

# **CITY OF JACKSONVILLE, ARKANSAS**



## **Comprehensive Annual Financial Report For the Fiscal Year Ended December 31, 2016**



# **Comprehensive Annual Financial Report**

**City of Jacksonville,  
Arkansas**

---

**Fiscal Year Ended**

**December 31, 2016**

**Prepared by:**

FINANCE DEPARTMENT

Cheryl Erkel, CGFM  
DIRECTOR OF FINANCE



# CITY OF JACKSONVILLE, ARKANSAS

YEAR ENDED DECEMBER 31, 2016

---

## 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

<b>Independent Auditor's Report</b> .....	9
---	---

<b>Management's Discussion and Analysis</b> .....	13
---	----

### Basic Financial Statements

Statement of Net Position .....	26
Statement of Activities.....	28
Balance Sheet – Governmental Funds.....	30
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	32
Statement of Net Position – Proprietary Funds .....	34
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.....	35
Statement of Cash Flows – Proprietary Funds .....	36
Statement of Fiduciary Net Position – Fiduciary Funds.....	38
Statement of Changes in Fiduciary Net Position .....	39
Statement of Net Position – Discretely Presented Component Units.....	40
Statement of Activities – Discretely Presented Component Units .....	42
Notes to Basic Financial Statements .....	45

### Required Supplementary Information

Budgetary Comparison Schedule – General Fund .....	84
Budgetary Comparison Schedule – Street Fund .....	85
Notes to Required Supplementary Information.....	86

# CITY OF JACKSONVILLE, ARKANSAS

YEAR ENDED DECEMBER 31, 2016

---

## Table of Contents (Continued)

Other Post-Employment Benefit Plan - Schedule of Funding Progress .....	87
Schedules of Changes in Pension Fund Net Pension Liability and Related Ratios.....	88
Schedule of Employer Contributions – Defined Benefit Pension Plans.....	90
Schedule of Proportionate Share of the Net Pension Liability and Related Ratios-APERS.....	91
Schedule of Employer Contributions – Cost Sharing Pension Plans-APERS .....	92
Schedule of Proportionate Share of the Net Pension Liability and Related Ratios-LOPFI .....	93
Schedule of Employer Contributions – Cost Sharing Pension Plans - LOPFI.....	94
Schedules of Investment Returns .....	95

## Other Supplementary Information

### Governmental Funds – Nonmajor:

Combining Balance Sheet .....	98
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	99

### Fiduciary Funds

Combining Statement of Fiduciary Net Position .....	102
Combining Statement of Changes in Fiduciary Net Position .....	103
Combining Statement of Changes in Assets and Liabilities – Agency Funds .....	104

### Discretely Presented Component Units

Combining Statement of Cash Flows – Discretely Presented Component Units .....	106
---	-----

## Statistical Section

Net Position by Component – Accrual Basis of Accounting .....	108
Changes in Net Position – Accrual Basis of Accounting.....	110
General Governmental Tax Revenues by Source – Accrual Basis of Accounting .....	114
Fund Balances of Governmental Funds – Modified Accrual Basis of Accounting.....	115
Changes in Fund Balances, Governmental Funds .....	116

# CITY OF JACKSONVILLE, ARKANSAS

YEAR ENDED DECEMBER 31, 2016

---

## Table of Contents (Continued)

General Governmental Tax Revenues by Source – Modified Accrual Basis of Accounting .....	118
Assessed and Appraised Value of Taxable Property .....	119
Property Tax Rates and Tax Levies of Direct and Overlapping Governments.....	120
Principle Sales Taxpayers .....	121
Property Tax Levies and Collections .....	122
Ratio of Outstanding Debt by Type.....	123
Ratio of General Bonded Debt Outstanding.....	124
Direct and Overlapping Governmental Activities Debt.....	125
Legal Debt Margin Information.....	126
Revenue Bond Coverage.....	128
Demographic and Economic Statistics.....	130
Jacksonville Area Major Employers .....	131
Full-Time Equivalent City Government Employees by Function.....	132
Operating Indicators by Function/Program .....	134
Capital Asset Statistics by Function.....	136

## Compliance Section

### Other Required Reports

Independent Auditor’s Report on Compliance With Arkansas State Requirements .....	137
--	-----

### Government Auditing Standards Report and Schedules

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	139
Schedule of Audit Findings.....	141
Schedule of Prior Audit Findings .....	142





## **Introductory Section**



# City of Jacksonville, Arkansas

#1 Municipal Drive  
Jacksonville, AR 72076



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

## **Introduction**

The Comprehensive Annual Financial Report (CAFR) of the City of Jacksonville, Arkansas (the “City”) for the year ended December 31, 2016, is submitted in accordance with State statutes. These statutes require that every general-purpose local government publish at the close of each fiscal year a complete set of audited financial statements.

This report consists of management’s representations concerning the finances of the City of Jacksonville. Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City’s financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Because the cost of internal controls should not outweigh their benefits, the City’s comprehensive framework of internal controls has been designed to provide reasonable assurance, rather than absolute, that the financial statements will be free from material misstatement.

The City of Jacksonville’s financial statements have been audited by McAlister & Associates, P.A., a firm of licensed certified public accountants. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering unmodified opinions on 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 that collectively comprise the City of Jacksonville’s basic financial statements as of and for the fiscal year ended December 31, 2016. The independent auditor’s report is presented as the first component of the financial section of this report.

Management’s Discussion and Analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative overview and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

## **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. Jacksonville currently occupies a land area of 29 square miles and serves a population of 28,364.

The City 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 operates under the Mayor-Council form of government. The Mayor is elected by the citizens of Jacksonville for a term of four years. The Mayor serves as the chief executive of the City, presides over City Council meetings and has the ability to vote on City Council items in the event of a tie. The City Council is made up of two members from each ward (ten total members) within the City and are elected for four year terms. The City Council has the ability to enact laws (ordinances) for the health, safety and welfare of the City not in conflict with the United States Constitution or the constitution of the State of Arkansas. The legal level of budgetary control is maintained at the fund level for all funds. However, management control is maintained at the department level.

The City of Jacksonville provides a full range of services including police and fire protection, emergency ambulance service, animal control, library, community development (planning and zoning), construction and maintenance of streets, roads and infrastructure, sanitation and recycling, parks and recreation, 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. Discretely presented component units are legally separate entities and are not part of the primary government's operations.

### **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.

**Relevant Financial Policies.** The City's accounting records for general government activities are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being reported when the services or goods are received and the liabilities are incurred. Accounting records for the City's sanitation services and emergency medical services are maintained on an accrual basis.

The annual operating budget serves as the foundation for the City's financial planning and control. Control over spending and allocation of resources are the main focus of the budget. The annual budget process begins in August of each year. Appropriation 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.

**Local Economy.** The City of Jacksonville historically benefits from low unemployment rates. The City's unemployment rate decreased from 5.7% in 2015 to 4.5% in 2016. The first few months of 2017 have shown an increase in the economic climate with the national unemployment rate decreasing to 4.6% and the City's rate decreasing to 4.4%.

The City is home to the Little Rock Air Force Base (LRAFB). LRAFB opened in October 1955. The base encompasses 6,100 acres and includes one runway and one assault landing strip. The base has more than 7,000 active-duty military and civilian members, and nearly 5,000 family members live and work on and around the base with an estimated 53,000 retirees in the local area. Total impact on the regional economy in fiscal year 2016 totaled \$469 million. Additionally, the base was the 7<sup>th</sup> largest employer in the state of Arkansas in fiscal year 2016 with 7,809 jobs on base and 2,847 indirect jobs. LRAFB is a major training facility for the United States Air Force C-130J Super Hercules, a four-engine turboprop military transport aircraft.

Other major employers that make their home in Jacksonville include Pathfinders, Inc., Lomanco, Inc., Arkansas Federal Credit Union, First Arkansas Bank & Trust Co., and First Electric Cooperative. Also located in Jacksonville is the Jacksonville-Little Rock Air Force Base University Center within which six universities offer undergraduate and graduate programs.

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 five years, Jacksonville's levy has increased an average of 1.7% with the 2015 levy collectible in 2016 slightly increasing by 0.8%.

Sales tax revenue derived from the City's two-cent sales and use tax and the City's portion (7.4%) of the Pulaski County sales and use tax has been growing at an average rate of 0.9% over the past five years which includes an increase of 3% for 2015 and a decrease of 0.2% for 2016. On average, sales tax revenue supports approximately 64% of the City's General Fund budget.

The City of Jacksonville receives intergovernmental revenues based on population. According to the 2010 U. S. Census, the population for the City decreased 5.2% while Pulaski County's population increased 5.9% compared to the 2000 Census data. However, the City has several projects in the development stage that should increase population. After 40 years, the City of Jacksonville finally has its own school district, the Jacksonville North Pulaski School District, which officially became independent in July 2016. The school district is in the process of building a new high school and elementary school. In addition to the new schools, the City is working on a master plan to revitalize downtown.

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

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

the bonds to which it is pledged. The bonds were issued in April, 2006 at a very favorable interest rate.

In 2011, the City received proceeds of \$1.35 million from a short-term financing note. Short-term financing notes are authorized under Amendment No. 78 to the Arkansas Constitution for the acquisition, construction and installation of real and tangible personal property having an expected useful life of more than one (1) year. The notes are repaid from general revenues over a period of five (5) years. Proceeds from the note were used to purchase three trash trucks along with trash cans to implement an automated collection system in Sanitation Services. The automated collection system allowed for a one day a week pick up for recycling, yard waste, and garbage. The note was retired in 2016.

In 2012, the City received proceeds of \$2.97 million from a short-term financing note for capital improvements. The proceeds provided funding to complete the 40,000 square foot Public Safety Building (which houses the City's Police Department, the 9-1-1 Communications Department, and a FEMA Safe Room) and other capital improvement projects. The City also entered into a capital lease agreement with Motorola for \$2.5 million to upgrade communications equipment from analog to digital format and join the AWIN (Arkansas Wireless Information Network) system. This short-term financing note and the capital lease agreement were refunded with proceeds from the 2015 Capital Improvement and Refunding Revenue Bonds.

In 2013, the City received proceeds of \$3.0 million from a short-term financing note for the purchase of 160 acres of land and construction of a public trap and skeet shooting range. The public trap and skeet shooting range is a joint effort between the City and the Arkansas Game and Fish Foundation. The Arkansas Game and Fish Foundation obligated \$2.0 million towards the funding of the project. This short-term financing note was refunded with proceeds from the 2015 Capital Improvement and Refunding Revenue Bonds.

In 2015, the City pledged revenues from utility franchise fees to a bond issue in the amount of \$8,815,000 for the refunding of short-term financing notes, rehabilitation of the City's Central Fire Station, purchase of a Fire Department ladder truck and two pumper trucks, replacement of playground equipment within the Parks and Recreation Department, rehabilitation of Splash Zone water park, replacement of exercise equipment at the City's Community Center, and the construction of a roundabout at Harris and General Samuels roads.

**Major Initiatives.** Jacksonville is continuously looking for ways to improve the city to ensure the safety of its citizens. In 2015, a deficient bridge on J.P. Wright Loop Road was replaced with a new bridge, designed and constructed for future growth. The bridge was upgraded from two lanes to four lanes with sidewalks and bike lanes on both sides. The total cost was \$650,000.

Jacksonville also strives to improve the quality of life for its citizens. With this in mind, the City joined forces with the Arkansas Game and Fish Foundation to construct the largest state of the art trap and skeet shooting range in Arkansas. The shooting range opened February 1, 2014. It offers fourteen trap stations, three skeet ranges, a 3-D archery range, an RV park with 40 slots, a 5,000 square foot administration building, and two pavilions with restroom facilities. Trees and shrubs were added for noise abatement. There is also a pond on the premises for fishing enthusiasts and families to enjoy.

**Environmental Consciousness.** The City of Jacksonville is striving to educate the public on environmental awareness. Educational materials regarding recycling initiatives are on display at the Ron Newport Recycling Park located in front of the recycling center. The Parks and Recreation Department has a wildlife observation trail at Paradise Park. The trail promotes

wildlife observation, attracts and increases tourism, promotes economic development, and a healthy lifestyle.

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

### **Awards and Acknowledgements**

Awards: The Government Finance Officers Association (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, 2015. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local governmental 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 nineteenth 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 are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements: The preparation of the comprehensive annual financial report is a team effort by the entire City of Jacksonville's 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, Accountant Wendie Key, and Accounting Services Assistant I Rebecca South-Best. 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,

*Cheryl Erkel*

---

Cheryl Erkel, CGFM  
Finance Director

July 31, 2017



Government Finance Officers Association

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

Presented to

**City of Jacksonville  
Arkansas**

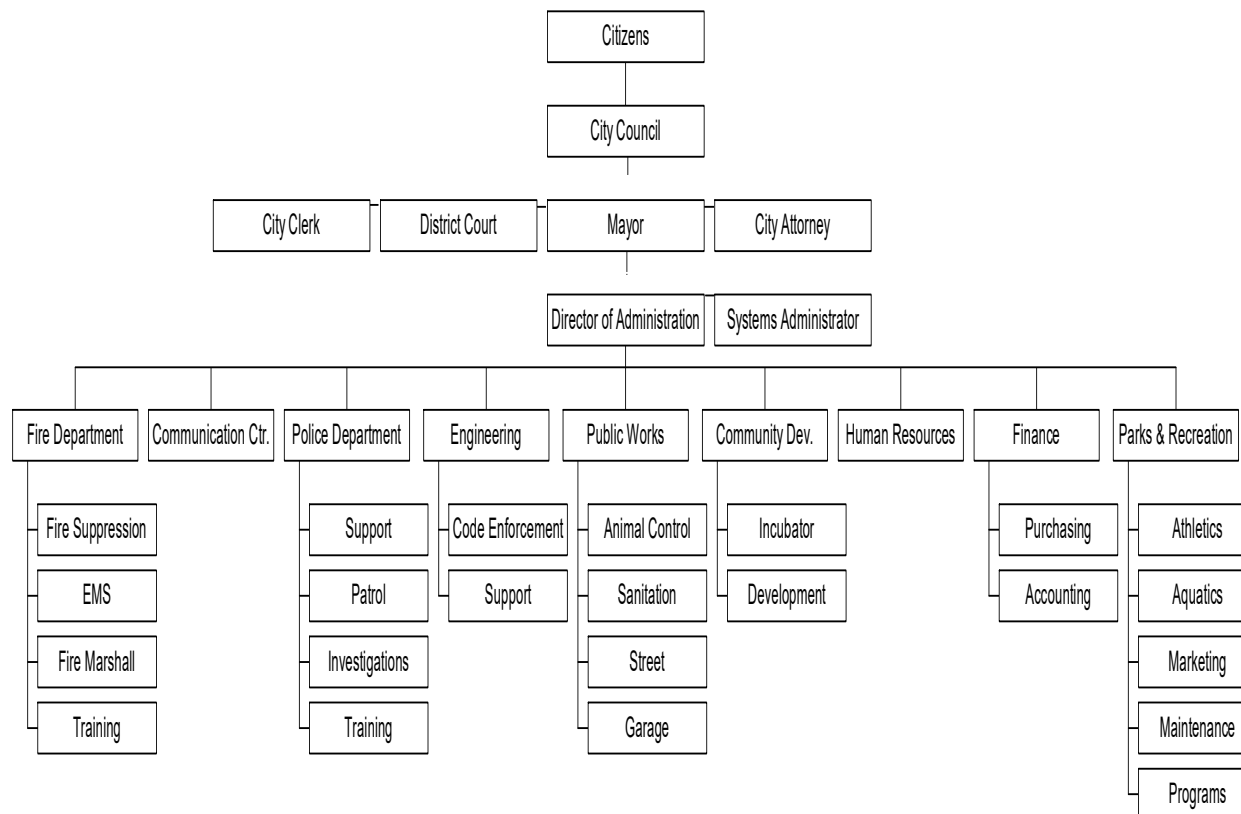
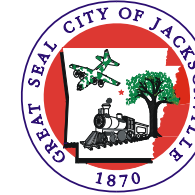
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2015**

Executive Director/CEO



# City of Jacksonville Organizational Structure



**City of Jacksonville, Arkansas  
List of Elected and Appointed Officials  
December 31, 2016**

**Elected Officials**

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

**Appointed Officials**

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



**Financial  
Section**



## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Jacksonville, Arkansas (the City) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Jacksonville Municipal Water Works, which statements reflect total assets and deferred outflows of resources and program revenues of \$49,906,855 and \$6,867,230, respectively, and represent 53% and 58% of the aggregate discretely presented component units' total assets and deferred outflows of resources and program revenues, respectively, at December 31, 2016, and for the year then ended. Those statements were audited by other auditors whose report was 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Jacksonville, Arkansas as of December 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information including the combining and individual nonmajor and fiduciary fund financial statements, and the combining statement of cash flows-discretely presented component units as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information, including the combining and individual nonmajor and fiduciary fund financial statements, and the combining statement of cash flows-discretely presented component units, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

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

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

*Other Information*

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*McAlister & Associates, P.A.*

---

McAlister & Associates, P.A.  
Certified Public Accountants

Jacksonville, Arkansas  
July 31, 2017





Management’s Discussion and Analysis

For the Year Ended December 31, 2016

Office of the Finance Director, Cheryl Erkel, CGFM  
#1 Municipal Drive, Jacksonville, AR 72076  
Phone: (501) 982-4502 Fax: (501) 985-9768  
E-mail: cerkel@cityofjacksonville.net

As management of the City of Jacksonville (the “City”), we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2016. The information contained in this MD&A should be considered in conjunction with our letter of transmittal at the front of this report and the information contained in the Independent Auditor’s Reports, Financial Statements and Supplementary Information.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$34,115,188.
- As of the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$6,605,788 of which \$806,202 was unassigned.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$806,202 which is 4.1 % of total general fund expenditures.
- The City’s total bond related debt decreased by \$730,575 or 8% during 2016 primarily due to principal payments on existing debt.
- The City had general revenues of \$16,383,322, grants and contribution revenues of \$4,684,514, charges for services of \$5,758,428, and program expenses of \$31,337,006 for the year ended December 31, 2016.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City’s basic financial statements. The 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.

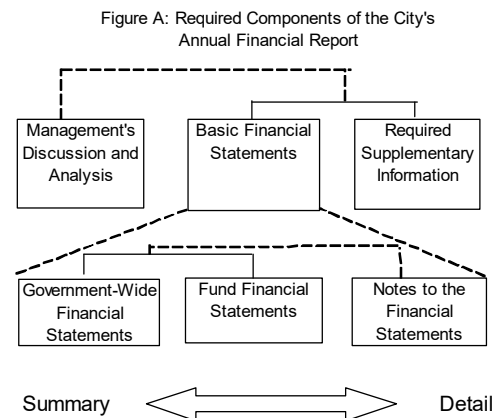


Figure B. Major features of the City's Government-wide and Fund Financial Statements

<i>Types of Statements</i>	<b>Fund Statements</b>			
	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	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
<i>Required Financial Statements</i>	Statement of net position  Statement of activities	Balance sheet  Statement of revenues, expenditures & changes in fund balances	Statement of net position  Statement of revenues, expenses & changes in fund net position  Statement of cash flows	Statement of fiduciary net position  Statement of changes in fiduciary net position
<i>Accounting basis and measurement focus</i>	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
<i>Type of asset/liability information</i>	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.
<i>Type of inflow/outflow information</i>	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid.	All revenues and expenses during the year, regardless of when cash is received or paid.

### **Government-wide Financial Statements**

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

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

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

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

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

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

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

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

### **Fund Financial Statements**

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

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

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

The City maintains ten individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, the Street Fund, Special Projects Fund, and 2015 Capital Improvement Construction Fund, which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The basic governmental fund financial statements can be found on pages 30 through 32 of this report.

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

Sanitation Services Enterprise Fund and the Emergency Medical Services Enterprise Fund, which are both major funds for the City.

Proprietary funds in general, charge customers for services provided. Like the government-wide financial statements, proprietary fund financial statements are presented using a long-term financial accounting approach and the full accrual basis of accounting. Additional information is provided in the proprietary funds' statement of cash flows.

The basic proprietary fund financial statements can be found on pages 34 through 36 of this report.

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

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

**Notes to the Basic Financial Statements** - The notes to the basic financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 45 through 81 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 progress in funding its obligation to provide pension and other post-employment benefits (OPEB) to its employees. Required supplementary information can be found beginning on page 84 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 98 through 99 of this report.

### **Government-wide Financial Analysis**

The City is presenting current and prior year comparative information in the Management's Discussion and Analysis to provide a means of analyzing its financial condition and position as of December 31, 2016. The following table reflects the condensed Statement of Net Position.

City of Jacksonville  
Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current assets	\$ 7,693,507	\$ 7,737,967	\$ 1,815,992	\$ 1,887,825	\$ 9,509,499	\$ 9,625,792
Noncurrent assets	1,387,033	3,968,223	-	-	1,387,033	3,968,223
Capital assets	50,277,632	49,238,976	1,820,668	1,583,417	52,098,300	50,822,393
Total assets	<u>59,358,172</u>	<u>60,945,166</u>	<u>3,636,660</u>	<u>3,471,242</u>	<u>62,994,832</u>	<u>64,416,408</u>
Total deferred outflows of resources	5,306,984	1,772,866	535,175	222,703	5,842,159	1,995,569
Total Assets and Deferred Outflows	<u>64,665,156</u>	<u>62,718,032</u>	<u>4,171,835</u>	<u>3,693,945</u>	<u>68,836,991</u>	<u>66,411,977</u>
Current Liabilities	2,541,550	2,142,601	153,487	352,540	2,695,037	2,495,141
Long-term liabilities	29,557,054	23,662,863	1,845,494	1,042,707	31,402,548	24,705,570
Total liabilities	<u>32,098,604</u>	<u>25,805,464</u>	<u>1,998,981</u>	<u>1,395,247</u>	<u>34,097,585</u>	<u>27,200,711</u>
Total deferred inflows of resources	600,122	525,177	24,096	60,155	624,218	585,332
Total Liabilities and Deferred Inflows	<u>32,698,726</u>	<u>26,330,641</u>	<u>2,023,077</u>	<u>1,455,402</u>	<u>34,721,803</u>	<u>27,786,043</u>
Net Position:						
Net investment in capital assets	42,125,123	43,120,490	1,820,668	1,366,575	43,945,791	44,487,065
Restricted	4,161,056	6,086,120	-	-	4,161,056	6,086,120
Unrestricted	(14,319,749)	(12,819,219)	328,090	871,967	(13,991,659)	(11,947,253)
Total Net Position	<u>\$ 31,966,430</u>	<u>\$ 36,387,390</u>	<u>\$ 2,148,758</u>	<u>\$ 2,238,542</u>	<u>\$ 34,115,188</u>	<u>\$ 38,625,934</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$34,115,188 at the close of the most recent fiscal year.

The largest portion of the City's net position, 128.8%, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, infrastructure, and improvements other than buildings), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, 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. An additional portion of the City's net position, 12.2%, represents resources that are subject to restrictions as to how they may be used. The remaining unrestricted net position of (\$13,991,659) represents -41.0% of the City's net position.

City of Jacksonville  
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
<i>Program revenues:</i>						
Charges for services	\$ 2,353,228	\$ 2,521,170	\$ 3,405,200	\$ 3,431,652	\$ 5,758,428	\$ 5,952,822
Operating grants and contributions	4,413,390	4,145,981	11,947	12,460	4,425,337	4,158,441
Capital grants and contributions	259,177	933,951	-	-	259,177	933,951
<i>General revenues:</i>						
Property taxes	871,178	845,840	-	-	871,178	845,840
Sales taxes	13,781,154	13,798,792	-	-	13,781,154	13,798,792
Franchise taxes	1,105,865	1,262,049	-	-	1,105,865	1,262,049
Investment income	89,570	15,644	1,539	993	91,109	16,637
Intergovernmental revenues	451,246	454,419	-	-	451,246	454,419
Gain/(loss) on sales of capital assets	37,520	(69,038)	45,250	74,831	82,770	5,793
<b>Total revenues</b>	<b>23,362,328</b>	<b>23,908,809</b>	<b>3,463,936</b>	<b>3,519,937</b>	<b>26,826,264</b>	<b>27,428,746</b>
<b>Expenses</b>						
General government	3,439,457	2,913,629	-	-	3,439,457	2,913,629
Public works	2,987,291	2,832,455	-	-	2,987,291	2,832,455
Parks and recreation services	4,109,087	3,547,411	-	-	4,109,087	3,547,411
Public safety	16,302,436	12,391,619	-	-	16,302,436	12,391,619
Housing and neighborhood programs	240,454	200,669	-	-	240,454	200,669
Debt issuance costs	-	145,014	-	-	-	145,014
Agent fees on long-term debt	6,844	33,833	-	-	6,844	33,833
Interest on long-term debt	262,728	209,386	-	-	262,728	209,386
Sanitation services	-	-	1,516,551	1,459,139	1,516,551	1,459,139
Emergency medical services	-	-	2,472,158	2,005,367	2,472,158	2,005,367
<b>Total expenses</b>	<b>27,348,297</b>	<b>22,274,017</b>	<b>3,988,709</b>	<b>3,464,506</b>	<b>31,337,006</b>	<b>25,738,523</b>
Change in net position before transfers	(3,985,969)	1,634,792	(524,773)	55,431	(4,510,742)	1,690,223
Transfers	(434,989)	(425,000)	434,989	425,000	-	-
Change in net position	(4,420,959)	1,209,792	(89,784)	480,431	(4,510,742)	1,690,223
Net Position, Beginning of Year, as previously reported	36,387,390	47,368,930	2,238,542	2,663,674	38,625,932	50,032,604
Change in accounting principle*	-	(12,191,329)	-	(905,563)	-	(13,096,892)
Net Position, Beginning of Year, as restated	36,387,390	35,177,601	2,238,542	1,758,111	38,625,932	36,935,712
Net Position - December 31	<b>\$ 31,966,430</b>	<b>\$ 36,387,390</b>	<b>\$ 2,148,758</b>	<b>\$ 2,238,542</b>	<b>\$ 34,115,188</b>	<b>\$ 38,625,934</b>

\* The cumulative effect of applying GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, resulted in beginning net position for 2015 being restated.

**Governmental Activities** - Governmental activities decreased the City's net position by \$4,420,959. The increase in noncurrent liabilities of \$5,894,191, primarily associated with the net pension liability, partially offset by the net deferred outflows and inflows of \$4,706,862 associated primarily with pensions account for \$3,459,173 of the decrease in net pension. A decrease in current and other assets of \$1,586,994 and an increase in current liabilities of \$398,949 decreased net position by approximately \$2 million. An increase in net capital assets partially offset that decrease by \$995,367.

Sales taxes represent 74% or \$13,781,154 of the City's governmental revenue in 2016. Sales tax revenues decreased 1% from \$13,798,792 in 2015. Grants and contributions added \$4,672,567 or 20% to total revenues as compared to \$5,079,932 received in 2015. The decrease was a result of a reduction in grants received for the Parks and Recreation Department from 2015. Charges for services added \$2,353,228 or 10% to total revenues compared to \$2,521,170 received in 2015. The decrease was primarily attributable to a reduction in Parks and Recreation Department revenue as compared to 2015.

Current year expenses were 105.2% of current year revenues, excluding transfers in.

**Business-type Activities** - Business-type activities decreased the City's net position by \$89,784. Key elements of this decrease are as follows:

- Operating loss decreased net position by \$524,773. Net non-operating revenues, primarily gain on sales of capital assets and grants increased net position by \$45,250. Net transfers increased net position by \$434,989.
- Sanitation Services activities contribute 53.6% of the operating revenue to 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. Charges for services were \$1,825,540 in 2016 compared to \$1,881,351 in 2015. Operating expenses in 2016 were \$1,515,506 compared to \$1,459,139 in 2015. Revenues decreased due to decreases in recycling income and miscellaneous revenues. Expenses increased due to increases in repairs and maintenance along with depreciation expense.
- Emergency Medical Services activities contribute 46.4% of the operating revenue to the business-type activities. Ambulance service fees are billed through the City's finance department. Charges for services were \$1,579,660 in 2016 compared to \$1,550,301 in 2015. Operating expenses in 2016 were \$2,472,158 compared to \$2,005,367 in 2015. Revenues increased as a result of increased ambulance run volume. Expenses increased as a result of increases in employee salaries, benefits, and training along with repairs and maintenance on equipment and vehicles.

Current year operating expenses for business-type activities were 117% of current year operating revenues.

## **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, 2016, the City's governmental funds reported combined ending fund balances of \$6,605,788, a decrease of \$2,966,634 in comparison with the prior year. Approximately, \$4,161,056 is reported as *restricted fund balance* for capital projects or debt service. In addition, \$29,034 of the governmental fund balance is *nonspendable*, representing inventories and prepaid expenditures. The *committed* and *assigned* portions of the fund balances were \$5,948 and \$1,603,548, respectively. Approximately \$806,202 constitutes *unassigned fund balance* and is available for spending at the government's discretion.

The General Fund is the chief operating fund for the City. As of December 31, 2016, the total fund balance of the General Fund was \$841,184 of which \$806,202 was unassigned. As a

measure of the General Fund’s liquidity, it may be useful to compare both the unassigned fund balances and total fund balance to total fund expenditures (including transfers out). Unassigned fund balance represents 3.8% of total General Fund expenditures while total fund balances represents 4.0% of the same amount. The fund balances of the General Fund decreased by \$1,035,634 during 2016. The key factor in this decrease is that the transfers out exceeded transfers in by \$1,404,145. Transfers out included transfers of \$981,156 to the 2015 Capital Improvements Debt Service Fund for debt service and \$434,989 to Emergency Medical Services Fund to subsidize operations.

The Street Fund had a total fund balance of \$2,023,997, which was an increase of \$706,122 from 2015. The total amount of the fund balance is classified as restricted. The increase was attributable to revenues from the sale of capital equipment and a reduction in drainage repairs.

The Special Projects Funds had a total fund balance of \$1,603,548, which was a decrease of \$14,096 from 2015. The total amount of the fund balance is classified as assigned. The decrease in fund balance was due to the acquisition of fire department equipment. The ending fund balances and net changes for the individual funds reported in the financial statements as the Special Projects Funds were:

<u>Fund</u>	<u>Ending Balance</u>	<u>Net Change</u>
Capital Improvements	\$ 323,442	\$ (32,500)
Capital Drainage	426,892	1,407
Capital Equipment	853,214	16,997

The 2015 Capital Improvement Construction Fund holds the net proceeds from the 2015 Capital Improvements and Refunding Bonds issued in 2015. The fund on December 31, 2016 had a fund balance of \$1,233,862, which was a decrease of \$2,768,829 from 2015. In accordance with the terms of the City ordinance for the fund, \$2,768,829 was used for the acquisition of capital assets. The fund balance is classified as restricted.

The City maintains six non-major governmental funds in addition to the above mentioned major funds. These funds had a total fund balance of \$903,198. The net increase in the fund balances during 2016 for these funds was \$145,803. The ending fund balances and net changes for the non-major funds were:

<u>Fund</u>	<u>Ending Balance</u>	<u>Net Change</u>
Grants	\$ 14,333	\$ (240)
CDBG	76,299	(35,552)
HOME	55,392	(9,675)
Asset Forfeiture	69,598	(66,030)
2006 Library Debt Service	302,094	899
2015 Capital Improvements Debt Service	385,482	256,401

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

Net position for the Sanitation Services Enterprise Fund was \$2,211,005 in 2016 which was an increase of \$355,765 compared to \$1,855,240 as reported in 2015. This increase is due to an

increase in fees for sanitation services implemented in March 2011. Other factors concerning the finances of this fund have already been addressed in the discussion of the City’s business-type activities.

Net position for the Emergency Medical Services Enterprise Fund in 2016 was \$(62,247) which was a decrease of \$445,549 compared to a decrease of \$383,302 reported in 2015. This decrease was due to a reduction in supplemental support from the General Fund. Other factors concerning the finances of this fund have already been addressed in the discussion of the City’s business-type activities.

### General Fund Budgetary Highlights

The 2016 General Fund budget appropriated \$21,059,443 as compared to the 2015 budget of \$20,457,218, an increase of approximately 3%.

### Capital Assets and Debt Administration

**Capital Assets.** The City’s investment in capital assets for governmental and business-type activities as of December 31, 2016, amounts to \$52,098,300 (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 \$1,046,792 net of depreciation, an increase of 2.5%. Governmental capital assets increased 2.1%, while capital assets for business-type activities increased 15%.

City of Jacksonville  
Capital Assets, net of depreciation

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 10,888,295	\$ 10,888,295	\$ -	\$ -	\$10,888,295	\$10,888,295
Land improvements	856,425	808,647	-	-	856,425	808,647
Infrastructure	10,125,872	10,700,869	-	-	10,125,872	10,700,869
Buildings	22,088,749	22,460,617	-	-	22,088,749	22,460,617
Vehicles	2,897,823	600,159	1,178,104	870,745	4,075,927	1,470,905
Equipment	2,968,739	3,377,380	642,564	712,673	3,611,303	4,090,053
Construction in progress	451,731	403,010	-	-	451,731	403,010
<b>Total</b>	<b>\$ 50,277,633</b>	<b>\$ 49,238,976</b>	<b>\$ 1,820,668</b>	<b>\$ 1,583,417</b>	<b>\$52,098,300</b>	<b>\$50,822,393</b>

Major capital asset events that occurred during 2016 included the following:

- Land improvement additions were \$113,600.
- Vehicle additions, including the purchase of two fire pumper trucks and a ladder truck, were \$2,508,983.
- Equipment additions were \$307,166.
- Building additions were \$462,703.
- Construction in progress additions, net of transfers for assets placed in service were \$48,721.
- Depreciation expense totaled \$3,392,452.

Additional information on the City's capital assets can be found in *Note 3* on pages 59-60 of this report.

**Long-term Debt.** On December 31, 2016, the City's primary government had long-term debt outstanding of \$9,368,321, including general obligation bonds outstanding of \$969,874, obligations under a capital lease agreement of \$54,958 and \$8,343,237 of bonds secured solely by specified revenue source.

Total long-term bonds and obligations under a capital lease agreement decreased \$750,575, a decrease of 7.4%. The decrease was attributable to debt retirements during 2016.

The City is within all of its legal debt limitations. Under the Arkansas Constitution, the City is allowed to issue, with voter approval, general obligation debt up to 20% of total assessed valuation. Outstanding general obligation and revenue bonds on December 31, 2016, of \$9,368,321 are well below the statutory limit of \$73,973,464. The City is allowed to issue short-term financings (maturities of less than five years) up to 5% of total assessed valuation. The City had no outstanding short-term financings on December 31, 2016. Voter approval is not required for short-term financing.

Additional information regarding the City's long-term debt can be found in *Note 4* on pages 61-64 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The City's elected and appointed officials have an established practice of making annual budgetary decisions for the General and Street Funds by considering revenue growth, staffing needs, unassigned reserve levels as well as reviewing the performance of the local economy to determine continued economic expansion. During this process, they recognized the economy has improved at an incredibly slow pace when compared to past recessions. With stagnant growth in revenue in many areas, the City considered the impact on its primary revenue source which is sales tax.

The Mayor and City Council determined it was important to increase revenue without raising taxes to our citizens. They decided to focus on increasing the City's tax bases. The City has completed the expansion of the Arkansas Game & Fish Foundation Shooting Sports Complex to promote tourism within the City. They are currently working to entice new businesses to relocate within the City. The City has recently acquired the following new businesses: Hibbett Sports, Arkansas Office Products, and Sig Sauer. Additionally, the newly formed Jacksonville North Pulaski School District is in the process of building a new high school and a new elementary school. The City is confident these objectives will stimulate the economy to increase property values, reduce unemployment, and promote growth as well as increase sales tax revenue.

The goal of the Mayor and City Council is to maintain financial stability by adopting budgets with a minimum unassigned fund balance of 16.6% of operating expenditures. With this in mind, the 2017 budgets were adopted for the General Fund at \$20,942,853 and \$2,311,750 for the Street Fund.

## **Request for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Finance Director's Office, #1 Municipal Drive, Jacksonville, Arkansas 72076.

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



# BASIC FINANCIAL STATEMENTS

# CITY OF JACKSONVILLE, ARKANSAS

## STATEMENT OF NET POSITION DECEMBER 31, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets and Deferred Outflows of Resources</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 1,804,272	\$ 560,212	\$ 2,364,484	\$ 13,824,441
Restricted cash and investments, current	593,050	-	593,050	2,130,028
Investments	675,689	100,000	775,689	1,335,916
Receivables, net of allowance for uncollectible accounts				
Taxes	1,406,246	-	1,406,246	-
Sales taxes	2,370,809	-	2,370,809	-
Accounts	359,210	1,155,739	1,514,949	2,750,204
Accrued interest	393	41	434	364
Grants and other governments	190,600	-	190,600	-
Other	264,204	-	264,204	-
Inventories	29,034	-	29,034	510,149
Prepaid expenses and other	-	-	-	64,582
<b>Total current assets</b>	<b>7,693,507</b>	<b>1,815,992</b>	<b>9,509,499</b>	<b>20,615,684</b>
<b>Noncurrent Assets</b>				
Restricted assets				
Cash and cash equivalents	1,980,083	-	1,980,083	577,235
Less amount required to meet current obligations	(593,050)	-	(593,050)	-
<b>Total restricted assets</b>	<b>1,387,033</b>	<b>-</b>	<b>1,387,033</b>	<b>577,235</b>
Capital assets				
Nondepreciable	11,340,026	-	11,340,026	916,220
Depreciable, net	38,937,606	1,820,668	40,758,274	70,721,065
<b>Total capital assets</b>	<b>50,277,632</b>	<b>1,820,668</b>	<b>52,098,300</b>	<b>71,637,285</b>
Other assets	-	-	-	239,429
<b>Total noncurrent assets</b>	<b>51,664,665</b>	<b>1,820,668</b>	<b>53,485,333</b>	<b>72,453,949</b>
<b>Total assets</b>	<b>59,358,172</b>	<b>3,636,660</b>	<b>62,994,832</b>	<b>93,069,633</b>
<b>Deferred Outflows of Resources</b>				
Deferred outflows - pensions	5,306,984	535,175	5,842,159	1,036,797
Bond refunding	-	-	-	143,111
<b>Total deferred outflows of resources</b>	<b>5,306,984</b>	<b>535,175</b>	<b>5,842,159</b>	<b>1,179,908</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 64,665,156</b>	<b>\$ 4,171,835</b>	<b>\$ 68,836,991</b>	<b>\$ 94,249,541</b>

See Accompanying Notes to Basic Financial Statements.

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 394,879	\$ 44,943	\$ 439,822	\$ 1,923,483
Accrued wages payable and related liabilities	567,967	44,703	612,670	-
Accrued expenses and other	189,671	-	189,671	184,031
Accrued interest payable	18,050	-	18,050	66,197
Compensated absences, current	653,638	63,841	717,479	-
Bonds payable, current	575,000	-	575,000	1,245,374
Capital lease obligation, current	20,000	-	20,000	-
Due to fiduciary funds	47,595	-	47,595	-
Unearned revenue	74,750	-	74,750	-
Total current liabilities	<u>2,541,550</u>	<u>153,487</u>	<u>2,695,037</u>	<u>3,419,085</u>
<b>Noncurrent Liabilities</b>				
Capital lease obligation	34,958	-	34,958	-
Bonds payable, net of unamortized premium and discount	8,738,363	-	8,738,363	29,801,220
Customer deposits	-	-	-	758,708
Compensated absences	106,676	-	106,676	-
Net pension liability	20,208,662	1,845,494	22,054,156	3,299,268
Net OPEB liability	468,395	-	468,395	-
Other long-term liabilities	-	-	-	365,169
Total noncurrent liabilities	<u>29,557,054</u>	<u>1,845,494</u>	<u>31,402,548</u>	<u>34,224,365</u>
Total liabilities	<u>32,098,604</u>	<u>1,998,981</u>	<u>34,097,585</u>	<u>37,643,450</u>
<b>Deferred Inflows of Resources</b>				
Deferred inflows - pensions	<u>600,122</u>	<u>24,096</u>	<u>624,218</u>	<u>198,281</u>
<b>Net Position</b>				
Net investment in capital assets	<u>42,125,123</u>	<u>1,820,668</u>	<u>43,945,791</u>	<u>40,543,279</u>
Restricted - expendable				
Street maintenance	2,023,997	-	2,023,997	-
Capital projects	1,233,862	-	1,233,862	2,688,478
Debt service	687,576	-	687,576	-
Law enforcement activities	69,598	-	69,598	-
Housing and neighborhood programs	131,691	-	131,691	-
Grant funds	14,332	-	14,332	-
Total restricted - expendable	<u>4,161,056</u>	<u>-</u>	<u>4,161,056</u>	<u>2,688,478</u>
Unrestricted (deficit)	<u>(14,319,749)</u>	<u>328,090</u>	<u>(13,991,659)</u>	<u>13,176,053</u>
Total net position	<u>31,966,430</u>	<u>2,148,758</u>	<u>34,115,188</u>	<u>56,407,809</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 64,665,156</u>	<u>\$ 4,171,835</u>	<u>\$ 68,836,991</u>	<u>\$ 94,249,541</u>

# CITY OF JACKSONVILLE, ARKANSAS

## STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental Activities				
General administration	\$ 556,838	\$ 259,848	\$ 229,950	\$ -
City council	127,096	-	-	-
Office of the mayor	268,762	-	-	-
City clerk	156,334	-	-	-
City attorney	169,206	-	-	-
District court	363,278	533,596	-	-
Director of administration	129,570	-	-	-
Information technology	344,072	-	-	-
Finance	523,413	28,001	-	-
Human resources	234,627	-	-	-
Fleet services	155,398	33,602	-	-
Community programs	410,863	-	-	259,177
Public works	2,987,291	178,305	2,290,116	-
Parks and recreation services	4,109,087	1,037,505	450,324	-
Police	9,125,283	46,142	500,083	-
Fire	5,744,534	616	762,069	-
Emergency communication services	1,103,149	224,805	-	-
Animal control	329,470	10,508	158	-
Housing and neighborhood programs	240,454	300	180,690	-
Agent fees on long-term debt	6,844	-	-	-
Interest expense on long-term debt	262,728	-	-	-
Total governmental activities	<u>27,348,297</u>	<u>2,353,228</u>	<u>4,413,390</u>	<u>259,177</u>
Business-type Activities				
Sanitation services	1,516,551	1,825,540	-	-
Emergency medical services	2,472,158	1,579,660	11,947	-
Total business-type activities	<u>3,988,709</u>	<u>3,405,200</u>	<u>11,947</u>	<u>-</u>
Total primary government	<u>\$ 31,337,006</u>	<u>\$ 5,758,428</u>	<u>\$ 4,425,337</u>	<u>\$ 259,177</u>
<b>Component Units</b>				
Municipal Water Works	\$ 7,482,446	\$ 6,867,230	\$ -	\$ -
Wastewater Utility	6,011,229	4,928,496	-	-
Advertising and Promotion Commission	807,588	-	-	-
Total component units	<u>\$ 14,301,263</u>	<u>\$ 11,795,726</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues  
 Property taxes  
 Sales taxes  
 Utility franchise fees  
 Investment income  
 Grants and contributions not restricted to specific programs  
 Gain (loss) on sale of capital assets  
 Other  
 Transfers

Total general revenues and transfers

Change in Net Position

Net Position, Beginning of Year

Net Position, End of Year

See Accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Position					
Primary Government					Component Units
Governmental Activities	Business-type Activities		Total		
\$ (67,040)	\$ -	\$ -	\$ (67,040)	\$ -	-
(127,096)	-	-	(127,096)	-	-
(268,762)	-	-	(268,762)	-	-
(156,334)	-	-	(156,334)	-	-
(169,206)	-	-	(169,206)	-	-
170,318	-	-	170,318	-	-
(129,570)	-	-	(129,570)	-	-
(344,072)	-	-	(344,072)	-	-
(495,412)	-	-	(495,412)	-	-
(234,627)	-	-	(234,627)	-	-
(121,796)	-	-	(121,796)	-	-
(151,686)	-	-	(151,686)	-	-
(518,870)	-	-	(518,870)	-	-
(2,621,258)	-	-	(2,621,258)	-	-
(8,579,058)	-	-	(8,579,058)	-	-
(4,981,849)	-	-	(4,981,849)	-	-
(878,344)	-	-	(878,344)	-	-
(318,804)	-	-	(318,804)	-	-
(59,464)	-	-	(59,464)	-	-
(6,844)	-	-	(6,844)	-	-
(262,728)	-	-	(262,728)	-	-
<u>(20,322,502)</u>	<u>-</u>	<u>-</u>	<u>(20,322,502)</u>	<u>-</u>	<u>-</u>
-	308,989	-	308,989	-	-
-	(880,551)	-	(880,551)	-	-
-	<u>(571,562)</u>	-	<u>(571,562)</u>	-	-
\$ (20,322,502)	\$ (571,562)	\$ -	\$ (20,894,064)	\$ -	-
\$ -	\$ -	\$ -	\$ -	\$ (615,216)	-
-	-	-	-	(1,082,733)	-
-	-	-	-	(807,588)	-
-	-	-	-	(2,505,537)	-
871,178	-	-	871,178	-	-
13,781,154	-	-	13,781,154	842,197	-
1,105,865	-	-	1,105,865	-	-
89,570	1,539	-	91,109	43,189	-
451,246	-	-	451,246	50,630	-
37,520	45,250	-	82,770	-	-
-	-	-	-	261,825	-
(434,989)	434,989	-	-	-	-
<u>15,901,544</u>	<u>481,778</u>	<u>-</u>	<u>16,383,322</u>	<u>1,197,841</u>	<u>-</u>
(4,420,959)	(89,784)	-	(4,510,742)	(1,307,696)	-
<u>36,387,390</u>	<u>2,238,542</u>	<u>-</u>	<u>38,625,932</u>	<u>57,715,505</u>	<u>-</u>
\$ 31,966,430	\$ 2,148,758	\$ -	\$ 34,115,188	\$ 56,407,809	-

# CITY OF JACKSONVILLE, ARKANSAS

## BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2016

	General	Street	Special Projects	2015 Capital Improvements Construction	Other Governmental Funds	Total
<b>Assets</b>						
Cash	\$ 57,056	\$ 1,817,525	\$ (212,071)	\$ -	\$ 141,762	\$ 1,804,272
Restricted cash	-	-	-	1,272,204	707,879	1,980,083
Investments	-	300,282	375,407	-	-	675,689
Accounts receivable						
Taxes	819,318	586,928	-	-	-	1,406,246
Sales taxes	2,370,809	-	-	-	-	2,370,809
Accounts	-	2,522	-	-	356,688	359,210
Accrued interest	-	181	212	-	-	393
Grants and other governments	190,600	-	-	-	-	190,600
Other	262,720	1,484	-	-	-	264,204
Due from other funds	18,275	-	1,440,000	-	42,649	1,500,924
Inventories	29,034	-	-	-	-	29,034
<b>Total Assets</b>	<b>\$ 3,747,812</b>	<b>\$ 2,708,922</b>	<b>\$ 1,603,548</b>	<b>\$ 1,272,204</b>	<b>\$ 1,248,978</b>	<b>\$ 10,581,464</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 176,054	\$ 207,110	\$ -	\$ 1,693	\$ 10,022	394,879
Due to other funds	1,487,595	-	-	36,649	24,275	1,548,519
Accrued wages payable and related liabilities	543,354	22,399	-	-	2,214	567,967
Unearned revenue	74,750	-	-	-	-	74,750
Other liabilities	85,591	64,452	-	-	39,628	189,671
<b>Total liabilities</b>	<b>2,367,344</b>	<b>293,961</b>	<b>-</b>	<b>38,342</b>	<b>76,139</b>	<b>2,775,786</b>
<b>Deferred Inflows of Resources</b>						
Unavailable revenues - property taxes	539,284	390,964	-	-	269,642	1,199,890
<b>Total deferred inflows of resources</b>	<b>539,284</b>	<b>390,964</b>	<b>-</b>	<b>-</b>	<b>269,642</b>	<b>1,199,890</b>
<b>Fund Balances</b>						
Nonspendable						
Inventories	29,034	-	-	-	-	29,034
Restricted						
Street maintenance	-	2,023,997	-	-	-	2,023,997
Capital projects	-	-	-	1,233,862	-	1,233,862
Debt service	-	-	-	-	687,576	687,576
Law enforcement activities	-	-	-	-	69,598	69,598
Housing & neighborhood programs	-	-	-	-	131,691	131,691
Grant funds	-	-	-	-	14,332	14,332
Committed						
Equipment	5,948	-	-	-	-	5,948
Assigned						
Capital projects	-	-	1,603,548	-	-	1,603,548
Unassigned	806,202	-	-	-	-	806,202
<b>Total fund balances</b>	<b>841,184</b>	<b>2,023,997</b>	<b>1,603,548</b>	<b>1,233,862</b>	<b>903,198</b>	<b>6,605,788</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 3,747,812</b>	<b>\$ 2,708,922</b>	<b>\$ 1,603,548</b>	<b>\$ 1,272,204</b>	<b>\$ 1,248,978</b>	<b>\$ 10,581,464</b>

See Accompanying Notes to Basic Financial Statements.

# CITY OF JACKSONVILLE, ARKANSAS

## RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION DECEMBER 31, 2016

---

Total fund balances per statement \$ 6,605,788

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds. 50,277,632

Liabilities that are not due and payable in the current period and are not reported in the funds including:

Capital leases	(54,958)
Bonds payable	(9,313,363)
Accrued interest payable	(18,050)
Accrued compensated absences	(760,314)
Net pension liabilities	(20,208,662)
Deferred inflows and outflows of resources	4,706,862
Net OPEB liability	(468,395)

Certain amounts reported as unearned revenue and deferred inflows of resources are not recognized at the fund level on the modified accrual basis but are reported as revenues on the full accrual basis in the government-wide statements. 1,199,890

Net position of governmental activities \$ 31,966,430

---

Capital assets	\$ 50,277,632
Capital lease obligation	(54,958)
General obligation bonds net of premiums and discounts	(9,313,363)
Accrued interest	(18,050)
Unspent bond proceeds	<u>1,233,862</u>
Net investment in capital assets	<u>\$ 42,125,123</u>

# CITY OF JACKSONVILLE, ARKANSAS

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2016

	General	Street	Special Projects	2015 Capital Improvements Construction	Other Governmental Funds	Total
<b>Revenues</b>						
Property taxes	\$ 559,359	\$ -	\$ -	\$ -	\$ 279,693	\$ 839,052
Sales taxes	13,781,154	-	-	-	-	13,781,154
Licenses and permits	226,274	-	-	-	-	226,274
Intergovernmental	2,010,247	2,290,116	299,454	-	247,930	4,847,747
Charges for services	1,097,253	-	-	-	-	1,097,253
Fines and fees	562,916	-	-	-	-	562,916
Utility franchise taxes	1,105,865	-	-	-	-	1,105,865
Investment income	5,530	72,937	4,263	5,436	1,404	89,570
Contributions and donations	257,500	-	-	-	-	257,500
Miscellaneous	412,035	95,675	40,784	-	300	548,794
<b>Total revenues</b>	<b>20,018,133</b>	<b>2,458,728</b>	<b>344,501</b>	<b>5,436</b>	<b>529,327</b>	<b>23,356,125</b>
<b>Expenditures</b>						
General government						
General government and administration	301,502	-	58,987	-	-	360,489
City council	124,243	-	-	-	-	124,243
Mayor	241,815	-	-	-	-	241,815
City clerk	138,612	-	-	-	-	138,612
City attorney	163,699	-	-	-	-	163,699
District court	321,586	-	-	-	-	321,586
Director of administration	108,414	-	-	-	-	108,414
Information technology	305,850	-	-	-	-	305,850
Finance	461,491	-	-	-	-	461,491
Human resources	209,819	-	-	-	-	209,819
Fleet services	137,210	-	-	-	-	137,210
Community programs	192,807	-	15,000	-	-	207,807
<b>Total general government</b>	<b>2,707,048</b>	<b>-</b>	<b>73,987</b>	<b>-</b>	<b>-</b>	<b>2,781,035</b>
Public works						
Public works coordinator	119,166	-	-	-	-	119,166
Engineering	285,716	-	-	-	-	285,716
Code enforcement	217,662	-	-	-	-	217,662
Streets and drainage	-	1,752,606	-	-	-	1,752,606
<b>Total public works</b>	<b>622,544</b>	<b>1,752,606</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,375,150</b>
Parks and recreation services						
Parks and recreation services	3,403,961	-	1,314	530,836	-	3,936,111
Police	7,248,704	-	-	-	121,534	7,370,238
Fire	4,687,792	-	283,296	2,243,429	-	7,214,517
Emergency communication services	699,037	-	-	-	-	699,037
Animal control	280,536	-	-	-	-	280,536
Housing and neighborhood programs	-	-	-	-	226,768	226,768
Debt Service	-	-	-	-	-	-
Principal	-	-	-	-	725,000	725,000
Interest	-	-	-	-	272,534	272,534
Agent fees	-	-	-	-	6,844	6,844
<b>Total expenditures</b>	<b>19,649,622</b>	<b>1,752,606</b>	<b>358,597</b>	<b>2,774,265</b>	<b>1,352,680</b>	<b>25,887,770</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>368,511</b>	<b>706,122</b>	<b>(14,096)</b>	<b>(2,768,829)</b>	<b>(823,353)</b>	<b>(2,531,645)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	12,000	-	-	-	981,156	993,156
Transfers out	(1,416,145)	-	-	-	(12,000)	(1,428,145)
<b>Total other financing sources (uses)</b>	<b>(1,404,145)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>969,156</b>	<b>(434,989)</b>
<b>Net Change in Fund Balances</b>	<b>(1,035,634)</b>	<b>706,122</b>	<b>(14,096)</b>	<b>(2,768,829)</b>	<b>145,803</b>	<b>(2,966,634)</b>
<b>Fund Balances, Beginning of Year</b>	<b>1,876,818</b>	<b>1,317,875</b>	<b>1,617,645</b>	<b>4,002,691</b>	<b>757,394</b>	<b>9,572,423</b>
<b>Fund Balances, End of Year</b>	<b>\$ 841,184</b>	<b>\$ 2,023,997</b>	<b>\$ 1,603,548</b>	<b>\$ 1,233,862</b>	<b>\$ 903,198</b>	<b>\$ 6,605,788</b>

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, 2016

---

Net change in fund balances - total governmental funds \$ (2,966,634)

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

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

Capital asset purchases	3,441,173
Depreciation expense	(2,399,703)
Gain on disposal of capital assets	(2,814)

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. 32,126

The repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 750,575

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. (161,450)

Current year pension expenditures are reported on the fiscal year basis in the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows and inflows of resources balances. (3,114,232)

Change in net position of governmental activities \$ (4,420,959)

---

# CITY OF JACKSONVILLE, ARKANSAS

## STATEMENT OF NET POSITION PROPRIETARY FUNDS DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds		
	Sanitation Services	Emergency Medical Services	Total
<b>Assets and Deferred Outflows of Resources</b>			
<b>Current assets</b>			
Cash	\$ 554,908	\$ 5,304	\$ 560,212
Investments	100,000	-	100,000
Accounts receivable, net of allowance for uncollectible accounts	505,517	650,222	1,155,739
Accrued interest	41	-	41
Total current assets	1,160,466	655,526	1,815,992
<b>Noncurrent assets</b>			
Capital assets			
Vehicles	2,372,926	521,746	2,894,672
Furniture and equipment	1,264,095	144,459	1,408,554
	3,637,021	666,205	4,303,226
Less accumulated depreciation	(2,065,122)	(417,436)	(2,482,558)
Net capital assets	1,571,899	248,769	1,820,668
Total noncurrent assets	1,571,899	248,769	1,820,668
Total assets	2,732,365	904,295	3,636,660
<b>Deferred outflows of resources</b>			
Deferred outflows - pensions	184,982	350,193	535,175
Total assets and deferred outflow of resources	\$ 2,917,347	\$ 1,254,488	\$ 4,171,835
<b>Liabilities, Deferred Inflows of Resources, and Net Position (Deficit)</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 37,441	\$ 7,502	\$ 44,943
Accrued wages payable	21,254	23,449	44,703
Compensated absences	28,392	35,449	63,841
Total current liabilities	87,087	66,400	153,487
<b>Noncurrent liabilities</b>			
Net pension liability	595,453	1,250,041	1,845,494
Total liabilities	682,540	1,316,441	1,998,981
<b>Deferred inflows of resources</b>			
Deferred inflows - pensions	23,802	294	24,096
Total deferred inflows of resources	23,802	294	24,096
<b>Net Position (Deficit)</b>			
Net investment in capital assets	1,571,899	248,769	1,820,668
Unrestricted (deficit)	639,106	(311,016)	328,090
Total net position (deficit)	2,211,005	(62,247)	2,148,758
Total liabilities, deferred inflows of resources and net position (deficit)	\$ 2,917,347	\$ 1,254,488	\$ 4,171,835

See Accompanying Notes to Basic Financial Statements.

# CITY OF JACKSONVILLE, ARKANSAS

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUNDS YEAR ENDED DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds		
	Sanitation Services	Emergency Medical Services	Total
<b>Operating Revenues</b>			
Charges for services	\$ 1,739,584	\$ 1,579,660	\$ 3,319,244
Miscellaneous	85,956	-	85,956
Total operating revenues	<u>1,825,540</u>	<u>1,579,660</u>	<u>3,405,200</u>
<b>Operating Expenses</b>			
Salaries, wages and employee benefits	753,716	1,284,811	2,038,527
Supplies and materials	171,014	100,156	271,170
Services	102,315	53,028	155,343
Repairs and maintenance	99,447	12,749	112,196
Landfill fees	181,061	-	181,061
Other	483	961,342	961,825
Depreciation	207,470	60,072	267,542
Total operating expenses	<u>1,515,506</u>	<u>2,472,158</u>	<u>3,987,664</u>
<b>Operating Income (Loss)</b>	310,034	(892,498)	(582,464)
<b>Nonoperating Revenues (Expenses)</b>			
Interest income	1,526	13	1,539
Gain on sale of capital assets	45,250	-	45,250
Grant revenues	-	11,947	11,947
Interest expense	(1,045)	-	(1,045)
Net nonoperating revenues	<u>45,731</u>	<u>11,960</u>	<u>57,691</u>
<b>Income (Loss) Before Transfers</b>	355,765	(880,538)	(524,773)
Transfers in	-	434,989	434,989
Changes in Net Position (Deficit)	355,765	(445,549)	(89,784)
<b>Net Position, Beginning of Year</b>	<u>1,855,240</u>	<u>383,302</u>	<u>2,238,542</u>
<b>Net Position (Deficit), End of Year</b>	<u>\$ 2,211,005</u>	<u>\$ (62,247)</u>	<u>\$ 2,148,758</u>

See Accompanying Notes to Basic Financial Statements.

# CITY OF JACKSONVILLE, ARKANSAS

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS YEAR ENDED DECEMBER 31, 2016

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Sanitation Services</b>	<b>Emergency Medical Services</b>	<b>Total</b>
<b>Operating Activities</b>			
Receipts from customers	\$ 1,693,988	\$ 636,437	\$ 2,330,425
Other receipts	85,956	-	85,956
Payments to employees	(682,080)	(893,371)	(1,575,451)
Payments to suppliers	(164,831)	(99,441)	(264,272)
Payments to service providers	(97,078)	(52,737)	(149,815)
Other payments	(282,704)	(12,337)	(295,041)
Net cash provided by (used in) operating activities	553,251	(421,448)	131,802
<b>Noncapital Financing Activities</b>			
Operating grants	-	11,947	11,947
Transfers from other funds	-	434,989	434,989
Net cash provided by noncapital financing activities	-	446,936	446,936
<b>Capital and Related Financing Activities</b>			
Proceeds from sale of capital assets	45,250	-	45,250
Purchases of capital assets	(482,126)	(22,667)	(504,793)
Principal paid on long-term debt	(216,842)	-	(216,842)
Interest paid on long-term debt	(2,719)	-	(2,719)
Net cash used in capital and related financing activities	(656,437)	(22,667)	(679,104)
<b>Investing Activities</b>			
Proceeds from maturities of cash investments	200,063	-	200,063
Purchase of cash investments	(149,954)	-	(149,954)
Interest income	1,526	13	1,539
Net cash provided by investing activities	51,634	13	51,648
<b>Net Increase (Decrease) in Cash</b>	(51,552)	2,835	(48,717)
<b>Cash, Beginning of Year</b>	606,461	2,469	608,930
<b>Cash, End of Year</b>	\$ 554,908	\$ 5,304	\$ 560,212

See Accompanying Notes to Basic Financial Statements.

# CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF CASH FLOWS (CONTINUED)  
 PROPRIETARY FUNDS  
 YEAR ENDED DECEMBER 31, 2016

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Sanitation Services (Major Fund)</b>	<b>Emergency Medical Services (Major Fund)</b>	<b>Total</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities</b>			
Operating income (loss)	\$ 310,034	\$ (892,498)	\$ (582,464)
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	207,470	60,072	267,542
Changes in assets and liabilities			
Receivables, net	(45,113)	18,119	(26,994)
Deferred outflows of resources	75,203	237,269	312,472
Accounts payable	9,224	1,420	10,643
Accrued expenses	(39,578)	154,123	114,545
Deferred inflows of resources	36,011	48	36,059
Net cash provided by (used in) operating activities	<u>\$ 553,251</u>	<u>\$ (421,448)</u>	<u>\$ 131,802</u>

# CITY OF JACKSONVILLE, ARKANSAS

## STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS DECEMBER 31, 2016

---

	<b>Pension Trust Funds</b>	<b>Agency Funds</b>
	<u>                    </u>	<u>                    </u>
<b>Assets</b>		
Cash and cash equivalents	\$ 699,066	\$ 93,182
Investments		
U.S. Government obligations	3,367,363	-
Corporate bonds	1,794,927	-
Corporate stocks	257,417	-
Mutual funds	6,079,591	-
Receivables		
Due from other funds	47,595	-
Accrued interest	26,542	-
	<u>                    </u>	<u>                    </u>
Total Assets	<u><u>\$ 12,273,287</u></u>	<u><u>\$ 93,182</u></u>
<b>Liabilities</b>		
Other liabilities	<u>\$ -</u>	<u>\$ 93,182</u>
<b>Net Position</b>		
Net position restricted for pension benefits	<u><u>\$ 12,273,287</u></u>	

---

See Accompanying Notes to Basic Financial Statements.

# CITY OF JACKSONVILLE, ARKANSAS

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS YEAR ENDED DECEMBER 31, 2016

---

	<b>Pension Trust Funds</b>
<b>Additions</b>	
Contributions	
Employer	\$ 63,734
Plan members	2,191
Contributed from General Fund	
Property taxes	579,140
State insurance turnback and guarantee fund	240,742
	<hr/>
Total contributions	885,807
	<hr/>
Investment income	
Net increase in fair value of investments	438,857
Interest and dividends	204,205
Gain/loss on sale of investments	(42,537)
Other investment income	101
	<hr/>
	600,626
Less investment expense	130,054
	<hr/>
Net investment income	470,572
	<hr/>
Total additions	1,356,379
	<hr/>
<b>Deductions</b>	
Benefits paid directly to participants	1,676,239
Administrative expenses	2,000
	<hr/>
Total deductions	1,678,239
	<hr/>
<b>Net Decrease in Net Position</b>	(321,860)
	<hr/>
<b>Net Position Restricted for Pension Benefits, Beginning of Year</b>	12,595,147
	<hr/>
<b>Net Position Restricted for Pension Benefits, End of Year</b>	<u><u>\$ 12,273,287</u></u>

---

See Accompanying Notes to Basic Financial Statements.

# CITY OF JACKSONVILLE, ARKANSAS

## STATEMENT OF NET POSITION DISCRETELY PRESENTED COMPONENT UNITS DECEMBER 31, 2016

	Jacksonville Municipal Water Works	Jacksonville Wastewater Utility	Nonmajor Component Unit Advertising and Promotion Commission	Total
<b>Assets and Deferred Outflows of Resources</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 6,645,273	\$ 6,883,123	\$ 296,045	\$ 13,824,441
Investments	1,134,785	-	201,131	1,335,916
Receivables, net of allowance for uncollectible accounts				
Accounts	1,537,606	925,369	72,912	2,535,887
Revenues earned and unbilled	-	214,317	-	214,317
Accrued interest	277	-	87	364
Inventories	392,055	118,094	-	510,149
Prepaid expenses	54,916	9,666	-	64,582
Restricted Current Assets				
Cash and cash equivalents	2,038,707	90,921	-	2,129,628
Interest receivable	400	-	-	400
<b>Total current assets</b>	<b>11,804,019</b>	<b>8,241,490</b>	<b>570,175</b>	<b>20,615,684</b>
<b>Noncurrent assets</b>				
Restricted assets				
Cash and cash equivalents	-	577,235	-	577,235
<b>Total restricted noncurrent assets</b>	<b>-</b>	<b>577,235</b>	<b>-</b>	<b>577,235</b>
Capital assets				
Land	505,979	410,241	-	916,220
Buildings and improvements	2,526,432	2,412,421	-	4,938,853
Machinery and equipment	2,304,319	2,435,812	-	4,740,131
Water system	51,616,015	-	-	51,616,015
Sewer system	-	59,503,540	-	59,503,540
Construction in progress	684	-	-	684
	56,953,429	64,762,014	-	121,715,443
Less accumulated depreciation	(19,565,256)	(30,512,902)	-	(50,078,158)
<b>Net capital assets</b>	<b>37,388,173</b>	<b>34,249,112</b>	<b>-</b>	<b>71,637,285</b>
Other assets	239,429	-	-	239,429
<b>Total noncurrent assets</b>	<b>37,627,602</b>	<b>34,826,347</b>	<b>-</b>	<b>72,453,949</b>
<b>Total Assets</b>	<b>49,431,621</b>	<b>43,067,837</b>	<b>570,175</b>	<b>93,069,633</b>
<b>Deferred Outflows of Resources</b>				
Deferred amounts on refunding	-	143,111	-	143,111
Deferred outflows from pensions	475,234	561,563	-	1,036,797
<b>Total deferred outflows of resources</b>	<b>475,234</b>	<b>704,674</b>	<b>-</b>	<b>1,179,908</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 49,906,855</b>	<b>\$ 43,772,511</b>	<b>\$ 570,175</b>	<b>\$ 94,249,541</b>

See Accompanying Notes to Basic Financial Statements.

	Jacksonville Municipal Water Works	Jacksonville Wastewater Utility	Nonmajor Component Unit Advertising and Promotion Commission	Total
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 1,748,941	\$ 107,958	\$ 66,584	\$ 1,923,483
Accrued interest payable	18,785	47,412	-	66,197
Bonds payable-current portion	805,374	440,000	-	1,245,374
Accrued expenses and other	128,213	55,818	-	184,031
Total current liabilities	<u>2,701,313</u>	<u>651,188</u>	<u>66,584</u>	<u>3,419,085</u>
<b>Noncurrent liabilities</b>				
Bonds payable, net of unamortized discount	14,230,201	15,571,019	-	29,801,220
Customer deposits	758,708	-	-	758,708
Net pension liability	1,509,714	1,789,554	-	3,299,268
Other long-term liabilities	9,737	355,432	-	365,169
Total noncurrent liabilities	<u>16,508,360</u>	<u>17,716,005</u>	<u>-</u>	<u>34,224,365</u>
Total liabilities	<u>19,209,673</u>	<u>18,367,193</u>	<u>66,584</u>	<u>37,643,450</u>
<b>Deferred Inflows of Resources</b>				
Deferred inflows from pensions	91,960	106,321	-	198,281
<b>Net Position</b>				
Net investment in capital assets	22,352,598	18,190,681	-	40,543,279
Restricted-expendable	2,020,322	668,156	-	2,688,478
Unrestricted	6,232,302	6,440,160	503,591	13,176,053
Total net position	<u>30,605,222</u>	<u>25,298,997</u>	<u>503,591</u>	<u>56,407,809</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 49,906,855</u>	<u>\$ 43,772,511</u>	<u>\$ 570,175</u>	<u>\$ 94,249,541</u>

# CITY OF JACKSONVILLE, ARKANSAS

## STATEMENT OF ACTIVITIES DISCRETELY PRESENTED COMPONENT UNITS YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Advertising and Promotion Commission	\$ 807,588	\$ -	\$ -	\$ -
Total governmental activities	807,588	-	-	-
Business-type Activities				
Municipal Water Works	7,482,446	6,867,230	-	-
Wastewater Utility	6,011,229	4,928,496	-	-
Total business-type activities	13,493,675	11,795,726	-	-
Total component units	\$ 14,301,263	\$ 11,795,726	\$ -	\$ -
General revenues				
Sales taxes				
Investment income				
Grants and contributions not restricted to specific programs				
Other				
Total general revenues				
Change in Net Position				
Net Position, Beginning of Year				
Net Position, End of Year				

See Accompanying Notes to Basic Financial Statements.

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

Jacksonville Municipal Water Works	Jacksonville Wastewater Utility	Advertising and Promotion Commission	Total
\$ -	\$ -	\$ (807,588)	\$ (807,588)
-	-	(807,588)	(807,588)
(615,216)	-	-	(615,216)
-	(1,082,733)	-	(1,082,733)
(615,216)	(1,082,733)	-	(1,697,949)
(615,216)	(1,082,733)	(807,588)	(2,505,537)
-	-	842,197	842,197
9,292	32,520	1,377	43,189
-	50,630	-	50,630
261,825	-	-	261,825
271,117	83,150	843,575	1,197,841
(344,099)	(999,583)	35,987	(1,307,696)
30,949,321	26,298,580	467,604	57,715,505
<u>\$ 30,605,222</u>	<u>\$ 25,298,997</u>	<u>\$ 503,591</u>	<u>\$ 56,407,809</u>



# CITY OF JACKSONVILLE, ARKANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2016

---

### **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 (GAAP). The Governmental Accounting Standards Board (GASB) is the standard setting body accepted in the United States for establishing governmental accounting and financial reporting principles. A description of the more significant accounting and financial reporting policies and practices of the City follows:

#### ***Reporting Entity***

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

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

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

#### **Blended Component Units**

##### **Major Component Unit:**

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

##### **Other Component Units:**

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

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

**Discretely Presented Component Units**

**Major Component Units:**

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

**Jacksonville Wastewater Utility (“JWWU”)** – JWWU is governed by a five member commission appointed by the Mayor and approved by the City Council. The City has the power to impose its will on JWWU. Rate changes must be approved by the Mayor and City Council. JWWU provides wastewater 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 2016.

**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 *2015 Capital Improvements Construction Fund* (capital projects fund) accounts for the proceeds of the 2015 Capital Improvement and Refunding Revenue Bonds issued to refinance outstanding debt obligations and to finance various capital improvements for the City.

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 Funds* – The debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

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

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

## **Measurement Focus and Basis of Accounting**

### **Government-wide, Proprietary and Fiduciary Funds**

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

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

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

### **Governmental Fund Financial Statements**

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included in the balance sheet. The statement of revenues, expenditures and changes in fund balances present 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 Cash Equivalents**

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.

**Investments and Investment Income**

Investments in non-negotiable certificates of deposit and money market investments that mature within one year of the date of acquisition are carried at amortized cost, which approximates fair value. All other investments are recorded at a fair value with the resulting gains and losses recognized in the current period. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy consists of three input levels: Level 1 inputs are quoted prices in active markets; Level 2 inputs are significant other observable inputs other than quoted prices, and Level 3 are unobservable inputs.

Investment income includes dividend and interest income and the net change for the year in the fair value of investments. Investment income is assigned to funds with which the related investment asset is associated.

**Inventories**

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

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets, 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 acquisition value on the date of donation.

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

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

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

**Long-term Obligations**

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

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

**Compensated Absences**

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

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

**Unearned Revenue**

Unearned revenue includes amounts that have been received before all eligibility requirements for revenue recognition have been met. These amounts are recorded as a liability until such requirements are met, at which point, they will be recorded as revenue.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's defined benefit pension plans (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Deferred Outflows/Inflows of Resources**

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City has a deferred outflow for a bond refunding, which is the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred or amortized to interest expense over the shorter of the life of the refunded and new debt. In addition, the City has deferred outflows related to pensions, with one being the amount of contributions made to the pension plans after the measurement date, and the other the difference in investment experience between actual earnings and projected earnings on pension plan investments and the difference in assumption changes. Deferred outflows related to contributions made after the measurement date will be recognized as a reduction of net pension liability in the following year ended December 31, 2017. The remaining amounts will be amortized to pension expense over future periods as shown within Note 6.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The City's deferred inflows include property taxes in the governmental funds. The City also has deferred inflows related to pensions. This consists of the difference between the expected and actual experience related to the pension plans

as well as the difference in assumption changes. These amounts are amortized over future periods to pension expense as shown within Note 6.

### ***Net Position/Fund Balance***

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

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

The fund balances of the City's governmental funds are classified in five components:

*Nonspendable* – Nonspendable fund balances are not in a spendable form or are required to be maintained intact.

*Restricted* – Restricted fund balances may be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

*Committed* – Committed fund balances may be used only for specific purposes determined by ordinance of the City Council. Commitments may be changed or lifted only by issuance of an ordinance by the City Council.

*Assigned* – Assigned fund balances are intended to be used by the City for specific purposes as determined by the Mayor or City Council. In governmental funds other than the General Fund, assigned fund balances represent the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

*Unassigned* – Unassigned fund balance is the residual classification for the General Fund and includes all amounts not contained in the other classifications.

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 the 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.

### ***Pension Plan Descriptions***

The City participates in five defined benefit pension plans; which are comprised of two single employer defined benefit pension plans and three cost sharing multiple employer defined pension plans, each of which are described and illustrated in detail in Note 6.

### **Adoption of GASB Statements**

The following Statements issued by the Governmental Accounting Standards Board (GASB) were effective for the fiscal year ended December 31, 2016:

#### *GASB Statement No.72 – Fair Value Measurement and Application*

This statement addresses accounting and financial reporting issues related to fair value measurements. This statement provides guidance for determining a fair value measurement for financial reporting purposes. It also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The adoption of this statement resulted in more expanded disclosures as they relate to City held investments and contributed capital assets received by the City, however, the Statement had no impact on any amounts reported by the City within any of the basic financial statements.

#### *GASB Statement No.73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*

The objective of this Statement is to improve the usefulness of information about pensions and clarifies the application of certain provisions of GASB Statements 67 and 68. The adoption of this statement will result in expanded disclosures in the City's Notes to Basic Financial Statements and Required Supplementary Information.

#### *GASB Statement No.76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The adoption of this Statement had no effect on the City's basic financial statements.

#### *GASB Statement No.77 – Tax Abatement Disclosures*

The requirements of this Statement improve financial reporting by giving users of the financial statements essential information about the nature and magnitude of tax abatements. This Statement requires disclosures of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The City had no tax abatement agreements that reduced tax revenues in 2016.

#### *GASB Statement No.78 – Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*

The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement 68, *Accounting and Financial Reporting for Pensions*. The City has adopted GASB Statement No. 68 so the expansion of the scope had no effect on the City.

#### *GASB Statement No.79 – Certain External Investment Pools and Pool Participants*

This Statement addresses accounting and financial reporting for certain investment pools and pool participants. The City does not participate in an external investment pool.

## **New GASB Pronouncements**

The GASB has issued the following statements which will be effective in future years as described below:

### **GASB Statement No.74 – *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans***

The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contributions Plans*, as amended, Statement 43, and Statement 50, *Pension Disclosures*. The requirements for this statement are effective for financial statements for periods beginning after June 15, 2016.

### **GASB Statement No.75 – *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension***

The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement replaces Statements No. 45, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The requirements for this statement are effective for financial statements for periods beginning after June 15, 2017.

### **GASB Statement No.80 – *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No.14***

The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements established in paragraph 53 of Statements No.14, *The Financial Entity* as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The requirements for this statement are effective for financial statements for periods beginning after June 15, 2016.

### **GASB Statement No.81 – *Irrevocable Split-Interest Agreements***

The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a

government recognize revenue when the resources become applicable to the reporting period. The requirements for this statement are effective for financial statements for periods beginning after December 15, 2016 and should be applied retroactively.

*GASB Statement No.82 – Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*

The objective of this statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements for this statement are effective for financial statements for periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

*GASB Statement No.83 – Certain Asset Retirement Obligations*

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The recognition occurs when the liability is both incurred and reasonably estimable. This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. It also requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement. This Statement requires the current value of a government's ARO to be adjusted for the effects of general inflation or deflation at least annually. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonable estimable, the government is required to disclose that fact and the reasons therefore. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

*GASB Statement No.84 – Fiduciary Activities*

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

*GASB Statement No.85 – Omnibus 2017*

The object of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and

postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

*GASB Statement No.86 – Certain Debt Extinguishment Issues*

The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

The City has not yet determined the impact of implementing the above new pronouncements.

## Note 2: Deposits and Investments

### Deposits

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

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

On December 31, 2016, the City's primary government bank balances were \$5,753,334. Of this amount, \$3,363,242 was uninsured and collateralized with securities held by the pledging financial institution's agent in the City's name. On December 31, 2016, 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, 2016 were as follows:

	<b>Primary Government</b>	<b>Component Units</b>
<b>Carrying value</b>		
Demand deposits	\$ 4,824,916	\$ 10,998,050
Certificates of deposit	775,689	6,869,448
	<u>\$ 5,600,605</u>	<u>\$ 17,867,498</u>
<b>Bank balance</b>		
Demand deposits	\$ 4,977,211	\$ 11,055,744
Certificates of deposit	776,123	6,869,135
	<u>\$ 5,753,334</u>	<u>\$ 17,924,879</u>

	<b>Primary Government</b>	<b>Component Units</b>
Carrying value of deposits	\$ 5,600,604	\$ 17,867,498
Cash on hand	5,090	123
Investments classified as cash	306,810	-
	<u>\$ 5,912,504</u>	<u>\$ 17,867,620</u>
As reported on the government-wide statement of net position:		
Cash	\$ 2,364,484	\$ 13,824,441
Restricted cash, current	593,050	2,130,028
Investments	775,689	1,335,916
Restricted cash, noncurrent	1,387,033	577,235
As reported on the statement of fiduciary net position:		
Cash - Employee Benefit Plans	699,066	-
Cash - Agency Fund	93,182	-
	<u>\$ 5,912,504</u>	<u>\$ 17,867,620</u>

### **Investments**

Arkansas statutes authorize the City to invest in direct obligations of the U.S. Government; obligations on which the principal and interest are fully guaranteed, or are fully secured, insured, or covered by commitments or agreements to purchase by the U.S. Government; obligations of agencies and instrumentalities created by act of the United States Congress and authorized thereby to issue such securities or evidence of indebtedness, regardless of guarantee of repayment by the U.S. Government; obligations of political subdivisions of the United States; certain obligations issued by the State Board of Education; short-term warrants of political subdivisions of the State of Arkansas and municipalities; the sale of federal funds with a maturity of not more than one business day; demand, savings or time deposits fully insured by a federal deposit insurance agency; repurchase agreements that are fully insured by obligations of the U.S. government, any U.S. State or any political subdivision thereof; securities of or other interest in, any open-end type investment company or investment trust registered under the *Investment Company Act of 1940*, and which is considered a money market fund, provided that the portfolio is limited principally to U.S. government obligations and the investment company or trust takes delivery of collateral either directly or through an authorized custodian; and bank certificates of deposit.

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

The investments of the City as shown on the Statement of Net Position consist of non-negotiable certificates of deposit.

The pension trust funds' investments, carried at fair value, and maturities as of December 31, 2016 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. Treasury obligations	\$ 3,367,363	\$ 665,202	\$ 2,702,161	\$ -	\$ -
Corporate bonds	1,794,926	232,391	1,222,399	253,512	86,623
Money market mutual funds	306,810	306,810	-	-	-
		<u>\$ 1,204,403</u>	<u>\$ 3,924,561</u>	<u>\$ 253,512</u>	<u>\$ 86,623</u>
Corporate stocks	257,417				
Bond mutual fund	3,028,877				
Stock mutual fund	<u>3,050,714</u>				
Total	<u>\$ 11,806,108</u>				

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

Carrying value of investments	\$ 11,806,108
Investments classified as cash	(306,810)
	<u>\$ 11,499,298</u>
Investments as reported on the statement of fiduciary net position:	
U.S. Treasury obligations	\$ 3,367,363
Corporate bonds	1,794,927
Corporate stocks	257,417
Mutual funds	6,079,591
	<u>\$ 11,499,298</u>

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the inputs used to measure the fair value. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are derived from or corroborated by observable market data for the asset or liability. Level 3 inputs are unobservable. The City's investments are categorized below.

Pension Investments	12/31/16	Quoted prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
<b>Debt Securities</b>				
U.S. Treasury securities	\$ 3,367,362	\$ 3,367,362	-	-
Corporate bonds	1,794,926	1,794,926	-	-
Bond mutual fund	3,028,877	3,028,877	-	-
<b>Total Debt Securities</b>	<u>\$ 8,191,165</u>	<u>\$ 8,191,165</u>	<u>-</u>	<u>-</u>
<b>Equity Securities</b>				
Corporate Stocks	\$ 257,417	\$ 257,417	-	-
Stock mutual fund	3,050,714	3,050,714	-	-
<b>Total Equity Securities</b>	<u>\$ 3,308,131</u>	<u>\$ 3,308,131</u>	<u>-</u>	<u>-</u>

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

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

**Credit Risk** – Credit risk of investments is the risk that the issuer or other counterparty will not fulfill its obligations. It is the City's policy, excluding fiduciary funds, to invest almost exclusively in government-issued treasuries and agencies, and FDIC insured certificates of deposit. As of December 31, 2016 the City, exclusive of the pension trust funds, had approximately \$1,908,241 invested in a U. S. government money market mutual fund with a rating of AAA 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.

**Custodial Credit Risk** – Custodial credit risk for investments is the risk that, in the event of failure of 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, on December 31, 2016, investments held by the City were limited to certificates of deposit which were FDIC insured or collateralized at 102% of the deposits fair value and U.S. Treasury Fund money market accounts. The City's collateral is held by third party financial institutions. Monthly and quarterly collateral reports are sent to the City's finance department.

**Concentration of Credit Risk** – The City's investment policy limits investments in securities from any one issuer to 5% of the cost basis of the City's portfolio at the time of purchase, and limits concentration in any one business sector to 15% of the cost basis of the portfolio excluding U.S. Government obligations and collateralized certificates of deposit. The City had no concentration of credit risk as of December 31, 2016.

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 as of December 31, 2016.

**Foreign Currency Risk** – This risk relates to the adverse effects on the fair value of an investment from changes in exchange rates. The City's investment policy doesn't directly address foreign currency risk. The City had no investments that were denominated in foreign currency on December 31, 2016.

**Note 3: Capital Assets**

A summary of changes in capital assets for the year ended December 31, 2016 is presented as follows:

<b>Governmental Activities</b>	<b>Balance December 31, 2015</b>	<b>Additions and Transfers, Net</b>	<b>Retirements and Transfers, Net</b>	<b>Balance December 31, 2016</b>
Capital Assets, non-depreciable				
Land	\$ 10,888,295	\$ -	\$ -	\$ 10,888,295
Construction in progress	403,010	146,014	97,293	451,731
Total capital assets, non-depreciable	<u>11,291,305</u>	<u>146,014</u>	<u>97,293</u>	<u>11,340,026</u>
Capital Assets, depreciable				
Land improvements	1,496,253	113,600	-	1,609,853
Infrastructure	34,530,008	-	-	34,530,008
Buildings	30,532,166	462,703	-	30,994,869
Vehicles	5,095,616	2,508,983	229,115	7,375,484
Equipment	9,362,328	307,166	212,020	9,457,474
Total capital assets, depreciable	<u>81,016,372</u>	<u>3,392,452</u>	<u>441,135</u>	<u>83,967,689</u>
Less accumulated depreciation				
Land improvements	687,605	65,823	-	753,428
Infrastructure	23,829,137	574,997	-	24,404,134
Buildings	8,071,550	834,571	-	8,906,121
Vehicles	4,495,456	211,319	229,115	4,477,660
Equipment	5,984,950	712,993	209,206	6,488,737
Total accumulated depreciation	<u>43,068,698</u>	<u>2,399,703</u>	<u>438,321</u>	<u>45,030,080</u>
Total capital assets, depreciable, net	<u>37,947,671</u>	<u>992,749</u>	<u>2,814</u>	<u>38,937,606</u>
Total governmental activities, net	<u>\$ 49,238,976</u>	<u>\$ 1,138,763</u>	<u>\$ 100,107</u>	<u>\$ 50,277,632</u>
<b>Business-type activities</b>	<b>Balance December 31, 2015</b>	<b>Additions and Transfers, Net</b>	<b>Retirements and Transfers, Net</b>	<b>Balance December 31, 2016</b>
Capital Assets, depreciable				
Vehicles	\$ 2,440,060	\$ 454,611		\$ 2,894,671
Equipment	1,358,372	50,182	-	1,408,554
Total capital assets, depreciable	<u>3,798,432</u>	<u>504,793</u>	<u>-</u>	<u>4,303,226</u>
Less accumulated depreciation				
Vehicles	1,569,315	147,252		1,716,567
Equipment	645,700	120,290	-	765,990
Total accumulated depreciation	<u>2,215,016</u>	<u>267,542</u>	<u>-</u>	<u>2,482,558</u>
Total business-type activities, net	<u>\$ 1,583,417</u>	<u>\$ 237,251</u>	<u>\$ -</u>	<u>\$ 1,820,668</u>

Component Units	Balance December 31, 2015	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2016
Capital Assets, non-depreciable				
Land	\$ 915,608	\$ 612	\$ -	\$ 916,220
Construction in progress	6,216,583	746,700	6,962,599	684
Total capital assets, non-depreciable	<u>7,132,191</u>	<u>747,312</u>	<u>6,962,599</u>	<u>916,904</u>
Capital Assets, depreciable				
Utility system	103,791,406	396,507	(6,931,642)	111,119,555
Buildings and improvements	4,875,351	63,502	-	4,938,853
Furniture and equipment	4,701,001	125,712	86,582	4,740,131
Total capital assets, depreciable	<u>113,367,758</u>	<u>585,721</u>	<u>(6,845,060)</u>	<u>120,798,539</u>
Less accumulated depreciation	<u>46,049,817</u>	<u>4,145,880</u>	<u>117,539</u>	<u>50,078,158</u>
Total capital assets, depreciable, net	<u>67,317,941</u>	<u>(3,560,159)</u>	<u>(6,962,599)</u>	<u>70,720,381</u>
Total component units, net	<u>\$ 74,450,132</u>	<u>\$ (2,812,847)</u>	<u>\$ -</u>	<u>\$ 71,637,285</u>

Construction in progress is composed of the following:

	Expended to December 31, 2016	Estimated Amount To Complete
<b>Primary Government</b>		
General Government		
Oneida Street extension	\$ 189,279	\$ 2,000,000
Emma Street extension	45,875	500,000
Main Street alignment	67,397	1,000,000
Archery Range -walking trail	5,500	4,840
Central Fire Station renovation	143,679	200,000
	<u>\$ 451,731</u>	<u>\$ 3,704,840</u>
<b>Component Unit</b>		
Jacksonville Municipal Water Works		
South Source water main/meter station	\$ 684	\$ 684
	<u>\$ 684</u>	<u>\$ 684</u>

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

<b>Governmental Activities</b>	
General government	
General administration	\$ 196,349
District Court	7,743
Director of administration	2,260
Information technology	15,003
Community programs	37,762
Total general government	259,117
Public works	
Engineering	3,508
Streets and drainage	777,127
Total public works	780,635
Parks and recreation services	
Police	441,804
Fire	346,305
Emergency services	247,409
Animal control	312,197
	12,236
Total depreciation expense - governmental activities	<u>2,399,703</u>
<b>Business-type Activities</b>	
Sanitation services	207,470
Emergency medical services	60,072
Total depreciation expense - business-type activities	<u>267,542</u>
Total depreciation expense - primary government	<u>\$ 2,667,245</u>

**Note 4: Long-term Liabilities**

Changes in long-term liabilities for the year ended December 31, 2016 were as follows:

<b>Governmental Activities</b>	<b>Balance December 31, 2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31, 2016</b>	<b>Amounts Due In One Year</b>
Bonds payable-					
2006 Library Construction	\$ 1,195,000	\$ -	\$ 225,000	\$ 970,000	\$ 65,000
2015 Capital Improvement and Refunding	8,815,000	-	500,000	8,315,000	510,000
Less: issuance discount	(480)	606	-	126	-
Add: issuance premium	34,418	-	6,181	28,237	-
Bonds payable, net	10,043,938	606	731,181	9,313,363	575,000
Capital lease	74,958	-	20,000	54,958	20,000
Compensated absences	645,409	118,586	3,681	760,314	653,638
Net pension liability	13,635,257	7,127,203	553,798	20,208,662	-
Net OPEB obligation	417,619	50,776	-	468,395	-
Total governmental activities long-term liabilities	<u>\$ 24,817,182</u>	<u>\$ 7,297,171</u>	<u>\$ 1,308,660</u>	<u>\$ 30,805,693</u>	<u>\$ 1,248,638</u>
<b>Business-type Activities</b>	<b>Balance December 31, 2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31, 2016</b>	<b>Amounts Due In One Year</b>
Note payable	\$ 216,842	\$ -	\$ 216,842	\$ -	\$ -
Compensated absences	48,944	14,896	-	63,841	62,150
Net pension liability	1,042,707	802,787	-	1,845,494	-
Total business-type activities long-term liabilities	<u>\$ 1,308,493</u>	<u>\$ 817,683</u>	<u>\$ 216,842</u>	<u>\$ 1,909,336</u>	<u>\$ 62,150</u>
<b>Component Units</b>	<b>Balance December 31, 2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31, 2016</b>	<b>Amounts Due In One Year</b>
<b>Jacksonville Municipal</b>					
<b>Water Works</b>					
Water revenue bonds	\$ 15,729,983	\$ 244,502	\$ 938,910	\$ 15,035,575	\$ 805,374
Customer deposits	727,576	201,770	170,638	758,708	-
Net pension liability	1,181,192	328,522	-	1,509,714	-
Other liabilities	7,059	2,678	-	9,737	-
	<u>17,645,810</u>	<u>777,472</u>	<u>1,109,548</u>	<u>17,313,734</u>	<u>805,374</u>
<b>Jacksonville Wastewater</b>					
<b>Utility</b>					
Wastewater revenue bonds	16,065,000	15,880,000	16,210,000	15,735,000	440,000
Add issuance premium	-	285,938	9,919	276,019	-
Less: issuance discount	(151,445)	-	(151,445)	-	-
Net pension liability	1,399,566	389,988	-	1,789,554	-
Post closure landfill costs	252,939	102,493	-	355,432	-
	<u>17,566,060</u>	<u>16,658,419</u>	<u>16,068,474</u>	<u>18,156,005</u>	<u>440,000</u>
Total component units long-term liabilities	<u>\$ 35,211,870</u>	<u>\$ 17,435,891</u>	<u>\$ 17,178,022</u>	<u>\$ 35,469,739</u>	<u>\$ 1,245,374</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, 2016 an additional \$165,000 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, 2028.

**2015 Capital Improvement and Refunding Revenue Bonds** – Bonds in the amount of \$8,815,000 were issued to finance the cost of (1) financing various capital improvements, including the rehabilitation of the Central Fire Station, the purchase of a new ladder truck and two additional fire trucks; replacement of playground equipment for City Parks and Recreation; roundabout construction at General Samuels and Harris Road; rehabilitation of “Splash Zone”(city water activity park); replacement of exercise equipment at the Community Center; and for related purposes (together, the “Capital Improvements”), (2) refunding outstanding obligations including the 2012 short-term financing note to First Arkansas Bank and Trust, the 2013 short-term financing note to BancorpSouth Bank, and a promissory note to Motorola Solutions, Inc., (3) funding a debt service reserve, and (4) paying the costs associated with the issuance of the bonds. These bonds are limited obligations of the City, payable solely from the revenues received by the City from all franchise fees collected from public utilities for the privilege of using the City’s streets, rights-of-way and other public places in the City. Principal payments are due annually beginning June 1, 2016. Interest payments are due semiannually on June 1 and December 1, beginning December 1, 2015. The bonds are subject to extraordinary, optional and special redemption, in whole or in part, on any interest payment date from bond proceeds not needed, additional monies received from Arkansas Game and Fish Foundation, or additional monies from franchise fees, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. Bond interest rates range from 2.00% to 3.50% and final maturity is scheduled to be June 1, 2030.

The following schedule shows the annual debt-service requirements to pay principal and interest on the general obligation bonds outstanding at December 31, 2016.

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2017	\$ 575,000	\$ 304,164
2018	585,000	291,069
2019	600,000	277,666
2020	615,000	263,849
2021	625,000	249,587
2022-2026	3,395,000	985,812
2027-2031	2,890,000	291,471
Total	<u>\$ 9,285,000</u>	<u>\$ 2,663,617</u>

### **Capital Lease Obligations**

The City entered into a capital lease agreement with Sharp Properties on March 19, 2015 for the purpose of constructing a RV park at the Arkansas Game and Fish Foundation Shooting Sports Complex. The lease agreement was for \$100,000 or the cost of the construction, whichever is less, to be repaid \$20,000 annually for five years at 0% interest. Actual construction costs were \$94,958. As of December 31, 2016, the principal balance outstanding was \$54,958.

### **Business-Type Activities**

#### **Sanitation Services**

**Sanitation Services Equipment Note Payable** - In July 2011, the City of Jacksonville entered into an agreement with BancorpSouth Bank for the financing of automated sanitation equipment. The loan was for \$1,357,676 with an interest rate of 3% to be repaid over a five year period from sanitation services revenues. This note matured in September 2016.

### **Discretely Presented Component Units**

#### **Municipal Water Works Revenue Bonds**

**Water Capital Improvement Revenue Bonds, Series 2011** – In October 2011, the City of Jacksonville, Arkansas issued \$25,000,000 in Water Capital Improvement Revenue Bonds, with an interest rate of 2.25% and servicing fee rate of 1% for the purpose of financing the cost of the planning, design, and construction of improvements to the City's water system, fund a debt service reserve, and pay expenses of issuing the bonds. The series 2011 Bonds are special obligations secured by the pledge of and payable from revenues derived from the operations of Jacksonville Municipal Water Works. As work is completed, bond funds are advanced to the utility to reimburse eligible project costs incurred, through the disbursement cut-off date of October 15, 2014. Beginning April 15, 2015, principal 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 semi-annually on April 15 and October 15 beginning April 15, 2012. On December 31, 2016, the principal balance outstanding was \$23,002,125. Maturities of the revenue bond as of December 31, 2016, assuming maximum use of the \$25,000,000 bond issued, are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 805,374	\$ 404,215	\$ 1,209,589
2018	996,378	713,358	1,709,736
2019	1,029,024	680,712	1,709,736
2020	1,062,739	646,997	1,709,736
2021	1,097,558	612,178	1,709,736
2022-2026	6,051,352	2,497,328	8,548,680
2027-2031	7,109,810	1,438,870	8,548,680
2032-2034	4,849,890	279,318	5,129,208
Total	<u>\$ 23,002,125</u>	<u>\$ 7,272,976</u>	<u>\$ 30,275,101</u>

### **Wastewater Utility Revenue Bonds**

**Wastewater Refunding Revenue Bonds, Series 2016A** – In April, 2016 the City of Jacksonville, Arkansas issued \$1,865,000 in Wastewater Refunding Revenue Bonds with an interest rate of 2.5% for the purpose of refunding the then outstanding Series 2009A Bonds. The Series 2016A 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, 2017 are also subject to optional redemption at the direction of the City.

**Wastewater Construction Revenue Bonds, Series 2016B** – In April, 2016, the City of Jacksonville, Arkansas issued \$14,015,000 in Wastewater Refunding Revenue Bonds with an interest rates ranging from 3.5% to 4.0% for the purpose of refunding the then outstanding Series 2009B Bonds. The Series 2016B 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 2023 to 2039. Bonds maturing on or after June 1, 2017 are subject to optional redemption at the direction of the Utility. Term bonds due December 1, 2031, 2034 and 2039 are subject to redemption in part by mandatory sinking fund installments due annually on December 1, beginning in 2027.

The difference between the reacquisition price of the 2016 Series A&B Bonds and the net carrying value of the 2009 Series A&B Bonds is reported as a deferred inflow of resources in the statements of net position and is being amortized through the year 2039 using the bonds' outstanding method. The current refunding reduced total debt service payments over the next 23 years by approximately \$2,423,000. This results in an economic gain (difference between the present values of the old debt service payments on the old and new debt) of approximately \$2,057,000.

Bond premium associated with the Series 2016B issue in the amount of \$285,938 is being amortized as a component of interest expense using the bonds' outstanding method.

The Utility paid approximately \$644,800 and \$803,800 in interest charges related to the bonds for the years ended December 31, 2016 and 2015, respectively.

The following schedule shows the annual debt service requirements to pay principal and interest on the revenue bonds payable outstanding on December 31, 2016:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 440,000	\$ 568,944	\$ 1,008,944
2018	450,000	557,944	1,007,944
2019	460,000	546,694	1,006,694
2020	370,000	535,194	905,194
2021	-	525,943	525,943
2022-2026	2,440,000	2,499,119	4,939,119
2027-2031	3,905,000	1,841,719	5,746,719
2032-2036	4,715,000	1,042,044	5,757,044
2037-2039	2,955,000	206,443	3,161,443
Total	<u>\$ 15,735,000</u>	<u>\$ 8,324,044</u>	<u>\$ 24,059,044</u>

**Note 5: Interfund Balances and Transfers**

Interfund receivables and payables result from transactions between various funds within the City. The balances by fund on December 31, 2016 are as follows:

Fund	Interfund Receivables	Interfund Payables
<b>Primary Government</b>		
Governmental Funds to/from Nonfiduciary Funds		
General Fund	\$ 18,275	\$ 1,440,000
Special Projects	1,440,000	-
Asset Forfeitures	6,000	6,000
CDBG	-	17,086
Grants	-	1,189
Capital Improvements Construction Fund	-	36,649
Capital Improvements Debt Service Fund	36,649	-
	<u>1,500,924</u>	<u>1,500,924</u>
Governmental Funds to/from Fiduciary Funds		
General Fund	-	47,595
Total governmental funds	<u>1,500,924</u>	<u>1,548,519</u>
Fiduciary Funds		
Policemen's Pension	23,797	-
Firemen's Pension	23,798	-
Total fiduciary funds	<u>47,595</u>	<u>-</u>
Total	<u>\$ 1,548,519</u>	<u>\$ 1,548,519</u>

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

The amounts due to the fiduciary funds result from the collection and remittance of property taxes by the General Fund that are levied to fund the Policemen's and Firemen's Pension Plans. For the year ended December 31, 2016, the interfund transfers in and transfers out are as follows:

Fund	Interfund Transfers	
	In	Out
Governmental Funds:		
Major Funds:		
General Fund	\$ 12,000	\$ 1,416,145
Nonmajor Funds	981,156	12,000
Total Governmental Funds	<u>993,156</u>	<u>1,428,145</u>
Proprietary Fund:		
Emergency Medical Services	434,989	-
Total	<u>\$ 1,428,145</u>	<u>\$ 1,428,145</u>

The transfers out of \$1,416,145 from the General Fund are transfers out to supplement the Emergency Medical Services Fund for operational expenses in the amount of \$434,989 and to meet debt service requirements in the 2015 Capital Improvements Debt Service Fund in the amount of \$981,156.

**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 Policemen's Pension and Relief Fund and the Firemen's Pension and Relief Fund. The City also contributes to the Arkansas Public Employees Retirement System (APERS) and to the Arkansas Local Police and Fire Retirement System (LOPFI), which are statewide cost sharing multiple employer defined benefit pension plans. The assets of the Plans are maintained in legally

separate trusts and each Plan's assets may be used only for the payment of benefits to the members of that plan or their beneficiaries in accordance with the terms of the Plan.

A summary of the net pension liability, deferred outflows, deferred inflows and pension expense of each plan is shown below. Detailed discussion of each plan will follow in this note.

<b>Governmental Activities</b>	<b>Net Pension Liability</b>	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>	<b>Pension Expense</b>
Policemen's Pension and Relief Fund	\$ 178,293	\$ 262,667	\$ 19,315	\$ (88,230)
Firemen's Pension and Relief Fund	\$3,243,739	385,809	-	367,081
Arkansas Public Employee Retirement System	5,604,900	1,742,203	224,039	497,650
Arkansas Local Police and Fire Retirement System - Fire	4,674,322	1,309,490	1,100	994,689
Arkansas Local Police and Fire Retirement System - Police	6,507,408	1,606,815	355,668	1,213,192
	<u>\$ 20,208,662</u>	<u>\$ 5,306,984</u>	<u>\$ 600,122</u>	<u>\$ 2,984,382</u>

<b>Business-Type Activities</b>	<b>Net Pension Liability</b>	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>	<b>Pension Expense</b>
Arkansas Public Employee Retirement System	\$ 595,453	\$ 184,982	\$ 23,802	\$ 52,975
Arkansas Local Police and Fire Retirement System	1,250,041	350,193	294	266,007
	<u>\$ 1,845,494</u>	<u>\$ 535,175</u>	<u>\$ 24,096</u>	<u>\$ 318,982</u>

### ***Policemen's Pension and Relief Fund and Firemen's Pension and Relief Fund***

#### **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*

The fair value of investments other than mutual funds is determined using quoted market prices. The fair value of investments in mutual funds is determined using the fund's current per share price.

#### **B. Membership Information**

As of December 31, 2016, there were 20 police and 38 fire retirees and beneficiaries receiving benefits. There are no active employees in the Plans.

#### **C. Financial Information**

The following is the condensed financial information as of December 31, 2016 of the Policemen's and Firemen's Pension and Relief Funds.

<b>Statement of Fiduciary Net Position</b>		
	<b>Policemen's Pension And Relief Fund</b>	<b>Firemen's Pension And Relief Fund</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 262,358	\$ 436,708
Investments	5,519,203	5,980,095
Receivables	33,158	41,765
Total assets	<u>5,814,719</u>	<u>6,458,568</u>
<b>Net Position</b>		
Net position restricted for pension benefits	<u>\$ 5,814,719</u>	<u>\$ 6,458,568</u>
<b>Statement of Changes in Fiduciary Net Position</b>		
	<b>Policemen's Pension And Relief Fund</b>	<b>Firemen's Pension And Relief Fund</b>
<b>Additions</b>		
Contributions	\$ 396,366	\$ 489,441
Net investment income	298,252	172,320
Total additions	<u>694,618</u>	<u>661,761</u>
<b>Deductions</b>		
Benefits paid directly to participants	577,319	1,098,920
Administrative expenses	1,000	1,000
Total deductions	<u>578,319</u>	<u>1,099,920</u>
<b>Change in Net Position</b>	116,299	(438,159)
<b>Net Position Restricted For Pension Benefits, Beginning of Year</b>	<u>5,698,420</u>	<u>6,896,727</u>
<b>Net Position Restricted For Pension Benefits, End of Year</b>	<u>\$ 5,814,719</u>	<u>\$ 6,458,568</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 2016 to the Policemen's Fund were \$396,366. The City's share of contributions was \$396,366 and included \$289,570 in property taxes and \$44,940 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.

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 2016. The participants contributed 7% of their salaries in 2016. 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 2016 to the Firemen's Fund were \$489,441. The City's share of contributions was \$487,250 and included \$289,570 in property taxes and \$195,802 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.

#### **E. Actuarial Methods and Assumptions**

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.

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 includes types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The State of Arkansas Fire and Police Pension Review Board is responsible for the coordination of the actuarial valuations performed on the Policemen's and Firemen's Pension and Relief Funds. Actuarial evaluations are performed annually and the last evaluation was as of December 31, 2016.

For the December 31, 2016 actuarial valuations of each plan, the entry age cost method was used. The actuarial value of pension benefit assets was determined using techniques that spread the

effects of short-term volatility in the market value of investments over a five-year period. The actuarial assumptions included a 5% investment rate of return (net of administrative expenses), projected salary increases of 4.2% - 8.0%, which includes an inflation rate of 3% and no cost of living increases. The remaining amortization period on December 31, 2016 was 5 years using a level dollar, open basis, amortization period. The mortality assumption was based on the 1983 Group Annuity Table for males, set back five years for females. There were no factors that significantly affected the identification of trends such as changes in benefits, actuarial methods or assumptions.

**F. Net Pension Liability and Changes in Net Pension Liability**

The components of the net pension liability were as follows as of December 31, 2016:

	<u>Policemen's Fund</u>	<u>Firemen's Fund</u>
Total pension liability	\$ 5,983,154	\$ 9,692,449
Plan's fiduciary net position	5,804,861	6,448,710
City's net pension liability	<u>\$ 178,293</u>	<u>\$ 3,243,739</u>
 Plan's fiduciary net position as a percentage of total pension liability	 97.02%	 66.53%

Changes in the total pension liability, plan fiduciary net position, and the net pension liability for the year ended December 31, 2016 were as follows:

	<u>Policemen's Pension and Relief Fund</u>			<u>Firemen's Pension and Relief Fund</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
<b>Balances at December 31, 2015</b>	\$6,413,482	\$5,698,420	\$715,062	\$10,157,495	\$6,896,727	\$3,260,768
Changes for the year:						
Service costs	-	-	-	-	-	-
Interest on total pension liability	307,361	-	307,361	481,908	-	481,908
Differences between expected and actual experience	(205,160)	-	(205,160)	91,701	-	91,701
Employee contributions	-	-	-	-	2,191	(2,191)
Employer contributions	-	341,668	(341,668)	-	418,220	(418,220)
Net investment income	-	304,119	(304,119)	-	176,675	(176,675)
Benefit payments and refunds	(532,529)	(532,529)	-	(1,038,656)	(1,038,656)	-
Administrative expenses	-	(6,967)	6,967	-	(6,448)	6,448
Other	-	150	(150)	-	-	-
Net changes	(430,328)	106,441	(536,769)	(465,046)	(448,017)	(17,029)
<b>Balances at December 31, 2016</b>	<u>\$5,983,154</u>	<u>\$5,804,861</u>	<u>\$178,293</u>	<u>\$9,692,449</u>	<u>\$6,448,710</u>	<u>\$3,243,739</u>

**G. Pension Income and Expense and Deferred Outflows and Inflows of Resources**

For the year ended December 31, 2016, the City recognized pension income of \$88,230 for the Policemen's Pension and Relief Fund and pension expense of \$367,081 for the Firemen's Pension and Relief Fund, as measured in accordance with GASB Statement No. 68. On December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Policemen's Fund		Firemen's Fund	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	\$ 262,667	\$ 19,315	\$ 385,809	\$ -

Amounts reported as deferred outflows and inflows of resources related to the Plans will be recognized in pension expense as follows:

Year Ending December 31,	Policemen's Fund	Firemen's Fund
2017	\$ 82,727	\$ 118,433
2018	82,727	118,433
2019	82,727	118,433
2020	(4,829)	30,509
	\$ 243,352	\$ 385,809

#### H. Long-Term Expected Return on Plan Assets

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	
		Policemen's Fund	Firemen's Fund
Domestic fixed income	80.00%	2.25%	2.25%
Domestic equity	10.00%	4.75%	4.75%
Foreign equity	0.00%	6.25%	6.25%
Cash & equivalents	10.00%	0.25%	0.25%
<b>Total</b>	<b>100.00%</b>		

#### I. Discount Rate

A single discount rate of 5.0% was used to measure the total pension liability for both the Policemen's and Firemen's Pension and Relief Funds. This single discount rate was based on the expected rate of return on pension plan investments of 5.0%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### J. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability calculated using the discount rate of 5% for the Policemen's and Firemen's Pension and Relief Funds as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.0%) or one percentage point higher (6.0%) than the current rate:

		1% Decrease (4%)	Current Discount Rate (5%)	1% Increase (6%)
Policemen's Pension and Relief Fund	Net pension liability	\$ 739,185	\$ 178,293	\$ (302,418)
Firemen's Pension and Relief Fund	Net pension liability	\$ 4,181,743	\$ 3,243,739	\$ 2,442,739

### **Cost Sharing Multiple-Employer Defined Benefit Pension Plans**

#### **Arkansas Public Employees Retirement System**

##### **Plan Description and Funding Information**

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.

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. Members are eligible for disability benefits with five years of service. Disability benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost-of-living adjustment of 3% of the current benefit is added each year.

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the cost of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A.24-2-701)(a). 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 year 2015.

Detailed information about APERS's fiduciary net position is available in a separately issued APERS financial report, which may be obtained at <http://www.apers.org/annualreports>.

The City was required to contribute at an actuarially determined rate which was 14.50% of covered payroll for the year ended December 31, 2016. For 2016, participating members' contributions were \$162,135 and the City's contributions were \$685,822.

***Pension Liabilities, Pension Expense, and Deferred Outflows / Inflows of Resources Related to APERS***

As of December 31, 2016, the City reported a liability of \$6,200,353 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability is based on the ratio of the City's actual contributions to the Plan during the measurement period to the total employer contributions to the Plan of the group for the measurement period. On June 30, 2016, the City's proportion was .25928274%, which was a decrease of .00001786% from the prior year.

Pension related items are allocated between governmental and business activities on the basis of total contributions made during the year. The allocation for June 30, 2016 related pension items was 90% for governmental activities and 10% for business activities (Sanitation Services Fund), which was unchanged from the prior year. A deferred outflow and inflow have been recorded for each as shown below.

For the year ended December 31, 2016, the City recognized pension expense of \$914,280. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 5,854	\$ 222,420
Net differences between projected and actual earnings on pension plan investments	1,082,533	-
Changes of assumptions	475,143	-
Changes in proportion	-	25,421
Contributions subsequent to the measurement date	363,655	-
	<u>\$ 1,927,185</u>	<u>\$ 247,841</u>

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$363,655 will be recognized as a reduction of the net pension liability for the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in pension expense as follows:

<b>Year Ending December 31,</b>	
2017	\$ 273,953
2018	230,389
2019	518,559
2020	292,788
	<u>\$ 1,315,689</u>

### **Actuarial Assumptions**

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.95% - 9.85%
Investment rate of return	7.5%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Health Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on the scale BB.

The actuarial assumptions used for the June 30, 2016 valuation were based on the results of an actuarial experience study for the period of July 1, 2007 through June 30, 2012. As a result of the 2012 actuarial experience study, the expectation of life after disability was adjusted in the June 30, 2016 actuarial evaluation to more closely reflect actual experience.

### **Long-term Expected Return on Plan Assets**

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected price inflation. The long-term expected rates of return are shown in the table below:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Broad domestic equity	38.00%	6.82%
International equity	24.00%	6.88%
Real assets	16.00%	3.07%
Absolute return	5.00%	3.35%
Domestic fixed	17.00%	0.83%
<b>Total</b>	<b>100.00%</b>	

### **Discount Rate**

In the June 30, 2016 actuarial valuation, a single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

1% Decrease (6.5%)	Current Single Rate Assumption (7.5%)	1% Increase (8.5%)
\$ 9,385,782	\$ 6,200,353	\$ 3,549,310

***Arkansas Local Police and Fire Retirement System***

***Plan Description and Funding Information***

The ***Arkansas Local Police and Fire Retirement System ("LOPFI")*** is a statewide retirement plan for police officers and firefighters of a political subdivision of the State of Arkansas. It was established under the authority of Act 364 of 1981 and bears a fiduciary obligation to the participants of the system. LOPFI maintains a cost-sharing multiple employer defined pension plan for participants hired by the respective local government unit after January 1, 1983.

LOPFI is established by a 7 member Board of Trustees: 2 trustees who are active members of the system, 1 police officer and 1 firefighter, nominated by their respective employee groups, and appointed by the Governor; 2 employer representatives from governing bodies of the participating political subdivisions and appointed by the Governor from a list submitted by the Arkansas Municipal League; 2 retired members, 1 police officer and 1 firefighter, appointed by the Governor from a list provided by the Joint Committee on Public Retirement and Social Security Programs; and 1 citizen who is neither an employee nor employer of the system appointed by the Governor from a list submitted by the Joint Committee on Public Retirement and Social Security Programs. An Executive Director is appointed by the Board and administers the System in a manner consistent with law and Board policy.

Detailed information about LOPFI's fiduciary net position is available in a separately issued LOPFI financial report, which may be obtained at [www.lopfi-prb.com](http://www.lopfi-prb.com).

The benefit terms for the cost-sharing multiple-employer plan are established in accordance with the provision of the Arkansas Code.

The employee contribution rate depends on the type of service being rendered whether or not the service is also covered by social security. Contribution requirements are set forth in Arkansas statute. LOPFI members were required to contribute 2.5% for participating policemen and 8.5% for participating firemen.

The employer contribution rate is adjusted automatically every year to reflect changes in the composition of the employee group and other factors which affect cost. Contributions are determined on an actuarial basis in order to insure that the individual system employers can honor their benefit commitments to covered employees. The City's contribution rate during 2016 was 22.00% for participating policemen and 20.71% for participating firemen.

Total contributions to the Pension Plans for the year ended December 31, 2016, were \$1,833,696 of which \$1,466,204 was contributed by the City and \$367,492 was contributed by employees. On behalf payments from a state insurance tax of \$321,486 for Policemen and \$ 298,462 for Firemen were received by the City from the Arkansas Local Police and Fire Retirement System.

***Pension Liabilities, Pension Expense, and Deferred Outflows / Inflows of Resources Related to LOPFI***

As of December 31, 2016, the LOPFI Police and LOPFI Fire reported a liability of \$6,507,408 and \$5,924,363, respectively, for their proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the ratio of the City's actual contributions to the Plan during the measurement period to the total employer contributions to the Plan of the group for the measurement period. On December 31, 2016, the City's proportion was 1.03840% and 1.14059% respectively, for LOPFI Police and LOPFI Fire which was a decrease of 0.216389% from the prior year for LOPFI Police and an increase of 0.194194% from the prior year for LOPFI Fire.

For LOPFI Fire, pension related items are allocated between governmental and business activities on the basis of total contributions made during the year. The allocation for December 31, 2016 LOPFI Fire related pension items was 79% for governmental activities and 21% for business activities (Emergency Medical Services Fund), which was unchanged from the prior year. A deferred outflow and inflow have been recorded for each as shown below.

For the year ended December 31, 2016, the LOPFI Police and LOPFI Fire recognized pension expense of \$1,213,192 and \$1,260,696, respectively. On December 31, 2016, the LOPFI Police and LOPFI Fire reported deferred outflows and inflows of resources related to pensions from the following sources:

	LOPFI - Police		LOPFI - Fire	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 226,697	\$ 1,531	\$ 206,386	\$ 1,394
Net difference between projected and actual earnings on plan investments	1,033,321	-	940,739	-
Changes in assumptions	346,797	-	315,725	-
Changes in proportion	-	354,137	196,833	-
Total	<u>\$ 1,606,815</u>	<u>\$ 355,668</u>	<u>\$ 1,659,683</u>	<u>\$ 1,394</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plans will be recognized in pension expense as follows:

Year Ending December 31,	LOPFI - Police	LOPFI - Fire
2017	\$ 413,788	\$ 532,917
2018	413,917	533,033
2019	378,803	493,759
2020	44,639	98,580
	<u>\$ 1,251,147</u>	<u>\$ 1,658,289</u>

***Actuarial Assumptions***

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

## LOPFI – Police and LOPFI – Fire

Actuarial cost method	Entry age normal
Price inflation	2.75%
Wage inflation	3.75%
Salary increases	3.25% - 18.75%, including inflation
Investment rate of return	7.75%, net of pension plan expense, including inflation

Mortality rates were based on the RP-2000 Combined Health Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on the scale AA.

The actuarial assumptions used for the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2008 to December 31, 2011. As a result of the 2011 actuarial experience study, the expectation of life after disability was adjusted in the December 31, 2016 actuarial evaluation to more closely reflect actual experience.

**Long-term Expected Return on Plan Assets**

The long-term expected rate of return on pension plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation as of December 31, 2016, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic fixed income	30.00%	2.97%
International fixed income	6.00%	1.50%
Domestic equity	33.00%	5.88%
Foreign equity	7.00%	6.25%
Index	11.00%	6.73%
Alternative investments	10.00%	6.13%
Cash	3.00%	-0.40%
<b>Total</b>	100.00%	

**Discount Rate**

A single discount rate of 7.75% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Plan assets are expected to be invested using a strategy to achieve the expected rate of return. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the City's proportionate share of the net pension liability using the discount rate of 7.75%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

		1% Decrease (6.75%)	Current Single Rate Assumed (7.75%)	1% Increase (8.75%)
LOPFI - Police	Net pension liability	\$ 10,189,830	\$ 6,507,408	\$ 3,490,809
LOPFI - Fire	Net pension liability	\$ 9,276,850	\$ 5,924,363	\$ 3,178,042

**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 deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. 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. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributed to those amounts, property, or rights are held in trust by a third party for the participants. Accordingly, the City has not presented the assets and liabilities from the plan in these basic financial statements.

**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 post-employment healthcare plan administered by the Arkansas Municipal League. 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 State of Arkansas has the authority to establish and amend the requirements of this statute. 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 five active participants who pay monthly premiums ranging from \$367 for single coverage to \$817 for family coverage.

*Annual OPEB Cost and Net OPEB Obligation:* The City's annual other post-employment benefit (OPEB) expense is calculated based on the annual required contribution (ARC) of the employer, 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 annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 70,595
Interest on net OPEB obligation	22,969
Adjustments to annual required contribution	<u>(27,236)</u>
Annual OPEB cost	66,328
Total annual employer contribution (pay-as-you-go)	<u>(15,552)</u>
Increase in net OPEB obligation	50,776
Net OPEB obligation - beginning of year	<u>417,619</u>
Net OPEB obligation - end of year	<u>\$ 468,395</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	\$ 33,870
Amortization of unfunded obligation	33,045
Interest to end of year	<u>3,680</u>
Annual required contribution (ARC)	<u>\$ 70,595</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three years 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>
12/31/2014	\$ 93,682	55.0%	\$ 368,800
12/31/2015	\$ 66,826	26.9%	\$ 417,619
12/31/2016	\$ 66,328	23.4%	\$ 468,395

*Funded Status and Funding Progress:* As of December 31, 2016, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$377,202, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$377,202. The covered payroll (annual payroll of active employees covered by the plan) was \$10,824,392, and the ratio of the UAAL to the covered payroll was 3.5%.

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 December 31, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 5.5% investment rate of return based on the City's rate of return for investments for 2016, and an annual healthcare cost trend rate of 10% for 2017, and then reduced by decrements of one-half percent annually, an ultimate rate of 5% after nine years. Both rates include a 3.0% inflation adjustment. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period on December 31, 2016, was 30 years.

**Note 9: Interlocal Agreement: Central Arkansas Library System**

The cities of Little Rock, Jacksonville, Maumelle, 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 \$86,355 for operating expenses in 2016. 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 2015 to 2016 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, on December 31, 2016 property taxes receivable and related deferred inflows of resources of \$1,199,890 have been recorded in the governmental funds. In the government-wide statement of net position, property taxes are considered earned at the time levied. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible. The appraised value of taxable property upon which the property tax is levied is determined by the county assessor. The assessor estimates full market value and applies the statutory rate of 20% to arrive at assessed value.

The City is permitted by Arkansas state law to levy taxes up to \$0.50 per \$100 of assessed valuation on real and personal property for general government services, \$0.50 per \$100 of assessed valuation on real and personal property for the payment of principal and interest on long-term debt, \$0.10 per \$100 of assessed valuation on real and personal property for the police pension funds and \$0.10 per \$100 of assessed valuation on real and personal property for the fire pension funds. The combined tax rate levied by the City in 2016 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 \$2,663,045 of additional taxes could be raised per year based on the current year's assessed value of \$218,016,627 for real property and \$77,877,230 for personal property before the limit is reached.

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

<u>Description</u>	<u>Millage Limit</u>	<u>Levied 2015 for 2016 Collections</u>
General purpose	5.00	-
Library capital improvement bonds	5.00	1.00
Firemen's Pension and Relief Fund	1.00	1.00
Policemen's Pension and Relief Fund	1.00	1.00
Roads	1.45	1.45
	<u>13.45</u>	<u>4.45</u>

#### **Note 12: Sales Taxes**

In April 1982, Pulaski County began assessing a 1% sales and use tax on retail sales in the county. Each city within Pulaski County receives a portion of the tax based upon population of the city. Currently the City receives approximately 7.41% of the county tax. The tax is collected by the state and remitted to the City, net of a collection fee. County sales taxes remitted to the City or in control of the collecting agent totaled \$6,042,853 for 2016. These taxes are included in the General Fund's sales tax revenues in the accompanying financial statements.

In March 1993, the City began assessing a 1% sales and use tax on retail sales in the City. Upon approval of the tax by the City's voters, the City rescinded its five (5) mill general property tax assessment. Revenues from the tax are used to fund capital improvements and general municipal services within the City. In November 2003, City voters approved an additional 1% sales and use tax. The City began assessing the tax in January 2004. Revenues from the additional 1% tax are to be used to construct, develop, maintain, and operate a joint education center, an outdoor family aquatics center, a training facility for the Jacksonville Police and Fire Departments, other City capital improvements and for the general operation and improvement of City facilities and services. The tax is collected by the state and remitted to the City, net of a collection fee. Taxes for this purpose remitted to the City or in control of the collecting agent totaled \$7,643,899 for 2016. These taxes are included in the General Fund's sales tax revenues in the accompanying financial statements.

#### **Note 13: Leasing Activities**

Municipal Water Works has entered into agreements to lease space at its water towers for the placement of cellular and mobile communications antennas and related equipment. The terms of the leases are five years, subject to renewal at the end of the term at the option of the lessee. Lease revenue from these agreements in 2016 and 2015 was \$234,355 and \$224,089, respectively. Lease revenue is reported as other income in the financial statements.

Minimum future lease revenue to be received under these lease agreements as of December 31, 2016 is \$239,040 during 2017.

**Note 14: Contingencies**

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

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

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

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

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

**Note 15: Subsequent Event**

In January 2017, the City established an enterprise fund to record the financial transactions and activities of the Arkansas Game and Fish Foundation Shooting Complex. Prior to this, transactions and activities were recorded within the Parks and Recreation Department in the City's General Fund.



# REQUIRED SUPPLEMENTARY INFORMATION

# CITY OF JACKSONVILLE, ARKANSAS

## BUDGETARY COMPARISON SCHEDULE GENERAL FUND YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 545,000	\$ 545,000	\$ 559,359	\$ 14,359
Sales taxes	14,084,806	14,084,806	13,781,154	(303,652)
Licenses and permits	233,400	233,400	226,274	(7,126)
Intergovernmental	1,982,950	1,982,950	2,010,247	27,297
Charges for services	1,136,825	1,136,825	1,097,253	(39,572)
Fines and fees	607,116	607,116	562,916	(44,200)
Utility franchise taxes	1,211,600	1,211,600	1,105,865	(105,735)
Investment income	130	130	5,530	5,400
Contributions	-	-	257,500	257,500
Miscellaneous	993,100	993,100	412,035	(581,065)
Total revenues	20,794,927	20,794,927	20,018,133	(776,794)
<b>Expenditures</b>				
General government				
General administration	393,431	393,431	301,502	91,929
City council	125,033	125,033	124,243	790
Mayor	243,976	243,976	241,815	2,161
City clerk	135,417	135,417	138,612	(3,195)
City attorney	189,527	189,527	163,699	25,828
District court	338,504	338,504	321,586	16,918
Director of administration	108,785	108,785	108,414	371
Director of information technology	226,245	226,245	305,850	(79,605)
Finance	467,517	467,517	461,491	6,026
Human resources	221,230	221,230	209,819	11,411
Fleet services	144,318	144,318	137,210	7,108
Community programs	199,743	199,743	192,807	6,936
Total general government	2,793,726	2,793,726	2,707,048	86,678
Public works				
Public works coordinator	115,380	115,380	119,166	(3,786)
Engineering	298,974	298,974	285,716	13,258
Code enforcement	243,094	243,094	217,662	25,432
Total public works	657,448	657,448	622,544	34,904
Parks and recreation services				
Police	3,082,747	3,082,747	3,403,961	(321,214)
Fire	7,522,200	7,522,200	7,248,704	273,496
Emergency communication services	4,743,822	4,743,822	4,687,792	56,030
Animal control	757,674	757,674	699,037	58,637
Animal control	308,991	308,991	280,536	28,455
Total expenditures	19,866,608	19,866,608	19,649,622	216,986
<b>Excess (Deficiency) of Revenues Over Expenditures</b>				
	928,319	928,319	368,511	(559,808)
<b>Other Financing Sources (Uses)</b>				
Carryover - prior year	249,516	249,516	-	(249,516)
Transfers in	15,000	15,000	12,000	(3,000)
Transfers out	(1,192,835)	(1,192,835)	(1,416,145)	(223,310)
Total other financing sources (uses)	(928,319)	(928,319)	(1,404,145)	(475,826)
<b>Net Change in Fund Balances</b>				
	-	-	(1,035,634)	(1,035,634)
<b>Fund Balances, Beginning of Year</b>				
	1,876,818	1,876,818	1,876,818	-
<b>Fund Balances, End of Year</b>				
	\$ 1,876,818	\$ 1,876,818	\$ 841,184	\$ (1,035,634)

# CITY OF JACKSONVILLE, ARKANSAS

**BUDGETARY COMPARISON SCHEDULE  
STREET FUND  
YEAR ENDED DECEMBER 31, 2016**

---

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Intergovernmental	\$ 2,260,000	\$ 2,260,000	\$ 2,290,116	\$ 30,116
Investment income	1,000	1,000	72,937	71,937
Miscellaneous	40,250	40,250	95,675	55,425
Total revenues	<u>2,301,250</u>	<u>2,301,250</u>	<u>2,458,728</u>	<u>157,478</u>
<b>Expenditures</b>				
Public works				
Streets and drainage	<u>2,301,250</u>	<u>2,301,250</u>	<u>1,752,606</u>	<u>548,644</u>
Total expenditures	<u>2,301,250</u>	<u>2,301,250</u>	<u>1,752,606</u>	<u>548,644</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	-	-	706,122	706,122
<b>Fund Balances, Beginning of Year</b>	<u>1,317,875</u>	<u>1,317,875</u>	<u>1,317,875</u>	-
<b>Fund Balances, End of Year</b>	<u>\$ 1,317,875</u>	<u>\$ 1,317,875</u>	<u>\$ 2,023,997</u>	<u>\$ 706,122</u>

---

# CITY OF JACKSONVILLE, ARKANSAS

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2016

---

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

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

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

# CITY OF JACKSONVILLE, ARKANSAS

## OTHER POST-EMPLOYMENT BENEFIT PLAN - REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS YEAR ENDED DECEMBER 31, 2016

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)-Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage Of Covered Payroll
1/1/2008	\$ -	\$ 767,549	\$ 767,549	0.0%	\$ 8,995,904	8.5%
1/1/2010	-	876,361	876,361	0.0%	9,633,787	9.1%
1/1/2011	-	709,644	709,644	0.0%	10,221,888	6.9%
1/1/2013	-	610,696	610,696	0.0%	10,916,296	5.6%
1/1/2015	-	506,680	506,680	0.0%	10,675,392	4.7%
1/1/2017	-	377,202	377,202	0.0%	10,824,392	3.5%

The required contributions was determined as part of the latest actuarial evaluation using the projected unit credit actuarial cost method. The actuarial assumptions used included (1) 5.5% rate of return on investments, (2) an annual healthcare cost trend rate of 10% initially reduced by decrements to an ultimate rate of 5% after nine years, (3) Retiree pays the entire premium for healthcare coverage which results in a subsidy of \$446 for the retiree. This subsidy was developed from retiree claim costs from other public entities., (4) assumed that 80% of eligible retirees would select health coverage when they initially retired and 0% would continue it past age 65, (5) mortality rates based on the 1994 Uninsured Pensioners Mortality Table, and (6) assumptions for voluntary termination and disability rates are the same as those used by Arkansas Teachers Retirement System.

# CITY OF JACKSONVILLE, ARKANSAS

## DEFINED BENEFIT PENSION PLANS - REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF CHANGES IN PENSION FUND NET PENSION LIABILITY AND RELATED RATIOS YEAR ENDED DECEMBER 31, 2016

### Policemen's Pension and Relief Fund

Fiscal year ending December 31,	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability:</b>			
Service cost	\$ -	\$ -	\$ -
Interest	307,361	330,964	337,775
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(205,160)	(266,517)	66,469
Changes in assumptions	-	-	-
Benefit payments, including refunds of plan member contributions	<u>(532,529)</u>	<u>(540,476)</u>	<u>(540,476)</u>
<b>Net change in total pension liability</b>	(430,328)	(476,029)	(136,232)
<b>Total pension liability, beginning of year</b>	6,413,482	6,889,512	7,025,744
<b>Total pension liability, end of year</b>	<u>\$ 5,983,154</u>	<u>\$ 6,413,483</u>	<u>\$ 6,889,512</u>
<b>Plan fiduciary net position:</b>			
Employer contributions	\$ 341,668	\$ 334,472	\$ 341,169
Plan member contributions	-	-	-
Net investment income	304,119	(140,490)	221,025
Benefit payments, including refunds of plan member contributions	(532,529)	(540,476)	(540,476)
Administrative expense	(6,967)	(7,706)	(6,936)
Other	<u>150</u>	<u>-</u>	<u>-</u>
<b>Net change in plan fiduciary net position</b>	106,441	(354,200)	14,782
<b>Plan fiduciary net position, beginning of year</b>	5,698,420	6,052,620	6,037,838
<b>Plan fiduciary net position, end of year</b>	<u>\$ 5,804,861</u>	<u>\$ 5,698,420</u>	<u>\$ 6,052,620</u>
<b>City's net pension liability, end of year</b>	<u>\$ 178,293</u>	<u>\$ 715,063</u>	<u>\$ 836,892</u>
<b>Plan's fiduciary net position as a percentage of the total pension liability</b>	97.02%	88.85%	87.85%
<b>Covered-employee payroll</b>	-	-	-
<b>Plan's net pension liability as a percentage of covered-employee payroll</b>	N/A	N/A	N/A

**Note to the Schedule:**

A full 10 year schedule will be completed as information is available.

# CITY OF JACKSONVILLE, ARKANSAS

## DEFINED BENEFIT PENSION PLANS - REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF CHANGES IN PENSION FUND NET PENSION LIABILITY AND RELATED RATIOS YEAR ENDED DECEMBER 31, 2016

### Firemen's Pension and Relief Fund

Fiscal year ending December 31,	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability:</b>			
Service cost	\$ -	\$ -	\$ -
Interest	481,908	528,688	533,082
Changes of benefit terms	-	-	-
Difference between expected and actual experience	91,701	(473,629)	294,534
Changes in assumptions	-	-	-
Benefit payments, including refunds of plan member contributions	<u>(1,038,656)</u>	<u>(942,640)</u>	<u>(888,346)</u>
<b>Net change in total pension liability</b>	(465,046)	(887,581)	(60,730)
<b>Total pension liability, beginning of year</b>	<u>10,157,495</u>	<u>11,045,076</u>	<u>11,105,807</u>
<b>Total pension liability, end of year</b>	<u>\$ 9,692,449</u>	<u>\$ 10,157,495</u>	<u>\$ 11,045,076</u>
<b>Plan fiduciary net position:</b>			
Employer contributions	\$ 418,220	\$ 399,410	\$ 395,673
Plan member contributions	2,191	7,017	11,203
Net investment income	176,675	(77,487)	195,297
Benefit payments, including refunds of plan member contributions	(1,038,656)	(942,640)	(888,346)
Administrative expense	(6,448)	(6,425)	(6,265)
Other	<u>-</u>	<u>2,800</u>	<u>6,175</u>
<b>Net change in plan fiduciary net position</b>	(448,017)	(617,325)	(286,262)
<b>Plan fiduciary net position, beginning of year</b>	6,896,727	7,514,052	7,800,314
<b>Plan fiduciary net position, end of year</b>	<u>\$ 6,448,710</u>	<u>\$ 6,896,727</u>	<u>\$ 7,514,052</u>
<b>City's net pension liability, end of year</b>	<u>\$ 3,243,739</u>	<u>\$ 3,260,768</u>	<u>\$ 3,531,024</u>
<b>Plan's fiduciary net position as a percentage of the total pension liability</b>	66.53%	67.90%	68.03%
<b>Covered-employee payroll</b>	-	-	-
<b>Plan's net pension liability as a percentage of covered-employee payroll</b>	N/A	N/A	N/A

**Note to the Schedule:**

A full 10 year schedule will be completed as information is available.

# CITY OF JACKSONVILLE, ARKANSAS

## DEFINED BENEFIT PENSION PLANS - REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF EMPLOYER CONTRIBUTIONS YEAR ENDED DECEMBER 31, 2016

	Year Ended December 31	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Actual Contribution as % of Covered Payroll
Policemen's Pension and Relief Fund	2014	\$ 222,748	\$ 341,169	\$ (118,421)	\$ -	N/A
	2015	188,699	334,472	(145,773)	-	N/A
	2016	161,229	341,668	(180,439)	-	N/A

**Notes to the Schedule:**

A full 10 year schedule will be completed as information is available.

**Key Assumptions for ADC:**

Cost Method	Entry Age Normal
Amortization Method	Level dollar, open
Remaining Amortization	Five Years
Asset Valuation	Market Value of Assets
Investment Return/Discount	5.00%
Mortality	1983 GAM

	Year Ended December 31	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Actual Contribution as % of Covered Payroll
Firemen's Pension and Relief Fund	2014	\$ 745,307	\$ 395,673	\$ 349,634	\$ -	N/A
	2015	796,158	399,410	396,748	-	N/A
	2016	735,223	418,220	317,003	-	N/A

**Notes to the Schedule:**

A full 10 year schedule will be completed as information is available.

**Key Assumptions for ADC:**

Cost Method	Entry Age Normal
Amortization Method	Level dollar, open
Remaining Amortization	Five Years
Asset Valuation	Market Value of Assets
Investment Return/Discount	5.00%
Mortality	1983 GAM

# CITY OF JACKSONVILLE, ARKANSAS

## COST SHARING PENSION PLANS - REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS YEAR ENDED DECEMBER 31, 2016

---

### ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

June 30	2016	2015
City's proportion of the net pension liability	0.2592827%	0.2593006%
City's proportionate share of the net pension liability	\$ 6,200,353	\$ 4,775,626
City's covered-employee payroll	\$ 4,556,439	\$ 4,403,272
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	136.08%	108.46%
Plan fiduciary net position as a percentage of the total pension liability	75.50%	80.39%

**Notes to the Schedule:**

Information in this schedule has been determined as of the measurement date (June 30 of the fiscal year) of the City's net pension liability.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

# CITY OF JACKSONVILLE, ARKANSAS

## COST SHARING PENSION PLANS - REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF EMPLOYER CONTRIBUTIONS YEAR ENDED DECEMBER 31, 2016

---

### ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

December 31	2016	2015
Contractually required contribution	\$ 685,822	\$ 679,053
Contributions related to the contractually required contribution	<u>685,822</u>	<u>679,053</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 4,556,439	\$ 4,403,272
Contributions as a percent of covered-employee payroll	15.05%	15.42%

#### Notes to the Schedule:

Information in this schedule has been determined as of the City's most recent year-end.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

# CITY OF JACKSONVILLE, ARKANSAS

## COST SHARING PENSION PLANS - REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS YEAR ENDED DECEMBER 31, 2016

---

### ARKANSAS LOCAL POLICE AND FIRE RETIREMENT SYSTEM

#### LOPFI - Police

December 31	2016	2015
City's proportion of the net pension liability	1.140590%	1.217420%
City's proportionate share of the net pension liability	\$ 6,507,408	\$ 6,388,710
City's covered-employee payroll	\$ 3,506,494	\$ 3,535,137
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	185.58%	180.72%
Plan fiduciary net position as a percentage of the total pension liability	72.46%	72.41%

#### LOPFI - Fire

December 31	2016	2015
City's proportion of the net pension liability	1.038400%	0.989380%
City's proportionate share of the net pension liability	\$ 5,924,363	\$ 5,192,039
City's covered-employee payroll	\$ 3,369,089	\$ 3,322,435
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	175.84%	156.27%
Plan fiduciary net position as a percentage of the total pension liability	72.46%	72.41%

#### Notes to the Schedule:

Information in this schedule has been determined as of the measurement date (December 31) of the City's net pension liability.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

# CITY OF JACKSONVILLE, ARKANSAS

## COST SHARING PENSION PLANS - REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF EMPLOYER CONTRIBUTIONS YEAR ENDED DECEMBER 31, 2016

### ARKANSAS LOCAL POLICE AND FIRE RETIREMENT SYSTEM

#### LOPFI - Police

December 31	2016	2015
Contractually required contribution	\$ 779,997	\$ 755,994
Contributions related to the contractually required contribution	<u>779,997</u>	<u>755,994</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 3,506,494	\$ 3,535,137
Contribution as a percent of covered payroll	22.24%	21.39%

#### LOPFI - Fire

December 31	2016	2015
Contractually required contribution	\$ 686,207	\$ 614,388
Contributions related to the contractually required contribution	<u>686,207</u>	<u>614,388</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 3,369,089	\$ 3,322,435
Contribution as a percent of covered payroll	20.37%	18.49%

#### Notes to the Schedule:

Information in this schedule has been determined as of the City's most recent year-end.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

# CITY OF JACKSONVILLE, ARKANSAS

## DEFINED BENEFIT PENSION PLANS - REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF INVESTMENT RETURNS YEAR ENDED DECEMBER 31, 2016

---

	<u>Fiscal Year Ending</u>	<u>Annual Money-weighted Rate of Return</u>
Policemen's Pension and Relief Fund	12/31/2014	3.72%
	12/31/2015	(2.36%)
	12/31/2016	5.43%
Firemen's Pension and Relief Fund	12/31/2014	2.58%
	12/31/2015	(1.07%)
	12/31/2016	2.68%

**Note to the Schedule:**

A full 10 year schedule will be completed as information is available.



# NONMAJOR GOVERNMENTAL FUNDS

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

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

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

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

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

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.

**2015 Capital Improvements Debt Service** – The 2015 Capital Improvement and Refunding Bonds were issued for the purpose of rehabilitation of the Central Fire Station, purchase of a new ladder truck and two additional fire trucks, replacement of playground equipment and exercise equipment for parks and recreation, rehabilitation of Splash Zone and refunding short term financing notes. The Series 2015 bonds are limited tax general obligations, payable solely from franchise fees collected from public utilities for the privilege of using the City’s streets’ right-of-way and other public places in the City.

# CITY OF JACKSONVILLE, ARKANSAS

COMBINING BALANCE SHEET  
GOVERNMENTAL FUNDS - NONMAJOR  
DECEMBER 31, 2016

	Special Revenue				Debt Service		Total
	CDBG	HOME	Grants	Asset Forfeiture	2006 Library Debt Service	2015 Capital Improvements Debt Service	
<b>Assets</b>							
Cash	\$ 47,118	\$ 80,312	\$ 14,332	\$ -	\$ -	\$ -	\$ 141,762
Restricted cash	-	-	-	71,841	278,294	357,744	707,879
Accounts receivable	56,260	5,797	1,189	-	293,442	-	356,688
Due from other funds	-	-	-	6,000	-	36,649	42,649
<b>Total Assets</b>	<b>\$ 103,378</b>	<b>\$ 86,109</b>	<b>\$ 15,521</b>	<b>\$ 77,841</b>	<b>\$ 571,736</b>	<b>\$ 394,393</b>	<b>\$ 1,248,978</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 7,779	\$ -	\$ -	\$ 2,243	\$ -	\$ -	\$ 10,022
Due to other funds	17,086	-	1,189	6,000	-	-	24,275
Accrued wages payable	2,214	-	-	-	-	-	2,214
Other liabilities	-	30,717	-	-	-	8,911	39,628
<b>Total liabilities</b>	<b>27,079</b>	<b>30,717</b>	<b>1,189</b>	<b>8,243</b>	<b>-</b>	<b>8,911</b>	<b>76,139</b>
<b>Deferred Inflows of Resources</b>							
Unavailable revenues - property taxes	-	-	-	-	269,642	-	269,642
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>269,642</b>	<b>-</b>	<b>269,642</b>
<b>Fund Balances</b>							
Restricted:							
Debt service	-	-	-	-	302,094	385,482	687,576
Law enforcement activities	-	-	-	69,598	-	-	69,598
Housing and neighborhood programs	76,299	55,392	-	-	-	-	131,691
Grant funds	-	-	14,332	-	-	-	14,332
<b>Total fund balances</b>	<b>76,299</b>	<b>55,392</b>	<b>14,332</b>	<b>69,598</b>	<b>302,094</b>	<b>385,482</b>	<b>903,198</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 103,378</b>	<b>\$ 86,109</b>	<b>\$ 15,521</b>	<b>\$ 77,841</b>	<b>\$ 571,736</b>	<b>\$ 394,393</b>	<b>\$ 1,248,978</b>

# CITY OF JACKSONVILLE, ARKANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS - NONMAJOR  
 YEAR ENDED DECEMBER 31, 2016

	Special Revenue				Debt Service		Total
	CDBG	HOME	Grants	Asset Forfeiture	2006 Library Debt Service	2015 Capital Improvements Debt Service	
<b>Revenues</b>							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 279,693	\$ -	\$ 279,693
Intergovernmental	180,690	-	20,152	47,088	-	-	247,930
Investment income	551	-	24	-	360	469	1,404
Miscellaneous	300	-	-	-	-	-	300
<b>Total revenues</b>	<b>181,541</b>	<b>-</b>	<b>20,176</b>	<b>47,088</b>	<b>280,053</b>	<b>469</b>	<b>529,327</b>
<b>Expenditures</b>							
Police	-	-	20,416	101,118	-	-	121,534
Housing and neighborhood programs	217,093	9,675	-	-	-	-	226,768
Debt service							
Principal	-	-	-	-	225,000	500,000	725,000
Interest	-	-	-	-	48,398	224,136	272,534
Agent Fees	-	-	-	-	5,756	1,088	6,844
<b>Total expenditures</b>	<b>217,093</b>	<b>9,675</b>	<b>20,416</b>	<b>101,118</b>	<b>279,154</b>	<b>725,224</b>	<b>1,352,680</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(35,552)</b>	<b>(9,675)</b>	<b>(240)</b>	<b>(54,030)</b>	<b>899</b>	<b>(724,755)</b>	<b>(823,353)</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	-	-	-	-	981,156	981,156
Transfers out	-	-	-	(12,000)	-	-	(12,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,000)</b>	<b>-</b>	<b>981,156</b>	<b>969,156</b>
<b>Net Change in Fund Balances</b>	<b>(35,552)</b>	<b>(9,675)</b>	<b>(240)</b>	<b>(66,030)</b>	<b>899</b>	<b>256,401</b>	<b>145,803</b>
<b>Fund Balances, Beginning of Year</b>	<b>111,851</b>	<b>65,067</b>	<b>14,572</b>	<b>135,628</b>	<b>301,195</b>	<b>129,081</b>	<b>757,394</b>
<b>Fund Balances, End of Year</b>	<b>\$ 76,299</b>	<b>\$ 55,392</b>	<b>\$ 14,332</b>	<b>\$ 69,598</b>	<b>\$ 302,094</b>	<b>\$ 385,482</b>	<b>\$ 903,198</b>



# FIDUCIARY FUNDS

## Pension Trust Funds

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

## Agency Funds

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

# CITY OF JACKSONVILLE, ARKANSAS

COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 DECEMBER 31, 2016

	<u>Employee Retirement Plans</u>		
	<u>Policemen's Pension And Relief Fund</u>	<u>Firemen's Pension And Relief Fund</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 262,358	\$ 436,708	\$ 699,066
Investments			
U.S. Government obligations	718,146	2,649,217	3,367,363
Corporate bonds	1,514,763	280,164	1,794,927
Corporate stocks	257,417	-	257,417
Mutual funds	3,028,877	3,050,714	6,079,591
Receivables			
Accounts	354	432	786
Due from other funds	23,797	23,798	47,595
Accrued interest	9,007	17,535	26,542
	<u>\$ 5,814,719</u>	<u>\$ 6,458,568</u>	<u>\$ 12,273,287</u>
Total assets			
	<u>\$ 5,814,719</u>	<u>\$ 6,458,568</u>	<u>\$ 12,273,287</u>
<b>Net Position</b>			
Net position restricted for pension benefits	<u>\$ 5,814,719</u>	<u>\$ 6,458,568</u>	<u>\$ 12,273,287</u>

# CITY OF JACKSONVILLE, ARKANSAS

## COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS YEAR ENDED DECEMBER 31, 2016

	<u>Employee Retirement Plans</u>		
	<u>Policemen's Pension And Relief Fund</u>	<u>Firemen's Pension And Relief Fund</u>	<u>Total</u>
<b>Additions</b>			
Contributions			
Employer	\$ 61,856	\$ 1,878	\$ 63,734
Plan members	-	2,191	2,191
Contributed from General Fund			
Property taxes	289,570	289,570	579,140
State insurance turnback and guarantee fund	44,940	195,802	240,742
Total contributions	<u>396,366</u>	<u>489,441</u>	<u>885,807</u>
Investment income			
Net increase in fair value of investments	154,145	284,712	438,857
Interest and dividends	106,192	98,013	204,205
Gain/loss on sale of investments	96,648	(139,185)	(42,537)
Other investment income	101	-	101
	<u>357,086</u>	<u>243,540</u>	<u>600,626</u>
Less investment expense	<u>58,834</u>	<u>71,220</u>	<u>130,054</u>
Net investment income	<u>298,252</u>	<u>172,320</u>	<u>470,572</u>
Total additions	<u>694,618</u>	<u>661,761</u>	<u>1,356,379</u>
<b>Deductions</b>			
Benefits paid directly to participants	577,319	1,098,920	1,676,239
Administrative expenses	1,000	1,000	2,000
Total deductions	<u>578,319</u>	<u>1,099,920</u>	<u>1,678,239</u>
<b>Net Increase (Decrease) in Net Position</b>	116,299	(438,159)	(321,860)
<b>Net Position Restricted for Pension Benefits</b>			
Beginning of Year	<u>5,698,420</u>	<u>6,896,727</u>	<u>12,595,147</u>
<b>Net Position Restricted for Pension Benefits</b>			
End of Year	<u>\$ 5,814,719</u>	<u>\$ 6,458,568</u>	<u>\$ 12,273,287</u>

# CITY OF JACKSONVILLE, ARKANSAS

## COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUNDS YEAR ENDED DECEMBER 31, 2016

	<u>Balance January 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2016</u>
<b><u>District Court Fines and Forfeitures Fund</u></b>				
<b>Assets</b>				
Cash	\$ 84,182	\$ 962,718	\$ 954,665	\$ 92,235
<b>Liabilities</b>				
Other liabilities	\$ 84,182	\$ 962,718	\$ 954,665	\$ 92,235
<b><u>District Court Restitution Fund</u></b>				
<b>Assets</b>				
Cash	\$ 1,739	\$ 6,636	\$ 7,428	\$ 947
<b>Liabilities</b>				
Other Liabilities	\$ 1,739	\$ 6,636	\$ 7,428	\$ 947
<b><u>Total Agency Funds</u></b>				
<b>Assets</b>				
Cash	\$ 85,921	\$ 969,354	\$ 962,093	\$ 93,182
<b>Liabilities</b>				
Other liabilities	85,921	969,354	962,093	93,182
Total Liabilities	\$ 85,921	\$ 969,354	\$ 962,093	\$ 93,182

# DISCRETELY PRESENTED COMPONENT UNITS

# CITY OF JACKSONVILLE, ARKANSAS

## COMBINING STATEMENT OF CASH FLOWS DISCRETELY PRESENTED COMPONENT UNITS YEAR ENDED DECEMBER 31, 2016

	Jacksonville Municipal Water Works	Jacksonville Wastewater Utility	Nonmajor Component Unit Advertising and Promotion Commission	Total
<b>Operating Activities</b>				
Receipts from customers	\$ 6,974,614	\$ 4,746,589	\$ -	\$ 11,721,203
Other receipts	261,825	56,467	-	318,292
Payments to employees	(1,769,523)	(1,931,343)	-	(3,700,866)
Payments to suppliers	(868,800)	(634,271)	(1,000)	(1,504,071)
Payments to service providers	(137,619)	(293,031)	(841,980)	(1,272,630)
Other payments	(2,063,842)	-	-	(2,063,842)
Net cash provided by (used in) operating activities	2,396,655	1,944,411	(842,980)	3,498,086
<b>Noncapital Financing Activities</b>				
Local tax levy supporting operations	-	-	842,774	842,774
<b>Capital and Related Financing Activities</b>				
Purchase of capital assets	(697,025)	(578,143)	-	(1,275,168)
Proceeds from issuance of long-term debt	(694,408)	16,165,938	-	15,471,530
Bond issuance costs	-	(221,281)	-	(221,281)
Principal paid on long-term debt	-	(16,210,000)	-	(16,210,000)
Interest paid on long-term debt	(509,830)	(644,800)	-	(1,154,630)
Net cash provided by (used in) capital and related financing activities	(1,901,263)	(1,488,286)	-	(3,389,549)
<b>Investing Activities</b>				
Proceeds from maturities of cash investments	2,149,133	-	150,752	2,299,885
Purchase of cash investments	(2,154,894)	-	(50,875)	(2,205,769)
Decrease (increase) in restricted cash	(159,437)	-	-	(159,437)
Interest received	9,428	32,520	1,442	43,390
Net cash provided by (used in) investing activities	(155,770)	32,520	101,319	(21,931)
<b>Net Increase in Cash and Cash Equivalents</b>	339,622	488,645	101,113	929,380
<b>Cash and Cash Equivalents, Beginning of Year</b>	6,305,651	7,062,634	194,931	13,563,216
<b>Cash and Cash Equivalents, End of Year</b>	\$ 6,645,273	\$ 7,551,279	\$ 296,045	\$ 14,492,597
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities</b>				
Operating income (loss)	\$ (108,923)	\$ (236,288)	\$ (807,588)	\$ (1,152,799)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation and amortization expense	2,063,577	2,075,069	-	4,138,646
Closure and post-closure care costs	-	102,493	-	102,493
Amortization of deferred expenses	40,790	-	-	40,790
Other income, net	261,825	-	-	261,825
Changes in operating assets and liabilities				
Receivables, net	(88,267)	(110,862)	-	(199,129)
Revenues earned and unbilled	-	(14,578)	-	(14,578)
Prepaid expenses	(144,686)	1,356	-	(143,330)
Inventories	(36,302)	1,246	-	(35,056)
Due to other entities	164,519	-	-	164,519
Accounts payable	95,849	29,629	(35,392)	90,086
Accrued expenses	29,274	(7,091)	-	22,183
Customer deposits	31,132	-	-	31,132
Deferrals related to pensions	85,189	103,437	-	188,626
Other liabilities	2,678	-	-	2,678
Net cash provided by (used in) operating activities	\$ 2,396,655	\$ 1,944,411	\$ (842,980)	\$ 3,498,086
<b>Presented on the Statement of Fund Net Position- Proprietary Funds as Follows:</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 6,645,273	\$ 6,883,123	\$ 296,045	\$ 13,824,441
Restricted for bond requirements-cash and cash equivalents	-	90,921	-	90,921
<b>Noncurrent assets</b>				
Cash and cash equivalents	-	577,235	-	577,235
<b>Total Cash and Cash Equivalents</b>	\$ 6,645,273	\$ 7,551,279	\$ 296,045	\$ 14,492,597

### Supplemental Disclosure of Noncash, Capital and Financing Activities

During 2016, Jacksonville Wastewater Utility accepted utility property constructed by private developers. The fair value of this donated property was \$50,630.



**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.

<b>Contents</b>	<b>Page</b>
<b>Financial Trends (Tables 1-5)</b>	108
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
<b>Revenue Capacity (Tables 6-10)</b>	118
These schedules contain information to help the reader assess the City's most significant local revenue source, the sales tax.	
<b>Debt Capacity (Tables 11-15)</b>	123
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.	
<b>Demographic and Economic Information (Tables 16-17)</b>	130
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
<b>Operating Information (Tables 18-20)</b>	132
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

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

# CITY OF JACKSONVILLE, ARKANSAS

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities				
Net investment in capital assets	\$ 27,879,856	\$ 28,763,585	\$ 32,145,339	\$ 34,751,804
Restricted	10,886,550	5,506,038	4,381,589	2,384,498
Unrestricted (deficit)	14,532,889	16,594,722	15,151,670	13,387,422
Total governmental activities net position	<u>\$ 53,299,294</u>	<u>\$ 50,864,345</u>	<u>\$ 51,678,598</u>	<u>\$ 50,523,724</u>
Business-type activities				
Net investment in capital assets	\$ 805,482	\$ 739,316	\$ 590,355	\$ 469,824
Unrestricted	1,065,041	1,294,837	467,345	238,833
Total business-type activities net position	<u>\$ 1,870,523</u>	<u>\$ 2,034,153</u>	<u>\$ 1,057,700</u>	<u>\$ 708,657</u>
Primary government				
Net investment in capital assets	\$ 28,685,338	\$ 29,502,901	\$ 32,735,694	\$ 35,221,628
Restricted	10,886,550	5,506,038	4,381,589	2,384,498
Unrestricted (deficit)	15,597,930	17,889,559	15,619,015	13,626,255
Total primary government net position	<u>\$ 55,169,818</u>	<u>\$ 52,898,498</u>	<u>\$ 52,736,298</u>	<u>\$ 51,232,381</u>

(1) During 2015, the City adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27", which significantly revises accounting for pension costs and liabilities. The adoption of GASB 68 resulted in a significant decrease of unrestricted net position of the governmental activities.

**Table 1**

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015 (1)</u>	<u>2016</u>
\$ 36,800,745	\$ 41,063,504	\$ 42,058,114	\$ 42,843,428	\$ 43,120,490	\$ 42,125,123
2,052,401	1,798,969	1,184,762	1,831,423	6,086,120	4,161,056
10,824,395	5,937,438	3,544,078	2,694,078	(12,819,219)	(14,319,749)
<u>\$ 49,677,541</u>	<u>\$ 48,799,911</u>	<u>\$ 46,786,954</u>	<u>\$ 47,368,930</u>	<u>\$ 36,387,390</u>	<u>\$ 31,966,430</u>
\$ 653,790	\$ 821,873	\$ 887,393	\$ 989,853	\$ 1,366,575	\$ 1,820,668
825,120	1,107,844	1,479,431	1,673,821	871,967	328,090
<u>\$ 1,478,910</u>	<u>\$ 1,929,717</u>	<u>\$ 2,366,824</u>	<u>\$ 2,663,674</u>	<u>\$ 2,238,542</u>	<u>\$ 2,148,758</u>
\$ 37,454,535	\$ 41,885,377	\$ 42,945,507	\$ 43,833,282	\$ 44,487,065	\$ 43,945,791
2,052,401	1,798,969	1,184,762	1,831,423	6,086,120	4,161,056
11,649,515	7,045,282	5,023,509	4,367,899	(11,947,253)	(13,991,659)
<u>\$ 51,156,451</u>	<u>\$ 50,729,628</u>	<u>\$ 49,153,778</u>	<u>\$ 50,032,604</u>	<u>\$ 38,625,934</u>	<u>\$ 34,115,188</u>

# CITY OF JACKSONVILLE, ARKANSAS

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Expenses</b>				
Governmental activities:				
General administration	\$ 388,618	\$ 5,407,369	\$ 516,564	\$ 1,754,213
City council	109,397	113,241	119,018	115,831
Office of the mayor	172,041	177,483	197,782	231,562
City clerk	126,718	124,092	146,559	144,722
City attorney	128,678	137,970	144,430	184,094
District court	234,382	358,017	312,140	308,593
Director of administration	196,038	290,775	263,454	317,955
Information technology	-	-	-	-
Finance	318,849	366,577	503,902	535,466
Human resources	150,571	198,196	231,641	202,575
Fleet services	128,445	128,695	143,039	176,543
Community programs	144,884	227,567	225,281	14,139
Public works	2,270,571	2,487,309	3,084,831	2,866,092
Parks and recreation services	2,395,010	2,586,954	2,688,917	2,515,033
Police	5,215,852	5,844,669	7,027,162	7,025,994
Fire	4,021,861	4,245,680	3,548,000	4,500,852
Emergency communication services	732,347	826,476	846,094	800,722
Animal control	290,335	301,775	301,371	313,564
Housing and neighborhood programs	592,536	361,111	433,766	543,274
Interest expense on long term debt	119,049	104,386	99,042	92,912
Agent fees on long-term debt	-	-	-	-
Debt issuance costs	-	-	-	-
Total governmental activities expenses	<u>17,843,986</u>	<u>24,400,837</u>	<u>20,832,993</u>	<u>22,644,136</u>
Business-type activities				
Sanitation services	1,489,290	1,574,915	1,579,466	1,629,285
Emergency medical services	775,627	888,257	1,716,980	1,224,188
Total business-type activities expenses	<u>2,264,917</u>	<u>2,463,172</u>	<u>3,296,446</u>	<u>2,853,473</u>
Total primary government expenses	<u>\$ 20,108,903</u>	<u>\$ 26,864,009</u>	<u>\$ 24,129,439</u>	<u>\$ 25,497,609</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General administration	\$ 193,711	\$ 163,211	\$ 143,871	\$ 181,945
District court	264,714	259,415	263,377	307,641
Finance	8,001	8,068	8,068	8,001
Fleet services	27,410	27,161	75,221	73,845
Public works	71,392	67,097	66,674	105,706
Parks and recreation services	610,718	581,325	651,836	732,000
Police	281,212	273,923	277,110	362,790
Fire	3,500	5,771	4,418	2,912
Emergency communication services	152,357	169,641	187,703	225,154
Animal control	27,593	35,629	32,715	32,350
Housing and neighborhood programs	2,408	1,931	2,065	17,007
Operating grants and contributions	3,920,326	3,839,457	3,684,503	3,916,198
Capital grants and contributions	-	317,671	512,854	419,836
Total governmental activities program revenues	<u>5,563,342</u>	<u>5,750,300</u>	<u>5,910,415</u>	<u>6,385,386</u>
Business-type activities				
Sanitation services	1,246,743	1,290,468	1,255,037	1,277,118
Emergency medical services	598,883	665,113	645,163	709,812
Operating grants and contributions	12,000	12,000	12,000	12,000
Capital grants and contributions	-	93,676	-	-
Total business-type activities program revenues	<u>1,857,626</u>	<u>2,061,257</u>	<u>1,912,200</u>	<u>1,998,930</u>
Total primary government program revenues	<u>\$ 7,420,968</u>	<u>\$ 7,811,557</u>	<u>\$ 7,822,615</u>	<u>\$ 8,384,316</u>

(1) During 2015, the City adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27", which significantly revises accounting for pension costs and liabilities. The adoption of GASB 68 resulted in a significant decrease of unrestricted net position of the governmental activities.

Table 2

	2011	2012	2013	2014	2015 (1)	2016
\$	389,238	\$ 454,301	\$ 614,247	\$ 538,999	\$ 569,284	\$ 556,838
	120,634	112,915	143,817	129,174	137,959	127,096
	230,970	240,152	245,782	239,117	242,586	268,762
	212,357	143,434	140,796	137,910	133,400	156,334
	180,478	190,970	192,214	177,245	175,033	169,206
	303,536	336,932	342,963	340,907	339,984	363,278
	125,806	112,868	114,376	114,063	108,044	129,570
	177,839	216,749	241,131	233,713	215,326	344,072
	478,674	659,988	541,303	470,372	468,408	523,413
	245,038	228,913	236,759	227,865	223,741	234,627
	186,396	165,871	144,176	151,582	142,922	155,398
	173,030	198,400	94,705	193,128	156,941	410,863
	2,585,034	2,872,093	3,605,742	2,247,748	2,832,455	2,987,291
	2,602,790	2,748,589	2,953,709	3,381,026	3,547,411	4,109,087
	8,510,214	7,782,731	7,928,822	7,507,452	7,129,333	9,125,283
	3,998,521	4,882,380	4,840,219	4,498,167	3,985,677	5,744,534
	563,861	894,851	962,308	1,035,881	980,293	1,103,149
	308,039	306,344	320,102	318,606	296,316	329,470
	273,097	365,162	588,290	239,470	200,669	240,454
	102,070	79,563	154,499	224,750	209,386	262,728
	-	-	-	-	33,833	6,844
	-	-	-	-	145,014	-
	<u>21,767,622</u>	<u>22,993,206</u>	<u>24,405,960</u>	<u>22,407,174</u>	<u>22,274,017</u>	<u>27,348,297</u>
	1,628,388	1,531,003	1,585,114	1,522,422	1,459,139	1,516,551
	1,094,031	1,460,366	1,615,704	1,876,427	2,005,367	2,472,158
	<u>2,722,419</u>	<u>2,991,369</u>	<u>3,200,818</u>	<u>3,398,849</u>	<u>3,464,506</u>	<u>3,988,709</u>
\$	<u>24,490,041</u>	<u>25,984,575</u>	<u>27,606,778</u>	<u>25,806,023</u>	<u>25,738,523</u>	<u>31,337,006</u>
\$	162,959	\$ 178,388	\$ 156,458	\$ 183,919	365,550	259,848
	311,855	730,677	766,291	812,509	561,363	533,596
	8,026	8,001	20,001	20,001	29,001	28,001
	51,060	37,225	28,368	22,950	35,338	33,602
	67,005	73,871	79,073	87,505	118,729	178,305
	672,790	751,295	797,053	980,103	1,024,897	1,037,505
	363,469	59,193	33,670	25,464	92,562	46,142
	2,512	800	822	1,968	600	616
	205,394	-	212,769	221,994	221,144	224,805
	24,420	20,865	19,365	24,415	18,770	10,508
	535	1,036	486	67,693	53,217	300
	3,731,153	4,236,786	4,428,410	4,598,762	4,145,981	4,413,390
	709,285	1,013,992	685,232	211,790	933,951	259,177
	<u>6,310,463</u>	<u>7,112,129</u>	<u>7,227,997</u>	<u>7,259,074</u>	<u>7,601,103</u>	<u>7,025,795</u>
	1,812,390	1,816,769	1,908,726	1,847,490	1,881,351	1,825,540
	1,009,118	1,062,331	1,132,011	1,387,624	1,550,301	1,579,660
	13,500	13,000	6,500	-	12,460	11,947
	305,495	59,196	-	-	-	-
	<u>3,140,503</u>	<u>2,951,296</u>	<u>3,047,237</u>	<u>3,235,114</u>	<u>3,444,112</u>	<u>3,417,147</u>
\$	<u>9,450,966</u>	<u>10,063,425</u>	<u>10,275,234</u>	<u>10,494,188</u>	<u>11,045,215</u>	<u>10,442,942</u>

(continued)

## CITY OF JACKSONVILLE, ARKANSAS

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Net (expense)/revenue</b>				
Governmental activities	\$ (12,280,643)	\$ (18,650,537)	\$ (14,922,578)	\$ (16,258,750)
Business-type activities	(407,291)	(401,915)	(1,384,246)	(854,543)
Total primary government net expense	<u>\$ (12,687,933)</u>	<u>\$ (19,052,452)</u>	<u>\$ (16,306,824)</u>	<u>\$ (17,113,294)</u>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Taxes				
General property taxes	\$ 602,363	\$ 755,482	\$ 711,289	\$ 768,342
Sales taxes	13,128,674	13,660,175	13,170,622	13,157,342
Utility franchise taxes	1,053,657	1,144,223	1,131,386	1,097,960
Investment earnings	1,038,961	648,896	247,304	79,823
Grants and contributions not restricted to specific programs	722,811	516,721	511,033	491,200
Other	13,600	41,316	365,197	9,209
Transfers	(294,231)	(551,226)	(400,000)	(500,000)
Total governmental activities	<u>16,265,834</u>	<u>16,215,587</u>	<u>15,736,831</u>	<u>15,103,876</u>
Business-type activities:				
Investment earnings	36,551	14,319	7,793	5,500
Grants and contributions not restricted	-	-	-	-
Gain on sale of capital assets	-	-	-	-
Transfers	294,231	551,226	400,000	500,000
Total business-type activities	<u>330,782</u>	<u>565,545</u>	<u>407,793</u>	<u>505,500</u>
Total primary government	<u>\$ 16,596,616</u>	<u>\$ 16,781,132</u>	<u>\$ 16,144,624</u>	<u>\$ 15,609,376</u>
<b>Changes in Net Position</b>				
Governmental activities	\$ 3,985,191	\$ (2,434,950)	\$ 814,253	\$ (1,154,874)
Business-type activities	(76,509)	163,630	(976,453)	(349,043)
Change in accounting principle	-	-	-	-
Total primary government	<u>\$ 3,908,683</u>	<u>\$ (2,271,320)</u>	<u>\$ (162,200)</u>	<u>\$ (1,503,918)</u>

Table 2

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015 (1)</u>	<u>2016</u>
\$ (15,457,159)	\$ (15,881,077)	\$ (17,177,963)	\$ (15,148,100)	\$ (14,672,914)	\$ (20,322,502)
418,084	(40,073)	(153,581)	(163,735)	(20,394)	(571,562)
<u>\$ (15,039,075)</u>	<u>\$ (15,921,150)</u>	<u>\$ (17,331,544)</u>	<u>\$ (15,311,835)</u>	<u>\$ (14,693,308)</u>	<u>\$ (20,894,064)</u>
\$ 777,265	\$ 784,180	\$ 826,033	\$ 838,864	\$ 845,840	\$ 871,178
12,612,511	13,138,610	13,164,041	13,406,409	13,798,792	13,781,154
1,057,234	1,031,798	1,292,667	1,137,932	1,262,049	1,105,865
38,014	21,136	7,026	5,059	15,644	89,570
459,187	459,957	433,463	470,303	454,419	451,246
9,265	10,263	31,775	331,187	(69,038)	37,520
(342,500)	(442,496)	(590,000)	(459,677)	(425,000)	(434,989)
<u>14,610,976</u>	<u>15,003,448</u>	<u>15,165,005</u>	<u>15,730,077</u>	<u>15,882,706</u>	<u>15,901,544</u>
(17,890)	504	688	908	993	1,539
27,559	47,881	-	-	-	-
-	-	-	-	74,831	45,250
<u>342,500</u>	<u>442,496</u>	<u>590,000</u>	<u>459,677</u>	<u>425,000</u>	<u>434,989</u>
<u>352,169</u>	<u>490,880</u>	<u>590,688</u>	<u>460,585</u>	<u>500,825</u>	<u>481,778</u>
<u>\$ 14,963,144</u>	<u>\$ 15,494,328</u>	<u>\$ 15,755,693</u>	<u>\$ 16,190,662</u>	<u>\$ 16,383,531</u>	<u>\$ 16,383,322</u>
\$ (846,183)	\$ (877,629)	\$ (2,012,958)	\$ 581,977	\$ 1,209,792	\$ (4,420,959)
770,253	450,807	437,107	296,850	480,431	(89,784)
-	-	-	-	(13,096,892)	-
<u>\$ (75,930)</u>	<u>\$ (426,822)</u>	<u>\$ (1,575,851)</u>	<u>\$ 878,827</u>	<u>\$ (11,406,669)</u>	<u>\$ (4,510,742)</u>

# CITY OF JACKSONVILLE, ARKANSAS

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

Table 3

Year	General Property Taxes	Sales Taxes				Total Sales Taxes	Utility Franchise Taxes	Total
		City	Pulaski County	Alcoholic Beverage				
2007	\$ 602,363	\$ 6,880,728	\$ 6,230,644	\$ 17,302	\$ 13,128,674	\$ 1,053,657	\$ 14,784,694	
2008	755,482	7,225,987	6,414,770	20,986	13,661,743	1,144,223	15,561,448	
2009	711,289	7,024,714	6,124,922	20,986	13,170,622	1,131,386	15,013,297	
2010	768,342	6,932,962	6,205,568	18,812	13,157,342	1,097,960	15,023,644	
2011	777,265	6,923,047	5,655,813	33,651	12,612,511	1,057,234	14,447,010	
2012	784,180	7,338,792	5,747,451	52,368	13,138,610	1,031,799	14,954,589	
2013	826,033	7,337,421	5,777,520	49,100	13,164,041	1,292,667	15,282,741	
2014	838,864	7,448,713	5,852,314	105,382	13,406,409	1,137,932	15,383,205	
2015	845,840	7,646,395	6,071,374	81,023	13,798,792	1,262,049	15,906,681	
2016	871,178	7,643,899	6,042,853	94,402	13,781,154	1,105,865	15,758,197	
Change 2007-2016	44.6%	11.1%	-3.0%	445.6%	5.0%	5.0%	6.6%	

# CITY OF JACKSONVILLE, ARKANSAS

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

Table 4

Pre-GASB 54						
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>		
General Fund						
Reserved	\$ 154,169	\$ 347,968	\$ 68,304	\$ 159,341		
Unreserved	3,518,573	3,204,746	3,503,551	3,297,028		
Total general fund	<u>\$ 3,672,742</u>	<u>\$ 3,552,714</u>	<u>\$ 3,571,855</u>	<u>\$ 3,456,369</u>		
All Other Governmental Funds						
Reserved, reported in:						
Debt Service	\$ 280,218	\$ 673,128	\$ 317,300	\$ 254,508		
Special Revenue Funds	18,939,113	12,779,928	11,078,199	8,928,627		
Unreserved, reported in:						
Special revenue funds	3,172,466	3,857,435	3,572,054	2,995,731		
Total all other governmental funds	<u>\$ 22,391,797</u>	<u>\$ 17,310,491</u>	<u>\$ 14,967,553</u>	<u>\$ 12,178,866</u>		
Post-GASB 54						
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund						
Nonspendable	\$ -	\$ -	\$ -	\$ 49,285	\$ 35,247	\$ 29,034
Restricted	536,440	537,495	123,382	8,158	8,158	-
Committed	5,265	5,943	7,039	2,654	3,301	5,948
Assigned	1,070,000	-	-	-	-	-
Unassigned	3,792,850	4,095,873	3,089,430	2,375,306	1,830,111	806,202
Total general fund	<u>\$ 5,404,555</u>	<u>\$ 4,639,311</u>	<u>\$ 3,219,851</u>	<u>\$ 2,435,403</u>	<u>\$ 1,876,818</u>	<u>\$ 841,184</u>
All Other Governmental Funds						
Restricted	\$ 1,515,961	\$ 1,261,474	\$ 1,061,380	\$ 1,823,265	\$ 6,077,962	\$ 4,161,056
Assigned	6,180,291	2,733,641	1,809,841	1,597,837	1,617,645	1,603,548
Total all other governmental funds	<u>\$ 7,696,252</u>	<u>\$ 3,995,115</u>	<u>\$ 2,871,221</u>	<u>\$ 3,421,102</u>	<u>\$ 7,695,606</u>	<u>\$ 5,764,604</u>

In 2011 the City implemented GASB 54 which changed the fund balance classification types. Prior to 2011 fund balance was either reserved or unreserved. With the implementation of GASB 54 there are now 5 fund balance classifications: nonspendable, restricted, committed, assigned and unassigned. See Note 1 in the Notes to the Basic Financial Statements for more discussion on these classifications.

# CITY OF JACKSONVILLE, ARKANSAS

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Revenues</b>				
Property taxes	\$ 656,126	\$ 693,921	\$ 717,792	\$ 723,754
Sales taxes	13,128,674	13,660,175	13,170,622	13,157,342
Licenses and permits	172,131	145,131	130,663	153,264
Intergovernmental	4,548,611	4,312,524	4,102,067	4,305,841
Charges for services	798,949	791,385	919,286	1,026,128
Fines and fees	559,050	554,482	561,429	651,231
Utility franchise taxes	1,053,657	1,144,223	1,131,386	1,097,960
Investment income	1,038,961	648,896	247,304	79,823
Contributions	50,000	-	-	-
Miscellaneous	181,318	517,635	673,468	343,931
<b>Total revenues</b>	<b>22,187,476</b>	<b>22,468,372</b>	<b>21,654,016</b>	<b>21,539,274</b>
<b>Expenditures</b>				
General government	3,060,618	10,320,417	3,792,768	3,265,843
Public works	2,415,159	2,541,105	2,790,533	3,259,890
Parks and recreation services	2,167,701	2,407,242	3,087,495	2,568,025
Police	5,434,385	5,933,565	7,578,930	7,920,716
Fire	4,036,326	4,309,227	4,637,438	5,177,419
Emergency communication services	841,219	688,307	749,533	672,701
Animal control	291,596	287,466	285,653	299,631
Housing and neighborhood programs	591,193	369,029	429,597	539,016
Debt Service				
Principal	-	155,000	125,000	145,000
Interest	152,517	106,522	100,616	94,956
Agent fees	-	600	250	250
Issuance costs	-	-	-	-
<b>Total expenditures</b>	<b>18,990,713</b>	<b>27,118,480</b>	<b>23,577,813</b>	<b>23,943,447</b>
<b>Excess (Deficiency) of revenues over (under) expenditures</b>	<b>3,196,763</b>	<b>(4,650,108)</b>	<b>(1,923,797)</b>	<b>(2,404,173)</b>
<b>Other Financing Sources (Uses)</b>				
Bonds issued	-	-	-	-
Proceeds from other long-term debt	-	-	-	-
Capital lease	-	-	-	-
Transfers in	16,041,110	13,317,337	14,053,286	14,209,326
Transfers out	(16,335,341)	(13,868,563)	(14,453,286)	(14,709,326)
<b>Total other financing sources (uses)</b>	<b>(294,231)</b>	<b>(551,226)</b>	<b>(400,000)</b>	<b>(500,000)</b>
<b>Net change in fund balances</b>	<b>\$ 2,902,531</b>	<b>\$ (5,201,335)</b>	<b>\$ (2,323,798)</b>	<b>\$ (2,904,173)</b>
Debt service as a percentage of noncapital expenditures	0.9%	1.1%	1.2%	1.2%

Table 5

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$	762,221	\$ 779,861	\$ 782,292	\$ 802,438	\$ 833,835	\$ 839,052
	12,612,511	13,138,610	13,164,041	13,406,409	13,798,792	13,781,154
	122,289	160,514	123,447	133,586	136,274	226,274
	4,053,971	5,310,202	4,674,667	4,729,464	4,575,835	4,847,747
	924,618	1,056,207	1,081,303	1,119,187	1,150,933	1,097,253
	651,271	791,192	798,456	840,609	651,626	562,916
	1,057,234	1,031,798	1,292,667	1,137,932	1,262,049	1,105,865
	38,014	21,136	7,026	5,059	15,644	89,570
	-	-	150,000	-	772,000	257,500
	818,963	227,747	917,159	932,527	665,312	548,794
	21,041,092	22,517,267	22,991,058	23,107,211	23,862,300	23,356,125
	2,794,399	3,600,208	3,491,811	2,906,919	2,708,248	2,781,035
	4,137,281	3,070,904	3,021,075	2,528,778	2,802,715	2,375,150
	2,332,786	3,694,975	5,514,730	3,025,248	3,292,345	3,936,111
	7,675,658	11,533,317	8,096,659	7,149,003	7,347,242	7,370,238
	4,716,182	4,403,817	4,486,226	4,324,497	4,472,701	7,214,517
	755,149	4,858,959	878,086	714,945	675,758	699,037
	295,563	298,166	322,848	305,998	287,637	280,536
	286,307	371,863	559,482	238,824	202,067	226,768
	135,000	155,000	1,422,435	1,803,468	6,389,707	725,000
	104,094	81,468	157,622	227,594	215,760	272,534
	600	700	600	600	33,833	6,844
	-	-	-	-	145,014	-
	23,233,019	32,069,377	27,951,574	23,225,874	28,573,027	25,887,770
	(2,191,927)	(9,552,110)	(4,960,516)	(118,663)	(4,710,727)	(2,531,645)
	-	-	-	-	8,851,649	-
	-	3,011,700	3,157,161	344,335	-	-
	-	2,516,526	-	-	-	-
	836,647	6,004	577,890	554,150	150,000	993,156
	(1,179,147)	(448,500)	(1,167,890)	(1,013,827)	(575,000)	(1,428,145)
	(342,500)	5,085,730	2,567,161	(115,342)	8,426,649	(434,989)
\$	(2,534,427)	\$ (4,466,380)	\$ (2,393,355)	\$ (234,005)	\$ 3,715,922	\$ (2,966,634)
	1.3%	1.2%	7.3%	10.7%	34.0%	4.4%

# CITY OF JACKSONVILLE, ARKANSAS

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

Table 6

Year	General Property Taxes	Sales Taxes			Total Sales Taxes	Utility Franchise Taxes	Total
		City	Pulaski County	Alcoholic Beverage			
2007	\$ 656,126	\$ 6,880,728	\$ 6,230,644	\$ 17,302	\$ 13,128,674	\$ 1,053,657	\$ 14,838,457
2008	693,921	7,225,987	6,414,770	20,986	13,661,743	1,144,223	15,499,887
2009	717,792	7,024,714	6,124,922	20,986	13,170,622	1,131,386	15,019,800
2010	723,754	6,932,962	6,205,568	18,812	13,157,342	1,097,960	14,979,056
2011	762,221	6,923,047	5,655,813	33,651	12,612,511	1,057,234	14,431,966
2012	779,861	7,338,792	5,747,451	52,368	13,138,610	1,031,799	14,950,270
2013	782,292	7,337,421	5,777,520	49,100	13,164,041	1,292,667	15,239,000
2014	802,438	7,448,713	5,852,314	105,382	13,406,409	1,137,932	15,346,779
2015	833,835	7,646,395	6,071,374	81,023	13,798,792	1,262,049	15,894,676
2016	839,052	7,643,899	6,042,853	94,402	13,781,154	1,105,865	15,726,071
Change 2007-2016	27.9%	11.1%	-3.0%	445.6%	5.0%	5.0%	6.0%

# CITY OF JACKSONVILLE, ARKANSAS

## ASSESSED AND APPRAISED VALUE OF TAXABLE PROPERTY LAST TEN YEARS

Table 7

Year	Regular Property		Utility Property		Total Taxable Assessed Value	Total Direct Tax Rate	Total Appraised Value	Assessed Value as a Percentage of Appraised Value
	Real	Personal	Real	Personal				
2007	\$ 177,401,623	\$ 53,305,741	\$ -	\$ 14,701,630	\$ 245,408,994	3.0	\$ 1,227,044,970	20%
2008	187,275,219	55,503,120	-	15,951,595	258,729,934	3.0	1,293,649,670	20%
2009	193,088,831	49,438,185	-	16,040,341	258,567,357	3.0	1,292,836,785	20%
2010	202,266,211	49,397,720	-	16,140,540	267,804,471	3.0	1,339,022,355	20%
2011	204,232,215	51,272,975	-	16,919,055	272,424,245	3.0	1,362,121,225	20%
2012	202,646,506	53,595,970	-	17,026,315	273,268,791	3.0	1,366,343,955	20%
2013	208,233,348	55,876,090	-	17,583,900	281,693,338	3.0	1,408,466,690	20%
2014	211,849,225	58,290,985	-	19,517,835	289,658,045	3.0	1,448,290,225	20%
2015	214,553,993	57,134,325	-	20,250,790	291,939,108	3.0	1,459,695,540	20%
2016	218,016,627	60,054,250	-	17,822,980	295,893,857	3.0	1,479,469,285	20%

Source: Pulaski County Tax Assessor.

Note: Tax rates are per \$1,000 of assessed value.

Note: Tax collections shown do not include Act 9 Real Estate Valuations.

Note: The Arkansas Public Service Commission has combined the personal and real estate public service accounts. Both are considered personal PSC accounts

# CITY OF JACKSONVILLE, ARKANSAS

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

Table 8

### Local Tax Rates Per \$1,000 Assessed Value

Year	Jacksonville		Pulaski County		Pulaski County Special School District		Jacksonville North Pulaski School District		Totals	
	Real	Personal	Real	Personal	Real	Personal	Real	Personal	Real	Personal
2007	\$ 3.00	\$ 3.00	\$ 10.10	\$ 10.10	\$ 40.70	\$ 40.70	\$ -	\$ -	\$ 50.80	\$ 50.80
2008	3.00	3.00	10.10	10.10	40.70	40.70	-	-	50.80	50.80
2009	3.00	3.00	10.10	10.10	40.70	40.70	-	-	50.80	50.80
2010	3.00	3.00	10.10	10.10	40.70	40.70	-	-	50.80	50.80
2011	3.00	3.00	10.10	10.10	40.70	40.70	-	-	50.80	50.80
2012	3.00	3.00	10.10	10.10	40.70	40.70	-	-	50.80	50.80
2013	3.00	3.00	10.10	10.10	40.70	40.70	-	-	50.80	50.80
2014	3.00	3.00	10.10	10.10	40.70	40.70	-	-	50.80	50.80
2015	3.00	3.00	10.10	10.10	40.70	(1) 40.70	-	-	50.80	50.80
2016	3.00	3.00	10.10	10.10	-	(1) -	(2) 40.70	40.70	50.80	50.80

### Tax Levies

2007	\$	1,092,143	\$	42,554,360	\$	81,998,888	-	\$	125,645,391
2008		1,151,423		45,743,106		88,873,909	-		135,768,438
2009		1,150,690		46,344,553		91,537,250	-		139,032,493
2010		1,191,800		46,915,434		93,963,825	-		142,071,059
2011		1,212,353		48,464,111		98,195,347	-		147,871,810
2012		1,216,108		49,084,104		100,584,377	-		150,884,589
2013		1,253,591		50,553,806		105,004,294	-		156,811,691
2014		1,289,033		52,080,512		109,264,864	-		162,634,409
2015		1,299,180		53,185,616		14,858,236 (1)	-		69,343,032
2016		1,316,778		55,175,845		- (2)	18,017,117 (2)		74,509,740

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.

Note (1): In 2015 a new school district was established, the Jacksonville North Pulaski School District, and 2015 tax rates and levies reflect amounts for the new school district.

Note (2): In July 2016 the new Jacksonville North Pulaski School District opened for classes.

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

State statutory limits on City tax rate:

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

# CITY OF JACKSONVILLE, ARKANSAS

PRINCIPAL SALES TAXPAYERS  
DECEMBER 31, 2016

Table 9

The City of Jacksonville, Arkansas' 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 2016, the two cent city sales tax generated revenue of \$7,643,899.

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

NAICS Economic Sector	Description	2016			2007				
		Taxable Sales	City Sales Tax Collected	Rank	Percentage of Total City Sales Tax	Taxable Sales	City Sales Tax Collected	Rank	Percentage of Total City Sales Tax
44-45	Retail Trade	\$ 209,633,228	\$4,192,665	1	#DIV/0!	\$ 174,278,550	\$3,485,571	1	50.7%
72	Accommodations and Food Services	38,713,999	774,280	2	#DIV/0!	31,554,900	631,098	2	9.2%
42	Wholesale Trade	20,610,843	412,217	3	#DIV/0!	13,965,600	279,312	5	4.1%
51	Information and Cultural Industries	17,537,891	350,758	4	#DIV/0!	18,123,350	362,467	4	5.3%
22	Utilities	11,838,475	236,770	5	#DIV/0!	18,544,400	370,888	3	5.4%
56	Admin & Support & Waste Mngmt & Remediation Services	10,970,677	219,414	6	#DIV/0!	3,477,300	69,546	8	1.0%
	Automobile	1 8,672,335	173,447	7	#DIV/0!	n/a	n/a	1	
53	Rental, Leasing and Real Estate	8,520,542	170,411	8	#DIV/0!	4,910,850	98,217	6	1.4%
81	Other Services (except Public Administration)	8,296,180	165,924	9	#DIV/0!	2,779,050	55,581	9	0.8%
31-33	Manufacturing	6,093,439	121,869	10	#DIV/0!	3,852,400	77,048	7	1.1%
Totals		<u>\$ 334,794,168</u>	<u>\$6,817,752</u>		<u>#DIV/0!</u>	<u>\$ 271,486,400</u>	<u>\$5,429,728</u>		<u>78.9%</u>

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

<sup>1</sup> Beginning in 2014, DFA started to include Automobile and Other Unidentified Receipts without the NAICS code.

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

# CITY OF JACKSONVILLE, ARKANSAS

## PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN YEARS

Table 10

Year	Total Tax Levy in Prior Year	Taxes Levied in the Prior Year Collected within the current year		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	\$ 1,010,344	\$ 841,592	83.30%	\$ 97,603	\$ 939,195	92.96%
2008	1,092,143	925,936	84.78%	72,011	997,947	91.38%
2009	1,151,423	976,709	84.83%	69,858	1,046,567	90.89%
2010	1,150,690	983,175	85.44%	73,819	1,056,994	91.86%
2011	1,191,800	1,019,875	85.57%	86,730	1,106,605	92.85%
2012	1,212,353	1,049,855	86.60%	102,969	1,152,824	95.09%
2013	1,216,108	1,056,117	86.84%	89,448	1,145,565	94.20%
2014	1,253,591	1,101,934	87.90%	90,277	1,192,211	95.10%
2015	1,289,033	1,124,222	87.21%	88,624	1,212,846	94.09%
2016	1,299,180	1,120,679	86.26%	83,517	1,204,196	92.69%

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

# CITY OF JACKSONVILLE, ARKANSAS

## RATIOS OF OUTSTANDING DEBT BY TYPE LAST TEN YEARS

Table 11

Year	Governmental Activities				Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Revenue Bonds	Notes Payable	Capital Lease	Notes Payable				
2007	\$2,500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,500,000	0.27%	\$ 81.90
2008	2,345,000	-	-	-	-	-	2,345,000	0.40%	119.26
2009	2,220,000	-	-	-	-	-	2,220,000	0.37%	111.57
2010	2,075,000	-	-	-	-	-	2,075,000	0.37%	103.86
2011	1,940,000	-	-	-	1,294,514	3,234,514	3,234,514	0.56%	157.44
2012	1,785,000	-	3,011,700	2,516,526	1,037,081	8,350,307	8,350,307	1.39%	394.68
2013	1,579,017	-	5,038,839	2,429,113	771,818	9,818,787	9,818,787	1.70%	482.35
2014	1,404,381	-	4,104,899	2,075,153	475,337	8,059,770	8,059,770	1.40%	395.94
2015	1,194,520	8,849,418	-	74,958	216,842	1,486,320	1,486,320	0.26%	72.57
2016	970,126	8,343,237	-	54,958	-	9,368,322	9,368,322	1.68%	477.37

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

- (1) See the Schedule of Demographic and Economic Statistics for the personal income and population data.
- (2) In 2015, the City issued \$8,815,000 of Capital Improvement and Refunding Revenue Bonds to renovate the Central Fire Station and Splash Zone (City Water Park), to purchase three new fire trucks, to replace playground and exercise equipment, to construct a roundabout at General Samuels and Harris Roads and to refund the City's outstanding short-term loans.

# CITY OF JACKSONVILLE, ARKANSAS

## RATIO OF GENERAL BONDED DEBT OUTSTANDING LAST TEN YEARS

Table 12

Year	Population	Assessed Value	Net Bonded Debt	Ratio of Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2007	29,916	\$ 245,408,994	\$ 2,093,224	0.85%	\$ 69.97
2008	29,916	258,729,934	1,960,001	0.76%	65.52
2009	29,916	258,567,357	1,817,691	0.70%	60.76
2010	28,364	267,804,471	1,672,256	0.62%	58.96
2011	28,364	272,424,245	7,014,419	2.57%	247.30
2012	28,364	273,268,791	7,311,637	2.68%	257.78
2013	28,364	281,693,338	9,046,969	3.21%	318.96
2014	28,364	289,658,045	7,584,433	2.62%	267.40
2015	28,364	291,939,108	10,078,357 (1)	3.45%	355.32
2016	28,364	295,893,857	9,313,363	3.15%	328.35

(1) In 2015, the City issued \$8,815,000 of Capital Improvement and Refunding Revenue Bonds to renovate the Central Fire Station and Splash Zone (City Water Park), to purchase three new fire trucks, to replace playground and exercise equipment, to construct a roundabout at General Samuels and Harris Roads and to refund the City's outstanding short-term loans.

# CITY OF JACKSONVILLE, ARKANSAS

## DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT DECEMBER 31, 2016

Table 13

	<b>Debt Available for Retirement</b>	<b>Percentage Applicable</b>	<b>City's Share of Overlapping Debt</b>
Direct:			
City of Jacksonville	\$ 9,368,322	100%	\$ 9,368,322
Overlapping:			
Jacksonville North Pulaski School District	<u>15,365,000</u>	100%	<u>15,365,000</u>
Total direct & overlapping bonded debt	<u>\$ 24,733,322</u>		<u>\$ 24,733,322</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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt limit	\$ 61,352,249	\$ 64,682,484	\$ 64,641,839	\$ 66,951,118
Total net debt applicable to limit	<u>2,215,277</u>	<u>2,093,224</u>	<u>1,960,001</u>	<u>1,817,691</u>
Legal debt margin	<u>\$ 59,136,972</u>	<u>\$ 62,589,260</u>	<u>\$ 62,681,838</u>	<u>\$ 65,133,427</u>
Total net debt applicable to the limit as a percentage of debt limit	3.61%	3.24%	3.03%	2.71%

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.

**Table 14**

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 68,106,061	\$ 68,317,198	\$ 70,423,335	\$ 72,414,511	\$ 72,984,777	\$ 73,973,464
<u>1,672,256</u>	<u>7,014,419</u>	<u>8,772,496</u>	<u>7,308,901</u>	<u>9,739,216</u>	<u>8,732,284</u>
<u>\$ 66,433,805</u>	<u>\$ 61,302,779</u>	<u>\$ 61,650,839</u>	<u>\$ 65,105,610</u>	<u>\$ 63,245,561</u>	<u>\$ 65,241,180</u>
2.46%	10.27%	12.46%	10.09%	13.34%	11.80%

**Legal Debt Margin Calculation for 2016**

Assessed value	\$ 295,893,857
Debt limit:	
General obligation debt limitation (1)	59,178,771
Short-term financing debt limitation (2)	<u>14,794,693</u>
Total Debt Limitation	<u>73,973,464</u>
Debt applicable to limit:	
General obligation and short-term financing	9,368,322
Less: Amount set aside for repayment in debt service fund	<u>636,038</u>
Total net debt applicable to limit	<u>8,732,284</u>
Legal debt margin	<u>\$ 65,241,180</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	2007	\$ 5,383,683	\$ 3,424,310	\$ 1,959,373
	2008	5,428,299	3,654,003	1,774,296
	2009	5,368,334	4,312,394	1,055,940
	2010	6,137,715	3,830,624	2,307,091
	2011	6,837,937	4,069,853	2,768,084
	2012	7,352,372	4,266,956	3,085,416
	2013	6,756,347	4,873,636	1,882,711
	2014	6,759,811	4,999,214	1,760,597
	2015	6,731,018	4,914,904	1,816,114
	2016	6,867,230	4,912,576	1,954,654
Jacksonville Wastewater Utility	2007	\$ 3,868,469	\$ 2,441,636	\$ 1,426,833
	2008	3,953,064	2,632,217	1,320,847
	2009	4,070,352	2,677,216	1,393,136
	2010	4,096,783	2,685,644	1,411,139
	2011	3,913,742	2,646,923	1,266,819
	2012	4,132,309	2,612,691	1,519,618
	2013	4,583,752	3,177,026	1,406,726
	2014	4,956,497	3,124,203	1,832,294
	2015	5,003,956	3,209,027	1,794,929
	2016	4,928,496	3,089,715	1,838,781

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

(1) Excludes depreciation.

**Table 15**

<b>Debt Service Requirements</b>			
<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
\$ -	\$ -	\$ -	-
-	-	-	-
-	-	-	-
-	-	-	-
-	812,500	812,500	3.41
-	812,500	812,500	3.80
-	202,123	202,123	9.31
754,987	380,931	1,135,918	1.55
779,723	422,619	1,202,342	1.51
805,374	404,215	1,209,589	1.62
\$ -	\$ -	\$ -	-
-	-	-	-
285,000	882,818	1,167,818	1.19
300,000	868,568	1,168,568	1.21
315,000	853,568	1,168,568	1.08
330,000	837,818	1,167,818	1.30
350,000	821,318	1,171,318	1.20
365,000	803,818	1,168,818	1.57
385,000	785,568	1,170,568	1.53
440,000	568,944	1,008,944	1.82

# CITY OF JACKSONVILLE, ARKANSAS

## DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN YEARS

Table 16

Year	Population	Personal Income (thousands of dollars) (2)	Per Capita Income (2)	Median Age	Percent of Population Age 25+ MA/Professional Degree or Higher	School Enrollment (3)(7)	Unemployment Rate (4)
2007	29,916 (1)	\$ 913,156	\$ 30,524	31.1	15.0%	6,715	5.8%
2008	29,916 (1)	588,238	19,663	30.9	15.0%	6,234	6.0%
2009	29,916 (1)	595,269	19,898	29.9	15.0%	6,092	8.0%
2010	28,364 (5)	566,656	19,978	30.0	15.0%	5,826	8.5%
2011	28,364 (5)	582,738	20,545	30.0	15.0%	5,527	7.9%
2012	28,364 (5)	600,097	21,157	30.8	15.0%	5,333	8.0%
2013	28,364 (5)	577,378	20,356	31.2	15.0%	5,279	7.7%
2014	28,364 (5)	577,378	20,356	31.2	15.0%	5,144	6.1%
2015	28,364 (5)	580,895	20,480	31.2	18.6%	3,898 (6)	5.7%
2016	28,364 (5)	556,644	19,625	31.2	18.9%	4,062 (7)	4.1%

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

- (1) 2000 Census
- (2) Metroplan provides per capita income. Personal Income is a calculation of per capita income multiplied by the population.
- (3) Pulaski County Special School District
- (4) Source: Arkansas Department of Workforce Services / [www.discoverarkansas.net](http://www.discoverarkansas.net)
- (5) 2010 Census
- (6) 2015 New division lines for Pulaski County Special School District excludes data from Adkins PreK, Cato Elementary, Northwood Elementary schools.
- (7) 2016 Jacksonville no longer is part of the Pulaski County Special School District. Jacksonville North Pulaski School District opened.

# CITY OF JACKSONVILLE, ARKANSAS

## JACKSONVILLE AREA MAJOR EMPLOYERS CURRENT YEAR AND TEN YEARS

Table 17

<u>Employer</u>	<u>2016</u>			<u>2007</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	7,809	1	67.66%	7,096	1	56.25%
Pathfinder, Inc	695	2	6.02%	600	4	4.76%
Jacksonville North Pulaski School District (2)	560	3	4.85%	-	-	-
North Metro Medical Center (1)	416	4	3.60%	500	5	3.96%
Wal-Mart	300	5	2.60%	650	3	5.15%
City of Jacksonville	294	6	2.55%	305	7	2.42%
Lomanco, Inc.	200	7	1.73%	172	9	1.36%
Arkansas Federal Credit Union	192	8	1.66%	-	-	-
Gwatney Chevrolet	148	9	1.28%	-	-	-
First Electric Co-op	125	10	1.08%	-	-	-
First Arkansas Bank & Trust			0.00%	147	10	1.17%
Smurfit-Stone Container Corporation (3)			0.00%	305	6	2.42%
Conestoga Wood Specialties, Inc. (3)			0.00%	195	8	1.55%
Pulaski County Special School District (3)			0.00%	788	2	6.25%
	<u>10,739</u>		<u>93.04%</u>	<u>10,758</u>		<u>85.27%</u>

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

- (1) North Metro Medical Center was known as Rebsamen Medical Center prior to 2008.
- (2) Jacksonville North Pulaski School district opened in 2016
- (3) No longer doing business in Jacksonville

# CITY OF JACKSONVILLE, ARKANSAS

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

Table 18

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Government										
General government and administration	12	13	11	12	12	12	12	12	12	12
City council	10	10	10	10	10	10	10	10	10	10
Mayor	2	2	2	2	2	2	2	2	2	1
City clerk	2	2	2	2	2	2	2	2	2	1
City attorney	2	2	2	2	2	2	2	2	2	1
District court	5	5	5	5	5	5	5	5	5	5
Director of administration	1	1	1	1	1	1	1	1	1	1
Information technology	1	2	2	2	2	2	2	2	1	1
Finance	7	8	8	8	7	7	8	7	6	6
Human resources	3	3	3	3	3	3	3	3	2	1
Fleet services	2	2	3	3	3	3	3	2	2	2
Public works										
Public works coordinator	1	1	1	1	1	1	1	1	1	1
Engineering	3	3	3	3	3	4	4	4	3	3
Code enforcement	4	4	4	5	4	4	4	4	4	4
Parks and recreation services	43	43	46	45	30	40	55	35	34	45
Police	86	88	88	90	95	95	98	96	95	94
Fire	52	52	52	52	54	54	56	56	55	45
Emergency communication services	14	14	13	13	13	14	15	12	11	10
Animal control	5	6	6	6	6	6	6	5	5	5
Total General Fund	<u>253</u>	<u>259</u>	<u>261</u>	<u>264</u>	<u>254</u>	<u>266</u>	<u>288</u>	<u>261</u>	<u>253</u>	<u>248</u>
Community Development	3	2	3	2	2	2	2	1	1	1
Emergency Medical Services	12	12	12	12	11	12	12	12	12	12
Public Works - Street	20	20	22	22	18	22	18	15	14	18
Sanitation	23	24	24	24	16	18	16	15	15	15
Total Other Funds	<u>58</u>	<u>58</u>	<u>61</u>	<u>60</u>	<u>47</u>	<u>54</u>	<u>48</u>	<u>43</u>	<u>42</u>	<u>46</u>
Total Personnel	<u>311</u>	<u>317</u>	<u>322</u>	<u>324</u>	<u>301</u>	<u>320</u>	<u>336</u>	<u>303</u>	<u>295</u>	<u>294</u>

Source: City's Human Resource Department



# CITY OF JACKSONVILLE, ARKANSAS

## OPERATING INDICATORS BY FUNCTION/PROGRAM LAST TEN YEARS

Function/Program	2007	2008	2009	2010
<b>Planning and Development</b>				
Total building permits issued	290	219	217	224
Estimated building cost	\$ 29,926,144	\$ 21,592,695	\$ 14,288,536	\$ 20,416,524
New commercial construction permits	22	12	12	27
Commercial construction value	\$ 13,403,589	\$ 21,592,695	\$ 5,944,317	\$ 10,353,317
New residential construction permits	130	61	57	60
Residential construction value	\$ 15,061,748	\$ 21,592,695	\$ 6,523,000	\$ 8,665,968
<b>Police</b>				
Number of uniformed employees	76	76	75	76
Call responses	30,984	35,682	37,672	47,895
Physical arrests	4,028	4,480	4,343	4,362
Parking/traffic violations	6,130	5,244	5,472	7,865
Clearance rate - violent crimes	72.7%	70.4%	40.5%	49.7%
Clearance rate - property crimes	28.1%	48.1%	37.0%	30.7%
<b>Fire</b>				
Number of uniformed employees	51	51	51	51
Fire alarms	2,031	2,158	1,884	2,640
EMS alarms	2,444	2,561	2,667	2,841
Fire losses	\$ 199,660	\$ 983,851	\$ 785,600	\$ 380,450
Fire savings	\$ 958,590	\$ 2,562,150	\$ 1,833,020	\$ 2,630,600
<b>911 Communications</b>				
Ambulance land line calls (*1)(*2)	978	784	830	852
Ambulance wireless calls (*1)(*2)	1,466	1,828	1,938	1,989
Fire land line calls (*1)(*2)	812	648	635	792
Fire wireless calls (*1)(*2)	1,219	1,510	1,481	1,848
Police land line calls (*1)(*2)	12,394	10,705	11,302	14,369
Police wireless calls (*1)(*2)	18,590	24,977	26,370	33,527
<b>Animal Shelter</b>				
Animals handled	2,779	2,515	2,325	2,176
Adoptions	843	845	869	915
Rescued and released to owners	440	394	405	431
Animal cruelty investigations	355	107	85	145
Animal bite investigations	55	49	40	34
<b>Solid Waste/Garbage collection</b>				
Solid waste disposal monthly service rate (*3)	\$ 7.53	\$ 7.75	\$ 7.98	\$ 8.21
Refuse collected (cubic yards)	23,918	26,419	22,451	23,648
Recyclables collected,processed,and sold (tons )	606	615	649	675
Recycled yard waste (cubic yards)	30,927	38,950	33,633	32,816
Recycle drive-thru customers	7,400	7,680	10,023	8,474
<b>Public Works</b>				
Asphalt milling (square yards)	4,456	-	19,591	6,111
Asphalt overlay (tons)	4,064	-	5,245	2,554
Right-of-way and ditch mowing (miles)	1,850	1,850	1,850	1,850
Ditch cleaning (linear feet)	14,989	16,405	17,008	12,906
Pipe/culvert installation (linear feet)	710	170	1,152	1,423
Storm drain culverts cleaned/flushed ( feet)	1,000	1,500	2,000	3,000
Roadways cleaned with street sweeper ( miles)	9,318	9,318	9,318	9,318
Potholes repaired	148	190	247	256
<b>Parks and recreation</b>				
Total recorded parks attendance	390,000	465,114	329,462	487,600
Community Center events booked	321	323	323	376
Pool parties-indoor pool	195	196	192	216
Pool parties-outdoor pool	71	70	83	81
Swim lessons	1,398	1,350	1,561	1,656

Source: Various city departments

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

\*1 Beginning in 2011 the Total EMS/Fire/Police Calls= 45% (landline), 55% (Wireless)

\*2 Beginning in 2016 the Total EMS/Fire/Police Calls= 25% (landline), 75% (Wireless)

\*3 Solid Waste disposal was charged per cubic yard until 2012, then it was charged per ton.

Table 19

2011	2012	2013	2014	2015	2016
171	228	158	150	147	153
\$ 13,250,658	\$ 28,930,558	\$ 10,620,235	\$ 11,637,357	\$ 9,244,024	\$ 15,307,827
9	3	9	3	1	6
\$ 8,412,857	\$ 16,653,110	\$ 5,335,457	\$ 5,273,746	\$ 380,000	\$ 2,126,400
31	102	32	39	43	41
\$ 3,416,000	\$ 10,687,144	\$ 4,109,500	\$ 4,749,000	\$ 5,633,017	\$ 5,060,053
76	79	80	80	77	\$ 76
47,217	48,167	49,659	45,587	55,199	51,263
4,007	4,050	3,804	4,040	3,363	2,896
7,146	7,399	5,996	7,278	7,731	6,410
65.6%	44.0%	63.5%	56.7%	63.0%	59.0%
36.3%	44.8%	64.0%	44.5%	49.0%	37.0%
53	53	55	55	67	55
3,129	3,129	4,141	3,752	4,485	4,699
3,125	3,216	3,120	3,541	3,847	3,920
\$ 407,600	\$ 963,342	\$ 829,630	\$ 803,495	\$ 394,220	\$ 829,630
\$ 990,800	\$ 1,113,900	\$ 3,014,880	\$ 2,906,079	\$ 7,949,810	\$ 5,656,220
1,406	1,447	1,404	1,593	1,731	980
1,718	1,769	1,716	1,948	2,116	2,940
1,408	1,408	1,863	1,688	2,018	1,175
1,721	1,721	2,278	2,064	2,467	3,524
21,248	21,675	22,347	20,514	24,840	12,816
25,969	26,492	27,312	25,073	30,359	38,447
2,063	1,762	1,563	1,507	1,500	1,503
758	564	595	795	1,032	1,125
416	419	374	324	324	296
156	107	73	38	27	17
39	33	35	40	40	32
\$ 9.60	\$ 20.98	\$ 21.40	\$ 22.40	\$ 22.40	\$ 22.40
22,503	21,027	21,542	22,393	24,774	26,890
665	609	579	612	557	524
35,768	32,910	33,456	34,529	30,636	31,830
7,500	6,696	7,826	8,156	8,140	8,122
7,113	8,308	15,513	13,286	7,314	11,600
1,655	1,956	2,574	1,623	2,226	2,055
1,850	1,850	1,850	1,850	1,850	1,850
11,398	22,322	22,322	22,240	18,422	20,299
1,000	2,158	2,577	1,500	1,065	1,528
3,000	3,000	3,000	3,000	3,000	3,000
9,318	9,318	9,318	9,318	9,318	7,800
241	167	202	200	225	225
349,525	356,321	375,000	425,000	425,000	435,000
325	338	350	173	187	303
128	154	227	185	272	184
107	122	113	112	126	92
853	1,220	1,562	1,541	1,126	1,477

# CITY OF JACKSONVILLE, ARKANSAS

## CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM LAST TEN YEARS

Table 20

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Sub-stations	1	1	1	1	1	1	1	1	2	2
Patrol units	69	69	69	69	69	69	69	87	82	78
Fire										
Fire Stations	4	4	4	4	4	4	4	4	4	4
Fire trucks	4	4	4	4	4	4	4	5	5	5
Ambulances	4	4	4	4	4	4	4	4	4	4
Refuse Collection										
Collection trucks	18	18	18	18	18	18	18	18	18	20
Public Works										
Miles of Streets	118	119	120	120	121	121	121	121	123	123
Miles of Highways	43	43	43	43	43	43	43	43	43	43
Traffic signals (intersections)	24	24	24	24	24	24	24	17	17	16
Parks and Recreation										
Acreage	280	283	283	313	318	318	318	700	700	700
Number of Playgrounds	8	9	9	10	10	11	11	11	11	11
Baseball/softball diamonds	11	11	11	11	11	11	11	11	11	11
Number of soccer fields	4	4	4	4	4	4	4	4	4	4
Number of community centers	2	2	2	2	2	2	2	2	3	3
Number of water parks	1	1	1	1	1	1	1	1	1	1

Source: Various City departments.

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



Compliance  
Section



**Independent Auditor's Report on  
Compliance With Arkansas State Requirements**

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

We have examined management's assertions that the City of Jacksonville, Arkansas, complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the year ended December 31, 2016:

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

Management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion about the City's compliance with the aforementioned requirements above based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion about compliance with the specified requirements is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about whether management's assertion is fairly stated, in all material respects. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, management's assertion that the City of Jacksonville, Arkansas complied with the aforementioned requirements during the year ended December 31, 2016 is fairly stated, in all material respects.

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  
July 31, 2017



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Jacksonville, Arkansas (the City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Jacksonville, Arkansas' basic financial statements, and have issued our report thereon dated July 31, 2017. Our report includes a reference to other auditors who 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 auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

*McAlister & Associates, P.A.*

McAlister & Associates, P.A.  
Certified Public Accountants

Jacksonville, Arkansas  
July 31, 2017

# CITY OF JACKSONVILLE, ARKANSAS

SCHEDULE OF AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2016

---

## Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
No matters are reportable	

# CITY OF JACKSONVILLE, ARKANSAS

## SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED DECEMBER 31, 2016

---

### Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
No matters are reportable	