 or 23% to total revenues, and charges for services added \$2,448,522 or 10% to total revenues.

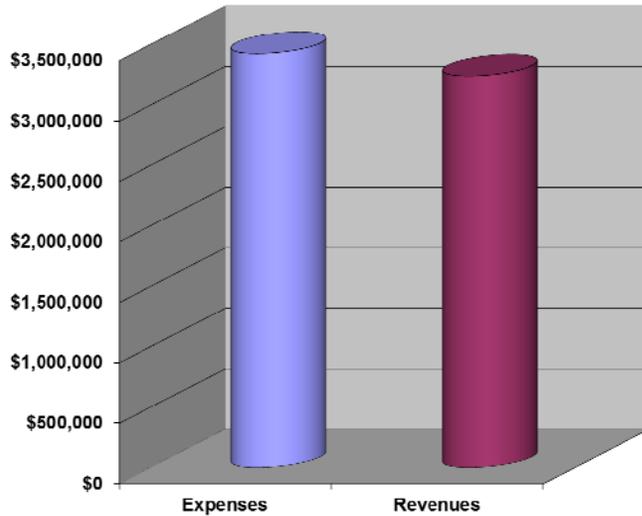


Expenses and Program Revenues-Governmental Activities

■ Expenses ■ Revenues



Expenses and Program Revenue-Business-type Activities



Business-type Activities - Business-type activities increased the City's net position by \$296,850.

Sanitation Services accounts for about 65% 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 \$1,847,490 for 2014 compared to \$1,908,726 in 2013. Total expenses for 2014 were \$1,522,422 compared to

\$1,585,114 in 2013. Revenues decreased due to a decrease in recycling income and miscellaneous revenues. Expenses decreased due to reduction in number of employees and operating expenses.

Emergency Medical Services accounts for about 35% of the business-type activities. Ambulance service fees are billed through the City's finance department. The charges for services were \$1,387,624 for 2014 compared to \$1,132,011 in 2013. Total expenses for 2014 were \$1,876,427 compared to \$1,615,704 in 2013. Revenues increased as a result of increased ambulance run volume. Expenses increase in employee salary and benefits.

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, 2014, the City's governmental funds reported combined ending fund balances of \$5,856,505 a decrease of \$234,567 in comparison with the prior year. Approximately, 41% of this total, or \$2,375,306, 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, 2014, the total fund balance of the General Fund was \$2,435,403 of which \$2,375,306 was unassigned. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balances and total fund balance to total fund expenditures, (including transfers out). Unassigned fund balance represents 11.7% of total General Fund expenditures while total fund balances represents 11.9% of the same amount. The fund balances of the General Fund decreased by \$669,575 during 2014.

Key factors in this decrease are as follows:

- Total expenditures exceeded revenues by \$551,575. The expenditures associated with opening the Arkansas Game and Fish Shooting Range exceeded donation revenues earmarked for the project.
- Transfers out exceeded transfers in by \$118,000.

The Street Fund had a total fund balance of \$1,220,516, which was an increase of \$555,459 from 2013. The total amount of the fund balance is classified as restricted. The majority of this increase was due to fewer drainage projects in 2014 compared to 2013.

The Special Projects Funds had a total fund balance of \$1,597,837, which was a decrease of \$212,005 from 2013. 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	\$ 376,796	\$ 286,406
Capital Drainage	424,664	(275,216)
Capital Equipment	796,377	(223,194)

The 2006 Library Debt Service Fund had a total fund balance of \$297,136, which was an increase of \$21,680 from 2013. The total amount of fund balance is classified as restricted. This increase is the result of increased property tax revenue and decrease in debt service expenses.

The City maintains four non-major governmental funds in addition to the above mentioned major funds. These funds had a total fund balance of \$305,613. The net increase in the fund balances during 2014 for these funds was \$69,874. The ending fund balances and net changes for the non-major funds were:

<u>Fund</u>	<u>Ending Balance</u>	<u>Net Change</u>
Grants	\$ 13,187	\$ 11,975
CDBG	79,031	(2,325)
HOME	71,156	32,857
Asset Forfeiture	142,239	27,367

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 \$1,739,310 in 2014 which was an increase of \$325,941 compared to \$1,413,369 in 2013. 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 Services Enterprise Fund in 2014 was \$924,364 which was a decrease of \$29,091 from \$953,455 in 2013. This decrease was due to a reduction 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 2014 General Fund amended budget appropriated \$20,494,176 as compared to the 2013 budget of \$20,277,837, a decrease of approximately 1%. The budget was amended due to shortfall in revenues from sales taxes and contributions from the Arkansas Game and Fish Foundation for the Shooting Range.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for governmental and business-type activities as of December 31, 2014, amounts to \$51,896,819 (net of accumulated depreciation). This investment in capital assets includes land, buildings and building improvements, improvements other than buildings, equipment, infrastructure, and construction in progress. The total decrease in the City's investment in capital assets for the current fiscal year was \$867,475 net of depreciation, a 1.6% decrease.

City of Jacksonville
Capital Assets, net of depreciation

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 10,779,642	\$ 10,567,852	\$ -	\$ -	\$10,779,642	\$10,567,852
Land improvements	871,621	853,817	-	-	871,621	853,817
Infrastructure	10,720,793	9,380,815	-	-	10,720,793	9,380,815
Buildings	23,324,553	20,972,268	-	-	23,324,553	20,972,268
Vehicles	660,403	861,788	775,423	1,135,013	1,435,826	1,996,801
Equipment	3,772,065	4,302,935	689,768	524,199	4,461,833	4,827,134
Construction in progress	302,552	4,165,610	-	-	302,552	4,165,610
Total	\$ 50,431,628	\$ 51,105,083	\$ 1,465,190	\$ 1,659,211	\$51,896,820	\$52,764,294

Major capital asset events that occurred during 2014 included the following:

- Infrastructure increased due to the completion of a round-a-bout at the intersection of Main and Harris Roads.
- Buildings increased due to the completion of the Club house and pavilions at the shooting range.

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, 2014, the City's primary government had long-term bonds outstanding of \$1,405,000. These bonds are secured solely by specified revenue sources. The City's long-term debt decreased by \$175,000 during 2014. This resulted from the maturity of \$55,000 in long-term bonds outstanding plus \$120,000 long-term bonds redeemed with an early call provision.

At December 31, 2014, the City had notes payable of \$4,104,899. 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 refinance the purchase of property and the construction of the Arkansas Game and Fish Foundation Shooting Complex.

At December 31, 2014, the City also had a capital lease agreement in the amount of \$2,075,153. This lease agreement is for the AWIN Communications upgrade with annual payments to be completed in five years.

The City is within all of its legal debt limitations. Under the Arkansas Constitution, the City is allowed to issue, with voter approval, general obligation debt up to 20% of total assessed valuation. Outstanding general obligation bonds at December 31, 2014, of \$1,405,000 are well below the statutory limit of \$57,931,609. The City is allowed to issue short-term financings (maturities of less than five years) up to 5% of total assessed valuation. Outstanding short-term financings at December 31, 2014, of \$4,104,899 are well below the statutory limit of \$14,482,902. Voter approval is not required for short-term financing.

Additional information regarding the City's long-term debt can be found in *Note 4* on pages 58-59 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 recognized the economy has improved at an incredibly slow pace when compared to past recessions. With stagnant growth in revenue in many areas, the City considered the impact on its primary revenue source which is sales tax.

The Mayor and City Council determined 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 complete the expansion of the Arkansas Game & Fish Foundation Shooting Sports Complex. Next, they will be working to entice new businesses to relocate within our city limits. Additionally, the citizens of the City of Jacksonville voted to become its own school district. The City is confident these objectives will 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 unassigned fund balance of 16.6% of operating expenditures. With this in mind, the 2015 budgets were adopted for the General Fund at \$20,657,218 and the Street Fund at \$2,234,746.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Finance Director's Office, #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, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Current Assets				
Cash and cash equivalents	\$ 1,493,684	\$ 599,027	\$ 2,092,711	\$ 11,315,969
Restricted cash and investments, current	26,219	-	26,219	2,464,864
Investments	1,500,000	200,000	1,700,000	1,479,317
Receivables, net of allowance for uncollectible accounts				
Taxes	1,613,349	-	1,613,349	-
Sales taxes	2,386,289	-	2,386,289	-
Accounts	93,098	1,025,701	1,118,799	2,410,379
Accrued interest	427	59	486	397
Grants and other governments	192,607	-	192,607	-
Other	175,353	-	175,353	-
Inventories	49,285	-	49,285	459,076
Prepaid expenses and other	-	-	-	42,112
Total current assets	7,530,311	1,824,787	9,355,098	18,172,114
Noncurrent Assets				
Restricted assets				
Cash and cash equivalents	419,605	-	419,605	585,665
Less amount required to meet current obligations	(26,219)	-	(26,219)	-
Total restricted assets	393,386	-	393,386	585,665
Capital assets				
Nondepreciable	11,082,194	-	11,082,194	914,842
Depreciable, net	39,349,434	1,465,190	40,814,625	75,526,294
	50,431,628	1,465,190	51,896,819	76,441,136
Other assets				
Net pension asset	569,337	-	569,337	-
Deferred charges	-	-	-	121,318
Total other assets	569,337	-	569,337	121,318
Total noncurrent assets	51,394,352	1,465,190	52,859,542	77,148,119
Total Assets	\$ 58,924,662	\$ 3,289,977	\$ 62,214,639	\$ 95,320,233

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	\$ 268,377	\$ 65,868	\$ 334,245	\$ 1,423,472
Accrued wages payable and related liabilities	360,923	38,024	398,947	-
Accrued expenses and other	153,664	-	153,664	267,030
Accrued interest payable	26,219	1,307	27,526	298,057
Compensated absences, current	588,507	45,767	634,274	-
Bonds payable, current	60,000	-	60,000	1,119,987
Notes payable, current	1,514,150	281,645	1,795,795	2,536
Capital lease obligation, current	324,135	-	324,135	-
Due to fiduciary funds	43,191	-	43,191	-
Unearned revenue	85,278	-	85,278	-
Total current liabilities	3,424,444	432,611	3,857,055	3,111,082
Noncurrent liabilities				
Notes payable	2,590,749	193,692	2,784,441	29,380
Capital lease obligation	1,751,018	-	1,751,018	-
Bonds payable, net of unamortized discount	1,344,381	-	1,344,381	29,871,098
Customer deposits	-	-	-	711,163
Compensated absences	25,870	-	25,870	-
Net pension obligation	2,050,471	-	2,050,471	-
Net OPEB obligation	368,800	-	368,800	-
Other long-term liabilities	-	-	-	135,676
Total noncurrent liabilities	8,131,289	193,692	8,324,981	30,747,317
Total liabilities	11,555,733	626,303	12,182,036	33,858,399
Net position				
Net investment in capital assets	42,843,428	989,853	43,833,282	46,494,910
Restricted - expendable				
Capital projects	-	-	-	1,642,393
Street maintenance	1,220,516	-	1,220,516	-
Debt service	297,136	-	297,136	-
Law enforcement activities	142,239	-	142,239	-
Housing and neighborhood programs	150,187	-	150,187	-
Grant funds	21,345	-	21,345	-
Total restricted - expendable	1,831,423	-	1,831,423	1,642,393
Unrestricted	2,694,078	1,673,821	4,367,899	13,324,531
Total net position	47,368,930	2,663,674	50,032,604	61,461,834
Total Liabilities and Net Position	\$ 58,924,662	\$ 3,289,977	\$ 62,214,639	\$ 95,320,233

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2014

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	\$ 538,999	\$ 183,919	\$ 205,000	\$ -
City council	129,174	-	-	-
Office of the mayor	239,117	-	-	-
City clerk	137,910	-	-	-
City attorney	177,245	-	-	-
District court	340,907	812,509	-	-
Director of administration	114,063	-	-	-
Information technology	233,713	-	-	-
Finance	470,372	20,001	-	-
Human resources	227,865	-	-	-
Fleet services	151,582	22,950	-	-
Community programs	193,128	-	324,600	-
Public works	2,247,748	87,505	2,262,865	211,790
Parks and recreation services	3,381,026	980,103	511,434	-
Police	7,507,452	25,464	482,594	-
Fire	4,498,167	1,968	605,954	-
Emergency communication services	1,035,881	221,994	-	-
Animal control	318,606	24,415	5,398	-
Housing and neighborhood programs	239,470	67,693	200,917	-
Interest expense on long-term debt	224,750	-	-	-
Total governmental activities	<u>22,407,174</u>	<u>2,448,522</u>	<u>4,598,762</u>	<u>211,790</u>
Business-type Activities				
Sanitation services	1,522,422	1,847,490	-	-
Emergency medical services	1,876,427	1,387,624	-	-
Total business-type activities	<u>3,398,849</u>	<u>3,235,114</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 25,806,023</u>	<u>\$ 5,683,636</u>	<u>\$ 4,598,762</u>	<u>\$ 211,790</u>
Component Units				
Municipal Water Works	\$ 6,598,109	\$ 6,759,811	\$ -	\$ -
Wastewater Utility	6,120,617	4,956,497	-	-
Advertising and Promotion Commission	717,305	-	-	-
Total component units	<u>\$ 13,436,031</u>	<u>\$ 11,716,308</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues
 Property taxes
 Sales taxes
 Utility franchise fees
 Investment income
 Grants and contributions not restricted to specific programs
 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		
\$ (150,080)	\$ -	\$ (150,080)	\$ -	-
(129,174)	-	(129,174)	-	-
(239,117)	-	(239,117)	-	-
(137,910)	-	(137,910)	-	-
(177,245)	-	(177,245)	-	-
471,602	-	471,602	-	-
(114,063)	-	(114,063)	-	-
(233,713)	-	(233,713)	-	-
(450,371)	-	(450,371)	-	-
(227,865)	-	(227,865)	-	-
(128,632)	-	(128,632)	-	-
131,472	-	131,472	-	-
314,412	-	314,412	-	-
(1,889,489)	-	(1,889,489)	-	-
(6,999,394)	-	(6,999,394)	-	-
(3,890,244)	-	(3,890,244)	-	-
(813,887)	-	(813,887)	-	-
(288,793)	-	(288,793)	-	-
29,140	-	29,140	-	-
(224,750)	-	(224,750)	-	-
(15,148,100)	-	(15,148,100)	-	-
-	325,068	325,068	-	-
-	(488,803)	(488,803)	-	-
-	(163,735)	(163,735)	-	-
\$ (15,148,100)	\$ (163,735)	\$ (15,311,835)	\$ -	-
-	-	-	-	161,702
-	-	-	-	(1,164,120)
-	-	-	-	(717,305)
-	-	-	-	(1,719,723)
838,864	-	838,864	-	-
13,406,409	-	13,406,409	717,884	-
1,137,932	-	1,137,932	-	-
5,059	908	5,967	33,110	-
470,303	-	470,303	32,207	-
331,187	-	331,187	397,297	-
(459,677)	459,677	-	-	-
15,730,077	460,585	16,190,662	1,180,498	-
581,977	296,850	878,827	(539,225)	-
46,786,954	2,366,824	49,153,778	62,001,059	-
\$ 47,368,930	\$ 2,663,674	\$ 50,032,604	\$ 61,461,834	-

CITY OF JACKSONVILLE, ARKANSAS

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2014

	General	Street	Special Projects	2006 Library Debt Service	Other Governmental Funds	Total
Assets						
Cash	68,107	\$ 739,815	\$ 547,543	\$ -	\$ 138,219	\$ 1,493,684
Restricted cash	-	-	-	275,532	144,073	419,605
Investments	-	450,000	1,050,000	-	-	1,500,000
Accounts receivable						-
Taxes	769,848	562,176	-	281,325	-	1,613,349
Sales taxes	2,386,289	-	-	-	-	2,386,289
Accounts	-	-	-	-	93,098	93,098
Accrued interest	-	133	294	-	-	427
Grants and other governments	192,607	-	-	-	-	192,607
Other	172,590	2,764	-	-	-	175,354
Due from other funds	17,412	-	-	-	-	17,412
Inventories	49,285	-	-	-	-	49,285
Total Assets	\$ 3,656,138	\$ 1,754,888	\$ 1,597,837	\$ 556,857	\$ 375,390	\$ 7,941,110
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts payable	173,030	\$ 75,435	\$ -	\$ -	\$ 19,912	268,377
Due to other funds	43,191	-	-	-	17,412	60,603
Accrued wages payable and related liabilities	341,298	17,889	-	-	1,736	360,923
Unearned revenue	85,278	-	-	-	-	85,278
Other liabilities	58,495	64,452	-	-	30,717	153,664
Total liabilities	701,293	157,776	-	-	69,777	928,845
Deferred Inflows of Resources						
Unavailable revenues - property taxes	519,442	376,596	-	259,721	-	1,155,759
Total deferred inflows of resources	519,442	376,596	-	259,721	-	1,155,759
Fund Balances						
Nonspendable						
Inventories	49,285	-	-	-	-	49,285
Restricted						
Street maintenance	-	1,220,516	-	-	-	1,220,516
Debt service	-	-	-	297,136	-	297,136
Law enforcement activities	-	-	-	-	142,239	142,239
Housing & neighborhood programs	-	-	-	-	150,187	150,187
Grant funds	8,158	-	-	-	13,187	21,345
Committed						
Equipment	2,654	-	-	-	-	2,654
Assigned						
Capital projects	-	-	1,597,837	-	-	1,597,837
Unassigned	2,375,306	-	-	-	-	2,375,306
Total fund balances	2,435,403	1,220,516	1,597,837	297,136	305,613	5,856,505
Total liabilities, deferred inflows of resources and fund balances	\$ 3,656,138	\$ 1,754,888	\$ 1,597,837	\$ 556,857	\$ 375,390	\$ 7,941,110

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, 2014

Total fund balances per statement	\$ 5,856,505
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.	50,431,628
The Policemen's Pension and Relief Fund has net pension assets not reported as assets in the funds.	569,337
Liabilities that are not due and payable in the current period and are not reported in the funds including:	
Bonds payable	(1,404,381)
Notes payable	(4,104,899)
Capital lease	(2,075,153)
Accrued interest payable	(26,219)
Accrued compensated absences	(614,377)
Other post employment benefits	(368,800)
The Firemen's Pension and Relief Fund has a net pension obligation not reported as a liability in the funds.	(2,050,471)
Certain amounts reported as unearned revenue and deferred inflows of resources are not recognized at the fund level on the modified accrual basis but are reported as revenues on the full accrual basis in the government-wide statements.	<u>1,155,759</u>
Net position of governmental activities	<u>\$ 47,368,930</u>

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2014

	General	Street	Special Projects	2006 Library Debt Service	Other Governmental Funds	Total
Revenues						
Property taxes	\$ 538,383	\$ -	\$ -	\$ 264,055	\$ -	\$ 802,438
Sales taxes	13,406,409	-	-	-	-	13,406,409
Licenses and permits	133,586	-	-	-	-	133,586
Intergovernmental	2,032,299	2,262,865	82,813	-	351,487	4,729,464
Charges for services	1,119,187	-	-	-	-	1,119,187
Fines and fees	840,609	-	-	-	-	840,609
Utility franchise taxes	1,137,932	-	-	-	-	1,137,932
Investment income	288	1,199	2,769	-	803	5,059
Contributions and Donations	322,500	-	-	-	-	322,500
Miscellaneous	307,340	16,544	218,450	-	67,693	610,027
Total revenues	19,838,533	2,280,608	304,032	264,055	419,983	23,107,211
Expenditures						
General government						
General government and administration	305,898	-	254,211	-	-	560,109
City council	126,807	-	-	-	-	126,807
Mayor	238,593	-	-	-	-	238,593
City clerk	138,209	-	-	-	-	138,209
City attorney	177,125	-	-	-	-	177,125
District court	337,965	-	-	-	-	337,965
Director of administration	110,611	-	-	-	-	110,611
Information technology	218,997	-	-	-	-	218,997
Finance	470,681	-	-	-	-	470,681
Human resources	227,332	-	-	-	-	227,332
Fleet services	146,761	-	-	-	-	146,761
Community programs	153,729	-	-	-	-	153,729
Total general government	2,652,708	-	254,211	-	-	2,906,919
Public works						
Public works coordinator	133,632	-	-	-	-	133,632
Engineering	300,812	-	-	-	-	300,812
Code enforcement	168,051	-	-	-	-	168,051
Streets and drainage	-	1,725,149	201,134	-	-	1,926,283
Total public works	602,495	1,725,149	201,134	-	-	2,528,778
Parks and recreation services						
Parks and recreation services	2,941,302	-	62,903	-	21,605	3,025,810
Police	7,059,323	-	-	-	89,680	7,149,003
Fire	4,324,050	-	447	-	-	4,324,497
Emergency communication services	714,945	-	-	-	-	714,945
Animal control	305,998	-	-	-	-	305,998
Housing and neighborhood programs	-	-	-	-	238,824	238,824
Debt Service						
Principal	1,628,468	-	-	175,000	-	1,803,468
Interest	160,819	-	-	66,775	-	227,594
Agent fees	-	-	-	600	-	600
Total expenditures	20,390,108	1,725,149	518,695	242,375	350,109	23,226,436
Excess (Deficiency) of Revenues Over Expenditures	(551,575)	555,459	(214,663)	21,680	69,874	(119,225)
Other Financing Sources (Uses)						
Proceeds from long-term debt	-	-	344,335	-	-	344,335
Transfers in	275,000	-	279,150	-	-	554,150
Transfers out	(393,000)	-	(620,827)	-	-	(1,013,827)
Total other financing sources (uses)	(118,000)	-	2,658	-	-	(115,342)
Net Change in Fund Balances	(669,575)	555,459	(212,005)	21,680	69,874	(234,567)
Fund Balances, Beginning of Year	3,104,979	665,057	1,809,842	275,456	235,739	6,091,073
Fund Balances, End of Year	\$ 2,435,403	\$ 1,220,516	\$ 1,597,837	\$ 297,136	\$ 305,613	\$ 5,856,505

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, 2014

Net change in fund balances - total governmental funds \$ (234,567)

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.

Capital asset purchases	2,120,436
Capital asset contributions	3,400
Depreciation expense	(2,797,290)

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. 36,426

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 (340,568)

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. 3,208

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 (364)

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. 1,803,468

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 5,885
 Other post employment benefits (42,138)

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. 24,081

Change in net position of governmental activities \$ 581,977

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF NET POSITION PROPRIETARY FUNDS DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds		
	Sanitation Services	Emergency Medical Services	Total
Assets			
Current assets			
Cash	\$ 597,859	\$ 1,168	\$ 599,027
Investments	200,000	-	200,000
Accounts receivable, net of allowance for uncollectible accounts	410,308	615,393	1,025,701
Accrued interest	59	-	59
Total current assets	<u>1,208,226</u>	<u>616,561</u>	<u>1,824,787</u>
Noncurrent assets			
Capital assets			
Vehicles	1,911,005	521,746	2,432,751
Furniture and equipment	907,266	121,792	1,029,058
	<u>2,818,271</u>	<u>643,538</u>	<u>3,461,809</u>
Less accumulated depreciation	<u>(1,705,965)</u>	<u>(290,654)</u>	<u>(1,996,619)</u>
Net capital assets	<u>1,112,306</u>	<u>352,884</u>	<u>1,465,190</u>
Total noncurrent assets	<u>1,112,306</u>	<u>352,884</u>	<u>1,465,190</u>
Total assets	<u>\$ 2,320,532</u>	<u>\$ 969,445</u>	<u>\$ 3,289,977</u>
Liabilities and Net Position			
Current liabilities			
Accounts payable	\$ 61,875	\$ 3,993	\$ 65,868
Accrued interest	1,307	-	1,307
Note payable - current	281,645	-	281,645
Accrued wages payable	20,823	17,201	38,024
Compensated absences	21,880	23,887	45,767
Total current liabilities	<u>387,530</u>	<u>45,081</u>	<u>432,611</u>
Noncurrent liabilities			
Note payable - long-term	<u>193,692</u>	<u>-</u>	<u>193,692</u>
Total liabilities	<u>581,222</u>	<u>45,081</u>	<u>626,303</u>
Net Position			
Net investment in capital assets	636,969	352,884	989,853
Unrestricted	<u>1,102,341</u>	<u>571,480</u>	<u>1,673,821</u>
Total net position	<u>1,739,310</u>	<u>924,364</u>	<u>2,663,674</u>
Total liabilities and net position	<u>\$ 2,320,532</u>	<u>\$ 969,445</u>	<u>\$ 3,289,977</u>

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, 2014

	Business-type Activities - Enterprise Funds		
	Sanitation Services	Emergency Medical Services	Total
Operating Revenues			
Charges for services	\$ 1,741,844	\$ 1,386,932	\$ 3,128,776
Miscellaneous	105,646	692	106,338
Total operating revenues	<u>1,847,490</u>	<u>1,387,624</u>	<u>3,235,114</u>
Operating Expenses			
Salaries, wages and employee benefits	743,692	767,776	1,511,468
Supplies and materials	223,646	142,510	366,156
Services	82,520	29,793	112,313
Repairs and maintenance	83,746	7,017	90,763
Landfill fees	192,008	-	192,008
Other	-	866,970	866,970
Depreciation	176,147	62,361	238,508
Total operating expenses	<u>1,501,759</u>	<u>1,876,427</u>	<u>3,378,186</u>
Operating Income (Loss)	345,731	(488,803)	(143,072)
Nonoperating Revenues (Expenses)			
Interest income	873	35	908
Interest expense	(20,663)	-	(20,663)
Total nonoperating revenues (expenses)	<u>(19,790)</u>	<u>35</u>	<u>(19,755)</u>
Income (Loss) Before Transfers	325,941	(488,768)	(162,827)
Transfers in	-	459,677	459,677
Changes in Net Position	325,941	(29,091)	296,850
Net Position, Beginning of Year	<u>1,413,369</u>	<u>953,455</u>	<u>2,366,824</u>
Net Position, End of Year	<u>\$ 1,739,310</u>	<u>\$ 924,364</u>	<u>\$ 2,663,674</u>

See Accompanying Notes to Basic Financial Statements.

CITY OF JACKSONVILLE, ARKANSAS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2014**

	Business-type Activities - Enterprise Funds		
	Sanitation Services	Emergency Medical Services	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 1,667,524	\$ 488,211	\$ 2,155,735
Other receipts	105,646	692	106,338
Payments to employees	(739,900)	(764,268)	(1,504,168)
Payments to suppliers	(237,608)	(142,609)	(380,217)
Payments to service providers	(83,935)	(29,793)	(113,728)
Other payments	(250,509)	(7,021)	(257,530)
Net cash provided by (used in) operating activities	<u>461,218</u>	<u>(454,787)</u>	<u>6,430</u>
Noncapital Financing Activities			
Transfers from other funds	<u>18,867</u>	<u>460,472</u>	<u>479,339</u>
Net cash provided by noncapital financing activities	<u>18,867</u>	<u>460,472</u>	<u>479,339</u>
Capital and Related Financing Activities			
Proceeds from sale of capital assets	(0)	-	(0)
Purchases of capital assets	(40,604)	(22,749)	(63,353)
Principal paid on long-term debt	(296,481)	-	(296,481)
Interest paid on long-term debt	(20,663)	-	(20,663)
Net cash used in capital and related financing activities	<u>(357,748)</u>	<u>(22,749)</u>	<u>(380,497)</u>
Cash Flows from Investing Activities			
Proceeds from maturities of cash investments	450,000	-	450,000
Purchase of cash investments	(200,000)	-	(200,000)
Interest income	837	35	872
Net cash provided by investing activities	<u>250,837</u>	<u>35</u>	<u>250,872</u>
Net Increase (Decrease) in Cash	<u>373,174</u>	<u>(17,031)</u>	<u>356,143</u>
Cash, Beginning of Year	<u>224,686</u>	<u>18,199</u>	<u>242,885</u>
Cash, End of Year	<u>\$ 597,859</u>	<u>\$ 1,168</u>	<u>\$ 599,027</u>

See Accompanying Notes to Basic Financial Statements.

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF CASH FLOWS (CONTINUED)
 PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2014

	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)	\$ 345,731	\$ (488,803)	\$ (143,072)
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	176,147	62,361	238,508
Changes in assets and liabilities			
Receivables, net	(74,320)	(31,751)	(106,071)
Due from other funds	1	-	1
Accounts payable	9,867	(102)	9,764
Accrued expenses	3,792	3,508	7,300
	<u>3,792</u>	<u>3,508</u>	<u>7,300</u>
Net cash provided by (used in) operating activities	<u>\$ 461,218</u>	<u>\$ (454,787)</u>	<u>\$ 6,430</u>

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS DECEMBER 31, 2014

	Pension Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 506,077	\$ 102,816
Investments		
U.S. Government obligations	3,232,284	-
Corporate bonds	1,605,082	-
Equities	282,115	-
Mutual funds	7,864,994	-
Receivables		
Accounts receivable	1,695	-
Due from other funds	43,191	-
Accrued interest	31,235	-
	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 13,566,673</u></u>	<u><u>\$ 102,816</u></u>
Liabilities		
Other liabilities	<u>\$ -</u>	<u>\$ 102,816</u>
Net Position		
Net position restricted for pension benefits	<u><u>\$ 13,566,673</u></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, 2014

	Pension Trust Funds
Additions	
Contributions	
Employer	\$ 81,279
Plan members	11,204
Contributed from General Fund	
Property taxes	538,756
State insurance turnback and supplements	200,614
	<hr/>
Total contributions	831,853
	<hr/>
Investment income	
Net increase in fair value of investments	247,464
Interest and dividends	284,368
Other investment income	1,251
	<hr/>
	533,083
Less investment expense	127,170
	<hr/>
Net investment income	405,913
	<hr/>
Total additions	1,237,766
	<hr/>
Deductions	
Benefits paid directly to participants	1,506,586
Administrative expenses	2,658
	<hr/>
Total deductions	1,509,244
	<hr/>
Net Decrease in Net Position	(271,478)
	<hr/>
Net Position Restricted for Pension Benefits, Beginning of Year	13,838,151
	<hr/>
Net Position Restricted for Pension Benefits, End of Year	<u><u>\$ 13,566,673</u></u>

See Accompanying Notes to Basic Financial Statements.

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF NET POSITION DISCRETELY PRESENTED COMPONENT UNITS DECEMBER 31, 2014

	Jacksonville Municipal Water Works	Jacksonville Wastewater Utility	Nonmajor Component Unit Advertising and Promotion Commission	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 5,593,042	\$ 5,554,997	\$ 167,930	\$ 11,315,969
Investments	1,128,419	-	350,898	1,479,317
Receivables, net of allowance for uncollectible accounts				
Accounts	1,467,880	684,558	70,875	2,223,313
Revenues earned and unbilled	-	187,066	-	187,066
Accrued interest	331	-	66	397
Inventories	309,062	150,014	-	459,076
Prepaid expenses	30,860	11,252	-	42,112
Restricted Current Assets				
Cash and cash equivalents	1,872,988	591,398	-	2,464,386
Interest receivable	478	-	-	478
Total current assets	10,403,060	7,179,285	589,769	18,172,114
Noncurrent assets				
Restricted assets				
Cash and cash equivalents	-	585,665	-	585,665
Total restricted noncurrent assets	-	585,665	-	585,665
Capital assets				
Land	505,439	409,403	-	914,842
Buildings and improvements	2,411,933	2,383,277	-	4,795,210
Machinery and equipment	2,095,270	2,451,246	-	4,546,516
Water system	36,828,661	-	-	36,828,661
Sewer system	-	58,272,819	-	58,272,819
Construction in progress	11,843,713	1,062,658	-	12,906,371
	53,685,016	64,579,403	-	118,264,419
Less accumulated depreciation	(14,954,848)	(26,868,435)	-	(41,823,283)
Net capital assets	38,730,168	37,710,968	-	76,441,136
Other assets				
Deferred charges	121,318	-	-	121,318
Total noncurrent assets	38,851,486	38,296,633	-	77,148,119
Total Assets	\$ 49,254,546	\$ 45,475,918	\$ 589,769	\$ 95,320,233

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	\$ 1,279,983	\$ 41,735	\$ 101,754	\$ 1,423,472
Accrued interest payable	231,073	66,984	-	298,057
Notes payable-current portion	-	2,536	-	2,536
Bonds payable-current portion	754,987	365,000	-	1,119,987
Accrued expenses and other	204,718	62,312	-	267,030
Total current liabilities	<u>2,470,761</u>	<u>538,567</u>	<u>101,754</u>	<u>3,111,082</u>
Noncurrent liabilities				
Notes payable	-	29,380	-	29,380
Bonds payable, net of unamortized discount	13,677,130	16,193,968	-	29,871,098
Customer deposits	711,163	-	-	711,163
Other long-term liabilities	2,648	133,028	-	135,676
Total noncurrent liabilities	<u>14,390,941</u>	<u>16,356,376</u>	<u>-</u>	<u>30,747,317</u>
Total liabilities	<u>16,861,702</u>	<u>16,894,943</u>	<u>101,754</u>	<u>33,858,399</u>
Net Position				
Net investment in capital assets	24,298,051	22,196,859	-	46,494,910
Restricted-expendable	1,642,393	-	-	1,642,393
Unrestricted	6,452,400	6,384,116	488,015	13,324,531
Total net position	<u>32,392,844</u>	<u>28,580,975</u>	<u>488,015</u>	<u>61,461,834</u>
Total Liabilities and Net Position	<u>\$ 49,254,546</u>	<u>\$ 45,475,918</u>	<u>\$ 589,769</u>	<u>\$ 95,320,233</u>

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF ACTIVITIES DISCRETELY PRESENTED COMPONENT UNITS YEAR ENDED DECEMBER 31, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Advertising and Promotion Commission	\$ 717,305	\$ -	\$ -	\$ -
Total governmental activities	717,305	-	-	-
Business-type Activities				
Municipal Water Works	6,598,109	6,759,811	-	-
Wastewater Utility	6,120,617	4,956,497	-	-
Total business-type activities	12,718,726	11,716,308	-	-
Total component units	<u>\$ 13,436,031</u>	<u>\$ 11,716,308</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
\$ -	\$ -	\$ (717,305)	\$ (717,305)
-	-	(717,305)	(717,305)
161,702	-	-	161,702
-	(1,164,120)	-	(1,164,120)
161,702	(1,164,120)	-	(1,002,418)
161,702	(1,164,120)	(717,305)	(1,719,723)
-	-	717,884	717,884
13,158	19,387	565	33,110
-	32,207	-	32,207
397,297	-	-	397,297
410,455	51,594	718,449	1,180,498
572,157	(1,112,526)	1,144	(539,225)
31,820,687	29,693,501	486,871	62,001,059
<u>\$ 32,392,844</u>	<u>\$ 28,580,975</u>	<u>\$ 488,015</u>	<u>\$ 61,461,834</u>



CITY OF JACKSONVILLE, ARKANSAS

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2014

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. Management of the City has operational responsibility for the CDBG Fund.

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 2014.

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. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

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 merchandise, 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.

In the fund financial statements, governmental fund types recognize debt premiums 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 accumulated 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.

Unearned Revenue

Unearned revenue consists mainly of business licenses received in advance.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The City's deferred inflows include property taxes in the governmental funds.

Net Position/Fund Balance

Net position of the government-wide financial statements and proprietary funds of the City are classified in three components. Net investment in capital assets consists 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. Restricted expendable net position are 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, reduced by the outstanding balances of any related borrowings. Unrestricted net position is remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets, restricted expendable or restricted nonexpendable.

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:

Nonspendable fund balance – not in spendable form or legally or contractually required to be maintained intact.

Restricted fund balance - expendable net position may be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

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.

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.

Unassigned fund balance - are the remaining assets less remaining liabilities for the general fund that are not contained in other classifications.

The City considers restricted amounts to have been spent when 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, 2014, the City implemented the following financial accounting and reporting standards issued by GASB:

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 were effective for financial statements for periods beginning after June 15, 2013.

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 were 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 were effective for reporting periods beginning after June 15, 2013.

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, 2014:

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.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.

GASB Statement No.72 – Fair Value Measurement and Application

This statement addresses accounting and financial reporting issues related to fair value measurements. This statement provides guidance for determining a fair value measurement for financial reporting purposes. It also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The requirements for this statement are effective for financial statements for periods beginning after June 15, 2015.

Note 2: Deposits and Investments**Deposits**

Custodial credit risk is the risk that, in the event of the failure of a financial institution, a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law.

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, 2014, the City's primary government bank balances were \$4,664,771. Of this amount, \$4,164,771 was uninsured and collateralized with securities held by the pledging financial institution's agent in the City's name. At December 31, 2014, 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, 2014 were as follows:

	Primary Government	Component Units
Carrying value		
Demand deposits	\$ 2,955,995	\$ 13,351,618
Certificates of deposit	1,700,000	2,494,074
	<u>\$ 4,655,995</u>	<u>\$ 15,845,692</u>
Bank balance		
Demand deposits	\$ 2,964,771	\$ 13,973,098
Certificates of deposit	1,700,000	2,493,682
	<u>\$ 4,664,771</u>	<u>\$ 16,466,780</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	\$ 4,655,994	\$ 15,845,692
Cash on hand	3,740	123
Investments classified as cash	161,474	-
	<u>\$ 4,821,208</u>	<u>\$ 15,845,815</u>
As reported on the government-wide statement of net position:		
Cash	\$ 2,092,711	\$ 11,315,969
Restricted cash, current	26,219	2,464,864
Investments	1,700,000	1,479,317
Restricted cash, noncurrent	393,386	585,665
As reported on the statement of fiduciary net position:		
Cash - Employee Benefit Plans	506,077	-
Cash - Agency Fund	102,816	-
	<u>\$ 4,821,208</u>	<u>\$ 15,845,815</u>

Investments

Arkansas statutes authorizes the City to invest in direct obligations of the U.S. Government; 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; obligations of agencies and instrumentalities created by act of the United States Congress and authorized thereby to issue such securities or evidence of indebtedness, regardless of guarantee of repayment by the U.S. Government; obligations of political subdivisions of the United States; certain obligations issued by the State Board of Education; short-term warrants of political subdivisions of the State of Arkansas and municipalities; the sale of federal funds with a maturity of not more than one business day; demand, savings or time deposits fully insured by a federal deposit insurance agency; repurchase agreements that are fully insured by obligations of the U.S. government, any U.S. State or any political subdivision thereof; 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 considered a money market fund, provided that the portfolio is limited principally to U.S. government obligations and the investment company or trust takes delivery of collateral either directly or through an authorized custodian; and bank certificates of deposits.

Arkansas statutes also authorizes the City to invest no more than 20% of its capital base in corporate debt obligations; revenue bond issue of any state, municipality or political subdivisions; industrial development bonds for corporate obligors issued through any state or political subdivision; securities or interest in an open-end or close-end management type investment company or trust registered under the *Investment Company Act of 1940* with certain limitations; securities or interest issued, assumed, or guaranteed by certain international banks; and uninsured demand, savings or time deposits or accounts of any depository institution chartered by the United States, any U.S. state, or District of Columbia. The pension trust funds are authorized to also invest in common stocks, investment grade corporate bonds and other appropriate securities.

The pension trust funds' investments, carried at fair value, and maturities as of December 31, 2014 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	\$ 3,232,284	\$ 770,964	\$ 2,128,127	\$ 58,501	\$ 274,692
Corporate debt obligations	1,605,083	51,811	875,051	424,959	253,262
Money market mutual funds	161,474	161,474	-	-	-
		<u>\$ 984,249</u>	<u>\$ 3,003,178</u>	<u>\$ 483,460</u>	<u>\$ 527,954</u>
Corporate equities	282,115				
Bond mutual fund	3,412,148				
Mutual fund	<u>4,452,846</u>				
Total	<u>\$ 13,145,949</u>				

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

Carrying value of investments	\$ 13,145,949
Investments classified as cash	(161,474)
	<u>\$ 12,984,475</u>
Investments as reported on the statement of fiduciary net position:	
U.S. Government and agency obligations	\$ 3,232,284
Corporate bonds	1,605,082
Equities	282,115
Mutual funds	7,864,994
	<u>\$ 12,984,475</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, 2014 the City, exclusive of the pension trust funds, had approximately \$275,532 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, 2014.

<u>Investment Type</u>	<u>Fair Value</u>	<u>S&P Rating</u>
U.S. Government and agency obligations	\$ 3,232,284	AAA
Corporate debt obligations	67,704	A
	252,890	A-
	73,499	A+
	21,438	AA
	20,897	AA-
	9,838	AA+
	40,757	B
	61,981	B-
	153,054	B+
	9,387	BA2
	93,153	BB
	143,366	BB-
	131,578	BB+
	97,059	BBB
	9,822	BBB-
	99,337	BBB+
	319,326	Unrated
Money market mutual funds	161,474	AAA
Mutual funds	7,864,994	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, 2014, 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, 2014.

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, 2014.

Note 3: Capital Assets

A summary of changes in capital assets for the year ended December 31, 2014 is presented as follows:

Governmental Activities	Balance December 31, 2013	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2014
Capital Assets, non-depreciable				
Land	\$ 10,567,852	\$ 221,400	\$ 9,610	\$ 10,779,642
Construction in progress	4,165,610	272,313	4,135,371	302,552
Total capital assets, non-depreciable	<u>14,733,462</u>	<u>493,713</u>	<u>4,144,981</u>	<u>11,082,194</u>
Capital Assets, depreciable				
Land improvements	1,418,079	78,174	-	1,496,253
Infrastructure	32,095,210	1,886,068	-	33,981,278
Buildings	26,915,551	3,664,919	-	30,580,470
Vehicles	5,959,701	40,210	33,313	5,966,598
Equipment	8,381,843	135,003	84,244	8,432,602
Total capital assets, depreciable	<u>74,770,383</u>	<u>5,804,374</u>	<u>117,556</u>	<u>80,457,202</u>
Less accumulated depreciation				
Land improvements	564,262	60,369	-	624,631
Infrastructure	22,714,395	546,089	-	23,260,484
Buildings	5,943,283	1,312,635	-	7,255,918
Vehicles	5,097,913	239,774	31,493	5,306,194
Equipment	4,078,908	638,423	56,793	4,660,538
Total accumulated depreciation	<u>38,398,761</u>	<u>2,797,290</u>	<u>88,286</u>	<u>41,107,765</u>
Total capital assets, depreciable, net	<u>36,371,621</u>	<u>3,007,084</u>	<u>29,270</u>	<u>39,349,434</u>
Total governmental activities, net	<u>\$ 51,105,083</u>	<u>\$ 3,500,798</u>	<u>\$ 4,174,251</u>	<u>\$ 50,431,628</u>

Business-type activities	Balance December 31, 2013	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2014
Capital Assets, depreciable				
Vehicles	2,389,571	98,422	55,242	2,432,751
Equipment	1,067,589	22,749	61,280	1,029,058
Total capital assets, depreciable	3,457,160	121,171	116,522	3,461,810
Less accumulated depreciation				
Vehicles	1,550,537	264,850	158,058	1,657,329
Equipment	247,412	91,878	-	339,290
Total accumulated depreciation	1,797,950	356,728	158,058	1,996,620
Total business-type activities, net	\$ 1,659,211	\$ (235,555)	\$ (41,536)	\$ 1,465,190
Component Units	Balance, December 31, 2013	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2014
Capital Assets, non-depreciable				
Land	\$ 902,480	\$ 12,362	\$ -	\$ 914,842
Construction in progress	7,049,533	9,002,070	3,145,232	12,906,371
Total capital assets, non-depreciable	7,952,013	9,014,432	3,145,232	13,821,213
Capital Assets, depreciable				
Utility system	93,126,568	1,700,811	(274,101)	95,101,480
Buildings and improvements	2,404,018	2,391,192	-	4,795,210
Furniture and equipment	4,313,697	324,363	91,544	4,546,516
Total capital assets, depreciable	99,844,283	4,416,366	(182,557)	104,443,206
Less accumulated depreciation	38,649,290	3,261,791	87,798	41,823,283
Total capital assets, depreciable, net	61,194,993	1,154,575	(270,355)	62,619,923
Total component units, net	\$ 69,147,006	\$ 10,169,007	\$ 2,874,877	\$ 76,441,136

Construction in progress is composed of the following:

	Expended to December 31, 2014	Estimated Amount To Complete
Primary Government		
General Government		
Oneida Street extension	\$ 189,279	\$ 7,056
Emma Street extension	45,875	7,125
Main Street alignment	67,397	28,603
	<u>\$ 302,552</u>	<u>\$ 42,784</u>
Component Units		
Jacksonville Municipal Water Works		
West Area tank	\$ 4,048,073	\$ 50,000
North/South infrastructure	2,283,015	685,000
South Source water main/meter station	5,512,625	380,000
Jacksonville Wastewater Utility		
LRAFB privatization	599,956	7,176
Hwy 67/167 relocation	462,702	-
	<u>\$ 12,906,371</u>	<u>\$ 1,122,176</u>

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

Governmental Activities

General government	
General administration	\$ 679,581
Director of administration	2,260
Information technology	15,862
Community programs	38,799
Total general government	<u>736,501</u>
Public works	
Engineering	3,508
Streets and drainage	717,606
Total public works	<u>721,114</u>
Parks and recreation services	425,421
Police	369,175
Fire	212,413
Emergency services	319,952
Animal control	12,714
Total depreciation expense - governmental activities	<u>2,797,290</u>
Business-type Activities	
Sanitation services	176,147
Emergency medical services	62,361
Total depreciation expense - business-type activities	<u>238,508</u>
Total depreciation expense - primary government	<u><u>\$ 3,035,798</u></u>

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended December 31, 2014 were as follows:

Governmental Activities	Balance December 31, 2013	Increases	Decreases	Balance December 31, 2014	Amounts Due In One Year
Bonds payable-					
2006 Library Construction	\$ 1,580,000	\$ -	\$ 175,000	\$ 1,405,000	\$ 60,000
Less: deferred issuance discount	(983)	364	-	(619)	-
Bonds payable, net	<u>1,579,017</u>	364	175,000	1,404,381	60,000
Notes payable	5,038,839	344,335	1,278,275	4,104,899	1,514,150
Capital lease	2,429,113	-	353,960	2,075,153	324,135
Compensated absences	620,262	17,928	23,813	614,377	588,507
Net pension obligation	2,062,788	-	12,318	2,050,470	-
Net OPEB obligation	326,662	42,138	-	368,800	-
Total governmental activities long-term liabilities	<u><u>\$ 12,056,681</u></u>	<u><u>\$ 404,765</u></u>	<u><u>\$ 1,843,366</u></u>	<u><u>\$ 10,618,081</u></u>	<u><u>\$ 2,486,792</u></u>

Business-type Activities	Balance December 31, 2013	Increases	Decreases	Balance December 31, 2014	Amounts Due In One Year
Note payable	\$ 740,600	\$ -	\$ 265,263	\$ 475,337	\$ 281,645
Compensated absences	41,123	4,646	-	45,767	45,767
	<u>\$ 781,723</u>	<u>\$ 4,646</u>	<u>\$ 265,263</u>	<u>\$ 521,104</u>	<u>\$ 327,412</u>

Component Units	Balance December 31, 2013	Increases	Decreases	Balance December 31, 2014	Amounts Due In One Year
Jacksonville Municipal					
Water Works					
Water revenue bonds	\$ 6,649,639	\$ 7,932,018	\$ 149,540	\$ 14,432,117	\$ 754,987
Customer deposits	694,520	127,967	111,324	711,163	-
Other liabilities	2,648	-	-	2,648	-
	<u>7,346,807</u>	<u>8,059,985</u>	<u>260,864</u>	<u>15,145,928</u>	<u>754,987</u>
Jacksonville Wastewater					
Utility					
Wastewater revenue bonds	17,070,000	-	350,000	16,720,000	365,000
Less: deferred issuance discount	(170,620)	-	(9,588)	(161,032)	(9,588)
Note payable	34,332	-	2,416	31,916	2,536
	<u>16,933,712</u>	<u>-</u>	<u>342,828</u>	<u>16,590,884</u>	<u>357,948</u>
Total component units long-term liabilities	<u>\$ 24,280,519</u>	<u>\$ 8,059,985</u>	<u>\$ 603,692</u>	<u>\$ 31,736,812</u>	<u>\$ 1,112,935</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, 2014 an additional \$120,000 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, 2031. Annual debt-service requirements to maturity for the Library Construction and Improvement Bonds Series 2006 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	70,000	84,430	154,430
2020-2024	400,000	372,175	772,175
2025-2029	500,000	271,200	771,200
2030-2031	185,000	44,293	229,293
Total	<u>\$ 1,405,000</u>	<u>\$ 1,137,408</u>	<u>\$ 2,542,408</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, 2014, 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. The balance outstanding on the loan as of December 31, 2014 was \$1,779,407.

2013 Short-term Financing Note – In December 2013, the City of Jacksonville obtained a loan from BancorpSouth Bank 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, 2014 was \$2,325,492

The annual debt-service requirements of the notes payable are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,419,950	\$ 68,775	\$ 1,488,724
2016	1,448,922	39,803	1,488,724
2017	1,110,341	11,953	1,122,294
2018	125,687	377	126,064
Total	<u>\$ 4,104,899</u>	<u>\$ 120,907</u>	<u>\$ 4,225,806</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	(377,474)
Total	<u>\$ 2,139,052</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 original lease was for \$2,516,526 at 0% interest. This obligation was refinanced in January 2014. The new financing was in the amount of \$2,429,113 for a five year term at an interest rate of 3.196%.

	<u>Year Ending December 31,</u>	<u>Governmental Activities</u>
	2015	\$ 324,135
	2016	324,135
	2017	797,651
	2018	797,651
Total lease payments		<u>2,243,572</u>
Less amount representing interest		(168,419)
Present value of lease payments		<u>\$ 2,075,153</u>

Business-Type Activities

Sanitation Services

Sanitation Services Equipment Note Payable - In July 2011, the City of Jacksonville entered into an agreement with BancorpSouth Bank for the 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, 2014, the principal balance was \$475,337. The annual debt-service requirements are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 281,645	\$ 11,103	\$ 292,748
2016	193,692	3,646	197,338
Total	<u>\$ 475,337</u>	<u>\$ 14,749</u>	<u>\$ 490,086</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, 2014, the principal balance outstanding was \$14,432,117, after principal payments of \$149,539. Maturities of the revenue bond, assuming use of the \$25,000,000 bonds issued, are as follows:

Year Ending December 31,	Principal	Interest	Total
2015	\$ 754,987	\$ 380,931	\$ 1,135,918
2016	934,162	775,574	1,709,736
2017	964,768	744,968	1,709,736
2018	996,378	713,358	1,709,736
2019	1,029,024	680,712	1,709,736
2020-2024	5,673,488	2,875,192	8,548,680
2025-2029	6,665,854	1,882,826	8,548,680
2030-2034	7,831,800	716,880	8,548,680
Total	<u>\$ 24,850,461</u>	<u>\$ 8,770,441</u>	<u>\$ 33,620,902</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.

The Utility paid approximately \$853,300 and \$858,900 in interest charges for the years ending December 31, 2014 and 2013, respectively.

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, 2014 the principal balance on the promissory note was \$31,916 while in 2013 it was \$34,332. 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, 2014:

Wastewater Revenue Bonds

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	445,000	724,818	1,169,818
2020-2024	2,540,000	3,297,682	5,837,682
2025-2029	3,140,000	2,693,851	5,833,851
2030-2034	3,960,000	1,877,000	5,837,000
2035-2039	5,055,000	782,750	5,837,750
Total	<u>\$ 16,720,000</u>	<u>\$ 12,477,868</u>	<u>\$ 29,197,868</u>

Note Payable

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	3,083	1,049	4,132
2020-2024	17,902	2,774	20,676
Total	<u>\$ 31,916</u>	<u>\$ 9,420</u>	<u>\$ 41,336</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, 2014 are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Primary Government		
Governmental Funds to/from Nonfiduciary Funds		
General Fund	\$ 17,412	\$ -
Asset Forfeitures		1
CDBG	-	17,412
	<u>17,412</u>	<u>17,413</u>
Governmental Funds to/from Fiduciary Funds		
General Fund	1	43,191
Total governmental funds	<u>17,413</u>	<u>60,604</u>
Fiduciary Funds		
Policemen's Pension	21,595	-
Firemen's Pension	21,596	-
Total fiduciary funds	<u>43,191</u>	<u>-</u>
Total	<u>\$ 60,604</u>	<u>\$ 60,604</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, 2014, the interfund transfers in and transfers out are as follows:

Fund	Interfund Transfers	
	In	Out
Governmental Funds:		
Major Funds:		
General Fund	\$ 275,000	\$ 393,000
Capital Projects- Special Projects	279,150	620,827
Total Governmental Funds	554,150	1,013,827
Proprietary Fund:		
Emergency Medical Services	459,677	-
Total	\$ 1,013,827	\$ 1,013,827

The transfers out of \$393,000 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 cost sharing 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, 2014:

	<u>Policemen's Fund</u>	<u>Firemen's Fund</u>
Retirees and beneficiaries receiving benefits	21	36
Active plan members	-	-
Members on Deferred Retirement Option Plan (DROP)	-	2
Total	<u>21</u>	<u>38</u>

C. Financial Information

Separate financial reports are not issued on each plan. The following is the condensed financial information of the pension trust funds:

	<u>Statement of Fiduciary Net Position</u>	
	<u>Policemen's Pension And Relief Fund</u>	<u>Firemen's Pension And Relief Fund</u>
Assets		
Cash and cash equivalents	\$ 237,846	\$ 268,231
Investments	5,781,548	7,202,927
Receivables	33,226	42,895
Total assets	<u>6,052,620</u>	<u>7,514,053</u>
Net Position		
Net position restricted for pension benefits	<u>\$ 6,052,620</u>	<u>\$ 7,514,053</u>

	Statement of Changes in Fiduciary Net Position	
	Policemen's Pension And Relief Fund	Firemen's Pension And Relief Fund
Additions		
Contributions	\$ 376,334	\$ 455,519
Net investment income	215,863	190,050
Total additions	<u>592,197</u>	<u>645,569</u>
Deductions		
Benefits paid directly to participants	575,756	930,830
Administrative expenses	1,658	1,000
Total deductions	<u>577,414</u>	<u>931,830</u>
Change in Net Position	14,783	(286,261)
Net Position Restricted For Pension Benefits, Beginning of Year	<u>6,037,837</u>	<u>7,800,314</u>
Net Position Restricted For Pension Benefits, End of Year	<u>\$ 6,052,620</u>	<u>\$ 7,514,053</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 2014 to the Policemen's Fund were \$376,334. The City's share of contributions was \$304,658 and included \$269,378 in property taxes and \$35,280 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, 2014, the City's total payroll for all employees amounted to \$11,764,603, including police and fire personnel. Total police personnel payroll amounted to \$3,906,825. There are no active police employees covered by this plan.

As of December 31, 2014, the most recent actuarial valuation date, the Policemen's Pension and Relief Fund was 87.7% funded. The actuarial accrued liability for benefits was \$6,889,512 and the actuarial value of assets was 6,042,767, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,055,057. 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 2014. The participants contributed 7% of their salaries in 2014. 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 2014 to the Firemen's Fund were \$445,519. The City's share of contributions was \$434,712 and included \$269,378 in property taxes and \$165,334 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, 2014, the City's total payroll for all employees amounted to \$11,764,602.67 including police and fire personnel. Total fire personnel payroll amounted to \$3,213,133. There are no active fire employees covered by this plan.

As of December 31, 2014, the most recent actuarial valuation date, the Firemen's Pension and Relief Fund was 61.6% funded. The actuarial accrued liability for benefits was \$11,045,076 and the actuarial value of assets was \$6,800,386 resulting in an unfunded actuarial accrued liability (UAAL) of \$3,305,493. 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.

	2014 Annual Pension Cost and Net Pension Obligation (Asset)	
	Policemen's Fund	Firemen's Fund
Annual required contributions	\$ 222,748	\$ 745,307
Interest on net pension obligation	(30,358)	103,139
Adjustment to annual required contribution	(136,901)	465,108
Annual pension cost	329,291	383,338
Contributions made	341,054	395,656
Increase (decrease) in net pension obligation (asset)	(11,763)	(12,318)
Net pension obligation (asset), beginning of year	(557,574)	2,062,789
Net pension obligation (asset), end of year	<u>\$ (569,337)</u>	<u>\$ 2,050,471</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, 2013. 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.

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	12/31/2013	12/31/2013
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

Three-Year Trend Information

	<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
Policemen's Fund	12/31/2012	\$ 616,186	56%	\$ (792,745)
	12/31/2013	577,480	59%	(557,574)
	12/31/2014	329,291	104%	(618,927)
Firemen's Fund	12/31/2012	\$ 699,468	57%	\$ 1,851,722
	12/31/2013	607,473	65%	2,062,788
	12/31/2014	383,339	103%	2,050,471

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.

Net Pension Liability

The components of the net pension liability of the City were as follows as of 12/31/14:

	Policemen's Fund	Firemen's Fund
Total pension liability	\$ 6,889,512	\$ 11,045,076
Plan's fiduciary net position	6,052,620	7,514,053
City's net pension liability	<u>\$ 836,892</u>	<u>\$ 3,531,023</u>
Plan's fiduciary net position as a percentage of total pension liability	87.85%	68.03%

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return. The rates were built on a target allocation for all pension funds; the target for an individual fund will vary within the guidelines of Arkansas law and regulation. The long-term expected rates of return are shown in the table below:

Asset Class	Policemen's Pension and Relief Fund	Firemen's Pension and Relief Fund
Domestic fixed income	5.00%	5.00%
International fixed income	0%	0%
Domestic equity	7.80%	7.80%
Foreign equity	0%	0%
Cash	2.00%	2.00%

Discount Rate

A single discount rate of 5% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 5%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City calculated using the discount rate of 5% for the Police and Firemen's Pension and Relief Funds as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

		1% Decrease 4.0%	Current Single Rate Assumed 5.0%	1% Increase 6.0%
Policemen's Pension and Relief Fund	Net pension liability	\$ 1,553,818	\$ 836,892	\$ 231,533
Firemen's Pension and Relief Fund	Net pension liability	\$ 4,701,285	\$ 3,531,023	\$ 2,549,886

Money-Weighted Rate of Return

The annual money-weighted rate of return on pension plan investments is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense, adjusted for the changing amounts actually invested. The money-weighted rates of returns are shown in the table below:

	Fiscal Year Ending	Annual Money-weighted Rate of Return
Policemen's Pension and Relief Fund	12/31/2014	3.72%
Firemen's Pension and Relief Fund	12/31/2014	2.58%

Cost Sharing Multiple-Employer Defined Benefit Pension Plans

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 2.5% for participating policemen and 8.5% for participating firemen. The City is required to contribute at an actuarially determined rate, which was 22.69% for participating policemen and 18.71% for participating firemen.

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.

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 2014, 2013, and 2012. The City's contribution rate was 14.76% for fiscal year 2014, 14.88% for fiscal year 2013, and 14.24% for fiscal year 2012.

The City's annual pension costs were \$687,793, \$669,883, and \$637,903, for the years ended December 31, 2014, 2013, and 2012, respectively, and were equal to the required contributions for each year.

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, 2014, 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 life insurance, accidental death and dismemberment, 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 MHBF 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 MHBF 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 three participants who pay monthly premiums of \$366.50 for single coverage and two participants who pay monthly premiums of \$816.50 for family 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	17,966
Adjustments to ARC	<u>22,476</u>
Annual OPEB cost	93,682
Total annual employer contribution	<u>51,544</u>
Increase in net OPEB obligation	42,138
Net OPEB obligation - beginning of year	<u>326,662</u>
Net OPEB obligation - end of year	<u><u>\$ 368,800</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:

Service cost	\$ 53,244
Amortization of unfunded obligation	39,829
Interest to end of year	<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 2014 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>
12/31/2012	\$ 106,224	62.5%	\$ 261,236
12/31/2013	94,586	30.8%	326,662
12/31/2014	93,682	55.0%	368,800

Funded Status and Funding Progress: As of January 1, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$506,680, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$506,680. The covered payroll (annual payroll of active employees covered by the plan) was \$4,356,032, and the ratio of the UAAL to the covered payroll was 11.6%.

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, 2015 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 include a medical subsidy of \$409.26 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, 2014, 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 \$75,466 for operating expenses in 2014. 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 2013 to 2014 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, 2014 property taxes receivable and related deferred inflows of resources of \$1,155,759 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 % 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 2014 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 \$2,606,922 of additional taxes could be raised per year based on the current year's assessed value of \$211,849,225 for real property and \$77,808,820 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 \$5,852,314 for 2014, or an increase of 1% from 2013 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 \$7,448,713 for 2014. These taxes are included in the General Fund's sales tax revenues in the accompanying financial statements.

Note 13: 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.

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.

Note 14: Subsequent Event

On May 7, 2015 the City passed a resolution authorizing the issuance of Capital Improvement Construction Equipment, and Refunding Revenue Bonds in the approximate amount of \$8,700,000 to finance construction, capital equipment, betterments, improvements and extensions to the services provided citizens, and to refund outstanding short-term debt of the City in the approximate amount of \$5,502,000.

Note 15: Change in Accounting Principle

In 2014, the City adopted the provisions of GASB Statement No. 67, Financial Reporting for Pension Plans, an amendment of GASB Statements No. 25, which has as its objective improving the usefulness of pension information included in the general purpose external financial reports of state and local governmental pension plans for making decisions and assessing accountability. Adoption of GASB 67 had no effect on net position restricted for pensions or on net increase (decrease) in net position. It did however, change the requirements for information disclosed in the footnotes to the financial statements and information required to be presented as required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF JACKSONVILLE, ARKANSAS

BUDGETARY COMPARISON SCHEDULE GENERAL FUND YEAR ENDED DECEMBER 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 530,000	\$ 535,000	\$ 538,383	\$ 3,383
Sales taxes	13,433,840	13,324,154	13,406,409	82,255
Licenses and permits	142,100	134,085	133,586	(499)
Intergovernmental	2,680,455	2,005,133	2,032,299	27,166
Charges for services	1,276,725	955,266	1,119,187	163,921
Fines and fees	771,590	840,760	840,609	(151)
Utility franchise taxes	1,045,000	1,134,137	1,137,932	3,795
Investment income	3,000	288	288	-
Contributions	850,000	322,500	322,500	-
Miscellaneous	440,700	467,023	307,340	(159,683)
Total revenues	<u>21,173,410</u>	<u>19,718,346</u>	<u>19,838,533</u>	<u>120,187</u>
Expenditures				
General government				
General administration	530,473	461,112	305,898	155,214
City council	129,137	126,758	126,807	(49)
Mayor	240,361	240,519	238,593	1,926
City clerk	141,068	138,749	138,209	540
City attorney	198,270	180,170	177,125	3,045
District court	338,928	336,277	337,965	(1,688)
Director of administration	109,586	109,897	110,611	(714)
Director of information technology	196,926	202,305	218,997	(16,692)
Finance	489,731	478,259	470,681	7,578
Human resources	232,539	226,990	227,332	(342)
Fleet services	135,443	144,525	146,761	(2,236)
Community programs	71,665	83,628	153,729	(70,101)
Total general government	<u>2,814,127</u>	<u>2,729,189</u>	<u>2,652,708</u>	<u>76,481</u>
Public works				
Public works coordinator	137,398	126,108	133,632	(7,524)
Engineering	321,131	298,096	300,812	(2,716)
Code enforcement	184,595	167,902	168,051	(149)
Total public works	<u>643,124</u>	<u>592,106</u>	<u>602,495</u>	<u>(10,389)</u>
Parks and recreation services				
Police	2,891,865	2,928,867	2,941,302	(12,435)
Fire	6,983,058	6,994,157	7,059,323	(65,166)
Emergency communication services	5,197,059	4,412,297	4,324,050	88,247
Animal control	798,390	740,279	714,945	25,334
Animal control	323,297	307,381	305,998	1,383
Debt Service				
Principal	1,706,686	1,629,000	1,628,468	532
Interest	164,047	160,900	160,819	81
Total expenditures	<u>21,521,653</u>	<u>20,494,176</u>	<u>20,390,108</u>	<u>104,068</u>
Excess (Deficiency) of Revenues Over Expenditures				
	(348,243)	(775,830)	(551,575)	224,255
Other Financing Sources (Uses)				
Transfers in	98,941	275,000	275,000	-
Transfers out	(490,000)	(393,000)	(393,000)	-
Total other financing sources (uses)	<u>(391,059)</u>	<u>(118,000)</u>	<u>(118,000)</u>	<u>-</u>
Net Change in Fund Balances				
	(739,302)	(893,830)	(669,575)	224,255
Fund Balances, Beginning of Year				
	3,219,851	3,219,851	3,104,979	(114,872)
Fund Balances, End of Year				
	<u>\$ 2,480,549</u>	<u>\$ 2,326,021</u>	<u>\$ 2,435,403</u>	<u>\$ 109,383</u>

CITY OF JACKSONVILLE, ARKANSAS

**BUDGETARY COMPARISON SCHEDULE
STREET FUND
YEAR ENDED DECEMBER 31, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Intergovernmental	\$ 2,166,558	\$ 2,166,558	\$ 2,262,865	\$ 96,307
Investment income	1,000	1,000	1,199	199
Miscellaneous	12,200	12,200	16,544	4,344
Total revenues	<u>2,179,758</u>	<u>2,179,758</u>	<u>2,280,608</u>	<u>100,850</u>
Expenditures				
Public works				
Streets and drainage	<u>2,179,758</u>	<u>2,179,758</u>	<u>1,725,149</u>	<u>454,609</u>
Total expenditures	<u>2,179,758</u>	<u>2,179,758</u>	<u>1,725,149</u>	<u>454,609</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	555,459	555,459
Fund Balances, Beginning of Year	<u>665,056</u>	<u>665,056</u>	<u>665,056</u>	-
Fund Balances, End of Year	<u>\$ 665,056</u>	<u>\$ 665,056</u>	<u>\$ 1,220,515</u>	<u>\$ 555,459</u>

CITY OF JACKSONVILLE, ARKANSAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2014

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 shortfalls in revenues from sales taxes and donations expected from Arkansas Game and Fish Foundation for the shooting range in 2014. The original budget of the Street Fund was not amended during 2014.

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.

CITY OF JACKSONVILLE, ARKANSAS

DEFINED BENEFIT PENSION PLANS - REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF EMPLOYER CONTRIBUTIONS YEAR ENDED DECEMBER 31, 2014

	Year Ended December 31	Annual Required Contribution	Percentage Contributed
Policemen's Pension and Relief Fund	2009	\$ 416,298	75%
	2010	364,120	88%
	2011	291,321	115%
	2012	379,869	91%
	2013	429,671	80%
	2014	222,748	153%
Firemen's Pension and Relief Fund	2009	637,139	49%
	2010	1,024,910	31%
	2011	889,248	45%
	2012	971,086	41%
	2013	932,405	43%
	2014	745,307	53%

CITY OF JACKSONVILLE, ARKANSAS

DEFINED BENEFIT PENSION PLANS - REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF FUNDING PROGRESS YEAR ENDED DECEMBER 31, 2014

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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)
Policemen's Pension and Relief Fund	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
	12/31/13	6,037,838	7,025,744	987,906	86%	-	N/A
	12/13/14	6,052,620	6,889,512	836,892	88%	-	N/A
Firemen's Pension and Relief Fund	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
	12/31/13	7,800,314	11,105,807	3,305,493	70%	-	N/A
	12/31/14	7,514,052	11,045,076	3,531,024	68%	-	N/A

CITY OF JACKSONVILLE, ARKANSAS

OTHER POST-EMPLOYMENT BENEFIT PLAN - REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS YEAR ENDED DECEMBER 31, 2014

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%	9,633,787	9.1%
1/1/2011	-	709,644	709,644	0.0%	10,221,888	6.9%
1/1/2015	-	506,680	506,680	0.0%	4,356,032	11.6%

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, (3) Retiree pays the entire premium for healthcare coverage which results in a subsidy of \$409.26 for the retiree. This subsidy was developed from retiree claim costs from other public entities., (4) assumed that 80% of eligible retirees would select health coverage when they initially retired and 0% would continue it past age 65, (5) mortality rates based on the 1994 Uninsured Pensioners Mortality Table, and (6) assumptions for voluntary termination and disability rates are the same as those used by Arkansas Teachers Retirement System.

CITY OF JACKSONVILLE, ARKANSAS

DEFINED BENEFIT PENSION PLANS - REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF CHANGES IN PENSION FUND NET PENSION LIABILITY AND RELATED RATIOS YEAR ENDED DECEMBER 31, 2014

Policemen's Pension and Relief Fund

Fiscal year ending December 31,	<u>2014</u>
Total pension liability:	
Service Costs	\$ -
Interest	337,775
Differences between expected and actual experiences	66,469
Benefit payments, including refunds of plan member contributions	<u>(540,476)</u>
Net change in total pension liability	<u>(136,232)</u>
Total pension liability-beginning of year	7,025,744
Total pension liability - ending (a)	<u>\$ 6,889,512</u>
 Plan fiduciary net position:	
Contributions - employer	\$ 71,676
Contributions - member	-
Contributions - General Fund - Property taxes	269,378
Contributions - General Fund - State insurance turnback and guarantee fund	35,280
Net investment income	215,863
Benefit payments, including refunds of member contributions	(575,756)
Administrative expense	<u>(1,658)</u>
Net change in plan fiduciary net position	14,783
Plan fiduciary net position - beginning	6,037,837
Plan fiduciary net position - ending (b)	<u>\$ 6,052,620</u>
 City's net pension - liability - ending (a) - (b)	<u>\$ 836,892</u>
 Plan fiduciary net position as a percentage of total pension liability	87.85%
 Covered-employee payroll	0%
 Plan's net pension liability as a percentage of covered-employee payroll	N/A

CITY OF JACKSONVILLE, ARKANSAS

DEFINED BENEFIT PENSION PLANS - REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF CHANGES IN PENSION FUND NET PENSION LIABILITY AND RELATED RATIOS YEAR ENDED DECEMBER 31, 2014

Firemen's Pension and Relief Fund

Fiscal year ending December 31,	<u>2014</u>
Total pension liability:	
Service Costs	\$ -
Interest	533,082
Differences between expected and actual experiences	294,533
Benefit payments, including refunds of plan member contributions	<u>(888,346)</u>
Net change in total pension liability	<u>(60,731)</u>
Total pension liability-beginning of year	11,105,807
Total pension liability - ending (a)	<u>\$ 11,045,076</u>
 Plan fiduciary net position:	
Contributions - employer	\$ 9,603
Contributions - member	11,204
Contributions - General Fund - Property taxes	269,378
Contributions - General Fund - State insurance turnback and guarantee fund	165,334
Net investment income	190,050
Benefit payments, including refunds of member contributions	(930,830)
Administrative expense	<u>(1,000)</u>
Net change in plan fiduciary net position	<u>(286,261)</u>
Plan fiduciary net position - beginning	7,800,314
Plan fiduciary net position - ending (b)	<u>\$ 7,514,053</u>
 City's net pension - liability - ending (a) - (b)	<u>\$ 3,531,023</u>
 Plan fiduciary net position as a percentage of total pension liability	68.03%
 Covered-employee payroll	0%
 Plan's net pension liability as a percentage of covered-employee payroll	N/A

CITY OF JACKSONVILLE, ARKANSAS

DEFINED BENEFIT PENSION PLANS - REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF INVESTMENT RETURNS YEAR ENDED DECEMBER 31, 2014

	Fiscal Year Ending	Annual Money-weighted Rate of Return
Policemens Pension and Retirement	12/31/2014	3.72%
Firemens Pension and Retirement	12/31/2014	2.58%

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 providing housing or housing assistance provided to qualified citizens, 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 or state program.

Asset Forfeiture Fund – Accounts for funds received from drug forfeiture programs. These monies are restricted to be expended for assistance in drug enforcement activities.

CITY OF JACKSONVILLE, ARKANSAS

COMBINING BALANCE SHEET
 GOVERNMENTAL FUNDS - NONMAJOR
 DECEMBER 31, 2014

	Special Revenue			Asset Forfeiture	Total
	CDBG	HOME	Grants		
Assets					
Cash	\$ 30,136	\$ 96,076	\$ 12,007	\$ -	\$ 138,219
Restricted cash	-	-	-	144,073	144,073
Accounts receivable	85,100	5,797	2,201	-	93,098
Total Assets	<u>\$ 115,236</u>	<u>\$ 101,873</u>	<u>\$ 14,208</u>	<u>\$ 144,073</u>	<u>\$ 375,390</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 17,057	\$ -	\$ 1,021	1,834	\$ 19,912
Due to other funds	17,412	-	-	-	17,412
Accrued wages payable	1,736	-	-	-	1,736
Other liabilities	-	30,717	-	-	30,717
Total liabilities	<u>36,205</u>	<u>30,717</u>	<u>1,021</u>	<u>1,834</u>	<u>69,777</u>
Fund Balances					
Restricted:					
Law enforcement activities	-	-	-	142,239	142,239
Housing and neighborhood programs	79,031	71,156	-	-	150,187
Grant funds	-	-	13,187	-	13,187
Total fund balances	<u>79,031</u>	<u>71,156</u>	<u>13,187</u>	<u>142,239</u>	<u>305,613</u>
Total Liabilities and Fund Balances	<u>\$ 115,236</u>	<u>\$ 101,873</u>	<u>\$ 14,208</u>	<u>\$ 144,073</u>	<u>\$ 375,390</u>

CITY OF JACKSONVILLE, ARKANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS - NONMAJOR YEAR ENDED DECEMBER 31, 2014

	Special Revenue				Total
	CDBG	HOME	Grants	Asset Forfeiture	
Revenues					
Intergovernmental	\$ 156,961	\$ 43,956	\$ 54,544	\$ 96,026	\$ 351,487
Investment income	746	-	57	-	803
Miscellaneous	67,693	-	-	-	67,693
Total revenues	225,400	43,956	54,601	96,026	419,983
Expenditures					
Parks and recreation services	-	-	21,605	-	21,605
Police	-	-	21,021	68,659	89,680
Housing and neighborhood programs	227,725	11,099	-	-	238,824
Total expenditures	227,725	11,099	42,626	68,659	350,109
Excess (Deficiency) of Revenues Over Expenditures	(2,325)	32,857	11,975	27,367	69,874
Net Change in Fund Balances	(2,325)	32,857	11,975	27,367	69,874
Fund Balances, Beginning of Year	81,356	38,299	1,212	114,872	235,739
Fund Balances, End of Year	\$ 79,031	\$ 71,156	\$ 13,187	\$ 142,239	\$ 305,613



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, 2014

	<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	\$ 237,846	\$ 268,231	\$ 506,077
Investments			
U.S. Government and agency obligations	618,115	2,614,169	3,232,284
Corporate bonds	1,238,629	366,453	1,605,082
Equities	282,115	-	282,115
Mutual funds	3,642,689	4,222,305	7,864,994
Receivables			
Accounts	308	1,387	1,695
Due from other funds	21,595	21,596	43,191
Accrued interest	11,323	19,912	31,235
	<u>\$ 6,052,620</u>	<u>\$ 7,514,053</u>	<u>\$ 13,566,673</u>
Total assets			
	<u>\$ 6,052,620</u>	<u>\$ 7,514,053</u>	<u>\$ 13,566,673</u>
Net Position			
Net position restricted for pension benefits	<u>\$ 6,052,620</u>	<u>\$ 7,514,053</u>	<u>\$ 13,566,673</u>

CITY OF JACKSONVILLE, ARKANSAS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS YEAR ENDED DECEMBER 31, 2014

	<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	\$ 71,676	\$ 9,603	\$ 81,279
Plan members	-	11,204	11,204
Contributed from General Fund			
Property taxes	269,378	269,378	538,756
State insurance turnback and guarantee fund	35,280	165,334	200,614
Total contributions	<u>376,334</u>	<u>455,519</u>	<u>831,853</u>
Investment income			
Net increase in fair value of investments	137,977	109,487	247,464
Interest and dividends	130,716	153,652	284,368
Other investment income	1,251	-	1,251
	<u>269,944</u>	<u>263,139</u>	<u>533,083</u>
Less investment expense	<u>54,081</u>	<u>73,089</u>	<u>127,170</u>
Net investment income	<u>215,863</u>	<u>190,050</u>	<u>405,913</u>
Total additions	<u>592,197</u>	<u>645,569</u>	<u>1,237,766</u>
Deductions			
Benefits paid directly to participants	575,756	930,830	1,506,586
Administrative expenses	1,658	1,000	2,658
Total deductions	<u>577,414</u>	<u>931,830</u>	<u>1,509,244</u>
Net Increase (Decrease) in Net Position	14,783	(286,261)	(271,478)
Net Position Restricted for Pension Benefits Beginning of Year	<u>6,037,837</u>	<u>7,800,314</u>	<u>13,838,151</u>
Net Position Restricted for Pension Benefits End of Year	<u>\$ 6,052,620</u>	<u>\$ 7,514,053</u>	<u>\$ 13,566,673</u>

CITY OF JACKSONVILLE, ARKANSAS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 YEAR ENDED DECEMBER 31, 2014

	<u>Balance January 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2014</u>
<u>District Court Fines and Forfeitures Fund</u>				
Assets				
Cash	\$ 226,474	\$ 1,265,699	\$ 1,399,628	\$ 92,545
Liabilities				
Other liabilities	\$ 226,474	\$ 1,265,699	\$ 1,399,628	\$ 92,545
<u>District Court Restitution Fund</u>				
Assets				
Cash	\$ 12,089	\$ 3,804	\$ 5,622	\$ 10,271
Liabilities				
Other Liabilities	\$ 12,089	\$ 3,804	\$ 5,622	\$ 10,271
<u>Total Agency Funds</u>				
Assets				
Cash	\$ 238,563	\$ 1,269,503	\$ 1,405,250	\$ 102,816
Liabilities				
Other liabilities	238,563	1,269,503	1,405,250	102,816
Total Liabilities	\$ 238,563	\$ 1,269,503	\$ 1,405,250	\$ 102,816

DISCRETELY PRESENTED COMPONENT UNITS

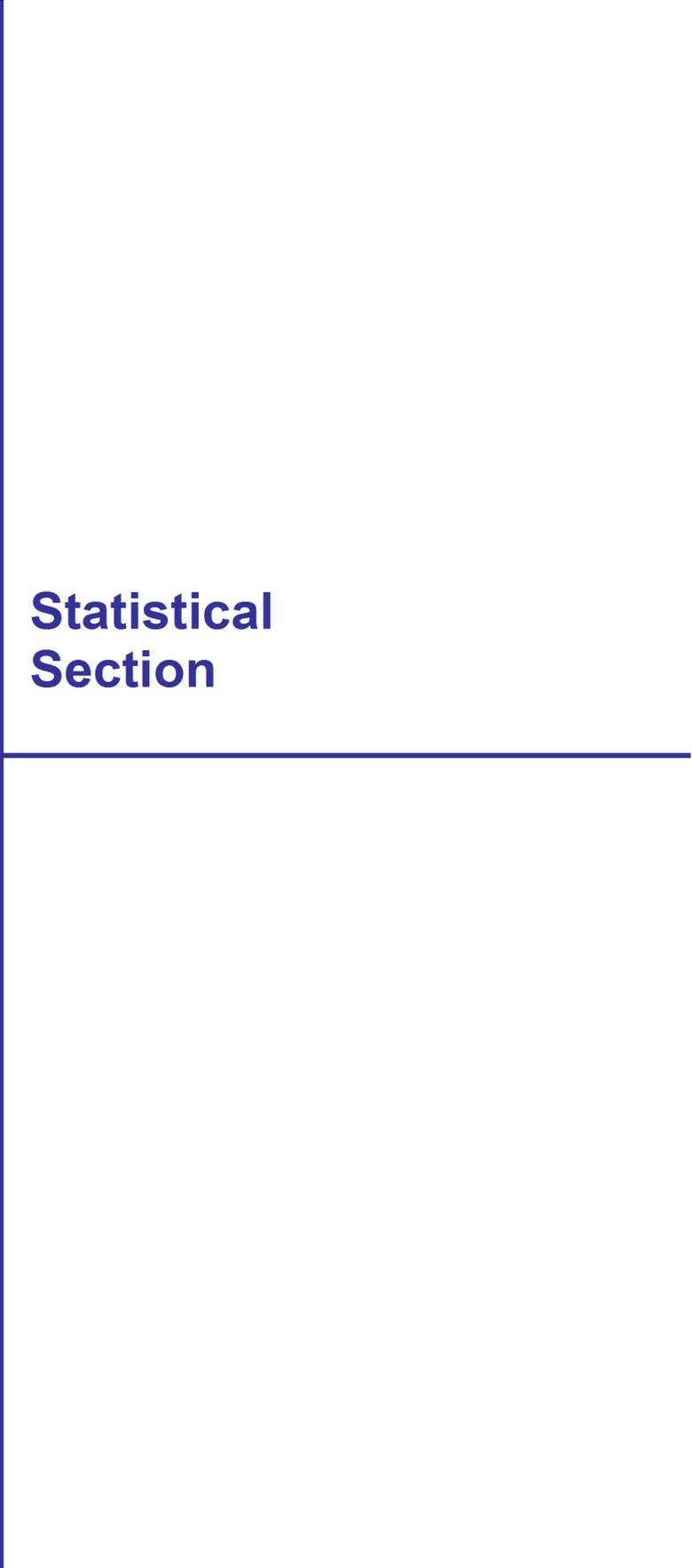
CITY OF JACKSONVILLE, ARKANSAS

COMBINING STATEMENT OF CASH FLOWS DISCRETELY PRESENTED COMPONENT UNITS YEAR ENDED DECEMBER 31, 2014

	Jacksonville Municipal Water Works	Jacksonville Wastewater Utility	Nonmajor Component Unit Advertising and Promotion Commission	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 7,078,878	\$ 4,966,842	\$ -	\$ 12,045,720
Other receipts	397,297	31,565	-	428,862
Payments to employees	(1,713,517)	(1,978,584)	-	(3,692,101)
Payments to suppliers	(1,064,832)	(585,253)	(228)	(1,650,313)
Payments to service providers	(259,278)	(288,386)	(713,886)	(1,261,550)
Other payments	(1,967,036)	-	-	(1,967,036)
Net cash provided by (used in) operating activities	2,471,512	2,146,184	(714,113)	3,903,583
Noncapital Financing Activities				
Local tax levy supporting operations	-	-	715,431	715,431
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(8,854,561)	(1,701,360)	-	(10,555,921)
Contributions-in-aid of construction	-	32,207	-	32,207
Proceeds from issuance of long-term debt	7,782,478	-	-	7,782,478
Principal paid on long-term debt	-	(342,828)	-	(342,828)
Interest paid on long-term debt	(357,415)	(832,622)	-	(1,190,037)
Net cash provided by (used in) capital and related financing activities	(1,429,498)	(2,844,603)	-	(4,274,101)
Cash Flows from Investing Activities				
Proceeds from maturities of cash investments	2,135,612	-	-	2,135,612
Purchase of cash investments	(2,142,698)	-	(100,264)	(2,242,962)
Decrease (increase) in restricted cash	(120,606)	-	-	(120,606)
Interest received	13,397	19,387	524	33,308
Net cash provided by (used in) investing activities	(114,295)	19,387	(99,740)	(194,648)
Net Increase (Decrease) in Cash	927,719	(679,032)	(98,422)	150,265
Cash, Beginning of Year	4,665,323	7,411,092	276,668	12,353,083
Cash, End of Year	\$ 5,593,042	\$ 6,732,060	\$ 178,246	\$ 12,503,348
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities				
Operating income (loss)	\$ 641,952	\$ (310,852)	\$ (717,305)	\$ (386,205)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation and amortization expense	1,118,645	2,143,146	-	3,261,791
Amortization of deferred expenses	30,658	-	-	30,658
Other income, net	397,297	306,759	-	704,056
Changes in operating assets and liabilities				
Receivables, net	83,824	40,953	-	124,777
Revenues earned and unbilled	-	957	-	957
Prepaid expenses	(180)	5,101	-	4,921
Inventories	(16,202)	(15,475)	-	(31,677)
Due to other entities	218,600	-	-	218,600
Accounts payable	(114,527)	(26,317)	3,192	(137,652)
Accrued expenses	94,802	1,912	-	96,714
Customer deposits	16,643	-	-	16,643
Net cash provided by (used in) operating activities	\$ 2,471,512	\$ 2,146,184	\$ (714,113)	\$ 3,903,583

Supplemental Disclosure of Noncash, Capital and Financing Activities

During 2014, Jacksonville Wastewater Utility accepted sewer lines constructed by private developers. The fair value of this donated property was \$32,207.



**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 (Tables 1-5)	98
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 (Tables 6-10)	108
These schedules contain information to help the reader assess the City's most significant local revenue source, the sales tax.	
Debt Capacity (Tables 11-15)	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 (Tables 16-17)	120
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 (Tables 18-20)	122
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--UNAUDITED)

Table 1

	<u>2005</u>	<u>2006 (1)</u>	<u>2007</u>	<u>2008</u>
Governmental activities				
Net investment in capital assets	\$ 22,816,886	\$ 27,499,419	\$ 27,879,856	\$ 28,763,585
Restricted	9,101,847	8,503,883	10,886,550	5,506,038
Unrestricted	9,002,821	13,310,801	14,532,889	16,594,722
Total governmental activities net position	<u>\$ 40,921,554</u>	<u>\$ 49,314,103</u>	<u>\$ 53,299,294</u>	<u>\$ 50,864,345</u>
Business-type activities				
Net investment in capital assets	\$ 695,854	\$ 829,617	\$ 805,482	\$ 739,316
Unrestricted	1,325,624	1,117,417	1,065,041	1,294,837
Total business-type activities net position	<u>\$ 2,021,478</u>	<u>\$ 1,947,034</u>	<u>\$ 1,870,523</u>	<u>\$ 2,034,153</u>
Primary government				
Net investment in capital assets	\$ 23,512,740	\$ 28,329,036	\$ 28,685,338	\$ 29,502,901
Restricted	9,101,847	8,503,883	10,886,550	5,506,038
Unrestricted	10,328,445	14,428,218	15,597,930	17,889,559
Total primary government net position	<u>\$ 42,943,032</u>	<u>\$ 51,261,137</u>	<u>\$ 55,169,818</u>	<u>\$ 52,898,498</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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 32,145,339	\$ 34,751,804	\$ 36,800,745	\$ 41,063,504	\$ 42,058,114	\$ 42,843,428
4,381,589	2,384,498	2,052,401	1,798,969	1,184,762	1,831,423
15,151,670	13,387,422	10,824,395	5,937,438	3,544,078	2,694,078
<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>	<u>\$ 47,368,930</u>
\$ 590,355	\$ 469,824	\$ 653,790	\$ 821,873	\$ 887,393	\$ 989,853
467,345	238,833	825,120	1,107,844	1,479,431	1,673,821
<u>\$ 1,057,700</u>	<u>\$ 708,657</u>	<u>\$ 1,478,910</u>	<u>\$ 1,929,717</u>	<u>\$ 2,366,824</u>	<u>\$ 2,663,674</u>
\$ 32,735,694	\$ 35,221,628	\$ 37,454,535	\$ 41,885,377	\$ 42,945,507	\$ 43,833,282
4,381,589	2,384,498	2,052,401	1,798,969	1,184,762	1,831,423
15,619,015	13,626,255	11,649,515	7,045,282	5,023,509	4,367,899
<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>	<u>\$ 50,032,604</u>

CITY OF JACKSONVILLE, ARKANSAS

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

Table 2

	<u>2005 (1)</u>	<u>2006 (2)</u>	<u>2007</u>	<u>2008</u>
Expenses				
Governmental activities:				
General administration	\$ 734,778	\$ 455,047	\$ 388,618	\$ 5,407,369
City council	111,291	102,118	109,397	113,241
Office of the mayor	152,621	176,115	172,041	177,483
City clerk	116,683	127,270	126,718	124,092
City attorney	114,336	119,183	128,678	137,970
District court	408,191	291,750	234,382	358,017
Director of administration	111,602	142,448	196,038	290,775
Information technology	-	-	-	-
Finance	305,166	310,096	318,849	366,577
Human resources	183,164	187,502	150,571	198,196
Fleet services	127,439	133,133	128,445	128,695
Community programs	195,258	215,705	144,884	227,567
Public works	2,248,802	2,538,869	2,270,571	2,487,309
Parks and recreation services	1,901,421	2,303,225	2,395,010	2,586,954
Police	4,660,087	5,163,602	5,215,852	5,844,669
Fire	3,248,351	3,695,985	4,021,861	4,245,680
Emergency communication services	744,493	721,985	732,347	826,476
Animal control	248,401	274,976	290,335	301,775
Housing and neighborhood programs	516,614	356,252	592,536	361,111
Interest expense on long term debt	-	80,355	119,049	104,386
Agent fees on long-term debt	-	2,654	-	-
Total governmental activities expenses	<u>16,230,683</u>	<u>17,500,249</u>	<u>17,843,986</u>	<u>24,400,837</u>
Business-type activities				
Sanitation services	1,251,275	1,377,442	1,489,290	1,574,915
Emergency medical services	715,616	748,841	775,627	888,257
Total business-type activities expenses	<u>1,966,891</u>	<u>2,126,283</u>	<u>2,264,917</u>	<u>2,463,172</u>
Total primary government expenses	<u>\$ 18,197,574</u>	<u>\$ 19,626,532</u>	<u>\$ 20,108,903</u>	<u>\$ 26,864,009</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General administration	\$ 230,808	\$ 188,519	\$ 193,711	\$ 163,211
District court	280,775	282,379	264,714	259,415
Finance	8,001	8,001	8,001	8,068
Fleet services	47,829	29,230	27,410	27,161
Public works	71,952	70,804	71,392	67,097
Parks and recreation services	588,272	570,584	610,718	581,325
Police	291,397	305,785	281,212	273,923
Fire	3,908	3,406	3,500	5,771
Emergency communication services	156,372	163,256	152,357	169,641
Animal control	7,641	17,542	27,593	35,629
Housing and neighborhood programs	337	2,877	2,408	1,931
Operating grants and contributions	3,215,845	3,500,439	3,920,326	3,839,457
Capital grants and contributions	204,644	-	-	317,671
Total governmental activities program revenues	<u>5,107,781</u>	<u>5,142,822</u>	<u>5,563,342</u>	<u>5,750,300</u>
Business-type activities				
Sanitation services	1,194,230	1,210,204	1,246,743	1,290,468
Emergency medical services	546,122	531,252	598,883	665,113
Operating grants and contributions	12,000	12,000	12,000	12,000
Capital grants and contributions	-	-	-	93,676
Total business-type activities program revenues	<u>1,752,352</u>	<u>1,753,456</u>	<u>1,857,626</u>	<u>2,061,257</u>
Total primary government program revenues	<u>\$ 6,860,133</u>	<u>\$ 6,896,278</u>	<u>\$ 7,420,968</u>	<u>\$ 7,811,557</u>

(1) In 2005 , 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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$	516,564	\$ 1,754,213	\$ 389,238	\$ 454,301	\$ 614,247	\$ 538,999
	119,018	115,831	120,634	112,915	143,817	129,174
	197,782	231,562	230,970	240,152	245,782	239,117
	146,559	144,722	212,357	143,434	140,796	137,910
	144,430	184,094	180,478	190,970	192,214	177,245
	312,140	308,593	303,536	336,932	342,963	340,907
	263,454	317,955	125,806	112,868	114,376	114,063
	-	-	177,839	216,749	241,131	233,713
	503,902	535,466	478,674	659,988	541,303	470,372
	231,641	202,575	245,038	228,913	236,759	227,865
	143,039	176,543	186,396	165,871	144,176	151,582
	225,281	14,139	173,030	198,400	94,705	193,128
	3,084,831	2,866,092	2,585,034	2,872,093	3,605,742	2,247,748
	2,688,917	2,515,033	2,602,790	2,748,589	2,953,709	3,381,026
	7,027,162	7,025,994	8,510,214	7,782,731	7,928,822	7,507,452
	3,548,000	4,500,852	3,998,521	4,882,380	4,840,219	4,498,167
	846,094	800,722	563,861	894,851	962,308	1,035,881
	301,371	313,564	308,039	306,344	320,102	318,606
	433,766	543,274	273,097	365,162	588,290	239,470
	99,042	92,912	102,070	79,563	154,499	224,750
	-	-	-	-	-	-
	<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>	<u>22,407,174</u>
	1,579,466	1,629,285	1,628,388	1,531,003	1,585,114	1,522,422
	1,716,980	1,224,188	1,094,031	1,460,366	1,615,704	1,876,427
	<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>3,398,849</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>	<u>25,806,023</u>
\$	143,871	\$ 181,945	\$ 162,959	\$ 178,388	\$ 156,458	\$ 183,919
	263,377	307,641	311,855	730,677	766,291	812,509
	8,068	8,001	8,026	8,001	20,001	20,001
	75,221	73,845	51,060	37,225	28,368	22,950
	66,674	105,706	67,005	73,871	79,073	87,505
	651,836	732,000	672,790	751,295	797,053	980,103
	277,110	362,790	363,469	59,193	33,670	25,464
	4,418	2,912	2,512	800	822	1,968
	187,703	225,154	205,394	-	212,769	221,994
	32,715	32,350	24,420	20,865	19,365	24,415
	2,065	17,007	535	1,036	486	67,693
	3,684,503	3,916,198	3,731,153	4,236,786	4,428,410	4,598,762
	512,854	419,836	709,285	1,013,992	685,232	211,790
	<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>	<u>7,259,074</u>
	1,255,037	1,277,118	1,812,390	1,816,769	1,908,726	1,847,490
	645,163	709,812	1,009,118	1,062,331	1,132,011	1,387,624
	12,000	12,000	13,500	13,000	6,500	-
	-	-	305,495	59,196	-	-
	<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>3,235,114</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>	<u>10,494,188</u>

(continued)

CITY OF JACKSONVILLE, ARKANSAS

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

	<u>2005(1)</u>	<u>2006 (2)</u>	<u>2007</u>	<u>2008</u>
Net (expense)/revenue				
Governmental activities	\$ (11,122,902)	\$ (12,357,427)	\$ (12,280,643)	\$ (18,650,537)
Business-type activities	(214,539)	(372,827)	(407,291)	(401,915)
Total primary government net expense	<u>\$ (11,337,441)</u>	<u>\$ (12,730,254)</u>	<u>\$ (12,687,933)</u>	<u>\$ (19,052,452)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
General property taxes	\$ 1,030,288	\$ 978,416	\$ 602,363	\$ 755,482
Sales taxes	12,799,497	13,028,273	13,128,674	13,660,175
Utility franchise taxes	1,011,156	1,071,469	1,053,657	1,144,223
Investment earnings	362,445	772,483	1,038,961	648,896
Grants and contributions not restricted to specific programs	476,590	467,394	722,811	516,721
Gain on sale of capital assets	19,955	16,775	13,600	41,316
Transfers	(511,943)	(254,750)	(294,231)	(551,226)
Total governmental activities	<u>15,187,989</u>	<u>16,080,060</u>	<u>16,265,834</u>	<u>16,215,587</u>
Business-type activities:				
Investment earnings	25,736	43,633	36,551	14,319
Grants and contributions not restricted	-	-	-	-
Transfers	511,943	254,750	294,231	551,226
Total business-type activities	<u>537,679</u>	<u>298,383</u>	<u>330,782</u>	<u>565,545</u>
Total primary government	<u>\$ 15,725,668</u>	<u>\$ 16,378,443</u>	<u>\$ 16,596,616</u>	<u>\$ 16,781,132</u>
Changes in Net Position				
Governmental activities	\$ 4,065,087	\$ 3,722,633	\$ 3,985,191	\$ (2,434,950)
Business-type activities	323,140	(74,444)	(76,509)	163,630
Total primary government	<u>\$ 4,388,227</u>	<u>\$ 3,648,189</u>	<u>\$ 3,908,683</u>	<u>\$ (2,271,320)</u>

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ (14,922,578)	\$ (16,258,750)	\$ (15,457,159)	\$ (15,881,077)	\$ (17,177,963)	\$ (15,148,100)
(1,384,246)	(854,543)	418,084	(40,073)	(153,581)	(163,735)
<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>	<u>\$ (15,311,835)</u>
\$ 711,289	\$ 768,342	\$ 777,265	\$ 784,180	\$ 826,033	\$ 838,864
13,170,622	13,157,342	12,612,511	13,138,610	13,164,041	13,406,409
1,131,386	1,097,960	1,057,234	1,031,798	1,292,667	1,137,932
247,304	79,823	38,014	21,136	7,026	5,059
511,033	491,200	459,187	459,957	433,463	470,303
365,197	9,209	9,265	10,263	31,775	331,187
(400,000)	(500,000)	(342,500)	(442,496)	(590,000)	(459,677)
<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>	<u>15,730,077</u>
7,793	5,500	(17,890)	504	688	908
-	-	27,559	47,881	-	-
400,000	500,000	342,500	442,496	590,000	459,677
<u>407,793</u>	<u>505,500</u>	<u>352,169</u>	<u>490,880</u>	<u>590,688</u>	<u>460,585</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>	<u>\$ 16,190,662</u>
\$ 814,253	\$ (1,154,874)	\$ (846,183)	\$ (877,629)	\$ (2,012,958)	\$ 581,977
(976,453)	(349,043)	770,253	450,807	437,107	296,850
<u>\$ (162,200)</u>	<u>\$ (1,503,918)</u>	<u>\$ (75,930)</u>	<u>\$ (426,822)</u>	<u>\$ (1,575,851)</u>	<u>\$ 878,827</u>

CITY OF JACKSONVILLE, ARKANSAS

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

Table 3

Year	General Property Taxes	Sales Taxes			Total Sales Taxes	Utility Franchise Taxes	Total
		City	Pulaski County	Alcoholic Beverage			
2005	\$1,030,288	\$6,932,141	\$5,854,100	\$13,256	\$12,799,497	\$1,011,156	\$14,840,941
2006	978,416	6,950,892	6,060,027	17,354	13,028,273	1,071,469	15,078,158
2007	602,363	6,880,728	6,230,644	17,302	13,128,674	1,053,657	14,784,694
2008	755,482	7,225,987	6,414,770	20,986	13,661,743	1,144,223	15,561,448
2009	711,289	7,024,714	6,124,922	20,986	13,170,622	1,131,386	15,013,297
2010	768,342	6,932,962	6,205,568	18,812	13,157,342	1,097,960	15,023,644
2011	777,265	6,923,047	5,655,813	33,651	12,612,511	1,057,234	14,447,010
2012	784,180	7,338,792	5,747,451	52,368	13,138,610	1,031,799	14,954,589
2013	826,033	7,337,421	5,777,520	49,100	13,164,041	1,292,667	15,282,741
2014	838,864	7,448,713	5,852,314	105,382	13,406,409	1,137,932	15,383,205
Change 2005-2014	-18.6%	7.5%	0.0%	695.0%	4.7%	12.5%	3.7%

CITY OF JACKSONVILLE, ARKANSAS

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

Table 4

	Pre-GASB 54					
	2005	2006	2007	2008	2009	2010
General Fund						
Reserved	\$ 74,054	\$ 114,583	\$ 154,169	\$ 347,968	\$ 68,304	\$ 159,341
Unreserved	2,910,847	3,054,185	3,518,573	3,204,746	3,503,551	3,297,028
Total general fund	<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, reported in:						
Debt Service	\$ -	\$ 209,801	\$ 280,218	\$ 673,128	\$ 317,300	\$ 254,508
Special Revenue Funds	9,027,793	15,246,913	18,939,113	12,779,928	11,078,199	8,928,627
Unreserved, reported in:						
Special revenue funds	5,287,338	4,536,526	3,172,466	3,857,435	3,572,054	2,995,731
Total all other governmental funds	<u>\$ 14,315,131</u>	<u>\$ 19,993,240</u>	<u>\$ 22,391,797</u>	<u>\$ 17,310,491</u>	<u>\$ 14,967,553</u>	<u>\$ 12,178,866</u>
	Post-GASB 54					
	2011	2012	2013	2014		
General Fund						
Nonspendable	\$ -	\$ -	\$ -	\$ 49,285		
Restricted	536,440	537,495	123,382	8,158		
Committed	5,265	5,943	7,039	2,654		
Assigned	1,070,000	-	-	-		
Unassigned	3,792,850	4,095,873	3,089,430	2,375,306		
Total general fund	<u>\$ 5,404,555</u>	<u>\$ 4,639,311</u>	<u>\$ 3,219,851</u>	<u>\$ 2,435,403</u>		
All Other Governmental Funds						
Restricted	\$ 1,515,961	\$ 1,261,474	\$ 1,061,380	\$ 1,823,265		
Assigned	6,180,291	2,733,641	1,809,841	1,597,837		
Total all other governmental funds	<u>\$ 7,696,252</u>	<u>\$ 3,995,115</u>	<u>\$ 2,871,221</u>	<u>\$ 3,421,102</u>		

CITY OF JACKSONVILLE, ARKANSAS

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

Table 5

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues				
Property taxes	\$ 672,930	\$ 927,207	\$ 656,126	\$ 693,921
Sales taxes	12,799,497	13,028,273	13,128,674	13,660,175
Licenses and permits	189,487	169,994	172,131	145,131
Intergovernmental	3,283,377	3,591,056	4,548,611	4,312,524
Charges for services	814,289	774,363	798,949	791,385
Fines and fees	571,794	588,729	559,050	554,482
Utility franchise taxes	1,011,156	1,071,469	1,053,657	1,144,223
Investment income	362,445	772,483	1,038,961	648,896
Contributions	600,000	326,397	50,000	-
Miscellaneous	310,725	230,472	181,318	517,635
Total revenues	20,615,700	21,480,443	22,187,476	22,468,372
Expenditures				
General government	3,173,849	3,382,230	3,060,618	10,320,417
Public works	2,549,574	2,405,238	2,415,159	2,541,105
Parks and recreation services	3,188,662	2,249,704	2,167,701	2,407,242
Police	4,704,001	5,054,988	5,434,385	5,933,565
Fire	3,172,319	3,549,403	4,036,326	4,309,227
Emergency communication services	632,297	601,099	841,219	688,307
Animal control	241,723	258,752	291,596	287,466
Housing and neighborhood programs	515,346	362,303	591,193	369,029
Debt Service				
Principal	-	-	-	155,000
Interest	-	-	152,517	106,522
Agent fees	-	-	-	600
Total expenditures	18,177,771	17,863,717	18,990,713	27,118,480
Excess (Deficiency) of revenues over (under) expenditures	2,437,930	3,616,726	3,196,763	(4,650,108)
Other Financing Sources (Uses)				
Bonds issued	-	2,500,000	-	-
Proceeds from long-term debt	-	-	-	-
Capital lease	-	-	-	-
Transfers in	15,443,234	14,400,023	16,041,110	13,317,337
Transfers out	(15,828,573)	(14,654,773)	(16,335,341)	(13,868,563)
Total other financing sources (uses)	(385,339)	2,245,250	(294,231)	(551,226)
Net change in fund balances	<u>\$ 2,052,591</u>	<u>\$ 5,861,976</u>	<u>\$ 2,902,531</u>	<u>\$ (5,201,335)</u>
Debt service as a percentage of noncapital expenditures	0.0%	0.0%	0.9%	1.1%

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$	717,792	\$ 723,754	\$ 762,221	\$ 779,861	\$ 782,292	\$ 802,438
	13,170,622	13,157,342	12,612,511	13,138,610	13,164,041	13,406,409
	130,663	153,264	122,289	160,514	123,447	133,586
	4,102,067	4,305,841	4,053,971	5,310,202	4,674,667	4,729,464
	919,286	1,026,128	924,618	1,056,207	1,081,303	1,119,187
	561,429	651,231	651,271	791,192	798,456	840,609
	1,131,386	1,097,960	1,057,234	1,031,798	1,292,667	1,137,932
	247,304	79,823	38,014	21,136	7,026	5,059
	-	-	-	-	150,000	-
	673,468	343,931	818,963	227,747	917,159	932,527
	<u>21,654,016</u>	<u>21,539,274</u>	<u>21,041,092</u>	<u>22,517,267</u>	<u>22,991,058</u>	<u>23,107,211</u>
	3,792,768	3,265,843	2,794,399	3,600,208	3,491,811	2,906,919
	2,790,533	3,259,890	4,137,281	3,070,904	3,021,075	2,528,778
	3,087,495	2,568,025	2,332,786	3,694,975	5,514,730	3,025,248
	7,578,930	7,920,716	7,675,658	11,533,317	8,096,659	7,149,003
	4,637,438	5,177,419	4,716,182	4,403,817	4,486,226	4,324,497
	749,533	672,701	755,149	4,858,959	878,086	714,945
	285,653	299,631	295,563	298,166	322,848	305,998
	429,597	539,016	286,307	371,863	559,482	238,824
	125,000	145,000	135,000	155,000	1,422,435	1,803,468
	100,616	94,956	104,094	81,468	157,622	227,594
	250	250	600	700	600	600
	<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>	<u>23,225,874</u>
	(1,923,797)	(2,404,173)	(2,191,927)	(9,552,110)	(4,960,516)	(118,663)
	-	-	-	-	-	-
	-	-	-	3,011,700	3,157,161	344,335
	-	-	-	2,516,526	-	-
	14,053,286	14,209,326	836,647	6,004	577,890	554,150
	<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>(1,013,827)</u>
	<u>(400,000)</u>	<u>(500,000)</u>	<u>(342,500)</u>	<u>5,085,730</u>	<u>2,567,161</u>	<u>(115,342)</u>
\$	<u>(2,323,798)</u>	<u>(2,904,173)</u>	<u>(2,534,427)</u>	<u>(4,466,380)</u>	<u>(2,393,355)</u>	<u>(234,005)</u>
	1.2%	1.2%	1.3%	1.2%	7.3%	12.4%

CITY OF JACKSONVILLE, ARKANSAS

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

Table 6

Year	General Property Taxes	Sales Taxes			Total Sales Taxes	Utility Franchise Taxes	Total
		City	Pulaski County	Alcoholic Beverage			
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
2014	802,438	7,448,713	5,852,314	105,382	13,406,409	1,137,932	15,346,779
Change 2005-2014	19.2%	7.5%	0.0%	695.0%	4.7%	12.5%	6.0%

CITY OF JACKSONVILLE, ARKANSAS

ASSESSED AND APPRAISED VALUE OF TAXABLE PROPERTY LAST TEN YEARS

Table 7

Year	Regular Property		Utility Property		Total Taxable Assessed Value	Total Direct Tax Rate	Total Appraised Value	Assessed Value as a Percentage of Appraised Value
	Real	Personal	Real ⁽¹⁾	Personal				
2005	\$ 153,273,999	\$ 51,160,891	\$ -	\$ 13,400,310	\$ 217,835,200	3.0	\$ 1,089,176,000	20%
2006	160,670,916	52,285,707	-	14,071,210	227,027,833	3.0	1,135,139,165	20%
2007	177,401,623	53,305,741	-	14,701,630	245,408,994	3.0	1,227,044,970	20%
2008	187,275,219	55,503,120	-	15,951,595	258,729,934	3.0	1,293,649,670	20%
2009	193,088,831	49,438,185	-	16,040,341	258,567,357	3.0	1,292,836,785	20%
2010	202,266,211	49,397,720	-	16,140,540	267,804,471	3.0	1,339,022,355	20%
2011	204,232,215	51,272,975	-	16,919,055	272,424,245	3.0	1,362,121,225	20%
2012	202,646,506	53,595,970	-	17,026,315	273,268,791	3.0	1,366,343,955	20%
2013	208,233,348	55,876,090	-	17,583,900	281,693,338	3.0	1,408,466,690	20%
2014	211,849,225	58,290,985	-	19,517,835	289,658,045	3.0	1,448,290,225	20%

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

Table 8

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
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
2014	3.00	3.00	10.10	10.10	40.70	40.70	53.80	53.80

Tax Levies

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
2014		1,289,033		52,080,512		109,264,864		162,634,409

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

PRINCIPAL SALES TAXPAYERS
DECEMBER 31, 2014

Table 9

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 2014, the two cent sales tax generated revenue of \$7,448,713.

According to Arkansas State Statutes, the City is required to keep the identity of individual tax payers confidential. Therefore, the City of Jacksonville is not able to identify the top 10 tax payers. However, Jacksonville enjoys a diverse economic sales tax base.

NAICS Economic Sector	Description	Taxable Sales	City Sales Tax Collected	Rank	Percentage of Total City Sales Tax
44-45	Retail Trade	\$ 204,223,709	\$ 4,084,474	1	54.8%
72	Accommodations and Food Services	35,703,485	714,070	2	9.6%
42	Wholesale Trade	28,137,932	562,759	3	7.6%
22	Utilities	25,589,802	511,796	4	6.9%
51	Information and Cultural Industries	23,876,926	477,539	5	6.4%
31-33	Manufacturing	10,095,465	201,909	6	2.7%
	Automobile	¹ 8,689,168	173,783	7	2.3%
81	Other Services (except Public Administration)	8,576,615	171,532	8	2.3%
56	Admin & Support & Waste Mngmt & Remediation Services	8,562,952	171,259	9	2.3%
53	Rental, Leasing and Real Estate	8,358,734	167,175	10	2.2%
	Totals	<u>\$ 361,814,784</u>	<u>\$7,236,296</u>		<u>97.1%</u>

Source: Arkansas Department of Finance and Administration, Revenue Division, Sales and Use Tax Section.

¹ Beginning in 2014, the DFA started to include Automobile and Other Unidentified Receipts without NAICS code

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

CITY OF JACKSONVILLE, ARKANSAS

PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN YEARS

Table 10

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
2005	1 \$ 685,940	\$ 595,789	86.86%	\$ 63,200	\$ 658,989	96.07%
2006	969,376	825,326	85.14%	56,822	882,148	91.00%
2007	1,010,344	841,592	83.30%	97,603	939,195	92.96%
2008	1,092,143	925,936	84.78%	72,011	997,947	91.38%
2009	1,151,423	976,709	84.83%	69,858	1,046,567	90.89%
2010	1,150,690	983,175	85.44%	73,819	1,056,994	91.86%
2011	1,191,800	1,019,875	85.57%	86,730	1,106,605	92.85%
2012	1,212,353	1,049,855	86.60%	102,969	1,152,824	95.09%
2013	1,216,108	1,056,117	86.84%	89,448	1,145,565	94.20%
2014	1,253,591	1,101,934	87.90%	90,277	1,192,211	95.10%

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

Table 11

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				
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	1,579,017	5,038,839	2,429,113	771,818	-	9,818,787	1.70%	482.35
2014	1,404,381	4,104,899	2,075,153	475,337	-	8,059,770	1.40%	395.94

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 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 GENERAL BONDED DEBT OUTSTANDING LAST TEN YEARS

Table 12

Year	Population	Assessed Value	Net Bonded Debt	Ratio of Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
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
2014	28,364	289,658,045	7,584,433	2.62%	267.40

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

(2) In 2012, notes payable for capital improvement loan and shooting range are paid out of the general fund revenue. Capital lease for 9-1-1 center is also being paid out of the general fund revenues

CITY OF JACKSONVILLE, ARKANSAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
DECEMBER 31, 2014

Table 13

	Debt Available for Retirement	Percentage Applicable	City's Share of Overlapping Debt
Direct:			
City of Jacksonville	\$ 7,584,433	100%	\$ 7,584,433
Overlapping:			
Pulaski County Special School District	<u>139,945,000</u>	20%	<u>27,989,000</u>
Total direct & overlapping bonded debt	<u>\$ 147,529,433</u>		<u>\$ 35,573,433</u>

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values within the City.

CITY OF JACKSONVILLE, ARKANSAS

LEGAL DEBT MARGIN INFORMATION LAST TEN YEARS

Table 14

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Debt limit	\$ 54,458,800	\$ 56,756,958	\$ 61,352,249	\$ 64,682,484
Total net debt applicable to limit	<u>-</u>	<u>2,285,053</u>	<u>2,215,277</u>	<u>2,093,224</u>
Legal debt margin	<u>\$ 54,458,800</u>	<u>\$ 54,471,905</u>	<u>\$ 59,136,972</u>	<u>\$ 62,589,260</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	4.03%	3.61%	3.24%

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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 64,641,839	\$ 66,951,118	\$ 68,106,061	\$ 68,317,198	\$ 70,423,335	72,414,511
<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>7,308,901</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>	<u>\$ 65,105,610</u>
3.03%	2.71%	2.46%	10.27%	12.46%	10.09%

Legal Debt Margin Calculation for 2014

Assessed value	\$ 289,658,045
Debt limit:	
General obligation debt limitation (1)	57,931,609
Short-term financing debt limitation (2)	<u>14,482,902</u>
Total Debt Limitation	<u>72,414,511</u>
Debt applicable to limit:	
General obligation and short-term financing	7,584,433
Less: Amount set aside for repayment in debt service fund	<u>275,532</u>
Total net debt applicable to limit	<u>7,308,901</u>
Legal debt margin	<u>\$ 65,105,610</u>

CITY OF JACKSONVILLE, ARKANSAS

REVENUE BOND COVERAGE LAST TEN YEARS

Table 15

	Year	Operating Revenue	Operating Expenses (1)	Net Revenue Available for Debt Service
Jacksonville Municipal Water Works	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
	2014	6,759,811	4,999,214	1,760,597
Jacksonville Wastewater Utility	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
	2014	4,956,497	3,124,203	1,832,294

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
754,987	380,931	1,135,918	1.55
\$ -	\$ -	\$ -	-
-	-	-	-
-	-	-	-
-	-	-	-
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
365,000	803,818	1,168,818	1.57

CITY OF JACKSONVILLE, ARKANSAS

DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN YEARS

Table 16

Year	Population		Personal Income (thousands of dollars) (2)	Per Capita Income (2)	Median Age	Percent of Population Age 25+ MA/Professional Degree or Higher	School Enrollment (3)	Unemployment Rate (4)
2005	29,916	(1)	\$ 825,712	\$ 27,601	30.7	15.0%	6,741	4.9%
2006	29,916	(1)	825,712	27,601	30.7	15.0%	6,726	5.4%
2007	29,916	(1)	913,156	30,524	31.1	15.0%	6,715	5.8%
2008	29,916	(1)	588,238	19,663	30.9	15.0%	6,234	6.0%
2009	29,916	(1)	595,269	19,898	29.9	15.0%	6,092	8.0%
2010	28,364	(5)	566,656	19,978	30.0	15.0%	5,826	8.5%
2011	28,364	(5)	582,738	20,545	30.0	15.0%	5,527	7.9%
2012	28,364	(5)	600,097	21,157 (6)	30.8	15.0%	5,333	8.0%
2013	28,364	(5)	577,378	20,356	31.2	15.0%	5,279	7.7%
2014	28,364	(5)	577,378	20,356	31.2	15.0%	5,144	6.1%

Data Sources: Metroplan - Council of Local Governments, Pulaski County Special School District

- (1) 2000 Census
- (2) Metroplan provides per capita income. Personal Income is a calculation of per capita income multiplied by the population.
- (3) Source: Pulaski County Special School District
- (4) Source: Arkansas Department of Workforce Services / www.discoverarkansas.net
- (5) 2010 Census
- (6) U.S. Census Bureau latest data is 2011

CITY OF JACKSONVILLE, ARKANSAS

JACKSONVILLE AREA MAJOR EMPLOYERS CURRENT YEAR AND TEN YEARS

Table 17

<u>Employer</u>	<u>2014</u>			<u>2005</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	13,298	1	53.70%	6,297	1	51.60%
Pathfinder, Inc	900	2	3.63%	300	6	2.46%
Pulaski County Special School District	788	3	3.18%	573	2	4.70%
Wal-Mart	555	4	2.24%	500	3	4.10%
North Metro Medical Center (1)	450	5	1.82%	500	4	4.10%
City of Jacksonville	342	6	1.38%	237	7	1.94%
First Arkansas Bank & Trust	260	7	1.05%	137	10	1.12%
First Electric Co-op	225	8	0.91%			
Arkansas Federal Credit Union	200	9	0.81%			
Lomanco, Inc.	195	10	0.79%	180	9	1.48%
Conestoga Wood Specialties, Inc.				200	8	1.64%
Graphic Packaging International				400	5	3.28%
	<u>17,213</u>		<u>69.51%</u>	<u>9,324</u>		<u>76.41%</u>

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

(1) 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

Table 18

<u>Function/Program</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>	<u>2014</u>
General Government										
General government and administration	12	12	12	13	11	12	12	12	12	23
City council	10	10	10	10	10	10	10	10	10	10
Mayor	2	2	2	2	2	2	2	2	2	2
City clerk	2	2	2	2	2	2	2	2	2	2
City attorney	2	2	2	2	2	2	2	2	2	2
District court	5	5	5	5	5	5	5	5	5	5
Director of administration	1	1	1	1	1	1	1	1	1	1
Information technology	1	1	1	2	2	2	2	2	2	2
Finance	7	7	7	8	8	8	7	7	8	7
Human resources	3	3	3	3	3	3	3	3	3	3
Fleet services	2	2	2	2	3	3	3	3	3	2
Public works										
Public works coordinator	1	1	1	1	1	1	1	1	1	1
Engineering	3	3	3	3	3	3	3	4	4	4
Code enforcement	4	4	4	4	4	5	4	4	4	4
Parks and recreation services	43	47	43	43	46	45	30	40	55	35
Police	86	86	86	88	88	90	95	95	98	96
Fire	49	50	52	52	52	52	54	54	56	56
Emergency communication services	13	13	14	14	13	13	13	14	15	12
Animal control	6	6	5	6	6	6	6	6	6	5
Total General Fund	<u>251</u>	<u>256</u>	<u>253</u>	<u>259</u>	<u>261</u>	<u>264</u>	<u>254</u>	<u>266</u>	<u>288</u>	<u>272</u>
Community Development	3	3	3	2	3	2	2	2	2	1
Emergency Medical Services	12	12	12	12	12	12	11	12	12	12
Public Works - Street	20	20	20	20	22	22	18	22	18	15
Sanitation	23	23	23	24	24	24	16	18	16	15
Total Other Funds	<u>58</u>	<u>58</u>	<u>58</u>	<u>58</u>	<u>61</u>	<u>60</u>	<u>47</u>	<u>54</u>	<u>48</u>	<u>43</u>
Total Personnel	<u>309</u>	<u>314</u>	<u>311</u>	<u>317</u>	<u>322</u>	<u>324</u>	<u>301</u>	<u>320</u>	<u>336</u>	<u>314</u>

Source: City's Human Resource Department



CITY OF JACKSONVILLE, ARKANSAS

OPERATING INDICATORS BY FUNCTION/PROGRAM LAST TEN YEARS

Table 19

Function/Program	2005	2006	2007	2008
Planning and Development				
Total building permits issued	317	283	290	219
Estimated building cost	\$ 33,346,625	22,160,897	\$ 29,926,144	\$ 21,592,695
New commercial construction permits	18	16	22	12
Commercial construction value	\$ 10,762,338	\$ 6,342,442	\$ 13,403,589	\$ 12,455,314
New residential construction permits	187	143	130	61
Residential construction value	\$ 21,277,312	14,725,700	\$ 15,061,748	\$ 8,046,180
Police				
Number of uniformed employees	76	76	76	76
Call responses	28,655	29,396	30,984	35,682
Physical arrests	3,932	4,263	4,028	4,480
Parking/traffic violations	6,518	6,711	6,130	5,244
Clearance rate - violent crimes	82.9%	84.2%	72.7%	70.4%
Clearance rate - property crimes	38.3%	38.5%	28.1%	48.1%
Fire				
Number of uniformed employees	48	49	51	51
Fire alarms	1,988	1,953	2,031	2,158
EMS alarms	2,346	2,455	2,444	2,561
Fire losses	\$ 649,450	\$ 1,553,050	\$ 199,660	\$ 983,851
Fire savings	\$ 3,610,000	\$ 3,221,950	\$ 958,590	\$ 2,562,150
911 Communications				
Ambulance land line calls	1,056	1,105	978	784
Ambulance wireless calls	1,290	1,350	1,466	1,828
Fire land line calls	895	879	812	648
Fire wireless calls	1,093	1,074	1,219	1,510
Police land line calls	12,895	13,228	12,394	10,705
Police wireless calls	15,760	16,168	18,590	24,977
Animal Shelter				
Animals handled	2,500	2,400	2,779	2,515
Adoptions	878	892	843	845
Rescued and released to owners	526	512	440	394
Animal cruelty investigations	247	354	355	107
Animal bite investigations	78	59	55	49
Solid Waste/Garbage collection				
Solid waste disposal monthly service rate (*2)	\$ 6.74	\$ 7.31	\$ 7.53	\$ 7.75
Refuse collected (cubic yards)	25,175	26,425	23,918	26,419
Recyclables collected,processed,and sold (tons)	536	590	606	615
Recycled yard waste (cubic yards)	47,345	30,899	30,927	38,950
Recycle drive-thru customers	6,500	6,871	7,400	7,680
Public Works				
Asphalt milling (square yards)	15,875	14,387	4,456	-
Asphalt overlay (tons)	5,050	3,610	4,064	-
Right-of-way and ditch mowing (miles)	1,450	1,850	1,850	1,850
Ditch cleaning (linear feet)	14,866	12,136	14,989	16,405
Pipe/culvert installation (linear feet)	1,688	868	710	170
Storm drain culverts cleaned/flushed (feet)	620	710	1,000	1,500
Roadways cleaned with street sweeper (miles)	3,150	9,318	9,318	9,318
Potholes repaired	202	115	148	190
Parks and recreation				
Total recorded parks attendance	384,142	370,000	390,000	465,114
Community Center events booked	391	379	321	323
Pool parties-indoor pool	275	161	195	196
Pool parties-outdoor pool	71 ^{*1}	106	71	70
Swim lessons	1,371	670	1,398	1,350

Source: Various city departments

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

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

*2 Solid Waste disposal was charged per cubic yard until 2012, then it was charged per ton.

2009	2010	2011	2012	2013	2014
217	224	171	228	158	150
\$ 14,288,536	\$ 20,416,524	\$ 13,250,658	\$ 28,930,558	\$ 10,620,235	\$ 11,637,357
12	27	9	3	9	3
\$ 5,944,317	\$ 10,353,317	\$ 8,412,857	\$ 16,653,110	\$ 5,335,457	\$ 5,273,746
57	60	31	102	32	39
\$ 6,523,000	\$ 8,665,968	\$ 3,416,000	\$ 10,687,144	\$ 4,109,500	\$ 4,749,000
75	76	76	79	80	80
37,672	47,895	47,217	48,167	49,659	45,587
4,343	4,362	4,007	4,050	3,804	4,040
5,472	7,865	7,146	7,399	5,996	7,278
40.5%	49.7%	65.6%	44.0%	63.5%	56.7%
37.0%	30.7%	36.3%	44.8%	64.0%	44.5%
51	51	53	53	55	55
1,884	2,640	3,129	3,129	4,141	3,752
2,667	2,841	3,125	3,216	3,120	3,541
\$ 785,600	\$ 380,450	\$ 407,600	\$ 963,342	\$ 829,630	\$ 803,495
\$ 1,833,020	\$ 2,630,600	\$ 990,800	\$ 1,113,900	\$ 3,014,880	\$ 2,906,079
830	852	1,406	1,447	1,404	1,593
1,938	1,989	1,718	1,769	1,716	1,948
635	792	1,408	1,408	1,863	1,688
1,481	1,848	1,721	1,721	2,278	2,064
11,302	14,369	21,248	21,675	22,347	20,514
26,370	33,527	25,969	26,492	27,312	25,073
2,325	2,176	2,063	1,762	1,563	1,507
869	915	758	564	595	795
405	431	416	419	374	324
85	145	156	107	73	38
40	34	39	33	35	40
\$ 7.98	\$ 8.21	\$ 9.60	\$ 20.98	\$ 21.40	\$ 22.40
22,451	23,648	22,503	21,027	21,542	22,393
649	675	665	609	579	612
33,633	32,816	35,768	32,910	33,456	34,529
10,023	8,474	7,500	6,696	7,826	8,156
19,591	6,111	7,113	8,308	15,513	13,286
5,245	2,554	1,655	1,956	2,574	1,623
1,850	1,850	1,850	1,850	1,850	1,850
17,008	12,906	11,398	22,322	22,322	22,240
1,152	1,423	1,000	2,158	2,577	1,500
2,000	3,000	3,000	3,000	3,000	3,000
9,318	9,318	9,318	9,318	9,318	9,318
247	256	241	167	202	200
329,462	487,600	349,525	356,321	375,000	425,000
323	376	325	338	350	173
192	216	128	154	227	185
83	81	107	122	113	112
1,561	1,656	853	1,220	1,562	1,541

CITY OF JACKSONVILLE, ARKANSAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM LAST TEN YEARS

Table 20

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
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	87
Fire										
Fire Stations	4	4	4	4	4	4	4	4	4	4
Fire trucks	4	4	4	4	4	4	4	4	4	5
Ambulances	4	4	4	4	4	4	4	4	4	4
Refuse Collection										
Collection trucks	14	15	18	18	18	18	18	18	18	18
Public Works										
Miles of Streets	117	117	118	119	120	120	121	121	121	121
Miles of Highways	43	43	43	43	43	43	52	52	52	52
Traffic signals (intersections)	24	24	24	24	24	24	24	24	24	17
Parks and Recreation										
Acreage	280	280	280	283	283	313	318	318	318	700
Number of Playgrounds	8	8	8	9	9	10	10	11	11	11
Baseball/softball diamonds	11	11	11	11	11	11	11	11	11	11
Number of soccer fields	4	4	4	4	4	4	4	4	4	4
Number of community centers	2	2	2	2	2	2	2	2	2	2
Number of water parks	0	1	1	1	1	1	1	1	1	1

Source: Various City departments.

Note: No capital asset indicators are available for the general government.



Compliance
Section



**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, 2014:

- (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 the City's 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, 2014.

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, 2015



**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 (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Jacksonville, Arkansas' basic financial statements, and have issued our report thereon dated June 30, 2015, which contained an emphasis of matter paragraph regarding a change in accounting principle. 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's 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's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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's 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, 2015.

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, 2015

CITY OF JACKSONVILLE, ARKANSAS

SCHEDULE OF AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2014

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
No matters are reportable	

CITY OF JACKSONVILLE, ARKANSAS

SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED DECEMBER 31, 2014

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
No matters are reportable	