

CITY OF JACKSONVILLE, ARKANSAS



Comprehensive Annual Financial Report For the Fiscal Year Ended December 31, 2012



Comprehensive Annual Financial Report

**City of Jacksonville,
Arkansas**

Fiscal Year Ended

December 31, 2012

Prepared by:

FINANCE DEPARTMENT

Cheryl Erkel, CGFM
DIRECTOR OF FINANCE



CITY OF JACKSONVILLE, ARKANSAS

YEAR ENDED DECEMBER 31, 2012

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Introductory Section



City of Jacksonville, Arkansas

#1 Municipal Drive
Jacksonville, AR 72076



July 29, 2013

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

Introduction

We submit to you the Comprehensive Annual Financial Report (CAFR) for the City of Jacksonville, Arkansas for the fiscal year ended December 31, 2012. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Jacksonville. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City of Jacksonville as measured by the financial activity of its various funds. We believe that all disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included. To provide a reasonable basis for making these representations, the management of the City of Jacksonville has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Jacksonville's financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP). Because the cost of internal controls should not outweigh their benefits, the City of Jacksonville's framework of internal control has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

The Report

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

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

The City of Jacksonville's financial statements have been audited by McAlister & Associates, P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Jacksonville for the fiscal year ended December 31, 2012 are free of material misstatement. The independent audit

involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent accountants concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Jacksonville's financial statements for the fiscal year ended December 31, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the Government

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

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

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

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

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

Factors Affecting Financial Condition

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

Local Economy. The nation is in an economic recovery period that is slow and fragile. The national unemployment rate was 7.8% for 2012. Like all other municipalities, the City of Jacksonville faces the challenge of providing services for its citizens in the midst of an uncertain but stabilizing economic climate. The City's unemployment rate went from 7.9% in 2011 to 8.0% in 2012. The first few months of 2013 have shown conflicting economic climates with the national unemployment rate decreasing to 7.3% and the City's rate increasing to 8.5%.

The City of Jacksonville has an increasing property tax base which includes appreciation and improvements on property, new subdivisions, new businesses, and annexations. Over the past 5 years, Jacksonville's levy has increased an average of 2.1% with the 2012 levy collectible in 2013 slightly increasing by 0.3%.

Sales tax revenue derived from the two-cent City sales and use tax and the City's portion (7.4%) of the Pulaski County sales and use tax has been growing at an average rate of 0.7% over the past 5 years which includes a decrease of 4.3% for 2011 and an increase of 3.7% for 2012. On average, the sales tax revenue supports approximately 66% of the City's General Fund budget.

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

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

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

In November 2003, the citizens of Jacksonville voted for an additional one-cent city sales tax. The first \$12 million was allocated to three major projects, construction of a family aquatic center, a joint venture between the City of Jacksonville and the Little Rock Air Force Base for the creation of a joint use educational center, and construction of a joint training center for police, fire, and public works personnel. These were the top three major improvements requested by the citizens and have been completed. The aquatic center has averaged about 33,000 patrons and over \$228,000 in revenue each year that it has been in operation. The joint education center has had 13,978 enrollments in college courses, 1,353 graduates, administered 3,550 CLEP and DANTES tests, 3,926 Professional Military tests, and approximately 6,000 Military Promotion tests since January, 2011. They have also hosted many events such as education fairs, job fairs, and many other events for off and on base entities. The joint training center provides a shooting range, driving pad, and a burn tower for training city employees as well as outside agencies. Since 2011, the shooting range has been utilized by ten outside agencies as well as providing over 50 exercises and qualification classes for city employees. The driving pad and burn tower have been utilized by eight outside agencies as well as providing 24 days of live fire training, 65 days of practicing promotions training, and PT training daily for city employees.

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

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

In 2012, the City took out a five year capital improvement loan for \$2.97 million. This loan provided the funding to complete the Public Safety Building (which houses the Police Department, the 9-1-1 Communications Department, and a FEMA Safe Room) and other capital improvement projects.

Relevant Financial Policies. The City of Jacksonville continues to seek additional revenues throughout the year to supplement the sales tax revenue. The majority of these additional revenues are generated through various grants that are restricted to specific purposes. The City uses one-time revenue on items that do not generate recurring expenditures. In 2012, the Police Department purchased child safety seats, and rifles with the revenues from grants. The City also completed a drainage project in the Beechwood subdivision. Construction also began on a wildlife observation trail in Paradise Park and two FEMA safe rooms.

Major Initiatives. Jacksonville is continuously looking for ways to improve the city to ensure the safety of its citizens. The new Public Safety Building, which will house the police department and our updated “AWIN” 9-1-1 Communications Center will be completed in the first few months of 2013. This building will also have training class rooms and a FEMA safe room. Another safe room will be completed at the Senior Wellness Center in 2013.

In addition, the City will construct sidewalks on Marshall Road for the safety of citizens. The City will also be constructing a roundabout at Main Street and Harris Road to improve traffic flow and the safety of pedestrians crossing.

Jacksonville also strives to improve the quality of life for its citizens. With this in mind, the City has joined forces with the Arkansas Game and Fish Foundation to construct a state of the art trap and skeet shooting range that is projected to be complete by the end of 2013.

Environment Consciousness. The City of Jacksonville is striving to educate the public on environmental awareness. Educational materials regarding recycling initiatives are on display at the recycling park in front of the recycling center. The parks and recreation department has begun constructing a wildlife observation trail at Paradise Park.

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

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Jacksonville for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

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

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

Respectfully submitted,



Gary Fletcher
Mayor



Cheryl Erkel, CGFM
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Jacksonville
Arkansas

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

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



Christopher P. Morrell

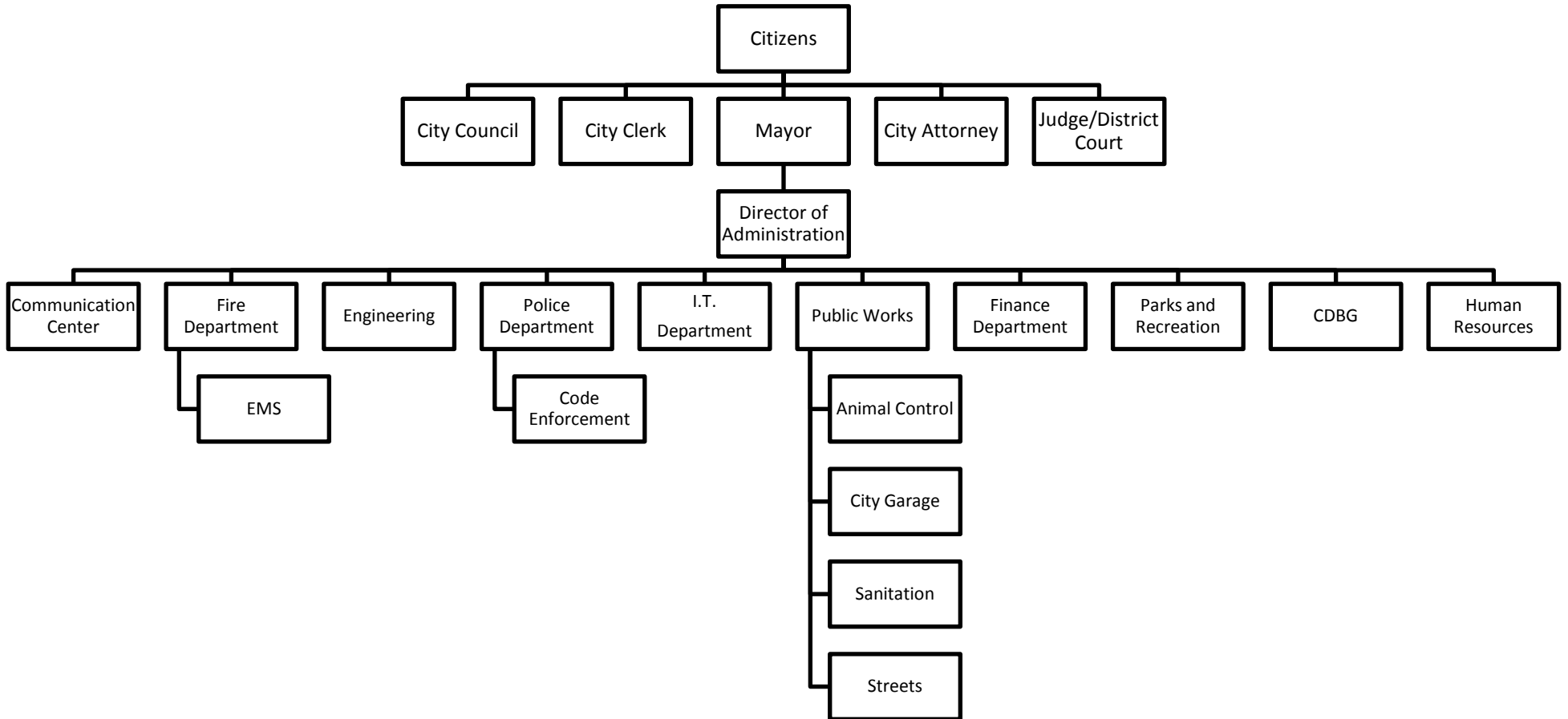
President

Jeffrey R. Emer

Executive Director



CITY OF JACKSONVILLE ORGANIZATION CHART



**City of Jacksonville, Arkansas
List of Elected and Appointed Officials
December 31, 2012**

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	Linda Rinker	Ward 3, Position 2
Mike Traylor	Ward 4, Position 1	Robert Stroud	Ward 4, Position 2
Aaron Robinson	Ward 5, Position 1	Bill Howard	Ward 5, Position 2
Robert Bamburg		City Attorney	
Susan Davitt		City Clerk/Treasurer	
Robert Batton		District Court Judge	

Appointed Officials

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





**Financial
Section**



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Jacksonville, Arkansas as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Jacksonville Municipal Water Works and Jacksonville Wastewater Utility which represent 99%, 99%, and 95%, respectively of the total assets, net position, and total revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports were furnished to us, and our opinion, insofar as it relates to the amounts included for Jacksonville Municipal Water Works and Jacksonville Wastewater Utility, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Jacksonville, Arkansas as of December 31, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

To the Honorable Mayor and
Members of the City Council
City of Jacksonville, Arkansas
Independent Auditor's Report
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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2013, on our consideration of the City of Jacksonville, Arkansas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Jacksonville, Arkansas' internal control over financial reporting and compliance.

McAlister & Associates, P.A.

McAlister & Associates, P.A.
Certified Public Accountants

Jacksonville, Arkansas
July 29, 2013

City of Jacksonville, Arkansas



Management's Discussion and Analysis

For the Year Ended December 31, 2012

Office of the Finance Director, Cheryl Erkel, CGFM
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E-mail: cerkel@cityofjacksonville.net

As management of the City of Jacksonville, we offer readers of the City of Jacksonville's financial statements this narrative overview and analysis of the financial activities of the City of Jacksonville for the fiscal year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with additional information we have provided in our letter of transmittal, which can be found in the introductory section of this report, and the City's financial statements that follow this section.

Financial Highlights

- Total assets of the City exceeded total liabilities at the close of 2012 by \$50,729,628 (net position). Of this amount, \$7,045,284 is considered unrestricted net position. The unrestricted net position of the City's governmental activities is \$5,937,440 and may be used to meet the government's on-going obligations to citizens and creditors. The unrestricted net position of the City's business-type activities is \$1,107,844, and may be used to meet the on-going obligation of the City's sanitation and emergency medical services activities.
- The City's reported total net position decreased by \$426,822 in 2012. Net position of the governmental activities decreased by \$877,629 in 2012, which was a 2% decrease from beginning net position. Net position of the business-type activities increased by \$450,807 in 2012, which was a 31% increase from beginning net position.
- As the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8,634,426, which was a decrease of \$4,466,380 from the prior year. The unassigned portion of the fund balances is \$4,095,873, which represents 48% of the total. The unassigned portion is available for use to support operations, funding for special projects, and equipment replacement funding.
- The General Fund reported a fund balance of \$4,639,311 at the end of the current fiscal year. The unassigned fund balance for the General Fund was 4,095,873 or 18% of total General Fund expenditures. There was a \$765,244 decrease in the total fund balance for the General Fund for the year ended December 31, 2012.
- At the close of the current fiscal year, net position of fiduciary funds was \$13,425,048 in trust for pension benefits. There was a \$7,451 increase in the total fiduciary net position held in trust for the year ended December 31, 2012.

- The City’s component units reported net position of \$62,563,376 as of December 31, 2012, an increase of \$6,725,753 compared to December 31, 2011 net position of \$55,837,623.

Overview of the Financial Statements

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

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

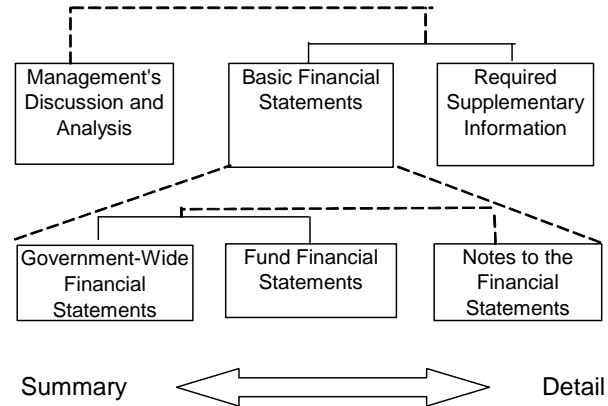


Figure B. Major features of the City's Government-wide and Fund Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

Notes to the Basic Financial Statements - The notes to the basic financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 45 through 76 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's General Fund budget and the City's pension information. The City adopts an annual appropriation budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. Required supplementary information can be found beginning on page 78 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and other information related to the individual funds is presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 86 through 87 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$50,729,628 at the close of 2012. The largest portion of the City's net position (73%) reflects its investments in capital assets (e.g., land, buildings, improvements other than buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

City of Jacksonville, Arkansas

Net Position

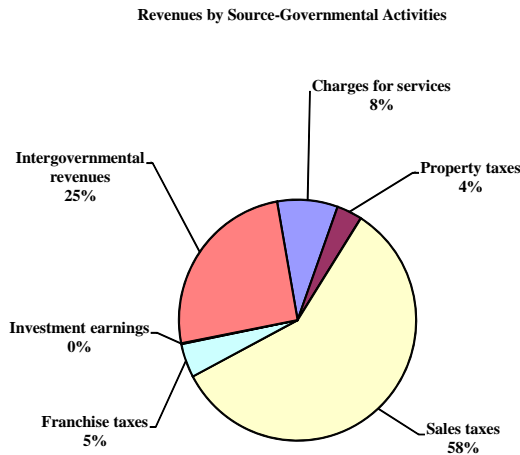
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 12,505,283	\$ 16,166,713	\$ 1,267,548	\$ 927,732	\$ 13,772,831	\$ 17,094,445
Capital assets	48,404,340	38,774,829	1,858,954	1,948,304	50,263,294	40,723,133
Total assets	60,909,623	54,941,542	3,126,502	2,876,036	64,036,125	57,817,578
Long-term liabilities outstanding	8,419,447	3,843,292	771,818	1,037,081	9,191,265	4,880,373
Other Liabilities	3,690,265	1,420,709	424,967	360,045	4,115,232	1,780,754
Total liabilities	12,109,712	5,264,001	1,196,785	1,397,126	13,306,497	6,661,127
Net Position:						
Invested in capital assets						
net of related debt	41,063,502	36,800,745	821,873	653,790	41,885,375	37,454,535
Restricted	1,798,969	2,052,401	-	-	1,798,969	2,052,401
Unrestricted	5,937,440	10,824,395	1,107,844	825,120	7,045,284	11,649,515
Total Net Position	\$ 48,799,911	\$ 49,677,541	\$ 1,929,717	\$ 1,478,910	\$ 50,729,628	\$ 51,156,451

An additional portion of the City's net position, \$1,798,969 represents resources that are subject to restrictions as to how they may be used. The remaining balance of unrestricted net assets \$7,045,284 may be used to meet the City's ongoing obligations to citizens and creditors.

Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
<i>Program revenues:</i>						
Charges for services	\$ 1,861,350	\$ 1,870,025	\$ 2,879,100	\$ 2,821,508	\$ 4,740,450	\$ 4,691,533
Operating grants and contributions	4,236,786	3,731,153	13,000	13,500	4,249,786	3,744,653
Capital grants and contributions	1,013,992	709,285	59,196	305,495	1,073,188	1,014,780
	7,112,129	6,310,463	2,951,296	3,140,503	10,063,425	9,450,966
<i>General revenues:</i>						
Property taxes	784,180	777,265	-	-	784,180	777,265
Sales taxes	13,138,610	12,612,511	-	-	13,138,610	12,612,511
Franchise taxes	1,031,798	1,057,234	-	-	1,031,798	1,057,234
Investment earnings	21,136	38,014	504	(17,890)	21,640	20,124
Intergovernmental						
Revenues	459,957	459,187	-	-	459,957	459,187
Gain/(loss) on sales of capital assets	10,263	9,265	47,881	27,559	58,144	36,824
Total general revenues	15,445,944	14,953,476	48,384	9,669	15,494,328	14,963,145
Total revenues	22,558,073	21,263,939	2,999,680	3,150,172	25,557,753	24,414,111
Expenses						
General government	3,061,493	2,823,996	-	-	3,061,493	2,823,996
Public works	2,872,093	2,585,034	-	-	2,872,093	2,585,034
Parks and recreation services	2,748,589	2,602,790	-	-	2,748,589	2,602,790
Public safety	13,866,306	13,380,635	-	-	13,866,306	13,380,635
Housing and neighborhood programs	365,162	273,097	-	-	365,162	273,097
Interest on long-term debt	79,563	102,070	-	-	79,563	102,070
Sanitation services	-	-	1,531,003	1,628,388	1,531,003	1,628,388
Emergency medical services	-	-	1,460,366	1,094,031	1,460,366	1,094,031
Total expenses	22,993,206	21,767,622	2,991,369	2,722,419	25,984,575	24,490,041
Change in net position before transfers	(435,133)	(503,683)	8,311	427,753	(426,822)	(75,930)
Transfers	(442,496)	(342,500)	442,496	342,500	-	-
Change in net position	(877,629)	(846,183)	450,807	770,253	(426,822)	(75,930)
Net Position - January 1	49,677,541	50,523,724	1,478,910	708,657	51,156,451	51,232,381
Net Position - December 31	\$ 48,799,911	\$ 49,677,541	\$ 1,929,717	\$ 1,478,910	\$ 50,729,628	\$ 51,156,451

At the end of the current fiscal year, the City of Jacksonville is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. It is important to note that although the total spendable unrestricted net position is \$7,045,284; the City's business-type activities portion \$1,107,844 may not be used to fund governmental activities.

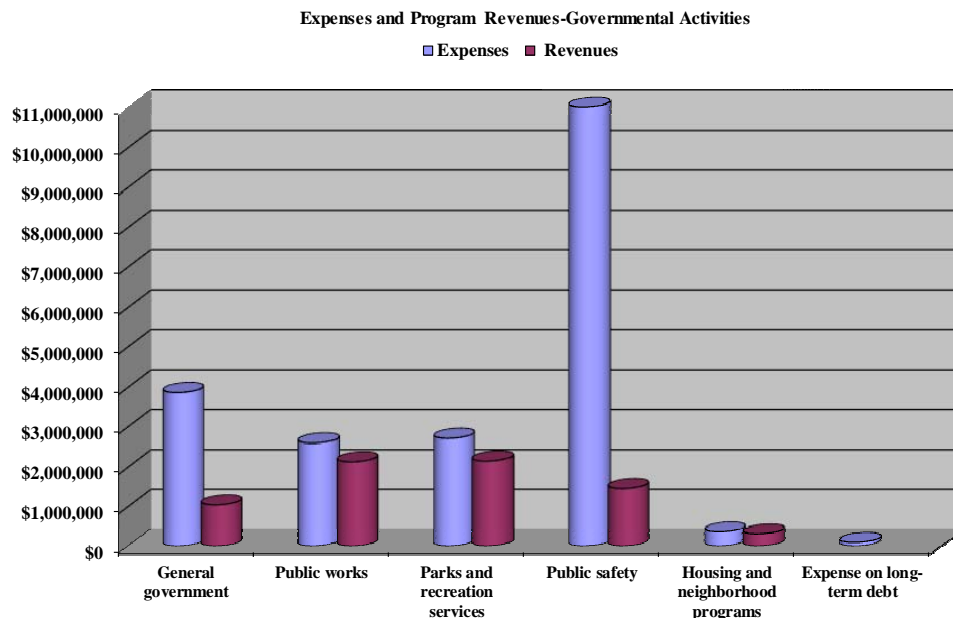


Governmental Activities -

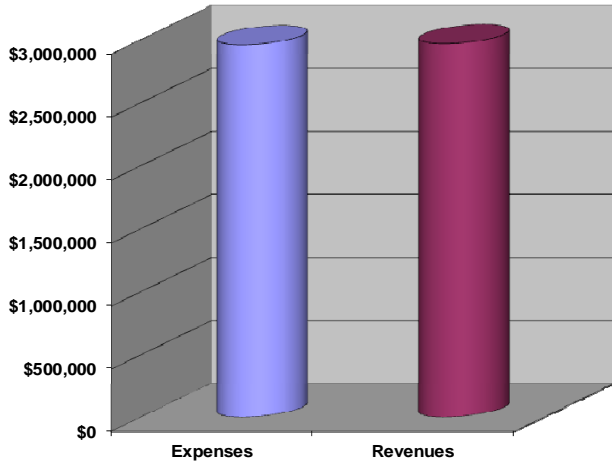
Governmental activities decreased the City's net position in the current period by \$877,629. The main elements of the current period increases are:

- Changes in net capital assets due to increases in land acquisitions, land improvements, and building improvements.
- Changes in construction in progress.
- Additional purchases of capital equipment.

Sales taxes represent 58% or \$13,138,610 of the City's governmental revenue in 2012, grants and contributions added \$5,710,735 or 25% to total revenues, and charges for services added \$1,861,350 or 8% to total revenues.



Expenses and Program Revenue-Business-type Activities



Business-type Activities - Business-type activities increased the City’s net position by \$450,807.

Sanitation Services accounts for about 56% of the business-type activities. Sanitation service fees are billed through Jacksonville Municipal Water Works (a component unit of the City), net of a billing fee. The charges for services were \$1,816,770 for 2012 compared to \$1,812,390 in

2011. Total expenses for 2012 were \$1,531,003 compared to \$1,628,388 in 2011. Revenues increased due to an increase in sanitation fees. Expenses decreased due to a decrease in personnel costs along with repair and maintenance costs for equipment, vehicles, and buildings which is a result of implementing an automated trash pick-up system.

Emergency Medical Services accounts for about 44% of the business-type activities. Ambulance service fees are billed through the City’s finance department. The charges for services were \$1,062,331 for 2012 compared to \$1,009,118 in 2011. Total expenses for 2012 were \$1,460,366 compared to \$1,094,031 in 2011. Revenues increased as a result of increased ambulance run volume. Expenses increased due to an increase in bad debt write-offs.

Financial Analysis of the Government’s Funds

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

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

As of December 31, 2012, the City’s governmental funds reported combined ending fund balances of \$8,634,426, a decrease of \$4,466,380 in comparison with the prior year. Approximately, 39% of this total, or \$4,095,873, constitutes unassigned fund balance, which is available for spending at the government’s discretion. The remainder of the fund balance is restricted to indicate that it is unavailable for new spending because it has already been committed for capital projects, assigned to capital projects, restricted by statute, and other purposes.

The General Fund is the chief operating fund for the City. As of December 31, 2012, the total fund balance of the general fund was \$4,639,311 of which \$4,095,873 was unassigned. This

unassigned fund balance represents approximately 22% of total general fund expenditures. The fund balance of the General Fund decreased \$765,244 in fiscal year 2012. The 2013 budget anticipated use of \$659,234 of this fund balance for programs that were not completed in the prior year and funds for these programs were reserved for that purpose.

The Street Fund had a total fund balance of \$795,961, which was a decrease of \$276,291 from 2011. The total amount of the fund balance is classified as restricted. The majority of this decrease was due to replacement of street lights and equipment.

The Special Projects Funds had a total fund balance of \$2,733,641, which was a decrease of \$3,446,650 from 2011. The total amount of the fund balance is classified as assigned. The reduction in fund balance was due to construction costs related to the new Police/9-1-1 building. The ending fund balances and net changes for the Special Projects Funds were:

<u>Fund</u>	<u>Ending Balance</u>	<u>Net Change</u>
Capital Improvements	\$ 897,758	\$ (3,262,673)
Capital Drainage	722,705	(34,215)
Capital Equipment	1,113,178	(149,762)

The City maintains four nonmajor governmental funds in addition to the above mentioned major funds. These funds had a total fund balance of \$465,513. The net increase in the fund balances during 2012 for these funds was \$21,804. The ending fund balances and net changes for the nonmajor funds were:

<u>Fund</u>	<u>Ending Balance</u>	<u>Net Change</u>
Grants	\$ 62,208	\$ 48,266
CDBG	74,686	(39,952)
HOME	29,812	(19,768)
2006 Library – Debt Service	298,807	33,258

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 increased in 2012 by \$406,345 compared to an increase of \$207,115 in 2011. This increase is due to an increase in fees for Sanitation services implemented in March 2011. Other factors concerning the finances of this fund have already been addressed in the discussion of the City’s business-type activities.

Net position for the Emergency Medical Service Enterprise Fund in 2012 was \$847,143 which was an increase of \$44,462 from \$802,681 in 2011. This increase was due to an increase in supplemental support from the General Fund. Other factors concerning the finances of this fund have already been addressed in the discussion of the City’s business-type activities.

General Fund Budgetary Highlights

The 2012 General Fund amended budget appropriated \$20,074,501 as compared to the 2011 budget of \$18,142,764, an increase of approximately 1%. The budget was amended due to closing the Sales Tax Fund and 9-1-1 Fund into the General Fund because they no longer met the criteria of a Special Revenue Fund.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for governmental and business-type activities as of December 31, 2012, amounts to \$50,263,294 (net of accumulated depreciation). The investment in capital assets includes land, buildings and building improvements, improvements other than buildings, equipment, infrastructure, and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was \$9,540,161 net of depreciation, a 24% increase.

City of Jacksonville Capital Assets, net of depreciation

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 10,030,852	\$ 9,493,913	\$ -	\$ -	\$10,030,852	\$ 9,493,913
Land improvements	873,774	795,141	-	-	873,774	795,141
Infrastructure	9,574,990	9,591,475	-	-	9,574,990	9,591,475
Buildings	14,268,314	14,190,676	-	-	14,268,314	14,190,676
Vehicles	921,222	1,191,561	1,292,323	1,411,987	2,213,545	2,603,548
Equipment	4,453,416	1,536,746	566,631	536,316	5,020,047	2,073,062
Construction in progress	8,281,772	1,975,317	-	-	8,281,772	1,975,317
Total	\$ 48,404,340	\$ 38,774,829	\$ 1,858,954	\$ 1,948,304	\$50,263,294	\$ 40,723,133

Major capital asset events that occurred during 2012 included the following:

- New land acquisitions for the year were \$536,939 with \$480,385 of that amount attributable to land acquired for the new shooting range to be constructed through a joint agreement with the Arkansas Game and Fish Foundation.
- Equipment includes \$2,516,526 for AWIN communication equipment to upgrade our emergency communication capabilities.
- Construction in progress includes the construction of the Public Safety Building, widening of Graham Road, and several drainage projects.

Additional information on the City's capital assets can be found in Note 3 on pages 56-59 of this report.

Long-term Debt. At December 31, 2012, the City, the primary government, had long-term bonds outstanding of \$1,785,000. These bonds are secured solely by specified revenue sources. The City's long-term debt decreased by \$155,000 during 2012. This resulted from the maturity of \$55,000 in long-term bonds outstanding plus \$100,000 long-term bonds redeemed with an early call provision.

State statutes limit the amount of general obligation debt a governmental entity may issue to 20% of its total assessed valuation for long-term debt and 5% for short-term debt. The City had \$1,783,411 in long-term bonds payable at December 31, 2012.

At December 31, 2012, the City had a short term loan outstanding of \$2,531,315. This is the balance of a five year note for \$3,100,000 loan to finance the completion of the public safety building, the safe room at the Senior Wellness Center and other capital improvements. In addition, a 45 day loan in the amount of \$480,385 was incurred to purchase property for a public shooting range.

The City also entered into a capital lease agreement for the AWIN Communications upgrade. The lease agreement is for \$2,516,516 with annual payments to be completed in five years.

Additional information on the City's long-term debt can be found in Note 4 on pages 59-63 of this report.

Economic Factors and Next Year's Budgets and Rates

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

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

The goal of the Mayor and City Council is to maintain financial stability by adopting budgets with a minimum unreserved fund balance of 16.6% of operating expenditures. With this in mind, the 2013 budgets were adopted for the General Fund at \$20,260,371 and the Street Fund at \$2,326,024.

Request for Information

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

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

BASIC FINANCIAL STATEMENTS

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF NET POSITION DECEMBER 31, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets				
Cash and cash equivalents	\$ 4,236,804	\$ 109,138	\$ 4,345,942	\$ 9,171,084
Restricted cash and investments, current	33,156	-	33,156	3,553,587
Investments	2,225,406	375,038	2,600,444	1,522,216
Receivables, net of allowance for uncollectible accounts				
Taxes	1,418,112	-	1,418,112	-
Sales taxes	2,281,150	-	2,281,150	-
Accounts	994,864	783,443	1,778,307	2,437,600
Accrued interest	207	29	236	617
Grants and other governments	90,655	-	90,655	-
Other	155,077	-	155,077	-
Internal balances	100	(100)	-	-
Inventories	-	-	-	486,090
Prepaid expenses and other	-	-	-	67,157
Total current assets	11,435,531	1,267,548	12,703,079	17,238,352
Noncurrent assets				
Restricted assets				
Cash and cash equivalents	280,964	-	280,964	585,951
Less amount required to meet current obligations	(33,156)	-	(33,156)	-
Total restricted assets	247,808	-	247,808	585,951
Capital assets				
Nondepreciable	18,312,624	-	18,312,624	902,375
Depreciable, net	30,091,716	1,858,954	31,950,670	66,256,359
	48,404,340	1,858,954	50,263,294	67,158,734
Other assets				
Net pension asset	792,745	-	792,745	-
Deferred bond issue costs	29,199	-	29,199	221,037
Deferred charges	-	-	-	170,362
Total other assets	821,944	-	821,944	391,399
Total noncurrent assets	49,474,092	1,858,954	51,333,046	68,136,084
Total Assets	\$ 60,909,623	\$ 3,126,502	\$ 64,036,125	\$ 85,374,436

See Accompanying Notes to Basic Financial Statements.

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities and Net Position				
Current liabilities				
Accounts payable	\$ 1,293,383	\$ 78,234	\$ 1,371,617	\$ 1,244,868
Accrued wages payable and related liabilities	410,801	27,907	438,708	-
Accrued expenses and other	142,354	-	142,354	168,954
Accrued interest payable	33,156	1,756	34,912	119,340
Compensated absences, current	557,974	45,307	603,281	-
Bonds payable, current	55,000	-	55,000	320,413
Notes payable, current	983,401	265,263	1,248,664	2,300
Capital lease, current	87,413	-	87,413	-
Due to fiduciary funds	35,705	-	35,705	-
Unearned revenue	91,078	6,500	97,578	-
Total current liabilities	<u>3,690,265</u>	<u>424,967</u>	<u>4,115,232</u>	<u>1,855,875</u>
Noncurrent liabilities				
Bonds payable, net of unamortized discount	1,728,411	-	1,728,411	20,263,476
Notes payable	2,028,299	771,818	2,800,117	34,332
Capital lease	2,429,113	-	2,429,113	-
Customer deposits	-	-	-	654,729
Compensated absences	120,666	-	120,666	-
Net pension obligation	1,851,722	-	1,851,722	-
Net OPEB obligation	261,236	-	261,236	-
Other long-term liabilities	-	-	-	2,648
Total noncurrent liabilities	<u>8,419,447</u>	<u>771,818</u>	<u>9,191,265</u>	<u>20,955,185</u>
Total liabilities	12,109,712	1,196,785	13,306,497	22,811,060
Net position				
Invested in capital assets, net of related debt	41,063,502	821,873	41,885,375	48,980,847
Restricted - expendable				
Street maintenance	795,961	-	795,961	-
Debt service	298,807	-	298,807	-
Housing and neighborhood programs	104,498	-	104,498	-
911 fees	424,147	-	424,147	-
Grant funds	62,208	-	62,208	-
Other purposes	113,348	-	113,348	1,601,553
Total restricted - expendable	<u>1,798,969</u>	<u>-</u>	<u>1,798,969</u>	<u>1,601,553</u>
Unrestricted	<u>5,937,440</u>	<u>1,107,844</u>	<u>7,045,284</u>	<u>11,980,976</u>
Total net position	<u>48,799,911</u>	<u>1,929,717</u>	<u>50,729,628</u>	<u>62,563,376</u>
Total Liabilities and Net Position	<u>\$ 60,909,623</u>	<u>\$ 3,126,502</u>	<u>\$ 64,036,125</u>	<u>\$ 85,374,436</u>

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2012

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General administration	\$ 454,301	\$ 178,388	\$ 62,042	\$ -
City council	112,915	-	-	-
Office of the mayor	240,152	-	-	-
City clerk	143,434	-	-	-
City attorney	190,970	-	-	-
District court	336,932	730,677	-	-
Director of administration	112,868	-	-	-
Director of information technology	216,749	-	-	-
Finance	659,988	8,001	-	-
Human resources	228,913	-	-	-
Fleet services	165,871	37,225	-	-
Community programs	198,400	-	27,292	376,081
Public works	2,872,093	73,871	1,982,212	87,533
Parks and recreation services	2,748,589	751,295	476,924	-
Police	7,782,731	59,193	696,314	550,378
Fire	4,882,380	800	410,752	-
Emergency communication services	894,851	-	270,413	-
Animal control	306,344	20,865	387	-
Housing and neighborhood programs	365,162	1,036	310,450	-
Interest expense on long-term debt	79,563	-	-	-
Total governmental activities	<u>22,993,206</u>	<u>1,861,350</u>	<u>4,236,786</u>	<u>1,013,992</u>
Business-type Activities				
Sanitation services	1,531,003	1,816,769	13,000	-
Emergency medical services	1,460,366	1,062,331	-	59,196
Total business-type activities	<u>2,991,369</u>	<u>2,879,100</u>	<u>13,000</u>	<u>59,196</u>
Total primary government	<u>\$ 25,984,575</u>	<u>\$ 4,740,450</u>	<u>\$ 4,249,786</u>	<u>\$ 1,073,188</u>
Component Units				
Municipal Water Works	\$ 5,330,392	\$ 7,352,372	\$ -	\$ -
Wastewater Utility	4,360,285	4,132,309	-	-
Advertising and Promotion Commission	758,388	-	-	-
Total component units	<u>\$ 10,449,065</u>	<u>\$ 11,484,681</u>	<u>\$ -</u>	<u>\$ -</u>

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

Total general revenues and transfers

Change in Net Position

Net Position, Beginning of Year

Net Position, End of Year

See Accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total		
\$ (213,870)	\$ -	\$ (213,870)	\$ -	-
(112,915)	-	(112,915)	-	-
(240,152)	-	(240,152)	-	-
(143,434)	-	(143,434)	-	-
(190,970)	-	(190,970)	-	-
393,745	-	393,745	-	-
(112,868)	-	(112,868)	-	-
(216,749)	-	(216,749)	-	-
(651,987)	-	(651,987)	-	-
(228,913)	-	(228,913)	-	-
(128,647)	-	(128,647)	-	-
204,973	-	204,973	-	-
(728,477)	-	(728,477)	-	-
(1,520,370)	-	(1,520,370)	-	-
(6,476,846)	-	(6,476,846)	-	-
(4,470,828)	-	(4,470,828)	-	-
(624,438)	-	(624,438)	-	-
(285,092)	-	(285,092)	-	-
(53,676)	-	(53,676)	-	-
(79,563)	-	(79,563)	-	-
(15,881,077)	-	(15,881,077)	-	-
-	298,766	298,766	-	-
-	(338,839)	(338,839)	-	-
-	(40,073)	(40,073)	-	-
\$ (15,881,077)	\$ (40,073)	\$ (15,921,150)	\$ -	-
-	-	-	2,021,980	-
-	-	-	(227,976)	-
-	-	-	(758,388)	-
-	-	-	1,035,616	-
784,180	-	784,180	-	-
13,138,610	-	13,138,610	826,597	-
1,031,798	-	1,031,798	-	-
21,136	504	21,640	61,071	-
459,957	-	459,957	3,965,345	-
10,263	47,881	58,144	-	-
-	-	-	837,124	-
(442,496)	442,496	-	-	-
15,003,448	490,880	15,494,328	5,690,137	-
(877,629)	450,807	(426,822)	6,725,753	-
49,677,541	1,478,910	51,156,451	55,837,623	-
\$ 48,799,911	\$ 1,929,717	\$ 50,729,628	\$ 62,563,376	-

CITY OF JACKSONVILLE, ARKANSAS

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2012

	General	Street	Special Projects	Other Governmental Funds	Total
Assets					
Cash	\$ 2,959,348	\$ 194,275	\$ 915,769	\$ 167,412	\$ 4,236,804
Restricted cash	-	-	-	280,964	280,964
Investments	-	775,145	1,450,261	-	2,225,406
Accounts receivable					
Taxes	681,832	476,729	-	259,551	1,418,112
Sales taxes	2,281,150	-	-	-	2,281,150
Accounts	-	-	908,113	86,751	994,864
Accrued interest	-	71	136	-	207
Grants and other governments	50,540	40,115	-	-	90,655
Other	154,381	696	-	-	155,077
Due from other funds	19,831	-	-	-	19,831
Total Assets	\$ 6,147,082	\$ 1,487,031	\$ 3,274,279	\$ 794,678	\$ 11,703,070
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 459,033	\$ 258,248	\$ 540,638	\$ 35,464	\$ 1,293,383
Due to other funds	35,705	-	-	19,731	55,436
Accrued wages payable and related liabilities	391,355	17,901	-	1,545	410,801
Deferred revenue	574,493	350,469	-	241,708	1,166,670
Other liabilities	47,185	64,452	-	30,717	142,354
Total liabilities	1,507,771	691,070	540,638	329,165	3,068,644
Fund Balances					
Restricted					
Street maintenance	-	795,961	-	-	795,961
Debt service	-	-	-	298,807	298,807
Housing & neighborhood programs	-	-	-	104,498	104,498
Grant funds	-	-	-	62,208	62,208
9-1-1 fees	424,147	-	-	-	424,147
Other purposes	113,348	-	-	-	113,348
Committed					
Capital projects	5,943	-	-	-	5,943
Assigned					
Capital projects	-	-	2,733,641	-	2,733,641
Unassigned	4,095,873	-	-	-	4,095,873
Total fund balances	4,639,311	795,961	2,733,641	465,513	8,634,426
Total Liabilities and Fund Balances	\$ 6,147,082	\$ 1,487,031	\$ 3,274,279	\$ 794,678	\$ 11,703,070

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, 2012

Total fund balances - governmental funds	\$ 8,634,426
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.	48,404,340
The Policemen's Pension and Relief Fund has net pension assets not reported as assets in the funds.	792,745
Bond issuance costs, net of related amortization, are not reported as assets in the funds.	29,199
Liabilities that are not due and payable in the current period and are not reported in the funds including:	
Bonds payable	(1,783,411)
Notes payable	(3,011,700)
Capital lease	(2,516,526)
Accrued interest payable	(33,156)
Accrued compensated absences	(678,640)
Other post employment benefits	(261,236)
The Firemen's Pension and Relief Fund has a net pension obligation not reported as a liability in the funds.	(1,851,722)
Amounts reported as deferred revenue are not recognized at the fund level on the modified accrual accrual basis but are reported as revenues on the full accrual basis in the government-wide statements.	<u>1,075,592</u>
Net position of governmental activities	<u><u>\$ 48,799,911</u></u>

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2012

	General	Street	Special Projects	Other Governmental Funds	Total
Revenues					
Property taxes	\$ 523,316	\$ -	\$ -	\$ 256,545	\$ 779,861
Sales taxes	13,138,610	-	-	-	13,138,610
Licenses and permits	160,514	-	-	-	160,514
Intergovernmental	1,937,773	1,710,373	980,856	681,200	5,310,202
Charges for services	1,056,207	-	-	-	1,056,207
Fines and fees	791,192	-	-	-	791,192
Utility franchise taxes	1,031,798	-	-	-	1,031,798
Investment income	7,417	1,468	11,490	761	21,136
Miscellaneous	191,738	19,116	15,857	1,036	227,747
Total revenues	18,838,565	1,730,958	1,008,203	939,542	22,517,267
Expenditures					
General government					
General government and administration	389,917	-	66,779	-	456,696
City council	110,679	-	-	-	110,679
Mayor	237,371	-	-	-	237,371
City clerk	143,701	-	-	-	143,701
City attorney	189,958	-	-	-	189,958
District court	335,226	-	-	-	335,226
Director of administration	108,757	-	-	-	108,757
Director of information technology	281,359	-	-	-	281,359
Finance	664,494	-	-	-	664,494
Human resources	230,356	-	-	-	230,356
Fleet services	168,108	-	-	-	168,108
Community programs	179,826	-	493,677	-	673,503
Total general government	3,039,753	-	560,456	-	3,600,208
Public works					
Public works coordinator	89,457	-	-	-	89,457
Engineering	333,165	-	-	-	333,165
Code enforcement	267,113	-	-	-	267,113
Streets and drainage	-	2,007,249	96,858	277,062	2,381,169
Total public works	689,735	2,007,249	96,858	277,062	3,070,904
Parks and recreation services					
Police	2,581,087	-	1,083,649	30,239	3,694,975
Fire	7,240,822	-	4,283,785	8,710	11,533,317
Emergency communication services	4,403,817	-	-	-	4,403,817
Animal control	900,628	-	3,958,331	-	4,858,959
Housing and neighborhood programs	297,594	-	-	572	298,166
Debt Service	-	-	-	371,863	371,863
Principal	-	-	-	155,000	155,000
Interest	13,881	-	-	67,587	81,468
Agent fees	-	-	-	700	700
Total expenditures	19,167,317	2,007,249	9,983,079	911,734	32,069,377
Excess (Deficiency) of Revenues Over Expenditures	(328,752)	(276,291)	(8,974,876)	27,808	(9,552,110)
Other Financing Sources (Uses)					
Proceeds from long-term debt	-	-	3,011,700	-	3,011,700
Capital lease	-	-	2,516,526	-	2,516,526
Transfers in	6,004	-	-	-	6,004
Transfers out	(442,496)	-	-	(6,004)	(448,500)
Total other financing sources (uses)	(436,492)	-	5,528,226	(6,004)	5,085,730
Net Change in Fund Balances	(765,244)	(276,291)	(3,446,650)	21,804	(4,466,380)
Fund Balances, Beginning of Year	5,404,555	1,072,252	6,180,291	443,709	13,100,807
Fund Balances, End of Year	\$ 4,639,311	\$ 795,961	\$ 2,733,641	\$ 465,513	\$ 8,634,426

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, 2012

Net change in fund balances - total governmental funds \$ (4,466,380)

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

Governmental funds report capital outlays as expenditures. However, for government-wide statements, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The components of capital assets in 2012 are as follows:

Capital asset purchases	11,305,874
Capital asset contributions	82,983
Depreciation expense	(1,759,346)

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. 4,320

Long-term debt issuance provides current financial resources to governmental funds but issuing debt increases long-term liabilities in the statement of net position:

Proceeds from long-term debt	(3,011,700)
Capital lease incurred during the year	(2,516,526)

Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds. Change in accrued interest. 2,511

Governmental funds report the effect of long-term debt issuance costs, premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This includes:

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

The repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 155,000

Expenses that do not require current financial resources are not reported as expenses for the funds but are reported as expenses in the statement of activities.

Compensated absences	(33,992)
Other post employment benefits	(39,801)

Net pension obligation and/or assets do not require current financial resources and are not recorded in governmental funds. However, for government-wide statements, the liabilities and assets are recorded and a corresponding increase/decrease in expense is recognized. (596,427)

Change in net position of governmental activities \$ (877,629)

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF NET POSITION PROPRIETARY FUNDS DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds		
	Sanitation Services	Emergency Medical Services	Total
Assets			
Current assets			
Cash	\$ 90,885	\$ 18,253	\$ 109,138
Investments	375,038	-	375,038
Accounts Receivable net of allowance for uncollectible accounts	333,930	449,513	783,443
Accrued interest	29	-	29
Total current assets	<u>799,882</u>	<u>467,766</u>	<u>1,267,648</u>
Noncurrent assets			
Capital assets			
Vehicles	1,848,959	521,746	2,370,705
Furniture and equipment	957,798	71,057	1,028,855
	<u>2,806,757</u>	<u>592,803</u>	<u>3,399,560</u>
Less accumulated depreciation	<u>(1,369,414)</u>	<u>(171,192)</u>	<u>(1,540,606)</u>
Net capital assets	<u>1,437,343</u>	<u>421,611</u>	<u>1,858,954</u>
Total noncurrent assets	<u>1,437,343</u>	<u>421,611</u>	<u>1,858,954</u>
Total Assets	<u>\$ 2,237,225</u>	<u>\$ 889,377</u>	<u>\$ 3,126,602</u>
Liabilities and Net Position			
Current liabilities			
Accounts payable	\$ 67,212	\$ 11,022	\$ 78,234
Due to other funds	-	100	100
Accrued interest	1,756	-	1,756
Note payable - current	265,263	-	265,263
Accrued wages payable	16,249	11,658	27,907
Compensated absences	25,853	19,454	45,307
Deferred revenue	6,500	-	6,500
Total current liabilities	<u>382,833</u>	<u>42,234</u>	<u>425,067</u>
Noncurrent liabilities			
Note payable - long-term	<u>771,818</u>	<u>-</u>	<u>771,818</u>
Total liabilities	<u>1,154,651</u>	<u>42,234</u>	<u>1,196,885</u>
Net Position			
Invested in capital assets, net of related debt	400,262	421,611	821,873
Unrestricted	<u>682,312</u>	<u>425,532</u>	<u>1,107,844</u>
Total net position	<u>1,082,574</u>	<u>847,143</u>	<u>1,929,717</u>
Total liabilities and net position	<u>\$ 2,237,225</u>	<u>\$ 889,377</u>	<u>\$ 3,126,602</u>

See Accompanying Notes to Basic Financial Statements.

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUNDS YEAR ENDED DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds		
	Sanitation Services	Emergency Medical Services	Total
Operating Revenues			
Charges for services	\$ 1,699,488	\$ 1,062,331	\$ 2,761,819
Miscellaneous	117,281	-	117,281
Total operating revenues	1,816,769	1,062,331	2,879,100
Operating Expenses			
Salaries, wages and employee benefits	744,281	677,019	1,421,300
Supplies and materials	235,832	90,378	326,210
Services	60,889	24,340	85,229
Repairs and maintenance	53,322	1,954	55,276
Landfill fees	191,911	-	191,911
Other	18,383	614,004	632,387
Depreciation	191,506	52,671	244,177
Total operating expenses	1,496,124	1,460,366	2,956,490
Operating Income (Loss)	320,645	(398,035)	(77,390)
Nonoperating Revenues (Expenses)			
Intergovernmental	13,000	-	13,000
Interest income	503	1	504
Other nonoperating revenues	47,881	-	47,881
Interest expense	(34,879)	-	(34,879)
Total nonoperating revenues	26,504	1	26,505
Income (Loss) Before Capital Contributions and Transfers	347,149	(398,034)	(50,885)
Capital contributions	59,196	-	59,196
Transfers in	-	442,496	442,496
Changes in Net Position	406,345	44,462	450,807
Net Position, Beginning of Year	676,229	802,681	1,478,910
Net Position, End of Year	\$ 1,082,574	\$ 847,143	\$ 1,929,717

See Accompanying Notes to Basic Financial Statements.

CITY OF JACKSONVILLE, ARKANSAS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2012**

	Business-type Activities - Enterprise Funds		
	Sanitation Services	Emergency Medical Services	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 1,617,363	\$ 344,965	\$ 1,962,328
Other receipts	117,281	-	117,281
Payments to employees	(736,882)	(663,084)	(1,399,966)
Payments to suppliers	(235,326)	(81,989)	(317,314)
Payments to service providers	(64,312)	(24,230)	(88,542)
Other payments	(214,411)	(1,954)	(216,365)
Net cash provided by (used in) operating activities	<u>483,713</u>	<u>(426,292)</u>	<u>57,421</u>
Cash Flows from Noncapital Financing Activities			
Operating grants	13,000	-	13,000
Transfers from other funds	-	442,596	442,596
Net cash provided by noncapital financing activities	<u>13,000</u>	<u>442,596</u>	<u>455,596</u>
Cash Flows from Capital and Related Financing Activities			
Proceeds from sale of capital assets	87,690	-	87,690
Purchases of capital assets	(108,581)	(26,859)	(135,440)
Principal paid on note payable	(257,433)	-	(257,433)
Interest paid on note payable	(35,315)	-	(35,315)
Net cash provided by (used in) capital and related financing activities	<u>(313,639)</u>	<u>(26,859)</u>	<u>(340,498)</u>
Cash Flows from Investing Activities			
Proceeds from maturities of cash investments	325,137	-	325,137
Purchase of cash investments	(625,175)	-	(625,175)
Interest income	481	1	482
Net cash provided by (used in) investing activities	<u>(299,557)</u>	<u>1</u>	<u>(299,556)</u>
Net Increase (Decrease) in Cash	<u>(116,483)</u>	<u>(10,554)</u>	<u>(127,037)</u>
Cash, Beginning of Year	<u>207,368</u>	<u>28,807</u>	<u>236,175</u>
Cash, End of Year	<u>\$ 90,885</u>	<u>\$ 18,253</u>	<u>\$ 109,138</u>

See Accompanying Notes to Basic Financial Statements.

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF CASH FLOWS (CONTINUED)
 PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds		
	Sanitation Services (Major Fund)	Emergency Medical Services (Major Fund)	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities			
Operating income (loss)	\$ 320,645	\$ (398,035)	\$ (77,390)
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	191,506	52,671	244,177
Changes in operating assets and liabilities			
Receivables, net	(63,742)	(103,362)	(167,104)
Due from other funds	211	-	211
Accounts payable	27,694	8,499	36,193
Accrued expenses	7,399	13,935	21,334
Net cash provided by (used in) operating activities	<u>\$ 483,713</u>	<u>\$ (426,292)</u>	<u>\$ 57,421</u>

Noncash Capital Activities:

During 2012, the Sanitation Services Fund received contributions of capital assets of \$59,196 from the Special Projects Fund.

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS DECEMBER 31, 2012

	<u>Employee Benefit Plans</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 527,165	\$ 217,684
Investments at fair value		
U.S. Government and agency obligations	2,554,830	-
Corporate bonds	2,076,048	-
Equities	216,981	-
Mutual funds	7,963,156	-
Receivables		
Accounts	2,347	-
Due from other funds	35,705	-
Accrued interest	48,816	-
	<u>\$ 13,425,048</u>	<u>\$ 217,684</u>
Liabilities		
Other liabilities	<u>\$ -</u>	<u>\$ 217,684</u>
Net Position		
Net position held in trust	<u>\$ 13,425,048</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, 2012

	Employee Benefit Plans
Additions	
Contributions	
Employer	\$ 97,495
Plan members	17,400
Contributed from General Fund	
Property taxes	525,060
State insurance turnback and supplements	190,070
	<hr/>
Total contributions	830,025
	<hr/>
Investment income	
Net increase in fair value of investments	509,215
Interest and dividends	349,983
Other investment income	1,075
	<hr/>
	860,273
Less investment expense	136,769
	<hr/>
Net investment income	723,504
	<hr/>
Total Additions	1,553,529
	<hr/>
Deductions	
Benefits paid directly to participants	1,544,078
Administrative expenses	2,000
	<hr/>
Total deductions	1,546,078
	<hr/>
Change in Net Position	7,451
	<hr/>
Net Position, Beginning of Year	13,417,597
	<hr/>
Net Position, End of Year	<u>\$ 13,425,048</u>

See Accompanying Notes to Basic Financial Statements.

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF NET POSITION DISCRETELY PRESENTED COMPONENT UNITS DECEMBER 31, 2012

	Jacksonville Municipal Water Works	Jacksonville Wastewater Utility	Nonmajor Component Unit Advertising and Promotion Commission	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 3,057,190	\$ 5,875,863	\$ 238,031	\$ 9,171,084
Investments	1,120,076	-	402,140	1,522,216
Receivables, net of allowance for uncollectible accounts				
Accounts	1,656,144	527,861	69,982	2,253,987
Revenues earned and unbilled	-	183,613	-	183,613
Accrued interest	555	-	62	617
Inventories	335,916	150,174	-	486,090
Prepaid expenses	46,202	20,955	-	67,157
Restricted Current Assets				
Cash and cash equivalents	1,650,290	1,902,512	-	3,552,802
Interest receivable	785	-	-	785
	<u>7,867,158</u>	<u>8,660,979</u>	<u>710,215</u>	<u>17,238,352</u>
Total current assets				
Noncurrent assets				
Restricted assets				
Cash and cash equivalents	-	585,951	-	585,951
	<u>-</u>	<u>585,951</u>	<u>-</u>	<u>585,951</u>
Total restricted noncurrent assets				
Capital assets				
Land	495,188	407,187	-	902,375
Buildings and improvements	2,105,488	210,274	-	2,315,762
Machinery and equipment	1,539,658	1,859,381	-	3,399,039
Water system	19,653,974	-	-	19,653,974
Sewer system	-	54,024,336	-	54,024,336
Construction in progress	16,640,614	5,743,516	-	22,384,130
	<u>40,434,922</u>	<u>62,244,693</u>	<u>-</u>	<u>102,679,615</u>
Less accumulated depreciation	(12,215,223)	(23,305,658)	-	(35,520,881)
	<u>28,219,699</u>	<u>38,939,035</u>	<u>-</u>	<u>67,158,734</u>
Net capital assets				
Other assets				
Bond issue costs (net of accumulated amortization)	23,738	197,299	-	221,037
Deferred charges	170,362	-	-	170,362
	<u>28,413,799</u>	<u>39,722,285</u>	<u>-</u>	<u>68,136,084</u>
Total noncurrent assets				
Total Assets	<u>\$ 36,280,957</u>	<u>\$ 48,383,264</u>	<u>\$ 710,215</u>	<u>\$ 85,374,436</u>

See Accompanying Notes to Basic Financial Statements.

	Jacksonville Municipal Water Works	Jacksonville Wastewater Utility	Nonmajor Component Unit Advertising and Promotion Commission	Total
Liabilities and Net Position				
Current liabilities				
Accounts payable	\$ 1,026,886	\$ 104,149	\$ 113,833	\$ 1,244,868
Accrued interest payable	49,522	69,818	-	119,340
Notes payable-current portion	-	2,300	-	2,300
Bonds payable-current portion	-	320,413	-	320,413
Accrued expenses and other	113,691	55,263	-	168,954
Total current liabilities	<u>1,190,099</u>	<u>551,943</u>	<u>113,833</u>	<u>1,855,875</u>
Noncurrent liabilities				
Notes payable	-	34,332	-	34,332
Bonds payable, net of unamortized discount	3,373,683	16,889,793	-	20,263,476
Customer deposits	654,729	-	-	654,729
Other liabilities	2,648	-	-	2,648
Total noncurrent liabilities	<u>4,031,060</u>	<u>16,924,125</u>	<u>-</u>	<u>20,955,185</u>
Total liabilities	<u>5,221,159</u>	<u>17,476,068</u>	<u>113,833</u>	<u>22,811,060</u>
Net Position				
Invested in capital assets, net of related debt	24,869,754	24,111,093	-	48,980,847
Restricted-expendable	1,601,553	-	-	1,601,553
Unrestricted	4,588,491	6,796,103	596,382	11,980,976
Total net position	<u>31,059,798</u>	<u>30,907,196</u>	<u>596,382</u>	<u>62,563,376</u>
Total Liabilities and Net Position	<u>\$ 36,280,957</u>	<u>\$ 48,383,264</u>	<u>\$ 710,215</u>	<u>\$ 85,374,436</u>

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Advertising and Promotion Commission	\$ 758,388	\$ -	\$ -	\$ -
Total governmental activities	758,388	-	-	-
Business-type Activities				
Municipal Water Works	5,330,392	7,352,372	-	-
Wastewater Utility	4,360,285	4,132,309	-	-
Total business-type activities	9,690,677	11,484,681	-	-
Total component units	<u>\$ 10,449,065</u>	<u>\$ 11,484,681</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues				
Sales taxes				
Investment income				
Grants and contributions not restricted to specific programs				
Other				
Total general revenues				
Change in Net Position				
Net Position, Beginning of Year				
Net Position, End of Year				

See Accompanying Notes to Basic Financial Statements.

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

Jacksonville Municipal Water Works	Jacksonville Wastewater Utility	Advertising and Promotion Commission	Total
\$ -	\$ -	\$ (758,388)	\$ (758,388)
-	-	(758,388)	(758,388)
2,021,980	-	-	2,021,980
-	(227,976)	-	(227,976)
2,021,980	(227,976)	-	1,794,004
2,021,980	(227,976)	(758,388)	1,035,616
-	-	826,597	826,597
15,351	44,273	1,447	61,071
41,574	3,923,771	-	3,965,345
837,124	-	-	837,124
894,049	3,968,044	828,044	5,690,137
2,916,029	3,740,068	69,656	6,725,753
28,143,769	27,167,128	526,726	55,837,623
<u>\$ 31,059,798</u>	<u>\$ 30,907,196</u>	<u>\$ 596,382</u>	<u>\$ 62,563,376</u>



CITY OF JACKSONVILLE, ARKANSAS

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2012

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

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

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

Reporting Entity

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

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

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

Blended Component Units

Major Component Unit:

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

Other Component Units:

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

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

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

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

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

There were no significant transactions between the major component units and the City or its other component units in 2012.

Other Component Unit:

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

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

Administrative Offices

Jacksonville Municipal Water Works
1900 Marshall Road
Jacksonville, Arkansas 72076

Jacksonville Wastewater Utility
248 Cloverdale Road
Jacksonville, Arkansas 72076

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

Government-wide and Fund Financial Statements

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

The City reports the following major governmental funds:

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

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

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

The City reports the following proprietary (enterprise) funds:

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

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

Additionally the City reports the following fund types:

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

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

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

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

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

Measurement Focus and Basis of Accounting

Government-wide, Proprietary and Fiduciary Funds

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

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

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

Governmental Fund Financial Statements

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

Use of Estimates

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

Cash and Investments

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

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

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

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

Inventories

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

Capital Assets

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

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

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

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

Long-term Obligations

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

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

Compensated Absences

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

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

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

Deferred Revenue

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

Net Position/Fund Balance

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

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

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

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

Budgetary Information

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

Adoption of Accounting Standards

During the year ended December 31, 2012, the City implemented the following financial accounting and reporting standards issued by GASB:

GASB Statement No.62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62), incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance included in FASB pronouncements, which does not conflict with or contradict GASB pronouncements, and eliminates the criteria to apply post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements.

GASB Statement No.63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63), establishes a new statement of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). The statement requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities. The financial reporting impact resulting from the implementation of GASB 63 in the City's financial statements was the renaming of "Net Assets" to "Net Position", including changing the name of the financial statement from "Statement of Net Assets" to " Statement of Net Position".

Future Adoption of Accounting Pronouncements

The GASB has issued the following potentially significant statements which the City has not yet adopted and which require adoption subsequent to December 31, 2012:

GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities*

This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Statement is effective for financial statements prepared by state and local governments for periods beginning after December 15, 2012.

GASB Statement No. 66 – *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*

The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.

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

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

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2013.

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

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

Note 2: Deposits and Investments

Deposits

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

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

At December 31, 2012, the City's primary government bank balances were \$7,946,243. Of this amount, \$7,446,243 was uninsured and collateralized with securities held by the pledging financial institution's agent in the City's name. At December 31, 2012, 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, 2012 were as follows:

	Primary Government	Component Units
Carrying value		
Demand deposits	\$ 5,107,205	\$ 12,303,170
Certificates of deposit	2,600,443	2,529,545
	<u>\$ 7,707,648</u>	<u>\$ 14,832,715</u>
Bank balance		
Demand deposits	\$ 5,345,799	\$ 12,543,942
Certificates of deposit	2,600,444	2,528,848
	<u>\$ 7,946,243</u>	<u>\$ 15,072,790</u>

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

	Primary Government	Component Units
Carrying value of deposits	\$ 7,707,648	\$ 14,832,715
Cash on hand	1,640	123
Investments classified as cash	262,911	-
	<u>\$ 7,972,199</u>	<u>\$ 14,832,838</u>
As reported on the government-wide statement of net position:		
Cash	\$ 4,345,942	\$ 9,171,084
Restricted cash, current	33,156	3,553,587
Investments	2,600,444	1,522,216
Restricted cash, noncurrent	247,808	585,951
As reported on the statement of fiduciary net position:		
Cash - Employee Benefit Plans	527,165	-
Cash - Agency Fund	217,684	-
	<u>\$ 7,972,199</u>	<u>\$ 14,832,838</u>

Investments

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

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

The pension trust funds' investments, carried at fair value, and maturities as of December 31, 2012 were as follows:

Investment Type	Fair Value	Investment Maturities			
		Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
U.S. Government and agency obligations	\$ 2,554,830	\$ 157,892	\$ 1,889,097	\$ 507,842	\$ -
Corporate debt obligations	2,076,048	88,154	1,346,806	419,175	221,914
Money market mutual funds	262,909	262,909	-	-	-
		<u>\$ 508,955</u>	<u>\$ 3,235,903</u>	<u>\$ 927,017</u>	<u>\$ 221,914</u>
Corporate equities	216,981				
Bond mutual fund	273,734				
Mutual fund	<u>7,689,422</u>				
Total	<u>\$ 13,073,924</u>				

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

Carrying value of investments	\$ 13,073,924
Investments classified as cash	(262,909)
	<u>\$ 12,811,015</u>
Investments as reported on the statement of fiduciary net position:	
U.S. Government and agency obligations	\$ 2,554,830
Corporate bonds	2,076,048
Equities	216,981
Mutual funds	7,963,156
	<u>\$ 12,811,015</u>

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

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

Credit Risk – Credit risk of investments is the risk that the issuer or other counterparty will not fulfill its obligations. It is the City’s policy, excluding fiduciary funds, to invest almost exclusively in government-issued treasuries and agencies, and FDIC insured certificates of deposit. At December 31, 2012, the City, exclusive of the pension trust funds, had approximately \$280,964 invested in a U. S. government money market mutual fund with a rating of AAAM by Standard and Poor’s.

The investment policy of the Firemen’s Pension and Relief Fund states that plan assets may be invested in investment grade bonds rated by Standard and Poor’s of BBB+ or better and in commercial paper rated A1 or better. The Policemen’s Pension and Relief Fund investment policy requires a credit analysis of each debt instrument prior to inclusion in the portfolio. The following reports the credit ratings by investment type for the pension trust funds at December 31, 2012.

<u>Investment Type</u>	<u>Fair Value</u>	<u>S&P Rating</u>
U.S. Government and agency obligations	\$ 2,554,830	AAA
Corporate debt obligations	520,887	A
	340,693	A-
	223,669	A+
	117,619	AA+
	31,975	B
	17,175	B+
	88,373	BB
	78,004	BB-
	8,850	BB+
	176,184	BBB
	182,044	BBB-
	208,562	BBB+
	82,014	Unrated
Money market mutual funds	262,909	AAA
Mutual funds	7,689,422	Not rated

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty’s trust department or agent but not in the City’s name. Exclusive of the pension trust funds, at December 31, 2012, investments held by the City were limited to certificates of deposit which were FDIC insured or collateralized at 102% of the deposits fair value and U.S. Treasury Fund money market accounts. The City’s collateral is held by third party financial institutions. Monthly and quarterly collateral reports are sent to the City’s finance department.

Concentration of Credit Risk – The City’s investment policy limits investments in securities from any one issuer to 5% of the City’s portfolio at the time of purchase, and limits investment in any one business sector to 15% of the portfolio. The City had no investments that exceeded these parameters at December 31, 2012.

The Policemen’s Pension and Relief Fund limits investments in any one equity issuer to 7% of the market value of the total portfolio. No single industry may exceed 20% of the portfolio. The Firemen’s Pension and Relief Fund limits investments in the securities of any one company or government agency to 5% of the portfolio, and allows no more than 10% of the portfolio to be invested in any one industry. The portfolios of the pension trust funds had no investments that exceeded these limitations at December 31, 2012.

Note 3: Capital Assets

A summary of changes in capital assets for the year ended December 31, 2012 is presented as follows:

Governmental Activities	Balance December 31, 2011	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2012
Capital Assets, non-depreciable				
Land	\$ 9,493,913	\$ 536,939	\$ -	\$ 10,030,852
Construction in progress	1,975,317	6,451,291	144,836	8,281,772
Total capital assets, non-depreciable	<u>11,469,230</u>	<u>6,988,230</u>	<u>144,836</u>	<u>18,312,624</u>
Capital Assets, depreciable				
Land improvements	1,253,969	128,864	-	1,382,833
Infrastructure	31,343,642	455,668	-	31,799,310
Buildings	18,858,982	628,658	-	19,487,640
Vehicles	5,908,030	30,758	159,527	5,779,261
Equipment	6,250,482	3,301,515	27,918	9,524,079
Total capital assets, depreciable	<u>63,615,105</u>	<u>4,545,463</u>	<u>187,445</u>	<u>67,973,122</u>
Less accumulated depreciation				
Land improvements	458,828	50,231	-	509,059
Infrastructure	21,752,167	472,153	-	22,224,320
Buildings	4,668,306	551,020	-	5,219,326
Vehicles	4,716,469	301,097	159,527	4,858,039
Equipment	4,713,736	384,845	27,918	5,070,663
Total accumulated depreciation	<u>36,309,506</u>	<u>1,759,346</u>	<u>187,445</u>	<u>37,881,407</u>
Total capital assets, depreciable, net	<u>27,305,599</u>	<u>2,786,117</u>	<u>-</u>	<u>30,091,716</u>
Total governmental activities, net	<u>\$ 38,774,828</u>	<u>\$ 9,774,346</u>	<u>\$ 144,836</u>	<u>\$ 48,404,340</u>
Business-type activities	Balance December 31, 2011	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2012
Capital Assets, depreciable				
Vehicles	\$ 3,002,690	\$ 91,250	\$ 427,257	\$ 2,666,683
Equipment	629,490	103,387	-	732,877
Total capital assets, depreciable	<u>3,632,180</u>	<u>194,637</u>	<u>427,257</u>	<u>3,399,560</u>
Less accumulated depreciation				
Vehicles	1,590,703	171,104	387,447	1,374,360
Equipment	93,174	73,072	-	166,246
Total accumulated depreciation	<u>1,683,878</u>	<u>244,176</u>	<u>387,447</u>	<u>1,540,607</u>
Total business-type activities, net	<u>\$ 1,948,304</u>	<u>\$ (49,539)</u>	<u>\$ 39,810</u>	<u>\$ 1,858,954</u>

Component Units	Balance, December 31, 2011	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2012
Capital Assets, non-depreciable				
Land	\$ 900,090	\$ 2,285	\$ -	\$ 902,375
Construction in progress	<u>17,228,846</u>	<u>7,428,585</u>	<u>2,273,302</u>	<u>22,384,129</u>
Total capital assets, non-depreciable	<u>18,128,936</u>	<u>7,430,870</u>	<u>2,273,302</u>	<u>23,286,504</u>
Capital Assets, depreciable				
Utility system	65,270,209	8,442,612	34,511	73,678,310
Buildings and improvements	2,283,115	34,130	1,484	2,315,761
Furniture and equipment	<u>3,126,284</u>	<u>355,123</u>	<u>82,367</u>	<u>3,399,040</u>
Total capital assets, depreciable	<u>70,679,608</u>	<u>8,831,865</u>	<u>118,362</u>	<u>79,393,111</u>
Less accumulated depreciation	<u>33,081,118</u>	<u>2,558,006</u>	<u>118,243</u>	<u>35,520,881</u>
Total capital assets, depreciable, net	<u>37,598,490</u>	<u>6,273,859</u>	<u>119</u>	<u>43,872,230</u>
Total component units, net	<u>\$ 55,727,426</u>	<u>\$ 13,704,729</u>	<u>\$ 2,273,421</u>	<u>\$ 67,158,734</u>

Construction in progress is composed of the following:

	Expended to December 31, 2012	Estimated Amount To Complete
Primary Government		
General Government		
Police/911 training center (Public Safety Building)	\$ 6,331,396	\$ 555,100
Senior Center safe room	493,677	85,253
Main Street/Harris Road	54,063	145,937
Oneida Street extension	189,281	7,054
Emma Street extension	45,875	7,125
Wastewater generator	141,084	50,841
Main Street alignment	67,397	28,603
Arkansas Game and Fish shooting range	5,951	3,094,049
Graham Road widening	873,621	100,000
Marshall Road sidewalk	33,919	105,892
Wildlife observation trail	30,239	41,911
Stonewall drainage	1,913	450,000
Loop Road improvements	13,356	30,000
	<u>\$ 8,281,772</u>	<u>\$ 4,701,765</u>
Component Units		
Jacksonville Municipal Water Works		
CAW Northbelt transmission main	\$ 11,219,101	\$ -
Hidden Oaks tank	65,439	2,245,161
West Area tank	2,233,856	5,266,144
Foxboro/Vine Street	58,792	-
Dues/memberships	26,923	-
Drinking Water State Revolving Funds Projects	654,564	-
North/South infrastructure	139,884	5,657,116
Financial need examination	5,970	-
Graham Road/Jarry Lane water line relocation	64,799	-
Lessell Drive/Stone Street water line improvements	304,282	-
CAW Brushy Island	519,368	-
Tank/transmission line project	103,854	-
Greeters Ferry- allocation	292,584	-
SCADA	450,537	445,463
General Samuels	455	2,466,545
South Source water main/meter station	345,535	7,994,465
Future water supply	154,672	-
Jacksonville Wastewater Utility		
Johnson Plant upgrades	4,736,083	237,083
East/West Outfall sewer study	23,462	878
Capitalized construction period interest	652,816	-
Valentine pump station upgrade	48,237	36,763
LRAFB privatization	282,917	237,083
	<u>\$ 22,384,129</u>	<u>\$ 24,586,700</u>

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

Governmental Activities

General government	
General administration	\$ 167,519
Director of administration	2,260
Director of information technology	10,919
Community programs	17,874
Total general government	<u>198,572</u>
Public works	
Engineering	2,575
Streets and drainage	652,708
Total public works	<u>655,283</u>
Parks and recreation services	351,394
Police	236,625
Fire	207,591
Emergency services	98,559
Animal control	11,322
Total depreciation expense - governmental activities	<u>1,759,346</u>
Business-type Activities	
Sanitation services	191,505
Emergency medical services	52,671
Total depreciation expense - business-type activities	<u>244,176</u>
Total depreciation expense - primary government	<u>\$ 2,003,522</u>

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended December 31, 2012 were as follows:

Governmental Activities	Balance December 31, 2011	Increases	Decreases	Balance December 31, 2012	Amounts Due In One Year
Bonds payable-					
2006 Library Construction	\$ 1,940,000	\$ -	\$ 155,000	\$ 1,785,000	\$ 55,000
Less: deferred issuance discount	(2,195)	606	-	(1,589)	-
Bonds payable, net	<u>1,937,805</u>	606	155,000	<u>1,783,411</u>	55,000
Notes payable	-	3,011,700	-	3,011,700	983,401
Capital lease	-	2,516,526	-	2,516,526	87,413
Compensated absences	644,648	78,194	44,202	678,640	557,974
Net pension obligation	1,526,661	325,061	-	1,851,722	-
Net OPEB obligation	221,435	39,801	-	261,236	-
Total governmental activities long-term liabilities	<u>\$ 4,330,549</u>	<u>\$ 5,971,888</u>	<u>\$ 199,202</u>	<u>\$ 10,103,235</u>	<u>\$ 1,683,788</u>

Business-type Activities	Balance December 31, 2011	Increases	Decreases	Balance December 31, 2012	Amounts Due In One Year
Note payable	\$ 1,294,514	\$ -	\$ 257,433	\$ 1,037,081	\$ 265,263
Compensated absences	31,373	13,932	-	45,307	45,307
	<u>\$ 1,325,887</u>	<u>\$ 13,932</u>	<u>\$ 257,433</u>	<u>\$ 1,082,388</u>	<u>\$ 310,570</u>
Component Units	Balance December 31, 2011	Increases	Decreases	Balance December 31, 2012	Amounts Due In One Year
Jacksonville Municipal					
Water Works					
Water revenue bonds	\$ 500,220	\$ 2,873,463	\$ -	\$ 3,373,683	\$ -
Customer deposits	636,780	144,079	126,130	654,729	-
Other liabilities	2,648	-	-	2,648	-
	<u>1,139,648</u>	<u>3,017,542</u>	<u>126,130</u>	<u>4,031,060</u>	<u>-</u>
Jacksonville Wastewater					
Utility					
Wastewater revenue bonds	17,715,000	-	315,000	17,400,000	330,000
Less: deferred issuance					
discount	(189,794)	-	(9,587)	(180,207)	(9,587)
Note payable	38,823	-	2,191	36,632	2,300
	<u>17,564,029</u>	<u>-</u>	<u>307,604</u>	<u>17,256,425</u>	<u>322,713</u>
Total component units					
long-term liabilities	<u>\$ 18,703,677</u>	<u>\$ 3,017,542</u>	<u>\$ 433,734</u>	<u>\$ 21,287,485</u>	<u>\$ 322,713</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, 2012 an additional \$85,000 in bonds were redeemed under this provision. Bond interest rates range from 3.625% to 4.70% and final maturity is scheduled to be March 1, 2034. Annual debt-service requirements to maturity for the Library Construction and Improvement Bonds Series 2006 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 55,000	\$ 99,625	\$ 154,625
2014	55,000	97,425	152,425
2015	60,000	95,125	155,125
2016	60,000	92,725	152,725
2017	65,000	90,128	155,128
2018-2022	365,000	405,838	770,838
2023-2027	455,000	314,888	769,888
2028-2032	575,000	195,913	770,913
2033	95,000	22,500	117,500
Total	<u>\$ 1,785,000</u>	<u>\$ 1,414,165</u>	<u>\$ 3,199,165</u>

Notes Payable

In 2001, the State of Arkansas passed Amendment No. 78 and Act No. 1808, allowing cities and counties to obtain short-term financing agreements for the purpose of acquiring, constructing, installing or renting real property or tangible personal property having an expected useful life of more than one year. These financing agreements may not mature over a period to exceed five years and may have fixed or variable interest rates to be repaid with general fund revenues. At December 31, 2012, the outstanding short-term financing agreements were as follows:

2012 Short-term Financing Note - In June 2012, the City of Jacksonville obtained a loan from First Arkansas Bank & Trust to finance the completion of the Public Safety Building, the construction of a safe room at the Jacksonville Senior Wellness and Activity Center, and other capital improvement projects. The loan was for \$3,100,000 with an interest rate of 2.249% to be repaid over a five year period from general revenues. The balance outstanding on the loan as of December 31, 2012 was \$2,531,315.

2012 Short-term Financing Note – In December 2012, the City of Jacksonville obtained a loan from First Arkansas Bank & Trust to finance the purchase of property for a public shooting range. The note was for \$480,385 at 0% interest to be repaid within 45 days.

The annual debt-service requirements are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 983,401	\$ 51,963	\$ 1,035,364
2014	494,781	40,970	535,751
2015	506,024	29,728	535,752
2016	509,972	18,229	528,201
2017	517,522	6,470	523,992
Total	<u>\$ 3,011,700</u>	<u>\$ 147,360</u>	<u>\$ 3,159,060</u>

Capital Lease Obligation

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

	<u>Governmental Activities</u>
Equipment	\$ 2,516,526
Less accumulated depreciation	-
Total	<u>\$ 2,516,526</u>

The lease qualifies as a capital lease in Governmental activities for accounting purposes. Therefore, it has been recorded at the present value of the future lease payments as of the inception date. The lease amount is \$2,516,526. The lease is at a stated interest rate of 0%.

	<u>Year Ending December 31,</u>	<u>Governmental Activities</u>
	2013	\$ 87,413
	2014	607,278
	2015	607,278
	2016	607,278
	2017	<u>607,278</u>
Total lease payments		2,516,526
Less amount representing interest		-
Present value of lease payments		<u>\$ 2,516,526</u>

Business-Type Activities

Sanitation Services

Sanitation Services Equipment Note Payable - In July 2011, the City of Jacksonville entered into a lease purchase agreement with BancorpSouth for financing of automated sanitation equipment. The loan was for \$1,357,676 with an interest rate of 3% to be repaid over a five year period from sanitation services revenues. As of December 31, 2012, the principal balance was \$1,037,081. The annual debt-service requirements are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 265,263	\$ 27,485	\$ 292,748
2014	273,332	19,417	292,749
2015	281,645	11,103	292,748
2016	<u>216,841</u>	<u>2,720</u>	<u>219,561</u>
Total	<u>\$ 1,037,081</u>	<u>\$ 60,725</u>	<u>\$ 1,097,806</u>

Discretely Presented Component Unit

Municipal Water Works Revenue Bonds

Water Capital Improvement Revenue Bonds, Series 2011 – In October 2011, the City of Jacksonville, Arkansas issued \$25,000,000 in Water Capital Improvement Revenue Bonds, with an interest rate of 2.25% and servicing fee rate of 1% for the purpose of financing the cost of the planning, design, and construction of improvements to the City's water system, fund a debt service reserve, and pay expenses of issuing the bonds. The series 2011 Bonds are special obligations secured by the pledge of and payable from revenues derived from the operations of Jacksonville Municipal Water Works. As work is completed, bond funds are advanced to the utility to reimburse eligible project costs incurred, through the disbursement cut-off date of October 15, 2014. Beginning April 15, 2015, principle payments are due semi-annually on April 15 and October 15, with the final payment scheduled at the maturity date of October 15, 2034. Interest and service fee payments are due semiannually on April 15 and October 15 beginning April 15, 2012. At December 31, 2012, the amount drawn down on the bonds was \$3,373,683. Maturities of the revenue bond are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ -	\$ 812,500	\$ 812,500
2014	-	812,500	812,500
2015	904,526	805,210	1,709,736
2016	934,162	775,574	1,709,736
2017	964,768	744,968	1,709,736
2018-2022	5,319,219	3,229,461	8,548,680
2023-2027	6,249,619	2,299,061	8,548,680
2028-2032	7,342,756	1,205,924	8,548,680
Thereafter	3,284,950	134,528	3,419,478
Total	<u>\$ 25,000,000</u>	<u>\$ 10,819,726</u>	<u>\$ 35,819,726</u>

Wastewater Utility Revenue Bonds

Wastewater Refunding Revenue Bonds, Series 2009A – In December, 2009, the City of Jacksonville, Arkansas issued \$3,970,000 in Wastewater Refunding Revenue Bonds with an interest rate of 5.0% for the purpose of refunding a short-term loan owed to Centennial Bank in the amount of \$3,750,883, fund a debt service reserve, and pay expenses of issuing the bonds. The short-term loan was obtained for the benefit of the Utility and was used to finance the cost of sewer improvements to the system. The Series 2009A Bonds are special obligations secured by the pledge of and payable from revenues derived from the operations of the City's Wastewater Utility system. Principal payments are due annually on December 1 with the final payment scheduled in 2020. Interest payments are due semiannually on June 1 and December 1. Maturity dates are 2010 to 2020. The bonds are subject to redemption in part by sinking fund installments due on December 1. Bonds maturing on or after June 1, 2015 are also subject to optional redemption at the direction of the City. Extraordinary redemption may occur in the event that excess project funds exist.

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

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

Wastewater Utility Note Payable

Arkansas Soil and Water Conservation Commission – The \$50,000 promissory note was used to finance the costs of sewer improvements to the Valentine-Wooten Road sewer system to allow acceptance by Jacksonville Wastewater Utility. The note bears interest at 5% and is due in annual installments of \$4,132 including interest. At December 31, 2012 the principal balance on the promissory note was \$36,632 while in 2011 it was \$38,823. Maturity is June 1, 2024.

The following schedule shows the annual debt service requirements to pay principal and interest on revenue bonds as well as the note payable outstanding at December 31, 2012:

<u>Wastewater Revenue Bonds</u>			
<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 330,000	\$ 837,818	\$ 1,167,818
2014	350,000	821,318	1,171,318
2015	365,000	803,818	1,168,818
2016	385,000	785,567	1,170,567
2017	405,000	766,318	1,171,318
2018-2022	2,330,000	3,514,081	5,844,081
2023-2027	2,880,000	2,953,684	5,833,684
2028-2032	3,600,000	2,237,650	5,837,650
2033-2037	4,585,000	1,252,750	5,837,750
2038-2039	2,170,000	164,000	2,334,000
Total	<u>\$ 17,400,000</u>	<u>\$ 14,137,004</u>	<u>\$ 31,537,004</u>

<u>Note Payable</u>			
<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 2,300	\$ 1,832	\$ 4,132
2014	2,416	1,716	4,132
2015	2,536	1,596	4,132
2016	2,663	1,469	4,132
2017	2,796	1,336	4,132
2018-2022	16,223	4,437	20,660
2023-2024	7,698	582	8,280
Total	<u>\$ 36,632</u>	<u>\$ 12,968</u>	<u>\$ 49,600</u>

Note 5: Interfund Balances and Transfers

Interfund receivables and payables result from transactions between various funds within the City. The balances by fund at December 31, 2012 are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Primary Government		
Governmental Funds to/from Nonfiduciary Funds		
General Fund	\$ 19,831	\$ -
Special Projects	-	-
CDBG	-	19,731
	<u>19,831</u>	<u>19,731</u>
Governmental Funds to/from Fiduciary Funds		
General Fund	-	35,705
Total governmental funds	<u>19,831</u>	<u>55,436</u>
Proprietary Fund		
Emergency Medical Services	-	100
Total proprietary funds	<u>-</u>	<u>100</u>
Fiduciary Funds		
Policemen's Pension	17,852	-
Firemen's Pension	17,853	-
Total fiduciary funds	<u>35,705</u>	<u>-</u>
Total	<u>\$ 55,536</u>	<u>\$ 55,536</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, 2012, the interfund transfers in and transfers out are as follows:

Fund	Interfund Transfers	
	In	Out
Governmental Funds:		
Major Funds:		
General Fund	\$ 6,004	\$ 442,496
Capital Projects- Special Projects	-	-
Nonmajor Funds	-	6,004
Total Governmental Funds	6,004	448,500
Proprietary Fund:		
Emergency Medical Services	442,496	-
Total	\$ 448,500	\$ 448,500

The transfers out of \$442,496 from the General Fund are transfers out to supplement the Emergency Medical Services Fund for operational expenses.

Note 6: Pension Plans

Pension Trust Funds

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

A. *Summary of Significant Accounting Policies*

Basis of Accounting

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

Method Used to Determine Fair Value of Investments

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

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

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

B. Membership Information

Membership of each plan consisted of the following at December 31, 2012:

	Policemen's Fund	Firemen's Fund
Retirees and beneficiaries receiving benefits	24	34
Active plan members	-	-
Members on Deferred Retirement Option Plan (DROP)	-	4
Total	<u>24</u>	<u>38</u>

C. Financial Information

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

	Statement of Fiduciary Net Position	
	Policemen's Pension And Relief Fund	Firemen's Pension And Relief Fund
Assets		
Cash and cash equivalents	\$ 126,619	\$ 400,546
Investments	5,532,404	7,278,611
Receivables	31,202	55,666
Total assets	<u>5,690,225</u>	<u>7,734,823</u>
Net Position		
Net position held in trust for pension benefits	<u>\$ 5,690,225</u>	<u>\$ 7,734,823</u>

	Statement of Changes in Fiduciary Net Position	
	Policemen's Pension And Relief Fund	Firemen's Pension And Relief Fund
Additions		
Contributions	\$ 389,144	\$ 440,881
Net investment income	315,423	408,081
Total additions	<u>704,567</u>	<u>848,962</u>
Deductions		
Benefits paid directly to participants	641,602	902,476
Administrative expenses	1,000	1,000
Total deductions	<u>642,602</u>	<u>903,476</u>
Change in Net Position	61,965	(54,514)
Net Position Held in Trust For Pension Benefits, Beginning of Year	<u>5,628,260</u>	<u>7,789,337</u>
Net Position Held in Trust For Pension Benefits, End of Year	<u><u>\$ 5,690,225</u></u>	<u><u>\$ 7,734,823</u></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 2012 to the Policemen's Fund were \$390,219. The City's share of contributions was \$306,570 and included \$262,530 in property taxes and \$44,040 in state insurance premium taxes and other supplements received from the state. On behalf payments (state insurance premium taxes and other supplements received from the state) are recognized as revenues and expenditures in the appropriate fund.

For the year ended December 31, 2012, the City's total payroll for all employees amounted to \$11,970,071, including police and fire personnel. Total police personnel payroll amounted to \$4,087,209. There are no active police employees covered by this plan.

As of December 31, 2011, the most recent actuarial valuation date, the Policemen's Pension and Relief Fund was 75% funded. The actuarial accrued liability for benefits was \$7,551,399 and the actuarial value of assets was \$5,646,710, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,904,689. The covered payroll (annual payroll of active employees covered by the plan) was \$0 and the ratio of the UAAL to the covered payroll was not applicable as there are no active employees covered by this plan.

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

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

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

Contributions to the Firemen's Fund are set forth in Arkansas statute. The City's contribution to the Firemen's Fund consists of a one mill real and personal property tax collection and an insurance premium tax turnback collected by the State Insurance Commissioner. Additionally, the City contributes a percentage of the firemen's salaries which amounted to 6% during 2012. The participants contributed 7% of their salaries in 2012. Participant contributions are returned without interest if the participant terminates covered employment. Contribution provisions applicable to the Fund are established by Arkansas code and may not be less than 6%. Administrative costs are financed through Fund assets approved by the Board of Trustees. Total contributions for 2012 to the Firemen's Fund were \$440,881. The City's share of contributions was \$408,560 and included \$262,530 in property taxes and \$146,030 in state insurance premium taxes. On behalf payments (state insurance premium taxes and other supplements received from the state) are recognized as revenues and expenditures in the appropriate fund.

For the year ended December 31, 2012, the City's total payroll for all employees amounted to \$11,970,071, including police and fire personnel. Total fire personnel payroll amounted to \$3,248,535. There are no active fire employees covered by this plan.

As of December 31, 2011, the most recent actuarial valuation date, the Firemen's Pension and Relief Fund was 64% funded. The accrued liability for benefits was \$12,096,178 and the actuarial value of assets was \$7,789,339 resulting in an unfunded actuarial accrued liability (UAAL) of \$4,306,839. The covered payroll (annual payroll of active employees covered by the plan) was \$0 and the ratio of the UAAL to the covered payroll was not applicable as there are no active employees covered by this plan.

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

	2012 Annual Pension Cost and Net Pension Obligation (Asset)	
	Policemen's Fund	Firemen's Fund
Annual required contributions	\$ 429,460	\$ 971,086
Interest on net pension obligation	(53,206)	77,395
Adjustment to annual required contribution	<u>(239,931)</u>	<u>327,774</u>
Annual pension cost	616,185	720,707
Contributions made	<u>344,819</u>	<u>395,646</u>
Increase (decrease) in net pension obligation (asset)	271,366	325,061
Net pension obligation (asset), beginning of year	<u>(1,064,111)</u>	<u>1,526,661</u>
Net pension obligation (asset), end of year	<u>\$ (792,745)</u>	<u>\$ 1,851,722</u>

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

The State of Arkansas Fire and Police Pension Review Board is responsible for the coordination of the actuarial valuations performed on the Policemen's and Firemen's Pension and Relief Funds. Actuarial evaluations are performed annually and the last evaluation was as of December 31, 2011. Actuarial assumptions used in evaluating the fund include entry age cost method, five year smoothed market for valuing assets, level percent open amortization method, an amortization period of 5 years for active participants and 5 years for retirees, 5% investment rate of return, 4.2% to 8% salary increases, and 4% inflation rate. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The amortization period at December 31, 2012, was thirty years.

Three-Year Trend Information

	Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
Policemen's Fund	12/31/2010	\$ 636,870	50%	\$ (1,237,655)
	12/31/2011	508,499	66%	(1,064,111)
	12/31/2012	616,186	56%	(792,745)
Firemen's Fund	12/31/2010	\$ 908,027	34%	\$ 1,262,299
	12/31/2011	667,745	57%	1,526,661
	12/31/2012	699,468	57%	1,851,722

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

Agent Multiple-Employer Defined Benefit Pension Plan

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

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

Contribution requirements are set forth in Arkansas statute. LOPFI members were required to contribute 8.5% of their annual covered salary. The City is required to contribute at an actuarially determined rate, which was 20.69% for participating policemen and 16.71% for participating firemen.

Cost-sharing Multiple-Employer Defined Benefit Pension Plans

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

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

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

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

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

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

Contributions - Contribution provisions applicable to the participating employers are established by the APERS Board of Trustees, and are based on the actuary's determination of the rate required to fund the plan. Contributory member contribution rates were 5% for fiscal years 2012, 2011, and 2010. The City's contribution rate was 14.24% for fiscal year 2012, 13.47% for fiscal year 2011, and 12.46% for fiscal year 2010.

The City's annual pension costs were \$637,903, \$566,592, and \$534,208, for the years ended December 31, 2012, 2011, and 2010, respectively, and were equal to the required contributions for each year.

Actuarial Assumptions

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

	<u>Policemen's Pension and Relief Fund</u>	<u>Firemen's Pension and Relief Fund</u>
Actuarial valuation date	12/31/2011	12/31/2011
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent open	Level percent open
Remaining amortization period	30 years	30 years
Asset valuation method	5-year smoothed market	5-year smoothed market
Actuarial assumptions		
Investment rate of return*	5.0%	5.0%
Projected salary increases*	4.2 - 8.0%	4.2 - 8.0%
*Includes Inflation at	4.0%	4.0%
Cost of living adjustments	None	None

Note 7: Deferred Compensation Plan

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

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

Note 8: Other Postemployment Benefits

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

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

Funding Policy: The contribution requirements of plan members are established by terms and conditions as set forth in the 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 two participants who pay monthly premiums of \$373.83 for single coverage.

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

Annual required contribution	\$ 108,162
Interest on net OPEB obligation	12,179
Adjustments to ARC	<u>14,117</u>
Annual OPEB cost	106,224
Actual employer contribution	<u>66,423</u>
Increase in net OPEB obligation	39,801
Net OPEB obligation - beginning of year	<u>221,435</u>
Net OPEB obligation - end of year	<u><u>\$ 261,236</u></u>

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

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

The City's annual OPEB cost, the percentage of annual OPEB cost contribution to the plan, and the net OPEB obligation for 2012 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>
12/31/2010	\$ 119,907	46.5%	\$ 171,231
12/31/2011	106,664	52.9%	221,435
12/31/2012	106,224	62.5%	261,236

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

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

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

In the January 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a discount rate of 5.5% and an annual healthcare cost trend rate of 7.5% for 2011, 7% for 2012, and then reduced by decrements of 0.5% over time to an ultimate rate of 5% in the 9th year. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2011, was 30 years.

Note 9: Interlocal Agreement: Central Arkansas Library System

The cities of Little Rock, Jacksonville, Maumelle and Sherwood and Pulaski and Perry Counties entered into an agreement on January 28, 1998, to establish the public library system for the Central Arkansas area which will offer library services to the public within the communities of each of the participating entities. The agreement states that the funding will be derived from tax millage assessed by the participating entities, state formula distribution, fees and fines and endowment fund earnings and gifts. The Board of Directors shall consist of seven directors for the City of Little Rock, one each for the Cities of Jacksonville, Maumelle and Sherwood, two directors from Pulaski County and one director representing Perry County. The City provided a building and paid \$77,100 for operating expenses in 2012. 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 2011 to 2012 and there were no settlements that exceeded insurance coverage in the past three fiscal years.

Note 11: Property Taxes

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

In the governmental funds, property taxes are measurable when levied even though not available. As a result, at December 31, 2012, property taxes receivable and related deferred inflows of \$1,741,159 have been recorded in the governmental funds. In the government-wide statement of net position, property taxes are considered earned at the time levied. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible. The appraised value of taxable property upon which the property tax is levied is determined by the county assessor. The assessor estimates full market value and applies the statutory rate of 20 percent to arrive at assessed value.

The City is permitted by Arkansas state law to levy taxes up to \$0.50 per \$100 of assessed valuation on real and personal property for general government services, \$0.50 per \$100 of assessed valuation on real and personal property for the payment of principal and interest on long-term debt, \$0.10 per \$100 of assessed valuation on real and personal property for the police pension funds and \$0.10 per \$100 of assessed valuation on real and personal property for the fire pension funds. The combined tax rate levied by the City in 2012 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 \$2,459,419 of additional taxes could be raised per year based on the current year's assessed value of \$202,646,506 for real property and \$70,622,285 for personal property before the limit is reached.

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

Description	Millage Limit	Levied 2012 for 2013 Collections
General purpose	5.00	-
Library Capital Improvement Bonds	5.00	1.00
Firemen's Pension and Relief Fund	1.00	1.00
Policemen's Pension and Relief Fund	1.00	1.00
Roads	1.45	1.45
	13.45	4.45

Note 12: Sales Taxes

In April 1982, Pulaski County began assessing a 1% sales and use tax on retail sales in the county. Each city within Pulaski County receives a portion of the tax based upon population of the city. Currently the City receives approximately 7.41% of the county tax. The tax is collected by the state and remitted to the City, net of a collection fee. County sales taxes remitted to the City or in control of the collecting agent totaled \$5,747,451 for 2012, or an increase of less than 1% from 2011 collections. These taxes are included in the General Fund's sales tax revenues in the accompanying financial statements.

In March 1993, the City began assessing a 1% sales and use tax on retail sales in the City. Upon approval of the tax by the City's voters, the City rescinded its five (5) mill general property tax assessment. Revenues from the tax are used to fund capital improvements and general municipal services within the City. In November 2003, City voters approved an additional 1% sales and use tax. The City began assessing the tax in January, 2004. Revenues from the additional 1% tax are to be used to construct, develop, maintain, and operate a joint education center, an outdoor family aquatics center, a training facility for the Jacksonville Police and Fire departments, other City capital improvements and for the general operation and improvement of City facilities and services. The tax is collected by the state and remitted to the City, net of a collection fee. Taxes for this purpose remitted to the City or in control of the collecting agent totaled \$7,338,792 for 2012. These taxes are included in the General Fund's sales tax revenues in the accompanying financial statements.

Note 13: Contingencies

Litigation

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

The Program, a pooled risk, funded trust, provides coverage for legal defense, expenses, and damages in suits against City officials and employees and civil rights suits against the municipal government. The Program only pays judgments for actual damages (not punitive damages) imposed on municipal

governments and employees. The maximum coverage of any one loss cannot exceed 25% of the Program's funded reserves at the time the lawsuit was filed or the judgment becomes final, or \$1 million, whichever is less.

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

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

Contingencies

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

Note 14: Subsequent Event

Subsequent to year end, the City approved a \$3,000,000 promissory note to finance land acquisition and construction costs of a public shooting range. The note was issued at a 1.8% fixed interest rate.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF JACKSONVILLE, ARKANSAS

BUDGETARY COMPARISON SCHEDULE GENERAL FUND YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 500,000	\$ 505,000	\$ 523,316	\$ 18,316
Sales taxes	12,436,000	12,784,000	13,138,610	354,610
Licenses and permits	124,850	139,869	160,514	20,645
Intergovernmental	1,470,120	1,761,965	1,937,773	175,808
Charges for services	791,577	752,728	1,056,207	303,479
Fines and fees	736,299	768,986	791,192	22,206
Utility franchise taxes	1,064,500	1,020,265	1,031,798	11,533
Investment income	3,000	3,000	7,417	4,417
Miscellaneous	200,510	388,926	191,738	(197,188)
Total revenues	<u>17,326,856</u>	<u>18,124,739</u>	<u>18,838,565</u>	<u>713,826</u>
Expenditures				
General government				
General administration	542,742	542,742	389,917	152,825
City council	122,235	122,235	110,679	11,556
Mayor	236,108	236,108	237,371	(1,263)
City clerk	139,234	139,234	143,701	(4,467)
City attorney	189,559	189,559	189,958	(399)
District court	340,739	340,739	335,226	5,513
Director of administration	108,607	108,607	108,757	(150)
Director of information technology	289,034	289,034	281,359	7,675
Finance	679,508	688,324	664,494	23,830
Human resources	225,610	225,610	230,356	(4,746)
Fleet services	177,833	177,833	168,108	9,725
Community programs	189,568	196,138	179,826	16,312
Total general government	<u>3,240,777</u>	<u>3,256,163</u>	<u>3,039,753</u>	<u>216,414</u>
Public works				
Public works coordinator	87,652	87,652	89,457	(1,805)
Engineering	341,481	341,481	333,165	8,316
Code enforcement	292,788	292,788	267,113	25,675
Total public works	<u>721,921</u>	<u>721,921</u>	<u>689,735</u>	<u>32,186</u>
Parks and recreation services				
Police	2,587,987	2,587,987	2,581,087	6,900
Police	6,784,788	6,886,986	7,240,822	(353,836)
Fire	4,452,213	4,457,997	4,403,817	54,180
Emergency communication services	872,084	962,652	900,628	62,024
Animal control	317,256	317,256	297,594	19,662
Debt Service				
Principal	-	-	-	-
Interest	-	-	13,881	(13,881)
Agent fees	-	-	-	-
Total expenditures	<u>18,977,026</u>	<u>19,190,962</u>	<u>19,167,317</u>	<u>23,646</u>
Excess (Deficiency) of Revenues Over Expenditures				
	(1,650,170)	(1,066,223)	(328,752)	737,472
Other Financing Sources (Uses)				
Transfers in	1,430,309	1,659,901	6,004	(1,653,897)
Transfers out	(70,000)	(883,539)	(442,496)	441,043
Total other financing sources (uses)	<u>1,360,309</u>	<u>776,362</u>	<u>(436,492)</u>	<u>(1,212,854)</u>
Net Change in Fund Balances				
	(289,861)	(289,861)	(765,244)	(475,382)
Fund Balances, Beginning of Year				
	5,404,555	5,404,555	5,404,555	-
Fund Balances, End of Year				
	<u>\$ 5,114,694</u>	<u>\$ 5,114,694</u>	<u>\$ 4,639,311</u>	<u>\$ (475,382)</u>

CITY OF JACKSONVILLE, ARKANSAS

**BUDGETARY COMPARISON SCHEDULE
STREET FUND
YEAR ENDED DECEMBER 31, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Intergovernmental	\$ 1,804,000	\$ 1,804,000	\$ 1,710,373	\$ (93,627)
Investment income	3,000	3,000	1,468	(1,532)
Miscellaneous	34,250	34,250	19,116	(15,134)
Total revenues	<u>1,841,250</u>	<u>1,841,250</u>	<u>1,730,958</u>	<u>(110,293)</u>
Expenditures				
Public works				
Streets and drainage	<u>2,326,024</u>	<u>2,326,024</u>	<u>2,007,249</u>	<u>318,775</u>
Total expenditures	<u>2,326,024</u>	<u>2,326,024</u>	<u>2,007,249</u>	<u>318,775</u>
Excess (Deficiency) of Revenues Over Expenditures	(484,774)	(484,774)	(276,291)	208,482
Fund Balances, Beginning of Year	<u>1,072,252</u>	<u>1,072,252</u>	<u>1,072,252</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 587,478</u>	<u>\$ 587,478</u>	<u>\$ 795,961</u>	<u>\$ 208,482</u>

CITY OF JACKSONVILLE, ARKANSAS

DEFINED BENEFIT PENSION PLANS - REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF FUNDING PROGRESS YEAR ENDED DECEMBER 31, 2012

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)	Excess As A Percentage Of Covered Payroll ((a-b)/c)
Policemen's Pension and Relief Fund	12/31/01	\$ 6,229,278	\$ 6,225,478	\$ (3,800)	100%	\$ 142,942		3%
	12/31/03	6,262,947	6,814,559	551,612	92%	170,799	323%	
	12/31/05	6,691,128	6,495,899	(195,229)	103%	197,511		99%
	12/31/07	7,326,955	6,708,070	(618,885)	109%	-	N/A	
	12/31/09	5,812,356	7,427,254	1,614,898	78%	-	N/A	
	12/31/10	6,115,179	7,407,211	1,292,032	83%	-	N/A	
	12/31/11	5,646,710	7,331,455	1,684,745	77%	-	N/A	
	12/31/12	5,689,940	7,595,561	1,905,621	75%	-	N/A	
Firemen's Pension and Relief Fund	12/31/01	8,121,170	9,724,979	1,603,809	84%	532,318	301%	
	12/31/03	7,483,640	10,344,817	2,861,177	72%	367,209	779%	
	12/31/05	8,512,500	10,903,074	2,390,574	78%	331,809	720%	
	12/31/07	9,719,089	10,098,792	379,703	96%	291,124	130%	
	12/31/09	7,861,422	12,233,209	4,371,787	64%	145,612	3002%	
	12/31/10	8,330,439	12,159,653	3,829,214	69%	97,638	3922%	
	12/31/11	7,789,339	12,096,178	4,306,839	64%	-	N/A	
	12/31/12	7,513,240	11,648,526	4,135,286	64%	-	N/A	

CITY OF JACKSONVILLE, ARKANSAS

DEFINED BENEFIT PENSION PLANS - REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF EMPLOYER CONTRIBUTIONS YEAR ENDED DECEMBER 31, 2012

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

CITY OF JACKSONVILLE, ARKANSAS

OTHER POST-EMPLOYMENT BENEFIT PLAN - REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS YEAR ENDED DECEMBER 31, 2012

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

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

CITY OF JACKSONVILLE, ARKANSAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2012

Budgets and Budgetary Accounting

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

Annual budgets are legally adopted for the General Fund and the Street Fund, a special revenue fund. The original budget of the General Fund had to be amended due to combining two other governmental accounts with the General Fund in 2012. The original budget of the Street Fund was not amended during 2012.

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

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

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



NONMAJOR GOVERNMENTAL FUNDS

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

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

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

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

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

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

CITY OF JACKSONVILLE, ARKANSAS

COMBINING BALANCE SHEET
 GOVERNMENTAL FUNDS - NONMAJOR
 DECEMBER 31, 2012

	Special Revenue			Debt Service	Total
	CDBG	HOME	Grants	2006 Library Debt Service	
Assets					
Cash	\$ 35,763	\$ 69,441	\$ 62,208	\$ -	\$ 167,412
Restricted cash	-	-	-	280,964	280,964
Accounts receivable					
Accounts	80,954	5,797	-	-	86,751
Taxes	-	-	-	259,551	259,551
Total Assets	<u>\$ 116,717</u>	<u>\$ 75,238</u>	<u>\$ 62,208</u>	<u>\$ 540,515</u>	<u>\$ 794,678</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 20,755	\$ 14,709	\$ -	\$ -	\$ 35,464
Due to other funds	19,731	-	-	-	19,731
Accrued wages payable	1,545	-	-	-	1,545
Deferred revenue	-	-	-	241,708	241,708
Other liabilities	-	30,717	-	-	30,717
Total liabilities	<u>42,031</u>	<u>45,426</u>	<u>-</u>	<u>241,708</u>	<u>329,165</u>
Fund Balances					
Restricted:					
Housing and neighborhood programs	74,686	29,812	-	-	104,498
Grant funds	-	-	62,208	-	62,208
Debt service	-	-	-	298,807	298,807
Total fund balances	<u>74,686</u>	<u>29,812</u>	<u>62,208</u>	<u>298,807</u>	<u>465,513</u>
Total Liabilities and Fund Balances	<u>\$ 116,717</u>	<u>\$ 75,238</u>	<u>\$ 62,208</u>	<u>\$ 540,515</u>	<u>\$ 794,678</u>

CITY OF JACKSONVILLE, ARKANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS - NONMAJOR YEAR ENDED DECEMBER 31, 2012

	Special Revenue			Debt Service	Total
	CDBG	HOME	Grants	2006 Library Debt Service	
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ 256,545	\$ 256,545
Intergovernmental	261,630	48,820	370,750	-	681,200
Investment income	657	-	104	-	761
Miscellaneous	1,036	-	-	-	1,036
Total revenues	263,323	48,820	370,854	256,545	939,542
Expenditures					
Community programs	-	-	-	-	-
Public works	-	-	277,062	-	277,062
Parks and recreation services	-	-	30,239	-	30,239
Police	-	-	8,710	-	8,710
Animal Control	-	-	572	-	572
Housing and neighborhood programs	303,275	68,588	-	-	371,863
Debt service					
Principal	-	-	-	155,000	155,000
Interest	-	-	-	67,587	67,587
Agent fees	-	-	-	700	700
Total expenditures	303,275	68,588	316,584	223,287	911,734
Excess (Deficiency) of Revenues Over Expenditures	(39,952)	(19,768)	54,270	33,258	27,808
Transfers in	-	-	-	-	-
Transfers out	-	-	(6,004)	-	(6,004)
Total other financing sources (uses)	-	-	(6,004)	-	(6,004)
Net Change in Fund Balances	(39,952)	(19,768)	48,266	33,258	21,804
Fund Balances, Beginning of Year	114,638	49,580	13,942	265,549	443,709
Fund Balances, End of Year	\$ 74,686	\$ 29,812	\$ 62,208	\$ 298,807	\$ 465,513



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, 2012

	<u>Employee Retirement Plans</u>		
	<u>Policemen's Pension And Relief Fund</u>	<u>Firemen's Pension And Relief Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 126,619	\$ 400,546	\$ 527,165
Investments			
U.S. Government and agency obligations	827,644	1,727,186	2,554,830
Corporate bonds	934,655	1,141,393	2,076,048
Equities	215,185	1,796	216,981
Mutual funds	3,554,920	4,408,236	7,963,156
Receivables			
Accounts	547	1,800	2,347
Due from other funds	17,852	17,853	35,705
Accrued interest	12,803	36,013	48,816
	<u>\$ 5,690,225</u>	<u>\$ 7,734,823</u>	<u>\$ 13,425,048</u>
Total assets			
	<u>\$ 5,690,225</u>	<u>\$ 7,734,823</u>	<u>\$ 13,425,048</u>
Net Position			
Net position held in trust	<u>\$ 5,690,225</u>	<u>\$ 7,734,823</u>	<u>\$ 13,425,048</u>

CITY OF JACKSONVILLE, ARKANSAS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS YEAR ENDED DECEMBER 31, 2012

	Employee Retirement Plans		
	Policemen's Pension And Relief Fund	Firemen's Pension And Relief Fund	Total
Additions			
Contributions			
Employer	\$ 82,574	\$ 14,921	\$ 97,495
Plan members	-	17,400	17,400
Contributed from General Fund			
Property taxes	262,530	262,530	525,060
State insurance turnback and guarantee fund	44,040	146,030	190,070
Total contributions	<u>389,144</u>	<u>440,881</u>	<u>830,025</u>
Investment income			
Net increase in fair value of investments	243,519	265,696	509,215
Interest and dividends	135,547	214,436	349,983
Other investment income	1,075	-	1,075
	<u>380,141</u>	<u>480,132</u>	<u>860,273</u>
Less investment expense	<u>64,718</u>	<u>72,051</u>	<u>136,769</u>
Net investment income	<u>315,423</u>	<u>408,081</u>	<u>723,504</u>
Total additions	<u>704,567</u>	<u>848,962</u>	<u>1,553,529</u>
Deductions			
Benefits paid directly to participants	641,602	902,476	1,544,078
Administrative expenses	1,000	1,000	2,000
Total deductions	<u>642,602</u>	<u>903,476</u>	<u>1,546,078</u>
Change in Net Position	61,965	(54,514)	7,451
Net Position Held in Trust			
Beginning of Year	<u>5,628,260</u>	<u>7,789,337</u>	<u>13,417,597</u>
Net Position Held in Trust			
End of Year	<u>\$ 5,690,225</u>	<u>\$ 7,734,823</u>	<u>\$ 13,425,048</u>

CITY OF JACKSONVILLE, ARKANSAS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 YEAR ENDED DECEMBER 31, 2012

	<u>Balance January 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2012</u>
<u>District Court Fines and Forfeitures Fund</u>				
Assets				
Cash	\$ 181,296	\$ 1,347,912	\$ 1,324,643	\$ 204,565
Liabilities				
Other liabilities	\$ 181,296	\$ 1,347,912	\$ 1,324,643	\$ 204,565
<u>District Court Restitution Fund</u>				
Assets				
Cash	\$ 10,545	\$ 7,168	\$ 4,594	\$ 13,119
Liabilities				
Other Liabilities	\$ 10,545	\$ 7,168	\$ 4,594	\$ 13,119
<u>Total Agency Funds</u>				
Assets				
Cash	\$ 191,841	\$ 1,355,080	\$ 1,329,237	\$ 217,684
Liabilities				
Other liabilities	191,841	1,355,080	1,329,237	217,684
Total Liabilities	\$ 191,841	\$ 1,355,080	\$ 1,329,237	\$ 217,684

DISCRETELY PRESENTED COMPONENT UNITS

CITY OF JACKSONVILLE, ARKANSAS

COMBINING STATEMENT OF CASH FLOWS DISCRETELY PRESENTED COMPONENT UNITS YEAR ENDED DECEMBER 31, 2012

	Jacksonville Municipal Water Works	Jacksonville Wastewater Utility	Nonmajor Component Unit Advertising and Promotion Commission	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 7,385,927	\$ 4,114,242	\$ -	\$ 11,500,169
Other receipts	821,204	18,527	-	839,731
Payments to employees	(1,832,809)	(1,785,005)	-	(3,617,814)
Payments to suppliers	(1,166,903)	(827,686)	(949)	(1,995,538)
Payments to service providers	(193,615)	(329,238)	(760,797)	(1,283,650)
Other payments	(1,336,096)	-	-	(1,336,096)
Net cash provided by (used in) operating activities	3,677,708	1,190,840	(761,746)	4,106,802
Noncapital Financing Activities				
Local tax levy supporting operations	-	-	835,107	835,107
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(4,800,867)	(5,804,409)	-	(10,605,276)
Contributions-in-aid of construction	-	582,488	-	582,488
Proceeds from sale of capital assets	15,920	-	-	15,920
Proceeds from issuance of long-term debt	2,873,463	-	-	2,873,463
Refund of debt issue costs	-	-	-	-
Principal paid on long-term debt	-	(307,604)	-	(307,604)
Interest paid on long-term debt	(20,066)	(181,443)	-	(201,509)
Net cash provided by (used in) capital and related financing activities	(1,931,550)	(5,710,968)	-	(7,658,438)
Cash Flows from Investing Activities				
Proceeds from maturities of cash investments	2,106,570	-	276,214	2,382,784
Purchase of cash investments	(2,119,869)	-	(351,514)	(2,471,383)
Decrease (increase) in restricted cash	(248,674)	-	-	(248,674)
Interest received	16,386	44,273	1,467	62,126
Net cash provided by (used in) investing activities	(245,587)	44,273	(73,833)	(275,147)
Net Increase (Decrease) in Cash	1,500,571	(4,475,855)	(472)	(2,991,676)
Cash, Beginning of Year	1,556,619	12,840,181	218,277	14,615,077
Cash, End of Year	\$ 3,057,190	\$ 8,364,326	\$ 217,805	\$ 11,623,401
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities				
Operating income (loss)	\$ 2,085,465	\$ (37,254)	\$ (758,275)	\$ 1,289,936
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation and amortization expense	999,951	1,556,872	-	2,556,823
(Gain) loss on disposal of capital assets	(15,920)	460	-	(15,460)
Amortization of deferred expenses	37,441	-	-	37,441
Other income, net	837,124	-	-	837,124
Changes in operating assets and liabilities				
Receivables, net	(114,197)	27,509	-	(86,688)
Revenues earned and unbilled	-	87,987	-	87,987
Prepaid expenses	(196,854)	363	-	(196,491)
Inventories	28,532	(9,661)	-	18,871
Due to other entities	129,803	-	-	129,803
Accounts payable	(140,302)	(440,722)	(3,471)	(584,495)
Accrued expenses	8,716	5,286	-	14,002
Customer deposits	17,949	-	-	17,949
Other liabilities	-	-	-	-
Net cash provided by (used in) operating activities	\$ 3,677,708	\$ 1,190,840	\$ (761,746)	\$ 4,106,802

Supplemental Disclosure of Noncash, Capital and Financing Activities

Jacksonville Municipal Water Works accepted utility property constructed by private developers. The fair value of this donated property in 2012 was \$41,574 and was \$53,456 in 2011.

Jacksonville Wastewater Utility accepted sewer lines constructed by private developers. The fair value of this donated property in 2012 was \$3,341,283 and was \$88,837 in 2011.



**Statistical
Section**



City of Jacksonville, Arkansas
STATISTICAL SECTION

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

Contents	Page
Financial Trends	96
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	108
These schedules contain information to help the reader assess the City's most significant local revenue source, the sales tax.	
Debt Capacity	114
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	122
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	125
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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006 (1)</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 16,278,187	\$ 20,890,597	\$ 22,816,886	\$ 27,499,419
Restricted	457,046	371,542	9,101,847	8,503,883
Unrestricted	14,352,063	15,594,328	9,002,821	13,310,801
Total governmental activities net position	<u>\$ 31,087,296</u>	<u>\$ 36,856,467</u>	<u>\$ 40,921,554</u>	<u>\$ 49,314,103</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 304,253	\$ 684,805	\$ 695,854	\$ 829,617
Unrestricted	1,382,299	1,013,533	1,325,624	1,117,417
Total business-type activities net position	<u>\$ 1,686,552</u>	<u>\$ 1,698,338</u>	<u>\$ 2,021,478</u>	<u>\$ 1,947,034</u>
Primary government				
Invested in capital assets, net of related debt	\$ 16,582,440	\$ 21,575,402	\$ 23,512,740	\$ 28,329,036
Restricted	457,046	371,542	9,101,847	8,503,883
Unrestricted	15,734,362	16,607,861	10,328,445	14,428,218
Total primary government net position	<u>\$ 32,773,848</u>	<u>\$ 38,554,805</u>	<u>\$ 42,943,032</u>	<u>\$ 51,261,137</u>

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

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 27,879,856	\$ 28,763,585	\$ 32,145,339	\$ 34,751,804	\$ 36,800,745	\$ 41,063,504
10,886,550	5,506,038	4,381,589	2,384,498	2,052,401	1,798,969
14,532,889	16,594,722	15,151,670	13,387,422	10,824,395	5,937,438
<u>\$ 53,299,294</u>	<u>\$ 50,864,345</u>	<u>\$ 51,678,598</u>	<u>\$ 50,523,724</u>	<u>\$ 49,677,541</u>	<u>\$ 48,799,911</u>
\$ 805,482	\$ 739,316	\$ 590,355	\$ 469,824	\$ 653,790	\$ 821,873
1,065,041	1,294,837	467,345	238,833	825,120	1,107,844
<u>\$ 1,870,523</u>	<u>\$ 2,034,153</u>	<u>\$ 1,057,700</u>	<u>\$ 708,657</u>	<u>\$ 1,478,910</u>	<u>\$ 1,929,717</u>
\$ 28,685,338	\$ 29,502,901	\$ 32,735,694	\$ 35,221,628	\$ 37,454,535	\$ 41,885,377
10,886,550	5,506,038	4,381,589	2,384,498	2,052,401	1,798,969
15,597,930	17,889,559	15,619,015	13,626,255	11,649,515	7,045,282
<u>\$ 55,169,818</u>	<u>\$ 52,898,498</u>	<u>\$ 52,736,298</u>	<u>\$ 51,232,381</u>	<u>\$ 51,156,451</u>	<u>\$ 50,729,628</u>

CITY OF JACKSONVILLE, ARKANSAS

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

	<u>2003</u>	<u>2004</u>	<u>2005 (1)</u>	<u>2006 (2)</u>
Expenses				
Governmental activities:				
General administration	\$ 385,991	\$ 363,311	\$ 734,778	\$ 455,047
City council	97,272	95,084	111,291	102,118
Office of the mayor	159,033	174,127	152,621	176,115
City clerk	111,009	112,402	116,683	127,270
City attorney	103,780	107,645	114,336	119,183
District court	290,702	594,516	408,191	291,750
Director of administration	174,543	136,106	111,602	142,448
Director of information technology	-	-	-	-
Finance	291,271	294,188	305,166	310,096
Purchasing	98,672	95,765	101,985	101,979
Human resources	171,817	167,437	183,164	187,502
Fleet services	126,063	139,627	127,439	133,133
Community programs	230,110	220,587	195,258	215,705
Public works	1,940,651	2,261,430	2,248,802	2,538,869
Parks and recreation services	1,740,876	1,711,103	1,901,421	2,303,225
Police	4,230,502	4,632,578	4,660,087	5,163,602
Fire	3,427,127	3,833,187	3,248,351	3,695,985
Emergency communication services	569,844	698,324	744,493	721,985
Animal control	210,285	224,325	248,401	274,976
Housing and neighborhood programs	325,643	506,437	516,614	356,252
Interest expense on long term debt	-	-	-	80,355
Agent fees on long-term debt	-	-	-	2,654
Total governmental activities expenses	<u>14,685,191</u>	<u>16,368,179</u>	<u>16,230,683</u>	<u>17,500,249</u>
Business-type activities				
Sanitation services	1,148,728	1,189,929	1,251,275	1,377,442
Emergency medical services	-	-	715,616	748,841
Total business-type activities expenses	<u>1,148,728</u>	<u>1,189,929</u>	<u>1,966,891</u>	<u>2,126,283</u>
Total primary government expenses	<u>\$ 15,833,919</u>	<u>\$ 17,558,108</u>	<u>\$ 18,197,574</u>	<u>\$ 19,626,532</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General administration	\$ 177,962	\$ 164,082	\$ 230,808	\$ 188,519
District court	85,265	100,899	280,775	282,379
Finance	8,001	8,001	8,001	8,001
Fleet services	46,256	36,570	47,829	29,230
Public works	81,018	74,829	71,952	70,804
Parks and recreation services	436,904	462,432	588,272	570,584
Police	286,761	351,643	291,397	305,785
Fire	374,887	370,966	3,908	3,406
Emergency communication services	98,707	140,807	156,372	163,256
Animal control	8,028	8,079	7,641	17,542
Housing and neighborhood programs	2,479	17,214	337	2,877
Operating grants and contributions	2,178,041	2,348,857	3,215,845	3,500,439
Capital grants and contributions	5,281,950	281,308	204,644	-
Total governmental activities program revenues	<u>9,066,259</u>	<u>4,365,687</u>	<u>5,107,781</u>	<u>5,142,822</u>
Business-type activities				
Sanitation services	1,143,964	1,172,205	1,194,230	1,210,204
Emergency medical services	-	-	546,122	531,252
Operating grants and contributions	18,494	14,231	12,000	12,000
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	<u>1,162,458</u>	<u>1,186,436</u>	<u>1,752,352</u>	<u>1,753,456</u>
Total primary government program revenues	<u>\$ 10,228,717</u>	<u>\$ 5,552,123</u>	<u>\$ 6,860,133</u>	<u>\$ 6,896,278</u>

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

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$	388,618	\$ 5,407,369	\$ 516,564	\$ 1,754,213	\$ 389,238	\$ 454,301
	109,397	113,241	119,018	115,831	120,634	112,915
	172,041	177,483	197,782	231,562	230,970	240,152
	126,718	124,092	146,559	144,722	212,357	143,434
	128,678	137,970	144,430	184,094	180,478	190,970
	234,382	358,017	312,140	308,593	303,536	336,932
	196,038	290,775	263,454	317,955	125,806	112,868
	-	-	-	-	177,839	216,749
	318,849	366,577	503,902	535,466	478,674	659,988
	107,805	112,495	-	-	-	-
	150,571	198,196	231,641	202,575	245,038	228,913
	128,445	128,695	143,039	176,543	186,396	165,871
	144,884	227,567	225,281	14,139	173,030	198,400
	2,270,571	2,487,309	3,084,831	2,866,092	2,585,034	2,872,093
	2,395,010	2,586,954	2,688,917	2,515,033	2,602,790	2,748,589
	5,215,852	5,844,669	7,027,162	7,025,994	8,510,214	7,782,731
	4,021,861	4,245,680	3,548,000	4,500,852	3,998,521	4,882,380
	732,347	826,476	846,094	800,722	563,861	894,851
	290,335	301,775	301,371	313,564	308,039	306,344
	592,536	361,111	433,766	543,274	273,097	365,162
	119,049	104,386	99,042	92,912	102,070	79,563
	-	-	-	-	-	-
	<u>17,843,986</u>	<u>24,400,837</u>	<u>20,832,993</u>	<u>22,644,136</u>	<u>21,767,622</u>	<u>22,993,206</u>
	1,489,290	1,574,915	1,579,466	1,629,285	1,628,388	1,531,003
	775,627	888,257	1,716,980	1,224,188	1,094,031	1,460,366
	<u>2,264,917</u>	<u>2,463,172</u>	<u>3,296,446</u>	<u>2,853,473</u>	<u>2,722,419</u>	<u>2,991,369</u>
\$	<u>20,108,903</u>	\$ <u>26,864,009</u>	\$ <u>24,129,439</u>	\$ <u>25,497,609</u>	\$ <u>24,490,041</u>	\$ <u>25,984,575</u>
\$	193,711	\$ 163,211	\$ 143,871	\$ 181,945	\$ 162,959	\$ 178,388
	264,714	259,415	263,377	307,641	311,855	730,677
	8,001	8,068	8,068	8,001	8,026	8,001
	27,410	27,161	75,221	73,845	51,060	37,225
	71,392	67,097	66,674	105,706	67,005	73,871
	610,718	581,325	651,836	732,000	672,790	751,295
	281,212	273,923	277,110	362,790	363,469	59,193
	3,500	5,771	4,418	2,912	2,512	800
	152,357	169,641	187,703	225,154	205,394	-
	27,593	35,629	32,715	32,350	24,420	20,865
	2,408	1,931	2,065	17,007	535	1,036
	3,920,326	3,839,457	3,684,503	3,916,198	3,731,153	4,236,786
	-	317,671	512,854	419,836	709,285	1,013,992
	<u>5,563,342</u>	<u>5,750,300</u>	<u>5,910,415</u>	<u>6,385,386</u>	<u>6,310,463</u>	<u>7,112,129</u>
	1,246,743	1,290,468	1,255,037	1,277,118	1,812,390	1,816,769
	598,883	665,113	645,163	709,812	1,009,118	1,062,331
	12,000	12,000	12,000	12,000	13,500	13,000
	-	93,676	-	-	305,495	59,196
	<u>1,857,626</u>	<u>2,061,257</u>	<u>1,912,200</u>	<u>1,998,930</u>	<u>3,140,503</u>	<u>2,951,296</u>
\$	<u>7,420,968</u>	\$ <u>7,811,557</u>	\$ <u>7,822,615</u>	\$ <u>8,384,316</u>	\$ <u>9,450,966</u>	\$ <u>10,063,425</u>

(continued)

CITY OF JACKSONVILLE, ARKANSAS

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

	<u>2003</u>	<u>2004</u>	<u>2005(1)</u>	<u>2006 (2)</u>
Net (expense)/revenue				
Governmental activities	\$ (5,618,932)	\$ (12,002,492)	\$ (11,122,902)	\$ (12,357,427)
Business-type activities	13,730	(3,493)	(214,539)	(372,827)
Total primary government net expense	<u>\$ (5,605,202)</u>	<u>\$ (12,005,985)</u>	<u>\$ (11,337,441)</u>	<u>\$ (12,730,254)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
General property taxes	\$ 579,424	\$ 639,338	\$ 1,030,288	\$ 978,416
Sales taxes	8,491,395	12,060,891	12,799,497	13,028,273
Utility franchise taxes	906,800	940,937	1,011,156	1,071,469
Investment earnings	183,513	170,530	362,445	772,483
Grants and contributions not restricted to specific programs	456,815	445,515	476,590	467,394
Gain on sale of capital assets	17,724	12,415	19,955	16,775
Transfers	-	-	(511,943)	(254,750)
Total governmental activities	<u>10,635,671</u>	<u>14,269,626</u>	<u>15,187,989</u>	<u>16,080,060</u>
Business-type activities:				
Investment earnings	18,345	20,872	25,736	43,633
Grants and contributions not restricted	-	-	-	-
Transfers	-	-	511,943	254,750
Total business-type activities	<u>18,345</u>	<u>20,872</u>	<u>537,679</u>	<u>298,383</u>
Total primary government	<u>\$ 10,654,016</u>	<u>\$ 14,290,498</u>	<u>\$ 15,725,668</u>	<u>\$ 16,378,443</u>
Changes in Net Position				
Governmental activities	\$ 5,016,739	\$ 2,267,133	\$ 4,065,087	\$ 3,722,633
Business-type activities	32,075	17,379	323,140	(74,444)
Total primary government	<u>\$ 5,048,814</u>	<u>\$ 2,284,512</u>	<u>\$ 4,388,227</u>	<u>\$ 3,648,189</u>

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ (12,280,643)	\$ (18,650,537)	\$ (14,922,578)	\$ (16,258,750)	\$ (15,457,159)	\$ (15,881,077)
(407,291)	(401,915)	(1,384,246)	(854,543)	418,084	(40,073)
<u>\$ (12,687,933)</u>	<u>\$ (19,052,452)</u>	<u>\$ (16,306,824)</u>	<u>\$ (17,113,294)</u>	<u>\$ (15,039,075)</u>	<u>\$ (15,921,150)</u>
\$ 602,363	\$ 755,482	\$ 711,289	\$ 768,342	\$ 777,265	\$ 784,180
13,128,674	13,660,175	13,170,622	13,157,342	12,612,511	13,138,610
1,053,657	1,144,223	1,131,386	1,097,960	1,057,234	1,031,798
1,038,961	648,896	247,304	79,823	38,014	21,136
722,811	516,721	511,033	491,200	459,187	459,957
13,600	41,316	365,197	9,209	9,265	10,263
(294,231)	(551,226)	(400,000)	(500,000)	(342,500)	(442,496)
<u>16,265,834</u>	<u>16,215,587</u>	<u>15,736,831</u>	<u>15,103,876</u>	<u>14,610,976</u>	<u>15,003,448</u>
36,551	14,319	7,793	5,500	(17,890)	504
-	-	-	-	27,559	47,881
294,231	551,226	400,000	500,000	342,500	442,496
<u>330,782</u>	<u>565,545</u>	<u>407,793</u>	<u>505,500</u>	<u>352,169</u>	<u>490,881</u>
<u>\$ 16,596,616</u>	<u>\$ 16,781,132</u>	<u>\$ 16,144,624</u>	<u>\$ 15,609,376</u>	<u>\$ 14,963,144</u>	<u>\$ 15,494,329</u>
\$ 3,985,191	\$ (2,434,950)	\$ 814,253	\$ (1,154,874)	\$ (846,183)	\$ (877,629)
(76,509)	163,630	(976,453)	(349,043)	770,253	450,807
<u>\$ 3,908,683</u>	<u>\$ (2,271,320)</u>	<u>\$ (162,200)</u>	<u>\$ (1,503,918)</u>	<u>\$ (75,930)</u>	<u>\$ (426,822)</u>

CITY OF JACKSONVILLE, ARKANSAS

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

		Pre-GASB 54							
		<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund									
Reserved	\$	57,806	92,033	74,054	114,583	154,169	347,968	68,304	159,341
Unreserved		<u>1,237,069</u>	<u>1,956,619</u>	<u>2,910,847</u>	<u>3,054,185</u>	<u>3,518,573</u>	<u>3,204,746</u>	<u>3,503,551</u>	<u>3,297,028</u>
Total general fund	\$	<u><u>1,294,875</u></u>	<u><u>2,048,652</u></u>	<u><u>2,984,901</u></u>	<u><u>3,168,768</u></u>	<u><u>3,672,742</u></u>	<u><u>3,552,714</u></u>	<u><u>3,571,855</u></u>	<u><u>3,456,369</u></u>
All Other Governmental Funds									
Reserved	\$	399,240	279,509	9,027,793	15,456,714	19,219,331	13,453,056	11,395,499	9,183,135
Unreserved, reported in:									
Special revenue funds		11,116,464	12,919,280	5,287,338	4,536,526	3,172,466	3,857,435	3,572,054	2,995,731
Total all other governmental funds	\$	<u><u>11,515,704</u></u>	<u><u>13,198,789</u></u>	<u><u>14,315,131</u></u>	<u><u>19,993,240</u></u>	<u><u>22,391,798</u></u>	<u><u>17,310,491</u></u>	<u><u>14,967,553</u></u>	<u><u>12,178,866</u></u>
		Post-GASB 54							
		<u>2011</u>	<u>2012</u>						
General Fund									
Restricted	\$	536,440	537,495						
Committed		5,265	5,943						
Assigned		1,070,000	-						
Unassigned		3,792,850	4,095,873						
Total general fund	\$	<u><u>5,404,555</u></u>	<u><u>4,639,311</u></u>						
All Other Governmental Funds									
Restricted	\$	1,515,961	1,261,474						
Assigned		<u>6,180,291</u>	<u>2,733,641</u>						
Total all other governmental funds	\$	<u><u>7,696,252</u></u>	<u><u>3,995,115</u></u>						



CITY OF JACKSONVILLE, ARKANSAS

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Revenues				
Property taxes	\$ 576,339	\$ 613,899	\$ 672,930	\$ 927,207
Sales taxes	7,891,947	12,660,339	12,799,497	13,028,273
Licenses and permits	176,804	152,876	189,487	169,994
Intergovernmental	2,771,591	2,792,271	3,283,377	3,591,056
Charges for services	1,085,287	1,142,733	814,289	774,363
Fines and fees	375,086	455,118	571,794	588,729
Utility franchise taxes	906,800	940,937	1,011,156	1,071,469
Investment income	183,513	170,530	362,445	772,483
Contributions	288,641	179,739	600,000	326,397
Miscellaneous	-	-	310,725	230,472
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	14,256,008	19,108,442	20,615,700	21,480,443
Expenditures				
General government	2,149,994	2,234,830	3,173,849	3,382,230
Public works	2,237,010	2,130,266	2,549,574	2,405,238
Parks and recreation services	1,623,524	2,959,051	3,188,662	2,249,704
Police	4,294,872	4,535,441	4,704,001	5,054,988
Fire	3,408,306	3,515,473	3,172,319	3,549,403
Emergency communication services	622,783	574,431	632,297	601,099
Animal control	191,500	206,696	241,723	258,752
Housing and neighborhood programs	320,825	515,392	515,346	362,303
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Agent fees	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	14,848,814	16,671,580	18,177,771	17,863,717
Excess (Deficiency) of revenues over (under) expenditures	(592,806)	2,436,862	2,437,930	3,616,726
Other Financing Sources (Uses)				
Bonds issued	-	-	-	2,500,000
Proceeds from long-term debt	-	-	-	-
Capital lease	-	-	-	-
Transfers in	8,825,608	13,235,993	15,443,234	14,400,023
Transfers out	(8,825,608)	(13,235,993)	(15,828,573)	(14,654,773)
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	(385,339)	2,245,250
Net change in fund balances	<u>\$ (592,806)</u>	<u>\$ 2,436,862</u>	<u>\$ 2,052,591</u>	<u>\$ 5,861,976</u>
Debt service as a percentage of noncapital expenditures	0.0%	0.0%	0.0%	0.0%

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$	656,126	\$ 693,921	\$ 717,792	\$ 723,754	\$ 762,221	\$ 779,861
	13,128,674	13,660,175	13,170,622	13,157,342	12,612,511	13,138,610
	172,131	145,131	130,663	153,264	122,289	160,514
	4,548,611	4,312,524	4,102,067	4,305,841	4,053,971	5,310,202
	798,949	791,385	919,286	1,026,128	924,618	1,056,207
	559,050	554,482	561,429	651,231	651,271	791,192
	1,053,657	1,144,223	1,131,386	1,097,960	1,057,234	1,031,798
	1,038,961	648,896	247,304	79,823	38,014	21,136
	50,000	-	-	-	-	-
	181,318	517,635	673,468	343,931	818,963	227,747
	<u>22,187,476</u>	<u>22,468,372</u>	<u>21,654,016</u>	<u>21,539,274</u>	<u>21,041,092</u>	<u>22,517,267</u>
	3,060,618	10,320,417	3,792,768	3,265,843	2,794,399	3,600,208
	2,415,159	2,541,105	2,790,533	3,259,890	4,137,281	3,070,904
	2,167,701	2,407,242	3,087,495	2,568,025	2,332,786	3,694,975
	5,434,385	5,933,565	7,578,930	7,920,716	7,675,658	11,533,317
	4,036,326	4,309,227	4,637,438	5,177,419	4,716,182	4,403,817
	841,219	688,307	749,533	672,701	755,149	4,858,959
	291,596	287,466	285,653	299,631	295,563	298,166
	591,193	369,029	429,597	539,016	286,307	371,863
	-	155,000	125,000	145,000	135,000	155,000
	152,517	106,522	100,616	94,956	104,094	81,468
	-	600	250	250	600	700
	<u>18,990,713</u>	<u>27,118,480</u>	<u>23,577,813</u>	<u>23,943,447</u>	<u>23,233,019</u>	<u>32,069,377</u>
	3,196,763	(4,650,108)	(1,923,797)	(2,404,173)	(2,191,927)	(9,552,110)
	-	-	-	-	-	-
	-	-	-	-	-	3,011,700
	-	-	-	-	-	2,516,526
	16,041,110	13,317,337	14,053,286	14,209,326	836,647	6,004
	<u>(16,335,341)</u>	<u>(13,868,563)</u>	<u>(14,453,286)</u>	<u>(14,709,326)</u>	<u>(1,179,147)</u>	<u>(448,500)</u>
	<u>(294,231)</u>	<u>(551,226)</u>	<u>(400,000)</u>	<u>(500,000)</u>	<u>(342,500)</u>	<u>5,085,730</u>
\$	<u>2,902,531</u>	<u>(5,201,335)</u>	<u>(2,323,798)</u>	<u>(2,904,173)</u>	<u>(2,534,427)</u>	<u>(4,466,380)</u>
	0.9%	1.1%	1.2%	1.2%	1.3%	1.0%

CITY OF JACKSONVILLE, ARKANSAS

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

Year	General Property Taxes	Sales Taxes			Total Sales Taxes	Utility Franchise Taxes	Total
		City	Pulaski County	Alcoholic Beverage			
2003	\$576,339	\$3,108,159	\$4,779,472	\$4,318	\$7,891,949	\$906,800	\$9,375,088
2004	613,899	6,607,601 (1)	6,048,993	3,744	12,660,338	940,937	14,215,174
2005	672,930	6,932,141	5,854,100	13,256	12,799,497	1,011,156	14,483,583
2006	927,207	6,950,892	6,060,027	17,354	13,028,273	1,071,469	15,026,949
2007	656,126	6,880,728	6,230,644	17,302	13,128,674	1,053,657	14,838,457
2008	693,921	7,225,987	6,414,770	20,986	13,661,743	1,144,223	15,499,887
2009	717,792	7,024,714	6,124,922	20,986	13,170,622	1,131,386	15,019,800
2010	723,754	6,932,962	6,205,568	18,812	13,157,342	1,097,960	14,979,056
2011	762,221	6,923,047	5,655,813	33,651	12,612,511	1,057,234	14,431,966
2012	779,861	7,338,792	5,747,451	52,368	13,138,610	1,031,799	14,950,270
Change							
2003-2012	35.3%	136.1%	20.3%	1112.8%	66.5%	13.8%	59.5%

(1) In 2004, the citizens of Jacksonville passed an additional one-cent local sales tax, increasing the City's sales tax rate to 2%.



CITY OF JACKSONVILLE, ARKANSAS

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

NAICS Economic Sector	Description	Year 2012				Percentage of Total City Sales Tax
		Taxable Sales	City Sales Tax Collected	² Entity Count	Rank	
44-45	Retail Trade	\$ 204,599,846	\$ 4,091,997		1	55.8%
72	Accommodations and Food Services	38,378,276	767,566		2	10.5%
51	Information and Cultural Industries	25,418,790	508,376		3	6.9%
42	Wholesale Trade	25,018,436	500,369		4	6.8%
22	Utilities	23,959,676	479,194		5	6.5%
31-33	Manufacturing	8,201,693	164,034		6	2.2%
53	Rental, Leasing and Real Estate	6,578,109	131,562		7	1.8%
56	Admin & Support & Waste Mngmt & Remediation Services	6,100,347	122,007		8	1.7%
81	Other Services (except Public Administration)	4,886,479	97,730		9	1.3%
23	Construction	3,650,381	73,008		10	1.0%
48-49	Transportation and Warehousing	979,241	19,585		11	0.3%
52	Finance and Insurance	763,941	15,279		12	0.2%
54	Professional, Scientific, and Technical Services	591,612	11,832		13	0.2%
11	Agriculture, Forestry, Fishing and Hunting	508,032	10,161		14	0.1%
71	Arts, Entertainment, and Recreation	307,094	6,142		15	0.1%
62	Health Care and Social Assistance	44,726	895		16	0.0%
61	Educational Services	3,950	79		17	0.0%
*	Suppressed Totals	16,948,967	338,979		n/a	4.6%
	Totals	<u>\$ 366,939,592</u>	<u>\$7,338,792</u>			<u>100.0%</u>

The City of Jacksonville, Arkansas's largest own-source revenue is sales taxes. Sales Taxes primarily come from two separate taxes: a two cent city tax based on point of sale and a portion of the Pulaski County's one-cent tax based on population. The City of Jacksonville makes up approximately 7% of the county population and receives a like portion of the county tax. In 2012, the two cent sales tax generated revenue of \$7,351,504.

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

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

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

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

Note: DF&A will not supply "Taxable Sales". Therefore, taxable sales are based on "Tax Collected" divided by 1% for 2003 and divided by 2% for 2012, the tax rates for the corresponding years.

Year 2003				
Taxable Sales	City Sales Tax Collected	Entity Count	Rank	Percentage of Total City Sales Tax
\$ 187,324,026	\$ 1,873,240	713	1	60.3%
24,933,918	249,339	73	2	8.0%
18,704,467	187,045	125	3	6.0%
10,678,011	106,780	428	4	3.4%
-	-	-	-	-
5,480,283	54,803	151	5	1.8%
5,035,955	50,360	141	6	1.6%
1,034,278	10,343	105	9	0.3%
2,419,695	24,197	53	7	0.8%
1,215,146	12,151	48	8	0.4%
896,300	8,963	8	10	0.3%
144,310	1,443	11	14	0.0%
405,000	4,050	17	12	0.1%
236,086	2,361	27	13	0.1%
759,069	7,591	17	11	0.2%
19,600	196	3	15	0.0%
-	-	-	-	-
51,529,700	515,297	234	n/a	16.6%
<u>\$ 310,815,844</u>	<u>\$3,108,158</u>	<u>2,154</u>		<u>100.0%</u>

CITY OF JACKSONVILLE, ARKANSAS

CITY SALES AND USE TAX REVENUE RATES LAST TEN YEARS

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>City Direct Revenue</u>
2003	1.0%	\$ 3,108,159
2004	2.0	6,607,601
2005	2.0	6,932,141
2006	2.0	6,950,892
2007	2.0	6,880,728
2008	2.0	7,225,987
2009	2.0	7,024,714
2010	2.0	6,932,962
2011	2.0	6,923,047
2012	2.0	7,338,792

CITY OF JACKSONVILLE, ARKANSAS

ASSESSED AND APPRAISED VALUE OF TAXABLE PROPERTY LAST TEN YEARS

Year	Total Direct Tax Rate		Regular Property		Utility Property		Total Property		Total
			Real	Personal	Real *(1)	Personal	Real	Personal	
2003	2.0	Assessed	\$ 130,809,673	\$ 45,584,635	\$ 1,062,920	\$ 7,606,950	\$ 131,872,593	\$ 53,191,585	\$ 185,064,178
		Appraised	654,048,365	227,923,175	5,314,600	38,034,750	659,362,965	265,957,925	925,320,890
2004	2.0	Assessed	142,820,329	47,090,180	1,084,410	7,825,500	143,904,739	54,915,680	198,820,419
		Appraised	714,101,645	235,450,900	5,422,050	39,127,500	719,523,695	274,578,400	994,102,095
2005	3.0	Assessed	153,273,999	51,160,891	-	13,400,310	153,273,999	64,561,201	217,835,200
		Appraised	766,369,995	255,804,455	-	67,001,550	766,369,995	322,806,005	1,089,176,000
2006	3.0	Assessed	160,670,916	52,285,707	-	14,071,210	160,670,916	66,356,917	227,027,833
		Appraised	803,354,580	261,428,535	-	70,356,050	803,354,580	331,784,585	1,135,139,165
2007	3.0	Assessed	177,401,623	53,305,741	-	14,701,630	177,401,623	68,007,371	245,408,994
		Appraised	887,008,115	266,528,705	-	73,508,150	887,008,115	340,036,855	1,227,044,970
2008	3.0	Assessed	187,275,219	55,503,120	-	15,951,595	187,275,219	71,454,715	258,729,934
		Appraised	936,376,095	277,515,600	-	79,757,975	936,376,095	357,273,575	1,293,649,670
2009	3.0	Assessed	193,088,831	49,438,185	-	16,040,341	193,088,831	65,478,526	258,567,357
		Appraised	965,444,155	247,190,925	-	80,201,705	965,444,155	327,392,630	1,292,836,785
2010	3.0	Assessed	202,266,211	49,397,720	-	16,140,540	202,266,211	65,538,260	267,804,471
		Appraised	1,011,331,055	246,988,600	-	80,702,700	1,011,331,055	327,691,300	1,339,022,355
2011	3.0	Assessed	204,232,215	51,272,975	-	16,919,055	204,232,215	68,192,030	272,424,245
		Appraised	1,021,161,075	256,364,875	-	84,595,275	1,021,161,075	340,960,150	1,362,121,225
2012	3.0	Assessed	202,646,506	53,595,970	-	17,026,315	202,646,506	70,622,285	273,268,791
		Appraised	1,013,232,530	267,979,850	-	85,131,575	1,013,232,530	353,111,425	1,366,343,955

Source: Pulaski County Tax Assessor.

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

CITY OF JACKSONVILLE, ARKANSAS

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

Local Tax Rates Per \$1,000 Assessed Value

Year	Jacksonville		Pulaski County		Pulaski County Special School District		Totals	
	Real	Personal	Real	Personal	Real	Personal	Real	Personal
2003	\$ 2.00	\$ 2.00	\$10.10	\$ 10.10	\$ 40.70	\$ 40.70	\$ 52.80	\$ 52.80
2004	2.00	2.00	10.10	10.10	40.70	40.70	52.80	52.80
2005	3.00	3.00	10.10	10.10	40.70	40.70	53.80	53.80
2006	3.00	3.00	10.10	10.10	40.70	40.70	53.80	53.80
2007	3.00	3.00	10.10	10.10	40.70	40.70	53.80	53.80
2008	3.00	3.00	10.10	10.10	40.70	40.70	53.80	53.80
2009	3.00	3.00	10.10	10.10	40.70	40.70	53.80	53.80
2010	3.00	3.00	10.10	10.10	40.70	40.70	53.80	53.80
2011	3.00	3.00	10.10	10.10	40.70	40.70	53.80	53.80
2012	3.00	3.00	10.10	10.10	40.70	40.70	53.80	53.80

Tax Levies

2003	\$	638,481	\$	32,572,873	\$	55,974,797	\$	89,186,151
2004		685,940		34,575,502		60,770,538		96,031,979
2005		969,376		36,966,112		68,333,446		106,268,933
2006		1,010,344		39,334,921		73,958,559		114,303,824
2007		1,092,143		42,554,360		81,998,888		125,645,391
2008		1,151,423		45,743,106		88,873,909		135,768,438
2009		1,150,690		46,344,553		91,537,250		139,032,494
2010		1,191,800		46,915,434		93,963,825		142,071,059
2011		1,212,353		48,464,111		98,195,347		147,871,810
2012		1,216,108		49,084,104		100,584,377		150,884,589

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

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

State statutory limits on City tax rate:

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

CITY OF JACKSONVILLE, ARKANSAS

PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN YEARS

Year	Total Tax Levy in Prior Year	Taxes Levied in the Prior Year Collected within the current year		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 638,481	\$ 519,544	84.69%	\$ 59,881	\$ 579,425	94.45%
2004	685,940	584,289	91.51%	55,049	639,338	100.13%
2005 (1)	969,376	595,789	86.86%	63,200	658,989	96.07%
2006	1,010,344	735,768	75.90%	68,628	804,396	82.98%
2007	1,092,143	720,412	71.30%	97,603	818,015	80.96%
2008	1,151,423	795,941	72.88%	72,011	867,952	79.47%
2009	1,150,690	838,523	72.82%	69,858	908,381	78.89%
2010	1,191,800	840,076	73.01%	73,819	913,895	79.42%
2011	1,212,353	889,597	74.64%	68,819	958,416	80.42%
2012	1,216,108	1,049,712	86.58%	102,969	1,152,681	95.08%

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

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

CITY OF JACKSONVILLE, ARKANSAS

RATIOS OF OUTSTANDING DEBT BY TYPE LAST TEN YEARS

Year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Notes Payable	Capital Lease	Notes Payable				
2003	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-%	\$ -
2004	-	-	-	-	-	-	-%	-
2005	-	-	-	-	-	-	-%	-
2006	2,500,000	-	-	-	-	2,500,000	0.30%	90.58
2007	2,500,000	-	-	-	-	2,500,000	0.27%	81.90
2008	2,345,000	-	-	-	-	2,345,000	0.40%	119.26
2009	2,220,000	-	-	-	-	2,220,000	0.37%	111.57
2010	2,075,000	-	-	-	-	2,075,000	0.37%	103.86
2011	1,940,000	-	-	1,294,514	-	3,234,514	0.56%	157.44
2012	1,785,000	3,011,700	2,516,526	1,037,081	-	8,350,307	1.39%	394.68

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

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

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

CITY OF JACKSONVILLE, ARKANSAS

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

Year	Population	Assessed Value	Net Bonded Debt	Ratio of Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2003	29,916	\$ 185,064,178	\$ -	-%	\$ -
2004	29,916	198,820,419	-	-%	-
2005	29,916	217,835,200	-	-%	-
2006	29,916	227,027,833	2,285,053 (1)	1.01%	76.38
2007	29,916	245,408,994	2,215,277	0.90%	74.05
2008	29,916	258,729,934	2,093,224	0.81%	69.97
2009	29,916	258,567,357	1,960,001	0.76%	65.52
2010	28,364	267,804,471	1,817,691	0.68%	64.08
2011	28,364	272,424,245	1,672,256	0.61%	58.96
2012	28,364	273,268,791	7,014,419	2.57%	247.30

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

CITY OF JACKSONVILLE, ARKANSAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT AS OF DECEMBER 31, 2012

	Debt Available for Retirement	Percentage Applicable	City's Share of Direct & Overlapping Debt
Direct:			
City of Jacksonville	\$ 7,313,226	100%	\$ 7,313,226
Overlapping:			
Pulaski County Special School District	<u>147,430,000</u>	20%	<u>29,486,000</u>
Total direct & estimated overlapping bonded debt	<u>\$ 154,743,226</u>		<u>\$ 36,799,226</u>



CITY OF JACKSONVILLE, ARKANSAS

LEGAL DEBT MARGIN INFORMATION LAST TEN YEARS

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt limit	\$ 37,012,836	\$ 39,764,084	\$ 54,458,800	\$ 56,756,958
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,285,053</u>
Legal debt margin	<u>\$ 37,012,836</u>	<u>\$ 39,764,084</u>	<u>\$ 54,458,800</u>	<u>\$ 54,471,905</u>
Total net debt applicable to the limit as a percentage of debt limit	-%	-%	-%	4.03%

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

- (1) General obligation debt is not to exceed 20% of assessed value.
- (2) Short-term financing debt is not to exceed 5% of assessed value.

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 61,352,249	\$ 64,682,484	\$ 64,641,839	\$ 66,951,118	\$ 68,106,061	\$ 68,317,198
<u>2,215,277</u>	<u>2,093,224</u>	<u>1,960,001</u>	<u>1,817,691</u>	<u>1,672,256</u>	<u>7,014,419</u>
<u>\$ 59,136,972</u>	<u>\$ 62,589,260</u>	<u>\$ 62,681,838</u>	<u>\$ 65,133,427</u>	<u>\$ 66,433,805</u>	<u>\$ 61,302,779</u>
3.61%	3.24%	3.03%	2.71%	2.46%	10.27%

Legal Debt Margin Calculation for 2012

Assessed value	\$ 273,268,791
Debt limit:	
General obligation debt limitation (1)	54,653,758
Short-term financing debt limitation (2)	<u>13,663,440</u>
Total Debt Limitation	<u>68,317,198</u>
Debt applicable to limit:	
General obligation and short-term financing	7,313,226
Less: Amount set aside for repayment in debt service fund	<u>298,807</u>
Total net debt applicable to limit	<u>7,014,419</u>
Legal debt margin	<u>\$ 61,302,779</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	2003	\$ 3,290,484	\$ 2,959,604	\$ 330,880
	2004	3,316,404	2,913,948	402,456
	2005	4,312,073	3,013,466	1,298,607
	2006	4,663,214	3,222,035	1,441,179
	2007	5,383,683	3,424,310	1,959,373
	2008	5,428,299	3,654,003	1,774,296
	2009	5,368,334	4,312,394	1,055,940
	2010	6,137,715	3,830,624	2,307,091
	2011	6,837,937	4,069,853	2,768,084
	2012	7,352,372	4,266,956	3,085,416
Jacksonville Wastewater Utility	2003	\$ 2,344,956	\$ 2,264,617	\$ 80,339
	2004	2,742,525	2,239,995	502,530
	2005	3,208,983	2,282,432	926,551
	2006	3,491,841	2,428,467	1,063,374
	2007	3,868,469	2,441,636	1,426,833
	2008	3,953,064	2,632,217	1,320,847
	2009	4,070,352	2,677,216	1,393,136
	2010	4,096,783	2,685,644	1,411,139
	2011	3,913,742	2,646,923	1,266,819
	2012	4,132,309	2,612,691	1,519,618

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

(1) Excludes depreciation.

Debt Service Requirements			
Principal	Interest	Total	Coverage
\$ -	\$ -	\$ -	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	812,500	812,500	3.41
-	812,500	812,500	3.80
\$ -	\$ -	\$ -	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
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

CITY OF JACKSONVILLE, ARKANSAS

DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN YEARS

Year	Population	Personal Income (thousands of dollars (4))	Per Capita Income (1)	Median Age	Education Level in Years of Formal Schooling (1)	School Enrollment (2)	Unemployment Rate (3)
2003	29,916 (5)	\$ 489,695	\$ 16,369	29.4	15.0	6,815	6.6%
2004	29,916	559,609	18,706	29.5	15.0	6,728	6.5%
2005	29,916	825,712	27,601	30.7	15.0	6,741	4.9%
2006	29,916	825,712	27,601	30.7	15.0	6,726	5.4%
2007	29,916	913,156	30,524	31.1	15.0	6,715	5.8%
2008	29,916	588,238	19,663	30.9	15.0	6,234	6.0%
2009	29,916	595,269	19,898	29.9	15.0	6,092	8.0%
2010	28,364 (6)	566,656	19,978	30.0	15.0	5,826	8.5%
2011	28,364	582,738	20,545	30.0	15.0	5,527	7.9%
2012	28,364	600,097	21,157 (7)	30.8	15.0	5,333	8.0%

(1) Source: Metroplan-Council of Local Governments

(2) Source: Pulaski County Special School District

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

(4) Estimation based on Per Capita Income and Population

(5) 2000 Census

(6) 2010 Census

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

CITY OF JACKSONVILLE, ARKANSAS

PROPERTY VALUE, NEW CONSTRUCTION AND BANK DEPOSITS LAST TEN YEARS

	<u>Commercial Construction</u>		<u>Residential Construction</u>		Bank Deposits (1) (in Thousands)	Property Value
	Number of Permits	Value	Number of Permits	Value		
2003	32	\$ 13,205,877	158	\$ 18,345,359	\$ 196,224	\$ 925,320,890
2004	31	9,461,417	127	14,707,038	195,477	994,102,095
2005	36	10,762,338	187	21,277,312	207,713	1,089,176,000
2006	40	6,342,442	143	14,725,700	247,885	1,135,139,165
2007	44	13,403,589	130	15,061,748	299,649	1,227,044,970
2008	50	12,455,314	61	8,046,180	315,532	1,293,649,670
2009	31	5,944,317	57	6,523,000	382,184	1,292,836,785
2010	27	9,898,467	60	8,665,968	445,870	1,339,022,355
2011	22	8,412,857	31	3,416,000	432,946	1,362,121,225
2012	29	16,654,110	102	10,687,144	435,620	1,366,343,955

(1) Source: FDIC

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

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

CITY OF JACKSONVILLE, ARKANSAS

PRINCIPAL EMPLOYERS CURRENT YEAR AND TEN YEARS AGO

<u>Employer</u>	<u>2012</u>			<u>2003</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	14,446	1	75.90%	6,297	1	52.88%
Pathfinder, Inc	900	2	4.73%	300	6	2.52%
Pulaski County Special School District	788	3	4.14%	573	2	4.81%
Wal-Mart	555	4	2.92%	500	3	4.20%
North Metro Medical Center	*2 450	5	2.36%	500	4	4.20%
City of Jacksonville	277	6	1.46%	237	7	1.99%
Lomanco, Inc.	194	7	1.02%	180	9	1.51%
Arkansas Federal Credit Union	174	8	0.91%	n/a	n/a	n/a
First Arkansas Bank & Trust	147	9	0.77%	137	10	1.15%
First Electric Co-op	130	10	0.68%	n/a	n/a	n/a
Graphic Packaging International	*1 n/a	n/a	n/a	400	5	3.36%
Conestoga Wood Specialties, Inc.	n/a	n/a	n/a	200	8	1.68%
	<u>18,061</u>		<u>94.89%</u>	<u>9,324</u>		<u>78.30%</u>

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

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

CITY OF JACKSONVILLE, ARKANSAS

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

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Management	12	12	12	12	12	13	11	12	12	12
Finance	7	7	7	7	7	8	8	8	7	7
Police										
Police Officers	74	74	74	74	74	76	74	76	76	76
Civilians	12	12	12	12	12	12	14	14	19	19
Firefighters										
Firefighters	48	48	48	49	51	51	51	51	53	53
Civilians	1	1	1	1	1	1	1	1	1	1
Emergency Medical Services	12	12	12	12	12	12	12	12	11	12
Public Works										
Engineer	3	3	3	3	3	3	3	3	3	3
Other	3	4	4	6	6	6	10	10	8	10
Streets	19	19	20	20	20	20	22	22	18	22
Emergency Communications (9-1-1)	13	13	13	13	14	14	13	13	13	14
Parks and Recreation	43	43	43	47	43	43	46	45	30	40
Sanitation Services	23	23	23	23	23	24	24	24	16	18
Community Development	4	3	3	3	3	2	3	2	2	2
Total Personnel	274	274	275	282	280	284	291	293	269	288

Source: City's Human Resource Department

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

CITY OF JACKSONVILLE, ARKANSAS

OPERATING INDICATORS BY FUNCTION/PROGRAM LAST TEN YEARS

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

Source: Various City departments

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

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

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

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

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

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

2007	2008	2009	2010	2011	2012
30,984	35,682	37,672	47,895	47,217	48,167
4,028	4,480	4,343	4,362	4,007	4,050
6,130	5,244	5,472	7,865	7,146	7,399
2,031	2,158	1,884	2,640	3,129	3,129
2,444	2,561	2,667	2,841	3,125	3,216
\$ 199,660	\$ 983,851	\$ 785,600	\$ 380,450	\$ 407,600	\$ 963,342
\$ 958,590	\$ 2,562,150	\$ 1,833,020	\$ 2,630,600	\$ 990,800	\$ 1,113,900
978	784	830	852	1,406	1,447
1,466	1,828	1,938	1,989	1,718	1,769
812	648	635	792	1,408	1,408
1,219	1,510	1,481	1,848	1,721	1,721
12,394	10,705	11,302	14,369	21,248	21,675
18,590	24,977	26,370	33,527	25,969	26,492
2,779	2,515	2,325	2,176	2,063	1,762
843	845	869	915	758	564
440	394	405	431	416	419
355	107	85	145	156	107
55	49	40	34	39	33
23,918	26,419	22,451	23,648	22,503	21,027
606	615	649	675	665	609
30,927	38,950	33,633	32,816	35,768	32,910
7,400	7,680	10,023	8,474	7,500	6,696
4,456	- ^{*4}	19,591	6,111	7,113	8,308
4,064	- ^{*4}	5,245	2,554	1,655	1,956
1,850	1,850	1,850	1,850	1,850	1,850
14,989	16,405	17,008	12,906	11,398	22,322
710	170	1,152	1,423	1,000	2,158
1,000	1,500	2,000	3,000	3,000	3,000
9,318	9,318	9,318	9,318	9,318	9,318
148	190	247	256	241	167
390,000	465,114	329,462	487,600	349,525	356,321
321	323	323	376	325	338
\$ 17,255	\$ 18,880	\$ 22,240	\$ 24,579 ^{*5}	\$ 9,553	\$ 11,455
\$ 17,125	\$ 15,525	\$ 16,047	\$ 19,825	\$ 22,870	\$ 23,131
\$ 50,513	\$ 50,841	\$ 50,165	\$ 55,850	\$ 31,256	\$ 31,156

CITY OF JACKSONVILLE, ARKANSAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM LAST TEN YEARS

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Sub-stations	1	1	1	1	1	1	1	1	1	1
Patrol units	69	69	69	69	69	69	69	69	69	69
Fire										
Fire Stations	4	4	4	4	4	4	4	4	4	4
Fire trucks	4	4	4	4	4	4	4	4	4	4
Ambulances	4	4	4	4	4	4	4	4	4	4
Refuse Collection										
Collection trucks	14	14	14	15	18	18	18	18	18	18
Other public works										
Streets (miles)	112	113	117	117	118	119	120	120	121	121
Highways (miles)	43	43	43	43	43	43	43	43	52	52
Traffic signals (intersections)	23	23	24	24	24	24	24	24	24	24
Parks and recreation										
Acreage	280	280	280	280	280	283	283	313	318	318
Playgrounds	8	8	8	8	8	9	9	10	10	11
Baseball/softball diamonds	11	11	11	11	11	11	11	11	11	11
Soccer fields	4	4	4	4	4	4	4	4	4	4
Community centers	2	2	2	2	2	2	2	2	2	2
Water parks	0	0	0	1	1	1	1	1	1	1

Source: Various City departments.

CITY OF JACKSONVILLE, ARKANSAS

MISCELLANEOUS STATISTICAL DATA DECEMBER 31, 2012

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

Area - Square Miles 29

Miles of Drainage & Sidewalks:

Drainage ditches maintained 281
 Sidewalks 48

Miles of Sewer:

Sanitary 178

Building Permits:	Number	Estimated Cost
Year	Issued	
2003	339	\$32,942,173
2004	259	25,073,255
2005	317	33,346,625
2006	283	22,160,897
2007	290	29,926,144
2008	219	21,592,695
2009	217	14,288,536
2010	224	20,416,524
2011	171	13,250,658
2012	228	28,930,558

Recreation:

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

(continued)

CITY OF JACKSONVILLE, ARKANSAS

MISCELLANEOUS STATISTICAL DATA DECEMBER 31, 2012

Education:

Number of school buildings	12
Number of teachers	445

Average Daily Attendance:

Preschool	91%
Elementary schools	94%
Middle schools	93%
High schools	91%

Municipal Water Plan:

Number of water meters	11,205
Average daily consumption in gallons	3.8 Million
Plant capacity in gallons	6 Million
Number of fire hydrants	906

Employees as of December 31, 2012:

	Total	Full Time	Seasonal and Part Time
City Government	288	269	19
Jacksonville Wastewater Utility	34	34	0
Jacksonville Municipal Water Works	34	34	0
Commissions:			
Advertising & Promotion	7	0	7
Board of Adjustment	5	0	5
Civil Service	5	0	5
Health Care (Develop.Disabled) Facility Board	5	0	5
Hospital Board	7	0	7
Jacksonville Housing Authority	5	0	5
North Pulaski Waterworks Pub.Facilities Board	5	0	5
Parks and Recreation	7	0	7
Planning	9	0	9
Residential Housing Facilities Board	4	0	4
Wastewater Utility	5	0	5
Water Works	5	0	5
Total Employees	425	337	88

(continued)

CITY OF JACKSONVILLE, ARKANSAS

MISCELLANEOUS STATISTICAL DATA DECEMBER 31, 2012

Surety Bonds of Principal Officials:

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



OTHER REQUIRED REPORT



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

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

We have examined management's assertions that the City of Jacksonville, Arkansas, complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the year ended December 31, 2012.

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

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

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

In our opinion, the City of Jacksonville, Arkansas, complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2012.

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 29, 2013



**Single
Audit
Section**



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Jacksonville, Arkansas, as of and for the year ended December 31, 2012, and the related notes to the basic financial statements, which collectively comprise the City of Jacksonville, Arkansas' basic financial statements, and have issued our report thereon dated July 29, 2013. Our report includes a reference to other auditors who audited the financial statements of Jacksonville Municipal Water Works and Jacksonville Wastewater Utility as described in our report on the City of Jacksonville, Arkansas' financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to the City's management in a separate letter dated July 29, 2013.

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 29, 2013

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

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

Report on Compliance for Each Major Program

We have audited the City of Jacksonville, Arkansas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City of Jacksonville, Arkansas' major federal program for the year ended December 31, 2012. The City of Jacksonville, Arkansas' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

The City's basic financial statements include the operations of Jacksonville Municipal Water Works which expended \$759,350 in federal awards. This amount is not included in the City's schedule of expenditures of federal awards for the year ended December 31, 2012. Our audit, described below, did not include the operations of Jacksonville Municipal Water Works because Jacksonville Municipal Water Works engaged other auditors to perform a separate audit in accordance with OMB Circular A-133.

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

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

Opinion on Its Major Federal Program

In our opinion, the City of Jacksonville, Arkansas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

Report on Internal Control over Compliance

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

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

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

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

McAlister & Associates, P.A.

McAlister & Associates, P.A.
Certified Public Accountants

Jacksonville, Arkansas
July 29, 2013

CITY OF JACKSONVILLE, ARKANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2012

Cluster/Program	Federal Agency/ Pass-Through Agency	CFDA Number	Amount Expended
Community Development Block Grants/ Entitlement Grants	U.S. Department of Housing and Urban Development	14.218	\$ 303,275
	CDBG cluster total		303,275
State and Community Highway Safety	U. S. Department of Transportation Arkansas State Highway and Transportation	20.600	30,183
Alcohol Impaired Driving Countermeasures Incentive Grants 1	U. S. Department of Transportation Arkansas State Highway and Transportation	20.601	3,014
Occupant Protection Incentive Grants	U. S. Department of Transportation Arkansas State Highway and Transportation	20.602	275
	Highway Safety cluster total		33,473
Community Development Block Grants/ Disaster Recovery Assistance	U.S. Department of Housing and Urban Development/Arkansas Economic Development Commission	14.228	271,838
HOME Investment Partnerships Program	U.S. Department of Housing and Urban Development / Arkansas Development Finance Authority	14.239	68,588
Organized Crime Drug Enforcement Task Force State and Local Overtime	U.S. Department of Justice/ Drug Enforcement	16.000	14,574
Juvenile Justice and Delinquency Prevention Program	U.S. Department of Justice / Arkansas Department of Human Services	16.540	14,063
Bulletproof Vests Partnership Program	U.S. Department of Justice	16.607	2,591
Public Safety Partnership and Community Policing Grant	U.S. Department of Justice	16.710	154,995
Edward Byrne Memorial Justice Assistance Grant	U.S. Department of Justice	16.738	8,488
Equitable Sharing Program-Asset Forfeiture	U.S. Department of Justice	16.922	48,749
Highway Planning and Construction	U. S. Department of Transportation Arkansas State Highway and Transportation	20.205	9,190
Treasury Asset Forfeiture Fund Program	U.S. Department of Treasury	21.000	509
Hazard Mitigation Grant	U.S. Department of Homeland Security/ Arkansas Department of Emergency Management	97.039	942,011
			\$ 1,872,343

CITY OF JACKSONVILLE, ARKANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2012

General

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

Basis of Presentation

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

CFDA and Contract Numbers

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

Subrecipients

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

<u>Program</u>	<u>CFDA Number</u>	<u>Subrecipient</u>	<u>Amount Provided</u>
Community Development Block Grants/Entitlement Grants	14.218	Jacksonville Care Channel For The Needy Fishnet Missions Boys & Girls Club of Jacksonville	\$ 6,000 2,540 37,200 <u>\$ 45,740</u>



CITY OF JACKSONVILLE, ARKANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2012

7. The City's major programs were:

Cluster/Program	CFDA Number
Hazard Mitigation Grant	97.039

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

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

Yes No

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
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No matters are reportable.

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

Reference Number	Finding	Questioned Costs
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No matters are reportable.

CITY OF JACKSONVILLE, ARKANSAS

FEDERAL AWARDS SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED DECEMBER 31, 2012

Reference Number	Summary of Findings	Status
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No matters are reportable.

