

**CITY OF JACKSONVILLE,
ARKANSAS**



**Comprehensive Annual Financial Report
For the Fiscal Year Ended
December 31, 2011**



Comprehensive Annual Financial Report

**City of Jacksonville,
Arkansas**

Fiscal Year Ended

December 31, 2011

Prepared by:

FINANCE DEPARTMENT

Cheryl Erkel, CGFM
DIRECTOR OF FINANCE



CITY OF JACKSONVILLE, ARKANSAS

YEAR ENDED DECEMBER 31, 2011

Table of Contents

Introductory Section

Letter of Transmittal	1
GFOA Certificate of Achievement for Excellence in Financial Reporting	6
Organizational Structure.....	7
List of Elected and Appointed Officials.....	8

Financial Section

Independent Accountants' Report on Financial Statements and Supplementary Information	9
Management's Discussion and Analysis.....	11

Basic Financial Statements

Statement of Net Assets	24
Statement of Activities.....	26
Balance Sheet – Governmental Funds.....	28
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets.....	29
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	30
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities.....	31
Statement of Fund Net Assets – Proprietary Funds	32
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	33
Statement of Cash Flows – Proprietary Funds	34
Statement of Fiduciary Net Assets - Fiduciary Funds.....	36
Statement of Changes in Fiduciary Net Assets	37
Statement of Net Assets – Discretely Presented Component Units.....	38
Statement of Activities – Discretely Presented Component Units	40
Notes to Basic Financial Statements	43

CITY OF JACKSONVILLE, ARKANSAS

YEAR ENDED DECEMBER 31, 2011

Table of Contents (Continued)

Supplementary Information Required By the Governmental Accounting Standards Board

Budgetary Comparison Schedule – General Fund	78
Budgetary Comparison Schedule – Street Fund	79
Schedules of Funding Progress – Defined Benefit Pension Plans.....	80
Schedules of Employer Contributions – Defined Benefit Pension Plans.....	81
Schedules of Funding Progress – Other Post-Employment Benefit Plan.....	82
Notes to Required Supplementary Information.....	83

Other Supplementary Information

Nonmajor Governmental Funds

Combining Balance Sheet	86
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	87

Fiduciary Funds

Combining Statement of Fiduciary Net Assets	90
Combining Statement of Changes in Fiduciary Net Assets.....	91
Combining Statement of Changes in Assets and Liabilities – Agency Funds	92

Discretely Presented Component Units

Combining Statement of Cash Flows – Discretely Presented Component Units	94
---	----

CITY OF JACKSONVILLE, ARKANSAS

YEAR ENDED DECEMBER 31, 2011

Table of Contents (Continued)

Statistical Section

Financial Trends

Net Assets By Component.....	96
Changes in Net Assets.....	98
Fund Balances of Governmental Funds	102
Changes in Fund Balances, Governmental Funds	104
General Government Tax Revenues by Source	106

Revenue Capacity

City Sales and Use Tax Revenue and Classes of Payers.....	108
Sales and Use Tax Revenue Rates.....	110
Assessed and Appraised Value of Taxable Property	111
Property Tax Rates and Tax Levies of Direct and Overlapping Government.....	112
Property Tax Levies and Collections	113

Debt Capacity

Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita.....	114
Direct and Overlapping Governmental Activities Debt.....	115
Legal Debt Margin Information.....	116
Revenue Bond Coverage.....	118

Demographic and Economic Information

Demographic and Economic Statistics	120
Property Value, New Construction and Bank Deposits	121
Principal Employers	122

CITY OF JACKSONVILLE, ARKANSAS

YEAR ENDED DECEMBER 31, 2011

Table of Contents (Continued)

Operating Information

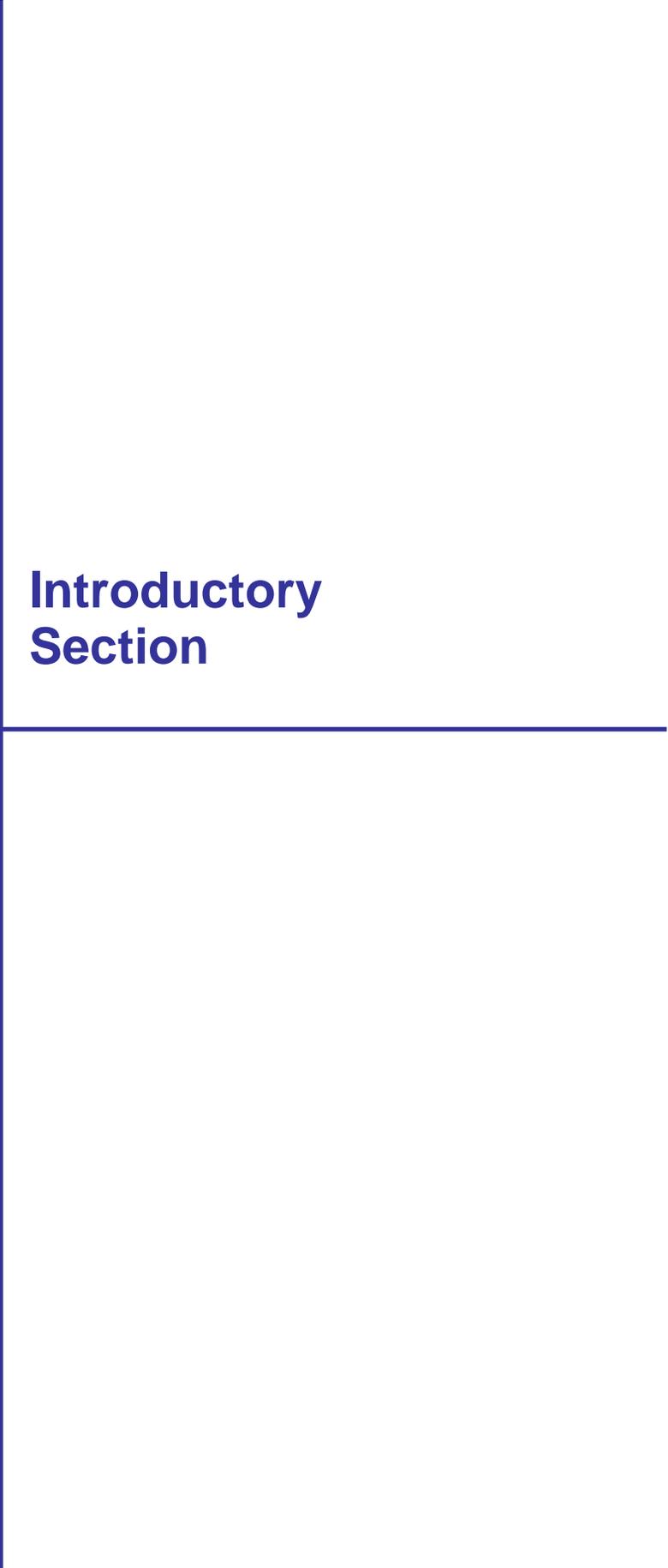
Full-Time Equivalent City Government Employees by Function/Program.....	123
Operating Indicators by Function/Program	124
Capital Asset Statistics by Function/Program.....	126
Miscellaneous Statistical Data	127

Other Required Report

Independent Accountants' Report on Compliance as Specified Under Arkansas Statute 19-4416.1	133
--	------------

Single Audit Section

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>.....	135
Independent Accountants' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	137
Schedule of Expenditures of Federal Awards.....	139
Schedule of Expenditures of State Awards.....	141
Schedule of Findings and Questioned Costs.....	143
Summary Schedule of Prior Audit Findings.....	145



Introductory Section



City of Jacksonville, Arkansas

#1 Municipal Drive
Jacksonville, AR 72076



June 29, 2012

To the Honorable Mayor, Members of the City Council, and the 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, 2011. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Jacksonville. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City of Jacksonville as measured by the financial activity of its various funds. We believe that all disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included. To provide a reasonable basis for making these representations, the management of the City of Jacksonville has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Jacksonville's financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP). Because the cost of internal controls should not outweigh their benefits, the City of Jacksonville's framework of internal control has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

The Report

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

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

The City of Jacksonville's financial statements have been audited by McAlister & Associates, P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Jacksonville for the fiscal year ended December 31, 2011 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, 2011, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the Government

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

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

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

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

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

Factors Affecting Financial Condition

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

Local economy. The nation has been in a recession throughout 2011 ending the year with an unemployment rate of 8.5%. Like all other municipalities, the City of Jacksonville has felt the effects of the recession. The City's unemployment rate went from 8.5% in 2010 to 7.9% in 2011. The first few months of 2012 have shown a slight improvement with the national unemployment rate decreasing to 8.2% and the City's decreasing to 7.3%.

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 2.2% with the 2011 levy collectible in 2012 slightly increasing by 1.7%.

Sales tax revenue derived from the two-cent City sales and use tax and the City's portion (7.41%) of the Pulaski County sales and use tax have been growing at an average rate of 0.6% over the past 5 years which includes a decrease of 0.1% for 2010 and 4.26% for 2011. On average, the sales tax revenue supports approximately 70% 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 annexed 10 miles of property into the city limits in July of 2011 with a plan for additional annexation in 2012.

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. Our Capital Improvement Plan

enables us to provide the orderly replacement of capital facilities and equipment, and to maintain the quality and efficiency of public services, including equipment, 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 has been 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. The aquatic center has been completed. The joint education center project is complete and began enrolling students in January 2011. The joint training center was completed in 2011 which provides a shooting range and a burn tower for training our employees as well as outside agencies.

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. This ad valorem tax is to be pledged to an issue or issues of bond of the City of Jacksonville, Arkansas not to exceed \$2,500,000 in aggregate principal amount to finance this project. The tax will expire upon payment in full of the bonds to which it is pledged. These bonds were issued on April 12, 2006 at a very favorable rate.

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 of Jacksonville uses one-time revenue on items that do not generate recurring expenditures. In 2011, the Police Department purchased child safety seats, rifles, and an auto fingerprinting kit with the revenues from grants.

Major Initiatives. The City of Jacksonville is continuously looking for ways to improve our city to ensure the safety of its citizens. This year we have worked to upgrade our 9-1-1 communication systems to become a "AWIN" sight. A new building is being constructed to house our 9-1-1 Communications Department and our Police Department. This building will also include a FEMA Safe Room. It should be completed by the end of 2012.

In addition, we will complete three other construction projects estimated at \$500,000: Senior Wellness Center will have a Safe Room added onto its existing building, and two roundabouts will be constructed to improve the traffic flow and improve the safety of pedestrian crossing. One of the roundabouts will be located at Main and Harris and the other will be at General Samuels and Harris.

This year, we will upgrade our accounting and human resource software. We have been using the same software for 15 years. The new software should make our procedures more efficient.

Environment Consciousness. The City of Jacksonville is striving to educate the public on environmental awareness. Educational materials are on display at the park constructed in front of the recycling center. The walking trail and disc golf have attracted several visitors. Many schools have used the park during their field trips.

The City of Jacksonville is also helping the environment during construction projects. The City is providing sidewalks throughout the city for easier mobility by foot or bicycle to reduce the ozone pollution. The City 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 our atmosphere as well as beautifying our city.

This year, our parks and recreation department is constructing a wildlife observation trail at Paradise Park. This trail will be funded by a grant from the Arkansas Game and Fish Commission.

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, 2010. 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 fourteenth consecutive year that the City of Jacksonville has achieved this prestigious award. We believe that our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

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

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

Respectfully submitted,



Gary Fletcher
Mayor



Cheryl Erkel, CGFM
Finance Director

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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Dandison

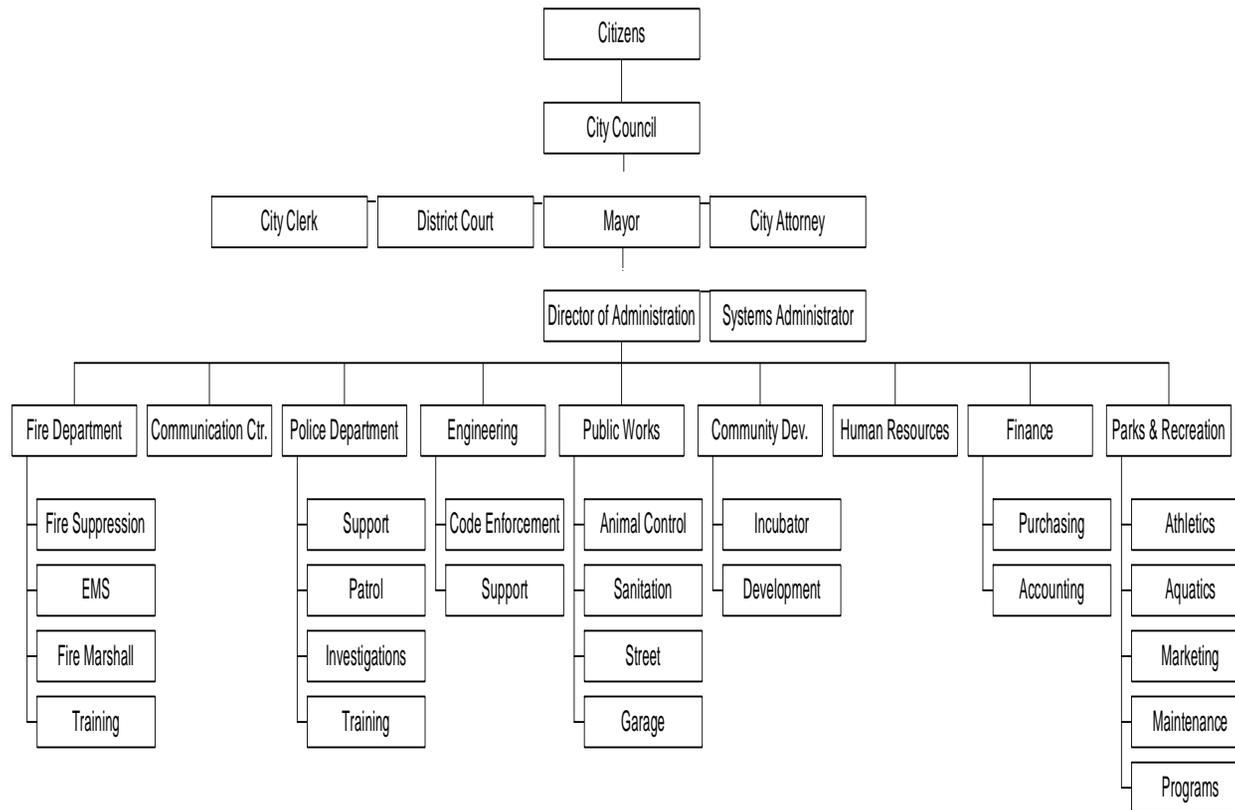
President

Jeffrey R. Emer

Executive Director



City of Jacksonville Organizational Structure



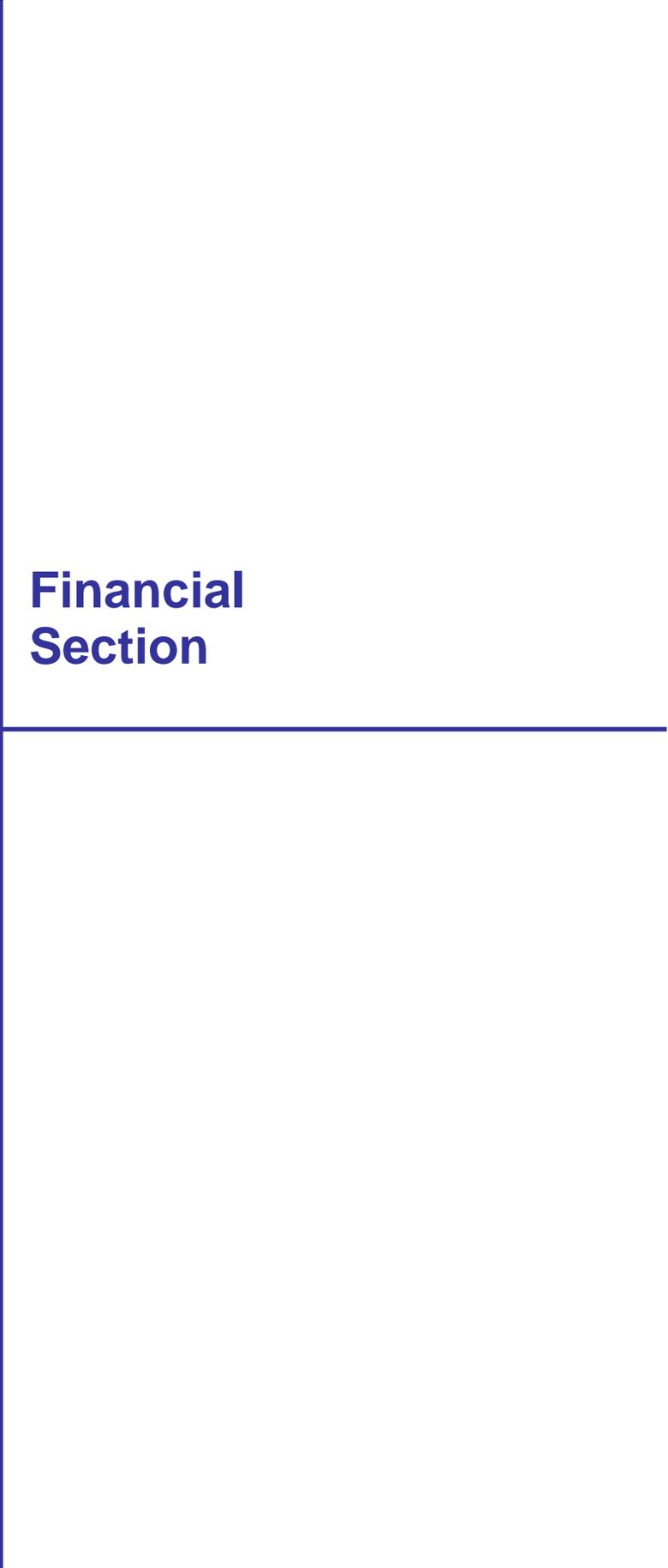
**City of Jacksonville, Arkansas
List of Elected and Appointed Officials
December 31, 2011**

Elected Officials

Gary Fletcher		Mayor	
Kenny Elliot	Ward 1, Position 1	Marshall Smith	Ward 1, Position 2
Kevin McCleary	Ward 2, Position 1	Terry Sansing	Ward 2, Position 2
Reedie Ray	Ward 3, Position 1	Linda Rinker	Ward 3, Position 2
Mike Traylor	Ward 4, Position 1	Robert Stroud	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	John Vanderhoof
Parks & Recreation Director	Kristen Kennon
Human Resource Director	Jill Ross
Police Chief	Gary Sipes
Sanitation Superintendent	Randy Watkins
Street Superintendent	Hal Toney
Superintendent of Emergency Services	Tabitha Hughes



**Financial
Section**



**INDEPENDENT ACCOUNTANTS' REPORT ON
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Jacksonville, Arkansas as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City's management. 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, a discretely presented component unit of the City, which statements reflect total assets and program revenues of \$30,431,880 and \$6,837,937, respectively, and represents 40% and 64% of the aggregate discretely presented component units' total assets and program revenues at December 31, 2011 and for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Jacksonville Municipal Water Works, is based solely on the report 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Notes 1 and 13 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of January 1, 2011, and restated certain fund balances as of January 1, 2011.

Honorable Mayor and
Members of the City Council
City of Jacksonville, Arkansas
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2012, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary and pension 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying supplementary information including the other supplementary information section and schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was performed for the purpose of forming opinions on the basic financial statements as a whole. The introductory and statistical sections and schedule of expenditures of state awards listed in the table of contents is presented for purposes of additional analysis and is 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.

McAlister & Associates, P.A.

McAlister & Associates, P.A.
Certified Public Accountants

Jacksonville, Arkansas
June 29, 2012

City of Jacksonville, Arkansas



Management's Discussion and Analysis

For the Year Ended December 31, 2011

Office of the Finance Director, Cheryl Erkel, CGFM
#1 Municipal Drive, Jacksonville, AR 72076
Phone: (501) 982-4502 Fax: (501) 982-4621
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, 2011. 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 2011 by \$51,156,451 (net assets). Of this amount, \$11,649,515 is considered unrestricted net assets. The unrestricted net assets of the City's governmental activities are \$10,824,395 and may be used to meet the government's on-going obligations to citizens and creditors. The unrestricted net assets of the City's business-type activities have an unrestricted balance of \$825,120 that may be used to meet the on-going obligation of the City's sanitation and emergency medical services activities.
- The City's total net assets decreased by \$75,930 in 2011. Net assets of the governmental activities decreased by \$846,183 in 2011, which was a 2% decrease from beginning net assets. Net assets of the business-type activities increased by \$770,253 in 2011, which was a 109% increase from beginning net assets.
- As the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$13,100,807, which was a decrease of \$2,534,427 from the prior year. The unassigned portion of the fund balances is \$3,792,850, which represents 29% 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 \$5,404,555 at the end of the current fiscal year. The unassigned fund balance for the General Fund was \$3,792,850 or 21% of total general fund expenditures. There was a \$439,677 increase in the total fund balance for the General Fund for the year ended December 31, 2011.
- At the close of the current fiscal year, net assets of fiduciary funds were \$13,417,597 in trust for pension benefits. There was a \$1,028,021 decrease in the total fiduciary net assets held in trust for the year ended December 31, 2011.

- The City’s component units reported net assets of \$55,837,623 as of December 31, 2011, an increase of \$2,810,191 compared to December 31, 2010 net assets of \$53,027,432.

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

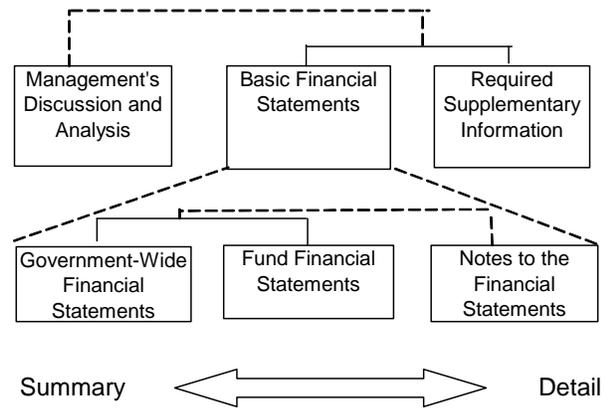


Figure B. Major features of the City’s Government-wide and Fund Financial Statements

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 assets Statement of activities	Balance Sheet Statement of revenues, expenditures & changes in fund balances	Statement of net assets Statement of revenues, expenses & changes in fund net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
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 assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused, vacation leave).

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

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

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

Financial information for these component units are reported separately from the financial information presented for the primary government itself. Complete financial statements for these component units may be obtained by contacting the administrative offices listed on page 44 of this report.

The government-wide financial statements can be found on pages 24 through 27 of this report.

Fund Financial Statements

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

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

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

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

The basic governmental fund financial statements can be found on pages 28 through 31 of this report.

For the fiscal year ended December 31, 2011, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54- *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement changed the previous reporting of reserved and unreserved fund balance to five new classifications, which are nonspendable, restricted, committed, assigned and unassigned. This statement also added additional note disclosures for the new classifications and refined the definitions of the various governmental fund types. See Note 1 and Note 13 to the basic financial statements for additional details.

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, a major fund, and the Emergency Medical Service Enterprise Fund, a nonmajor fund for the City.

The basic proprietary fund financial statements can be found on pages 32 through 35 of this report.

Fiduciary Funds - *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 36 through 37 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 43-75 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 and other information related to the individual funds is presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 86 through 87 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$51,156,451 at the close of 2011. The largest portion of the City's net assets (71%) reflects its investments 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 are 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

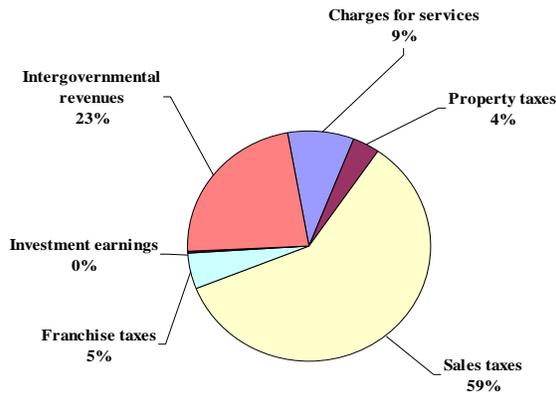
	Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 16,166,713	\$ 19,161,609	\$ 927,732	\$ 338,897	\$ 17,094,445	\$ 19,500,506
Capital assets	38,774,829	36,860,282	1,948,304	469,824	40,723,133	37,330,106
Total assets	54,941,542	56,021,891	2,876,036	808,719	57,817,578	56,830,612
Long-term liabilities outstanding	3,843,292	3,649,099	1,037,081	3,953	4,880,373	3,653,052
Other Liabilities	1,420,709	1,849,068	360,045	96,109	1,780,754	1,945,177
Total liabilities	5,264,001	5,498,167	1,397,126	100,062	6,661,127	5,598,229
Net Assets:						
Invested in capital assets						
net of related debt	36,800,745	34,751,804	653,790	469,824	37,454,535	35,221,628
Restricted	2,052,401	2,384,498	-	-	2,052,401	2,384,498
Unrestricted	10,824,395	13,387,422	825,120	238,833	11,649,515	13,626,255
Total Net Assets	\$ 49,677,541	\$ 50,523,724	\$ 1,478,910	\$ 708,657	\$ 51,156,451	\$ 51,232,381

An additional portion of the City's net assets \$2,052,401 represents resources that are subject to restrictions as to how they may be used. The remaining balance of unrestricted net assets \$11,649,515 may be used to meet the City's ongoing obligations to citizens and creditors.

	Changes in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
<i>Program revenues:</i>						
Charges for services	\$ 1,870,025	\$ 2,049,351	\$ 2,821,508	\$ 1,986,930	\$ 4,691,533	\$ 4,036,281
Operating grants and contributions	3,731,153	3,916,198	13,500	12,000	3,744,653	\$ 3,928,198
Capital grants and contributions	709,285	419,836	305,495	-	1,014,780	\$ 419,836
	6,310,463	6,385,386	3,140,503	1,998,930	9,450,966	8,384,316
<i>General revenues:</i>						
Property taxes	777,265	768,342	-	-	777,265	768,342
Sales taxes	12,612,511	13,157,342	-	-	12,612,511	13,157,342
Franchise taxes	1,057,234	1,097,960	-	-	1,057,234	1,097,960
Investment earnings	38,014	79,823	(17,890)	5,500	20,124	85,323
Intergovernmental						
Revenues	459,187	491,200	-	-	459,187	491,200
Gain/(loss) on sales of capital assets	9,265	9,209	27,559	-	36,823	9,209
Total general revenues	14,953,476	15,103,876	9,669	505,500	14,963,144	15,609,376
Total revenues	21,263,939	21,489,262	3,150,172	2,504,430	24,414,111	23,993,692
Expenses:						
General government	2,823,996	3,985,693	-	-	2,823,996	3,985,693
Public works	2,585,034	2,866,092	-	-	2,585,034	2,866,092
Parks and recreation services	2,602,790	2,515,033	-	-	2,602,790	2,515,033
Public safety	13,380,635	12,641,132	-	-	13,380,635	12,641,132
Housing and neighborhood programs	273,097	543,274	-	-	273,097	543,274
Interest expense on long-term debt	102,070	92,912	-	-	102,070	92,912
Sanitation services	-	-	1,628,388	1,629,285	1,628,388	1,629,285
Emergency medical services	-	-	1,094,031	1,224,188	1,094,031	1,224,188
Total expenses	21,767,622	22,644,136	2,722,419	2,853,473	24,490,041	25,497,609
Change in net assets before transfers	(503,683)	(1,154,874)	427,753	(349,043)	(75,930)	(1,503,918)
Transfers	(342,500)	(500,000)	342,500	500,000	-	-
Changes in net assets	(846,183)	(1,154,874)	770,253	(349,043)	(75,930)	(1,503,918)
Net Assets Beginning of Year	50,523,724	51,678,598	708,657	1,057,700	51,232,381	52,736,298
Net Assets, End of Year	\$ 49,677,541	\$ 50,523,724	\$ 1,478,910	\$ 708,657	\$ 51,156,452	\$ 51,232,380

At the end of the current fiscal year, the City of Jacksonville is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. It is important to note that although the total spendable unrestricted net assets are \$11,649,515; the City's business-type activities portion \$825,120 may not be used to fund governmental activities.

Revenues by Source-Governmental Activities

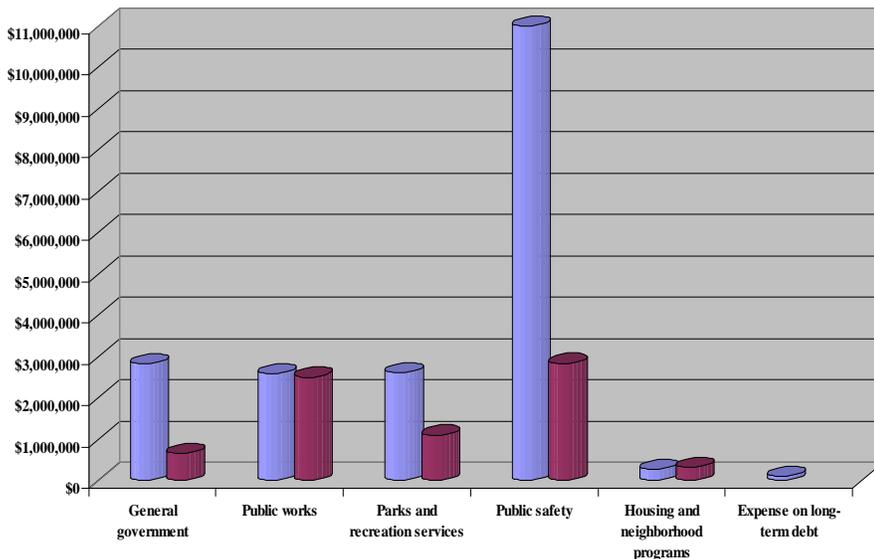


Governmental Activities -

Governmental activities decreased the City's net assets in the current period by \$846,183. The main elements of the current period decreases are:

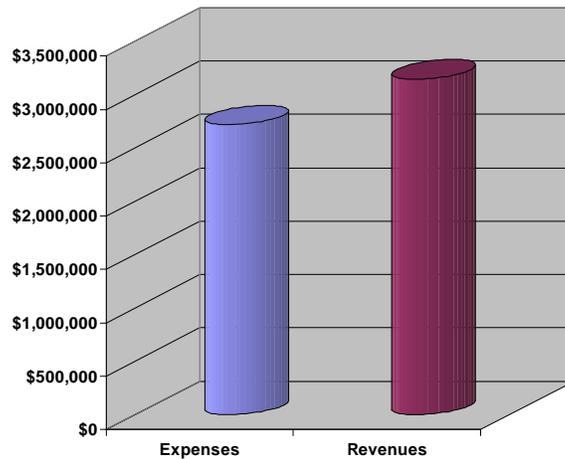
- Changes in net capital assets due to increases in land acquisitions, land improvements, and other infrastructure improvements.
- Changes in net capital asset dedications, and current acquisitions and retirements.
- Additional purchases of capital equipment.

Expenses and Program Revenues-Governmental Activities



Sales taxes represent 59% or \$12,612,511 of the City's governmental revenue in 2011, grants and contributions added \$4,440,438 or 21% to total revenues, and charges for services added \$1,870,025 or 9% to total revenues.

Expenses and Program Revenue-Business-type Activities



Business-type Activities - Business-type activities increased the City's net assets by \$770,253.

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 \$1,812,390 for 2011 compared to \$1,277,118 in 2010. Total expenses for 2011 were

\$1,628,388 compared to \$1,629,285 in 2010. Revenues increased due to an increase in sanitation fees. Expenses decreased due to a decrease in repair and maintenance costs for equipment, vehicles, and buildings.

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 \$1,009,118 for 2011 compared to \$709,812 in 2010. Total expenses for 2011 were \$1,094,031 compared to \$1,224,188 in 2010. Revenues increased as a result of increased ambulance run volume. Expenses decreased due to decrease in bad debt write-offs.

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, 2011, the City's governmental funds reported combined ending fund balances of \$13,100,807, a decrease of \$2,534,427 in comparison with the prior year. Approximately, 29% of this total, or \$3,792,850, 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, 2011, the total fund balance of the general fund was \$5,404,555 of which \$3,792,850 was unassigned. This unassigned fund balance represents approximately 29% of total general fund expenditures. The

fund balance of the General Fund increased \$439,677 in fiscal year 2011. The 2012 budget anticipated use of \$289,861 of this fund balance for programs that were not completed in the prior year and funds for these programs were reserved for that purpose.

The Street Fund had a total fund balance of \$1,072,252, which was a decrease of \$853,478 from 2010. The total amount of the fund balance is classified as restricted. The majority of this decrease was due to street improvement at the intersection of Main, James, and Dupree Streets.

The Special Projects Funds had a total fund balance of \$6,180,291, which was a decrease of \$2,131,233 from 2010. 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 Police/9-1-1 building. 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	\$ 4,160,431	\$ (1,519,845)
Capital Drainage	756,920	(20,459)
Capital Equipment	1,262,940	(590,929)

The City maintains four nonmajor governmental funds in addition to the above mentioned major funds. These funds had a total fund balance of \$443,709. The net increase in the fund balances during 2011 for these funds was \$10,607. The ending fund balances and net changes for the nonmajor funds were:

<u>Fund</u>	<u>Ending Balance</u>	<u>Net Change</u>
Grants	\$ 13,942	\$ (22,935)
CDBG	114,638	13,217
HOME	49,580	9,284
2006 Library – Debt Service	265,549	11,041

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 assets for the Sanitation Services Enterprise Fund increased in 2011 by \$207,115 compared to a decrease of \$334,685 in 2010. 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 assets for the Emergency Medical Service Enterprise Fund in 2011 were \$802,681 which was an increase of \$563,138 from \$239,543 in 2010. This increase was due to a combination of an increase in revenues for Emergency Medical Services and capital contributions of equipment from the Special Projects Fund. The Emergency Medical Service was accounted for in the General Fund prior to 2005. This change resulted from the need to track revenues charged for services provided along with the costs of providing those services. 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 2011 General Fund amended budget appropriated \$18,142,764 as compared to the 2010 budget of \$19,069,795, a decrease of approximately 1%. The budget was amended due to a decrease in revenue based on a decrease in population resulting from the 2010 Census.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for governmental and business-type activities as of December 31, 2011, amounts to \$40,723,133 (net of accumulated depreciation). The investment in capital assets includes land, buildings and building improvements, improvements other than buildings, equipment, infrastructure, and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was \$3,393,027 net of depreciation, a 9% increase.

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 9,493,913	\$ 9,276,073	\$ -	\$ -	\$9,493,913	\$ 9,276,073
Land improvements	795,141	839,577	-	-	795,141	839,577
Infrastructure	9,591,475	8,815,595	-	-	9,591,475	8,815,595
Buildings	14,190,676	11,289,712	-	-	14,190,676	11,289,712
Vehicles	1,191,561	1,441,625	1,411,987	416,068	2,603,548	1,857,693
Equipment	1,536,746	1,780,868	536,316	53,755	2,073,062	1,834,623
Construction in progress	1,975,317	3,416,833	-	-	1,975,317	3,416,833
Total	\$38,774,829	\$ 36,860,282	\$ 1,948,304	\$ 469,824	\$40,723,133	\$37,330,106

Major capital asset events that occurred during 2011 included the following:

- New land acquisitions for the year were \$217,840 with \$15,000 contributed by property owners for release of liens.
- The Police and Fire Training Center was completed.
- Construction on the Senior Center Safe Room occurred throughout the entire year along with the widening of Graham Road and Main Street.

Additional information on the City's capital assets can be found in Note 3 on pages 54-57 of this report.

Long-term Debt. At December 31, 2011, the City, the primary government, had long-term bonds outstanding of \$1,940,000. These bonds are secured solely by specified revenue sources. The City's long-term debt was decreased by \$135,000 during 2011. This resulted from the maturity of \$50,000 in long-term bonds outstanding plus \$85,000 long-term bonds redeemed with an early call provision.

State statutes limit the amount of general obligation debt a governmental entity may issue to 20% of its total assessed valuation for long-term debt and 5% for short-term debt. The City had \$1,940,00 in long-term bonds payable at December 31, 2011.

Additional information on the City's long-term debt can be found in Note 4 on pages 57-61 of this report.

Economic Factors and Next Year's Budgets and Rates

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

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

The goal of the Mayor and City Council is to maintain financial stability by adopting budgets with a minimum unreserved fund balance of 16.6% of operating expenditures. With this in mind, the 2012 budgets were adopted for the General Fund at \$19,047,026 and the Street Fund at \$2,199,211.

Request for Information

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

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



BASIC FINANCIAL STATEMENTS

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF NET ASSETS DECEMBER 31, 2011

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets				
Cash and cash equivalents	\$ 5,299,371	\$ 236,175	\$ 5,535,546	\$ 7,319,096
Restricted cash and investments, current	35,667	-	35,667	8,105,624
Investments	5,463,098	75,000	5,538,098	1,464,270
Receivables, net of allowance for uncollectible accounts				
Taxes	1,462,234	-	1,462,234	-
Sales taxes	2,268,439	-	2,268,439	-
Accounts	94,144	616,339	710,483	2,443,273
Accrued interest	1,121	7	1,128	1,129
Grants and other governments	118,579	-	118,579	-
Other	118,114	-	118,114	-
Internal balances	(211)	211	-	-
Inventories	-	-	-	504,961
Prepaid expenses and other	-	-	-	51,398
Total current assets	14,860,556	927,732	15,788,288	19,889,751
Noncurrent assets				
Restricted assets				
Cash and cash equivalents	244,973	-	244,973	587,088
Less amount required to meet current obligations	(35,667)	-	(35,667)	-
Total restricted assets	209,306	-	209,306	587,088
Capital assets				
Nondepreciable	11,469,230	-	11,469,230	900,090
Depreciable, net	27,305,599	1,948,304	29,253,903	54,827,336
	38,774,829	1,948,304	40,723,133	55,727,426
Other assets				
Net pension asset	1,064,111	-	1,064,111	-
Deferred bond issue costs	32,740	-	32,740	242,765
Deferred charges	-	-	-	25,981
Total other assets	1,096,851	-	1,096,851	268,746
Total noncurrent assets	40,080,986	1,948,304	42,029,290	56,583,260
Total Assets	\$ 54,941,542	\$ 2,876,036	\$ 57,817,578	\$ 76,473,013

See Accompanying Notes to Basic Financial Statements.

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities and Net Assets				
Current liabilities				
Accounts payable	\$ 178,342	\$ 42,040	\$ 220,382	\$ 1,699,527
Accrued wages payable and related liabilities	403,013	20,507	423,520	-
Accrued expenses and other	168,289	-	168,289	154,952
Accrued interest payable	35,667	2,192	37,859	77,234
Compensated absences, current	432,259	31,373	463,632	-
Bonds payable, current	55,000	-	55,000	305,413
Note payable, current	-	257,433	257,433	2,191
Due to fiduciary funds	41,168	-	41,168	-
Unearned revenue	106,971	6,500	113,471	-
Total current liabilities	<u>1,420,709</u>	<u>360,045</u>	<u>1,780,754</u>	<u>2,239,317</u>
Noncurrent liabilities				
Bonds payable, net of unamortized discount	1,882,805	-	1,882,805	17,720,013
Note payable	-	1,037,081	1,037,081	36,632
Customer deposits	-	-	-	636,780
Compensated absences	212,391	-	212,391	-
Net pension obligation	1,526,661	-	1,526,661	-
Net OPEB obligation	221,435	-	221,435	-
Other long-term liabilities	-	-	-	2,648
Total noncurrent liabilities	<u>3,843,292</u>	<u>1,037,081</u>	<u>4,880,373</u>	<u>18,396,073</u>
Total liabilities	5,264,001	1,397,126	6,661,127	20,635,390
Net Assets				
Invested in capital assets, net of related debt	<u>36,800,745</u>	<u>653,790</u>	<u>37,454,535</u>	<u>44,920,379</u>
Restricted - expendable				
Street maintenance	1,072,252	-	1,072,252	-
Debt service	265,549	-	265,549	-
Housing and neighborhood programs	164,218	-	164,218	-
911 fees	426,844	-	426,844	-
Grant funds	13,942	-	13,942	-
Other purposes	109,596	-	109,596	1,390,630
Total restricted - expendable	<u>2,052,401</u>	<u>-</u>	<u>2,052,401</u>	<u>1,390,630</u>
Unrestricted	<u>10,824,395</u>	<u>825,120</u>	<u>11,649,515</u>	<u>9,526,614</u>
Total net assets	<u>49,677,541</u>	<u>1,478,910</u>	<u>51,156,451</u>	<u>55,837,623</u>
Total Liabilities and Net Assets	<u>\$ 54,941,542</u>	<u>\$ 2,876,036</u>	<u>\$ 57,817,578</u>	<u>\$ 76,473,013</u>

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2011

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	\$ 389,238	\$ 162,959	\$ 23,000	\$ 50,000
City council	120,634	-	-	-
Office of the mayor	230,970	-	-	-
City clerk	212,357	-	-	-
City attorney	180,478	-	-	-
District court	303,536	311,855	-	-
Director of administration	125,806	-	-	-
Director of information technology	177,839	-	-	-
Finance	478,674	8,026	-	-
Human resources	245,038	-	-	-
Fleet services	186,396	51,060	-	-
Community programs	173,030	-	40,066	-
Public works	2,585,034	67,005	1,772,065	659,285
Parks and recreation services	2,602,790	672,790	421,539	-
Police	8,510,214	363,469	779,647	-
Fire	3,998,521	2,512	387,063	-
Emergency communication services	563,861	205,394	-	-
Animal control	308,039	24,420	582	-
Housing and neighborhood programs	273,097	535	307,192	-
Interest expense on long-term debt	102,070	-	-	-
Total governmental activities	<u>21,767,622</u>	<u>1,870,025</u>	<u>3,731,153</u>	<u>709,285</u>
Business-type Activities				
Sanitation services	1,628,388	1,812,390	13,500	-
Emergency medical services	1,094,031	1,009,118	-	305,495
Total business-type activities	<u>2,722,419</u>	<u>2,821,508</u>	<u>13,500</u>	<u>305,495</u>
Total primary government	<u>\$ 24,490,041</u>	<u>\$ 4,691,533</u>	<u>\$ 3,744,653</u>	<u>\$ 1,014,780</u>
Component Units				
Municipal Water Works	\$ 5,031,022	\$ 6,837,937	\$ -	\$ -
Wastewater Utility	4,303,880	3,913,742	-	-
Advertising and Promotion Commission	722,404	-	-	-
Total component units	<u>\$ 10,057,306</u>	<u>\$ 10,751,679</u>	<u>\$ -</u>	<u>\$ -</u>

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

Total general revenues and transfers

Change in Net Assets

Net Assets, Beginning of Year

Net Assets, End of Year

See Accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total		
\$ (153,279)	\$ -	\$ (153,279)	\$ -	-
(120,634)	-	(120,634)	-	-
(230,970)	-	(230,970)	-	-
(212,357)	-	(212,357)	-	-
(180,478)	-	(180,478)	-	-
8,319	-	8,319	-	-
(125,806)	-	(125,806)	-	-
(177,839)	-	(177,839)	-	-
(470,648)	-	(470,648)	-	-
(245,038)	-	(245,038)	-	-
(135,336)	-	(135,336)	-	-
(132,964)	-	(132,964)	-	-
(86,679)	-	(86,679)	-	-
(1,508,461)	-	(1,508,461)	-	-
(7,367,098)	-	(7,367,098)	-	-
(3,608,946)	-	(3,608,946)	-	-
(358,467)	-	(358,467)	-	-
(283,037)	-	(283,037)	-	-
34,630	-	34,630	-	-
(102,070)	-	(102,070)	-	-
(15,457,159)	-	(15,457,159)	-	-
-	197,502	197,502	-	-
-	220,582	220,582	-	-
-	418,084	418,084	-	-
\$ (15,457,159)	\$ 418,084	\$ (15,039,075)	\$ -	-
-	-	-	1,806,915	-
-	-	-	(390,138)	-
-	-	-	(722,404)	-
-	-	-	694,373	-
777,265	-	777,265	-	-
12,612,511	-	12,612,511	823,387	-
1,057,234	-	1,057,234	-	-
38,014	(17,890)	20,124	131,906	-
459,187	-	459,187	968,662	-
9,265	27,559	36,823	-	-
-	-	-	191,863	-
(342,500)	342,500	-	-	-
14,610,976	352,169	14,963,144	2,115,818	-
(846,183)	770,253	(75,930)	2,810,191	-
50,523,724	708,657	51,232,381	53,027,432	-
\$ 49,677,541	\$ 1,478,910	\$ 51,156,451	\$ 55,837,623	-

CITY OF JACKSONVILLE, ARKANSAS

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2011

	General	Street	Special Projects	Other Governmental Funds	Total
Assets					
Cash	\$ 3,430,779	\$ 602,802	\$ 1,134,253	\$ 131,537	\$ 5,299,371
Restricted cash	-	-	-	244,973	244,973
Investments	651,614	450,676	4,360,808	-	5,463,098
Accounts receivable					
Taxes	715,236	485,680	-	261,318	1,462,234
Sales taxes	2,268,439	-	-	-	2,268,439
Accounts	-	-	-	94,144	94,144
Accrued interest	28	28	1,065	-	1,121
Grants and other governments	46,297	10,778	-	61,504	118,579
Other	114,992	3,122	-	-	118,114
Due from other funds	70,830	-	684,165	-	754,995
Total Assets	\$ 7,298,215	\$ 1,553,086	\$ 6,180,291	\$ 793,477	\$ 15,825,069
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 137,134	\$ 36,920	\$ -	\$ 4,288	\$ 178,342
Due to other funds	725,333	(357)	-	71,398	796,374
Accrued wages payable and related liabilities	388,469	13,177	-	1,367	403,013
Deferred revenue	588,453	349,050	-	240,741	1,178,244
Other liabilities	54,271	82,044	-	31,974	168,289
Total liabilities	1,893,660	480,834	-	349,768	2,724,262
Fund Balances					
Restricted					
Street maintenance	-	1,072,252	-	-	1,072,252
Debt service	-	-	-	265,549	265,549
Housing & neighborhood programs	-	-	-	164,218	164,218
Grant funds	-	-	-	13,942	13,942
9-1-1 fees	426,844	-	-	-	426,844
Other purposes	109,596	-	-	-	109,596
Committed					
Capital projects	5,265	-	-	-	5,265
Assigned					
Capital projects	1,070,000	-	6,180,291	-	7,250,291
Unassigned	3,792,850	-	-	-	3,792,850
Total fund balances	5,404,555	1,072,252	6,180,291	443,709	13,100,807
Total Liabilities and Fund Balances	\$ 7,298,215	\$ 1,553,086	\$ 6,180,291	\$ 793,477	\$ 15,825,069

See Accompanying Notes to Basic Financial Statements.

CITY OF JACKSONVILLE, ARKANSAS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS DECEMBER 31, 2011

Total fund balances - governmental funds	\$ 13,100,807
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	38,774,829
The Policemen's Pension and Relief Fund has net pension assets not reported as assets in the funds.	1,064,111
Bond issuance costs, net of related amortization, are not reported as assets in the funds.	32,740
Liabilities that are not due and payable in the current period and are not reported in the funds including:	
Bonds payable	(1,937,805)
Accrued interest payable	(35,667)
Accrued compensated absences	(644,650)
Other post employment benefits	(221,435)
The Firemen's Pension and Relief Fund has a net pension obligation not reported as a liability in the funds.	(1,526,661)
Amounts reported as deferred revenue are not recognized at the fund level on the modified accrual accrual basis but are reported as revenues on the full accrual basis in the government-wide statements.	<u>1,071,272</u>
Net assets of governmental activities	<u>\$ 49,677,541</u>

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2011

	General	Street	Special Projects	Other Governmental Funds	Total
Revenues					
Property taxes	\$ 511,486	\$ -	\$ -	\$ 250,735	\$ 762,221
Sales taxes	12,612,511	-	-	-	12,612,511
Licenses and permits	122,289	-	-	-	122,289
Intergovernmental	1,734,171	1,772,065	55,212	492,523	4,053,971
Charges for services	924,618	-	-	-	924,618
Fines and fees	651,271	-	-	-	651,271
Utility franchise taxes	1,057,234	-	-	-	1,057,234
Investment income	9,833	4,246	22,905	1,030	38,014
Miscellaneous	278,074	32,454	507,800	635	818,963
Total revenues	17,901,487.00	1,808,765	585,917	744,923	21,041,092
Expenditures					
General government					
General government and administration	381,374	-	6,477	-	387,851
City council	120,237	-	-	-	120,237
Mayor	229,701	-	-	-	229,701
City clerk	211,650	-	-	-	211,650
City attorney	180,095	-	-	-	180,095
District court	300,724	-	-	-	300,724
Director of administration	122,732	-	-	-	122,732
Director of information technology	177,102	-	-	-	177,102
Finance	493,558	-	-	-	493,558
Human resources	242,624	-	-	-	242,624
Fleet services	174,818	-	-	-	174,818
Community programs	134,837	-	-	18,470	153,307
Total general government	2,769,452	-	6,477	18,470	2,794,399
Public works					
Public works coordinator	87,482	-	-	-	87,482
Engineering	279,853	-	-	-	279,853
Code enforcement	174,756	-	-	-	174,756
Streets and drainage	-	2,697,243	897,947	-	3,595,190
Total public works	542,091	2,697,243	897,947	-	4,137,281
Parks and recreation services					
Police	2,332,786	-	-	-	2,332,786
Police	6,894,546	-	756,406	24,706	7,675,658
Fire	4,263,474	-	452,276	432	4,716,182
Emergency communication services	755,149	-	-	-	755,149
Animal control	295,563	-	-	-	295,563
Housing and neighborhood programs	-	-	-	286,307	286,307
Debt Service	-	-	-	-	-
Principal	-	-	-	135,000	135,000
Interest	-	-	-	104,094	104,094
Agent fees	-	-	-	600	600
Total expenditures	17,853,061	2,697,243	2,113,106	569,609	23,233,019
Excess (Deficiency) of Revenues Over Expenditures	48,426	(888,478)	(1,527,189)	175,314	(2,191,927)
Other Financing Sources (Uses)					
Transfers in	683,751	35,000	99,426	18,470	836,647
Transfers out	(292,500)	-	(703,470)	(183,177)	(1,179,147)
Total other financing sources (uses)	391,251	35,000	(604,044)	(164,707)	(342,500)
Net Change in Fund Balances	439,677	(853,478)	(2,131,233)	10,607	(2,534,427)
Fund Balances, Beginning of Year, as restated	4,964,878	1,925,730	8,311,524	433,102	15,635,234
Fund Balances, End of Year	\$ 5,404,555	\$ 1,072,252	\$ 6,180,291	\$ 443,709	\$ 13,100,807

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, 2011

Net change in fund balances - total governmental funds \$ (2,534,427)

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

Governmental funds report capital outlays as expenditures. However, for government-wide statements, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The components of capital assets in 2011 are as follows:

Capital asset purchases	3,820,070
Capital asset contributions	209,285
Depreciation expense	(2,114,809)

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.	15,044
---	--------

Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, 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.	2,630
--	-------

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	(606)
Amortization of bond issuance costs	(3,539)

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 assets.	135,000
---	---------

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	113,279
Other post employment benefits	(50,204)

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.	<u>(437,906)</u>
--	------------------

Change in net assets of governmental activities	<u><u>\$ (846,183)</u></u>
---	----------------------------

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF FUND NET ASSETS PROPRIETARY FUNDS DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds		
	Sanitation Services (Major Fund)	Emergency Medical Services (Nonmajor Fund)	Total
Assets			
Current assets			
Cash	\$ 207,368	\$ 28,807	\$ 236,175
Investments	75,000	-	75,000
Accounts Receivable net of allowance for uncollectible accounts	270,188	346,151	616,339
Accrued interest	7	-	7
Due from other funds	211	-	211
Total current assets	<u>552,774</u>	<u>374,958</u>	<u>927,732</u>
Noncurrent assets			
Capital assets			
Vehicles	1,916,722	521,746	2,438,468
Furniture and equipment	1,149,515	44,197	1,193,712
	3,066,237	565,943	3,632,180
Less accumulated depreciation	<u>(1,565,355)</u>	<u>(118,521)</u>	<u>(1,683,876)</u>
Net capital assets	<u>1,500,882</u>	<u>447,422</u>	<u>1,948,304</u>
Total noncurrent assets	<u>1,500,882</u>	<u>447,422</u>	<u>1,948,304</u>
Total Assets	<u>\$ 2,053,656</u>	<u>\$ 822,380</u>	<u>\$ 2,876,036</u>
Liabilities and Net Assets			
Current liabilities			
Accounts payable	\$ 39,518	\$ 2,522	\$ 42,040
Due to other funds	-	-	-
Accrued interest	2,192	-	2,192
Note payable - current	257,433	-	257,433
Accrued wages payable	12,432	8,075	20,507
Compensated absences	22,271	9,102	31,373
Deferred revenue	6,500	-	6,500
Total current liabilities	340,346	19,699	360,045
Noncurrent liabilities			
Note payable - long-term	<u>1,037,081</u>	<u>-</u>	<u>1,037,081</u>
Total liabilities	<u>1,377,427</u>	<u>19,699</u>	<u>1,397,126</u>
Net Assets			
Invested in capital assets, net of related debt	206,368	447,422	653,790
Unrestricted	<u>469,861</u>	<u>355,259</u>	<u>825,120</u>
Total net assets	<u>676,229</u>	<u>802,681</u>	<u>1,478,910</u>
Total Liabilities and Net Assets	<u>\$ 2,053,656</u>	<u>\$ 822,380</u>	<u>\$ 2,876,036</u>

See Accompanying Notes to Basic Financial Statements.

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS YEAR ENDED DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds		
	Sanitation Services (Major Fund)	Emergency Medical Services (Nonmajor Fund)	Total
Operating Revenues			
Charges for services	\$ 1,638,532	\$ 1,009,118	\$ 2,647,650
Miscellaneous	173,858	-	173,858
Total operating revenues	<u>1,812,390</u>	<u>1,009,118</u>	<u>2,821,508</u>
Operating Expenses			
Salaries, wages and employee benefits	806,259	611,403	1,417,662
Supplies and materials	208,948	87,256	296,204
Services	142,252	29,142	171,394
Repairs and maintenance	93,708	4,606	98,314
Landfill fees	197,959	-	197,959
Other	19,053	330,925	349,978
Depreciation	160,209	30,699	190,908
Total operating expenses	<u>1,628,388</u>	<u>1,094,031</u>	<u>2,722,419</u>
Operating Income (Loss)	184,002	(84,913)	99,089
Nonoperating Revenues (Expenses)			
Intergovernmental	13,500	-	13,500
Interest income	195	56	251
Other nonoperating revenues	27,559	-	27,559
Interest expense	(18,141)	-	(18,141)
Total nonoperating revenues	<u>23,113</u>	<u>56</u>	<u>23,169</u>
Income (Loss) Before Capital Contributions and Transfers	207,115	(84,857)	122,258
Capital contributions	-	305,495	305,495
Transfers in	-	342,500	342,500
Changes in Net Assets	207,115	563,138	770,253
Net Assets, Beginning of Year	<u>469,114</u>	<u>239,543</u>	<u>708,657</u>
Net Assets, End of Year	<u>\$ 676,229</u>	<u>\$ 802,681</u>	<u>\$ 1,478,910</u>

See Accompanying Notes to Basic Financial Statements.

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS YEAR ENDED DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds		
	Sanitation Services (Major Fund)	Emergency Medical Services (Nonmajor Fund)	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 1,526,171	\$ 391,095	\$ 1,917,266
Other receipts	180,358	-	180,358
Payments to employees	(801,840)	(634,708)	(1,436,548)
Payments to suppliers	(205,287)	(86,376)	(291,662)
Payments to service providers	(134,538)	(29,142)	(163,680)
Other payments	(294,203)	(4,606)	(298,809)
Net cash provided by (used in) in operating activities	<u>270,661</u>	<u>(363,737)</u>	<u>(93,075)</u>
Cash Flows from Noncapital Financing Activities			
Operating grants	13,500	-	13,500
Transfers from other funds	-	342,500	342,500
Net cash provided by noncapital financing activities	<u>13,500</u>	<u>342,500</u>	<u>356,000</u>
Cash Flows from Capital and Related Financing Activities			
Proceeds from sale of capital assets	27,842	-	27,842
Purchases of capital assets	(1,364,177)	-	(1,364,177)
Proceeds from note payable	1,357,676	-	1,357,676
Principal paid on note payable	(63,162)	-	(63,162)
Interest paid on note payable	(15,949)	-	(15,949)
Net cash used in noncapital financing activities	<u>(57,770)</u>	<u>-</u>	<u>(57,770)</u>
Cash Flows from Investing Activities			
Purchase of investments	(75,000)	-	(75,000)
Interest income	188	55	243
Net cash provided by (used in) by investing activities	<u>(74,812)</u>	<u>55</u>	<u>(74,757)</u>
Net Increase (Decrease) in Cash	151,579	(21,182)	130,398
Cash, Beginning of Year	<u>55,789</u>	<u>49,989</u>	<u>105,778</u>
Cash, End of Year	<u>\$ 207,368</u>	<u>\$ 28,807</u>	<u>\$ 236,175</u>

See Accompanying Notes to Basic Financial Statements.

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF CASH FLOWS (CONTINUED)
 PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds		
	Sanitation Services (Major Fund)	Emergency Medical Services (Nonmajor Fund)	Total
Reconciliation of Operating Income(Loss) to Net Cash Provided By (Used In) Operating Activities			
Operating income (loss)	\$ 184,002	\$ (84,913)	\$ 99,089
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	160,209	30,699	190,908
Changes in operating assets and liabilities			
Receivables, net	(93,308)	(287,098)	(380,406)
Due from other funds	(211)	-	(211)
Accounts payable	9,050	880	9,931
Accrued expenses	4,419	(23,305)	(18,886)
Deferred revenue	6,500	-	6,500
Net cash provided by (used in) operating activities	<u>\$ 270,661</u>	<u>\$ (363,737)</u>	<u>\$ (93,075)</u>

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS DECEMBER 31, 2011

	<u>Employee Benefit Plans</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 589,184	\$ 191,841
Investments at fair value		
U.S. Government and agency obligations	3,316,416	-
Corporate bonds	3,052,691	-
Equities	5,420,962	-
Mutual funds	933,211	-
Receivables		
Accounts	524	-
Due from other funds	41,168	-
Accrued interest	63,441	-
	<u>\$ 13,417,597</u>	<u>\$ 191,841</u>
Total Assets		
Liabilities		
Other liabilities	<u>\$ -</u>	<u>\$ 191,841</u>
Net Assets		
Net assets held in trust	<u>\$ 13,417,597</u>	

See Accompanying Notes to Basic Financial Statements.

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS YEAR ENDED DECEMBER 31, 2011

	Employee Benefit Plans
Additions	
Contributions	
Employer	\$ 98,911
Plan members	23,288
Contributed from General Fund	
Property taxes	512,010
State insurance turnback and supplements	<u>162,668</u>
Total contributions	<u>796,877</u>
Investment income (loss)	
Net increase (decrease) in fair value of investments	(605,394)
Other investment income	4,128
Interest and dividends	<u>372,744</u>
	(228,522)
Less investment expense	<u>169,998</u>
Net investment income (loss)	<u>(398,520)</u>
Total Additions	<u>398,357</u>
Deductions	
Benefits paid directly to participants	1,423,378
Administrative expenses	<u>3,000</u>
Total deductions	<u>1,426,378</u>
Change in Net Assets	(1,028,021)
Net Assets Held in Trust, Beginning of Year	<u>14,445,618</u>
Net Assets Held in Trust, End of Year	<u><u>\$ 13,417,597</u></u>

See Accompanying Notes to Basic Financial Statements.

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF NET ASSETS DISCRETELY PRESENTED COMPONENT UNITS DECEMBER 31, 2011

	Jacksonville Municipal Water Works	Jacksonville Wastewater Utility	Nonmajor Component Unit Advertising and Promotion Commission	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 1,556,619	\$ 5,544,202	\$ 218,277	\$ 7,319,098
Investments	1,112,988	-	351,282	1,464,270
Receivables, net of allowance for uncollectible accounts				
Accounts	1,541,947	555,370	74,356	2,171,673
Revenues earned and unbilled	-	271,600	-	271,600
Accrued interest	1,047	-	82	1,129
Inventories	364,448	140,513	-	504,961
Prepaid expenses	30,079	21,319	-	51,398
Restricted Current Assets				
Cash and cash equivalents	1,395,405	6,708,891	-	8,104,296
Interest receivable	1,328	-	-	1,328
Total current assets	6,003,861	13,241,895	643,997	19,889,753
Noncurrent assets				
Restricted assets				
Cash and cash equivalents	-	587,088	-	587,088
Total restricted noncurrent assets	-	587,088	-	587,088
Capital assets				
Land	493,067	407,023	-	900,090
Buildings and improvements	2,073,373	209,743	-	2,283,116
Machinery and equipment	1,532,416	1,593,867	-	3,126,283
Water system	19,089,252	-	-	19,089,252
Sewer system	-	46,180,957	-	46,180,957
Construction in progress	12,477,737	4,751,109	-	17,228,846
	35,665,845	53,142,699	-	88,808,544
Less accumulated depreciation	(11,288,636)	(21,792,482)	-	(33,081,118)
Net capital assets	24,377,209	31,350,217	-	55,727,426
Other assets				
Bond issue costs (net of accumulated amortization)	24,829	217,936	-	242,765
Deferred charges	25,981	-	-	25,981
Total noncurrent assets	24,428,019	32,155,241	-	56,583,260
Total Assets	\$ 30,431,880	\$ 45,397,136	\$ 643,997	\$ 76,473,013

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 Assets				
Current liabilities				
Accounts payable	\$ 1,037,385	\$ 544,871	\$ 117,271	\$ 1,699,527
Accrued interest payable	6,103	71,131	-	77,234
Notes payable-current portion	-	2,191	-	2,191
Bonds payable-current portion	-	305,413	-	305,413
Accrued expenses and other	104,975	49,977	-	154,952
Total current liabilities	<u>1,148,463</u>	<u>973,583</u>	<u>117,271</u>	<u>2,239,317</u>
Noncurrent liabilities				
Notes payable	-	36,632	-	36,632
Bonds payable, net of unamortized discount	500,220	17,219,793	-	17,720,013
Customer deposits	636,780	-	-	636,780
Other liabilities	2,648	-	-	2,648
Total noncurrent liabilities	<u>1,139,648</u>	<u>17,256,425</u>	<u>-</u>	<u>18,396,073</u>
Total liabilities	<u>2,288,111</u>	<u>18,230,008</u>	<u>117,271</u>	<u>20,635,390</u>
Net Assets				
Invested in capital assets, net of related debt	23,901,818	21,018,561	-	44,920,379
Restricted-expendable	1,390,630	-	-	1,390,630
Unrestricted	2,851,321	6,148,567	526,726	9,526,614
Total net assets	<u>28,143,769</u>	<u>27,167,128</u>	<u>526,726</u>	<u>55,837,623</u>
Total Liabilities and Net Assets	<u>\$ 30,431,880</u>	<u>\$ 45,397,136</u>	<u>\$ 643,997</u>	<u>\$ 76,473,013</u>

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF ACTIVITIES DISCRETELY PRESENTED COMPONENT UNITS YEAR ENDED DECEMBER 31, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Advertising and Promotion Commission	\$ 722,404	\$ -	\$ -	\$ -
Total governmental activities	722,404	-	-	-
Business-type Activities				
Municipal Water Works	5,031,022	6,837,937	-	-
Wastewater Utility	4,303,880	3,913,742	-	-
Total business-type activities	9,334,902	10,751,679	-	-
Total component units	<u>\$ 10,057,306</u>	<u>\$ 10,751,679</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 Assets				
Net Assets, Beginning of Year				
Net Assets, End of Year				

See Accompanying Notes to Basic Financial Statements.

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

Jacksonville Municipal Water Works	Jacksonville Wastewater Utility	Advertising and Promotion Commission	Total
\$ -	\$ -	\$ (722,404)	\$ (722,404)
-	-	(722,404)	(722,404)
1,806,915	-	-	1,806,915
-	(390,138)	-	(390,138)
1,806,915	(390,138)	-	1,416,777
1,806,915	(390,138)	(722,404)	694,373
-	-	823,387	823,387
34,500	94,924	2,482	131,906
53,456	915,206	-	968,662
191,863	-	-	191,863
279,819	1,010,130	825,869	2,115,818
2,086,734	619,992	103,465	2,810,191
26,057,035	26,547,136	423,261	53,027,432
<u>\$ 28,143,769</u>	<u>\$ 27,167,128</u>	<u>\$ 526,726</u>	<u>\$ 55,837,623</u>



CITY OF JACKSONVILLE, ARKANSAS

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2011

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). Enterprise funds and similar component units also apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements. The following is a summary of the significant accounting and reporting policies of the City:

Reporting Entity

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

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

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

Blended Component Units

Major Component Unit:

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

Other Component Units:

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

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

Discretely Presented Component Units

Major Component Units:

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

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

There were no significant transactions between the major component units and the City or its other component units in 2011.

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.

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 are carried at amortized cost. Fair value is determined using quoted market prices for all investments.

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

Inventories

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

Capital Assets

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

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

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

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

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the columns for governmental activities, business-type activities and component units. These amounts are also reported as liabilities in the fund financial statements for proprietary funds. Debt premiums and discounts are deferred and amortized using the effective interest rate method. Long-term

debt is reported net of the applicable debt premium or discount. Debt issuance costs are deferred and amortized over the life of the related debt using the straight-line method.

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

Compensated Absences

The City allows nonuniformed employees to accumulate unused vacation of up to 80 hours, police to accumulate unused vacation of up to 84 hours, and firefighters to accumulate unused vacation of up to 144 hours for one year. Upon termination, any accumulated unused vacation time will be paid to the employees. Generally, City employees are allowed to accumulate unused sick leave up to a maximum of 90 days. Any accumulated unused sick leave up to 60 days is paid upon employee retirement from service with the City. At the end of term of service, police officers will be paid for any accumulated unused sick leave upon retirement up to 60 days. At the end of term of service, firefighters will be paid for any accumulated unused sick leave upon retirement up to 60 days, provided that payment does not exceed three months salary. Historically, employees have been compensated for unused sick and vacation time from the General Fund, the Street and CDBG Special Revenue Funds and the Sanitation Services Enterprise Fund as well as the Emergency Medical Services Fund based on the assignment of the employee at termination.

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

Deferred Revenue

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

Net Assets/Fund Balance

Fund balance of the proprietary funds and net assets of the government-wide financial statements of the City are classified in three components: (1) Net assets invested in capital assets, net of related debt, consisting of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets; (2) Restricted expendable net assets that 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, and reduced by the outstanding balances of any related borrowings; (3) Unrestricted net assets that are the remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt or restricted expendable.

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

The fund balances of the City's governmental funds are classified in five components: (1) Nonspendable fund balance – not in spendable form or legally or contractually required to be maintained intact; (2) Restricted fund balance - expendable net assets that 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, and reduced by the outstanding balances of any

related borrowings; (3) Committed fund balance – amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the individual government's highest level of decision making authority or by contracts. (4) Assigned fund balance – amounts that are constrained by the government's intent to be used for a specific purpose but are neither restricted nor committed. (5) Unassigned fund balance - are the remaining assets less remaining liabilities that do not meet the definition of restricted, committed or assigned.

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

Budgetary Information

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

Adoption of Accounting Principles

During the year ended December 31, 2011, the City implemented the following financial accounting and reporting standard issued by GASB:

GASB Statement No.54 – Fund Balance Reporting and Governmental Fund Type Definitions

This statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The effect of the implementation of this statement is described in further detail in Note 13.

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, 2011:

GASB Statement No. 60 - Accounting and Financial Reporting for Service Concession Arrangements

This Statement addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The Statement is effective for financial statements prepared by state and local governments for periods beginning after December 15, 2011.

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

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

GASB Statement No. 62 - Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements

This Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

Hereinafter, these pronouncements collectively are referred to as the "FASB and "AICPA" pronouncements.

This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.

GASB Statement No. 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.

This statement provides guidance for reporting deferred outflows of resources and deferred inflow of resources within the financial statements of governmental entities. The definition of deferred inflows and deferred outflows are explained in Statement 4 – *Elements of Financial Statements*. Transactions that require the use of deferred outflows and inflows of resources have been identified in Statement 53 – *Accounting and Financial Reporting for Derivatives Instruments* and Statement 60 – *Accounting and Financial Reporting for Service Concession Arrangements*.

This statement amends Statement 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and Statement 35 - *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. It renames the Statement of Net Assets to the Statement of Net Position. The statement of net position should report all assets, deferred outflows of resources, liabilities, deferred inflow of resources, and net position. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

GASB Statement No. 64 - Derivative Instruments: Application of Hedge Accounting Termination Provisions.

This statement provides additional provisions on reporting for derivatives that were not addressed in Statement 53 – *Accounting and Financial Reporting for Derivative Instruments*, in which hedge accounting ceases upon the termination of the hedging derivative instrument. This statement clarifies that hedge accounting should not be terminated if all three of these conditions are met:

1. Collectability of swap payments is considered probable.
2. The replacement of the counterparty or credit support provider meets the criteria of an assignment or in-substance assignment as described in the statement.
3. The counterparty or counterparty credit support provider (and not the government) has committed the act of default or termination event.

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011.

Note 2: Deposits and Investments**Deposits**

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

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

At December 31, 2011, the City's primary government bank balances were \$11,846,497. Of this amount, \$11,346,497 was uninsured and collateralized with securities held by the pledging financial institution's agent in the City's name. At December 31, 2011, 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, 2011 were as follows:

	Primary Government	Component Units
Carrying value		
Demand deposits	\$ 6,214,977	\$ 8,906,142
Certificates of deposit	5,538,098	8,569,437
	<u>\$ 11,753,075</u>	<u>\$ 17,475,579</u>
Bank balance		
Demand deposits	\$ 6,308,399	\$ 8,198,228
Certificates of deposit	5,538,098	11,658,118
	<u>\$ 11,846,497</u>	<u>\$ 19,856,346</u>

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

	Primary Government	Component Units
Carrying value of deposits	\$ 11,753,075	\$ 17,475,579
Cash on hand	1,640	501
Investments classified as cash	344,927	-
	<u>\$ 12,099,642</u>	<u>\$ 17,476,080</u>
As reported on the government-wide statement of net assets:		
Cash	\$ 5,535,546	\$ 7,319,096
Restricted cash, current	35,667	8,105,624
Investments	5,538,098	1,464,270
Restricted cash, noncurrent	209,306	587,088
As reported on the statement of fiduciary net assets:		
Cash - Employee Benefit Plans	589,184	-
Cash - Agency Fund	191,841	-
	<u>\$ 12,099,642</u>	<u>\$ 17,476,080</u>

Investments

Arkansas statutes and City ordinance authorize the City to invest in (a) direct obligations of the U.S. Government; (b) obligations on which the principal and interest are fully guaranteed, or are fully secured, insured, or covered by commitments or agreements to purchase by the U.S. Government; (c) obligations of agencies and instrumentalities created by act of the United States Congress and authorized thereby to issue such commitments or agreements; (d) pre-refunded municipal bonds, the principal and interest of which are fully secured by the principal and interest of a direct obligation of the U.S. Government; (e) certificates of deposit with banks authorized by State law to receive deposits of public funds; (f) repurchase agreements that are fully collateralized by direct obligations of the U.S. Government, provided that any such repurchase agreement shall provide for the taking of delivery of such collateral directly or through an authorized custodian; (g) securities of, or other interest in, any open-end type investment company or investment trust registered under the Investment Company Act of 1940, and which is defined as a "money market fund" under 17 CFR § 270.2a-7, provided that the portfolio of such investment company or investment trust shall take delivery of such collateral either directly or through an authorized custodian; and (h) local government trusts.

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

The pension trust funds' investments, carried at fair value, and maturities as of December 31, 2011 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	\$ 3,316,416	\$ 525,398	\$ 2,410,722	\$ 380,296	\$ -
Corporate debt obligations	3,052,690	116,736	1,606,602	898,570	430,781
Money market mutual funds	344,926	344,926	-	-	-
		<u>\$ 987,061</u>	<u>\$ 4,017,325</u>	<u>\$ 1,278,866</u>	<u>\$ 430,781</u>
Corporate equities	5,420,963				
Bond mutual fund	550,872				
Mutual fund	382,339				
Total	<u>\$ 13,068,207</u>				

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

Carrying value of investments	\$ 13,068,207
Investments classified as cash	(344,926)
	<u>\$ 12,723,280</u>
Investments as reported on the fiduciary statement of net assets:	
U.S. Government and agency obligations	\$ 3,316,416
Corporate bonds	3,052,691
Equities	5,420,962
Mutual funds	933,211
	<u>\$ 12,723,280</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 meet its obligations. This credit risk is measured by the credit quality of investments in debt securities as described by nationally recognized statistical rating organizations. The City's investment policy allows it to invest only in book entry securities as previously described. At December 31, 2011, the City, exclusive of the pension trust funds, had approximately \$244,973 invested in a governmental 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, 2011.

<u>Investment Type</u>	<u>Fair Value</u>	<u>S&P Rating</u>
U.S. Government and agency obligations	\$ 3,693,328	AAA
Corporate debt obligations	559,908	A
	313,880	A-
	535,212	A+
	228,115	AA
	67,843	AA-
	162,859	AA+
	183,531	AAA
	78,718	B
	115,731	B+
	58,862	BB
	161,914	BB-
	106,767	BB+
	209,461	BBB
	310,202	BBB-
	440,305	BBB+
	273,217	Unrated
Money market mutual funds	425,495	AAA
Mutual Fund	171,965	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, 2011, 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/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, 2011.

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, 2011.

Note 3: Capital Assets

A summary of changes in capital assets for the year ended December 31, 2011 is presented as follows:

Governmental Activities	Balance December 31, 2010	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2011
Capital Assets, non-depreciable				
Land	\$ 9,276,073	\$ 217,840	\$ -	\$ 9,493,913
Construction in progress	3,416,833	2,508,361	3,949,877	1,975,317
Total capital assets, non-depreciable	12,692,906	2,726,201	3,949,877	11,469,230
Capital Assets, depreciable				
Land improvements	1,253,969	-	-	1,253,969
Infrastructure	30,110,362	1,233,280	-	31,343,642
Buildings	15,456,115	3,402,867	-	18,858,982
Vehicles	5,863,665	415,146	370,781	5,908,030
Equipment	6,036,753	232,636	18,907	6,250,482
Total capital assets, depreciable	58,720,864	5,283,929	389,688	63,615,105
Less accumulated depreciation				
Land improvements	414,392	44,436	-	458,828
Infrastructure	21,294,767	457,400	-	21,752,167
Buildings	4,166,403	501,903	-	4,668,306
Vehicles	4,422,040	634,312	339,883	4,716,469
Equipment	4,255,885	476,758	18,907	4,713,736
Total accumulated depreciation	34,553,487	2,114,809	358,790	36,309,506
Total governmental activities, net	\$ 36,860,282	\$ 5,895,321	\$ 3,980,775	\$ 38,774,829

Business-type activities	Balance December 31, 2010	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2011
Capital Assets, depreciable				
Vehicles	\$ 2,268,059	\$ 1,583,360	\$ 848,729	\$ 3,002,690
Equipment	86,617	572,373	29,500	629,490
Total capital assets, depreciable	<u>2,354,676</u>	<u>2,155,733</u>	<u>878,229</u>	<u>3,632,180</u>
Less accumulated depreciation				
Vehicles	1,851,991	587,157	848,445	1,590,703
Equipment	32,862	80,062	19,750	93,174
Total accumulated depreciation	<u>1,884,854</u>	<u>667,219</u>	<u>868,195</u>	<u>1,683,878</u>
Total business-type activities, net	<u>\$ 469,824</u>	<u>\$ 1,488,514</u>	<u>\$ 10,034</u>	<u>\$ 1,948,304</u>
Component Units	Balance, December 31, 2010	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2011
Capital Assets, non-depreciable				
Land	\$ 806,964	\$ 93,126	\$ -	\$ 900,090
Construction in progress	9,415,877	11,422,294	3,609,325	17,228,846
Total capital assets, non-depreciable	<u>10,222,841</u>	<u>11,515,420</u>	<u>3,609,325</u>	<u>18,128,936</u>
Capital Assets, depreciable				
Utility system	61,407,501	3,902,480	39,772	65,270,209
Buildings and improvements	1,981,407	301,708	-	2,283,115
Furniture and equipment	3,053,230	117,427	44,373	3,126,284
Total capital assets, depreciable	<u>66,442,138</u>	<u>4,321,615</u>	<u>84,145</u>	<u>70,679,608</u>
Less accumulated depreciation	<u>30,803,750</u>	<u>2,361,471</u>	<u>84,103</u>	<u>33,081,118</u>
Total component units, net	<u>\$ 45,861,229</u>	<u>\$ 13,475,564</u>	<u>\$ 3,609,367</u>	<u>\$ 55,727,426</u>

Construction in progress is composed of the following:

	Expended to December 31, 2011	Estimated Amount To Complete
Primary Government		
General Government		
Police/911 training center	\$ 787,365	\$ 5,712,635
Bayou Meto trail	1,955	-
Main Street/Harris Road	2,653	197,347
Oneida Street extension	189,281	7,054
Emma Street extension	45,875	7,125
Main Street alignment	67,397	28,603
Graham Road widening	863,821	536,179
Beechwood drainage	16,970	203,030
	<u>\$ 1,975,317</u>	<u>\$ 6,691,973</u>
Component Units		
Jacksonville Municipal Water Works		
Northbelt transmission main	\$ 10,721,437	\$ 533,439
Hidden Oaks tank	65,439	2,245,161
South water main (Rixey Rd to Trickey Ln tank)	352,348	4,938,152
West tank, lines, pump station (Hwy 107 area)	116,713	3,032,287
Foxboro/Vine Street	58,792	-
Dues/memberships	315,738	-
Drinking Water State Revolving Funds projects	348,367	-
North/South infrastructure	139,884	5,524,416
Financial need examination	5,970	13,930
Graham Road/Jarry Lane water line relocation	64,799	363,276
Lessell Drive/Stone Street water line improvements	288,250	69,508
Jacksonville Wastewater Utility		
Johnson Plant upgrades	1,893,241	3,198,852
Sewer system interceptors	2,022,111	1,224,680
Pipe burstings	207,220	58,497
Valentine-Wooten Road sewer project	43,971	7,529
East/West Outfall sewer study	21,637	2,703
Engineering fees- system upgrades	-	113,676
Capitalized construction period interest	562,929	-
	<u>\$ 17,228,846</u>	<u>\$ 21,326,106</u>

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

Governmental Activities

General government	
General administration	\$ 169,224
Director of administration	4,867
Director of information technology	856
Community programs	<u>19,123</u>
Total general government	194,070
Public works	
Engineering	4,867
Code enforcement	16,219
Streets and drainage	<u>781,689</u>
Total public works	802,775
Parks and recreation services	368,998
Police	406,239
Fire	195,849
Emergency services	120,369
Animal control	<u>26,509</u>
Total depreciation expense - governmental activities	<u>2,114,809</u>
Business-type Activities	
Sanitation services	636,520
Emergency medical services	<u>30,699</u>
Total depreciation expense - business-type activities	<u>667,219</u>
Total depreciation expense - primary government	<u><u>\$ 2,782,028</u></u>

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended December 31, 2011 were as follows:

Governmental Activities	Balance December 31, 2010	Increases	Decreases	Balance December 31, 2011	Amounts Due In One Year
Bonds payable-					
2006 Library Construction	\$ 2,075,000	\$ -	\$ 135,000	\$ 1,940,000	\$ 55,000
Less: deferred issuance discount	(2,801)	606	-	(2,195)	-
Compensated absences	757,929	512,402	625,683	644,648	432,259
Net pension obligation	1,262,299	264,362	-	1,526,661	-
Net OPEB obligation	<u>171,231</u>	<u>50,204</u>	<u>-</u>	<u>221,435</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 4,263,658</u>	<u>\$ 827,574</u>	<u>\$ 760,683</u>	<u>\$ 4,330,549</u>	<u>\$ 487,259</u>

Business-type Activities	Balance December 31, 2010	Increases	Decreases	Balance December 31, 2011	Amounts Due In One Year
Note payable	\$ -	\$ 1,357,676	\$ 63,162	\$ 1,294,514	\$ 257,433
Compensated absences	47,151	34,932	50,712	31,373	31,373
	<u>\$ 47,151</u>	<u>\$ 1,392,608</u>	<u>\$ 113,874</u>	<u>\$ 1,325,887</u>	<u>\$ 288,806</u>

Component Units	Balance December 31, 2010	Increases	Decreases	Balance December 31, 2011	Amounts Due In One Year
Jacksonville Municipal					
Water Works					
Water revenue bonds	\$ -	\$ 500,220	\$ -	\$ 500,220	\$ -
Customer deposits	617,694	124,155	105,070	636,780	-
Other liabilities	2,442	206	-	2,648	-
	<u>620,136</u>	<u>624,581</u>	<u>105,070</u>	<u>1,139,648</u>	<u>-</u>
Jacksonville Wastewater					
Utility					
Wastewater revenue bonds	18,015,000	-	300,000	17,715,000	315,000
Less: deferred issuance discount	(199,381)	-	(9,587)	(189,794)	(9,587)
Note payable	40,909	-	2,086	38,823	2,191
	<u>17,856,528</u>	<u>-</u>	<u>292,499</u>	<u>17,564,029</u>	<u>307,604</u>
Total component units long-term liabilities	<u>\$ 18,476,664</u>	<u>\$ 624,581</u>	<u>\$ 397,569</u>	<u>\$ 18,703,677</u>	<u>\$ 307,604</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, 2011 an additional \$85,000 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, 2034. Annual debt-service requirements to maturity for the Library Construction and Improvement Bonds Series 2006 are as follows:

Year Ending December 31,	Principal	Interest	Total
2012	\$ 55,000	\$ 101,825	\$ 156,825
2013	55,000	99,625	154,625
2014	55,000	97,425	152,425
2015	60,000	95,125	155,125
2016	60,000	92,725	152,725
2017-2021	350,000	421,290	771,290
2022-2026	435,000	335,013	770,013
2027-2031	550,000	222,225	772,225
2032-2034	320,000	55,288	375,288
Total	<u>\$ 1,940,000</u>	<u>\$ 1,520,540</u>	<u>\$ 3,460,540</u>

Business- Type Activities

Sanitation Services

Sanitation Services Equipment Note Payable - In July 2011, the City of Jacksonville entered into a lease purchase agreement with BancorpSouth for financing of automated sanitation equipment. The loan was for \$1,357,676 with an interest rate of 3% to be repaid over a five year period. As of December 31, 2011, the principal balance was \$1,294,515. The annual debt-service requirements are as follows:

Year Ending December 31,	Principal	Interest	Total
2012	\$257,433	\$ 35,315	\$ 292,748
2013	265,263	27,485	292,748
2014	273,332	19,417	292,748
2015	281,645	11,103	292,748
2016	216,842	2,720	219,561
Total	<u>\$1,294,515</u>	<u>\$ 96,039</u>	<u>\$1,390,553</u>

Discretely Presented Component Unit

Municipal Water Works Revenue Bond

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, 2011, the amount drawn down on the bonds was \$500,220. Maturities of the revenue bond are as follows:

Year Ending December 31,	Principal	Interest	Total
2012	\$ -	\$ 812,500	\$ 812,500
2013	-	812,500	812,500
2014	-	812,500	812,500
2015	904,526	805,210	1,709,736
2016	934,162	775,574	1,709,736
2017-2021	5,150,467	3,398,213	8,548,680
2022-2026	6,051,352	2,497,328	8,548,680
2027-2031	7,109,810	1,438,870	8,548,680
Thereafter	4,849,683	279,531	5,129,214
Total	<u>\$ 25,000,000</u>	<u>\$ 11,632,226</u>	<u>\$ 36,632,226</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 City anticipates the projects will be completed by December 1, 2012. The Series 2009B Bonds are special obligations secured by the pledge of and payable from revenues derived from the operations of the City's Wastewater Utility system. Principal payments are due annually on December 1 with the final payment scheduled in 2039. Interest payments are due semiannually on June 1 and December 1. Maturity dates are 2020 to 2039. Bonds maturing on or after June 1, 2015 are also subject to optional redemption at the direction of the City. Extraordinary redemption may occur in the event that excess project funds exist. Term bonds due December 1, 2034 and 2039 are subject to redemption in part by mandatory sinking fund installments due annually on December 1, beginning in 2030.

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

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, 2011 the principal balance on the promissory note was \$38,823 while in 2010 it was \$40,909. 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, 2011:

Wastewater Revenue Bonds

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 315,000	\$ 853,567	\$ 1,168,567
2013	330,000	837,818	1,167,818
2014	350,000	821,318	1,171,318
2015	365,000	803,818	1,168,818
2016	385,000	785,567	1,170,567
2017-2021	2,225,000	3,620,087	5,845,087
2022-2026	2,765,000	3,073,480	5,838,480
2027-2031	3,435,000	2,400,915	5,835,915
2032-2036	4,365,000	1,471,000	5,836,000
2037-2039	3,180,000	323,000	3,503,000
Total	<u>\$ 17,715,000</u>	<u>\$ 14,990,570</u>	<u>\$ 32,705,570</u>

Note Payable

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 2,191	\$ 1,941	\$ 4,132
2013	2,300	1,832	4,132
2014	2,416	1,716	4,132
2015	2,536	1,596	4,132
2016	2,663	1,469	4,132
2017-2021	15,451	5,209	20,660
2022-2024	11,266	1,146	12,412
Total	<u>\$ 38,823</u>	<u>\$ 14,909</u>	<u>\$ 53,732</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, 2011 are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Primary Government		
Governmental Funds to/from Nonfiduciary Funds		
General Fund	\$ 70,830	\$ 684,165
Sales Tax	-	-
Special Projects	684,165	-
CDBG	-	2,801
HOME	-	-
Street	357	-
Grants	-	68,597
9-1-1 Emergency Communications	-	-
	<u>755,352</u>	<u>755,563</u>
Governmental Funds to/from Fiduciary Funds		
General Fund	-	41,168
Total governmental funds	<u>755,352</u>	<u>796,731</u>
Proprietary Fund		
Sanitation Services	<u>211</u>	<u>-</u>
Fiduciary Funds		
Policemen's Pension	20,584	-
Firemen's Pension	<u>20,584</u>	<u>-</u>
Total fiduciary funds	<u>41,168</u>	<u>-</u>
Total	<u>\$ 796,731</u>	<u>\$ 796,731</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.

Interfund transfers in and transfers out for the year ended December 31, 2011 are as follows:

<u>Fund</u>	<u>Interfund Transfers</u>	
	<u>In</u>	<u>Out</u>
Governmental Funds:		
Major Funds:		
General Fund	\$ 683,751	\$ 292,500
Street Fund	35,000	-
Capital Projects-		
Special Projects	99,426	703,470
Nonmajor Funds	<u>18,470</u>	<u>183,177</u>
Total Governmental Funds	<u>836,647</u>	<u>1,179,147</u>
Proprietary Fund:		
Emergency Medical Services	<u>342,500</u>	<u>-</u>
Total	<u>\$ 1,179,147</u>	<u>\$ 1,179,147</u>

The transfers out of \$703,470 from the Special Projects Fund include transfers out of \$ 650,000 to the General Fund to fund authorized capital projects, \$35,000 to the Street Fund for street construction and \$18,470 to the Grants Fund for a drainage project.

Note 6: Pension Plans

Pension Trust Funds

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

A. Summary of Significant Accounting Policies

Basis of Accounting

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

Method Used to Determine Fair Value of Investments

Investments are stated at fair value in the accompanying statements of net assets available for benefits. 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 statements of change in net assets available for benefits 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, 2011:

	<u>Policemen's Fund</u>	<u>Firemen's Fund</u>
Retirees and beneficiaries receiving benefits	24	32
Active plan members	-	-
Members on Deferred Retirement Option Plan (DROP)	-	6
	<u>24</u>	<u>38</u>
Total	<u>24</u>	<u>38</u>

C. Financial Information

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

	Statement of Fiduciary Net Assets	
	Policemen's Pension And Relief Fund	Firemen's Pension And Relief Fund
Assets		
Cash and cash equivalents	\$ 265,350	\$ 323,834
Investments	5,323,615	7,399,665
Receivables	39,295	65,838
Total assets	<u>5,628,260</u>	<u>7,789,337</u>
Net Assets		
Net assets held in trust for pension benefits	<u>\$ 5,628,260</u>	<u>\$ 7,789,337</u>
	Statement of Changes in Fiduciary Net Assets	
	Policemen's Pension And Relief Fund	Firemen's Pension And Relief Fund
Additions		
Contributions	\$ 370,205	\$ 426,672
Net investment income (loss)	<u>(238,310)</u>	<u>(160,210)</u>
Total additions (net of investment loss)	<u>131,895</u>	<u>266,462</u>
Deductions		
Benefits paid directly to participants	616,814	806,564
Administrative expenses	<u>2,000</u>	<u>1,000</u>
Total deductions	<u>618,814</u>	<u>807,564</u>
Change in Net Assets	(486,919)	(541,102)
Net Assets Held in Trust For Pension Benefits, Beginning of Year	<u>6,115,179</u>	<u>8,330,439</u>
Net Assets Held in Trust For Pension Benefits, End of Year	<u>\$ 5,628,260</u>	<u>\$ 7,789,337</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 2011 to the Policemen's Fund were \$370,205. The City's share of contributions was \$291,255 and included \$256,005 in property taxes and \$35,250 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, 2011, the City's total payroll for all employees amounted to \$11,413,938, including police and fire personnel. Total police personnel payroll amounted to \$3,803,056. There are no active police employees covered by this plan.

As of December 31, 2011, the most recent actuarial valuation date, the Policemen's Pension and Relief Fund was 75% funded. The actuarial accrued liability for benefits was \$7,551,399 and the actuarial value of assets was \$5,646,710, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,904,689. 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 2011. The participants contributed 7% of their salaries in 2011. 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 2011 to the Firemen's Fund were \$426,672. The City's share of contributions was \$383,423 and included \$256,005 in property taxes and \$127,418 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, 2011, the City's total payroll for all employees amounted to \$11,413,938, including police and fire personnel. Total fire personnel payroll amounted to \$3,050,990. There are no active fire employees covered by this plan.

As of December 31, 2011, the most recent actuarial valuation date, the Firemen's Pension and Relief Fund was 64% funded. The accrued liability for benefits was \$12,096,178 and the actuarial value of assets was \$7,789,339 resulting in an unfunded actuarial accrued liability (UAAL) of \$4,306,839. 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.

	2011 Annual Pension Cost and Net Pension Obligation (Asset)	
	Policemen's Fund	Firemen's Fund
Annual required contributions	\$ 291,321	\$ 889,248
Interest on net pension obligation	(61,883)	63,115
Adjustment to annual required contribution	(279,061)	284,617
Annual pension cost	508,499	667,746
Contributions made	334,955	403,384
Increase (decrease) in net pension obligation (asset)	173,544	264,362
Net pension obligation (asset), beginning of year	(1,237,655)	1,262,299
Net pension obligation (asset), end of year	<u>\$ (1,064,111)</u>	<u>\$ 1,526,661</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 biennially and the last evaluation was as of December 31, 2010. 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, 2010, was thirty years.

Three-Year Trend Information

	Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
Policemen's Fund	12/31/2009	\$ 685,781	45%	\$ (1,433,027)
	12/31/2010	515,545	63%	(1,237,655)
	12/31/2011	508,499	66%	(1,064,111)
Firemen's Fund	12/31/2009	\$ 578,130	53%	\$ 666,094
	12/31/2010	908,027	34%	1,262,299
	12/31/2011	667,746	60%	1,526,661

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 assets on pages 24 and 25 to comply with GASB standards. Based on interpretation of state law, management of the City believes that if the plans were to become insolvent, whereby remaining plan assets were not adequate to pay current benefits, the City may not be legally obligated to fund any deficiency.

Agent Multiple-Employer Defined Benefit Pension Plan

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

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

This plan is a defined benefit plan providing death, disability, and retirement benefits for its members. Normal retirement age under this plan is age 55 with 20 years of credited service or age 60 with less than 20 years of credited service. A member may retire at any age with 28 years or more of credited service.

Membership Information

The State of Arkansas is responsible for the coordination of the actuarial valuations performed on the Arkansas Local Police and Fire Retirement System (LOPFI). As of December 31, 2011, the most recent information available from the State and the City of Jacksonville employee membership data related to the plans was as follows:

Jacksonville Paid Police:

The active members covered at December 31, 2011 were a total of 73, with covered annual payroll totaling \$3,292,092. The average age was 35.8 years with an average of 8.1 years of service.

Jacksonville Paid Fire:

The active members covered at December 31, 2011 were a total of 58, with covered annual payroll totaling \$2,638,249. The average age was 37.9 years with an average of 12.8 years of service.

Contributions - Contribution requirements are set forth in Arkansas statute. Participating firemen are required to contribute eight and one-half percent of their annual covered salary. Participating policemen are required to contribute two and one-half percent to the plan. The City is required to contribute at an actuarially determined rate, which was 12.69% for participating policemen and 17.71% for participating firemen.

Under the State law governing LOPFI, the actuary annually determines the City's contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 30 year amortization period. The projected unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly.

Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 2010 actuarial valuation is effective for rates beginning January, 2012).

For 2011, the City's annual pension cost was \$653,819 for policemen and \$376,759 for firemen, which was equal to the required and actual contributions. Neither Plan has a net pension obligation (NPO). The required contributions were determined as part of the December 31, 2010, actuarial valuation using the entry age actuarial cost method.

Actuarial Assumptions - Actuarial assumptions used were the entry age cost method, level percent amortization method, 30 year amortization period for active participants, five year smoothed market valuation method, 8% investment rate of return, 4% to 10% salary increases, 3% post-retirement annual increases, and 4% rate of inflation. The actuarial value of assets was determined using techniques that smoothed the effect of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at December 31, 2010 was 30 years.

Three-Year Trend Information

	Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
LOPFI - Policemen	12/31/2009	\$ 581,901	100%	\$ -
	12/31/2010	575,864	100%	-
	12/31/2011	653,819	100%	-
LOPFI - Firemen	12/31/2009	\$ 349,528	100%	\$ -
	12/31/2010	367,302	100%	-
	12/31/2011	376,759	100%	-

As of December 31, 2010, the most recent actuarial valuation date, the Police plan was 32% funded. The actuarial accrued liability for benefits was \$8,245,098 and the actuarial value of assets was \$2,617,979 resulting in an unfunded actuarial accrued liability (UAAL) of \$5,627,119. The covered payroll (annual payroll of active police employees covered by the plan) was \$3,019,907 and the ratio of the UAAL to the covered payroll was 186%.

As of December 31, 2010, the most recent actuarial valuation date, the Fire plan was 77% funded. The actuarial accrued liability for benefits was \$9,206,137 and the actuarial value of assets was \$7,042,696 resulting in an unfunded actuarial accrued liability (UAAL) of \$2,163,441. The covered payroll (annual payroll of active fire employees covered by the plan) was \$2,538,358 and the ratio of the UAAL to the covered payroll was 85%.

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.

Cost-sharing Multiple-Employer Defined Benefit Pension Plans

Plan Description - The **Arkansas Public Employees Retirement System ("APERS")** is a statewide cost-sharing, multiple employer pension plan established by authority of the Arkansas General Assembly with the passage of Act 177 of 1957 to provide retirement, disability, and survivor benefits for eligible employees and elected officials of state and local governmental entities in Arkansas. The plan covers all state employees who are not covered by another authorized plan, all county employees, municipal employees whose municipalities have elected coverage under the system, college and university employees and certain non-teaching school employees and other public entities specifically defined by law. APERS issues a publicly available financial report, which may be obtained by contacting the following:

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

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

APERS was originally established as a contributory plan. However with the passage of Act 793 of 1977, existing members and previous members were offered the opportunity to choose to become non-contributory members. Anyone joining the System subsequent to January 1, 1978, and had not previously been a member, was automatically enrolled as a non-contributory member. Act 2084 of 2005 provided for a new contributory program mandatory for APERS members first hired on or after

July 1, 2005 and those non-contributory members who elected to become contributory. Members participating in the contributory program contribute 5% of their annual compensation. Active APERS members employed before July 1, 2005 were given until December 31, 2005 to elect coverage under the contributory program, or remain in the non-contributory program.

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

Contributions - Contribution provisions applicable to the participating employers are established by the APERS Board of Trustees, and are based on the actuary's determination of the rate required to fund the plan. Contributory member contribution rates were 5% for fiscal years 2011, 2010, and 2009. The City's contribution rate was 13.47% for fiscal year 2011, 12.46% for fiscal year 2010, and 11.0% for fiscal year 2009.

The City's annual pension costs were \$566,592, \$534,208, and \$477,347, for the years ended December 31, 2011, 2010, and 2009, respectively, and was equal to the required contributions for each year.

Actuarial Assumptions

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

	<u>Policemen's Pension and Relief Fund</u>	<u>Firemen's Pension and Relief Fund</u>	<u>Local Police and Fire Retirement System - Policemen</u>	<u>Local Police and Fire Retirement System - Firemen</u>
Actuarial valuation date	12/31/2010	12/31/2010	12/31/2010	12/31/2010
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level percent open	Level percent open	Level percent open	Level percent open
Remaining amortization period	30 years	30 years	30 years	30 years
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market
Actuarial assumptions				
Investment rate of return*	5.0%	5.0%	8.0%	8.0%
Projected salary increases*	4.2 - 8.0%	4.2 - 8.0%	4.0-10.0%	4.0-10.0%
*Includes Inflation at	4.0%	4.0%	4.0%	4.0%
Cost of living adjustments	None	None	None	None

Note 7: Deferred Compensation Plan

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

At December 31, 2011, all amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in trust by external administrators for the exclusive benefit of participants and their beneficiaries.

Note 8: Other Postemployment Benefits

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

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

Funding Policy: The contribution requirements of plan members are established by terms and conditions as set forth in the 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 eight participants who pay monthly premiums between \$369 for single coverage and \$819 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:

Actuarially required contribution	\$ 108,162
Interest on net OPEB obligation	9,418
Adjustments to ARC	<u>10,916</u>
Annual OPEB cost	106,664
Actual employer contribution	<u>56,460</u>
Increase in net OPEB obligation	50,204
Net OPEB obligation - beginning of year	<u>171,231</u>
Net OPEB obligation - end of year	<u><u>\$ 221,435</u></u>

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

Normal cost	\$ 56,241
30-year amortization of UAAL	46,282
Interest	<u>5,639</u>
Total actuarially required contribution (ARC)	<u><u>\$ 108,162</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contribution to the plan, and the net OPEB obligation for 2011 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>
12/31/2009	\$ 95,260	42.3%	\$ 107,119
12/31/2010	119,907	46.5%	171,231
12/31/2011	106,664	52.9%	221,435

Funded Status and Funding Progress: As of January 1, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$709,644, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$709,644. The covered payroll (annual payroll of active employees covered by the plan) was \$10,221,888, and the ratio of the UAAL to the covered payroll was 6.9%.

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

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

In the January 1, 2011 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 7.5% for 2011, 7% for 2012, and then reduced by decrements of 0.5% over time to an ultimate rate of 5% in the 9th year. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2011, 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 \$35,457 for operating expenses in 2011. 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 2010 to 2011 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, 2011, property taxes receivable and related deferred revenues of \$1,071,272 have been recorded in the governmental funds. In the government-wide statement of net assets, property taxes are considered earned at the time levied. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible. The appraised value of taxable property upon which the property tax is levied is determined by the county assessor. The assessor estimates full market value and applies the statutory rate of 20 percent to arrive at assessed value.

The City is permitted by Arkansas state law to levy taxes up to \$0.50 per \$100 of assessed valuation on real and personal property for general government services, \$0.50 per \$100 of assessed valuation on real and personal property for the payment of principal and interest on long-term debt, \$0.10 per \$100 of assessed valuation on real and personal property for the police pension funds and \$0.10 per \$100 of assessed valuation on real and personal property for the fire pension funds. The combined tax rate levied by the City in 2011 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 \$2,451,818 of additional taxes could be raised per year based on the current year's assessed value of \$204,232,215 for real property and \$68,192,030 for personal property before the limit is reached.

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

Description	Millage Limit	Levied 2011 for 2012 Collections
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
	13.45	4.45

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 \$5,655,813 for 2011, or a decrease of less than 1% from 2010 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 \$6,923,047 for 2011. These taxes are included in the General Fund's sales tax revenues in the accompanying financial statements.

Note 13: Restatement of Prior Period Fund Balance

According to the fund type definitions described in GASB Statement No. 54, the City determined that the Sales Tax Fund and Emergency 911 Fund no longer met the criteria as special revenue funds. They have been consolidated into the General Fund. This resulted in a restatement of beginning fund balance as described below.

	General	Sales Tax	Nonmajor Funds
Beginning Fund Balance	\$ 3,456,369	\$ 1,070,000	\$ 871,611
Consolidation of funds:			
Sales Tax	1,070,000	(1,070,000)	-
Emergency 911 (Nonmajor Fund)	438,509	-	(438,509)
Fund Balance as Restated	<u>\$ 4,964,878</u>	<u>\$ -</u>	<u>\$ 433,102</u>

Note 14: Contingencies***Litigation***

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

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

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

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

Contingencies

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

Note 15: Contractual Commitment

The City entered into an agreement with Motorola Solutions, Inc. on December 20, 2011 for equipment to upgrade the City's emergency 911 communications system. The contract amount is \$2,497,526. At year-end no expenditures had been incurred in relation to this contract.



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF JACKSONVILLE, ARKANSAS

BUDGETARY COMPARISON SCHEDULE GENERAL FUND YEAR ENDED DECEMBER 31, 2011

	Original Budget	Final Budget	Actual	Adjustments to Budget Basis	Actual Budget Basis	Variance with Final Budget Positive (Negative)
Revenues						
Property taxes	\$ 485,000	\$ 500,000	\$ 511,486	\$ -	\$ 511,486	\$ 11,486
Sales taxes	20,000	26,000	12,612,511	(12,578,860)	33,651	7,651
Licenses and permits	131,550	122,520	122,289	-	122,289	(231)
Intergovernmental	1,470,620	1,606,431	1,734,171	-	1,734,171	127,740
Charges for services	799,800	700,820	924,618	(205,394)	719,224	18,404
Fines and fees	615,724	626,056	651,271	-	651,271	25,215
Utility franchise taxes	1,124,500	1,035,333	1,057,234	-	1,057,234	21,901
Investment income	40,000	3,300	9,833	(3,372)	6,461	3,161
Miscellaneous	227,250	201,793	278,074	-	278,074	76,281
Total revenues	4,914,444	4,822,253	17,901,487	(12,787,626)	5,113,861	291,608
Expenditures						
General government						
General administration	567,607	554,607	381,374	-	381,374	173,233
City council	125,855	118,155	120,237	-	120,237	(2,082)
Mayor	230,385	229,785	229,701	-	229,701	84
City clerk	140,796	205,485	211,650	-	211,650	(6,165)
City attorney	190,561	190,561	180,095	-	180,095	10,466
District court	313,268	306,768	300,724	-	300,724	6,044
Director of administration	110,389	105,889	122,732	-	122,732	(16,843)
Director of information technology	213,698	206,498	177,102	-	177,102	29,396
Finance	531,090	495,445	493,558	-	493,558	1,887
Human resources	224,437	216,137	242,624	-	242,624	(26,487)
Fleet services	181,092	170,556	174,818	-	174,818	(4,262)
Community programs	241,196	230,196	134,837	-	134,837	95,359
Total general government	3,070,374	3,030,082	2,769,452	-	2,769,452	260,630
Public works						
Public works coordinator	86,511	86,511	87,482	-	87,482	(971)
Engineering	287,047	261,647	279,853	-	279,853	(18,206)
Code enforcement	319,168	308,168	174,756	-	174,756	133,412
Total public works	692,726	656,326	542,091	-	542,091	114,235
Parks and recreation services						
Police	2,891,515	2,463,307	2,332,786	-	2,332,786	130,521
Fire	6,781,340	6,605,085	6,894,546	-	6,894,546	(289,461)
Emergency communication services	4,297,408	4,212,645	4,263,474	-	4,263,474	(50,829)
Animal control	822,691	802,941	755,149	-	755,149	47,792
Animal control	320,051	302,378	295,563	-	295,563	6,815
Total expenditures	18,876,105	18,072,764	17,853,061	-	17,853,061	219,703
Excess (Deficiency) of Revenues Over Expenditures	(13,961,661)	(13,250,511)	48,426	(12,787,626)	(12,739,200)	511,311
Other Financing Sources (Uses)						
Transfers in	13,527,320	12,816,170	683,751	12,196,848	12,880,599	64,429
Transfers out	(70,000)	(70,000)	(292,500)	222,504	(69,996)	4
Total other financing sources (uses)	13,457,320	12,746,170	391,251	12,419,352	12,810,603	64,433
Net Change in Fund Balances	(504,341)	(504,341)	439,677	(368,274)	71,403	575,744
Fund Balances, Beginning of Year, as restated	4,849,393	4,849,393	4,964,878	(1,508,509)	3,456,369	(1,393,024)
Fund Balances, End of Year	\$ 4,345,052	\$ 4,345,052	\$ 5,404,555	\$ (1,876,783)	\$ 3,527,772	\$ (817,280)

CITY OF JACKSONVILLE, ARKANSAS

**BUDGETARY COMPARISON SCHEDULE
STREET FUND
YEAR ENDED DECEMBER 31, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Intergovernmental	\$ 1,938,510	\$ 1,938,510	\$ 1,772,065	\$ (166,445)
Investment income	17,500	17,500	4,246	(13,254)
Miscellaneous	18,450	18,450	67,454	49,004
Total revenues	<u>1,974,460</u>	<u>1,974,460</u>	<u>1,843,765</u>	<u>(130,695)</u>
Expenditures				
Public works				
Streets and drainage	<u>2,779,246</u>	<u>2,779,246</u>	<u>2,697,243</u>	<u>82,003</u>
Total expenditures	<u>2,779,246</u>	<u>2,779,246</u>	<u>2,697,243</u>	<u>82,003</u>
Excess (Deficiency) of Revenues Over Expenditures	(804,786)	(804,786)	(853,478)	(48,692)
Fund Balances, Beginning of Year	<u>1,257,125</u>	<u>1,257,125</u>	<u>1,257,125</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 452,339</u>	<u>\$ 452,339</u>	<u>\$ 403,647</u>	<u>\$ (48,692)</u>

CITY OF JACKSONVILLE, ARKANSAS

DEFINED BENEFIT PENSION PLANS - REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF FUNDING PROGRESS YEAR ENDED DECEMBER 31, 2011

	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)	Excess As A Percentage Of Covered Payroll ((a-b)/c)
Policemen's Pension and Relief Fund	12/31/01	\$ 6,229,278	\$ 6,225,478	\$ (3,800)	100%	\$ 142,942		3%
	12/31/03	6,262,947	6,814,559	551,612	92%	170,799	323%	
	12/31/05	6,691,128	6,495,899	(195,229)	103%	197,511		99%
	12/31/07	7,326,955	6,708,070	(618,885)	109%	-	N/A	
	12/31/09	5,812,356	7,427,254	1,614,898	78%	-	N/A	
	12/31/10	6,115,179	7,407,211	1,292,032	83%	-	N/A	
	12/31/11	6,054,833	7,551,399	1,496,566	80%	-	N/A	
Firemen's Pension and Relief Fund	12/31/01	8,121,170	9,724,979	1,603,809	84%	532,318	301%	
	12/31/03	7,483,640	10,344,817	2,861,177	72%	367,209	779%	
	12/31/05	8,512,500	10,903,074	2,390,574	78%	331,809	720%	
	12/31/07	9,719,089	10,098,792	379,703	96%	291,124	130%	
	12/31/09	7,861,422	12,233,209	4,371,787	64%	145,612	3002%	
	12/31/10	8,330,439	12,159,653	3,829,214	69%	97,638	3922%	
	12/31/11	7,775,902	12,096,178	4,320,276	64%	-	N/A	
Local Police and Fire Retirement System - Policemen	12/31/05	3,203,654	4,596,803	1,393,149	70%	2,255,928	62%	
	12/31/06	3,139,871	5,317,889	2,178,018	59%	2,374,167	92%	
	12/31/07	4,094,352	6,036,651	1,942,299	68%	2,447,765	79%	
	12/31/08	4,219,860	7,323,954	3,104,094	58%	2,597,745	119%	
	12/31/09	3,486,988	8,672,077	5,185,089	40%	3,137,638	165%	
	12/31/10	2,617,979	8,245,098	5,627,119	32%	3,019,907	186%	
Local Police and Fire Retirement System - Firemen	12/31/05	4,239,351	4,289,306	49,955	99%	1,617,151	3%	
	12/31/06	4,965,998	4,980,762	14,764	100%	1,766,271	1%	
	12/31/07	5,605,359	5,453,647	(151,712)	103%	1,908,607		8%
	12/31/08	6,156,098	6,798,554	642,456	91%	2,033,346	32%	
	12/31/09	6,204,129	8,260,169	2,056,040	75%	2,404,440	86%	
	12/31/10	7,042,696	9,206,137	2,163,441	77%	2,538,358	85%	

CITY OF JACKSONVILLE, ARKANSAS

DEFINED BENEFIT PENSION PLANS - REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF EMPLOYER CONTRIBUTIONS YEAR ENDED DECEMBER 31, 2011

	Year Ended December 31	Annual Required Contribution	Percentage Contributed
Policemen's Pension and Relief Fund	2006	\$ 118,002	264%
	2007	-	n/a
	2008	-	n/a
	2009	416,298	75%
	2010	242,795	132%
	2011	291,321	115%
	Firemen's Pension and Relief Fund	2006	575,716
2007		575,716	69%
2008		124,467	318%
2009		637,139	49%
2010		1,024,910	31%
2011		889,248	45%
Local Police and Fire Retirement System - Policemen		2006	370,350
	2007	425,441	100%
	2008	479,559	100%
	2009	581,902	100%
	2010	575,864	100%
	2011	653,819	100%
	Local Police and Fire Retirement System - Firemen	2006	275,819
2007		281,292	100%
2008		315,564	100%
2009		349,528	100%
2010		367,302	100%
2011		376,759	100%

CITY OF JACKSONVILLE, ARKANSAS

OTHER POST-EMPLOYMENT BENEFIT PLAN - REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS YEAR ENDED DECEMBER 31, 2011

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%

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

CITY OF JACKSONVILLE, ARKANSAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2011

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 revenue short falls during 2011. The original budget of the Street Fund was not amended during 2011.

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.

With the implementation of GASB Statement No. 54 - *Fund Balance Reporting and Governmental Fund Type Definitions*, two other governmental funds were combined with the General Fund for financial reporting purposes. The effect of these items is shown in the adjustments to budget basis column.



NONMAJOR GOVERNMENTAL FUNDS

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

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

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

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

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

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

CITY OF JACKSONVILLE, ARKANSAS

COMBINING BALANCE SHEET
 GOVERNMENTAL FUNDS - NONMAJOR
 DECEMBER 31, 2011

	Special Revenue			Debt Service	Total
	CDBG	HOME	Grants	2006 Library Debt Service	
Assets					
Cash	\$ 36,003	\$ 74,500	\$ 21,034	\$ -	\$ 131,537
Restricted cash	-	-	-	244,973	244,973
Accounts receivable					
Accounts	88,347	5,797	-	-	94,144
Taxes	-	-	-	261,318	261,318
Grants and other governments	-	-	61,504	-	61,504
Total Assets	<u>\$ 124,351</u>	<u>\$ 80,297</u>	<u>\$ 82,539</u>	<u>\$ 506,290</u>	<u>\$ 793,477</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 4,288	\$ -	\$ -	\$ -	\$ 4,288
Due to other funds	2,801	-	68,597	-	71,398
Accrued wages payable	1,367	-	-	-	1,367
Deferred revenue	-	-	-	240,741	240,741
Other liabilities	1,257	30,717	-	-	31,974
Total liabilities	<u>9,713</u>	<u>30,717</u>	<u>68,597</u>	<u>240,741</u>	<u>349,768</u>
Fund Balances					
Restricted:					
Housing and neighborhood programs	114,638	49,580	-	-	164,218
Grant funds	-	-	13,942	-	13,942
Debt service	-	-	-	265,549	265,549
Total fund balances	<u>114,638</u>	<u>49,580</u>	<u>13,942</u>	<u>265,549</u>	<u>443,709</u>
Total Liabilities and Fund Balances	<u>\$ 124,351</u>	<u>\$ 80,297</u>	<u>\$ 82,539</u>	<u>\$ 506,290</u>	<u>\$ 793,477</u>

CITY OF JACKSONVILLE, ARKANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS - NONMAJOR YEAR ENDED DECEMBER 31, 2011

	Special Revenue			Debt Service	Total
	CDBG	HOME	Grants	2006 Library Debt Service	
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ 250,735	\$ 250,735
Intergovernmental	239,692	67,500	185,331	-	492,523
Investment income	981	-	49	-	1,030
Miscellaneous	635	-	-	-	635
Total revenues	241,308	67,500	185,380	250,735	744,923
Expenditures					
Community programs	-	-	18,470	-	18,470
Police	-	-	24,706	-	24,706
Fire	-	-	432	-	432
Housing and neighborhood programs	228,091	58,216	-	-	286,307
Debt service					
Principal	-	-	-	135,000	135,000
Interest	-	-	-	104,094	104,094
Agent fees	-	-	-	600	600
Total expenditures	228,091	58,216	43,608	239,694	569,609
Excess (Deficiency) of Revenues Over Expenditures	13,217	9,284	141,772	11,041	175,314
Other Financing Sources (Uses)					
Transfers in	-	-	18,470	-	18,470
Transfers out	-	-	(183,177)	-	(183,177)
Total other financing sources (uses)	-	-	(164,707)	-	(164,707)
Net Change in Fund Balances	13,217	9,284	(22,935)	11,041	10,607
Fund Balances, Beginning of Year	101,421	40,296	36,877	254,508	433,102
Fund Balances, End of Year	\$ 114,638	\$ 49,580	\$ 13,942	\$ 265,549	\$ 443,709



FIDUCIARY FUNDS

Pension Trust Funds

Pension Trust Funds account for assets held in the Policemen's Pension and Relief Fund, the Firemen's Pension and Relief Fund, and the Municipal Judges' Retirement 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 ASSETS
 FIDUCIARY FUNDS
 DECEMBER 31, 2011

	<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	\$ 265,350	\$ 323,834	\$ 589,184
Investments			
U.S. Government and agency obligations	975,589	2,340,827	3,316,416
Corporate bonds	1,661,807	1,390,884	3,052,691
Equities	1,760,640	3,660,322	5,420,962
Mutual funds	925,579	7,632	933,211
Receivables			
Accounts	262	262	524
Due from other funds	20,584	20,584	41,168
Accrued interest	18,449	44,992	63,441
	<u>\$ 5,628,260</u>	<u>\$ 7,789,337</u>	<u>\$ 13,417,597</u>
Net Assets			
Net assets held in trust	<u>\$ 5,628,260</u>	<u>\$ 7,789,337</u>	<u>\$ 13,417,597</u>

CITY OF JACKSONVILLE, ARKANSAS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS YEAR ENDED DECEMBER 31, 2011

	<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	\$ 78,950	\$ 19,961	\$ 98,911
Plan members	-	23,288	23,288
Contributed from General Fund			
Property taxes	256,005	256,005	512,010
State insurance turnback and guarantee fund	35,250	127,418	162,668
Total contributions	<u>370,205</u>	<u>426,672</u>	<u>796,877</u>
Investment income (loss)			
Net decrease in fair value of investments	(311,145)	(294,249)	(605,394)
Other investments income	4,128	-	4,128
Interest and dividends	138,204	234,540	372,744
	<u>(168,813)</u>	<u>(59,709)</u>	<u>(228,522)</u>
Less investment expense	69,497	100,501	169,998
Net investment income (loss)	<u>(238,310)</u>	<u>(160,210)</u>	<u>(398,520)</u>
Total additions	<u>131,895</u>	<u>266,462</u>	<u>398,357</u>
Deductions			
Benefits paid directly to participants	616,814	806,564	1,423,378
Administrative expenses	2,000	1,000	3,000
Total deductions	<u>618,814</u>	<u>807,564</u>	<u>1,426,378</u>
Change in Net Assets	(486,919)	(541,102)	(1,028,021)
Net Assets Held in Trust Beginning of Year	<u>6,115,179</u>	<u>8,330,439</u>	<u>14,445,618</u>
Net Assets Held in Trust End of Year	<u>\$ 5,628,260</u>	<u>\$ 7,789,337</u>	<u>\$ 13,417,597</u>

CITY OF JACKSONVILLE, ARKANSAS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUNDS YEAR ENDED DECEMBER 31, 2011

	<u>Balance January 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2011</u>
<u>District Court Fines and Forfeitures Fund</u>				
Assets				
Cash	\$ 164,004	\$ 1,136,917	\$ 1,119,625	\$ 181,296
Liabilities				
Other liabilities	\$ 164,004	\$ 1,136,917	\$ 1,119,625	\$ 181,296
<u>District Court Restitution Fund</u>				
Assets				
Cash	\$ 10,771	\$ 4,047	\$ 4,273	\$ 10,545
Liabilities				
Other Liabilities	\$ 10,771	\$ 4,047	\$ 4,273	\$ 10,545
<u>Total Agency Funds</u>				
Assets				
Cash	\$ 174,775	\$ 1,140,964	\$ 1,123,898	\$ 191,841
Liabilities				
Other liabilities	174,775	1,140,964	1,123,898	191,841
Total Liabilities	\$ 174,775	\$ 1,140,964	\$ 1,123,898	\$ 191,841

DISCRETELY PRESENTED COMPONENT UNITS

CITY OF JACKSONVILLE, ARKANSAS

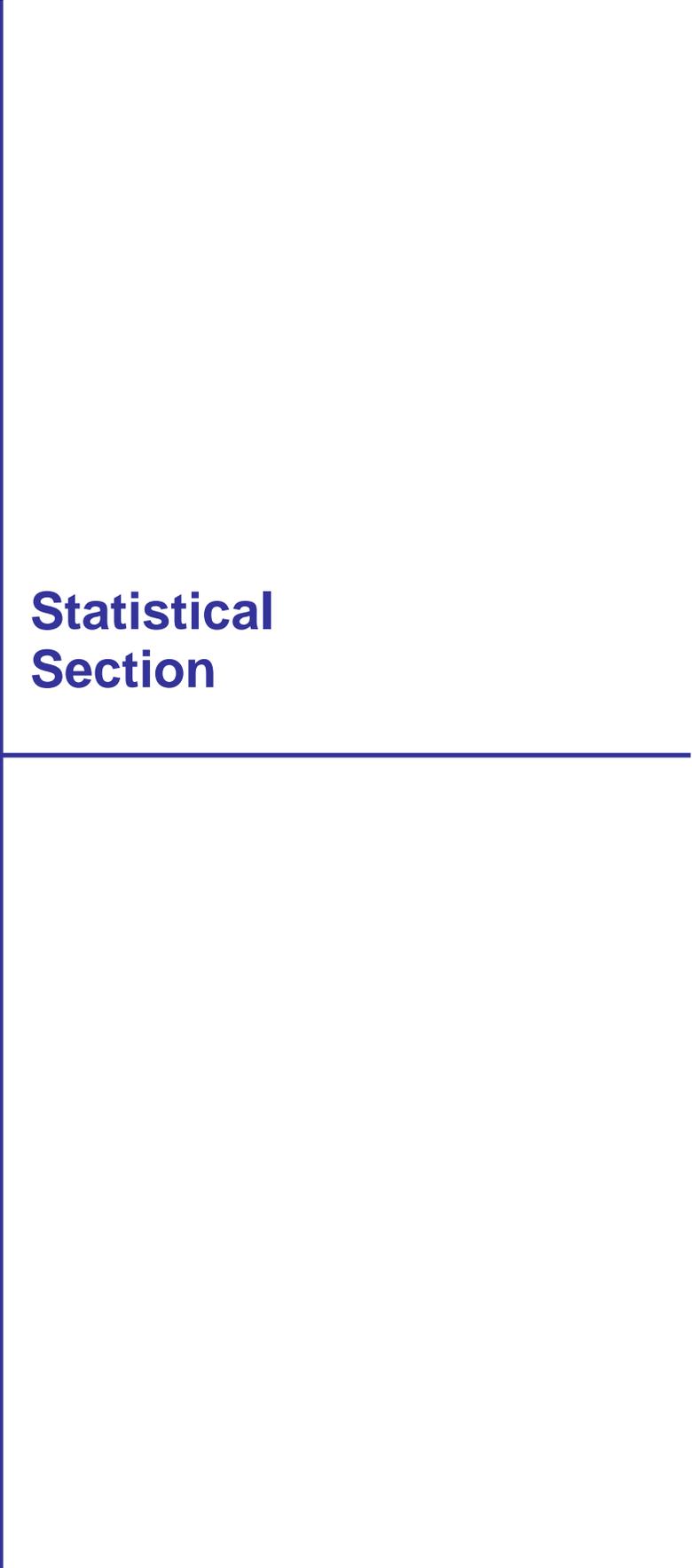
COMBINING STATEMENT OF CASH FLOWS DISCRETELY PRESENTED COMPONENT UNITS YEAR ENDED DECEMBER 31, 2011

	Jacksonville Municipal Water Works	Jacksonville Wastewater Utility	Nonmajor Component Unit Advertising and Promotion Commission	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 6,776,713	\$ 3,612,395	\$ -	\$ 10,389,108
Other receipts	191,863	57,312	-	249,175
Payments to employees	(1,708,054)	(1,761,824)	-	(3,469,878)
Payments to suppliers	(779,151)	(152,697)	(622)	(932,470)
Payments to service providers	(109,922)	-	(724,217)	(834,139)
Other payments	(1,331,918)	(239,450)	-	(1,571,368)
Net cash provided by (used in) operating activities	3,039,531	1,515,736	(724,839)	3,830,428
Noncapital Financing Activities				
Local tax levy supporting operations	-	-	814,769	814,769
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(5,737,472)	(6,247,943)	-	(11,985,415)
Contributions-in-aid of construction	-	726,369	-	726,369
Proceeds from issuance of long-term debt	500,220	-	-	500,220
Refund of debt issue costs	(25,011)	-	-	(25,011)
Principal paid on long-term debt	-	(302,087)	-	(302,087)
Interest paid on long-term debt	-	(231,164)	-	(231,164)
Net cash provided by (used in) capital and related financing activities	(5,262,263)	(6,054,825)	-	(11,317,088)
Cash Flows from Investing Activities				
Proceeds from maturities of cash investments	5,704,205	-	276,214	5,980,419
Purchase of cash investments	(2,616,568)	-	(351,514)	(2,968,082)
Decrease (increase) in restricted cash	(114,251)	-	-	(114,251)
Interest received	44,294	94,924	2,469	141,687
Net cash provided by (used in) investing activities	3,017,680	94,924	(72,831)	3,039,773
Net Increase (Decrease) in Cash	794,948	(4,444,165)	17,099	(3,632,118)
Cash, Beginning of Year	761,671	17,284,346	201,178	18,247,195
Cash, End of Year	\$ 1,556,619	\$ 12,840,181	\$ 218,277	\$ 14,615,077
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities				
Operating income (loss)	\$ 1,813,018	\$ (139,586)	\$ (722,405)	\$ 951,027
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation and amortization expense	955,066	1,406,405	-	2,361,471
(Gain) loss on disposal of capital assets	-	40	-	40
Amortization of deferred expenses	32,528	-	-	32,528
Other income, net	191,863	-	-	191,863
Changes in operating assets and liabilities				
Receivables, net	(205,806)	(200,362)	-	(406,168)
Revenues earned and unbilled	-	(43,713)	-	(43,713)
Prepaid expenses	(3,556)	(11,798)	-	(15,354)
Inventories	(68,665)	(3,990)	-	(72,655)
Due to other entities	125,496	-	-	125,496
Accounts payable	127,754	507,388	(2,434)	632,708
Accrued expenses	52,541	1,352	-	53,893
Customer deposits	19,086	-	-	19,086
Other liabilities	206	-	-	206
Net cash provided by (used in) operating activities	\$ 3,039,531	\$ 1,515,736	\$ (724,839)	\$ 3,830,428

Supplemental Disclosure of Noncash, Capital and Financing Activities

Jacksonville Municipal Water Works accepted utility property constructed by private developers. The fair value of this donated property in 2011 was \$53,456 and was \$36,176 in 2010.

Jacksonville Wastewater Utility accepted sewer lines constructed by private developers. The fair value of this donated property in 2011 was \$88,837 and was \$155,109 in 2010.



**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	96
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	108
These schedules contain information to help the reader assess the City's most significant local revenue source, the sales tax.	
Debt Capacity	114
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	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	123
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 ASSETS BY COMPONENT LAST NINE YEARS (Accrual Basis of Accounting)

	<u>2003 (1)</u>	<u>2004</u>	<u>2005</u>
Governmental activities			
Invested in capital assets, net of related debt	\$ 16,278,187	\$ 20,890,597	\$ 22,816,886
Restricted	457,046	371,542	9,101,847
Unrestricted	14,352,063	15,594,328	9,002,821
Total governmental activities net assets	<u>\$ 31,087,296</u>	<u>\$ 36,856,467</u>	<u>\$ 40,921,554</u>
Business-type activities			
Invested in capital assets, net of related debt	\$ 304,253	\$ 684,805	\$ 695,854
Unrestricted	1,382,299	1,013,533	1,325,624
Total business-type activities net assets	<u>\$ 1,686,552</u>	<u>\$ 1,698,338</u>	<u>\$ 2,021,478</u>
Primary government			
Invested in capital assets, net of related debt	\$ 16,582,440	\$ 21,575,402	\$ 23,512,740
Restricted	457,046	371,542	9,101,847
Unrestricted	15,734,362	16,607,861	10,328,445
Total primary government net assets	<u>\$ 32,773,848</u>	<u>\$ 38,554,805</u>	<u>\$ 42,943,032</u>

(1) Effective January 1, 2003, the City implemented GASB 34, *Basic Financial Statements & Management's Discussion & Analysis for State & Local Governments* (as amended by Statement No. 37). This table will ultimately contain information for ten fiscal years.

(2) 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 assets of governmental activities.

<u>2006 (2)</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 27,499,419	\$ 27,879,856	\$ 28,763,585	\$ 32,145,339	\$ 34,751,804	\$ 36,800,745
8,503,883	10,886,550	5,506,038	4,381,589	2,384,498	2,052,401
13,310,801	14,532,889	16,594,722	15,151,670	13,387,422	10,824,395
<u>\$ 49,314,103</u>	<u>\$ 53,299,294</u>	<u>\$ 50,864,345</u>	<u>\$ 51,678,598</u>	<u>\$ 50,523,724</u>	<u>\$ 49,677,541</u>
\$ 829,617	\$ 805,482	\$ 739,316	\$ 590,355	\$ 469,824	\$ 653,790
1,117,417	1,065,041	1,294,837	467,345	238,833	825,120
<u>\$ 1,947,034</u>	<u>\$ 1,870,523</u>	<u>\$ 2,034,153</u>	<u>\$ 1,057,700</u>	<u>\$ 708,657</u>	<u>\$ 1,478,910</u>
\$ 28,329,036	\$ 28,685,338	\$ 29,502,901	\$ 32,735,694	\$ 35,221,628	\$ 37,454,535
8,503,883	10,886,550	5,506,038	4,381,589	2,384,498	2,052,401
14,428,218	15,597,930	17,889,559	15,619,015	13,626,255	11,649,515
<u>\$ 51,261,137</u>	<u>\$ 55,169,818</u>	<u>\$ 52,898,498</u>	<u>\$ 52,736,298</u>	<u>\$ 51,232,381</u>	<u>\$ 51,156,451</u>

CITY OF JACKSONVILLE, ARKANSAS

CHANGES IN NET ASSETS, LAST NINE YEARS (Accrual Basis of Accounting)

	<u>2003 (1)</u>	<u>2004</u>	<u>2005 (2)</u>
Expenses			
Governmental activities:			
General administration	\$ 385,991	\$ 363,311	\$ 734,778
City council	97,272	95,084	111,291
Office of the mayor	159,033	174,127	152,621
City clerk	111,009	112,402	116,683
City attorney	103,780	107,645	114,336
District court	290,702	594,516	408,191
Director of administration	174,543	136,106	111,602
Director of information technology	-	-	-
Finance	291,271	294,188	305,166
Purchasing	98,672	95,765	101,985
Human resources	171,817	167,437	183,164
Fleet services	126,063	139,627	127,439
Community programs	230,110	220,587	195,258
Public works	1,940,651	2,261,430	2,248,802
Parks and recreation services	1,740,876	1,711,103	1,901,421
Police	4,230,502	4,632,578	4,660,087
Fire	3,427,127	3,833,187	3,248,351
Emergency communication services	569,844	698,324	744,493
Animal control	210,285	224,325	248,401
Housing and neighborhood programs	325,643	506,437	516,614
Interest expense on long term debt	-	-	-
Agent fees on long-term debt	-	-	-
Total governmental activities expenses	<u>14,685,191</u>	<u>16,368,179</u>	<u>16,230,683</u>
Business-type activities			
Sanitation services	1,148,728	1,189,929	1,251,275
Emergency medical services	-	-	715,616
Total business-type activities	<u>1,148,728</u>	<u>1,189,929</u>	<u>1,966,891</u>
Total primary government expenses	<u>\$ 15,833,919</u>	<u>\$ 17,558,108</u>	<u>\$ 18,197,574</u>
Program Revenues			
Governmental activities:			
Charges for services:			
General administration	\$ 177,962	\$ 164,082	\$ 230,808
District court	85,265	100,899	280,775
Finance	8,001	8,001	8,001
Fleet services	46,256	36,570	47,829
Public works	81,018	74,829	71,952
Parks and recreation services	436,904	462,432	588,272
Police	286,761	351,643	291,397
Fire	374,887	370,966	3,908
Emergency communication services	98,707	140,807	156,372
Animal control	8,028	8,079	7,641
Housing and neighborhood programs	2,479	17,214	337
Operating grants and contributions	2,178,041	2,348,857	3,215,845
Capital grants and contributions	5,281,950	281,308	204,644
Total governmental activities program revenues	<u>9,066,259</u>	<u>4,365,687</u>	<u>5,107,781</u>
Business-type activities			
Sanitation services	1,143,964	1,172,205	1,194,230
Emergency medical services	-	-	546,122
Total business-type activities program revenues	<u>1,143,964</u>	<u>1,172,205</u>	<u>1,740,352</u>
Total primary government program revenues	<u>\$ 10,210,223</u>	<u>\$ 5,537,892</u>	<u>\$ 6,848,133</u>

	<u>2006 (3)</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$	455,047	\$ 388,618	\$ 5,407,369	\$ 516,564	\$ 1,754,213	\$ 389,238
	102,118	109,397	113,241	119,018	115,831	120,634
	176,115	172,041	177,483	197,782	231,562	230,970
	127,270	126,718	124,092	146,559	144,722	212,357
	119,183	128,678	137,970	144,430	184,094	180,478
	291,750	234,382	358,017	312,140	308,593	303,536
	142,448	196,038	290,775	263,454	317,955	125,806
	-	-	-	-	-	177,839
	310,096	318,849	366,577	503,902	535,466	478,674
	101,979	107,805	112,495	-	-	-
	187,502	150,571	198,196	231,641	202,575	245,038
	133,133	128,445	128,695	143,039	176,543	186,396
	215,705	144,884	227,567	225,281	14,139	173,030
	2,538,869	2,270,571	2,487,309	3,084,831	2,866,092	2,585,034
	2,303,225	2,395,010	2,586,954	2,688,917	2,515,033	2,602,790
	5,163,602	5,215,852	5,844,669	7,027,162	7,025,994	8,510,214
	3,695,985	4,021,861	4,245,680	3,548,000	4,500,852	3,998,521
	721,985	732,347	826,476	846,094	800,722	563,861
	274,976	290,335	301,775	301,371	313,564	308,039
	356,252	592,536	361,111	433,766	543,274	273,097
	80,355	119,049	104,386	99,042	92,912	102,070
	2,654	-	-	-	-	-
	<u>17,500,249</u>	<u>17,843,986</u>	<u>24,400,837</u>	<u>20,832,993</u>	<u>22,644,136</u>	<u>21,767,622</u>
	1,377,442	1,489,290	1,574,915	1,579,466	1,629,285	1,628,388
	748,841	775,627	888,257	1,716,980	1,224,188	1,094,031
	<u>2,126,283</u>	<u>2,264,917</u>	<u>2,463,172</u>	<u>3,296,446</u>	<u>2,853,473</u>	<u>2,722,419</u>
\$	<u>19,626,532</u>	<u>\$ 20,108,903</u>	<u>\$ 26,864,009</u>	<u>\$ 24,129,439</u>	<u>\$ 25,497,609</u>	<u>\$ 24,490,041</u>
\$	188,519	\$ 193,711	\$ 163,211	\$ 143,871	\$ 181,945	\$ 162,959
	282,379	264,714	259,415	263,377	307,641	311,855
	8,001	8,001	8,068	8,068	8,001	8,026
	29,230	27,410	27,161	75,221	73,845	51,060
	70,804	71,392	67,097	66,674	105,706	67,005
	570,584	610,718	581,325	651,836	732,000	672,790
	305,785	281,212	273,923	277,110	362,790	363,469
	3,406	3,500	5,771	4,418	2,912	2,512
	163,256	152,357	169,641	187,703	225,154	205,394
	17,542	27,593	35,629	32,715	32,350	24,420
	2,877	2,408	1,931	2,065	17,007	535
	3,500,439	3,920,326	3,839,457	3,684,503	3,916,198	3,731,153
	-	-	317,671	512,854	419,836	709,285
	<u>5,142,822</u>	<u>5,563,342</u>	<u>5,750,300</u>	<u>5,910,415</u>	<u>6,385,386</u>	<u>6,310,463</u>
	1,210,204	1,246,743	1,290,468	1,255,037	1,277,118	1,812,390
	531,252	598,883	665,113	645,163	709,812	1,009,118
	<u>1,741,456</u>	<u>1,845,626</u>	<u>1,955,581</u>	<u>1,900,200</u>	<u>1,986,930</u>	<u>2,821,508</u>
\$	<u>6,884,278</u>	<u>\$ 7,408,968</u>	<u>\$ 7,705,881</u>	<u>\$ 7,810,615</u>	<u>\$ 8,372,316</u>	<u>\$ 9,131,971</u>

(continued)

CHANGES IN NET ASSETS, LAST NINE YEARS (Continued)
(Accrual Basis of Accounting)

	<u>2003 (1)</u>	<u>2004</u>	<u>2005(2)</u>
Net (expense)/revenue			
Governmental activities	\$ (5,618,932)	\$ (12,002,492)	\$ (11,122,902)
Business-type activities	(4,764)	(17,724)	(226,539)
Total primary government net expense	<u>\$ (5,623,696)</u>	<u>\$ (12,020,216)</u>	<u>\$ (11,349,441)</u>
General Revenues and Other Changes in Net Assets			
Governmental activities:			
Taxes			
General property taxes	\$ 579,424	\$ 639,338	\$ 1,030,288
Sales taxes	8,491,395	12,060,891	12,799,497
Utility franchise taxes	906,800	940,937	1,011,156
Investment earnings	183,513	170,530	362,445
Grants and contributions not restricted to specific programs	456,815	445,515	476,590
Gain on sale of capital assets	17,724	12,415	19,955
Transfers	-	-	(511,943)
Total governmental activities	<u>10,635,671</u>	<u>14,269,626</u>	<u>15,187,989</u>
Business-type activities:			
Investment earnings	18,345	20,872	25,736
Operating grants and contributions	18,494	14,231	12,000
Capital grants and contributions	-	-	-
Transfers	-	-	511,943
Total business-type activities	<u>36,839</u>	<u>35,103</u>	<u>549,679</u>
Total primary government	<u>\$ 10,672,510</u>	<u>\$ 14,304,729</u>	<u>\$ 15,737,668</u>
Changes in Net Assets			
Governmental activities	\$ 5,016,739	\$ 2,267,133	\$ 4,065,087
Business-type activities	32,075	17,379	323,140
Total primary government	<u>\$ 5,048,814</u>	<u>\$ 2,284,512</u>	<u>\$ 4,388,227</u>

(1) Effective January 1, 2003 the City implemented GASB 34, *Basic Financial Statements & Management's Discussion & Analysis for State & Local Governments* (as amended by Statement No. 37). This table will ultimately contain information for ten fiscal years.

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

(3) 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 assets of governmental activities.

<u>2006 (3)</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ (12,357,427)	\$ (12,280,643)	\$ (18,650,537)	\$ (14,922,578)	\$ (16,258,750)	\$ (15,457,159)
(384,827)	(419,291)	(507,591)	(1,384,246)	(854,543)	418,084
<u>\$ (12,742,254)</u>	<u>\$ (12,699,933)</u>	<u>\$ (19,158,128)</u>	<u>\$ (16,306,824)</u>	<u>\$ (17,113,294)</u>	<u>\$ (15,039,075)</u>
\$ 978,416	\$ 602,363	\$ 755,482	\$ 711,289	\$ 768,342	\$ 777,265
13,028,273	13,128,674	13,660,175	13,170,622	13,157,342	12,612,511
1,071,469	1,053,657	1,144,223	1,131,386	1,097,960	1,057,234
772,483	1,038,961	648,896	247,304	79,823	38,014
467,394	722,811	516,721	511,033	491,200	459,187
16,775	13,600	41,316	365,197	9,209	9,265
(254,750)	(294,231)	(551,226)	(400,000)	(500,000)	(342,500)
<u>16,080,060</u>	<u>16,265,834</u>	<u>16,215,587</u>	<u>15,736,831</u>	<u>15,103,876</u>	<u>14,610,976</u>
43,633	36,551	14,319	7,793	5,500	(17,890)
12,000	12,000	12,000	-	-	-
-	-	93,676	-	-	27,559
254,750	294,231	551,226	400,000	500,000	342,500
<u>310,383</u>	<u>342,782</u>	<u>671,221</u>	<u>407,793</u>	<u>505,500</u>	<u>352,169</u>
<u>\$ 16,390,443</u>	<u>\$ 16,608,616</u>	<u>\$ 16,886,808</u>	<u>\$ 16,144,624</u>	<u>\$ 15,609,376</u>	<u>\$ 14,963,144</u>
\$ 3,722,633	\$ 3,985,191	\$ (2,434,950)	\$ 814,253	\$ (1,154,874)	\$ (846,183)
(74,444)	(76,509)	163,630	(976,453)	(349,043)	770,253
<u>\$ 3,648,189</u>	<u>\$ 3,908,683</u>	<u>\$ (2,271,320)</u>	<u>\$ (162,200)</u>	<u>\$ (1,503,918)</u>	<u>\$ (75,930)</u>

CITY OF JACKSONVILLE, ARKANSAS

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Fund			
Reserved	\$ 57,806	\$ 92,033	\$ 74,054
Unreserved	1,237,069	1,956,619	2,910,847
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total general fund	<u>\$ 1,294,875</u>	<u>\$ 2,048,652</u>	<u>\$ 2,984,901</u>
All Other Governmental Funds			
Reserved	\$ 399,240	\$ 279,509	\$ 9,027,793
Unreserved, reported in:			
Special revenue funds	11,116,464	12,919,280	5,287,338
Restricted	-	-	-
Assigned	-	-	-
Total all other governmental funds	<u>\$ 11,515,704</u>	<u>\$ 13,198,789</u>	<u>\$ 14,315,131</u>

Note: 2003 through 2010 fund balances are not comparable to 2011 due to the adoption of GASB Statement 54. Future years will be presented in the classifications prescribed by GASB 54 for comparison purposes.

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 114,583	\$ 154,169	\$ 347,968	\$ 68,304	\$ 159,341	\$ -
3,054,185	3,518,573	3,204,746	3,503,551	3,297,028	-
-	-	-	-	-	536,440
-	-	-	-	-	5,265
-	-	-	-	-	1,070,000
-	-	-	-	-	3,792,850
<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>	<u>\$ 5,404,555</u>
\$ 15,456,714	\$ 19,219,331	\$ 13,453,056	\$ 11,395,499	\$ 9,183,135	\$ -
4,536,526	3,172,466	3,857,435	3,572,054	2,995,731	-
-	-	-	-	-	1,515,961
-	-	-	-	-	6,180,291
<u>\$ 19,993,240</u>	<u>\$ 22,391,798</u>	<u>\$ 17,310,491</u>	<u>\$ 14,967,553</u>	<u>\$ 12,178,866</u>	<u>\$ 7,696,252</u>

CITY OF JACKSONVILLE, ARKANSAS

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Revenues				
Property taxes	\$ 576,339	\$ 613,899	\$ 672,930	\$ 927,207
Sales taxes	7,891,947	12,660,339	12,799,497	13,028,273
Licenses and permits	176,804	152,876	189,487	169,994
Intergovernmental	2,771,591	2,792,271	3,283,377	3,591,056
Charges for services	1,085,287	1,142,733	814,289	774,363
Fines and fees	375,086	455,118	571,794	588,729
Utility franchise taxes	906,800	940,937	1,011,156	1,071,469
Investment income	183,513	170,530	362,445	772,483
Contributions	288,641	179,739	600,000	326,397
Miscellaneous	-	-	310,725	230,472
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	14,256,008	19,108,442	20,615,700	21,480,443
Expenditures				
General government	2,149,994	2,234,830	3,173,849	3,382,230
Public works	2,237,010	2,130,266	2,549,574	2,405,238
Parks and recreation services	1,623,524	2,959,051	3,188,662	2,249,704
Police	4,294,872	4,535,441	4,704,001	5,054,988
Fire	3,408,306	3,515,473	3,172,319	3,549,403
Emergency communication services	622,783	574,431	632,297	601,099
Animal control	191,500	206,696	241,723	258,752
Housing and neighborhood programs	320,825	515,392	515,346	362,303
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Agent fees	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	14,848,814	16,671,580	18,177,771	17,863,717
Excess (Deficiency) of revenues over (under) expenditures	(592,806)	2,436,862	2,437,930	3,616,726
Other Financing Sources (Uses)				
Bonds issued	-	-	-	2,500,000
Transfers in	8,825,608	13,235,993	15,443,234	14,400,023
Transfers out	(8,825,608)	(13,235,993)	(15,828,573)	(14,654,773)
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	(385,339)	2,245,250
Net change in fund balances	<u>\$ (592,806)</u>	<u>\$ 2,436,862</u>	<u>\$ 2,052,591</u>	<u>\$ 5,861,976</u>
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$	656,126	\$ 693,921	\$ 717,792	\$ 723,754	\$ 762,221
	13,128,674	13,660,175	13,170,622	13,157,342	12,612,511
	172,131	145,131	130,663	153,264	122,289
	4,548,611	4,312,524	4,102,067	4,305,841	4,053,971
	798,949	791,385	919,286	1,026,128	924,618
	559,050	554,482	561,429	651,231	651,271
	1,053,657	1,144,223	1,131,386	1,097,960	1,057,234
	1,038,961	648,896	247,304	79,823	38,014
	50,000	-	-	-	-
	181,318	517,635	673,468	343,931	818,963
	<u>22,187,476</u>	<u>22,468,372</u>	<u>21,654,016</u>	<u>21,539,274</u>	<u>21,041,092</u>
	3,060,618	10,320,417	3,792,768	3,265,843	2,794,399
	2,415,159	2,541,105	2,790,533	3,259,890	4,137,281
	2,167,701	2,407,242	3,087,495	2,568,025	2,332,786
	5,434,385	5,933,565	7,578,930	7,920,716	7,675,658
	4,036,326	4,309,227	4,637,438	5,177,419	4,716,182
	841,219	688,307	749,533	672,701	755,149
	291,596	287,466	285,653	299,631	295,563
	591,193	369,029	429,597	539,016	286,307
	-	155,000	125,000	145,000	135,000
	152,517	106,522	100,616	94,956	104,094
	-	600	250	250	600
	<u>18,990,713</u>	<u>27,118,480</u>	<u>23,577,813</u>	<u>23,943,447</u>	<u>23,233,019</u>
	3,196,763	(4,650,108)	(1,923,797)	(2,404,173)	(2,191,927)
	-	-	-	-	-
	16,041,110	13,317,337	14,053,286	14,209,326	836,647
	<u>(16,335,341)</u>	<u>(13,868,563)</u>	<u>(14,453,286)</u>	<u>(14,709,326)</u>	<u>(1,179,147)</u>
	<u>(294,231)</u>	<u>(551,226)</u>	<u>(400,000)</u>	<u>(500,000)</u>	<u>(342,500)</u>
\$	<u>2,902,531</u>	<u>(5,201,335)</u>	<u>(2,323,798)</u>	<u>(2,904,173)</u>	<u>(2,534,427)</u>
	0.91%	1.15%	1.22%	1.24%	1.26%

CITY OF JACKSONVILLE, ARKANSAS

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

Year	General Property Taxes	Sales Taxes			Total Sales Taxes	Utility Franchise Taxes	Total
		City	County	Alcoholic Beverage			
2002	\$573,571	\$3,208,442	\$5,455,163	\$5,882	\$8,669,487	\$928,536	\$10,171,594
2003	576,339	3,108,159	4,779,472	4,318	7,891,949	906,800	9,375,088
2004	613,899	6,607,601 (1)	6,048,993	3,744	12,660,338	940,937	14,215,174
2005	672,930	6,932,141	5,854,100	13,256	12,799,497	1,011,156	14,483,583
2006	927,207	6,950,892	6,060,027	17,354	13,028,273	1,071,469	15,026,949
2007	656,126	6,880,728	6,230,644	17,302	13,128,674	1,053,657	14,838,457
2008	693,921	7,225,987	6,414,770	20,986	13,661,743	1,144,223	15,499,887
2009	717,792	7,024,714	6,124,922	20,986	13,170,622	1,131,386	15,019,800
2010	723,754	6,932,962	6,205,568	18,812	13,157,342	1,097,960	14,979,056
2011	762,221	6,923,047	5,655,813	33,651	12,612,511	1,057,234	14,431,966
Change							
2002-2011	32.89%	115.78%	3.68%	472.10%	45.48%	13.86%	41.88%

(1) In 2004, the City implemented an additional one cent city sales tax, increasing the City's sales tax rate to 2%.



CITY OF JACKSONVILLE, ARKANSAS

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

NAICS Economic Sector	Description	Year 2011				Percentage of Total City Sales Tax
		Taxable Sales	City Sales Tax Collected	² Entity Count	Rank	
44-45	Retail Trade	\$189,739,952	\$3,794,799		1	54.81%
72	Accommodations and Food Services	38,207,562	764,151		2	11.04%
22	Utilities	24,226,369	484,527		3	7.00%
51	Information and Cultural Industries	21,278,528	425,571		4	6.15%
42	Wholesale Trade	21,251,069	425,021		5	6.14%
31-33	Manufacturing	8,027,150	160,543		6	2.32%
53	Rental, Leasing and Real Estate	6,616,003	132,320		7	1.91%
56	Admin & Support & Waste Mngmt & Remediation Services	5,837,875	116,757		8	1.69%
81	Other Services (except Public Administration)	4,039,608	80,792		9	1.17%
23	Construction	2,679,896	53,598		10	0.77%
48-49	Transportation and Warehousing	1,287,348	25,747		11	0.37%
52	Finance and Insurance	696,244	13,925		12	0.20%
11	Agriculture, Forestry, Fishing and Hunting	442,216	8,844		13	0.13%
54	Professional, Scientific, and Technical Services	379,503	7,590		14	0.11%
71	Arts, Entertainment, and Recreation	257,172	5,143		15	0.07%
62	Health Care and Social Assistance	12,250	245		16	0.00%
61	Educational Services	-	-			0.00%
*	Suppressed Totals	21,173,628	423,473		n/a	6.12%
	Totals	<u>\$ 346,152,368</u>	<u>\$6,923,047</u>			<u>100.00%</u>

The City of Jacksonville, Arkansas's largest own-source revenue is sales taxes. Sales Taxes primarily come from two separate taxes: a two cent city tax based on point of sale and a portion of the 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 2011, the two cent sales tax generated revenue of \$6,923,047.

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

¹ NAICS Economic Sector "22" was suppressed in 2003.

* In 2003, if individual economic sector identifiers had four or less entries, DF&A suppressed the taxable sales and tax collection numbers to comply with state statutes. However, in 2011 the individual economic sector identifiers had 3 or less entries.

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

Note: DF&A will not supply "City Sales Taxable Sales". Therefore, taxable sales are based on "Tax Collected" divided by 1% for 2003 and divided by 2% for 2011, the tax rates for the corresponding years.

Year 2003				
Taxable Sales	City Sales Tax Collected	Entity Count	Rank	Percentage of Total City Sales Tax
\$187,324,026	\$1,873,240	713	1	60.27%
24,933,918	249,339	73	2	8.02%
18,704,467	187,045	125	3	6.02%
10,678,011	106,780	428	4	3.44%
5,480,283	54,803	151	5	1.76%
5,035,955	50,360	141	6	1.62%
1,034,278	10,343	105	9	0.33%
2,419,695	24,197	53	7	0.78%
1,215,146	12,151	48	8	0.39%
896,300	8,963	8	10	0.29%
144,310	1,443	11	14	0.05%
236,086	2,361	27	13	0.08%
405,000	4,050	17	12	0.13%
759,069	7,591	17	11	0.24%
19,600	196	3	15	0.01%
51,529,700	515,297	234	n/a	16.58%
<u>\$ 310,815,844</u>	<u>\$3,108,158</u>	<u>2,154</u>		<u>100.00%</u>

CITY OF JACKSONVILLE, ARKANSAS

CITY SALES AND USE TAX REVENUE RATES LAST TEN YEARS

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>City Direct Revenue</u>
2002	1.0	\$ 3,208,442
2003	1.0	3,108,159
2004	2.0	6,607,601
2005	2.0	6,932,141
2006	2.0	6,950,892
2007	2.0	6,880,728
2008	2.0	7,225,987
2009	2.0	7,024,714
2010	2.0	6,932,962
2011	2.0	6,923,047

CITY OF JACKSONVILLE, ARKANSAS

ASSESSED AND APPRAISED VALUE OF TAXABLE PROPERTY LAST TEN YEARS

Year		Regular Property		Utility Property		Total Property		Total
		Real	Personal	Real *(1)	Personal	Real	Personal	
2002	Assessed	\$ 124,284,190	\$ 45,192,690	\$ 836,130	\$ 7,613,750	\$ 125,120,320	\$ 52,806,440	\$ 177,926,760
	Appraised	621,420,950	225,963,450	4,180,650	38,068,750	625,601,600	264,032,200	889,633,800
2003	Assessed	130,809,673	45,584,635	1,062,920	7,606,950	131,872,593	53,191,585	185,064,178
	Appraised	654,048,365	227,923,175	5,314,600	38,034,750	659,362,965	265,957,925	925,320,890
2004	Assessed	142,820,329	47,090,180	1,084,410	7,825,500	143,904,739	54,915,680	198,820,419
	Appraised	714,101,645	235,450,900	5,422,050	39,127,500	719,523,695	274,578,400	994,102,095
2005	Assessed	153,273,999	51,160,891	-	13,400,310	153,273,999	64,561,201	217,835,200
	Appraised	766,369,995	255,804,455	-	67,001,550	766,369,995	322,806,005	1,089,176,000
2006	Assessed	160,670,916	52,285,707	-	14,071,210	160,670,916	66,356,917	227,027,833
	Appraised	803,354,580	261,428,535	-	70,356,050	803,354,580	331,784,585	1,135,139,165
2007	Assessed	177,401,623	53,305,741	-	14,701,630	177,401,623	68,007,371	245,408,994
	Appraised	887,008,115	266,528,705	-	73,508,150	887,008,115	340,036,855	1,227,044,970
2008	Assessed	187,275,219	55,503,120	-	15,951,595	187,275,219	71,454,715	258,729,934
	Appraised	936,376,095	277,515,600	-	79,757,975	936,376,095	357,273,575	1,293,649,670
2009	Assessed	193,088,831	49,438,185	-	16,040,341	193,088,831	65,478,526	258,567,357
	Appraised	965,444,155	247,190,925	-	80,201,705	965,444,155	327,392,630	1,292,836,785
2010	Assessed	202,266,211	49,397,720	-	16,140,540	202,266,211	65,538,260	267,804,471
	Appraised	1,011,331,055	246,988,600	-	80,702,700	1,011,331,055	327,691,300	1,339,022,355
2011	Assessed	204,232,215	51,272,975	-	16,919,055	204,232,215	68,192,030	272,424,245
	Appraised	1,021,161,075	256,364,875	-	84,595,275	1,021,161,075	340,960,150	1,362,121,225

Source: Pulaski County Tax Assessor.

Note: Tax collection years are shown above. Assessments were made and certified the preceding year.

* (1) Beginning in 2005 the Utility Property for Real and Personal are all reported as Personal.

CITY OF JACKSONVILLE, ARKANSAS

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

Local Tax Rates Per \$1,000 Assessed Value

Year	Jacksonville		Pulaski County		Pulaski County Special School District		Totals	
	Real	Personal	Real	Personal	Real	Personal	Real	Personal
2002	\$2.00	\$ 2.00	\$10.10	\$ 10.10	\$ 40.70	\$ 40.70	\$ 52.80	\$ 52.80
2003	2.00	2.00	10.10	10.10	40.70	40.70	52.80	52.80
2004	2.00	2.00	10.10	10.10	40.70	40.70	52.80	52.80
2005	3.00	3.00	10.10	10.10	40.70	40.70	53.80	53.80
2006	3.00	3.00	10.10	10.10	40.70	40.70	53.80	53.80
2007	3.00	3.00	10.10	10.10	40.70	40.70	53.80	53.80
2008	3.00	3.00	10.10	10.10	40.70	40.70	53.80	53.80
2009	3.00	3.00	10.10	10.10	40.70	40.70	53.80	53.80
2010	3.00	3.00	10.10	10.10	40.70	40.70	53.80	53.80
2011	3.00	3.00	10.10	10.10	40.70	40.70	53.80	53.80

Tax Levies

2002	\$	613,501	\$	30,851,011	\$	51,681,302	\$	83,145,814
2003		638,481		32,572,873		55,974,797		89,186,151
2004		685,940		34,575,502		60,770,538		96,031,979
2005		969,376		36,966,112		68,333,446		106,268,933
2006		1,010,344		39,334,921		73,958,559		114,303,824
2007		1,092,143		42,554,360		81,998,888		125,645,391
2008		1,151,423		45,743,106		88,873,909		135,768,438
2009		1,150,690		46,344,553		91,537,250		139,032,494
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

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

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

State statutory limits on City tax rate:

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

CITY OF JACKSONVILLE, ARKANSAS

PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN YEARS

Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Collections	Percentage of Total Collections to Tax Levy
2002	\$ 613,501	\$ 523,003	88.34%	\$ 53,400	\$ 576,404	97.36%
2003	638,481	519,544	84.69%	59,881	579,425	94.45%
2004	685,940	584,289	91.51%	55,049	639,338	100.13%
2005 (1)	969,376	595,789	86.86%	63,200	658,989	96.07%
2006	1,010,344	735,768	75.90%	68,628	804,396	82.98%
2007	1,092,143	720,412	71.30%	97,603	818,015	80.96%
2008	1,151,423	795,941	72.88%	72,011	867,952	79.47%
2009	1,150,690	838,523	72.82%	69,858	908,381	78.89%
2010	1,191,800	840,076	73.01%	73,819	913,895	79.42%
2011	1,212,353	889,597	74.64%	68,819	958,416	80.42%

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. Therefore, it is possible to have greater than 100% for total collections as shown in 2004. Data is not available to show the current level by year of outstanding delinquent taxes. 2005 includes one month estimation based on historical figures.

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

CITY OF JACKSONVILLE, ARKANSAS

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

Year	Population	Assessed Value	Net Bonded Debt	Ratio of Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2002	29,916	\$ 177,926,760	\$ -	-%	\$ -
2003	29,916	185,064,178	-	-%	-
2004	29,916	198,820,419	-	-%	-
2005	29,916	217,835,200	-	-%	-
2006	29,916	227,027,833	2,285,053 (1)	1.01%	76.38
2007	29,916	245,408,994	2,215,277	0.90%	74.05
2008	29,916	258,729,934	2,093,224	0.81%	69.97
2009	29,916	258,567,357	1,960,001	0.76%	65.52
2010	28,364	267,804,471	1,817,691	0.68%	64.08
2011	28,364	272,424,245	1,672,256	0.61%	58.96

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

CITY OF JACKSONVILLE, ARKANSAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT AS OF DECEMBER 31, 2011

	Debt Available for Retirement	Percentage Applicable	City's Share of Direct & Overlapping Debt
Direct:			
City of Jacksonville	\$ 1,672,256	100%	\$ 1,672,256
Overlapping:			
Pulaski County Special School District	<u>130,896,171</u>	20%	<u>26,179,234</u>
Total direct & estimated overlapping bonded debt	<u>\$ 132,568,427</u>		<u>\$ 27,851,490</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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Debt limit	\$ 35,585,352	\$ 37,012,836	\$ 39,764,084	\$ 54,458,800
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 35,585,352</u>	<u>\$ 37,012,836</u>	<u>\$ 39,764,084</u>	<u>\$ 54,458,800</u>
Total net debt applicable to the limit as a percentage of debt limit	-%	-%	-%	-%

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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$	56,756,958	\$ 61,352,249	\$ 64,682,484	\$ 64,641,839	\$ 66,951,118	\$ 68,106,061
	<u>2,285,053</u>	<u>2,215,277</u>	<u>2,093,224</u>	<u>1,960,001</u>	<u>1,817,691</u>	<u>1,672,256</u>
\$	<u>54,471,905</u>	<u>59,136,972</u>	<u>62,589,260</u>	<u>62,681,838</u>	<u>65,133,427</u>	<u>66,433,805</u>
	4.03%	3.61%	3.24%	3.03%	2.71%	2.46%

Legal Debt Margin Calculation for 2011

Assessed value	\$ 272,424,245
Debt limit:	
General obligation debt limitation (1)	54,484,849
Short-term financing debt limitation (2)	<u>13,621,212</u>
Total Debt Limitation	<u>68,106,061</u>
Debt applicable to limit:	
General obligation and short-term financing	1,937,805
Less: Amount set aside for repayment in debt service fund	<u>265,549</u>
Total net debt applicable to limit	<u>1,672,256</u>
Legal debt margin	<u>\$ 66,433,805</u>

CITY OF JACKSONVILLE, ARKANSAS

REVENUE BOND COVERAGE LAST TEN YEARS

	Year	Operating Revenue	Operating Expenses (1)	Net Revenue Available for Debt Service
Jacksonville Municipal Water Works	2002	\$ 3,439,896	\$ 2,890,994	\$ 548,902
	2003	3,290,484	2,959,604	330,880
	2004	3,316,404	2,913,948	402,456
	2005	4,312,073	3,013,466	1,298,607
	2006	4,663,214	3,222,035	1,441,179
	2007	5,383,683	3,424,310	1,959,373
	2008	5,428,299	3,654,003	1,774,296
	2009	5,368,334	4,312,394	1,055,940
	2010	6,137,715	3,830,624	2,307,091
	2011	6,837,937	4,069,853	2,768,084
Jacksonville Wastewater Utility	2002	\$ 1,835,605	\$ 2,325,110	\$ (489,505)
	2003	2,344,956	2,264,617	80,339
	2004	2,742,525	2,239,995	502,530
	2005	3,208,983	2,282,432	926,551
	2006	3,491,841	2,428,467	1,063,374
	2007	3,868,469	2,441,636	1,426,833
	2008	3,953,064	2,632,217	1,320,847
	2009	4,070,352	2,677,216	1,393,136
	2010	4,096,783	2,685,644	1,411,139
	2011	3,913,742	2,646,923	1,266,819

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

(1) Excludes depreciation.

Debt Service Requirements			
Principal	Interest	Total	Coverage
\$ 1,120,000	\$ 50,032	\$ 1,170,032	0.47
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	812,500	812,500	3.41
\$ -	\$ -	\$ -	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
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

CITY OF JACKSONVILLE, ARKANSAS

DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN YEARS

Year	Population	Personal Income (thousands of dollars) ⁽⁴⁾	Per Capita Income ⁽¹⁾	Median Age	Education Level in Years of Formal Schooling ⁽¹⁾	School Enrollment ⁽²⁾	Unemployment Rate ⁽³⁾
2002	29,916 ⁽⁵⁾	\$489,695	\$16,369	29.5	15.0	6,853	7.2%
2003	29,916	489,695	16,369	29.4	15.0	6,815	6.6%
2004	29,916	559,609	18,706	29.5	15.0	6,728	6.5%
2005	29,916	825,712	27,601	30.7	15.0	6,741	4.9%
2006	29,916	825,712	27,601	30.7	15.0	6,726	5.4%
2007	29,916	913,156	30,524	31.1	15.0	6,715	5.8%
2008	29,916	588,238	19,663	30.9	15.0	6,234	6.0%
2009	29,916	595,269	19,898	29.9	15.0	6,092	8.0%
2010	28,364 ⁽⁶⁾	566,656	19,978	30.0	15.0	5,826	8.5%
2011	28,364	582,738	20,545	30.0	15.0	5,527	7.9%

(1) Source: Metroplan-Council of Local Governments

(2) Source: Pulaski County Special School District

(3) Source: Arkansas Employment Security Department / www.discoverarkansas.net

(4) Estimation based on Per Capita Income and Population

(5) 2000 Census

(6) 2010 Census

CITY OF JACKSONVILLE, ARKANSAS

PROPERTY VALUE, NEW CONSTRUCTION AND BANK DEPOSITS LAST TEN YEARS

	Commercial Construction		Residential Construction		Bank Deposits(1) (in Thousands)	Property Value
	Number of Permits	Value	Number of Permits	Value		
2002	24	\$ 13,571,100	93	\$ 13,606,330	\$ 191,682	\$ 889,633,800
2003	32	13,205,877	158	18,345,359	196,224	925,320,890
2004	31	9,461,417	127	14,707,038	195,477	994,102,095
2005	36	10,762,338	187	21,277,312	207,713	1,089,176,000
2006	40	6,342,442	143	14,725,700	247,885	1,135,139,165
2007	44	13,403,589	130	15,061,748	299,649	1,227,044,970
2008	50	12,455,314	61	8,046,180	315,532	1,293,649,670
2009	31	5,944,317	57	6,523,000	382,184	1,292,836,785
2010	27	9,898,467	60	8,665,968	445,870	1,339,022,355
2011	22	8,412,857	31	3,416,000	432,946	1,362,121,225

(1) Source: FDIC

In 2005 Residential Construction was restated for all years to include only new construction.

In 2008 Bank Deposits restated to accurately reflect deposits in thousands.

CITY OF JACKSONVILLE, ARKANSAS

PRINCIPAL EMPLOYERS CURRENT YEAR AND TEN YEARS AGO

<u>Employer</u>	<u>2011</u>			<u>2002</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	9,299	1	48.85%	6,297	1	52.50%
Pathfinder, Inc.	900	2	4.73%	300	6	2.50%
Pulaski County Special School District	788	3	4.14%	573	2	4.78%
Wal-Mart	555	4	2.92%	500	3	4.17%
North Metro Medical Center	*2 450	5	2.36%	500	4	4.17%
City of Jacksonville	277	6	1.46%	237	7	1.98%
Lomanco, Inc.	194	7	1.02%	180	9	1.50%
Arkansas Federal Credit Union	174	8	0.91%	n/a	n/a	n/a
First Arkansas Bank & Trust	147	9	0.77%	137	10	1.14%
First Electric Co-op	130	10	0.68%	n/a	n/a	n/a
Graphic Packaging International	*1 n/a	n/a	n/a	400	5	3.34%
Conestoga Wood Specialties, Inc.	n/a	n/a	n/a	200	8	1.67%
	<u>12,914</u>		<u>67.85%</u>	<u>9,324</u>		<u>77.74%</u>

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

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

*2 North Metro Medical Center was known as Rebsamen Medical Center prior to 2008.

CITY OF JACKSONVILLE, ARKANSAS

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

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Government									
Management	12	12	12	12	12	13	11	12	12
Finance	7	7	7	7	7	8	8	8	7
Police									
Police Officers	74	74	74	74	74	76	74	76	76
Civilians	12	12	12	12	12	12	14	14	19
Firefighters									
Firefighters	48	48	48	49	51	51	51	51	53
Civilians	1	1	1	1	1	1	1	1	1
Emergency Medical Services	12	12	12	12	12	12	12	12	11
Public Works									
Engineer	3	3	3	3	3	3	3	3	3
Other	3	4	4	6	6	6	10	10	8
Streets	19	19	20	20	20	20	22	22	18
Emergency Communications (9-1-1)	13	13	13	13	14	14	13	13	13
Parks & Recreation	43	43	43	47	43	43	46	45	30
Sanitation Services	23	23	23	23	23	24	24	24	16
Community Development	4	3	3	3	3	2	3	2	2
Total Personnel	274	274	275	282	280	284	291	293	269

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

CITY OF JACKSONVILLE, ARKANSAS

OPERATING INDICATORS BY FUNCTION/PROGRAM LAST NINE YEARS

Function/Program	2003	2004	2005	2006
Police				
Call responses	34,802	31,565	28,655	29,396
Physical arrests	3,132	3,355	3,932	4,263
Parking/traffic violations	2,570	5,174	6,518	6,711
Fire				
Fire alarms	1,593	1,855	1,988	1,953
EMS alarms	2,026	2,184	2,346	2,455
Fire losses	\$ 972,950	\$ 2,308,400	\$ 649,450	\$ 1,553,050
Fire savings	\$ 2,616,150	\$ 6,811,450	\$ 3,610,000	\$ 3,221,950
911 Communications				
Ambulance land line calls	912	983	1,056	1,105
Ambulance wireless calls	1,114	1,201	1,290	1,350
Fire land line calls	717	835	895	879
Fire wireless calls	876	1,020	1,093	1,074
Police land line calls	15,661	14,204	12,895	13,228
Police wireless calls	19,141	17,361	15,760	16,168
Animal Shelter				
Animals handled	2,071	2,072	2,500	2,400
Adoptions	619	613	878	892
Rescued and released to owners	344	429	526	512
Animal cruelty investigations	248	242	247	354
Animal bite investigations	40	54	78	59
Refuse collection				
Refuse collected (cubic yards)	25,449	25,871	25,175	26,425
Recyclables collected,processed,and sold (tons)	565	595	536	590
Recycled yard waste (cubic yards)	36,835	36,835	47,345	30,899
Recycle drive-thru customers	7,619	4,565	6,500	6,871
Other public works				
Asphalt milling (square yards)	31,846	29,445	15,875	14,387
Asphalt overlay (tons)	4,190	5,758	5,050	3,610
Right-of-way and ditch mowing (miles)	1,750	1,676	1,450	1,850
Ditch cleaning (linear feet)	10,150	26,358	14,866	12,136
Pipe/culvert installation (linear feet)	450	271	1,688	868
Storm drain culverts cleaned/flushed (feet)	2,155	710	620	710
Roadways cleaned with street sweeper (miles)	3,095	2,450	3,150	9,318
Potholes repaired	122	194	202	115
Parks and recreation				
Park attendance	365,000	363,000	384,142	370,000
Community Center events booked	295	314	391	379
Pool parties-indoor pool	\$ 22,647	\$ 26,946	\$ 25,140	\$ 14,045 ^{*3}
Pool parties-outdoor pool	\$ 2,025	- ^{*1}	\$ 9,275 ^{*2}	\$ 18,420
Swim lessons	\$ 31,832	\$ 46,072	\$ 39,917	\$ 28,810

Sources: Various city departments

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

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

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

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

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

*5 Indoor Pool activities were down again in 2011. The indoor pool was closed for 8 months in 2011 due to heavy corrosion of the purlins. A Bid opening was in late November for a new roof with insulated panels, purlins, fiberglass drywall replacement and a new humidifier.

The total 911 Communication calls are estimated at 55% for wireless and 45% for land line for 2003 through 2006.

In 2007 wireless calls increased. The total 911 Communications calls are estimated at 60% for wireless and 40% for land line for 2007.

In 2008 the wireless call count increased to 70% reducing land line calls to 30%.

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
	30,984	35,682	37,672	47,895	47,217
	4,028	4,480	4,343	4,362	4,007
	6,130	5,244	5,472	7,865	7,146
	2,031	2,158	1,884	2,640	3,129
	2,444	2,561	2,667	2,841	3,125
\$	199,660	\$ 983,851	\$ 785,600	\$ 380,450	\$ 407,600
\$	958,590	\$ 2,562,150	\$ 1,833,020	\$ 2,630,600	\$ 990,800
	978	784	830	852	1,406
	1,466	1,828	1,938	1,989	1,718
	812	648	635	792	1,408
	1,219	1,510	1,481	1,848	1,721
	12,394	10,705	11,302	14,369	21,248
	18,590	24,977	26,370	33,527	25,969
	2,779	2,515	2,325	2,176	2,063
	843	845	869	915	758
	440	394	405	431	416
	355	107	85	145	156
	55	49	40	34	39
	23,918	26,419	22,451	23,648	22,503
	606	615	649	675	665
	30,927	38,950	33,633	32,816	35,768
	7,400	7,680	10,023	8,474	7,500
	4,456	- ^{'4}	19,591	6,111	7,113
	4,064	- ^{'4}	5,245	2,554	1,655
	1,850	1,850	1,850	1,850	1,850
	14,989	16,405	17,008	12,906	11,398
	710	170	1,152	1,423	1,000
	1,000	1,500	2,000	3,000	3,000
	9,318	9,318	9,318	9,318	9,318
	148	190	247	256	241
	390,000	465,114	329,462	487,600	349,525
	321	323	323	376	325
\$	17,255	\$ 18,880	\$ 22,240	\$ 24,579 ^{'5}	\$ 9,553
\$	17,125	\$ 15,525	\$ 16,047	\$ 19,825	\$ 22,870
\$	50,513	\$ 50,841	\$ 50,165	\$ 55,850	\$ 31,256

CITY OF JACKSONVILLE, ARKANSAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM LAST NINE YEARS

Function/Program	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Police									
Stations	1	1	1	1	1	1	1	1	1
Sub-stations	1	1	1	1	1	1	1	1	1
Patrol units	69	69	69	69	69	69	69	69	69
Fire									
Fire Stations	4	4	4	4	4	4	4	4	4
Fire trucks	4	4	4	4	4	4	4	4	4
Ambulances	4	4	4	4	4	4	4	4	4
Refuse Collection									
Collection trucks	14	14	14	15	18	18	18	18	18
Other public works									
Streets (miles)	112	113	117	117	118	119	120	120	121
Highways (miles)	43	43	43	43	43	43	43	43	52
Traffic signals (intersections)	23	23	24	24	24	24	24	24	24
Parks and recreation									
Acreage	280	280	280	280	280	283	283	313	313
Playgrounds	8	8	8	8	8	9	9	10	10
Baseball/softball diamonds	11	11	11	11	11	11	11	11	11
Soccer fields	4	4	4	4	4	4	4	4	4
Community centers	2	2	2	2	2	2	2	2	2
Water parks	0	0	0	1	1	1	1	1	1

CITY OF JACKSONVILLE, ARKANSAS

MISCELLANEOUS STATISTICAL DATA DECEMBER 31, 2011

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

Area - Square Miles 29

Miles of Streets, Drainage, & Sidewalks:

Local paved permanent streets and roads 121
 Federal and state paved permanent roads and highways 52
 Drainage ditches maintained 281
 Sidewalks 48

Miles of Sewer:

Sanitary 165

Building Permits: Year	Number Issued	Estimated Cost
2002	206	\$ 27,776,698
2003	339	32,942,173
2004	259	25,073,255
2005	317	33,346,625
2006	283	22,160,897
2007	290	29,926,144
2008	219	21,592,695
2009	217	14,288,536
2010	224	20,416,524
2011	171	13,250,658

Fire Protection:

Number of stations 4
 Number of uniformed employees 65

Police Protection:

Number of stations 1
 Number of community resource stations 1
 Number of uniformed employees 77

(Continued)

CITY OF JACKSONVILLE, ARKANSAS

MISCELLANEOUS STATISTICAL DATA DECEMBER 31, 2011

Recreation:

Total acres	313
Number of parks	10
Number of playgrounds	9
Number of tennis courts	8
Number of indoor basketball courts	2
Number of outdoor basketball courts	5
Number of ball fields	11
Number of play fields	3
Number of recreation centers	1
Number of civic centers	1
Number of indoor swimming pools	1
Number of outdoor swimming pools	1
Number of soccer fields (tournament size)	4
Number of pavilions	18
Number of indoor volleyball courts	2
Number of outdoor volleyball courts	0
Number of racquetball courts	2
Number of indoor fitness tracks	1
Number of outdoor fitness tracks	5
Number of cardiovascular/weight training areas	1
Number of aerobics rooms	1
Number of fishing lakes	3
Total park attendance	349,525

Education:

Number of school buildings	12
Number of teachers	443
Number of registered students	5,527

Average Daily Attendance:

Preschool	99%
Elementary schools	90%
Middle schools	90%
High schools	95%

Municipal Water Plan:

Number of water meters	11,073
Average daily consumption in gallons	3.8 Million
Plant capacity in gallons	6 Million
Number of fire hydrants:	
City	890
Private, not maintained by city	0

(Continued)

CITY OF JACKSONVILLE, ARKANSAS

MISCELLANEOUS STATISTICAL DATA DECEMBER 31, 2011

Employees as of December 31, 2011:

	Total	Full Time	Seasonal and Part Time
City Government	289	269	20
Jacksonville Wastewater Utility	34	34	0
Jacksonville Municipal Water Works	36	36	0
Commissions:			
Advertising & Promotion	7	0	7
Board of Adjustment	4	0	4
Civil Service	5	0	5
Health Care (Develop.Disabled) Facility Board	5	0	5
Hospital Board	7	0	7
Jacksonville Housing Authority	5	0	5
North Pulaski Waterworks Pub.Facility Board	5	0	5
Parks and Recreation	7	0	7
Planning	9	0	9
Residential Housing Facilities Board	4	0	4
Wastewater Utility	5	0	5
Water Works	5	0	5
Total Employees	427	339	88

Population:

1955	Special census	3,007
1956	Special census	5,591
1957	Special census	7,570
1959	Special census	13,500
1963	Special census	16,715
1965	Special census	18,078
1970	Regular census	19,832
1972	Special census	22,392
1975	Special census	24,391
1980	Regular census	27,589
1985	Special census	29,306
1990	Regular census	29,101
2000	Regular census	29,916
2010	Regular census	28,364

(Continued)

CITY OF JACKSONVILLE, ARKANSAS

MISCELLANEOUS STATISTICAL DATA DECEMBER 31, 2011

Surety Bonds of Principal Officials:

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

OTHER REQUIRED REPORT



McAlister & Associates, P. A.

CERTIFIED PUBLIC ACCOUNTANTS

1 Crestview Plaza, P. O. Box 956
Jacksonville, Arkansas 72078
(501) 982-4491 Fax (501) 982-8518

**Independent Accountants' Report on Compliance
as Specified Under Arkansas Statute 19-4416.1**

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 as specified under Arkansas Statute 19-4416.1 during the year ended December 31, 2011.

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

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

In our opinion, the City of Jacksonville, Arkansas, complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2011.

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 29, 2012



**Single
Audit
Section**



**Independent Accountants' 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***

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Jacksonville, Arkansas, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 29, 2012. Our report was modified to include a reference to other accountants and the adoption of a new accounting pronouncement. 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. Other accountants audited the financial statements of Jacksonville Municipal Water Works as described in our report on the City's financial statements. This report does not include the results of the other accountants' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those accountants.

Internal Control over Financial Reporting

Management of the City of Jacksonville, Arkansas is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of 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 also noted certain additional matters that we reported to the City's management in a separate letter dated June 29, 2012.

This report is intended solely for the information and use of the governing body, management and others within the City and federal awarding agencies and pass-through entities 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 29, 2012

**Independent Accountants' Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program and on
Internal Control Over Compliance in Accordance With OMB Circular A-133**

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

Compliance

We have audited the compliance of the City of Jacksonville, Arkansas with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the compliance of the City of Jacksonville, Arkansas based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Jacksonville, Arkansas complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control over Compliance

The management of the City of Jacksonville, Arkansas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

This report is intended solely for the information and use of the governing body, management and others within the City and federal awarding agencies and pass-through entities 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 29, 2012

CITY OF JACKSONVILLE, ARKANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2011

Cluster/Program	Federal Agency/ Pass-Through Agency	CFDA Number	Amount Expended
Community Development Block Grants/ Entitlement Grants	U.S. Department of Housing and Urban Development	14.218	\$ 181,123
Community Development Block Grants/ Disaster Grant	U.S. Department of Housing and Urban Development/Arkansas Economic & Development Commission	14.218	<u>18,470</u>
	CDBG cluster total		199,592
State and Community Highway Safety	U. S. Department of Transportation Arkansas State Highway and Transportation	20.600	17,705
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grant	U. S. Department of Transportation Arkansas State Highway and Transportation	20.601	13,481
Occupant Protection Incentive Grant	U. S. Department of Transportation Arkansas State Highway and Transportation	20.602	1,088
	Highway Safety cluster total		<u>32,274</u>
HOME Investment Partnerships Program	U.S. Department of Housing and Urban Development / Arkansas Development Finance Authority	14.239	58,216
Lead Hazard Control Capacity Building	U.S. Department of Housing and Urban Development	14.912	46,968
Organized Crime Drug Enforcement Task Force State and Local Overtime	U.S. Department of Justice/ Drug Enforcement	16	12,993
Juvenile Justice and Delinquency Prevention Program	U.S. Department of Justice / Arkansas Department of Human Services	16.540	10,495
Bulletproof Vests Partnership Program	U.S. Department of Justice	16.607	25,288
Public Safety Partnership and Community Policing Grant	U.S. Department of Justice	16.710	73,256
Edward Byrne Memorial Justice Assistance Grant	U.S. Department of Justice	16.738	22,354
Safe Routes to Schools	U. S. Department of Transportation Arkansas State Highway and Transportation	20.205	51,433
Public Assistance Grant	U.S. Department of Homeland Security/ Federal Emergency Management Agency	97.036	80,730
			<u><u>\$ 613,600</u></u>

CITY OF JACKSONVILLE, ARKANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued) YEAR ENDED DECEMBER 31, 2011

Notes to Schedule:

1. This schedule includes the federal awards activity of the City of Jacksonville, Arkansas, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. Of the federal expenditures presented in this schedule, the City of Jacksonville, Arkansas provided federal awards to subrecipients as follows:

Program	CFDA Number	Subrecipient	Amount Provided
Community Development Block Grants/Entitlement Grants	14.218	Jacksonville Care Channel For The Needy Fishnet Missions Boys & Girls Club of Jacksonville	\$ 2,500 26,201 2,998
Public Assistance Grant	97.036	Jacksonville Wastewater Utility	38,034
			<u>\$ 69,733</u>

CITY OF JACKSONVILLE, ARKANSAS

SCHEDULE OF EXPENDITURES OF STATE AWARDS YEAR ENDED DECEMBER 31, 2011

<u>Program Grantor / Program Title</u>	<u>State Awards</u>
Arkansas Department of Environmental Quality Solid Waste Management and Recycling Grant	\$ 13,500
Arkansas Department of Health Arkansas Trauma System-UAMS	9,317
Total State Awards	<u>\$ 22,817</u>



CITY OF JACKSONVILLE, ARKANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2011

7. The City's major programs were:

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

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

9. The City qualified as a low-risk auditee as that term is defined in OMB Circular A-133?

Yes No

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
------------------	---------	------------------

No matters are reportable.

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

Reference Number	Finding	Questioned Costs
------------------	---------	------------------

No matters are reportable.

CITY OF JACKSONVILLE, ARKANSAS

FEDERAL AWARDS SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED DECEMBER 31, 2011

Reference Number	Summary of Findings	Status
------------------	---------------------	--------

No matters are reportable.

