Comprehensive Annual Financial Report

City of Jacksonville, Arkansas

Fiscal Year Ended

December 31, 2010

Prepared by:

FINANCE DEPARTMENT

Cheryl Erkel, CGFM DIRECTOR OF FINANCE



YEAR ENDED DECEMBER 31, 2010

Table of Contents

Introductory Section	
Letter of Transmittal	1
GFOA Certificate of Achievement for Excellence in Financial Reporting Organizational Structure	
List of Elected and Appointed Officials	8
Financial Section	
Independent Accountants' Report	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

YEAR ENDED DECEMBER 31, 2010

Table of Contents (Continued)

Supplementary Information	Required By the
Governmental Accoun	ting Standards Board

Budgetary Comparison Schedule – General Fund	.76
Budgetary Comparison Schedule – Street Fund	. 77
Schedules of Funding Progress – Defined Benefit Pension Plans	. 78
Schedules of Employer Contributions	.79
Schedules of Funding Progress – Other Post-Employment Benefits	.80
Notes to Required Supplementary Information	. 81
Supplementary Information Section	
Nonmajor Governmental Funds	
Combining Balance Sheet	.84
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	85
Fiduciary Funds	
Combining Statement of Fiduciary Net Assets	.88
Combining Statement of Changes in Fiduciary Net Assets	.89
Combining Statement of Changes in Assets and Liabilities – Agency Funds	90
Discretely Presented Component Units	
Combining Statement of Cash Flows – Discretely Presented Component Units	. 92

YEAR ENDED DECEMBER 31, 2010

Table of Contents (Continued)

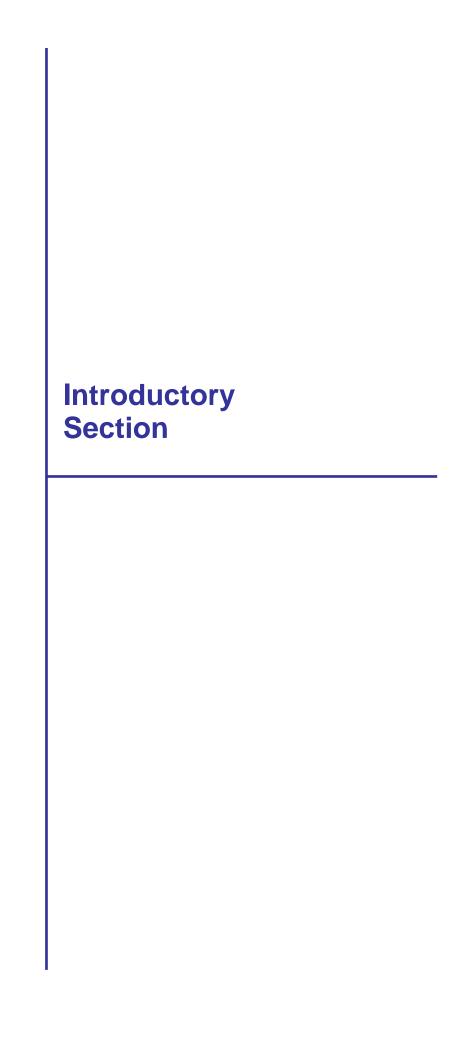
Statistical Section

Financial Trends	
Net Assets By Component	95
Changes in Net Assets	96
Fund Balances of Governmental Funds	97
Changes in Fund Balances, Governmental Funds	98
General Government Tax Revenues by Source	99
Revenue Capacity	
City Sales and Use Tax Revenue and Classes of Payers	100
Sales and Use Tax Revenue Rates	102
Assessed and Appraised Value of Taxable Property	103
Property Tax Rates and Tax Levies of Direct and Overlapping Government	104
Property Tax Levies and Collections	105
Debt Capacity	
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	106
Direct and Overlapping Governmental Activities Debt	107
Legal Debt Margin Information	108
Revenue Bond Coverage	110
Demographic and Economic Information	
Demographic and Economic Statistics	112
Property Value, New Construction and Bank Deposits	113
Principal Employers	114

YEAR ENDED DECEMBER 31, 2010

Table of Contents (Continued)

Operating Information	
Full-Time Equivalent City Government Employees by Function/Program	115
Operating Indicators by Function/Program	116
Capital Asset Statistics by Function/Program	117
Miscellaneous Statistical Data	118
Other Required Report	
Report on Compliance as Specified Under Arkansas Statute 19-4416.1	125
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	127
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	129
Schedule of Expenditures of Federal Awards	131
Schedule of Expenditures of State Awards	133
Schedule of Findings and Questioned Costs	135
Summary Schedule of Prior Audit Findings	13





City of Jacksonville, Arkansas

#1 Municipal Drive Jacksonville, AR 72078



June 30, 2011

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, 2010. 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 out weigh 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, 2010 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 auditor's unqualified opinion 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 City of Jacksonville's 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 28 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 heads of various departments. 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 & recycling services; parks & 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 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 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 2010 ending the year with an unemployment rate of 9.8%. Like all other municipalities, the City of Jacksonville has felt the effects of the recession. Our unemployment rate went from 8% in 2009 to 8.5% in 2010. The first few months of 2011 are showing a slight improvement with the national unemployment rate decreasing to 9.1% and ours decreasing to 7.9%.

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 4% with the 2010 levy collectible in 2011 slightly increasing by 4%.

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 4 % for 2009 and a decrease of 0.1% for 2010. On an 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 Census, the population for the city has decreased 5.2% while Pulaski County has increased 5.9% compared to the 2000 Census data.

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 is completed. The joint education center project is in the construction stage with an estimated opening date of January 2011. The joint training center is also in the construction stage with an estimated completion date of July 2011.

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 2010, the Police Department purchased body microphones, cameras, and a traffic counter 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 upgraded our Wi-Fi system in our patrol vehicles to ensure coverage in all areas of the city to help in the protection of our citizens. We have also completed the police and fire training center which will provide a local training facility for our emergency personnel. This will provide opportunities for up-to-date training while still having the capability of quick responses to emergency calls.

In addition, we will complete three major construction projects estimated at \$3.1 million: Oneida Bridge, straightening of Main Street, and extension of Emma Street. These projects will alleviate flooding, straighten an S curve and help route traffic. We will also complete the reconstruction of the intersection at James Street, Main Street, and Dupree Drive which will improve the traffic flow and improve the safety of pedestrian crossing.

This year, we will implement an automated trash collection system financed by a sanitation equipment loan of approximately \$1.3 million. We will be purchasing five vehicles and 9,000 containers. The sanitation equipment loan will be paid from revenues generated from sanitation fees, which has been increased to \$15.50 per month. This increase is the first increase in over 15 years.

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.

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, 2009. 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 thirteenth 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 Accountant Linda Dupree and Consultant Paul Mushrush. 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,

Sa Tho

Gary Fletcher

Mayor

Cheryl Erkel, CGFM Finance Director

Cheryl Erkel,

Certificate of Achievement for Excellence in Financial Reporting

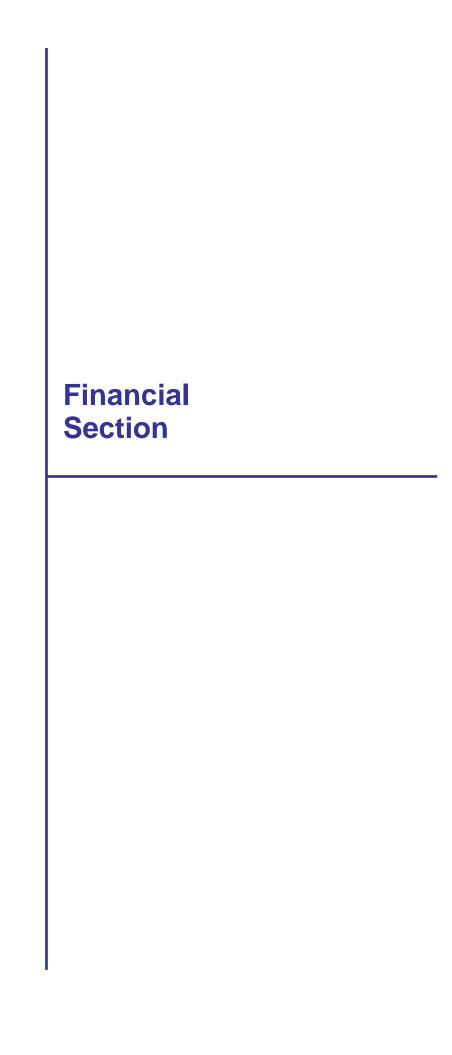
Presented to

City of Jacksonville Arkansas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2009

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.

OF THE CANADA CORPORATION SEAL CHICAGO Executive Director





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

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, 2010, 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, which statements reflect total assets and program revenues of \$27,513,740 and \$6,137,715, respectively, and represent 38% and 60% of the aggregate discretely presented component units' total assets and program revenues at December 31, 2010 and for the year then ended, respectively. 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, 2010, 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.

