

**(BOOK-ENTRY ONLY)
NEW ISSUE**

NON-RATED

*In the opinion of Bond Counsel, under existing law and assuming compliance with certain covenants described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes; (ii) interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; (iii) the Bonds have been designated by the Issuer as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended; (iv) interest on the Bonds is exempt from State of Arkansas income tax; and (v) the Bonds are not subject to property taxes in the State of Arkansas (see **LEGAL MATTERS**, Legal Opinion).*

\$7,935,000
CITY OF JACKSONVILLE, ARKANSAS
CAPITAL IMPROVEMENT AND REFUNDING REVENUE BONDS
SERIES 2020

Dated: Date of Delivery

Due: June 1, as shown on the inside cover page

[Maturity Schedule included on inside cover page]

The City of Jacksonville, Arkansas Capital Improvement and Refunding Revenue Bonds, Series 2020 are referred to as (the “Bonds”). The Bonds are limited obligations of the City of Jacksonville, Arkansas (the “City”) payable solely from the revenues received by the City from all franchise fees collected from public utilities for the privilege of using the City’s streets, rights-of-way, and other public places in the City pursuant to the authority contained in Arkansas Code Annotated Title 14, Chapter 200 and Arkansas Code Annotated Title 23, Chapter 19, Subchapter 200, or successor statutes, specifically including, but not limited to, all interest, profits, or other income derived from the investment of any moneys held in, or required to be paid into, the funds and accounts established under a Trust Indenture (the “Indenture”) dated December 29, 2020 between the City and First Arkansas Bank & Trust, as Trustee (the “Pledged Revenues”).

The Bonds are issuable as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, to which principal and interest payments on the Bonds will be made so long as Cede & Co. is the registered owner of the Bonds. Individual purchases of the Bonds will be made only in book-entry form, in the denominations of \$5,000 or any integral multiple thereof. Individual purchasers of the Bonds (“Beneficial Owners”) will not receive physical delivery of bond certificates.

Interest is payable June 1, 2021, and semiannually thereafter on each December 1 and June 1. The Bonds are issuable only as fully registered bonds in the denomination of \$5,000 or an integral multiple thereof. Principal is payable at the corporate trust office of First Arkansas Bank & Trust, Jacksonville, Arkansas, the trustee, bond registrar, and paying agent (the “Trustee”). So long as DTC or its nominee is the registered owner of the Bonds, disbursement of such payments to DTC is the responsibility of the Trustee. Disbursement of such payments to DTC Participants (as defined herein) is the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of DTC Participants, as more fully described herein.

Interest is payable by check or draft drawn on the Trustee and mailed to the registered owners as of the Record Date (herein defined) on each interest payment date, or, subject to the provisions of the Indenture, by wire fund transfer upon the terms and conditions of the Trustee.

The Bonds are subject to extraordinary, optional, and mandatory sinking fund redemption prior to maturity as described herein.

The Bonds are offered when, as, and if issued and received by the Underwriter, subject to the approval of legality by Wright, Lindsey & Jennings LLP, Little Rock, Arkansas, Bond Counsel for the City, and to certain other conditions. Certain legal matters will be passed upon for the City by its counsel, Stephanie Friedman, Esq. It is expected that the Bonds will be available for delivery in New York, New York, on or about December 29, 2020.

Stephens Inc.
Investment Bankers

Dated: November 25, 2020

MATURITY SCHEDULE

for

\$7,935,000

CITY OF JACKSONVILLE, ARKANSAS CAPITAL IMPROVEMENT AND REFUNDING REVENUE BONDS, SERIES 2020

The Bonds mature, bear interest, and are priced to yield as follows:

\$3,425,000 Serial Bonds

<u>Maturity (June 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP¹</u>
2021	\$ 75,000	2.000%	0.750%	46923R AR8
2022	345,000	2.000%	0.800%	46923R AS6
2023	350,000	2.000%	0.900%	46923R AT4
2024	360,000	2.000%	1.000%	46923R AU1
2025	365,000	2.000%	1.080%	46923R AV9
2026	370,000	2.000%	1.250%*	46923R AW7
2027	380,000	2.000%	1.400%*	46923R AX5
2028	385,000	2.000%	1.550%*	46923R AY3
2029	395,000	1.625%	1.720%	46923R AZ0
2030	400,000	1.750%	1.820%	46923R BA4

\$4,510,000 Term Bonds

\$2,130,000; 2.125% Term Bond² Due June 1, 2035; Yield 2.250%; CUSIP No: 46923R BB2

\$2,380,000; 2.375% Term Bond² Due June 1, 2040; Yield 2.450%; CUSIP No: 46923R BC0

*Priced to the first optional redemption date, December 1, 2025.

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² Term Bond, subject to mandatory sinking fund redemption.

No dealer, broker, salesman, or other person has been authorized by the City or the Underwriter to give any information or to make any representations other than contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy nor shall there be any offer, solicitation, or sale of the Bonds by or to any person in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale.

The information set forth herein under the captions “DESCRIPTION OF THE CITY OF JACKSONVILLE,” “DEBT STRUCTURE,” and “FINANCIAL INFORMATION” has been furnished by the City, except where otherwise noted. All other information set forth herein has been obtained from the City or from sources other than the City that are believed to be reliable, but the adequacy, accuracy, or completeness of such information is not guaranteed by, and it is not to be construed as a representation by, the City, the Underwriter, or Bond Counsel. The information and expressions of opinion herein are subject to change without notice. Neither the delivery of this Official Statement nor the sale of any of the Bonds implies that there has been no change in the matters described herein since the date hereof or that the information herein is correct as of any time subsequent to its date.

The Bonds have not been registered under the Securities Act of 1933, as amended, nor has the Authorizing Ordinance described herein been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions in such laws from such registration and qualification.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CITY OF JACKSONVILLE, ARKANSAS

City Council

Bob Johnson, Mayor
Mike Dietz
Dr. James Bolden
Les Collins
Terry Sansing
Reedie Ray
Barbara Mashburn
Michael Traylor
Mary Twitty
Tara Smith

City Clerk

Susan Davitt

City Attorney

Stephanie Friedman

Certified Public Accountants

McAlister & Associates, P.A.
Jacksonville, Arkansas

Bond Counsel

Wright, Lindsey & Jennings LLP
Little Rock, Arkansas

Underwriter

Stephens Inc.
Little Rock, Arkansas

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SUMMARY OF THE OFFICIAL STATEMENT

This summary is subject in all respects to the more complete information contained in this Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement, including the Cover Page.

Purpose of Official Statement. This Official Statement is provided to furnish certain information in connection with the issuance by the City of Jacksonville, Arkansas (the “City”) of its \$7,935,000 Capital Improvement and Refunding Revenue Bonds, Series 2020, dated December 29, 2020 (the “Bonds”).

The City. The City is a city of the first class duly established and existing under the Constitution and laws of the State of Arkansas. See **DESCRIPTION OF THE CITY OF JACKSONVILLE**.

Purpose. The Bonds are being issued to finance the costs of (i) acquiring, constructing, equipping, renovating, expanding, and refurbishing certain capital improvements to benefit the citizens of the City (the “Capital Improvements”) See **DESCRIPTION OF THE CAPITAL IMPROVEMENTS**; (ii) currently refunding the City’s Capital Improvement and Refunding Revenue Bonds, Series 2015, in the original aggregate principal amount of \$8,815,000 (the “Bonds to be Refunded”); (iii) funding a debt service reserve or providing for some other security instrument; and, (iv) paying the costs associated with the issuance of the Bonds.

Security and Source of Payment. The Bonds will be limited obligations of the City, payable solely from the revenues received by the City from all franchise fees collected from public utilities for the privilege of using the City’s streets, rights-of-way, and other public places in the City pursuant to the authority contained in Arkansas Code Annotated Title 14, Chapter 200 and Arkansas Code Annotated Title 23, Chapter 19, Subchapter 200, or successor statutes, and from funds and moneys pledged to the payment of the Bonds under the Indenture, identified below, (the “Pledged Revenues”). No owner of the Bonds shall ever have the right to compel any exercise of taxing power by the City to pay the Bonds. See **BONDS BEING OFFERED – Security and Source of Payment**. There is a Debt Service Reserve Fund securing the Bonds in an amount equal to fifty percent (50%) of Maximum Annual Debt Service on the Bonds. See **BONDS BEING OFFERED – Security and Source of Payment** and **APPENDIX B** - Summary of the Trust Indenture.

BONDS BEING OFFERED

Generally. The Bonds are issuable in the form and denominations and are in the total principal amount shown on the cover page, and will be dated, mature, and bear interest as set out on the cover page. First Arkansas Bank & Trust, Jacksonville, Arkansas, the trustee, bond registrar, and paying agent (“Trustee”), will maintain books for the registration and transfer of ownership of the Bonds. Interest due on a bond on each interest payment date will be paid to the person in whose name the bond was registered at the end of the fifteenth (15th) day of the month (whether or not a business day) next preceding the interest payment date (the “Record Date”), irrespective of any transfer of the bond subsequent to the Record Date and prior to the interest payment date. Payment of interest shall be made by check or draft drawn on the Trustee and mailed to such registered owner at the address shown on the registration books, or, solely at the option of the Trustee, by wire fund transfer upon the terms and conditions of the Trustee. The City has also arranged to make the Bonds eligible for book-entry deposit with The Depository Trust Company (“DTC”), New York, New York. Deposit of the Bonds, or any portion thereof, with DTC shall be at the option of the registered owner and at the expense of the registered owner or the participating securities dealer, as the case may be. See **BOOK-ENTRY ONLY SYSTEM**, herein.

A bond may be transferred, in whole or in part (in integral multiples of \$5,000), but only upon delivery of the bond, together with a written instrument of transfer, to the Trustee. The transfer instrument must be signed by the registered owner or the registered owner’s attorney-in-fact or legal representative, and the

signature must be guaranteed by a member firm of the National Association of Securities Dealers, a commercial bank, or a trust company. The transfer instrument shall state the name, mailing address, and social security number or federal employer identification number of the transferee. Upon such transfer, the Trustee shall enter the transfer of ownership in the registration books and authenticate and deliver in the name or names of the new registered owner or owners a new fully registered bond or bonds of authorized denominations of the same maturity and interest rate for the aggregate principal amount of the bond transferred.

Authority. The Bonds are issued under the authority of the Constitution and laws of the State of Arkansas, including particularly Amendment No. 65 to the Constitution of the State of Arkansas (“Amendment 65” is referred to herein as the “Constitution”); Arkansas Code Annotated Title 14, Chapter 164, Subchapter 4 (the “Act”); and Ordinance No. 1644 (#18-2020) duly adopted and approved by the City on November 19, 2020 (the “Authorizing Ordinance”). The Act provides the procedures for the issuance of capital improvement bonds by municipalities and counties in implementation of the Constitutional provisions. The Act authorizes Arkansas municipalities to issue bonds for capital improvements and for refunding outstanding bonds in amounts and for purposes authorized by the Act and the Constitution.

Terms. The Bonds will be dated the date of delivery, will bear interest at the rates and will mature, subject to the redemption provisions described below, in the amounts and on the dates set forth on the inside front cover page of this Official Statement. Interest will be initially payable on June 1, 2021, and semiannually thereafter on December 1 and June 1 of each year. The Bonds issued by the City pursuant to the Indenture are herein called the “Bonds.”

Purposes. The proceeds of the Bonds, together with investment earnings thereon, will be used (i) to finance the costs of various Capital Improvements, (ii) to currently refund the Bonds to be Refunded, (iii) to establish a debt service reserve fund or to provide for some other security instrument, and (iv) to pay the costs of issuance. See **DESCRIPTION OF THE CAPITAL IMPROVEMENTS** and **DESCRIPTION OF THE PURPOSE.**

Sources and Uses of Funds. The estimated sources and uses of funds for the above purposes are as follows:

SOURCES OF FUNDS

Par Amount of Bonds	\$7,935,000.00
Net Reoffering Premium	8,643.45
Transfers from Prior Issue Debt Service Funds	387,247.00
Total Sources	<u>\$8,330,890.45</u>

USES OF FUNDS

Deposit to current refunding fund	\$5,927,108.52
Project Fund	2,000,000.00
Deposit to Debt Service Reserve Fund	256,203.13
Costs of Issuance (including Underwriter’s Discount)	147,578.80
Total Uses	<u>\$8,330,890.45</u>

Security and Source of Payment. The Bonds are limited obligations of the City, payable from and secured by the Pledged Revenues and the Funds and Accounts pledged pursuant to the Indenture. The Bonds are not secured by any lien on or security interest in any physical properties.

THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION. THE BONDS ARE NOT GENERAL

OBLIGATIONS OF THE CITY, BUT ARE SPECIAL OBLIGATIONS PAYABLE SOLELY FROM THE REVENUES RECEIVED BY THE CITY FROM ALL FRANCHISE FEES COLLECTED FROM PUBLIC UTILITIES FOR THE PRIVILEGE OF USING THE CITY'S STREETS, RIGHTS-OF-WAY, AND OTHER PUBLIC PLACES AND FROM FUNDS AND MONEYS PLEDGED TO THE PAYMENT OF THE BONDS UNDER THE INDENTURE. NO OWNER OF THE BONDS SHALL EVER HAVE THE RIGHT TO COMPEL ANY EXERCISE OF TAXING POWER BY THE CITY TO PAY THE BONDS.

To the extent permitted by federal or state law, the City agrees to continuously charge franchise fees to all public utilities for the privilege of using the City's streets, rights-of-way, and other public places pursuant to the authority contained in Arkansas Code Annotated Title 14, Chapter 200 and Arkansas Code Annotated Title 23, Chapter 19, Subchapter 200, or successor statutes, while the Bonds are outstanding.

To the extent permitted by federal or state law, the franchise fees currently charged to public utilities shall never be reduced while the Bonds are outstanding unless the City receives an opinion of a certified public accountant not in the regular employ of the City to the effect that the Pledged Revenues for the preceding fiscal year, assuming such reduction had been in effect for the entire year, would have equaled not less than one hundred thirty percent (130%) of the maximum annual debt service on all outstanding Bonds, additional bonds, or parity bonds as authorized under the Indenture.

Pledged Revenues shall be deposited upon receipt by the City, into the City's Revenue Fund, created by the Indenture (the "Revenue Fund"). There shall be transferred from the Revenue Fund into a special fund of the City created by the Indenture in the Trustee (the "Bond Fund") the sums in the amounts and at the times described below for the purpose of providing funds for the payment of the principal of and interest on the Bonds, as due. There shall be paid to the Trustee for deposit into the Bond Fund, on or before the twenty-fifth (25th) day of each month, commencing in January 2021, a sum equal to one-sixth (1/6) of the next installment of interest plus one-twelfth (1/12) of the next installment of principal on all Bonds then outstanding due at maturity or upon mandatory sinking fund redemption, with Trustee's fees and expenses, as the same next become due, and any arbitrage rebate due at the times and in the amounts required by Section 148(f) of the Internal Revenue Code of 1986, or amended (the "Code") with such pro-rata amounts adjusted for the initial installments. Amounts deposited in the Bond Fund shall be used solely for the payment of principal of and interest on the Bonds, fees of the Trustee, and costs of redemption either at maturity or at redemption prior to maturity, in accordance with the provisions of the Indenture.

All moneys held for credit of the Bond Fund, the Revenue Fund, or Debt Service Reserve Fund shall either be insured by the Federal Deposit Insurance Corporation or secured by direct or fully guaranteed obligations of the United States of America or other investments as may be permitted by the laws of the State of Arkansas. Collections of Pledged Revenues held in the Revenue Fund not required to be deposited into the Bond Fund or Debt Service Reserve Fund pursuant to the Indenture shall be released from the lien of the Indenture and may be used by the City for any lawful purpose. See **APPENDIX B** - Summary of the Trust Indenture.

The proceeds of the Bonds will be applied: (i) to the Bond Fund to pay accrued interest on the Bonds; (ii) to currently refund the Bonds to be Refunded; (iii) to the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Requirement; (iv) to pay the costs of issuing the Bonds; and (v) to fund the costs of various Capital Improvements within the City.

Interest earned by the investments of the Bond Fund shall be retained in such Fund and used for the same purposes as other moneys in such Fund are authorized to be used. Interest earned by the investments of the Debt Service Reserve Fund shall, to the extent moneys on deposit in such Fund exceed the Debt Service Reserve Requirement, be transferred to the Bond Fund and used for the same purposes as other moneys in the Bond Fund are authorized to be used.

Redemption. The Bonds are subject to extraordinary, optional, and mandatory sinking fund redemption, as set forth hereinafter.

Extraordinary Redemption. The Bonds must be redeemed from proceeds of the Bonds not needed for the purposes intended, on any interest payment date, in whole or in part, at a redemption price equal to the principal amount being redeemed together with accrued interest to the redemption date, in inverse order of maturity (and by lot within a maturity in such manner as the Trustee may determine).

Optional Redemption of Bonds. The Bonds are subject to optional redemption on and after December 1, 2025, prior to maturity in whole or in part, at any time, from any moneys available therefor at a redemption price equal to the principal amount being redeemed, together with accrued interest to the redemption date. If fewer than all of the Bonds shall be called for redemption, the particular maturities of the Bonds to be redeemed shall be selected by the City in its discretion. If fewer than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portion thereof to be redeemed from such maturity shall be selected by lot by the Trustee.

Mandatory Redemption from Sinking Fund Installments. To the extent not previously redeemed, the Bonds maturing on June 1, 2035, are subject to mandatory sinking fund redemption in such manner as the Trustee may determine, on the date and in the amounts set forth below, at a price equal to the principal amount thereof plus accrued interest to the date of redemption:

<u>Year</u> <u>(June 1)</u>	<u>Principal Amount</u>
2031	\$410,000
2032	415,000
2033	425,000
2034	435,000
2035 (Final Maturity)	445,000

[Remainder of page intentionally left blank.]

To the extent not previously redeemed, the Bonds maturing on June 1, 2040, are subject to mandatory sinking fund redemption in such manner as the Trustee may determine, on the date and in the amounts set forth below, at a price equal to the principal amount thereof plus accrued interest to the date of redemption:

<u>Year</u> <u>(June 1)</u>	<u>Principal Amount</u>
2036	\$455,000
2037	465,000
2038	475,000
2039	485,000
2040 (Final Maturity)	500,000

Moneys available for redemption shall be applied to the redemption of the Bonds, in inverse order of maturities (Bonds within a maturity to be selected by lot in such manner as the Trustee shall determine to be fair and equitable). Bonds of denominations greater than \$5,000 may be redeemed partially in the amount of \$5,000, or any integral multiple thereof.

Notice of Redemption. Notice of redemption identifying the Bonds or portions thereof to be redeemed shall be given by the Trustee, not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption, by mailing a copy of the redemption notice by first-class mail, postage prepaid, to all registered owners of the Bonds to be redeemed at the address shown on the registration books. Failure to mail an appropriate notice or any such notice to one or more registered owners of the Bonds to be redeemed shall not affect the validity of the proceedings for redemption of other Bonds as to which notice of redemption is duly given and in proper and timely fashion. All such Bonds thus called for redemption shall cease to bear interest on and after the date fixed for redemption, provided funds for their redemption are on deposit with the Trustee at that time. Notwithstanding the foregoing, as long as the Bonds are registered in the name of DTC or its nominee (or a successor entity) in the book-entry system, the Trustee may give notice of the call for any redemption by any means, including facsimile transmission, acceptable to DTC or its successors.

Trustee, Bond Registrar, and Paying Agent. The Trustee, First Arkansas Bank & Trust, Jacksonville, Arkansas, was designated by the City.

The Trustee will maintain books for the registration and transfer of ownership of the Bonds. The principal of all Bonds, payable either at maturity or upon redemption prior to maturity, shall be paid upon surrender of the Bond at the corporate trust office of the Trustee. Interest shall be paid by check or draft drawn on the Trustee and mailed to each registered owner at the address shown on the registration books, or solely at the option of Trustee, by wire fund transfer upon the terms and conditions of the Trustee.

The Trustee may resign by giving not less than sixty (60) days' notice in writing to the City specifying the date when such resignation shall take effect and mailing notice thereof to the registered owners of all Bonds outstanding. Such resignation shall be effective upon the appointment of a successor Trustee by the City and acceptance of appointment by the successor.

The City may at any time, with or without cause, remove the Trustee and appoint a successor. Any successor Trustee shall have capital and surplus of at least \$10,000,000.

Modification of Terms of Bonds. The terms of the Bonds, the Authorizing Ordinance, and the Indenture will constitute a contract between the City and the registered owners of the Bonds. The owners of not less than sixty percent (60%) in aggregate principal amount of the Bonds then outstanding have the right, from time to time, to consent to the adoption by the City of ordinances modifying any of the terms or provisions

contained in the Bonds, the Authorizing Ordinance, or the Indenture; provided, however, there shall not be permitted: (a) extension of the fixed maturity of any Bond, or reduction of the principal amount or redemption price thereof, or reduction of the rate or extension of the time of payment of interest thereon; (b) reduction of the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification of the Indenture; or, (c) modification of any of the rights or obligations of the Trustee.

Defeasance. When all of the Bonds shall have been paid or deemed paid, the pledge in favor of the Bonds (see, **Security and Source of Payment**, supra) shall be discharged and satisfied. A Bond shall be deemed paid when there shall have been deposited in trust with the Trustee, as escrow agent under an escrow deposit agreement requiring the escrow agent to apply the proceeds of the deposit to pay the principal of and interest on the Bonds as due at maturity or upon redemption prior to maturity, moneys or Government Obligations sufficient to pay when due the principal of and interest on the Bonds. If the principal of the Bonds is to become due by redemption prior to maturity, notice of such redemption must have been duly given or provided for. "Government Obligations" shall mean direct or fully guaranteed obligations of the United States of America, non-callable, maturing on or prior to the maturity or redemption date of the Bonds. In determining the sufficiency of a deposit there shall be considered the principal amount of such Government Obligations and interest to be earned thereon until their maturity.

Defaults and Remedies. The Trustee shall immediately notify the City of each default in the payment of principal of or interest on any Bond and of any other default under the Authorizing Ordinance or the Indenture of which the Trustee has knowledge. Any default in the payment of the principal of or interest on any Bond, and any default in the performance of any other covenant in the Authorizing Ordinance or the Indenture which continues for sixty (60) days after written notice thereof is given to the City by the Trustee shall constitute an event of default.

None of the owners of the Bonds shall have any right in any manner by their action to affect, disturb, or prejudice the security of the Authorizing Ordinance or the Indenture, or to enforce any right thereunder except in the manner provided in the Authorizing Ordinance or the Indenture. All proceedings at law or in equity shall be instituted, had, and maintained in the manner provided in the Authorizing Ordinance or the Indenture and for the benefit of all owners of outstanding Bonds. Any individual rights of action are restricted by the Authorizing Ordinance or the Indenture to the rights and remedies therein provided. Nothing shall, however, affect or impair the right of an owner to enforce the payment of the principal of and interest on any Bond at and after maturity thereof.

No delay or omission of any owner of a Bond to exercise any right or power accrued upon any default shall impair any such right or power or be construed to be a waiver of any such default or acquiescence therein, and every power and remedy given to the owners of the Bonds may be exercised from time to time as often as may be deemed expedient.

The owners of not less than fifty percent (50%) in principal amount of the Bonds then outstanding shall have the right, during the continuance of an event of default, to direct the time, method, and place of conducting any proceedings for any remedy of bondholders, and may waive any default which shall have been remedied before the entry of final judgment or decree in any suit, action, or proceeding or before the completion of the enforcement of any other remedy. No such waiver shall extend to or affect any other existing or subsequent default or defaults or impair any rights or remedies consequent thereon.

Additional Bonds. No additional bonds may be issued pursuant to the Indenture, or with a prior pledge of the proceeds of the Pledged Revenues, except that additional bonds are authorized to be issued by the City under the Indenture for the purpose of refunding all or a portion of the Bonds. See **APPENDIX B- Summary of the Indenture – General Provisions for the Issuance of Bonds**.

Bonds may also be issued by the City on a parity of security with the Bonds with respect to the Pledged

Revenues, provided that Pledged Revenues for the immediately preceding fiscal year exceeds an amount equal to not less than one hundred thirty percent (130%) of the maximum annual principal and interest requirements on all the then outstanding obligations secured by Pledged Revenues and the additional bonds then proposed to be issued.

The City may issue bonds secured by a subordinate lien on Pledged Revenues.

BOOK-ENTRY ONLY SYSTEM

Book-Entry Only System. The Depository Trust Company (“DTC”), New York, New York, or its successor, will act as securities depository for the Bonds. The Bonds will each be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate for each maturity will be issued in the principal amount of the maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants” together with Direct Participants, the “Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the

actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

So long as any Bond is registered in the name of DTC's nominee, all principal, interest, and premium, if any, payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds certificates are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds certificates will be printed and delivered to DTC.

The information concerning DTC and DTC's book-entry system has been obtained from DTC. Neither the Underwriter nor the City make any representation or warranty regarding the accuracy or completeness thereof.

So long as the Bonds are in book-entry only form, Cede & Co., as nominee for DTC, will be treated as the sole owner of the Bonds for all purposes under the Authorizing Ordinance, including receipt of all principal of and interest on the Bonds, receipt of notices, voting, and requesting or directing the Trustee to take or not to take, or consenting to, certain actions under the Authorizing Ordinance. The City and the Trustee have no responsibility or obligation to the Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Participant; (b) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Bonds; (c) the delivery or timeliness of delivery by any Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Authorizing Ordinance to be given to owners of Bonds; or (d) other action taken by DTC or Cede & Co. as owner of the Bonds.

The information above concerning DTC and DTC's Book-Entry Only System has been obtained from sources that the City believes to be reliable, but is not guaranteed as to accuracy or completeness by and is not to be construed as a representation by the City, the Trustee, or the Underwriter. The City, the Trustee, and the Underwriter make no assurances that DTC, Direct Participants, Indirect Participants, or other nominees of the Beneficial Owners will act in accordance with the procedures described above or in a timely manner.

DESCRIPTION OF THE CAPITAL IMPROVEMENTS

The Bonds are being issued to finance the costs of acquiring, constructing, equipping, renovating, expanding, and refurbishing certain capital improvements to benefit the citizens of the City including, court facility renovations, Public Safety Building roof repair, new City Mechanic shop with car wash, and such other betterments and improvements as the City shall from time to time deem necessary and appropriate (the "Capital Improvements").

DESCRIPTION OF THE REFUNDING

The Bonds are being issued to finance the costs of currently refunding the City's Capital Improvement and Refunding Revenue Bonds, Series 2015, in the original aggregate principal amount of \$8,815,000 (the "Bonds to be Refunded") authorized pursuant to Ordinance No. 1532 (#12-2015), the proceeds of which were used to (i) finance various capital improvements, including the rehabilitation of the Central Fire Station, the purchase of a new ladder truck and two additional fire trucks; replacement of playground equipment for City Parks and Recreation; roundabout construction at General Samuels and Harris Road; rehabilitation of "Splash Zone" (City Water Activity Park); replacement of exercise equipment at the Community Center; and for related purposes; (ii) currently refund certain outstanding obligations including a loan to the City from First Arkansas Bank & Trust in the original principal amount of \$3,100,000 evidenced by that certain Promissory Note dated June 29, 2012, and authorized by Ordinance No. 1448 (#10-2012) of the City approved June 28, 2012; a loan to the City from BancorpSouth in the original principal amount of \$3,000,000 evidenced by that certain Promissory Note dated February 11, 2013, and authorized by Ordinance No. 1472 (#03-2013) of the City approved February 7, 2013; and certain short term obligations of the City to Motorola Solutions, Inc. in the amount of \$2,611,434.68 dated January 20, 2014, as initially authorized pursuant to Ordinance No. 1438 (#26-2011) approved December 15, 2011, as amended and restated by Ordinance No. 1508 (#01-2014), approved January 2, 2014; (iii) fund a debt service reserve; and, (iv) pay the costs associated with the issuance of the Bonds to be Refunded.

DESCRIPTION OF THE CITY OF JACKSONVILLE

Location. The City of Jacksonville (the “City”) is located in the central part of the State approximately twelve (12) miles northeast of Little Rock, Arkansas. The City lies entirely within Pulaski County, Arkansas (the “County”). The area of the City is approximately twenty-nine (29) square miles. The City originated in the early 1870’s and was incorporated as a first-class city in 1941.

The Population. According to the U. S. Bureau of Census, the population trends for the City since 2010 are set forth below:

<u>Year</u>	<u>City</u>	<u>Growth (%)</u>
2019	28,235 (Estimate)	0.73%
2018	28,266 (Estimate)	-0.36%
2017	28,506 (Estimate)	-0.33%
2016	28,645 (Estimate)	-0.04%
2015	28,689 (Estimate)	0.17%
2014	28,745 (Estimate)	-0.98%
2013	28,850 (Estimate)	1.01%
2012	28,674 (Estimate)	-1.77%
2011	28,789 (Estimate)	1.37%
2010	28,401 (Census)	N/A

Source: U.S. Census Bureau, Population Division.

Transportation. The City of Jacksonville is served by U.S. Highways 67/167, Arkansas State Highways 161 and 294, and U.S. Interstate 440, connecting with U.S. Interstate 30 in seven (7) miles to the south and U.S. Interstate 40 in approximately three (3) miles to the southeast. The City is also served by the Union Pacific and Arkansas Midland Railroads. Several motor freight carriers provide service from Jacksonville to major cities across the United States.

The City, located approximately twelve (12) miles from Little Rock, the capitol of Arkansas, also has access to the Bill and Hillary Clinton National Airport, with major airline and freight service connections to major cities across the United States, and to the Port of Little Rock on the Arkansas River.

Government. The City operates under the Mayor/Alderman form of municipal government. The governing body of the City is a ten (10) member Council of aldermen, elected at-large by ward representation, for staggered four (4) year terms. The Mayor is elected at-large for a four (4) year term. The present members of the City Council of the City are as follows:

<u>Name</u>	<u>Occupation</u>	<u>Term Expires</u>
Bob Johnson	Mayor	12/31/2023
Mike Dietz	Real Estate Broker	12/31/2022
Dr. James Bolden	Minister	12/31/2020
Les Collins	Retired Military	12/31/2020
Terry Sansing	Retired	12/31/2020
Reedie Ray	Retired	12/31/2022
Barbara Mashburn	Retired	12/31/2020
Michael Traylor	Industrial Manager	12/31/2022
Mary Twitty	Insurance	12/31/2020
Vacant	N/A	12/31/2022
Tara Smith	Clerical	12/31/2022

The Mayor presides at meetings of the City Council, is the Chief Executive Officer of the City government, and is entitled to a vote to affirm measures before the Council in certain circumstances, but not a veto, for legislative matters.

The City Clerk/Treasurer is elected at-large and serves a term of four (4) years. The current City Clerk/Treasurer is Susan Davitt who has held that office since January 1, 1999. The City Attorney is also elected at-large and serves four (4) year terms. The current City Attorney, Stephanie Friedman, has held that office since January 1, 2019.

Litigation. There is no material litigation pending or threatened against the City.

Education. Primary and secondary education for the City’s inhabitants was formerly provided by the Pulaski County Special School District of Pulaski County, Arkansas (the “PCSSD”). On September 16, 2014, creation of the Jacksonville North Pulaski School District was approved by an overwhelming ninety-five percent (95%) of voters, to form a new school district from a portion of the PCSSD. Enrollment in the Jacksonville North Pulaski School District for the 2018-2019 school year was 3,958. The City is also served directly by public charter and private secular and religious elementary and secondary schools throughout Jacksonville and Pulaski County and by nearby colleges and universities located at the LRAFB/Jacksonville Joint Education Center (“JEC”), constructed with funds from both the City and the United States Air Force. The JEC had an enrollment in 2019 of approximately 674 civilian and military students (all campuses).

Economy. The major employers in the City of Jacksonville are:

<u>Company</u>	<u>Business or Products</u>	<u>Number of Employees</u>
Little Rock Air Force Base	Defense	9,662
Jacksonville North Pulaski School District	Education	625
Pathfinder, Inc.	Assistive Services for the Disabled	568
Wal-Mart	Retail	300
City of Jacksonville	Municipal Government	288
Arkansas Federal Credit Union ⁽¹⁾	Banking	223
Lomanco, Inc.	Manufacturing	205
First Arkansas Bank & Trust	Banking	149
Lowes	Retail	144
Gwatney Chevrolet	Car Dealership	125

Source: City of Jacksonville, Arkansas.

⁽¹⁾ Arkansas Federal Credit Union announced it will be transitioning its headquarters to Little Rock, Arkansas in 2021.

Economic Data. For comparative purposes the economic data of the Little Rock-North Little Rock Metropolitan Statistical Area (the “Little Rock MSA”) of which Jacksonville is a part, is shown along with economic data for Pulaski County, the State of Arkansas, and, in certain instances, the United States.

Income. Recent per capita income figures for the Little Rock MSA and Pulaski County are as follows:

<u>Year</u>	<u>Little Rock MSA</u>	<u>Pulaski County</u>
2008	\$ 37,223	\$ 42,746
2009	36,631	41,809
2010	36,857	41,492
2011	38,218	43,719
2012	40,457	46,593
2013	39,648	45,080
2014	41,144	46,349
2015	42,314	47,398
2016	42,963	47,966
2017	43,901	49,129
2018	45,512	51,185

Source: University of Arkansas at Little Rock, Institute for Economic Advancement citing the Bureau of Economic Analysis, www.bea.gov, downloaded February 25, 2020.

Note: Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2010-2014 reflect county population estimates available as of March 2019.

Note: Population estimates are updated yearly, thus the per capita estimates for each year are updated yearly.

Employment. The civilian labor force in the Little Rock MSA, the State of Arkansas, and the United States and employment have been as follows:

<u>Year</u>	<u>Civilian Labor Force</u> <u>(in thousands)</u>			<u>Number Employed</u> <u>(in thousands)</u>		
	<u>Little Rock</u>	<u>Arkansas</u>	<u>United States</u>	<u>Little Rock</u>	<u>Arkansas</u>	<u>United States</u>
2008	344	1,375	154,287	328	1,300	145,362
2009	342	1,359	154,142	319	1,252	139,877
2010	347	1,353	153,889	322	1,242	139,064
2011	350	1,363	153,617	324	1,250	139,869
2012	348	1,343	154,975	325	1,241	142,469
2013	346	1,323	155,389	324	1,227	143,929
2014	343	1,317	155,922	325	1,237	146,305
2015	347	1,331	157,130	331	1,264	148,834
2016	350	1,340	159,187	338	1,286	151,436
2017	353	1,347	160,320	342	1,297	153,337
2018	356	1,353	162,075	344	1,304	155,761
2019	359	1,363	163,539	347	1,314	157,538

Source: University of Arkansas at Little Rock, Institute for Economic Advancement citing the Bureau of Labor Statistics.

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The annual average unemployment rates for the Little Rock MSA, the State of Arkansas, and the United States since 2008 are as follows:

<u>Year</u>	<u>Unemployment Rate %</u>		
	<u>Little Rock</u>	<u>Arkansas</u>	<u>United States</u>
2008	4.7	5.5	5.8
2009	6.7	7.8	9.3
2010	7.2	8.2	9.6
2011	7.3	8.3	8.9
2012	6.7	7.6	8.1
2013	6.4	7.2	7.4
2014	5.4	6.0	6.2
2015	4.5	5.0	5.3
2016	3.5	4.0	4.9
2017	3.3	3.7	4.4
2018	3.3	3.6	3.9
2019	3.2	3.5	3.7

Source: University of Arkansas at Little Rock, Institute for Economic Advancement citing the Bureau of Labor Statistics.

Commercial and Residential Construction. The following table shows the number of new residential and commercial construction in the City, as reflected by building permits issued:

<u>New Residential and Commercial Construction</u>	
<u>Year</u>	<u>Number of Permits</u>
2015	68
2016	46
2017	74
2018	40
2019	57
2020	43*

Source: City of Jacksonville, Arkansas.

*Through September 30, 2020.

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Assessed Valuation. The following table contains the assessed valuation of real, personal, and utility property within the City:

<u>Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Utility Property</u>	<u>Total</u>
2009	\$193,088,831	\$49,438,185	\$16,040,341	\$258,567,357
2010	202,266,211	49,397,720	16,140,540	267,804,471
2011	204,232,215	51,272,975	16,919,055	272,424,245
2012	202,646,506	53,595,970	17,026,315	273,268,791
2013	208,233,348	55,876,090	17,583,900	281,693,338
2014	211,849,225	58,290,985	19,517,835	289,658,045
2015	214,553,993	57,134,325	20,250,790	291,939,108
2016	218,016,627	60,054,250	17,822,980	295,893,857
2017	212,102,407	60,382,580	21,874,860	294,359,847
2018	219,119,460	59,101,010	21,670,270	299,890,740
2019	223,912,898	69,007,820	22,845,645	315,766,363

Source: Pulaski County Assessor.

Collection of Taxes. Tax collections of ad valorem taxes levied by the City are shown in the following table:

<u>Collection Year</u>	<u>Total Tax Levy</u>	<u>Collection of Current Year's Taxes During Current Period</u>	<u>Percentage of Levy Collected</u>	<u>Prior Years' Collections</u>	<u>Total Collections⁽¹⁾</u>	<u>Percentage of Total Collections to Tax Levy</u>
2015	\$1,289,033	\$1,124,222	87.21%	\$ 88,624	\$1,212,846	94.09%
2016	1,299,180	1,120,679	86.26%	83,517	1,204,196	92.69%
2017	1,316,778	1,110,770	84.36%	82,084	1,192,854	90.59%
2018	1,309,974	1,114,212	85.06%	100,976	1,215,188	92.76%
2019	1,334,609	1,171,176	87.75%	59,229	1,230,405	92.19%

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.

Source: City of Jacksonville, Arkansas (Finance Director).

⁽¹⁾ Collections from December 1 through November 30 of each year.

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Higher Education. The City is located near a number of educational institutions with instruction in undergraduate, graduate, and professional fields. The following is a list of colleges and universities located within the Little Rock MSA with approximate on-campus enrollments for the 2019 fall academic semester:

Arkansas Baptist College	537
Central Baptist College (Conway)	674
Jacksonville-Little Rock Air Force Base University Center	674 ⁽¹⁾
Hendrix College (Conway)	1,120
Philander Smith College	996
University of Arkansas - Pulaski Technical College	5,531
University of Arkansas at Little Rock	9,579
University of Arkansas at Little Rock School of Law	441
University of Arkansas Medical Sciences Campus	2,727
University of Central Arkansas (Conway)	10,869
Webster University	202

Source: Arkansas Baptist College Registrar; Central Baptist College Registrar; Jacksonville-Little Rock Air Force Base University Center Education Services Officer; Hendrix College Registrar's Office; Philander Smith College Institutional Research; Pulaski Technical College Registrar's Office; University of Arkansas at Little Rock Institutional Research; University of Arkansas at Little Rock School of Law Registrar's Office; University of Arkansas for Medical Sciences Registrar's Office; University of Central Arkansas Institutional Research; and Webster University Admissions Office for campus location in Little Rock, including online enrollment.

⁽¹⁾ Includes numbers from Webster University branch located on that campus.

Medical Facilities. Hospitals in the cities of Little Rock, North Little Rock, and Conway serve patients from throughout Arkansas and the City. Baptist Medical Center, the area's largest hospital, has an 827-bed capacity. CHI St. Vincent Infirmary Medical Center is a 615-bed general hospital. The Arkansas Children's Hospital is a 336-bed facility that administers acute pediatric care to children to age 21. The Central Arkansas Veterans Healthcare System includes two hospitals: Eugene J. Towbin Healthcare Center in North Little Rock, which has a 356-bed capacity; and John L. McClellan Memorial Veterans Hospital, located on the campus of the University of Arkansas for Medical Sciences Medical Center, which has a 195-bed capacity. The Arkansas Heart Hospital is a 110-bed facility specializing in cardiac care. University of Arkansas for Medical Sciences Medical Center has a 450-bed capacity, and the Arkansas State Hospital is a 222-bed psychiatric hospital. Arkansas Surgical Hospital is a 49-bed surgery and general medical care hospital located in North Little Rock. Conway Regional Medical Center is a 150-bed acute care hospital serving Conway, Faulkner County, and North Pulaski County. Baptist Health Medical Center-North Little Rock has a 225-bed capacity. Baptist Health Medical Center-Conway has a 111-bed capacity. CHI St. Vincent Medical Center/North is located in Sherwood, and is a 69-bed general care hospital.

Source: Arkansas Department of Health; Central Arkansas Veterans Healthcare System.

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City Employees. As of October 7, 2020, the City employment (unaudited) was as follows:

<u>Category</u>	<u>Number of Employees</u>
911 Center	10
Animal Control	6
Community Development Block Grant	1
City Attorney	2
City Clerk	2
Code Enforcement	3
District Court	5
Engineering	3
Finance	6
Human Resources	2
Jacksonville Water Works	31
Jacksonville Wastewater Utility	29
Mayor's Office	2
Streets	13
Information Technology	3
City Garbage	2
Fire	70
Parks and Recreation	45
Police	67
Public Works	2
Sanitation	<u>14</u>
TOTAL	318

Source: City of Jacksonville, Arkansas.

Port of Little Rock. The development of the Arkansas River through the McClellan-Kerr Arkansas River Navigation System has resulted in a 448-mile navigation channel with 18 locks and dams from the Mississippi River northwest to a point 15 miles east of Tulsa, Oklahoma. The ability to provide low-cost, bulk transportation has created opportunities for industrial development in the area.

Little Rock is also the location of Foreign Trade Zone #14. The Zone is located in the Little Rock Port Industrial Park and allows imported goods to be stored or processed without payment of customs duty or posting of bond until the goods are moved out of the Zone and into normal domestic commerce.

This facility includes an Industrial Harbor which is 4,500 feet long, 320 feet wide, and 15 feet deep. The Harbor is surrounded by 312 acres of new industrial sites and provides an additional two miles of water frontage.

Source: Arkansas Port Authority, Executive Director.

Bill and Hillary Clinton National Airport. The Bill and Hillary Clinton National Airport is located within the city limits of Little Rock and is approximately fifteen (15) miles from Jacksonville. It is served by six major airlines. It has three (3) runways and twelve (12) gates (all with jetways). In 2019, 2,241,716 passengers traveled through this facility.

Source: Bill and Hillary Clinton National Airport Website: clintonairport.com – Activity Report.

Little Rock Air Force Base. The Little Rock Air Force Base (“LRAFB”) is the “Home of the C-130 Combat Airlift,” which comprises combat-focused operators and the Formal Training Unit. LRAFB has a five Major Command relationship with three wings, the 19th Airlift Wing (Air Mobility Command), the 314th Airlift Wing

(Air Education and Training Command), and the 189th Airlift Wing (Air National Guard), and LRAFB hosts an airlift group from the Air Force Reserve and a squadron from the Air Combat Command (collectively “Team Little Rock”). Team Little Rock is the Nation’s center for C-130 training and warfighting capability.

In its continuing effort to be a good steward of taxpayer dollars, LRAFB has successfully partnered with other entities in an effort to maximize cost savings through projects such as the Jacksonville-Little Rock Air Force Base University Center, energy and electrical updates with Entergy Corporation, water privatization with the City of Jacksonville, and continued initiatives to provide better youth educational facilities. LRAFB’s local economic impact consists of military, federal, civilian, and other civilian employment together with construction activities and services and the local purchase of materials, equipment, and supplies for a total local economic impact of \$596.5 million. LRAFB is the 47th largest employer in the State directly employing 5,986 airmen and 1,390 civilians and creating 2,766 indirect jobs valued at an additional \$124.5 million. For over 45 years’ LRAFB has been home to the United States C-130 tactical airlift wing, which currently consists of 62 C-130 H/J aircraft.

Source: Little Rock Air Force Base 2018 Economic Impact Statement; and A Brief History of the 314th Airlift Wing, current as of January 15, 2017.

DEBT SERVICE SCHEDULE

Fiscal Year ending (December 31)	<u>Bonds</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 75,000	2.000%	\$145,851.53
2022	345,000	2.000%	511,306.26
2023	350,000	2.000%	509,406.26
2024	360,000	2.000%	512,406.26
2025	365,000	2.000%	510,206.26
2026	370,000	2.000%	507,906.26
2027	380,000	2.000%	510,506.26
2028	385,000	2.000%	507,906.26
2029	395,000	1.625%	510,206.26
2030	400,000	1.750%	508,787.50
2031 ⁽¹⁾	410,000	2.125%	511,787.50
2032 ⁽¹⁾	415,000	2.125%	508,075.00
2033 ⁽¹⁾	425,000	2.125%	509,256.26
2034 ⁽¹⁾	435,000	2.125%	510,225.00
2035 ^{(1) (2)}	445,000	2.125%	510,981.26
2036 ⁽¹⁾	455,000	2.375%	511,525.00
2037 ⁽¹⁾	465,000	2.375%	510,718.76
2038 ⁽¹⁾	475,000	2.375%	509,675.00
2039 ⁽¹⁾	485,000	2.375%	508,393.76
2040 ^{(1) (2)}	500,000	2.375%	511,875.00

⁽¹⁾ Term Bond, subject to mandatory sinking fund redemption.

⁽²⁾ Final Maturity of Term Bond.

Defaults. No general obligation, limited tax obligations, or revenue securities of the City have ever been in default as to principal or interest payments or in any other material respect.

FINANCIAL INFORMATION

Set forth in Appendix C to this Official Statement is the audited financial statements of the City for the fiscal year ended December 31, 2019. This financial statement should be read in its entirety, together with any notes and supplemental information affixed thereto.

The City Budget. The four (4) principal sources of revenue for the City's operating budget are the City's share of the County's sales tax and the City's separate sales and use tax, utility franchise taxes, and state turnback funds. The sales tax is levied by Pulaski County and distributed to the governmental entities on a per capita basis.

State tax turnback (intergovernmental revenues) consists of general revenue and gasoline tax revenues and is distributed to Arkansas municipalities on a per capita basis.

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The following table summarizes City revenues and expenditures for general and street funds for the years indicated:

<u>REVENUE</u>	Actual 2015	Actual 2016	Actual 2017	Actual 2018	Actual 2019
Property Taxes	\$ 555,862	\$ 559,359	\$ 556,757	\$ 565,105	\$ 577,095
Sales Taxes	13,798,792	13,781,154	14,013,579	13,935,682	14,623,842
Licenses and Permits	136,274	226,274	434,535	243,423	305,522
Intergovernmental	4,236,979	4,300,363	4,426,165	4,397,102	4,853,656
Charges for Services	1,150,932	1,097,253	942,439	956,629	1,020,293
Fines and Fees	651,626	562,916	542,862	493,869	429,075
Utility Franchise Taxes	1,262,049	1,105,865	1,096,000	1,078,449	1,113,293
Investment Income	11,841	78,467	92,688	42,757	76,321
Miscellaneous	<u>1,330,347</u>	<u>765,210</u>	<u>296,662</u>	<u>528,939</u>	<u>291,505</u>
TOTAL REVENUES	\$ 23,134,703	\$ 22,476,861	\$ 22,401,687	\$ 22,241,955	\$ 23,290,602
<u>EXPENDITURES</u>					
Administrative services	\$ 2,618,192	\$ 2,703,325	\$ 2,818,543	\$ 2,677,975	\$ 2,854,658
Public works and streets	2,715,264	2,191,937	2,380,371	2,110,534	2,922,562
Parks and recreation	3,081,533	3,257,832	2,453,762	2,425,852	2,631,289
Public safety	12,567,486	12,678,897	12,241,939	11,729,262	11,572,546
Debt service, general	N/A	N/A	N/A	N/A	N/A
Debt service, principal	1,678,293	N/A	N/A	N/A	N/A
Debt service, interest	93,259	N/A	N/A	N/A	N/A
Other	N/A	N/A	N/A	N/A	N/A
Capital outlay**	266,901	570,236	280,062	235,750	387,279
TOTAL EXPENDITURES	<u>\$ 23,020,928</u>	<u>\$ 21,402,228</u>	<u>\$ 20,174,678</u>	<u>\$ 19,179,373</u>	<u>\$ 20,368,334</u>
CHANGE IN FUND BALANCE	\$ 113,775	\$ 1,074,633	\$ 2,227,009	\$ 3,062,582	\$ 2,922,268

**Includes all expenditures for equipment and construction in the General and Street Funds.

Notes:

- (1) The amounts shown above were taken from the Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual in the City's Comprehensive Annual Financial Report for those years.
- (2) The amounts shown are in accordance with the City's budget basis of accounting, which differs from generally accepted accounting principles (GAAP) basis. The major differences are recognition of revenue when received as opposed to when measurable (GAAP), recognition of certain transfers between funds.
- (3) Revenues in excess of expenditures are either appropriated for other purposes or accumulated in the fund balance and utilized when expenditures are in excess of revenues to balance the budget.

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Pledged Revenues. The Pledged Revenues consist of franchise fees imposed by the City for products and services furnished or rendered by various public utilities within the city limits of the City for the permission to occupy the streets, highways, or other public ways of the City. The maximum amount of franchise fees that may be charged is the higher of the amount in effect as to a utility on January 1, 1997, or 4.25%, unless agreed to by the affected utility or approved by the voters of the City. Through September 30, 2020, unaudited Pledged Revenues in the amount of \$711,504 were collected from the following public utilities:

<u>Public Utility</u>	<u>Levy</u>	<u>Payable</u>
General/Centurytel	4.25%	Monthly
Southwestern Bell/SBC	4.25%	Quarterly
Entergy	3.00%	Monthly
CenterPoint Energy	3.00%	Monthly
First Electric Cooperative	3.00%	Monthly
Comcast of Arkansas, Inc. ⁽¹⁾	5.00%	Quarterly
Windstream Communications, LLC	4.25%	Quarterly
Ritter Communications, LLC	4.25%	Monthly

Source: City of Jacksonville, Arkansas.

⁽¹⁾ The City adopted Ordinance No. 1470 (#1 – 13) in which Comcast of Arkansas, Inc. agreed to pay the City a five percent (5%) annual franchise fee during the term of the franchise period.

Set forth below is a table showing the collections of Pledged Revenues of the City for the last five (5) years.

<u>Public Utility</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General/Century Tel	\$ 45,815	\$ 38,482	\$ 32,867	\$ 26,912	\$ 23,233
Southwestern Bell/SBC	18,637	13,657	9,712	8,037	7,367
Entergy	689,035	620,259	611,518	582,107	632,557
CenterPoint Energy	169,178	130,636	144,937	177,311	165,059
First Electric Cooperative	41,417	42,496	42,050	45,500	43,498
Comcast of Arkansas, Inc.	249,934	243,686	230,659	215,172	213,462
Windstream Communications, LLC ⁽¹⁾	48,033	16,650	21,797	19,089	17,072
Ritter Communications ⁽²⁾	N/A	N/A	2,460	4,320	11,045
Total	\$1,262,049	\$1,105,865	\$1,096,000	\$1,078,449	\$1,113,293

Note:

⁽¹⁾ Windstream Communication paid for 2012 – 2014 in 2015 franchise fees. The individual amounts are as follows: 2012 – 10,382; 2013 – 10,967; 2014 – 13,356; 2015 – 13,328.

⁽²⁾ Ritter Communications paid for 2015 – 2016 in 2017 along with 2017 franchise fees. The individual amounts are as follows: 2015 – 46.57; 2016 – 442.04; 2017 – 1,971.68.

Source: City of Jacksonville, Arkansas.

A significant portion of the Pledged Revenues is derived from Entergy, a private electric utility. Electric utilities have been and will be affected significantly by changes in the last several years in federal and state laws and regulations, the purpose of which has been to reduce the regulation of the industry and open it to competition. It is impossible for the City to predict the impact of any of these legal and regulatory changes.

Coverage. Based on an estimated collection of Pledged Revenues in an annual amount equal to the amount collected in calendar year 2019, the Pledged Revenues will provide coverage in excess of annual principal and interest requirements for the Bonds as shown below. (For information concerning the historical collections of the Pledged Revenues, see **FINANCIAL INFORMATION**-Pledged Revenues, hereinabove).

Estimated Pledged Revenues	\$1,113,293
Maximum Annual Debt Service for Bonds	\$512,406
Debt Service Coverage	2.17X

LEGAL MATTERS

Legal Opinions. Issuance of the Bonds is subject to receipt of the unqualified approving opinion of Wright, Lindsey & Jennings LLP, Little Rock, Arkansas, Bond Counsel, in substantially the form attached hereto as Appendix A, and as to certain matters for the City, the approving opinion of Stephanie Friedman, City Attorney.

Tax Exemption. In the opinion of Bond Counsel, under existing law and assuming compliance with certain covenants described herein, (a) interest on the Bonds is excluded from gross income for federal income tax purposes; (b) interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; (iii) interest on the Bonds is exempt from State of Arkansas income tax; and (iv) the Bonds are not subject to property taxes in the State of Arkansas. The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”) that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. These requirements generally relate to arbitrage and the use of the proceeds of the Bonds. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The City has covenanted to comply with all such requirements in the Authorizing Ordinance.

Prospective purchasers of the Bonds should be aware that (i) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by fifteen percent (15%) of the sum of certain items, including interest on the Bonds; (ii) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code; (iii) passive investment income including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than twenty-five percent (25%) of the gross receipts of such Subchapter S corporation is passive investment income; and (iv) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income, receipts, or accruals of interest on the Bonds.

Prospective purchasers of the Bonds should be further aware that Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of an owner’s interest expense allocated to interest on the Bonds, except with respect to certain financial institutions (within the meaning of Section 265(b)(5) of the Code).

An exception allows a deduction of eighty percent (80%) of interest expense allocable to “qualified tax-exempt obligations.” Under the Code, the term includes any obligation which (1) is not a “private activity bond” within the meaning of the Code (excluding from that term “qualified 501(c)(3) bonds”), (2) is issued by an issuer (and subordinate entities) which reasonably anticipates to issue not more than \$10,000,000 of

tax-exempt obligations (other than private activity bonds (excluding from that term “qualified 501(c)(3) bonds” under Section 145 of the Code)) during the calendar year, and (3) is so designated by the issuer.

The City has designated the Bonds as “qualified tax-exempt obligations” and has covenanted not to use the proceeds of the Bonds in a manner which would cause the Bonds to be “private activity bonds,” and has represented that the City and its subordinate entities have not and do not expect to issue more than \$10,000,000 of such tax-exempt obligations during calendar year 2020.

Prospective purchasers of the Bonds should also be aware that A.C.A. § 26-51-431(b) (Supp. 1995) states that Section 265(a) of the Internal Revenue Code is adopted for the purpose of computing Arkansas individual income tax liability. Subsection (c) provides that in computing Arkansas corporation income tax liability, no deduction shall be allowed for interest “on indebtedness incurred or continued to purchase or carry obligations the interest on which is wholly exempt from the taxes imposed by Arkansas law.” On December 8, 1993, the Arkansas Department of Finance and Administration Revenue Division issued Revenue Policy Statement 1993-2, which provides in part:

Financial institutions may continue to deduct interest on indebtedness incurred or continued to purchase or carry obligations which generate tax-exempt income to the same extent that the interest was deductible prior to the adoption of Section 17 of Act 785 of 1993 (A.C.A. § 26-51-431(b) and (c) (Supp. 1995)).

Current or future legislative proposals, if enacted into law, may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent holders of the Bonds from realizing the full current benefit of the tax status of such interest. Recent legislative proposals include provisions that would limit the amount of exclusions (including tax-exempt interest) and deductions available to certain high-income taxpayers. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. The introduction or enactment of any such legislative proposals may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations, or litigation, as to which Bond Counsel expresses no opinion.

It is not an event of default on the Bonds if legislation is enacted reducing or eliminating the exclusion of interest on state and local government bonds from gross income for federal or state income tax purposes.

Tax Treatment of Original Issue Discount. As shown on the cover page of the Official Statement, certain of the Bonds are being sold at an original issue discount (the “Discount Bonds”). The difference between the initial public offering prices, as set forth on the front cover page, of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes, as described above.

The amount of original issue discount which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption, or payment at maturity). Amounts received upon disposition of such Discount Bond which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days which are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to the product of (i) the yield of maturity for such Discount Bond (determined by compounding at the each of accrual period) and (ii) the amount which would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the

original purchaser, less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of the Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond.

Tax Treatment of Original Issue Premium. As shown on the cover page of this Official Statement, certain of the Bonds are being sold at a premium (the “Premium Bonds”). An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of a Premium Bond callable prior to its maturity, by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of a Premium Bond should consult with their tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Current or future legislative proposals, if enacted into law, may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent holders of the Bonds from realizing the full current benefit of the tax status of such interest. Recent legislative proposals include provisions that would limit the amount of the exclusions (including tax-exempt interest) and deductions available to certain taxpayers. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. The introduction or enactment of any such legislative proposals may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any such pending or proposed federal or state tax legislation, regulations, or litigation, as to which Bond Counsel expresses no opinion.

It is not an event of default on the Bonds if legislation is enacted reducing or eliminating the exclusion of interest on state and local government bonds from gross income for federal or state income tax purposes.

Legal Proceedings. Upon delivery of the Bonds the City will furnish a certificate to the effect that no litigation, except for that described in the Official Statement, is then pending which would materially affect the validity of or security for the Bonds.

ENFORCEABILITY OF REMEDIES

Rights of the registered owners of the Bonds and the enforceability of the remedies available under the Authorizing Ordinance and the Indenture may depend on judicial action and may be subject to the valid exercise of the constitutional powers of the United States of America and of the sovereign police powers of the State of Arkansas or other governmental units having jurisdiction, and to the application of federal

bankruptcy laws or other debtor relief or moratorium laws in general. Therefore, enforcement of those remedies may be delayed or limited, or the remedies may be modified or unavailable, subject to the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel expresses no opinion as to any effect upon any right, title, interest, or relationship created by or arising under the Authorizing Ordinance and the Indenture resulting from the application of state or federal bankruptcy, insolvency, reorganization, moratorium, or similar debtor relief laws affecting creditors' rights which are presently or may from time to time be in effect.

CONTINUING DISCLOSURE AGREEMENT

During the past five (5) years, the City has been obligated to comply with continuing disclosure agreements involving seven (7) bond issues, two of which were redeemed in full in 2016, one of which was on May 1, 2020, one will be redeemed on December 1, 2020, and one of which was defeased in 2020. Such agreements require the City to file annual reports with the trustees, as dissemination agents. The dissemination agents are required to file the annual reports with the Municipal Securities Rulemaking Board on its Electronic Municipal Market Access system ("EMMA") within various time periods set by those agreements. While the City has not made any determination as to materiality, the following summarizes a non-exhaustive discussion of the City's compliance with its continuing disclosure obligations over the past five (5) years.

As part of its annual report, the City was obligated to file annual audited financial statements. For two (2) of the bond issues, the City was required to file the audit of the general purpose financial statements of the City as part of its annual report. The City was required to file audited financial statements of the Jacksonville Wastewater Utility (the "Utility") for four (4) of its bond issues.

The City's 2006 and 2015 bonds require the filing of an annual audit of the City. For the 2006 bonds, such filing was 150 days late for the December 31, 2015, audit and 196 days late for the December 31, 2017, audit. The December 31, 2016, and December 31, 2018, audits were timely filed for the 2006 bonds. For the 2015 bonds, the December 31, 2015, December 31, 2016, and December 31, 2017 audits were filed 12 days, 9 days, and 226 days late, respectively. The December 31, 2018, audit was timely filed for the 2015 bonds. The City's 2019 audit is currently not available. For the bond issues that required the City to file the audit of the Utility's financial statements, such audits were filed in a timely manner.

Each of the continuing disclosure agreements requires that certain supplemental financial and operating data be provided as part of the annual report. The supplemental data to be provided varies depending on the type of bond issue and how each is secured. In the past five (5) years, all supplemental financial and operating data for the Utility bond issues were filed on EMMA in a timely manner.

For the City's 2006 bonds, none of the supplemental financial and operating data was timely filed by the City. These bonds were redeemed in full on May 1, 2020.

For the City's 2015 bonds, the annual reports and supplemental financial information were timely filed, but did not include a debt service coverage calculation chart as required.

The continuing disclosure agreements also obligated the City to file a notice of the occurrence of any significant event listed in Securities and Exchange Commission, Rule 15c2-12(b)(5). Included in the list of significant events are bond calls. The City failed to file notices of partial redemption of the City's \$2,500,000 City of Jacksonville, Arkansas Library Construction and Improvement Bonds, Series 2006. Notice of full redemption of these bonds in 2020 was properly filed.

The City has undertaken steps to ensure that all required audited financial statements, supplemental data, and significant event notices are filed in a timely manner in the future.

Set forth below is a summary of certain portions of the Continuing Disclosure Agreement. This summary does not purport to be comprehensive and reference is made to the full text of the Continuing Disclosure Agreement for a complete description of the provisions.

Purpose of the Continuing Disclosure Agreement. The Continuing Disclosure Agreement is executed and delivered by the City and the Trustee for the benefit of the Beneficial Owners of the Bonds and in order to assist the Underwriter in complying with the Securities and Exchange Commission, Rule 15c2-12(b)(5).

Definitions. In addition to the definitions set forth in this Official Statement, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the City pursuant to, and as described in, the Continuing Disclosure Agreement.

“Beneficial Owner” of a Bond shall mean any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories, or other intermediaries).

“Dissemination Agent” shall mean the Trustee, acting in its capacity as Dissemination Agent, or any successor Dissemination Agent designated in writing by the City and which has filed with the Trustee a written acceptance of such designation.

“EMMA” shall mean the Electronic Municipal Market Access system as described in 1934 Act Release No. 59062 and maintained by the MSRB for purposes of the Rule.

“Listed Events” shall mean any of the events listed hereunder.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Provision of Annual Report. (a) The City shall, or cause the Dissemination Agent to, not later than June 30th following the end of the City’s fiscal year (presently December 31), commencing with the report after the end of the 2020 fiscal year, provide to the MSRB, through its continuing disclosure service portal provided through EMMA at <http://www.emma.msrb.org> or any similar system acceptable to the Securities and Exchange Commission, an Annual Report which is consistent with the requirements of the Continuing Disclosure Agreement. The Annual Report shall be in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in the Continuing Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, but, in such event, such audited financial statements shall be submitted within thirty (30) days after receipt thereof by the City. If the City’s fiscal year changes, it shall give notice of such change in the manner as for a Listed Event.

(b) No later than fifteen (15) days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the City shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with subsection (a) above if the Dissemination Agent has not received a copy of

the Annual Report and proof of filing with the MSRB by the date specified in the first sentence of this subsection (b).

(c) If the Dissemination Agent is unable to verify that an Annual Report (containing the information set forth in Content of Annual Reports, below) has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall file a notice to the MSRB and provide a copy to the Trustee (if the Trustee is not the Dissemination Agent).

(d) The Dissemination Agent shall file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing to whom it was provided and provide a copy of that report to the Trustee (if the Trustee is not the Dissemination Agent).

Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

1. Pledged Revenues for the latest calendar year and the four (4) previous years, if available, from each public utility as well as the current levy amount for each, or information of the type as set forth under **FINANCIAL INFORMATION**-Pledged Revenues, hereinabove; and

2. The annual financial statements of the general fund of the City, which (i) need not be audited in accordance with auditing standards generally accepted in the United States of America, (ii) shall be prepared using accounting principles prescribed by Arkansas Code Annotated Section 10-4-412, as it may be amended from time to time, or any successor statute, and (iii) shall be audited in accordance with, and as required by, State law (the "Financial Statements").

Any or all of the items above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's internet website or filed with the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so incorporated by reference.

Reporting of Significant Events. (a) This caption describes the giving of notices of the occurrence of any of the following events:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security.
7. Modification to rights of security holders, if material.
8. Bond calls (excluding mandatory sinking fund redemptions), if material.

9. Defeasances and tender offers.
10. Release, substitution, or sale of property securing repayment of the securities, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership, or similar event of the City.
13. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. Incurrence of a “financial obligation” (as defined below) of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) “Financial Obligation” is defined as a (i) debt obligation; (ii) derivative instrument entered into connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation does not include municipal securities as to which a final official statement has been filed with the MSRB pursuant to the Rule.

(c) After the occurrence of a Listed Event (excluding a Listed Event described in (a)(8) above), the City shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence.

(d) After the occurrence of any of the Listed Events (excluding a Listed Event described in (a)(8) above), the City shall file (or shall cause the Dissemination Agent to file), in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event, a notice of such occurrence with the MSRB, through its continuing disclosure service portal provided through EMMA at <http://www.msrb.emma.org> or any other similar system that is acceptable to the Securities and Exchange Commission, with a copy to the Trustee (if the Trustee is not the Dissemination Agent) and the City. Each notice of the occurrence of a Listed Event shall be captioned “Notice of Listed Event” and shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. In the event of a Listed Event described in subsection (a)(8), the City or the Dissemination Agent shall make the filing in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event.

Termination of Reporting Obligation. The City’s obligations under the Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption, or payment in full of all the Bonds.

Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Continuing Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to the Continuing Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee.

Amendment; Waiver. Notwithstanding any other provision of the Continuing Disclosure Agreement, the City and the Dissemination Agent may amend the Continuing Disclosure Agreement, and any provisions of the Continuing Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the requirements for providing an Annual Report, to the contents of the Annual Report, or the reporting of Listed Events, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Beneficial Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Beneficial Owners, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of the Continuing Disclosure Agreement, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (i) notice of such change shall be given in the same manner as for a Listed Event; and (ii) the Annual Report for the year in which the change is made should present a comparison in narrative form (and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Additional Information. Nothing in the Continuing Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in the Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by the Continuing Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by the Continuing Disclosure Agreement, the City shall have no obligation under the Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Default. In the event of a failure of the City or the Dissemination Agent to comply with any provision of the Continuing Disclosure Agreement, the Trustee, the City, or any Beneficial Owner may (and the Trustee, at the request of the Underwriter or the Beneficial Owners of at least twenty-five percent (25%) aggregate principal amount of outstanding Bonds, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City or the Dissemination Agent, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed a default under the Authorizing Ordinance or

the Indenture, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

Duties of Trustee and Dissemination Agent and Right of Indemnity. The Dissemination Agent (if other than the Trustee) and the Trustee in its capacity as Dissemination Agent shall have only such duties as are specifically set forth in the Continuing Disclosure Agreement; and the City agrees to indemnify and save the Dissemination Agent and the Trustee (in its capacity as Dissemination Agent), their officers, directors, employees, and agents, harmless against any loss, expense, and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or the Trustee's gross negligence or willful misconduct.

Beneficiaries. The Continuing Disclosure Agreement shall inure solely to the benefit of the City, the Trustee, the Dissemination Agent, the Underwriter, and the Beneficial Owners and shall create no rights in any other person or entity.

UNDERWRITING

Under a Bond Purchase Agreement (the "Agreement") entered into by and between the City and Stephens Inc. as Underwriter (the "Underwriter"), the Bonds are being purchased for \$7,864,293.45 (which represents the par amount of the Bonds, plus a net reoffering premium of \$8,643.45, less an Underwriter's discount of \$79,350.00). The Agreement provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation of the Underwriter to accept delivery of the Bonds is subject to various conditions contained in the Agreement, including the absence of pending or threatened litigation questioning the validity of the Bonds or any proceedings in connection with the issuance thereof, and the absence of material adverse changes in the financial or business condition of the City.

The Underwriter intends to offer the Bonds to the public initially at the offering prices set forth on the inside cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering price.

The City has agreed to indemnify the Underwriter against certain civil liabilities in connection with the offering and sale of the Bonds, including certain liabilities under federal securities laws.

MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Bonds.

The information contained in this Official Statement has been taken from sources considered to be reliable, but it is not guaranteed. To the best of the knowledge of the undersigned the Official Statement does not include any untrue statement of a material fact, nor does it omit the statement of any material fact required to be stated therein, as necessary to make the statements therein; in light of the circumstances under which they were made, not misleading.

Infectious Disease Outbreak – COVID-19. A novel strain of the coronavirus (which leads to the disease known as “COVID-19”), has recently spread throughout the world and has been characterized by the World Health Organization as a pandemic. In March of 2020 President Trump declared a national emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. The Governor of the State of Arkansas (the “State”) signed an Executive Order declaring a state of emergency in the State in response to the COVID-19 pandemic, and implemented various measures to reduce the spread of the virus. As such, businesses and individuals are altering their behaviors in a manner that is expected to have negative impacts on regional, state, and local economies. Additionally, measures taken to prevent or reduce the spread of COVID-19, uncertainty about the duration of the pandemic, and the continued economic impact have caused volatility and significant declines in the financial markets in the United States. The United States Congress passed relief and stimulus legislation intended to address the financial impact of the pandemic on the United States economy and financial markets, however, it is too early to forecast the legislation’s impact on the economy. If market declines and/or volatility continues, the ability to sell or trade securities in the financial markets could be materially constrained.

The extent to which COVID-19 impacts the collection of Pledged Revenues will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information which may emerge concerning the severity of COVID-19, and the actions to contain COVID-19 or treat its impact, among others. In particular, the continued spread of COVID-19 in the United States and the State could have a material adverse effect on the collection of Pledged Revenues. Currently, many businesses in the State and in City have closed voluntarily or are operating on a limited basis in response to COVID-19. Such closures or limited operation could lead to a reduction in demand in the services provided by public utilities, a reduction in revenue received by the City, and an increase in delinquency of customers paying their bills to the public utilities. Such occurrences could have a material adverse effect on the collection of Pledged Revenues and could impact the City’s ability to timely pay its obligations, including the Bonds. At this time, the extent to which the collection of Pledged Revenues is impacted by the COVID-19 pandemic is uncertain and cannot be predicted with confidence.

There have not yet been any material decreases in, or delays in collections of franchise fee revenues of the City. There has been a reduction in park revenues, relating to the general revenues of the City. The City expects to incur some additional expenses related to COVID-19, purchasing PPE, health equipment, additional sanitation services, and additional sanitation supplies. The City has received CARES Act funding to offset some of the COVID-19 related expenditures. The Issuer and its employees have taken a few additional measures in response to COVID-19. The Issuer has not furloughed any employees. City Hall was closed to outside visitors for two (2) months and City Council meetings have been held virtually. Starting June 1, 2020, City Hall reopened to outside visitors Monday through Thursday from 9:00 a.m. to 3:00 p.m.

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The execution of this Official Statement has been duly authorized by the City.

CITY OF JACKSONVILLE, ARKANSAS

By: /s/Bob Johnson, Mayor
Bob Johnson, Mayor

Dated: As of the Cover Page hereof.

APPENDIX A

Form of Bond Counsel's Opinion

Re: \$7,935,000 City of Jacksonville, Arkansas Capital Improvement and Refunding Revenue Bonds, Series 2020

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Jacksonville, Arkansas (the "City") of the City's \$7,935,000 principal amount of Capital Improvement and Refunding Revenue Bonds, Series 2020 (the "Bonds"). The Bonds are issued pursuant to Arkansas Code of 1987 Annotated Title 14, Chapter 164, Subchapter 4 (the "Act"); Ordinance No. 1644 (#18-2020) of the City authorizing the Bonds (the "Ordinance"); and a Trust Indenture (the "Indenture"), dated as of December 29, 2020, between the City and First Arkansas Bank & Trust, Jacksonville, Arkansas, as trustee (the "Trustee"). In the Indenture, the City has pledged to the payment of the Bonds its franchise fees levied pursuant to the authority contained in Arkansas Code Annotated Title 14, Chapter 200 and Arkansas Code Annotated Title 23, Chapter 19, Subchapter 200, or successor statutes (collectively, the "Pledged Revenues"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, as of the date hereof and under existing law, as follows:

1. The City is a municipal corporation duly organized and validly existing under the Constitution and laws of the State of Arkansas with the power to adopt the Ordinance, enter into and perform the Indenture, and issue the Bonds.
2. The Ordinance has been duly adopted by the City and the Indenture has been duly authorized, executed, and delivered by the City and is a valid and binding obligation of the City enforceable upon the City.
3. The Bonds have been duly authorized, executed, and delivered by the City and are valid and binding limited obligations of the City, payable solely from the Pledged Revenues.
4. The Indenture creates a valid lien on the Pledged Revenues and other funds pledged by the Indenture as security for the Bonds.
5. The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The opinion set forth in clause (a) above is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the

Bonds. The City has covenanted in the Indenture to comply with all such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The Bonds are “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code. This opinion is subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income from federal tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The City has covenanted in the Indenture to comply with all such requirements.

7. The interest on the Bonds is exempt from State of Arkansas income taxes and the Bonds are not subject to property taxes in the State of Arkansas.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We express no opinion herein as to the accuracy, adequacy, or completeness of the Official Statement relating to the Bonds.

Certain procedures and requirements contained or referred to in the Indenture and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with an approving opinion of nationally recognized bond counsel. No opinion is expressed herein as to any Bond on or after such change that occurs or action that is taken or omitted upon the advice of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings, and court decisions. Such opinions may be affected by actions taken or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such action or events are taken or occur.

Cordially,

WRIGHT, LINDSEY & JENNINGS LLP

APPENDIX B

Summary of the Trust Indenture

The following, in addition to certain other information contained under the caption “Bonds Being Offered” herein, summarizes certain provisions of the Indenture, to which document in its entirety reference is made for the detailed provisions thereof. Capitalized terms not defined herein shall have the definition set forth in the Indenture.

Registration and Exchange

Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of the Indenture, by the person in whose name it is registered, in person or by a duly authorized attorney, upon surrender of such Bond for cancellation or, if applicable, notation of the new Holder together with the signature of the Trustee or any applicable Transfer Agent on the back of such Bond or on a form of record attached to such Bond for such purpose, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed.

Whenever any Bond shall be surrendered for transfer, the Trustee or any Transfer Agent shall authenticate and deliver a new fully registered Bond or Bonds duly executed by the City or, if applicable, shall deliver the same Bond, duly annotated with the new Holder and signed by the Trustee or any applicable Transfer Agent on the back of such Bond or on a form of record attached to such Bond for such purpose, for like aggregate principal amount. The Trustee or any Transfer Agent shall require the payment by the Bondholder requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

The City, the Trustee, and any Transfer Agent shall not be required (a) to issue, register the transfer of, or exchange any Bond during a period beginning at the opening of business fifteen (15) days before the date of the mailing of a notice of redemption of Bonds selected for redemption under the Indenture and ending at the close of business on the day of such mailing, or (b) to register the transfer of or exchange any Bond so selected for redemption in whole or in part, except the unredeemed portion of Bonds being redeemed in part.

Exchange of Bonds. Fully registered Bonds may be exchanged at the principal corporate trust office of the Trustee or of any Transfer Agent for a like aggregate Principal amount of fully registered Bonds of the same maturity of authorized denominations. The Trustee or any Transfer Agent shall require the payment by the Bondholder requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. No such exchange shall be required to be made subsequent to the Record Date.

Bond Registration Books. The Trustee will keep or cause to be kept, at its principal corporate trust office, sufficient books for the registration and transfer of Bonds, which shall at all times be open to inspection by the City; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer bonds on said books.

Selection of Bonds for Redemption

If less than all of the Bonds are called for redemption and if the Bonds shall mature on more than one date, the Bonds shall be redeemed from the Outstanding Bonds in inverse order of maturities.

If less than all of the Bonds maturing on any single date are called for redemption, the Trustee shall select the Bonds to be redeemed, from the Outstanding Bonds maturing on that date not previously called for redemption, in such manner as in the Trustee’s sole discretion it shall deem appropriate and fair; provided, however, that subject to other applicable provisions of the Indenture, the portion of any Bond to be redeemed

shall be in a Principal amount equal to a denomination in which Bonds are authorized to be issued. In selecting Bonds for redemption the Trustee shall treat each Bond as representing the number of Bonds which is obtained by dividing the Principal amount of each Bond by the minimum denomination in which such Bonds are authorized to be issued. If part but not all of a Bond shall be selected for redemption, the Holder thereof or the Holder's attorney or legal representative shall present and surrender such Bond to the Trustee for payment of the Principal amount thereof so called for redemption and the redemption premium, if any, on such Principal amount. The City shall execute and the Trustee or any Transfer Agent shall authenticate and deliver to or upon the order of such Holder or the Holder's legal representative, without charge therefor, a Bond or Bonds of the same maturity and bearing interest at the same rate as the Bond so surrendered for the unredeemed portion of the surrendered Bond.

Notice and Effect of Redemption

Notice of Redemption. Notice of redemption shall be given by first class mail, postage prepaid, not less than thirty (30) nor more than sixty (60) days prior to the redemption date, to the registered owner of such Bond, at the owner's address as it appears on the bond registration books of the Trustee or at such address as the owner may have filed with the Trustee for that purpose. If notice is given as stated, failure of any Owner to receive such notice, or any defect in the notice, shall not affect the redemption or the validity of the proceedings for the redemption of the Bonds. Each notice of redemption shall identify the Bonds to be redeemed, state the redemption date, the method and place of redemption, and any other information required by the Indenture. Notwithstanding the foregoing, as long as the Bonds are registered in the name of DTC or its nominee (or a successor entity) in the book-entry system, the Trustee may give notice of the call for any redemption by any means, including facsimile transmission, acceptable to DTC or its successors.

With respect to notice of redemption of the Bonds at the option of the City, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Trustee prior to the giving of such notice, such Notice shall state that such redemption shall be conditional upon receipt of such moneys by the Trustee on or prior to the date fixed for such redemption. If such moneys shall not have been so received, such notice shall be of no force and effect, the City shall not redeem such Bonds and the Trustee shall give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Partial Redemption of Bonds; Disposition of Redeemed Bonds. Upon surrender of any Bond redeemed in part only, the City shall duly execute and the Trustee or any Transfer Agent shall authenticate and deliver to the registered owner thereof, at the expense of the City, a new Bond or Bonds of the same maturity and of authorized denominations equal in aggregate Principal amount to the unredeemed portion of the Bond surrendered.

Effect of Redemption. If notice of redemption has been duly given as described above, and moneys for payment of the Redemption Price, together with interest to the redemption date on the Bonds so called for redemption, are held by the Trustee, then such Bonds shall, on the redemption date designated in such notice, become due and payable at the Redemption Price specified in such notice and interest accrued thereon to the redemption date; and from and after the date so designated, interest on the Bonds so called for redemption shall cease to accrue.

Revenue Fund

The Indenture creates and establishes a revenue fund (the "Revenue Fund"), to be held by the City

and retain all proceeds of the Pledged Revenue as required by the Indenture.

Bond Fund

The Indenture creates and establishes a Principal and Interest Fund (the “Bond Fund”), to be held by the Trustee. There shall be paid to the Trustee for deposit into the Bond Fund, on or before the twenty-fifth (25th) day of each month, commencing in January 2021, a sum equal to one-sixth (1/6) of the next installment of interest plus one-twelfth (1/12) of the next installment of principal on all Bonds then outstanding due at maturity or upon mandatory sinking fund redemption, with Trustee’s fees and expenses, as the same next become due, and any arbitrage rebate due at the times and in the amounts required by Section 148(f) of the Internal Revenue Code of 1986, or amended (the “Code”) with such pro-rata amounts adjusted for the initial installments. Amounts deposited in the Bond Fund shall be used solely for the payment of principal of and interest on the Bonds, fees of the Trustee, and costs of redemption either at maturity or at redemption prior to maturity, in accordance with the provisions of the Indenture. Moneys deposited to the Bond Fund shall be applied to pay at maturity or as due all principal of, interest on and fees of the Trustee in connection with all Outstanding Bonds.

The Indenture creates and establishes within the Bond Fund, the “Costs of Issuance Account” from which the various costs of issuance shall be paid by the Trustee at closing.

Debt Service Reserve Fund

From the proceeds of the sale of the Bonds, there shall be deposited into the Debt Service Reserve Fund an amount equal the Debt Service Reserve Requirement. Under the Indenture, “Debt Service Reserve Requirement” is defined as an amount equal to fifty percent (50%) of maximum annual Debt Service on the Bonds.

In the event the Trustee draws funds from the Debt Service Reserve Fund to pay principal of or interest on the Bonds, the Issuer shall restore the funds therein in twelve (12) consecutive monthly payments. If a surplus shall exist in the Debt Service Reserve Fund over and above the Debt Service Reserve Requirement, such surplus shall be deposited into the Bond Fund.

If on the last Business Day preceding any principal or interest payment date for the Bonds, after the deposit of moneys required by the Indenture, the amount in the Bond Fund shall be less than the amounts due and payable on the Bonds on such principal or interest payment date, the Trustee shall apply amounts from the Debt Service Reserve Fund to the extent necessary to make good the deficiency.

Whenever the moneys on deposit in the Debt Service Reserve Fund, including investment earnings with respect thereto, shall exceed the Debt Service Reserve Requirement, such excess shall be transferred by the Trustee and deposited into the Bond Fund. Whenever the moneys on deposit in the Debt Service Reserve Fund, including investment earnings, shall be less than the Debt Service Reserve Requirement, the City will immediately transfer or apply Pledged Revenues to the Debt Service Reserve Fund until such deficiency has been cured.

Whenever the amount in the Debt Service Reserve Fund, together with the amounts in the Bond Fund, is sufficient to pay in full all Outstanding Bonds (including Principal or applicable sinking fund Redemption Price and interest thereon), the funds on deposit in the Debt Service Reserve Fund shall be transferred to the Bond Fund and no deposits shall be required to be made into the Debt Service Reserve Fund.

Purchase of Bonds

The City may purchase Bonds from any available funds at public or private sale, as and when and at such prices as the City may in its discretion determine, but at a price not exceeding the Principal amount thereof plus accrued interest thereon, or in the case of Bonds which by their terms are subject to redemption prior to maturity, at the then current or first applicable Redemption Price (plus accrued interest), as the case may be. In the case of the purchase of Bonds of a maturity for which Sinking Fund Installments shall have been established, the City shall elect the manner in which the Principal amount of such Bonds shall be credited toward Sinking Fund Installments.

Covenants of the City

Punctual Payment of Bonds. The City will punctually pay or cause to be paid the Principal, Redemption Price of, and interest on the Bonds and any Repayment Obligations in strict conformity with the terms of the Bonds and the Indenture, and the City will punctually pay or cause to be paid all Sinking Fund Installments which may be established for the Bonds. The City's obligations under the Indenture are limited to the proceeds of the Pledged Revenues and any other funds or assets which constitute part of the Trust Estate.

Against Encumbrances. The City will not create, and will use its good faith efforts to prevent the creation of, any mortgage or lien upon the Capital Improvements or any property essential to the proper operation of the Capital Improvements. The City will not create, or permit the creation of, any pledge, lien, charge, or encumbrance upon the Pledged Revenues except only as provided in or permitted by the Indenture.

Limitation on Sale or Other Disposition of Property. The City will not sell or otherwise dispose of all or a substantial part of the Capital Improvements except the City may sell or otherwise dispose of any facilities, or an interest in facilities, constituting a part of the Capital Improvements which have ceased to be necessary for the efficient operations of the Capital Improvements.

The City will not enter into any lease or other agreement which impairs or impedes the operation of the Capital Improvements or the tax-exempt status of the bonds, or which impairs or impedes the rights of the Bondholders with respect to the Revenues.

The proceeds of any sale or other disposition described above shall be deposited into the Bond Fund.

Operation and Maintenance. The City will operate the Capital Improvements continuously in an efficient and economical manner, to the extent practicable under then existing conditions. The City will at all times maintain, preserve, and keep the Capital Improvements in good repair, working order, and condition so that the operating efficiency thereof will be of high character. The City will cause all necessary and proper repairs and replacements to be made so that the business carried on in connection with the Capital Improvements may be properly and advantageously conducted at all times in a manner consistent with prudent management, and that the rights and security of the Holders of the Bonds may be fully protected and preserved.

Maintenance of Pledged Revenues. The City will not sell, convey, mortgage, encumber, or otherwise dispose of any part of the Pledged Revenues, except as otherwise permitted by the Indenture.

Insurance. Subject in each case to the condition that insurance is obtainable at reasonable rates and upon reasonable terms and conditions:

- (1) the City will procure and maintain insurance on the City's Capital Improvements and public liability insurance in such amounts and against such risks as are usually insurable in connection with similar facilities and are usually carried by municipalities operating similar facilities;

(2) the City will procure and maintain adequate fidelity insurance or bonds on the persons handling or responsible for funds of the City related to the City's Capital Improvements; and

(3) the City will provide to the Trustee upon request, a Written Statement of the City or a certificate from the insurer containing a summary of all insurance policies then in effect with respect to the City's Capital Improvements.

Accounts and Reports. The City will at all times keep proper books of record and accounts, separately identified from all other records and accounts of the City, in which complete and accurate entries shall be made of all transactions relating to the Capital Improvements and the Pledged Revenues. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Trustee, the Holders of not less than five percent (5%) of the Bonds then Outstanding, or their representatives authorized in writing.

Collection of Pledged Revenues

In order to assure full and continuous performance of the covenants contained in the Indenture relating to the punctual payment of Bonds and the collection of Pledged Revenues, with a margin for contingencies and temporary unanticipated reduction in Pledged Revenues, the City covenants and agrees to collect the Pledged Revenues, together with other income, which are reasonably expected to yield available revenues at least equal to the Annual Debt Service Requirement for the forthcoming Fiscal Year.

The Trustee

The City has appointed First Arkansas Bank & Trust, Jacksonville, Arkansas, as Trustee for the Holders of the Bonds, to act as the legal depository of the City for the purpose of receiving all moneys which the City is required to pay to the Trustee under the Indenture and to hold, allocate, use, and apply the same as provided in the Indenture. The Trustee shall also act as registrar and Transfer Agent for the Bonds, with the duties provided in the Indenture. In acting as registrar and Transfer Agent, the Trustee shall be the agent of the City.

Resignation of the Trustee. The Trustee may at any time resign or be discharged of its duties and obligations created by the Indenture by giving not less than sixty (60) days' written notice to the City, specifying the date when such resignation shall take effect, and mailing notice thereof to the Holders of all Bonds then Outstanding, and such resignation shall take effect on the day specified in such notice unless previously a successor shall have been appointed in the manner described below and as provided in the Indenture, in which event such resignation shall take effect immediately upon the appointment of such successor; provided, however, that such resignation of the Trustee shall in no event take effect until such successor shall have been appointed and accepted the duties of Trustee.

Removal of the Trustee. The City may at any time remove the Trustee initially appointed or any successor thereto by the adoption of a resolution providing for such removal, for the appointment of a successor, and for the effective date of the change of Trustee; provided, however, that such removal of the Trustee shall in no event take effect until such successor shall have been appointed and accepted the duties of Trustee.

Appointment of Successor Trustee. Notice of the resignation or removal of the Trustee and the appointment of a successor shall be mailed by first class mail to the registered Holders of all Bonds then Outstanding, within thirty (30) days after adoption by the City of the resolution providing for such appointment. Any successor Trustee shall be a bank or trust company with a capital stock, undivided profits, and surplus of not less than \$10,000,000 (or in the case of a corporation or trust company included in a bank

holding company system, the related bank holding company system shall have a capital stock, undivided profits, and surplus of not less than \$10,000,000).

Terms and Conditions of the Trusts. The Trustee shall perform the trusts contained in the Indenture as a corporate trustee ordinarily would perform said trusts under a corporate indenture, only upon and subject to the express terms and conditions of the Indenture, including without limitation the following:

(1) The Trustee shall not be required to take notice or be deemed to have notice of any default under the Indenture except (a) failure by the City to cause to be made any of the payments to the Trustee required to be made pursuant to Article V of the Indenture; (b) failure of the City to file with the Trustee any document required by the Indenture to be so filed prior to or subsequent to the issuance of the Bonds; provided that, the Trustee shall be required to take notice or be deemed to have notice of any default under the Indenture if specifically notified in writing of such default by the Holders of not less than ten percent (10%) in aggregate Principal amount of Bonds then Outstanding and all notices or other instruments required by the Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the principal corporate trust office of the Trustee and in the absence of such notice, the Trustee may conclusively assume there is not default except as aforesaid;

(2) The Trustee shall be under no obligation to exercise any of the trusts or powers vested in it by the Indenture at the request, order, or direction of any of the pursuant to the provisions of the Indenture, unless such Bondholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses, and liabilities which might be incurred therein or thereby.

(3) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, ordinance, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, appraisal, Bond, or other paper or document, unless requested in writing to do so by the Holders of not less than twenty-five percent (25%) in aggregate Principal amount of the Bonds then Outstanding; provided that if the timely payment to the Trustee of the costs, expenses, or liabilities likely to be incurred in the making of such investigation is, in the opinion of the Trustee, not reasonably assured to the Trustee by the security afforded to it by the terms of the Indenture, the Trustee may require reasonable indemnity against such expenses or liabilities as a condition to so proceeding. The reasonable expense of every such inquiry or examination shall be paid by the City or, if paid by the Trustee, shall be repaid by the City.

Intervention by the Trustee. In any judicial proceeding to which the City is a party and which in the opinion of the Trustee has a substantial bearing on the interests of Holders of the Bonds, the Trustee may intervene on behalf of Bondholders and shall do so if requested in writing by the Holders of a majority of the aggregate Principal amount of Bonds then Outstanding. The rights and obligations of the Trustee described in this paragraph are subject to the approval of a court of competent jurisdiction.

Successor Trustee. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business or assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation, or transfer to which it is a party, shall be and become a successor Trustee under the Indenture and vested with all the trusts, powers, discretion, immunities, privileges, and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed, or conveyance on the part of the Trustee or the City.

Compensation of the Trustee and its Lien. The City covenants and agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation and, except as otherwise

expressly provided, the City covenants and agrees to pay or reimburse the Trustee upon its request for all reasonable expenses, disbursements, and advances incurred or made by the Trustee in accordance with any of the provisions of the Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ including but not limited to any Paying Agent, Transfer Agent, or Depository) except any such expense, disbursement, or advance as may arise from its negligence or bad faith. The City also covenants to indemnify the Trustee for, and to hold it harmless against, any loss, liability, or expense incurred without negligence or bad faith on the part of the Trustee, arising out of or in connection with the acceptance or administration of the trust evidenced by the Indenture, including the costs and expenses of defending itself against any claim of liability in the premises. The obligations of the City to compensate and indemnify the Trustee and to pay or reimburse the Trustee for expenses, disbursements, and advances shall constitute additional indebtedness under the Indenture, shall be subject to the same limitations with respect to sources of payment as all other indebtedness of the City thereunder, and shall survive the satisfaction and discharge of the Indenture. Such additional indebtedness shall be secured by a lien prior to that of the Bonds upon all property and funds held or collected by the Trustee as such, except funds held in any Rebate Fund and funds held in trust for the benefit of the Holders of particular Bonds.

Modification or Amendment of the Indenture

Amendments Permitted. The Indenture and the rights and obligations of the City and of the Holders of the Bonds may be modified or amended at any time pursuant to the affirmative vote at a meeting of Bondholders, or with the written consent without a meeting, of the Holders of at least sixty percent (60%) in Principal amount of the Bonds then Outstanding.

The Indenture and the rights and obligations of the Issuer and the Holders of the Bonds may also be modified or amended at any time, without the consent of any Bondholders, for any of the following purposes:

- (1) to add to the covenants and agreements of the City contained in the Indenture, to add other covenants and agreements thereafter to be observed, or to surrender any right or power therein reserved to or conferred upon the City;
- (2) to make such provisions for the purpose of curing any ambiguity, or of curing or correcting any defective provision contained in the Indenture or in regard to questions arising under the Indenture, as the City may deem necessary or desirable, and which shall not adversely affect the interests of the Holders of the Bonds;
- (3) to provide for the issuance of refunding bonds in accordance with the provisions of the Indenture;
- (4) to make any change which in the judgment of the Trustee shall not materially adversely affect the rights or interests of the Holders of any Outstanding Bonds requested by a Rating Agency in order to obtain or maintain any rating on the Bonds; and
- (5) to make any change necessary (a) to establish or maintain the exemption from federal income taxation of interest on the Bonds as a result of any modifications or amendments to section 148 of the Code (or any successor provision of law) or interpretations thereof by the Internal Revenue Service, or (b) to comply with the provisions of section 148(f) of the Code (or any successor provision of law), including provisions for the payment of all or a portion of the investment earnings of any of the Funds established under the Indenture to the United States of America.

No modification or amendment permitted as described above shall (1) extend the fixed maturity of any Bond, or reduce the Principal amount or Redemption Price thereof, or reduce the rate or extend the time

of payment of interest thereon, without the consent of the Holder of each Bond so affected, (2) reduce the aforesaid percentage of Bonds required for the affirmative vote or written consent to an amendment or modification of the Indenture, without the consent of the Holders of all of the Bonds then Outstanding, or (3) without its written consent thereto, modify any of the rights or obligations of the Trustee.

Bondholders' Meetings. The Trustee may, and upon the Written Request of the City shall, at any time, call a meeting of the Holders of Bonds, to be held at such place as may be selected by the Trustee and specified in the notice calling such meeting. Written notice of such meeting, stating the time and place of the meeting and in general terms the business to be submitted, shall be mailed by the Trustee, postage prepaid, not less than thirty (30) nor more than sixty (60) days before such meeting to each registered owner of Bonds then Outstanding at the owner's address, if any, appearing upon the Bond register of the City. The cost and expense of the giving of such notice shall be borne by the City, and the Trustee shall be reimbursed by the City for any expense incurred by it.

Prior to calling any meeting of the Holders of Bonds, the Trustee shall adopt regulations for the holding and conduct of such meeting, and copies of such regulations shall be filed at the principal corporate trust office of the Trustee and at the office of the City and shall be open to the inspection of all Bondholders. The regulations shall include such provisions as the Trustee may deem advisable for evidencing the ownership of Bonds, for voting in person or by proxy, for the selection of temporary and permanent officers to conduct the meeting and inspectors to tabulate and canvass the votes cast at the meeting, the adjournment of any meeting, and the records to be kept of the proceedings of such meeting, including rules of order for the conduct of such meeting and such other regulations as, in the opinion of the Trustee, may be necessary or desirable.

Disqualified Bonds. Bonds owned or held by or for the account of the City shall not be deemed Outstanding for the purpose of any vote, consent, or other action or any calculation of Outstanding Bonds for the purpose of amending the Indenture, and neither the City nor any owner or Holder of such Bonds shall be entitled to vote or consent to, or to take, any other such action.

Events of Default and Remedies

Events of Default. The occurrence of one or more of the following events shall constitute an "Event of Default":

(1) failure by the City to make the due and punctual payment of the Principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration, or otherwise;

(2) failure by the City to make the due and punctual payment of any installment of interest on any Bond or any Sinking Fund Installment when and as such interest installment or Sinking Fund Installment shall become due and payable;

(3) failure by the City to observe any of the covenants, agreements, or conditions on its part contained in the Indenture or the Bonds, except those covenants set forth in the Continuing Disclosure Agreement, and failure to remedy the same for a period of sixty (60) days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the City by the Trustee, or to the City and the Trustee by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding; or

(4) bankruptcy, reorganization, arrangement, insolvency, or liquidation proceedings, including without limitation proceedings under Chapter 9 of Title 11, United States Code (as the same may from time to time be hereafter amended), or other proceedings for relief under any federal or state bankruptcy law or similar law for the relief of debtors are instituted by or against the City

and, if instituted against the City, said proceedings are consented to or are not dismissed within thirty (30) days after such institution.

Acceleration. Upon the occurrence of an Event of Default, unless the principal of all the Bonds shall have already become due and payable:

- (1) the Trustee may, or
- (2) upon receipt of the written request of the Holders of not less than twenty-five percent (25%) of the aggregate Principal amount of the Bonds at the time Outstanding, the Trustee shall,

declare upon notice in writing to the City the Principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately. Upon such declaration such Principal and interest shall be immediately due and payable, notwithstanding anything to the contrary contained in the Indenture or in the Bonds.

The right of the Trustee to request the Trustee to make any such declaration as aforesaid, however, is subject to the conditions that: if, at any time after such declaration, any overdue installments of interest upon the Bonds, together with the reasonable and proper charges, expenses, and liabilities of the Trustee, and all other sums then payable by the City under the Indenture (except the Principal of and interest accrued since the next preceding interest payment date on the Bonds due and payable solely by virtue of such declaration) shall either be paid by the City or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Bonds or under the Indenture (other than the payment of Principal and interest due and payable solely by reason of such declaration) shall be made good or be secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor; then and in every such case the Holders of a majority in aggregate Principal amount of the Bonds at the time Outstanding, by written notice to the City and to the Trustee, may rescind such declaration and annul such default in its entirety, then any such declaration shall *ipso facto* be deemed to be rescinded and any such default and its consequences shall *ipso facto* be deemed to be annulled, but no such rescission and annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

Accounting and Examination of Records After Default. The City covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and accounts of the City and all other records of the City relating to the Capital Improvements shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys. The City covenants that if an Event of Default shall happen and shall not have been remedied, the City, upon demand of the Trustee, will account, as if it were the trustee of an express trust, for Pledged Revenues and other moneys, securities, and funds pledged or held under the Indenture for such period as shall be stated in such demand.

Application of Pledged Revenues and Other Moneys After Default. During the continuance of an Event of Default, the Trustee shall apply the Pledged Revenues held in the Revenue Fund and such moneys, securities, and funds and the income therefrom as follows and in the following order, provided that moneys held in the Bond Fund or in the Debt Service Reserve Fund shall not be used for purposes other than payment of the interest and Principal or Redemption Price then due on the Bonds in accordance with paragraph (2) below:

- (1) to the payment of the reasonable and proper charges and expenses of the Trustee and the reasonable fees and disbursements of its counsel;

(2) to the payment of the interest and Principal or Redemption Price then due on the Bonds, as follows:

(a) unless the Principal of all of the Bonds shall have become or have been declared due and payable,

FIRST: To the payment to the persons entitled thereto of all installments of interest then due on the Bonds in the order of the maturity of such installments and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

SECOND: To the payment to the persons entitled thereto of the unpaid Principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of Principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) if the Principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the Principal and interest then due and unpaid upon the Bonds without preference or priority of Principal over interest or of interest over Principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for Principal and interest, to the persons entitled thereto without any discrimination or preference.

If and whenever all overdue payments on all Bonds, together with the reasonable and proper charges and expenses of the Trustee, shall be paid, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Indenture or the Bonds shall be made good or secured to the satisfaction of the Trustee, or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the City all Pledged Revenues held in the Revenue Fund then remaining unexpended. The City and the Trustee shall be restored to their former positions and rights under the Indenture, and all Pledged Revenues shall thereafter be applied as provided in the Indenture. No such payment over to the City by the Trustee or resumption of the application of Pledged Revenues as provided in the Indenture shall extend to or affect any subsequent default under the Indenture or impair any right consequent thereon.

Rights and Remedies of Bondholders. No Holder of any Bond shall have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default;

(2) the Holders of not less than twenty-five percent (25%) in aggregate Principal amount of the Outstanding Bonds shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee under the Indenture;

(3) such Holders have offered to the Trustee reasonable indemnity against the costs, expenses, and liabilities to be incurred in compliance with such request;

(4) the Trustee has failed to institute any such proceedings for sixty (60) days after its receipt of such notice, request, and offer of indemnity; and

(5) no direction inconsistent with such written request has been given to the Trustee during such sixty (60) day period by the Holders of a majority in Principal amount of the Outstanding Bonds;

it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb, or prejudice the rights of any other such parties, or to obtain or to seek to obtain priority or preference over any other such parties or to enforce any right under the Indenture, except in the manner therein provided and for the equal and ratable benefit of all such parties in accordance with the provisions of the Indenture.

Notwithstanding any other provision in the Indenture, the Holder of any Bond shall have the right which is absolute and unconditional to receive payment of the Principal and Redemption Price of and interest on such Bond on the respective stated maturities expressed in such Bond (or, in the case of redemption, on the redemption date of such Bond) and to institute suit for the enforcement of any such payment. Such right to receive payment shall not be impaired without the consent of such Holder.

The Holders of a majority of the Principal amount of the Outstanding Bonds shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, provided that: such direction shall not be in conflict with any rule of law or the Indenture, the Trustee shall not determine that the action so directed would be unjustly prejudicial to the Holders not taking part in such direction, and the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

Appointment of Receiver. Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondholders, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the trust estate created by the Indenture, including, without limitation, the proceeds of the sale of the Bonds, the Pledged Revenues, and the Funds, including the investments, if any, thereof, pending such proceedings, with such powers as a court making such appointments shall confer.

Investment of Funds

Moneys held in any Fund or account shall be invested and reinvested by the City or the Trustee to the fullest extent practicable in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Fund or account, provided that the Trustee shall make such investments only in accordance with instructions received from an Authorized Officer of the City.

Subject to any required rebate of earnings on investments in any Fund or account to the United States of America pursuant to section 148(f) of the Code: (1) net income earned on any moneys or investments in the Bond Fund shall remain in the Bond Fund; and (2) whenever the Debt Service Reserve Fund is in its full required amount, net income earned on any moneys or investments in the Debt Service Reserve Fund shall be transferred to the Bond Fund as provided in the Indenture.

Defeasance

Discharge of Indebtedness. If the City shall pay, or there shall otherwise be paid to the Holder of all Bonds the Principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein, then the pledge of the Pledged Revenues and other moneys, securities, and Funds pledged under the Indenture and all covenants, agreements, and other obligations of the City to the Bondholders shall thereupon cease, terminate, and become void and be discharged and satisfied. Such Bonds shall cease to be entitled to any lien, benefit, or security under the Indenture, and all covenants,

agreements, and obligations of the City to the Holders of such Bonds shall thereupon cease, terminate, and become void and be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee or Depositary (through deposit by the City of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the paragraph above. All Outstanding Bonds shall be, prior to the maturity or redemption date thereof, deemed to have been paid within the meaning and with the effect expressed in the paragraph above if (1) in case any of said Bonds are to be redeemed on any date prior to their maturity, the City shall have given to the Trustee in form satisfactory to it instructions to mail notice of redemption of such Bonds on said date; (2) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Government Obligations (including any Government Obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the Principal or Redemption Price, if applicable, of and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be; and (3) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the City shall have given the Trustee in form satisfactory to it instructions to mail, first class postage prepaid, a notice to the Holders of such Bonds that the deposit required by (2) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Indenture and stating such maturity or redemption date upon which moneys are to be available for the payment of the Principal or Redemption Price, if applicable, of said Bonds. Neither Government Obligations nor moneys deposited with the Trustee nor principal or interest payments on any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the Principal or Redemption Price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Government Obligations deposited with the Trustee, if not then needed for such purpose, shall be, to the extent practicable, reinvested in Government Obligations maturing at times and in amounts sufficient to pay when due the Principal or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the City, as received by the Trustee, free and clear of any trust, lien, or pledge.

Unclaimed Moneys. Any moneys on deposit in the Bond Fund with the Trustee or held by the Depositary, including DTC, in trust for the payment and discharge of any of the Bonds which remain unclaimed for five (5) years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or Depositary at such date, or for five (5) years after the date of deposit of such moneys if deposited with the Trustee or Depositary after the said date when such Bonds become due and payable, shall be repaid by the Trustee or Depositary to the City, as its absolute property and free from trust, and the Trustee or Depositary thereupon shall be released and discharged with respect thereto and the Bondholders shall look only to the City for the payment of such Bonds.

APPENDIX C

**Comprehensive Annual Financial Report
For the Fiscal Year Ended
December 31, 2019**



2019



COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Jacksonville, Arkansas
For the Fiscal Year Ended December 31, 2019

Comprehensive Annual Financial Report

**City of Jacksonville,
Arkansas**

Fiscal Year Ended

December 31, 2019

Prepared by:

FINANCE DEPARTMENT

Cheryl Erkel, CGFM
DIRECTOR OF FINANCE



CITY OF JACKSONVILLE, ARKANSAS

YEAR ENDED DECEMBER 31, 2019

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YEAR ENDED DECEMBER 31, 2019

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YEAR ENDED DECEMBER 31, 2019

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CITY OF JACKSONVILLE, ARKANSAS

YEAR ENDED DECEMBER 31, 2019

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City of Jacksonville, Arkansas

#1 Municipal Drive
Jacksonville, AR 72076



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

The Comprehensive Annual Financial Report (CAFR) of the City of Jacksonville, Arkansas (the "City") for the year ended December 31, 2019, is submitted in accordance with State statutes. These statutes require that every general-purpose local government publish at the close of each fiscal year a complete set of audited financial statements.

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

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, 2019, are free from 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 utilized and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Jacksonville's financial statements for the fiscal year ended December 31, 2019, 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 auditors 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 included in the City of Jacksonville's Comprehensive Annual Financial Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Jacksonville's MD&A can be found immediately following the report of the independent auditor.

PROFILE OF THE GOVERNMENT

Situated approximately 17 miles north of Little Rock and the Arkansas River, Jacksonville registered as a town on June 29, 1870. The coming of the railroad brought more people and the rural community of about two hundred built homes, raised cotton and established new businesses. The City of Jacksonville was incorporated on September 6, 1941 as a political subdivision of the State of Arkansas. Today Jacksonville occupies a land area of 29 square miles and serves a population of 28,364.

The City is empowered by state statute to extend its corporate limits by annexation when deemed appropriate by the governing council and to levy a property tax, by a vote of the public, on both real and personal properties located within its boundaries to a limit of 5 mills for general operations. In 1993, the voters approved a permanent one-cent sales and use tax and in return, the City rescinded its 5 mills property tax. Jacksonville is one of the few municipal governments in Arkansas that does not levy a property tax for general operations. In 2003, the voters approved an additional one-cent sales and use tax for capital improvements and operations.

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



The City of Jacksonville provides a full range of services including police and fire protection, emergency ambulance service, animal control, library, community development (planning and

zoning), construction and maintenance of streets, roads and infrastructure, sanitation and recycling, parks and recreation, district court, and general administrative services. In addition, water and sewer services are provided through legally separate authorities, the Jacksonville Municipal Water Works and the Jacksonville Wastewater Utility. These two entities have been included in the comprehensive annual financial report as discretely presented component units. Another discretely presented component unit is the Jacksonville Advertising and Promotion Commission, which was created for the development, establishment, improvement, maintenance, and operation of recreational and tourist facilities within the City. Discretely presented component units are legally separate entities and are not part of the primary government's operations.

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

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

ECONOMIC CONDITION

The City of Jacksonville historically benefits from low unemployment rates. The City's unemployment rate increased from an average of 4.2% in 2018 to an average of 5.0% in 2019.

Jacksonville is home to the Little Rock Air Force Base (LRAFB) which opened in October 1955. The base encompasses 6,100 acres and includes one runway and one assault landing strip. The base has more than 7,000 active-duty military and civilian members, and roughly 5,000 family members live and work on and around the base with an estimated 53,000 retirees in the local area. The impact on the regional economy totaled \$469 million. Additionally, the base was the 9th largest employer in the State of Arkansas in fiscal year 2019 with 9,662 jobs on base. LRAFB is a major training facility for the United States Air Force and is the home of C-130 Combat Airlift.

Other principal employers that make their home in Jacksonville include:

- Pathfinders, Inc.
- Jacksonville North Pulaski School Dist
- Wal-Mart
- Arkansas Federal Credit Union
- Lomanco, Inc.

To help with the workforce, Jacksonville has a Welding College, a WAGE program that provides free computer and GED training, and a local office of the Arkansas Department of Workforce Services. In addition, the LRAFB University Center has five on base universities offering both undergraduate and graduate programs. The Jacksonville North Pulaski School District is providing educational instructions for skilled labor as well as preparing their students for college. The Jacksonville North Pulaski High School has recently added cyber-security to their curriculum that will allow their students to go straight to work after graduation or go to college to increase their knowledge.

The Little Rock Metro Area economy continues to gradually increase as measured by gross domestic product (GDP). It has grown at an average rate of 0.50% since 2001. Jacksonville is part of the Little Rock-North Little Rock-Conway metropolitan statistical area (MSA), a six-county area of more than 742,384 people.

The City of Jacksonville has an increasing property tax base which includes appreciation and improvements on property, new subdivisions, new businesses, and annexations. Over the past five years, Jacksonville's levy has increased an average of 1.3% with the 2018 levy collectible in 2019 increasing by 1.9%.

Sales tax revenue derived from the City's two-cent sales and use tax and the City's portion (7.4%) of the Pulaski County sales and use tax has been growing at an average rate of 1.8% over the past five years which includes a decrease of 0.6% for 2018 and an increase of 5% for 2019. On average, sales tax revenue supports approximately 64% of the City's General Fund budget.

U.S. internet sales, or e-commerce, continued rapid growth, accounting for approximately 8.9% of total sales. Internet sales have more than doubled in a decade, from less than 3% in 2006.



According to Metroplan, which cited "Special Report: E-commerce," in Economist on October 28, 2017, "a Euromonitor projection suggests e-commerce may account for one-sixth of all retail sales by 2021." Beginning July 1, 2019, the Arkansas Legislature enacted the Remote Transactions Parity Act which enables municipalities to collect sales tax from retailers that do not have a physical presence within the state. With sales tax as the primary revenue source for the City of Jacksonville, this legislation is critical to

retaining the resources required to sustain local services. While state law requires that citizens prepare sales and use tax returns for such purchases, this method of tax collection is very ineffective.

The City of Jacksonville receives intergovernmental revenues based on population. According to the 2010 U. S. Census, the population for the City decreased 5.2% while Pulaski County's population increased 5.9% compared to the 2000 Census data. The City is taking a proactive approach for the 2020 U.S. Census. A committee was formed to help with educating the public on the importance of filling out the census form. The committee consists of citizens with diverse ethnic backgrounds in order to address various concerns throughout the community. The City is optimistic that the population will have grown based on several new subdivisions and a new school district since the last census was taken.

LONG-TERM FINANCIAL PLANNING

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

In July 2005, the citizens of Jacksonville voted to levy an annual ad valorem tax levy at the rate of one (1.0) mill for the acquisition, construction, and equipping of land and capital improvements for the City's public library. The ad valorem tax is pledged to a bond issue in the amount of \$2,500,000 used to finance the project. The tax was due to expire upon payment in full of the bonds in May 2020 however, in 2019 the City Council voted to keep the 1.0 millage with 0.5 going to the General Fund and 0.5 going to the Capital Equipment Fund. This tax will go into effect in 2020.

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

In 2013, the City received proceeds of \$3.0 million from a short-term financing note for the purchase of 160 acres of land and construction of a public trap and skeet shooting range. The



public trap and skeet shooting range is a joint effort between the City and the Arkansas Game and Fish Foundation. The Arkansas Game and Fish Foundation contributed approximately \$2 million towards the funding of the project. This short-term financing note was refunded with proceeds from the 2015 Capital Improvement and Refunding Revenue Bonds.

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

In 2017, the City entered into a 60-month equipment lease agreement with AT&T for \$10,629 per month for 9-1-1 equipment upgrade and maintenance. The equipment will be owned by the City at the end of this lease. Another lease agreement was entered into in 2018 with Dell Financial Services for computer servers. The lease has a five-year term with annual payments of \$37,048.

MAJOR INITIATIVES

Jacksonville is continuously looking for ways to improve the city to ensure the safety of its citizens. In 2018, Jacksonville received \$120,800 from a Safe Routes to School Grant for a new sidewalk on Northeastern Avenue. The City completed a sidewalk on North First Street during the first couple of months in 2019 for which the City will be receiving \$80,000 reimbursement from a grant. The City also completed a sidewalk for a portion of Military Road at a cost of \$561,134 with \$375,000 funded by grants.

In addition to sidewalks, the City will be replacing a bridge on Oneida Street which will be financed jointly with the City of Sherwood and Pulaski County in 2020. The Loop Road railroad crossing is scheduled to have an overpass built over it. This project will be partially funded by the State with an 80% matching grant.

ENVIRONMENTAL CONSCIOUSNESS

The City of Jacksonville is striving to educate the public on environmental awareness. Educational materials regarding recycling initiatives are on display at the Ron Newport Recycling Park located in front of the recycling center. The City of Jacksonville offers several recycling opportunities for its residents. Curbside service is available for recycling of paper and cardboard, aluminum and tin cans, and most #1 and #2 plastics. The Recycling Center also accepts scrap metal, used tires, electronics, and household chemicals on Wednesday and Saturdays.

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

AWARDS AND ACKNOWLEDGEMENTS

Awards: The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Jacksonville for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2018. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local governmental financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. This was the 22nd consecutive year that the City of Jacksonville has achieved this prestigious award. We believe that the current comprehensive annual financial report continues to conform to the Certificate of Achievement Program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

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

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

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

Respectfully submitted,

Cheryl Erkel

Cheryl Erkel, CGFM
Finance Director

October 30, 2020



Government Finance Officers Association

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

Presented to

**City of Jacksonville
Arkansas**

For its Comprehensive Annual Financial Report

for the Fiscal Year Ended

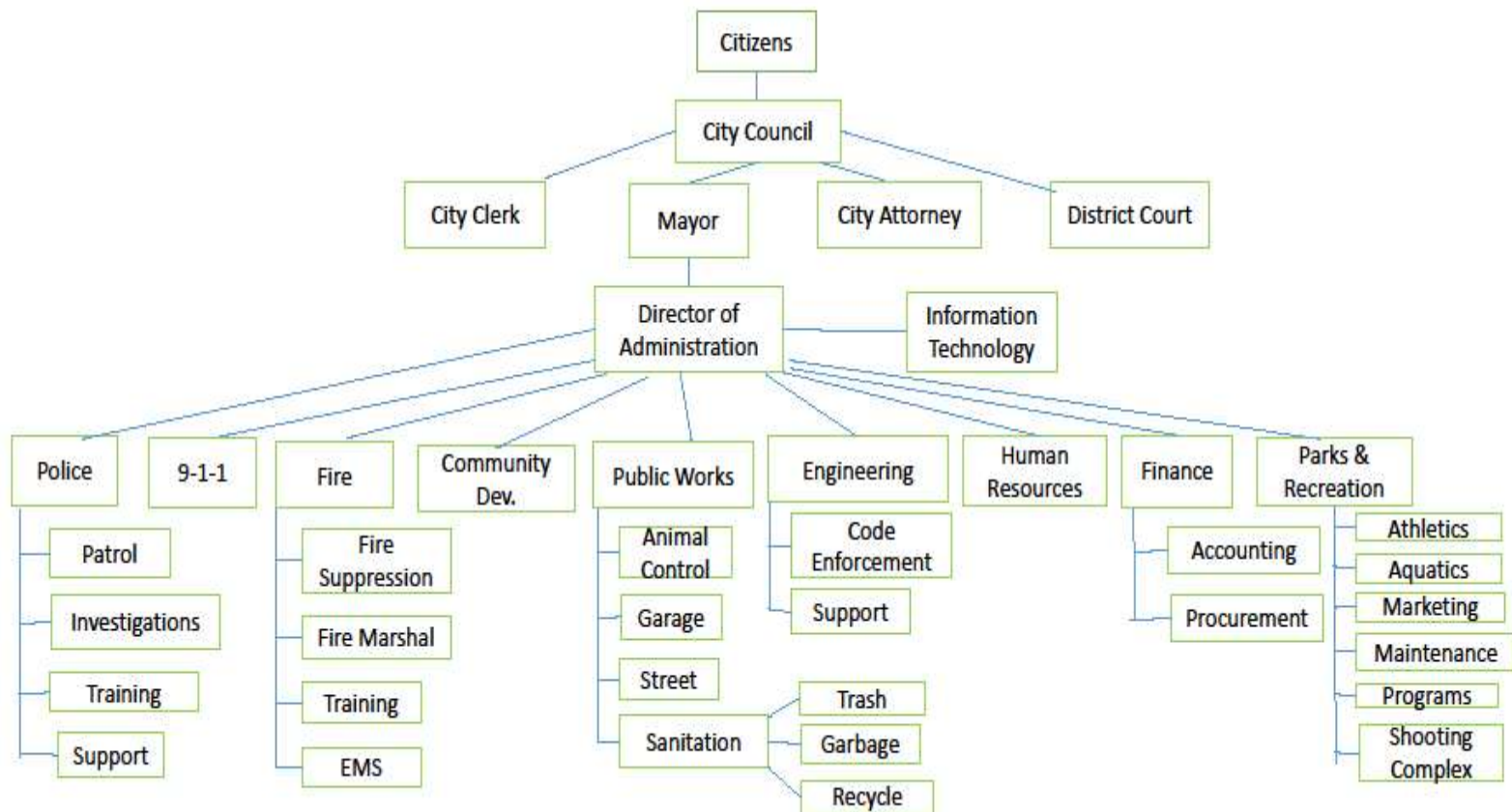
December 31, 2018

Christopher P. Morrell

Executive Director/CEO



City of Jacksonville Organizational Structure



City of Jacksonville, Arkansas
List of Elected and Appointed Officials
December 31, 2019

Elected Officials

Bob Johnson		Mayor	
Vacant	Ward 1, Position 1	James Bolden III	Ward 1, Position 2
Gary Sipes	Ward 2, Position 1	Terry Sansing	Ward 2, Position 2
Reedie Ray	Ward 3, Position 1	Barbara Mashburn	Ward 3, Position 2
Mike Traylor	Ward 4, Position 1	Mary Twitty	Ward 4, Position 2
Tara Smith	Ward 5, Position 1	Les Collins	Ward 5, Position 2
Stephanie Friedman		City Attorney	
Susan Davitt		City Clerk/Treasurer	
Rita Bailey		District Court Judge	

Appointed Officials

Director of Public Works	Jimmy Oakley
Community Development Director	Theresa Watson
Director of Finance	Cheryl Erkel
Fire Chief	Alan Laughy
Parks & Recreation Director	Kevin House
Human Resource Director	Charlette Nelson
Director of Police	Joseph McCollough, Interim
Sanitation Superintendent	Randy Watkins
Street Superintendent	Hal Toney
Superintendent of Emergency Services	Tabitha Hughes

McAlister & Associates, P. A.

CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Jacksonville, Arkansas (the City) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Jacksonville Municipal Water Works, which represent 61%, 59% and 63%, respectively, of the assets and deferred outflow of resources, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Jacksonville Municipal Water Works, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Jacksonville, Arkansas as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information including the combining and individual nonmajor and fiduciary fund financial statements, the combining statement of cash flows-discretely presented component units, the introductory and statistical sections, and the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements Federal Awards* as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor and fiduciary fund financial statements, the combining statement of cash flows-discretely presented component units, and the schedule of expenditures of federal awards (supplementary information) are the responsibility of management and were derived from and relate 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 by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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 them.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

McAlister & Associates, P.A.

McAlister & Associates, P.A.
Certified Public Accountants

Jacksonville, Arkansas
October 30, 2020



City of Jacksonville, Arkansas

Management's Discussion and Analysis

For the Year Ended December 31, 2019



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

As management of the City of Jacksonville (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2019. The information contained in this MD&A should be considered in conjunction with our letter of transmittal at the front of this report and the information contained in the Independent Auditor's Reports, Financial Statements and Supplementary Information.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$30,370,214.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,905,104 of which \$3,139,553 was unassigned.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,139,553, which is 18 % of total general fund expenditures.
- The City's total bond related debt decreased by \$793,698 or 11% during 2019 primarily due to principal payments on existing debt.
- The City had general revenues of \$17,233,545, grants and contribution revenues of \$5,095,729, charges for services of \$6,171,126, and program expenses of \$28,574,204 for the year ended December 31, 2019.

Overview of the Financial Statements

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

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

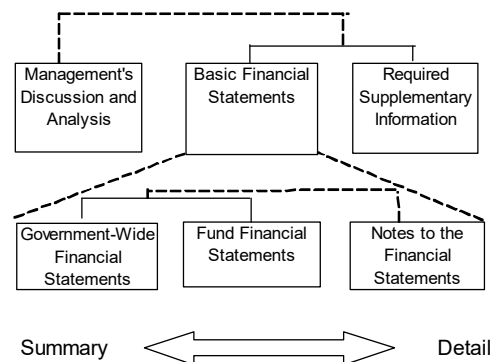


Figure B. Major features of the City's Government-wide and Fund Financial Statements

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	Balance sheet	Statement of net position	Statement of fiduciary net position
	Statement of activities	Statement of revenues, expenditures & changes in fund balances	Statement of revenues, expenses & changes in fund net position Statement of cash flows	Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, short-term and long term	All assets and liabilities, both short-term and long-term, the Agency's funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid.	All revenues and expenses during the year, regardless of when cash is received or paid.

Government-wide Financial Statements

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

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

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

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

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

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

Financial information for these *component units* are reported separately from the financial information presented for the primary government itself. Complete financial statements for these component units may be obtained by contacting the administrative offices listed on page 48 of this report.

The government-wide financial statements can be found on pages 28 through 31 of this report.

Fund Financial Statements

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

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

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

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

The basic governmental fund financial statements can be found on pages 32 through 34 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, shooting sports activities, and for emergency medical (ambulance) services provided by the City. The proprietary fund financial statements provide

information for the Sanitation Services Enterprise Fund, the Shooting Sports Complex Fund, and the Emergency Medical Services Enterprise Fund, which are major funds for the City.

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

The basic proprietary fund financial statements can be found on pages 36 through 38 of this report.

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

The basic fiduciary fund financial statements can be found on pages 40 through 41 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 47 through 85 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other post-employment benefits (OPEB) to its employees. Required supplementary information can be found beginning on page 88 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 104 through 105 of this report.

Government-wide Financial Analysis

The City is presenting current and prior year comparative information in the Management's Discussion and Analysis to provide a means of analyzing its financial condition and position as of December 31, 2019. The following table reflects the condensed Statement of Net Position.

City of Jacksonville Net Position						
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current assets	\$ 11,844,495	\$ 10,021,480	\$ 2,742,335	\$ 1,942,358	\$ 14,586,830	\$ 11,963,837
Noncurrent assets	348,760	607,631	-	-	348,760	607,631
Capital assets	41,407,125	43,671,476	5,050,271	5,080,941	46,457,396	48,752,417
Other assets	483,966	-	-	-	483,966	-
Total assets	<u>54,084,346</u>	<u>54,300,587</u>	<u>7,792,606</u>	<u>7,023,299</u>	<u>61,876,952</u>	<u>61,323,886</u>
Total deferred outflows of resources	<u>2,905,711</u>	<u>7,491,648</u>	<u>369,439</u>	<u>759,609</u>	<u>3,275,150</u>	<u>8,251,257</u>
Total Assets and Deferred Outflows	<u>56,990,056</u>	<u>61,792,233</u>	<u>8,162,048</u>	<u>7,782,911</u>	<u>65,152,105</u>	<u>69,575,144</u>
Current Liabilities	2,347,535	2,291,999	146,071	173,522	2,493,606	2,465,521
Long-term liabilities	26,206,560	30,274,932	2,315,292	2,395,276	28,521,852	32,670,208
Total liabilities	<u>28,554,095</u>	<u>32,566,931</u>	<u>2,461,363</u>	<u>2,568,798</u>	<u>31,015,458</u>	<u>35,135,729</u>
Total deferred inflows of resources	<u>3,463,029</u>	<u>3,668,834</u>	<u>303,403</u>	<u>326,564</u>	<u>3,766,432</u>	<u>3,995,398</u>
Total Liabilities and Deferred Inflows	<u>32,017,124</u>	<u>36,235,765</u>	<u>2,764,766</u>	<u>2,895,362</u>	<u>34,781,890</u>	<u>39,131,127</u>
Net Position:						
Net investment in capital assets	34,351,016	35,873,213	5,050,271	5,080,941	39,401,287	40,954,154
Restricted	5,284,005	5,023,813	-	-	5,284,005	5,023,813
Unrestricted	(14,662,089)	(15,340,558)	347,011	(193,393)	(14,315,078)	(15,533,950)
Total Net Position	<u>\$ 24,972,931</u>	<u>\$ 25,556,468</u>	<u>\$ 5,397,282</u>	<u>\$ 4,887,549</u>	<u>\$ 30,370,214</u>	<u>\$ 30,444,016</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$30,370,214 at the close of the most recent fiscal year.

The largest portion of the City's net position, 133%, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, infrastructure, and improvements other than buildings), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position, 18%, represents resources that are subject to restrictions as to how they may be used. The remaining unrestricted net position of (\$14,315,078) represents -47% of the City's net position.

The following table provides a summary of the City's operations for the fiscal year ended December 31, 2019, with comparative totals for the fiscal year ended December 31, 2018.

City of Jacksonville						
Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
<i>Program revenues:</i>						
Charges for services	\$ 2,042,098	\$ 1,927,750	\$ 4,129,028	\$ 3,958,445	\$ 6,171,126	\$ 5,886,195
Operating grants and contributions	2,031,400	4,242,826	16,171	13,893	2,047,571	4,256,719
Capital grants and contributions	3,048,158	406,260	-	-	3,048,158	406,260
<i>General revenues:</i>						
Property taxes	917,150	882,197	-	-	917,150	882,197
Sales taxes	14,623,842	13,935,682	-	-	14,623,842	13,935,682
Franchise taxes	1,113,293	1,078,449	-	-	1,113,293	1,078,449
Investment income	110,642	78,189	20,200	10,755	130,842	88,944
Intergovernmental revenues	448,418	449,060	-	-	448,418	449,060
Gain/(loss) on sales of capital assets	-	-	-	33,180	-	33,180
Total revenues	24,335,001	23,000,413	4,165,399	4,016,273	28,500,400	27,016,685
Expenses						
General government	3,263,425	2,943,318	-	-	3,263,425	2,943,318
Public works	3,167,610	2,802,632	-	-	3,167,610	2,802,632
Parks and recreation services	3,053,109	2,688,822	-	-	3,053,109	2,688,822
Public safety	13,662,715	14,390,300	-	-	13,662,715	14,390,300
Housing and neighborhood programs	370,280	252,044	-	-	370,280	252,044
Agent fees on long-term debt	6,741	7,035	-	-	6,741	7,035
Interest on long-term debt	199,807	223,214	-	-	199,807	223,214
Sanitation services	-	-	2,030,667	2,001,844	2,030,667	2,001,844
AGFF Shooting Sports Complex	-	-	565,546	657,188	565,546	657,188
Emergency medical services	-	-	2,254,304	2,323,196	2,254,304	2,323,196
Total expenses	23,723,687	23,307,364	4,850,517	4,982,228	28,574,204	28,289,592
Change in net position before transfers	611,314	(306,952)	(685,118)	(965,955)	(73,804)	(1,272,907)
Transfers	(1,194,851)	(390,000)	1,194,851	390,000	-	-
Change in net position	(583,537)	(696,952)	509,733	(575,955)	(73,804)	(1,272,907)
Net Position, Beginning of Year, as previously reported	25,556,468	27,144,285	4,887,549	5,463,502	30,444,016	32,607,787
Change in accounting principle	-	(890,867)	-	-	-	(890,867)
Net Position, Beginning of Year, as restated	25,556,468	26,253,418	4,887,549	5,463,502	30,444,016	31,716,920
Net Position - End of Year	\$ 24,972,931	\$ 25,556,468	\$ 5,397,282	\$ 4,887,549	\$ 30,370,214	\$ 30,444,016

Governmental Activities - Governmental activities decreased the City's net position in the current year by \$583,537. An increase in current assets of \$1,823,015, net of an increase in current liabilities of \$55,536 increased net position by approximately \$1,767,479. The decrease in noncurrent assets of \$258,871, offset by a decrease in net capital assets of \$2,264,351 and a decrease in noncurrent liabilities of \$933,731, excluding the net pension and the net OPEB liability, decreased net position by approximately \$1,589,491. The decrease in the net pension liability of \$3,134,641 offset by an increase in pension assets of \$483,966 decrease in deferred outflows of \$4,585,937, net of a decrease in deferred inflows of resources of \$205,805, decreased net position by approximately \$761,525.

Sales taxes represent 60% or \$14,623,842 of the City's governmental revenue in 2019. Sales tax revenues increased 5% from \$13,935,682 in 2018. Part of this growth is attributed to Act 822 – *To reform the Tax Laws Concerning the Levy and Collection of Sales and Use Tax, the Apportionment and allocation of Income for Tax Purposes, Corporate Income Tax Rates, and Net Operating Losses; and to Declare an Emergency*, enacted during the 2019 regular session of the Arkansas General Assembly, and effective beginning July 2019. The provisions of Act 822 were consistent with the favorable Supreme Court ruling on *South Dakota v. Wayfair, Inc.* in which the court held that states may charge tax on purchases made from out-of-state sellers, even

if the seller does not have a physical presence in the taxing state. Grants and contributions added \$5,079,558 or 22% to total revenues as compared to \$4,649,086 received in 2018. The increase was a result of an increase in grants received for the Police Department and for Economic/Community Development from 2018. Charges for services increased \$114,348 to \$2,042,098 or less than 1% of total revenues compared to \$1,927,750 received in 2018. The increase was primarily attributable to an increase in revenues from the Police and Emergency Communication Departments as compared to 2018.

Current year expenses were 103% of current year revenues, excluding transfers in.

Business-type Activities - Business-type activities increased the City's net position by \$509,733. Key elements of this increase are as follows:

- Net transfers increased net position by \$1,194,851. Operating loss of \$685,118 decreased net position.
- Sanitation Services activities contribute 48% of the operating revenue to the business-type activities. Sanitation service fees are billed through Jacksonville Municipal Water Works (a component unit of the City), net of a billing fee. Charges for services were \$1,591,723 in 2019 compared to \$1,885,890 in 2018. Operating expenses in 2019 were \$2,030,667 compared to \$2,001,844 in 2018. Revenues decreased due to decreases in sanitation fees and customer trash pick-up revenues. Expenses increased due to increases in Landfill fees along with depreciation expense.
- AGFF Shooting Sports Complex activities contributed 8% of the operating revenue to the business-type activities. The charges for services are the fees charged to the patrons of the sports complex. In 2019, those fees were \$405,152 compared to \$332,942 in 2018. The increase in revenues was due to an increase in tournament revenue in 2019 compared to 2018. Operating expenses in 2019 were \$565,546 compared to \$657,188 in 2018. The decrease was due to personnel costs.
- Emergency Medical Services activities contributed 44% of the operating revenue to the business-type activities. Ambulance service fees are billed through the City's finance department. Charges for services were \$2,132,153 in 2019 compared to \$1,739,613 in 2018. Operating expenses in 2019 were \$2,254,304 compared to \$2,323,196 in 2018. Revenues increased as a result of increased ambulance run volume. Expenses decreased as a result of decrease in bad debt expense.

Current year operating expenses for business-type activities were 108% of current year operating revenues.

Financial Analysis of the Government's Funds

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

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

As of December 31, 2019, the City's governmental funds reported combined ending fund balances of \$9,905,104, an increase of \$1,405,577 in comparison with the prior year. Approximately \$5,284,005 is reported as *restricted fund balance* for capital projects or debt service. In addition, \$2,066 of the governmental fund balance is *nonspendable*, representing inventories and prepaid expenditures. The *committed* and *assigned* portions of the fund balances were \$7,873 and \$1,471,609, respectively. Approximately \$3,139,553 constitutes *unassigned fund balance* and is available for spending at the government's discretion.

The General Fund is the chief operating fund for the City. As of December 31, 2019, the total fund balance of the General Fund was \$3,149,492 of which \$3,139,553 was unassigned. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balances and total fund balance to total fund expenditures (including transfers out). Unassigned fund balance represents 18% of total General Fund expenditures while total fund balances represents 18% of the same amount. The fund balances of the General Fund increased by \$1,146,631 during 2019. The key factors in this increase were increases from property and sales tax revenues and increases in revenues from licenses and permits.

The Street Fund had a total fund balance of \$4,183,788, which was an increase of \$474,101 from 2018. The total amount of the fund balance is classified as restricted. The increase was attributable to an increase in intergovernmental revenues and investment income.

The Special Projects Funds had a total fund balance of \$1,471,609, which was a decrease of \$1,243 from 2018. The total amount of the fund balance is classified as assigned. The decrease in fund balance was due mainly from increase in construction costs. The ending fund balances and net changes for the individual funds reported in the financial statements as the Special Projects Funds were:

<u>Fund</u>	<u>Ending Balance</u>	<u>Net Change</u>
Capital Improvements	\$ 187,017	\$ (68,718)
Capital Drainage	432,234	5,684
Capital Equipment	795,019	89,114
Downtown Revitalization	57,339	(27,323)

The City maintains seven non-major governmental funds in addition to the above mentioned major funds. These funds had a total fund balance of \$1,100,217. The net decrease in fund balances during 2019 for these funds was \$213,910. The ending fund balances and net changes for the non-major funds were:

<u>Fund</u>	<u>Ending Balance</u>	<u>Net Change</u>
Grants	\$ 13,687	\$ 12,487
CDBG	64,406	2,322
HOME	44,896	(5,546)
Asset Forfeiture	26,608	(9,368)
2015 Capital Improvements Construction	111,987	(226,641)
2006 Library Debt Service	298,969	(10,975)
2015 Capital Improvements Debt Service	539,664	23,812

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

Net position for the Sanitation Services Enterprise Fund was \$1,997,354 in 2019 which was a decrease of \$418,761 compared to \$2,416,115 as reported in 2018. This decrease is due to increased depreciation expense. 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 AGFF Shooting Sports Complex Fund in 2019 was \$2,843,523 which was a increase of \$14,606 compared to \$2,828,917 as reported in 2018. This increase was due to a increase in tournament revenue in 2019. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

Net position for the Emergency Medical Services Enterprise Fund in 2019 was \$556,406, which was an increase of \$913,889 compared to a net position of \$(357,483) reported in 2018. This change was due to a decrease in uncollectible accounts. 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 2019 General Fund budget appropriated \$19,739,873 as compared to the 2018 budget of \$18,677,508, an increase of approximately 6%.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for governmental and business-type activities as of December 31, 2019, amounts to \$46,457,396 (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 decrease in the City's investment in capital assets for the current fiscal year was \$2,295,021 net of depreciation, a decrease of 6%. Governmental capital assets decreased 5%, while capital assets for business-type activities decreased 1%.

City of Jacksonville Capital Assets, net of depreciation

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 10,307,488	\$ 10,307,488	\$ 480,385	\$ 480,385	\$10,787,873	\$ 10,787,873
Land improvements	566,045	625,660	121,921	95,474	687,966	721,133
Infrastructure	8,452,407	8,998,815	-	-	8,452,407	8,998,815
Buildings	17,458,479	18,192,462	2,432,533	2,503,904	19,891,012	20,696,366
Vehicles	1,659,872	2,391,240	1,469,565	1,543,717	3,129,437	3,934,957
Equipment	1,873,462	2,659,063	545,867	457,463	2,419,329	3,116,526
Construction in progress	1,089,376	496,752	-	-	1,089,376	496,752
Total	\$ 41,407,125	\$ 43,671,477	\$ 5,050,271	\$ 5,080,941	\$46,457,396	\$ 48,752,417

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

Long-term Debt. On December 31, 2019, the City's primary government had long-term debt outstanding of \$7,163,702, including general obligation bonds outstanding of \$230,041, obligations under capital lease agreements of \$463,223, and \$6,470,439 of bonds secured solely by specified revenue source.

Total long-term bonds and obligations under a capital lease agreement decreased \$964,185 a decrease of 12%. The decrease was attributable to debt retirements during 2019.

The City is within all of its legal debt limitations. Under the Arkansas Constitution, the City is allowed to issue, with voter approval, general obligation debt up to 20% of total assessed valuation. Outstanding general obligation and revenue bonds on December 31, 2019, of \$6,700,479 are well below the statutory limit of \$78,941,591. The City is allowed to issue short-term financings (maturities of less than five years) up to 5% of total assessed valuation. Outstanding short-term financings, including capital leases at December 31, 2019, of \$463,233

are well below the statutory limit of \$15,788,318. Voter approval is not required for short-term financing.

Additional information regarding the City's long-term debt can be found in *Note 4* on pages 61-62 of this report.

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials have an established practice of making annual budgetary decisions for the General and Street Funds by considering revenue growth, staffing needs, unassigned reserve levels as well as reviewing the performance of the local economy to determine continued economic expansion. With sales tax revenue being the City's main source of revenue, the focus has turned to increasing our tax base.

The Mayor and City Council have adopted a Master Plan to revitalize downtown with 13 specific initiatives listed. The voters have approved alcohol sales by the glass for restaurants which will entice more sit down restaurants to relocate to our city. Jacksonville has achieved a downtown, high speed internet Wi-Fi system with the assistance of First Arkansas Bank and Trust. The Jacksonville North Pulaski School District is developing programs that will help fulfill the workforce needs in our community. The other 10 initiatives include increasing public gathering places, provide economic and social programs for the citizens, provide for more pedestrian accessibility, redesign the City traffic plan, improve on the efforts to preserve the City historical properties, relocate public utilities underground, recruit new business, develop a mixed use approach to new housing, collaborate with the Jacksonville Chamber of Commerce to improve Jacksonville, and to generate more capital to help implement these initiatives.

The goal of the Mayor and City Council is to maintain financial stability by adopting budgets with a minimum unassigned fund balance of 16.6% of operating expenditures. With this in mind, the 2020 budgets were adopted for the General Fund at \$20,371,063 and \$2,658,892 for the Street Fund.

Request for Information

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

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



BASIC FINANCIAL STATEMENTS

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF NET POSITION DECEMBER 31, 2019

	Primary Government			
	Governmental	Business-type		Component
	Activities	Activities	Total	Units
Assets and Deferred Outflows of Resources				
Current Assets				
Cash and cash equivalents	\$ 3,420,625	\$ 902,899	\$ 4,323,524	\$ 15,905,021
Restricted cash and investments, current	619,187	-	619,187	2,079,564
Investments	2,183,910	506,004	2,689,914	1,552,219
Receivables, net of allowance for uncollectible accounts				
Taxes	2,034,709	-	2,034,709	-
Sales taxes	2,749,304	-	2,749,304	-
Accounts	103,435	1,290,578	1,394,013	3,077,752
Accrued interest	3,559	985	4,544	1,283
Grants and other governments	301,923	-	301,923	-
Other	426,156	-	426,156	-
Internal balances	(380)	380	-	-
Inventories	2,066	41,489	43,555	695,913
Prepaid expenses and other	-	-	-	114,907
Total current assets	11,844,495	2,742,335	14,586,830	23,426,659
Noncurrent Assets				
Restricted assets				
Cash and cash equivalents	967,947	-	967,947	576,234
Less amount required to meet current obligations	(619,187)	-	(619,187)	-
Total restricted assets	348,760	-	348,760	576,234
Capital assets				
Nondepreciable	11,396,864	627,914	12,024,778	1,025,763
Depreciable, net	30,010,261	4,422,357	34,432,618	80,283,931
Total capital assets	41,407,125	5,050,271	46,457,396	81,309,694
Other assets				
Net pension asset	483,966	-	483,966	-
Other	-	-	-	310,522
Total other assets	483,966	-	483,966	310,522
Total noncurrent assets	42,239,851	5,050,271	47,290,122	82,196,450
Total assets	54,084,345	7,792,606	61,876,953	105,623,109
Deferred Outflows of Resources				
Deferred outflows - pensions	2,854,209	369,439	3,223,648	691,535
Deferred outflows - OPEB	51,502	-	51,502	-
Bond refunding	-	-	-	114,112
Total deferred outflows of resources	2,905,711	369,439	3,275,150	805,647
Total Assets and Deferred Outflows of Resources	\$ 56,990,056	\$ 8,162,048	\$ 65,152,105	\$ 106,428,757

See Accompanying Notes to Basic Financial Statements.

	Primary Government			
	Governmental	Business-type		Component
	Activities	Activities	Total	Units
Liabilities, Deferred Inflows of Resources, and Net Position				
Current Liabilities				
Accounts payable	\$ 410,706	\$ 42,910	\$ 453,616	\$ 1,235,827
Accrued wages payable and related liabilities	371,023	55,921	426,944	-
Accrued expenses and other	125,885	-	125,885	226,408
Accrued interest payable	4,187	-	4,187	53,475
Compensated absences, current	567,915	45,500	613,415	-
Bonds payable, current	615,000	-	615,000	3,384,595
Capital lease obligations, current	157,887	-	157,887	-
Due to fiduciary funds	65,654	-	65,654	-
Unearned revenue	29,278	1,740	31,018	-
Total current liabilities	2,347,535	146,071	2,493,606	4,900,305
Noncurrent Liabilities				
Capital lease obligations	305,346	-	305,346	-
Bonds payable, net of unamortized premium and discount	6,085,676	-	6,085,676	37,144,269
Customer deposits	-	-	-	823,622
Compensated absences	53,549	9,602	63,151	-
Net pension liability	18,205,469	2,305,690	20,511,159	3,493,999
Net OPEB liability	1,556,520	-	1,556,520	-
Other long-term liabilities	-	-	-	565,020
Total noncurrent liabilities	26,206,560	2,315,292	28,521,852	42,026,910
Total liabilities	28,554,095	2,461,363	31,015,458	46,927,215
Deferred Inflows of Resources				
Deferred inflows - pensions	3,373,496	303,403	3,676,899	228,304
Deferred inflows - OPEB	89,533	-	89,533	-
Total deferred inflows of resources	3,463,029	303,403	3,766,432	228,304
Net Position				
Net investment in capital assets	34,351,016	5,050,271	39,401,287	40,736,231
Restricted - expendable				
Street maintenance	4,183,788	-	4,183,788	-
Capital projects	111,987	-	111,987	-
Debt service	838,633	-	838,633	2,646,923
Law enforcement activities	26,608	-	26,608	-
Housing and neighborhood programs	109,302	-	109,302	-
Grant funds	13,687	-	13,687	-
Total restricted - expendable	5,284,005	-	5,284,005	2,646,923
Unrestricted (deficit)	(14,662,089)	347,011	(14,315,078)	15,890,084
Total net position	24,972,931	5,397,282	30,370,214	59,273,238
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 56,990,056	\$ 8,162,048	\$ 65,152,105	\$ 106,428,757

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General administration	\$ 536,219	\$ 434,576	\$ 253,066	\$ -
City council	102,366	-	-	-
Office of the mayor	264,799	-	-	-
City clerk	149,541	-	-	-
City attorney	263,203	-	-	-
District court	410,884	364,662	-	-
Director of administration	60,483	-	-	-
Information technology	396,834	-	-	-
Finance	520,396	29,001	-	-
Human resources	179,466	-	-	-
Fleet services	143,021	31,583	-	-
Community programs	236,212	-	4,125	171,023
Public works	3,167,610	106,416	-	2,877,135
Parks and recreation services	3,053,109	640,172	434,326	-
Police	6,377,452	103,226	476,488	-
Fire	5,840,076	2,756	591,543	-
Emergency communication services	1,108,903	309,191	-	-
Animal control	336,284	20,495	121	-
Housing and neighborhood programs	370,280	20	271,731	-
Agent fees on long-term debt	6,741	-	-	-
Interest expense on long-term debt	199,807	-	-	-
Total governmental activities	23,723,687	2,042,098	2,031,400	3,048,158
Business-type Activities				
Sanitation services	2,030,667	1,591,723	-	-
AGFF Shooting Sports Complex	565,546	405,152	-	-
Emergency Medical services	2,254,304	2,132,153	16,171	-
Total business-type activities	4,850,517	4,129,028	16,171	-
Total primary government	\$ 28,574,204	\$ 6,171,126	\$ 2,047,571	\$ 3,048,158
Component Units				
Municipal Water Works	\$ 9,318,059	\$ 8,109,929	\$ -	\$ 207,861
Wastewater Utility	5,682,719	4,996,761	-	121,566
Advertising and Promotion Commission	823,989	-	-	-
Total component units	\$ 15,824,767	\$ 13,106,690	\$ -	\$ 329,427

General revenues
Property taxes
Sales taxes
Utility franchise taxes
Investment income
Grants and contributions not restricted to specific programs
Other
Transfers

Total general revenues and transfers

Change in Net Position

Net Position, Beginning of Year

Net Position, End of Year

See Accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total		
\$ 151,422	\$ -	\$ 151,422	\$ -	
(102,366)	-	(102,366)	-	
(264,799)	-	(264,799)	-	
(149,541)	-	(149,541)	-	
(263,203)	-	(263,203)	-	
(46,222)	-	(46,222)	-	
(60,483)	-	(60,483)	-	
(396,834)	-	(396,834)	-	
(491,395)	-	(491,395)	-	
(179,466)	-	(179,466)	-	
(111,438)	-	(111,438)	-	
(61,064)	-	(61,064)	-	
(184,059)	-	(184,059)	-	
(1,978,612)	-	(1,978,612)	-	
(5,797,738)	-	(5,797,738)	-	
(5,245,777)	-	(5,245,777)	-	
(799,712)	-	(799,712)	-	
(315,668)	-	(315,668)	-	
(98,530)	-	(98,530)	-	
(6,741)	-	(6,741)	-	
(199,807)	-	(199,807)	-	
(16,602,030)	-	(16,602,030)	-	
-	(438,944)	(438,944)	-	
-	(160,394)	(160,394)	-	
-	(105,980)	(105,980)	-	
-	(705,318)	(705,318)	-	
\$ (16,602,030)	\$ (705,318)	\$ (17,307,348)	\$ -	
\$ -	\$ -	\$ -	\$ (1,000,269)	
-	-	-	(564,392)	
-	-	-	(823,989)	
-	-	-	(2,388,650)	
917,150	-	917,150	-	
14,623,842	-	14,623,842	879,792	
1,113,293	-	1,113,293	-	
110,642	20,200	130,842	228,068	
448,418	-	448,418	-	
-	-	-	2,217,485	
(1,194,851)	1,194,851	-	-	
16,018,494	1,215,051	17,233,545	3,325,345	
(583,537)	509,733	(73,803)	936,695	
25,556,468	4,887,549	30,444,016	58,336,541	
\$ 24,972,931	\$ 5,397,282	\$ 30,370,214	\$ 59,273,238	

CITY OF JACKSONVILLE, ARKANSAS

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2019

	General	Street	Special Projects	Total Nonmajor Funds	Total
Assets					
Cash	\$ 151,247	\$ 2,037,932	\$ 1,112,845	\$ 118,601	\$ 3,420,625
Restricted cash	-	-	-	967,947	967,947
Investments	-	1,833,910	350,000	-	2,183,910
Accounts receivable					
Taxes	1,214,741	659,702	144,468	15,798	2,034,709
Sales taxes	2,749,304	-	-	-	2,749,304
Accounts	-	-	8,366	95,069	103,435
Accrued interest	-	2,999	560	-	3,559
Grants and other governments	730	301,193	-	-	301,923
Other	426,156	-	-	-	426,156
Due from other funds	13,112	185	-	39,044	52,341
Inventories	2,066	-	-	-	2,066
Total Assets	<u>\$ 4,557,356</u>	<u>\$ 4,835,922</u>	<u>\$ 1,616,240</u>	<u>\$ 1,236,459</u>	<u>\$ 12,245,976</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 230,953	\$ 152,449	\$ 162	\$ 27,142	\$ 410,706
Due to other funds	68,615	-	-	49,761	118,376
Accrued wages payable and related liabilities	346,928	21,773	-	2,322	371,023
Unearned revenue	29,278	-	-	-	29,278
Other liabilities	9,828	59,038	-	57,019	125,885
Total liabilities	<u>685,602</u>	<u>233,260</u>	<u>162</u>	<u>136,244</u>	<u>1,055,268</u>
Deferred Inflows of Resources					
Unavailable revenues - property taxes	722,262	418,874	144,468	-	1,285,604
Total deferred inflows of resources	<u>722,262</u>	<u>418,874</u>	<u>144,468</u>	<u>-</u>	<u>1,285,604</u>
Fund Balances					
Nonspendable					
Inventories	2,066	-	-	-	2,066
Restricted					
Street maintenance	-	4,183,788	-	-	4,183,788
Capital projects	-	-	-	111,987	111,987
Debt service	-	-	-	838,633	838,633
Law enforcement activities	-	-	-	26,608	26,608
Housing & neighborhood programs	-	-	-	109,302	109,302
Grant funds	-	-	-	13,687	13,687
Committed					
Equipment	7,873	-	-	-	7,873
Assigned					
Capital projects	-	-	1,471,609	-	1,471,609
Unassigned	3,139,553	-	-	-	3,139,553
Total fund balances	<u>3,149,492</u>	<u>4,183,788</u>	<u>1,471,609</u>	<u>1,100,215</u>	<u>9,905,104</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,557,356</u>	<u>\$ 4,835,922</u>	<u>\$ 1,616,240</u>	<u>\$ 1,236,459</u>	<u>\$ 12,245,976</u>

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, 2019

Total fund balances per statement	\$ 9,905,104
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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.	41,407,125
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Liabilities and related inflows/outflows of resources that are not due and payable in the current period and are not reported in the funds :

Capital leases	(463,233)
Bonds payable	(6,700,676)
Accrued interest payable	(4,187)
Accrued compensated absences	(621,464)
Net pension liability	(18,205,469)
Deferred inflows and outflows of resources from pensions and OPEB	(557,318)
Net OPEB liability	(1,556,520)

Other long-term assets such as property taxes are not available for current period expenditures and, therefore are reported as unavailable revenue in the funds.

1,285,604

Net position of governmental activities	\$ 24,972,931
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Capital assets	\$ 41,407,125
Capital lease obligation	(463,233)
General obligation bonds net of premiums and discounts	(6,700,676)
Accrued interest	(4,187)
Unspent bond proceeds	111,987
Net investment in capital assets	\$ 34,351,016

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2019

	General	Street	Special Projects	Total Nonmajor Funds	Total
Revenues					
Property taxes	\$ 577,095	\$ -	\$ 8,540	\$ 266,901	\$ 852,536
Sales taxes	14,623,842	-	-	-	14,623,842
Licenses and permits	305,522	-	-	-	305,522
Intergovernmental	1,976,521	2,877,135	75,149	553,319	5,482,124
Charges for services	1,020,293	-	43,347	-	1,063,640
Fines and fees	429,075	-	-	-	429,075
Utility franchise taxes	1,113,293	-	-	-	1,113,293
Investment income	11,451	64,870	14,230	20,091	110,642
Contributions and donations	-	-	4,125	-	4,125
Miscellaneous	289,514	1,991	43,154	20	334,679
Total revenues	20,346,606	2,943,996	188,545	840,330	24,319,477
Expenditures					
General government					
General government and administration	326,177	-	15,953	-	342,130
City council	96,627	-	-	-	96,627
Mayor	253,951	-	-	-	253,951
City clerk	142,928	-	-	-	142,928
City attorney	261,310	-	-	-	261,310
District court	397,238	-	-	-	397,238
Director of administration	58,909	-	-	-	58,909
Information technology	455,513	-	-	-	455,513
Finance	500,923	-	-	-	500,923
Human resources	168,178	-	-	-	168,178
Fleet services	137,301	-	-	-	137,301
Community programs	181,135	-	28,927	-	210,062
Total general government	2,980,189	-	44,880	-	3,025,070
Public works					
Public works coordinator	164,916	-	-	-	164,916
Engineering	164,091	-	-	-	164,091
Code enforcement	139,012	-	-	-	139,012
Streets and drainage	-	2,469,895	92,026	-	2,561,921
Total public works	468,019	2,469,895	92,026	-	3,029,940
Parks and recreation services	2,681,222	-	1,300	-	2,682,522
Police	5,679,726	-	51,582	188,575	5,919,883
Fire	4,969,057	-	-	231,491	5,200,548
Emergency communication services	812,913	-	-	-	812,913
Animal control	307,313	-	-	-	307,313
Housing and neighborhood programs	-	-	-	365,580	365,580
Debt Service					
Principal	-	-	-	790,000	790,000
Interest	-	-	-	198,391	198,391
Agent fees	-	-	-	6,741	6,741
Total expenditures	17,898,439	2,469,895	189,788	1,780,777	22,338,900
Excess (Deficiency) of Revenues Over Expenditures	2,448,167	474,101	(1,243)	(940,447)	1,980,577
Other Financing Sources (Uses)					
Transfers in	-	-	-	726,536	726,536
Transfers out	(1,301,536)	-	-	-	(1,301,536)
Total other financing sources (uses)	(1,301,536)	-	-	726,536	(575,000)
Net Change in Fund Balances	1,146,631	474,101	(1,243)	(213,911)	1,405,577
Fund Balances, Beginning of Year	2,002,862	3,709,687	1,472,853	1,314,126	8,499,528
Fund Balances, End of Year	\$ 3,149,492	\$ 4,183,788	\$ 1,471,609	\$ 1,100,215	\$ 9,905,104

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, 2019

Net change in fund balances - total governmental funds	\$ 1,405,577
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital asset purchases	781,842
Retirements	(27,307)
Depreciation expense	(2,399,035)

Governmental funds report debt as expenditures. However, for government-wide statements, the liability must be properly reflected in the statement of net position.

Principal repayments:	
General obligation bonds	260,000
Revenue bonds	530,000
Capital lease obligations	170,478
Amortization of bond premiums and discounts	3,501

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.	64,614
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Expenses that do not require current financial resources (such as interest and compensated absences) are not reported as expenses for the funds but are reported as expenses in the statement of activities.	8,171
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Current year pension and OPEB expenditures are reported on the fiscal year basis in the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities.	(761,525)
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Change in net position of governmental activities	<u>\$ (583,537)</u>
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CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF NET POSITION PROPRIETARY FUNDS DECEMBER 31, 2019

	Business-type Activities - Enterprise Funds			
	Sanitation Services	AGFF Shooting Sports Complex	Emergency Medical Services	Total
Assets and Deferred Outflows of Resources				
Current assets				
Cash	\$ 884,142	\$ 6,299	\$ 12,458	\$ 902,899
Investments	506,004	-	-	506,004
Accounts receivable, net of allowance for uncollectible accounts	275,049	-	1,015,529	1,290,578
Accrued interest	985	-	-	985
Due from other funds	274	1	105	380
Inventories	-	41,489	-	41,489
Total current assets	1,666,454	47,789	1,028,092	2,742,335
Noncurrent assets				
Capital assets				
Land and improvements	-	627,914	-	627,914
Buildings and improvements	-	2,854,808	-	2,854,808
Vehicles	2,805,476	13,486	902,713	3,721,675
Furniture and equipment	1,275,266	34,637	375,024	1,684,927
	4,080,742	3,530,845	1,277,737	8,889,324
Less accumulated depreciation	(2,830,320)	(483,869)	(524,864)	(3,839,053)
Net capital assets	1,250,422	3,046,976	752,873	5,050,271
Total noncurrent assets	1,250,422	3,046,976	752,873	5,050,271
Total assets	2,916,876	3,094,765	1,780,965	7,792,606
Deferred outflows of resources				
Deferred outflows - pensions	111,980	30,719	226,740	369,439
Total deferred outflows of resources	111,980	30,719	226,740	369,439
Total assets and deferred outflow of resources	\$ 3,028,856	\$ 3,125,484	\$ 2,007,705	\$ 8,162,045
Liabilities, Deferred Inflows of Resources, and Net Position				
Current liabilities				
Accounts payable	\$ 29,291	\$ 4,954	\$ 8,665	\$ 42,910
Accrued wages payable	26,270	5,981	23,670	55,921
Compensated absences, current	23,000	2,500	20,000	45,500
Deferred revenue	-	-	1,740	1,740
Total current liabilities	78,561	13,435	54,075	146,071
Noncurrent liabilities				
Compensated absences	2,326	2,113	5,163	9,602
Net pension liability	855,213	239,677	1,210,800	2,305,690
Total noncurrent liabilities	857,539	241,790	1,215,963	2,315,292
Total liabilities	936,100	255,225	1,270,038	2,461,363
Deferred inflows of resources				
Deferred inflows - pensions	95,402	26,737	181,264	303,403
Total deferred inflows of resources	95,402	26,737	181,264	303,403
Net Position				
Net investment in capital assets	1,250,422	3,046,976	752,873	5,050,271
Unrestricted (deficit)	746,932	(203,453)	(196,468)	347,011
Total net position	1,997,354	2,843,523	556,406	5,397,282
Total liabilities, deferred inflows of resources and net position	\$ 3,028,856	\$ 3,125,484	\$ 2,007,705	\$ 8,162,045

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, 2019

	Business-type Activities - Enterprise Funds			
	Sanitation Services	AGFF Shooting Sports Complex	Emergency Medical Services	Total
Operating Revenues				
Charges for services	\$ 1,489,781	\$ 266,531	\$ 2,132,094	\$ 3,888,406
Miscellaneous	101,942	138,621	59	240,622
Total operating revenues	1,591,723	405,152	2,132,153	4,129,028
Operating Expenses				
Salaries, wages and employee benefits	862,702	239,647	1,057,617	2,159,966
Supplies and materials	178,687	20,943	133,415	333,045
Services	84,352	51,724	80,253	216,329
Repairs and maintenance	105,353	10,085	22,388	137,826
Landfill fees	214,385	-	-	214,385
Other	2,445	160,087	865,675	1,028,207
Depreciation	582,743	83,060	94,956	760,759
Total operating expenses	2,030,667	565,546	2,254,304	4,850,517
Operating Income (Loss)	(438,944)	(160,394)	(122,151)	(721,489)
Nonoperating Revenues (Expenses)				
Interest income	20,183	-	17	20,200
Grant revenues	-	-	16,171	16,171
Net nonoperating revenues (expenses)	20,183	-	16,188	36,371
Income (Loss) Before Contributions and Transfers	(418,761)	(160,394)	(105,963)	(685,118)
Contributions	-	-	619,851	619,851
Transfers in	-	175,000	400,000	575,000
Changes in Net Position	(418,761)	14,606	913,889	509,733
Net Position (Deficit), Beginning of Year	2,416,115	2,828,917	(357,483)	4,887,549
Net Position, End of Year	<u>\$ 1,997,354</u>	<u>\$ 2,843,523</u>	<u>\$ 556,406</u>	<u>\$ 5,397,282</u>

See Accompanying Notes to Basic Financial Statements.

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS YEAR ENDED DECEMBER 31, 2019

	Business-type Activities - Enterprise Funds			
	Sanitation Services	AGFF Shooting Sports Complex	Emergency Medical Services	Total
Operating Activities				
Receipts from customers	\$ 1,796,236	\$ 266,531	\$ 737,043	\$ 2,799,810
Other receipts	101,668	(21,466)	1,694	81,896
Payments to employees	(770,829)	(268,808)	(839,579)	(1,879,216)
Payments to suppliers	(191,397)	(48,081)	(145,280)	(384,758)
Payments to service providers	(82,189)	(55,142)	(79,257)	(216,588)
Other payments	(317,544)	(10,585)	(22,331)	(350,460)
Net cash provided by (used in) operating activities	535,945	(137,550)	(347,710)	50,685
Noncapital Financing Activities				
Operating grants	-	-	16,171	16,171
Transfers from other funds	-	175,000	400,000	575,000
Net cash provided by noncapital financing activities	-	175,000	416,171	591,171
Capital and Related Financing Activities				
Purchases of capital assets	(10,402)	(33,929)	(685,759)	(730,090)
Capital contributions	-	-	619,851	619,851
Net cash provided by (used in) capital and related financing activities	(10,402)	(33,929)	(65,908)	(110,239)
Investing Activities				
Proceeds from maturities of cash investments	204,257	-	-	204,257
Purchase of cash investments	(407,368)	-	-	(407,368)
Interest income	20,183	-	17	20,200
Net cash provided (used) by investing activities	(182,929)	-	17	(182,911)
Net Increase in Cash	342,614	3,521	2,571	348,706
Cash, Beginning of Year	541,528	2,779	9,886	554,193
Cash, End of Year	\$ 884,142	\$ 6,299	\$ 12,458	\$ 902,898

See Accompanying Notes to Basic Financial Statements.

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF CASH FLOWS (CONTINUED) PROPRIETARY FUNDS YEAR ENDED DECEMBER 31, 2019

	Business-type Activities - Enterprise Funds			
	Sanitation Services	AGFF Shooting Sports Complex	Emergency Medical Services	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities				
Operating income (loss)	\$ (438,944)	\$ (160,394)	\$ (122,151)	\$ (721,489)
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	582,743	83,060	94,956	760,759
Changes in assets and liabilities				
Receivables, net	308,900	-	(527,636)	(218,736)
Inventory	-	(26,956)	-	(26,956)
Due from other funds	(274)	(1)	(105)	(380)
Deferred outflows of resources	101,314	(11,299)	300,155	390,170
Accounts payable	(8,353)	(4,099)	(10,812)	(23,263)
Accrued expenses	47,895	268	(134,422)	(86,259)
Deferred inflows of resources	(57,336)	(18,130)	52,305	(23,161)
Net cash provided by (used in) operating activities	<u>\$ 535,945</u>	<u>\$ (137,550)</u>	<u>\$ (347,710)</u>	<u>\$ 50,685</u>

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS DECEMBER 31, 2019

	Pension Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 758,283	\$ 17,204
Investments		
U.S. Government obligations	4,153,615	-
Corporate bonds	1,384,767	-
Mutual funds	6,267,886	-
Receivables		
Accounts receivable	466	-
Due from other funds	65,654	-
Accrued interest	36,419	-
Total Assets	<u>\$ 12,667,090</u>	<u>\$ 17,204</u>
Liabilities		
Other liabilities	<u>\$ -</u>	<u>\$ 17,204</u>
Net Position		
Net position restricted for pension benefits	<u>\$ 12,667,090</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, 2019

	Pension Trust Funds
Additions	
Contributions	
Employer	\$ 48,399
Contributed from General Fund	
Property taxes	569,022
State insurance turnback and guarantee fund	262,321
	<u>879,742</u>
Investment income	
Net increase in fair value of investments	1,083,763
Interest and dividends	262,318
Gain on sale of investments	187,792
Other investment income	354
	<u>1,534,227</u>
Less investment expense	<u>126,812</u>
	<u>1,407,415</u>
Total additions	<u>2,287,156</u>
Deductions	
Benefits paid directly to participants	1,399,564
Administrative expenses	4,890
	<u>1,404,454</u>
Change in Net Position	882,702
Net Position Restricted for Pension Benefits, Beginning of Year	<u>11,784,388</u>
Net Position Restricted for Pension Benefits, End of Year	<u><u>\$ 12,667,090</u></u>

See Accompanying Notes to Basic Financial Statements.

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF NET POSITION DISCRETELY PRESENTED COMPONENT UNITS DECEMBER 31, 2019

	Jacksonville Municipal Water Works	Jacksonville Wastewater Utility	Nonmajor Component Unit Advertising and Promotion Commission	Total
Assets and Deferred Outflows of Resources				
Current assets				
Cash and cash equivalents	\$ 7,210,210	\$ 8,259,864	\$ 434,947	\$ 15,905,021
Investments	1,143,326	-	408,893	1,552,219
Receivables, net of allowance for uncollectible accounts				
Accounts	1,716,213	1,041,770	132,645	2,890,628
Revenues earned and unbilled	-	187,124	-	187,124
Accrued interest	682	-	601	1,283
Inventories	602,225	93,688	-	695,913
Prepaid expenses	103,227	11,680	-	114,907
Restricted Current Assets				
Cash and cash equivalents	1,955,348	124,216	-	2,079,564
Total current assets	12,731,231	9,718,342	977,086	23,426,659
Noncurrent assets				
Restricted assets				
Cash and cash equivalents	-	576,234	-	576,234
Total restricted noncurrent assets	-	576,234	-	576,234
Capital assets				
Land	506,557	411,491	-	918,048
Buildings and improvements	2,653,818	2,430,227	-	5,084,045
Machinery and equipment	3,150,837	2,520,654	-	5,671,491
LRAFB Distribution System	17,750,941	-	-	17,750,941
Water system	53,901,380	-	-	53,901,380
Sewer system	-	61,321,973	-	61,321,973
Construction in progress	-	107,715	-	107,715
	77,963,533	66,792,060	-	144,755,593
Less accumulated depreciation	(26,901,472)	(36,544,426)	-	(63,445,898)
Net capital assets	51,062,061	30,247,634	-	81,309,694
Other assets	310,522	-	-	310,522
Total noncurrent assets	51,372,583	30,823,868	-	82,196,450
Total Assets	64,103,814	40,542,210	977,086	105,623,109
Deferred Outflows of Resources				
Deferred amounts on refunding	-	114,112	-	114,112
Deferred outflows from pensions	452,223	239,312	-	691,535
Total deferred outflows of resources	452,223	353,424	-	805,647
Total Assets and Deferred Outflows of Resources	\$ 64,556,037	\$ 40,895,634	\$ 977,086	\$ 106,428,757

See Accompanying Notes to Basic Financial Statements.

			Nonmajor Component Unit	
	Jacksonville Municipal Water Works	Jacksonville Wastewater Utility	Advertising and Promotion Commission	Total
Liabilities, Deferred Inflows of Resources, and Net Position				
Current liabilities				
Accounts payable	\$ 931,479	\$ 62,740	\$ 241,608	\$ 1,235,827
Accrued interest payable	8,875	44,600	-	53,475
Bonds payable-current portion	3,014,595	370,000	-	3,384,595
Accrued expenses and other	165,014	61,394	-	226,408
Total current liabilities	4,119,963	538,734	241,608	4,900,305
Noncurrent liabilities				
Bonds payable, net of unamortized discount	22,905,478	14,238,791	-	37,144,269
Customer deposits	823,622	-	-	823,622
Net pension liability	1,837,253	1,656,746	-	3,493,999
Other long-term liabilities	1,299	563,721	-	565,020
Total noncurrent liabilities	25,567,652	16,459,258	-	42,026,910
Total liabilities	29,687,615	16,997,992	241,608	46,927,215
Deferred Inflows of Resources				
Deferred inflows from pensions	92,229	136,075	-	228,304
Net Position				
Net investment in capital assets	25,141,988	15,594,243	-	40,736,231
Restricted-expendable	1,946,473	700,450	-	2,646,923
Unrestricted	7,687,732	7,466,874	735,478	15,890,084
Total net position	34,776,193	23,761,567	735,478	59,273,238
Total Liabilities, Deferred Inflows of Resources and Net Position				
	\$ 64,556,037	\$ 40,895,634	\$ 977,086	\$ 106,428,757

CITY OF JACKSONVILLE, ARKANSAS

STATEMENT OF ACTIVITIES DISCRETELY PRESENTED COMPONENT UNITS YEAR ENDED DECEMBER 31, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Advertising and Promotion Commission	\$ 823,989	\$ -	\$ -	\$ -
Total governmental activities	823,989	-	-	-
Business-type Activities				
Municipal Water Works	9,318,059	8,109,929	-	207,861
Wastewater Utility	5,682,719	4,996,761	-	121,566
Total business-type activities	15,000,778	13,106,690	-	329,427
Total component units	<u>\$ 15,824,767</u>	<u>\$ 13,106,690</u>	<u>\$ -</u>	<u>\$ 329,427</u>
General revenues				
Sales taxes				
Investment income				
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
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (823,989)</u>	<u>\$ (823,989)</u>
<u>-</u>	<u>-</u>	<u>(823,989)</u>	<u>(823,989)</u>
<u>(1,000,269)</u>	<u>-</u>	<u>-</u>	<u>(1,000,269)</u>
<u>-</u>	<u>(564,392)</u>	<u>-</u>	<u>(564,392)</u>
<u>(1,000,269)</u>	<u>(564,392)</u>	<u>-</u>	<u>(1,564,661)</u>
<u>\$ (1,000,269)</u>	<u>\$ (564,392)</u>	<u>\$ (823,989)</u>	<u>\$ (2,388,650)</u>
-	-	879,792	879,792
9,460	212,597	6,011	228,068
<u>2,217,485</u>	<u>-</u>	<u>-</u>	<u>2,217,485</u>
<u>2,226,945</u>	<u>212,597</u>	<u>885,803</u>	<u>3,325,345</u>
1,226,676	(351,795)	61,814	936,695
<u>33,549,517</u>	<u>24,113,361</u>	<u>673,663</u>	<u>58,336,541</u>
<u>\$ 34,776,193</u>	<u>\$ 23,761,567</u>	<u>\$ 735,478</u>	<u>\$ 59,273,238</u>



CITY OF JACKSONVILLE, ARKANSAS

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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

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

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

Reporting Entity

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

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

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

Blended Component Units

Major Component Units:

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.

AGFF Shooting Sports Complex Fund (“Shooting Complex”) – The AGFF Shooting Sports Complex 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 the Shooting Complex and has a financial benefit or burden relationship with the Shooting Complex. The Shooting Complex accounts for operations of the City's public shooting range facility.

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.

Other Component Units:

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

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 citizens of Jacksonville.

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

There were no significant transactions between the major component units and the City or its other component units in 2019.

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 *AGFF Shooting Sports Complex Fund*, a blended component unit of the City, is a major enterprise fund which accounts for operation of the City's public shooting range facility.

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

Additionally, the City reports the following fund types:

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

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

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

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

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

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities' column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfer in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities' column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting

Government-wide, Proprietary and Fiduciary Funds

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

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

Nonexchange transactions, in which the City receives (or gives) value without directly giving (or receiving) equal value in exchange, include taxes; fines and forfeitures; grants, entitlements, and similar items; and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Franchise taxes, other taxes, and fines and forfeitures are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Grants, entitlements, and

donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as deferred revenues. Grants and similar aid to other organizations are recognized as expenses as soon as recipients have met all eligibility requirements. Amounts paid before all eligibility requirements have been met are reported as prepaid items.

Governmental Fund Financial Statements

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

Use of Estimates

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

Cash and Cash Equivalents

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

Investments and Investment Income

All investments in the City's Pension Trust Funds are carried at fair value. For all other funds, investments in certificate of deposit and money market investments are carried at amortized cost, which approximates fair value.

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

Inventories

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

Capital Assets

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

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

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

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

Long-term Obligations

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

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

Compensated Absences

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

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

Unearned Revenue

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

Pensions

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

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City has a deferred outflow for a bond refunding, which is the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred or amortized to interest expense over the shorter of the life of the refunded and new debt. In addition, the City has deferred outflows related to pensions, with one being the amount of contributions made to the pension plans after the measurement date, and the other the difference in investment experience between actual earnings and projected earnings on pension plan investments and the difference in assumption changes. Deferred outflows related to contributions made after the measurement date will be recognized as a reduction of net pension liability in the following year ended December 31, 2019. The remaining amounts will be amortized to pension expense over future periods as shown within Note 6.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The City's deferred inflows include property taxes in the governmental funds. The City also has deferred inflows related to pensions. This consists of the difference between the expected and actual experience related to the pension plans as well as the difference in assumption changes. These amounts are amortized over future periods to pension expense as shown within Note 6.

Net Position/Fund Balance

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

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

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

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

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

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

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

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

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

Budgetary Information

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

Pension Plan Descriptions

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

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, 2019:

Statement No.	Adoption Required in Fiscal Year
84 <i>Fiduciary Activities</i>	2020
87 <i>Leases</i>	2022
88 <i>Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement</i>	2020
91 <i>Conduit Debt Obligations</i>	2022
93 <i>Replacement of Interbank Offered Rates</i>	2021/2022
94 <i>Public-Private and Public-Public Partnerships and Availability Payment Arrangement</i>	2023
96 <i>Subscription-Based Information Technology Arrangements</i>	2023
97 <i>Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32</i>	Various

The impact of these standards on the City's net position has not been determined.

Note 2: Deposits and Investments

Deposits

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

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

State statutes require all time and demand deposits to be fully insured or collateralized. Accounts with under \$250,000 balance of either an interest bearing account or non-interest bearing account are covered by FDIC deposit insurance. The total cash held in demand deposits has been fully collateralized and meets statutes' requirements. At December 31, 2019, none of the City's primary government bank balances were exposed to custodial credit risk.

Investments

The investment policy of the City is governed by State statute and a Council adopted City Investment Policy. Major controls stipulated in the Investment Policy include: depository limitations require Federal Deposit Insurance Corporation ("FDIC") insurance or full 102 percent collateralization; all collateral for repurchase agreements and deposits held by independent third party trustees; all settlement is delivery versus payment; all authorized investments are defined; and diversification guidelines are set as are maximum maturity and maximum weighted average maturity.

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

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

The investments of the City as shown on the Statement of Net Position consist of non-negotiable certificates of deposit. The pension trust funds' investments, carried at fair value, and maturities as of December 31, 2019 were as follows:

Investment Type	Fair Value	Investment Maturities			
		Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
U.S. Treasury obligations	\$ 3,691,215	\$ 939,562	\$ 2,678,202	\$ 73,450	\$ -
U.S. Agencies obligations	462,400	-	249,852	-	212,548
Corporate Bonds	1,384,767	204,593	1,092,529	87,644	-
Bond mutual funds	3,360,357	3,360,357			
Mutual funds	2,907,529	2,907,529			
	<u>11,806,268</u>	<u>\$ 7,412,041</u>	<u>\$ 4,020,584</u>	<u>\$ 161,095</u>	<u>\$ 212,548</u>
Money Market Fund	330,518				
	<u>\$ 12,136,785</u>				

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the City records investments at fair value. However, for participating interest-earning investments contracts with maturities of one year or less at time of purchase, the City reports these investments at amortized costs.

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

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

Credit Risk – Credit risk of investments is the risk that the issuer or other counterparty will not fulfill its obligations. It is the City's policy, excluding fiduciary funds, to invest almost exclusively in government-issued treasuries and agencies, and FDIC insured certificates of deposit. As of December 31, 2019 the City's investments, exclusive of the pension trust funds, consisted of FDIC insured certificates of deposit.

The investment policy of the Firemen's Pension and Relief Fund states that plan assets may be invested in investment grade bonds rated by Standard and Poor's of BBB+ or better and in commercial paper rated A1 or better. The Policemen's Pension and Relief Fund investment policy requires a credit analysis of each debt instrument prior to inclusion in the portfolio.

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of failure of the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name. Exclusive of the pension trust funds, on December 31, 2019, investments held by the City were limited to certificates of deposit which were FDIC insured or collateralized at 102% of the deposits fair value and U.S. Treasury Fund money market accounts. The City's collateral is held by third party financial institutions. Monthly and quarterly collateral reports are sent to the City's finance department.

Concentration of Credit Risk – The City's investment policy limits investments in securities from any one issuer to 5% of the cost basis of the City's portfolio at the time of purchase, and limits concentration in any one business sector to 15% of the cost basis of the portfolio excluding U.S. Government obligations and collateralized certificates of deposit. The City had no concentration of credit risk as of December 31, 2019.

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.

Foreign Currency Risk – This risk relates to the adverse effects on the fair value of an investment from changes in exchange rates. The City's investment policy doesn't directly address foreign currency risk. The City had no investments that were denominated in foreign currency on December 31, 2019.

Fair Value of Assets – Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1	Quoted prices in active markets for identical assets or liabilities
Level 2	Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
Level 3	Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Recurring Measurements

The following table represents the fair value measurements of assets recognized in the accompanying fiduciary funds financial statements measured at fair value on a recurring basis and the level within the fair hierarchy in which the fair value measurements fall at December 31, 2019:

		Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
December 31, 2019				
U.S. Treasury obligations	\$ 3,691,215	\$ 3,691,215	\$ -	\$ -
U.S. Agencies obligations	462,400	-	462,400	-
Corporate Bonds	1,384,767	1,384,767	-	-
Bond mutual funds	3,360,357	3,360,357		
Mutual funds	2,907,529	2,907,529		
Total investments by fair value level	\$ 1,847,167	\$ 4,745,124	\$ 462,400	\$ -
Investments Measured at the Net Asset Value (NAV)				
Money Market Mutual Fund	\$ 330,518			
	\$ 330,518			

Investments – Where quoted market prices are available in an active market, securities are classified within level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. Level 3 includes several real estate funds that invest primarily in E.U. commercial real estate. These investments can never be redeemed with the funds. Distributions from

each fund will be made as the underlying investments of the fund are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the next 7 to 10 years.

Summary of Carrying Values – The carrying values of deposits and investments shown above are included in the statements of net position as follows:

	Primary Government
Carrying value	
Deposits	\$ 8,426,355
Investments	12,136,785
	<u>\$ 20,563,140</u>
Included in the following statements of net position captions	
Current Assets	
Cash and cash equivalents	\$ 4,323,524
Short-term investments	2,689,914
Noncurrent Assets	
Restricted cash and investments	967,947
Cash and investments - fiduciary funds	12,581,755
	<u>\$ 20,563,140</u>

Note 3: Capital Assets

A summary of changes in capital assets for the year ended December 31, 2019 is presented as follows:

	Balance January 1, 2019	Increases	Decreases	Transfers	Balance December 31, 2019
Governmental Activities					
Capital Assets, non-depreciable					
Land	\$ 10,307,488	\$ -	\$ -	\$ -	\$ 10,307,488
Construction in progress	496,752	592,624	-	-	1,089,376
Total capital assets, non-depreciable	10,804,240	592,624	-	-	11,396,864
Capital Assets, depreciable					
Land improvements	1,496,253	-	-	-	1,496,253
Infrastructure	34,338,777	-	-	-	34,338,777
Buildings	28,455,541	55,516	(6,944)	-	28,504,113
Vehicles	6,612,173	54,107	-	(460,982)	6,205,298
Equipment	10,311,672	79,595	(39,018)	(158,869)	10,193,380
Total capital assets, depreciable	81,214,416	189,218	(45,962)	(619,851)	80,737,821
Less accumulated depreciation					
Land improvements	870,594	59,615	-	-	930,208
Infrastructure	25,339,960	546,408	-	-	25,886,369
Buildings	10,263,079	782,555	-	-	11,045,634
Vehicles	4,220,932	324,493	-	-	4,545,426
Equipment	7,652,611	685,964	(18,655)	-	8,319,919
Total accumulated depreciation	48,347,180	2,399,035	(18,655)	-	50,727,556
Total capital assets, depreciable, net	32,867,236	(2,209,817)	(27,307)	(619,851)	30,010,261
Total governmental activities, net	\$ 43,671,476	\$ (1,617,193)	\$ (27,307)	\$ (619,851)	\$ 41,407,125

Business-type activities	Balance				Balance
	January 1, 2019	Increases	Decreases	Transfers	December 31, 2019
Capital Assets, non-depreciable					
Land	\$ 480,385	\$ -	\$ -	\$ -	\$ 480,385
Construction in Progress	-	-	-	-	-
Total capital assets, non-depreciable	480,385	-	-	-	480,385
Capital Assets, depreciable					
Buildings	2,854,808	-	-	-	2,854,808
Land Improvements	113,600	33,929	-	-	147,529
Vehicles	3,260,693	-	-	460,982	3,721,675
Equipment	1,449,749	235,177	-	-	1,684,926
Total capital assets, depreciable	7,678,849	269,106	-	460,982	8,408,938
Less accumulated depreciation					
Buildings	350,904	71,371	-	-	422,275
Land Improvements	18,126	7,482	-	-	25,608
Vehicles	1,716,976	643,592	(107,088)	-	2,253,480
Equipment	992,286	145,403	-	-	1,137,689
Total accumulated depreciation	3,078,293	867,848	(107,088)	-	3,839,052
Total business-type activities, net	\$ 5,080,941	\$ (598,742)	\$ 107,088	\$ 460,982	\$ 5,050,271

Construction in progress is composed of the following:

	Expended to December 31, 2019	Estimated Amount To Complete
Primary Government		
General Government		
Military Road Sidewalk	\$ 570,259	\$ 1,688
Loop Road Rail Grade	156,576	9,143,424
Oneida Bridge	232,408	567,592
Emma Street extension	45,875	500,000
Main Street alignment	67,396	1,000,000
City Hall new phone system installation	16,862	31,733
	<u>\$ 1,089,376</u>	<u>\$ 11,553,718</u>
Component Unit		
Jacksonville Wastewater Utility		
Hwy 67/167 relocation	107,714	42,286
	<u>\$ 107,714</u>	<u>\$ 42,286</u>

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

Governmental Activities	
General government	
General administration	\$ 194,089
Director of administration	1,000
Information technology	39,556
Community programs	36,312
Total general government	270,957
Public works	
Streets and drainage	658,567
Total public works	658,567
Parks and recreation services	378,458
Police	345,898
Fire	340,873
Emergency services	395,599
Animal control	8,683
Total depreciation expense - governmental activities	2,399,035
Business-type Activities	
Sanitation services	689,830
AGFF Shooting Sports Complex	94,957
Emergency medical services	83,061
Total depreciation expense - business-type activities	867,848
Total depreciation expense - primary government	\$ 3,266,883

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended December 31, 2019 were as follows:

	Balance January 1, 2019	Increases	Decreases	Balance December 31, 2019	Amounts Due In One Year
Governmental Activities					
Bonds payable-					
2006 Library Construction	\$ 490,000	\$ -	\$ 260,000	\$ 230,000	\$ 75,000
2015 Capital Improvement and Refunding	6,980,000	-	530,000	6,450,000	540,000
Less: issuance discount	139	-	98	41	-
Add: issuance premium	24,038	-	3,599	20,439	-
Bonds payable, net	7,494,177	-	793,698	6,700,479	615,000
Capital lease obligations	633,710	-	170,487	463,223	160,438
Compensated absences	624,817	10,485	13,838	621,462	567,915
Governmental activities long-term liabilities	\$ 8,752,704	\$ 10,485	\$ 978,023	\$ 7,785,165	\$ 1,343,353
Business-type Activities					
Compensated absences	\$ 55,625	\$ 1,987	\$ 2,512	\$ 55,100	\$ 45,500
Total business-type activities long-term liabilities	\$ 55,626	\$ 1,987	\$ 2,512	\$ 55,101	\$ 45,500

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, 2019, an additional \$190,000 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, 2025.

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

Annual Debt Service Requirements

The following schedule shows the annual debt-service requirements to pay principal and interest on the general obligation bonds and revenue bonds outstanding at December 31, 2019.

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 615,000	\$ 263,849	\$ 878,849
2021	625,000	245,899	870,899
2022	645,000	197,764	842,764
2023	575,000	145,823	720,823
2024	590,000	131,256	721,256
2025-2030	3,630,000	397,219	4,027,219
Total	<u>\$ 6,680,000</u>	<u>\$ 1,381,809</u>	<u>\$ 8,061,809</u>

Pledged Revenues

The following is a summary of pledged revenues of the City for the year ended December 31, 2019:

Debt	Revenue Pledged	Total Pledged Revenue	Current Year Debt Service Requirements	Percentage Portion of Pledged Revenue Stream	Remaining Principal and Interest	Period Revenue Will Not Be Available For Other Purposes
2006 Library Construction and Improvement Bonds	Property tax	\$ 5,494,775	\$ 70,000	1%	\$ 424,113	Until 2021
2015 Capital Improvement and Refunding Revenue Bonds	Franchise fees for public utilities	\$ 16,868,130	\$ 530,000	3%	\$ 7,637,697	Until 2030

Lease Obligations

The City entered into a capital lease agreement with AT&T Capital Services Inc. on September 1, 2017 for the purpose of upgrading and installing 9-1-1 call handling equipment. As of December 31, 2019, the principal balance outstanding was \$337,140. The equipment has a five (5) year estimated life. This year, \$125,014 was included in depreciation expense. The lease agreement was for \$627,430 to be repaid in sixty (60) monthly installments of \$10,629. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The City entered into a capital lease agreement with Dell Financial Services on September 28, 2018 for the purpose of upgrading computer servers city wide. As of December 31, 2019, the principal balance outstanding was \$126,093. The equipment has a five (5) year estimated life. This year, \$13,250 was included in depreciation expense. The lease agreement was for \$167,218 to be repaid in sixty (60) monthly installments of \$3,142. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2019, were as follows:

Year Ending December 31,	Governmental Activities
2020	\$ 165,253
2021	165,253
2022	122,737
2023	25,136
Total minimum lease payments	478,379
Less: amount representing interest	(15,146)
Present value of minimum lease payments	<u>\$ 463,233</u>

Note 5: Interfund Balances and Transfers

Interfund receivables and payables result from transactions between various funds within the City. The balances by fund on December 31, 2019 are as follows:

Fund	Interfund Receivables	Interfund Payables
Primary Government		
Governmental Funds to/from Nonfiduciary Funds		
General Fund	\$ 13,112	\$ 2,960
Street	185	-
Asset Forfeitures	2,394	-
CDBG	1	13,112
Capital Improvements Construction Fund	-	36,649
Capital Improvements Debt Service Fund	36,649	-
Governmental Funds to/from Fiduciary Funds		
General Fund	-	65,654
Total governmental funds	<u>52,341</u>	<u>118,375</u>
Proprietary Funds		
Emergency Medical Services	105	-
AGFF Shooting Sports Complex	1	-
Sanitation Services	<u>274</u>	<u>-</u>
Total proprietary funds	<u>380</u>	<u>-</u>
Fiduciary Funds		
Policemen's Pension	32,827	-
Firemen's Pension	<u>32,827</u>	<u>-</u>
Total fiduciary funds	<u>65,654</u>	<u>-</u>
Total	<u>\$ 118,375</u>	<u>\$ 118,375</u>

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

The amounts due to the fiduciary funds result from the collection and remittance of property taxes by the General Fund that are levied to fund the Policemen's and Firemen's Pension Plans.

Interfund transfers in and transfers out for the year ended December 31, 2019, are as follows:

Fund	Interfund Transfers	
	In	Out
Governmental Funds:		
Major Funds:		
General Fund	\$ -	\$ 1,301,536
Nonmajor Funds	<u>726,536</u>	<u>-</u>
Total governmental funds	<u>726,536</u>	<u>1,301,536</u>
Proprietary Funds:		
AGFF Shooting Sports Complex	175,000	-
Emergency Medical Services	<u>400,000</u>	<u>-</u>
Total proprietary funds	<u>575,000</u>	<u>-</u>
Total	<u>\$ 1,301,536</u>	<u>\$ 1,301,536</u>

The transfers out of \$1,301,536 from the General Fund are transfers out to supplement the Emergency Medical Services Fund for operational expenses in the amount of \$400,000, to supplement the AGFF Shooting Sports Complex Fund for operational expenses in the amount of \$175,000, and to meet debt service requirements in the 2015 Capital Improvements Debt Service Fund in the amount of \$726,536.

Note 6: Pension Plans

Pension Trust Funds

Substantially all of the City's employees receive retirement benefits. The City sponsors two single employer defined benefit plans, the Policemen's Pension and Relief Fund and the Firemen's Pension and Relief Fund. The City also contributes to the Arkansas Public Employees Retirement System (APERS) and to the Arkansas Local Police and Fire Retirement System (LOPFI), which are statewide cost sharing multiple employer defined benefit pension plans. The City typically contributes to these funds through the Governmental Funds: General and Street and the Enterprise Funds: Sanitation, AGFF Shooting Sports Complex, and Emergency Services based upon employees and their retirement plans. The assets of the Plans are maintained in legally separate trusts and each Plan's assets may be used only for the payment of benefits to the members of that plan or their beneficiaries in accordance with the terms of the Plan.

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

Governmental Activities	Net Pension Asset	Net Pension Liability	Deferred Outflows	Deferred Inflows	Pension Expense
Policemen's Pension and Relief Fund	\$ 483,966	\$ -	\$ -	\$ 132,405	\$ 203,256
Firemen's Pension and Relief Fund	-	2,170,702	-	67,448	84,179
Arkansas Public Employee Retirement System	-	4,352,324	680,938	485,519	418,749
Arkansas Local Police and Fire Retirement System - Fire	-	5,945,228	1,113,333	890,038	1,415,111
Arkansas Local Police and Fire Retirement System - Police	-	5,737,215	1,059,938	1,798,086	825,294
	<u>\$ 483,966</u>	<u>\$ 18,205,469</u>	<u>\$ 2,854,209</u>	<u>\$ 3,373,496</u>	<u>\$ 2,946,588</u>
Business-Type Activities	Net Pension Asset	Net Pension Liability	Deferred Outflows	Deferred Inflows	Pension Expense
Arkansas Public Employee Retirement System	\$ -	\$ 1,094,890	\$ 142,699	\$ 122,139	\$ 133,944
Arkansas Local Police and Fire Retirement System	-	1,210,800	226,740	181,264	288,200
	<u>\$ -</u>	<u>\$ 2,305,690</u>	<u>\$ 369,439</u>	<u>\$ 303,403</u>	<u>\$ 422,144</u>
Total Primary Government	<u>\$ 483,966</u>	<u>\$ 20,511,159</u>	<u>\$ 3,223,648</u>	<u>\$ 3,676,899</u>	<u>\$ 3,368,732</u>
Discretely Presented Component Units	<u>\$ -</u>	<u>\$ 3,493,999</u>	<u>\$ 691,535</u>	<u>\$ 228,304</u>	<u>\$ 729,141</u>

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

A. Summary of Significant Accounting Policies

Basis of Accounting

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

Method Used to Determine Fair Value of Investments

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

B. Covered Employees Information

As of the December 31, 2019 measurement date, there were 18 police and 34 fire retirees and beneficiaries covered by benefit terms of the plans. There are no active employees in the plans.

C. Financial Information

The statement of fiduciary net position and the statement of changes in fiduciary net position as of and for the year ended December 31, 2019 for the Policemen's and Firemen's Pension and Relief Funds are below:

	Statement of Fiduciary Net Position	
	Policemen's Pension And Relief Fund	Firemen's Pension And Relief Fund
Assets		
Cash and cash equivalents	\$ 290,524	\$ 467,759
Investments	5,934,627	5,871,641
Receivables	51,414	51,125
Total assets	6,276,565	6,390,525
Net Position		
Net position restricted for pension benefits	\$ 6,276,565	\$ 6,390,525
	Policemen's Pension And Relief Fund	Firemen's Pension And Relief Fund
Additions		
Contributions	\$ 386,870	\$ 492,872
Net investment income (loss)	701,580	705,835
Total additions	1,088,450	1,198,707
Deductions		
Benefits paid directly to participants	569,398	830,166
Administrative expenses	3,290	1,600
Total deductions	572,688	831,766
Change in Net Position	515,762	366,941
Net Position Restricted For Pension Benefits, Beginning of Year	5,760,803	6,023,585
Net Position Restricted For Pension Benefits, End of Year	\$ 6,276,565	\$ 6,390,525

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 2019 to the Policemen's Fund were \$386,870. The City's share of contributions was \$386,870 and included \$284,511 in property taxes and \$53,960 in state insurance premium taxes and other supplements received from the state.

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. Administrative costs are financed through Fund assets approved by the Board of Trustees. Total contributions for 2019 to the Firemen's Fund were \$492,872. The City's share of contributions was \$492,872 and included \$284,511 in property taxes and \$208,361 in state insurance premium taxes.

E. Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and includes types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques

that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The State of Arkansas Fire and Police Pension Review Board is responsible for the coordination of the actuarial valuations performed on the Policemen's and Firemen's Pension and Relief Funds. Actuarial evaluations are performed annually and the last evaluation was as of December 31, 2019.

For the December 31, 2019 actuarial valuations of each plan, the entry age cost method was used. The actuarial value of pension benefit assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The actuarial assumptions included a 5% investment rate of return (net of administrative expenses), projected salary increases of 4.2% - 8.0%, which includes an inflation rate of 2.5% and no cost of living increases. The remaining amortization period on December 31, 2019 was 5 years using a level dollar, open basis, amortization period. The mortality assumption was based on the 1983 Group Annuity Table for males, set back five years for females. There were no factors that significantly affected the identification of trends such as changes in benefits, actuarial methods or assumptions.

The actuarial assumptions used in the December 31, 2019 actuarial valuations were based on the results of an actuarial experience study for the period 2007 through 2012.

F. Net Pension Liability and Changes in Net Pension Liability

The components of the net pension liability were as follows as of December 31, 2019:

	Policemen's Fund	Firemen's Fund
Total pension liability	\$ 5,764,386	\$ 8,533,304
Plan's fiduciary net position	6,248,352	6,362,602
City's net pension (asset) liability	<u>\$ (483,966)</u>	<u>\$ 2,170,702</u>
Plan's fiduciary net position as a percentage of total pension liability	108.40%	74.56%

Changes in the total pension liability, plan fiduciary net position, and the net pension liability for the year ended December 31, 2019 were as follows:

	Policemen's Pension and Relief Fund			Firemen's Pension and Relief Fund		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of Beginning of Year	\$5,858,319	\$5,731,676	\$126,643	\$9,019,132	\$6,012,769	\$3,006,363
Changes for the year:						
Interest on total pension liability	280,024	-	280,024	431,668	-	431,668
Differences between expected and actual experience	(276,719)	-	(276,719)	(145,950)	-	(145,950)
Employer contributions	-	334,222	(334,222)	-	435,210	(435,210)
Net investment income	-	706,670	(706,670)	-	687,769	(687,769)
Benefit payments and refunds	(515,688)	(515,688)	-	(771,546)	(771,546)	-
Administrative expenses	-	(8,778)	8,778	-	(1,600)	1,600
Benefit changes	418,451	-	418,451	-	-	-
Other	-	250	(250)	-	-	-
Net changes	(93,933)	516,676	(610,609)	(485,828)	349,833	(835,661)
Balances as of End of Year	<u>\$5,764,386</u>	<u>\$6,248,352</u>	<u>(\$483,966)</u>	<u>\$8,533,304</u>	<u>\$6,362,602</u>	<u>\$2,170,702</u>

G. Pension Income and Expense and Deferred Outflows and Inflows of Resources Related to Pensions

For the year ended December 31, 2019, the City recognized pension expense of \$203,256 for the Policemen's Pension and Relief Fund and pension expense of \$84,179 for the Firemen's Pension and Relief Fund, as measured in accordance with GASB Statement No. 68. On December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Policemen's Fund	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual earnings on pension plan investments	\$ -	\$ 132,405

	Firemen's Fund	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual earnings on pension plan investments	\$ -	\$ 67,448

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

Year Ending December 31,	Policemen's Fund	Firemen's Fund
2020	\$ (32,755)	\$ 1,126
2021	(27,926)	(29,382)
2022	13,243	39,924
2023	(84,968)	(79,116)
	<u>\$ (132,405)</u>	<u>\$ (67,448)</u>

H. Long-Term Expected Rate of Return

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

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

I. Discount Rate

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

J. Sensitivity to Discount Rate Changes

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

		1% Decrease (4%)	Current Discount Rate (5%)	1% Increase (6%)
Policemen's Pension and Relief Fund	Net pension liability (asset)	\$ 25,303	\$ (483,966)	\$ (924,028)
Firemen's Pension and Relief Fund	Net pension liability	\$ 2,926,978	\$ 2,170,702	\$ 1,517,513

Cost Sharing Multiple-Employer Defined Benefit Pension Plans**Arkansas Public Employees Retirement System****Plan Description and Funding Information**

The **Arkansas Public Employees Retirement System ("APERS")** is a statewide cost-sharing, multiple employer pension plan established by authority of the Arkansas General Assembly with the passage of Act 177 of 1957 to provide retirement, disability, and survivor benefits for eligible employees and elected officials of state and local governmental entities in Arkansas. The plan covers all state employees who are not covered by another authorized plan, all county employees, municipal employees whose municipalities have elected coverage under the system, college and university employees and certain non-teaching school employees and other public entities specifically defined by law. The costs of administering the plan are paid out of investment earnings. At December 31, 2019 the City of Jacksonville had 116 employees enrolled in this plan.

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

APERS was originally established as a contributory plan. However, with the passage of Act 793 of 1977, existing members and previous members were offered the opportunity to choose to become non-contributory members. Anyone joining the System subsequent to January 1, 1978, and had not previously been a member, was automatically enrolled as a non-contributory member. Act 2084 of 2005 provided for a new contributory program mandatory for APERS members first hired on or after July 1, 2005 and those non-contributory members who elected to become contributory. Members participating in the contributory program contribute 5% of their annual compensation. Active APERS members employed before July 1, 2005 were given until December 31, 2005 to elect coverage under the contributory program, or remain in the non-contributory program.

Benefit provisions are established by state law and may be amended by the Arkansas General Assembly. Members are eligible for full retirement benefits (1) at age sixty-five with five years of actual service, (2) at any age with twenty-eight years of actual service, or (3) under the old contributory plan (prior to 7/1/05), at age sixty with twenty years of actual service, or at age fifty-five with thirty-five years of credited service. The normal retirement benefit amount, paid on a monthly basis, is determined by the member's final average salary and the number of years of service. A member may retire with a reduced benefit at age fifty-five with at least five years of actual service or at any age with twenty-five years of actual service. Members are eligible for disability benefits with five years of service. Disability benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost-of-living adjustment of 3% of the current benefit is added each year.

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the cost of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A.24-2-701) (a). Contribution provisions applicable to the participating employers are established by the APERS Board of Trustees, and are based on the actuary's determination of the rate required to fund the plan. Contributory member contribution rates were 5% for most covered employees and 7.5% for two newly elected officials for fiscal year 2019.

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

The City was required to contribute at an actuarially determined rate which was 15.32% of covered payroll for most employees and 17.82% for two newly elected officials for the year ended December 31, 2019. For 2019, participating members' contributions were \$165,327 and the City's contributions were \$693,691.

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

As of December 31, 2019, the City reported a liability of \$5,447,214 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability is based on actual City's contributions to the Plan relative to the actual contributions of all participating APERS members for the year ended June 30, 2019. At June 30, 2019, the City's proportion was 0.22578854%, compared to 0.2284472% for the prior year.

Pension related items are allocated between governmental and business activities on the basis of total contributions made during the year. The allocation for June 30, 2019 related pension items was 86% for governmental activities and 14% for business activities (Sanitation Services and AGFF Shooting Sports Complex Funds), which was an increase from the prior year. A deferred outflow and inflow have been recorded for each as shown below.

For the year ended December 31, 2019, the City recognized pension expense of \$552,693. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

APERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 148,250	\$ 8,093
Net differences between expected and actual earnings on pension plan investments	-	41,374
Changes of assumptions	295,660	209,400
Changes in proportion	374	348,791
Contributions subsequent to the measurement date	379,353	-
	<u>\$ 823,637</u>	<u>\$ 607,658</u>

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$379,353 will be recognized as a reduction of the net pension liability for the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2019, related to the Plan will be recognized in pension expense as follows:

Year Ending December 31,	
2020	\$ 97,836
2021	(298,503)
2022	(36,231)
2023	73,524
	<u>\$ (163,374)</u>

Actuarial Assumptions

The actuarial assumptions used in the June 30, 2019 actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2012 through June 30, 2017.

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	APERS
Valuation	June 30, 2019
Actuarial Cost Method	Entry Age Normal
	Level Percent-of-
Amortization Method	Payroll
Remaining Amortization	30 year closed
Asset Valuation Method	4-Year Smoothed
	Market with 25%
	Corridor
Investment rate of return	7.15%
Projected salary increase	3.25% - 9.85%
Inflation	3.25%
Cost of living adjustments	3.0% Annual
	Compounded

Long-term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2019 are summarized in the table below:

APERS Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	37.00%	6.20%
International equity	24.00%	6.33%
Real assets	16.00%	3.32%
Absolute return	5.00%	3.56%
Domestic fixed	18.00%	1.54%
Total	100.00%	

Discount Rate

In the June 30, 2019 actuarial valuation, a single discount rate of 7.15% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.15%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

1% Decrease (6.15%)	Current Single Rate Assumption (7.15%)	1% Increase (8.15%)
\$ 8,730,524	\$ 5,447,214	\$ 2,738,333

Arkansas Local Police and Fire Retirement System

Plan Description and Funding Information

The **Local Police and Fire Retirement System (LOPFI)** is a statewide cost-sharing multiple employer defined benefit pension plan 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 from the internet at www.lopfi-prb.com or by contacting the following:

Arkansas Local Police and Fire Retirement System
P.O. Drawer 34164
Little Rock, Arkansas 72203
501.682.1745

Contribution requirements are set forth in Arkansas statute. LOPFI members were required to contribute 2.5% for participating policemen and 8.5% for participating firemen of their annual covered salary. The City is required to contribute at an actuarially determined rate, which was 23.5% for participating policemen and participating firemen. City contributions for 2019 to the Plan were \$1,381,672.

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

At December 31, 2019, the LOPFI Police and LOPFI Fire reported a liability of \$5,737,215 and \$7,156,028, respectively, for their proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The City's proportion of the net pension liability was based on actual City contributions to the Plan during the measurement period to total employer contributions of the group for the fiscal year ended December 31, 2019. The City's proportionate share was 0.74245% and 0.92606% respectively, for LOPFI Police and LOPFI Fire compared to .804419% and 0.937481% respectively, for the prior year. The contributions used excluded contributions made for prior service, excess benefits and irregular payments.

For LOPFI Fire, pension related items are allocated between governmental and business activities on the basis of total contributions made during the year. The allocation for December 31, 2019 LOPFI Fire related pension items was 83% for governmental activities and 17% for business activities (Emergency Medical Services Fund), which was unchanged from the prior year. Deferred outflows and inflows of resources have been recorded for each as shown below.

For the year ended December 31, 2019, the LOPFI Police and LOPFI Fire recognized pension expense of \$825,294 and \$1,703,311, respectively. On December 31, 2019, the LOPFI Police and LOPFI Fire reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
LOPFI - Police		
Differences between expected and actual experience	\$ 564,507	\$ -
Net difference between expected and actual earnings on plan investments	-	692,889
Changes in assumptions	495,431	-
Changes in proportion	-	1,105,197
Total	<u>\$ 1,059,938</u>	<u>\$ 1,798,086</u>
LOPFI - Fire		
Differences between expected and actual experience	\$ 704,109	\$ -
Net difference between expected and actual earnings on plan investments	-	864,240
Changes in assumptions	617,951	-
Changes in proportion	18,013	207,062
Total	<u>\$ 1,340,073</u>	<u>\$ 1,071,302</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2019 related to the Plans will be recognized in pension expense as follows:

Year Ending December 31,	LOPFI Police	LOPFI Fire
2020	\$ (89,551)	\$ 452,326
2021	(289,581)	118,374
2022	(51,446)	81,703
2023	(307,570)	(383,632)
	<u>\$ (738,148)</u>	<u>\$ 268,771</u>

Actuarial Assumptions

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	LOPFI - Police	LOPFI - Fire
Wage inflation	3.25%	3.25%
Price inflation	2.50%	2.50%
Salary increases	3.25% - 18.75%, including inflation	3.25% - 18.75%, including inflation
Investment rate of return	7.0%	7.0%
Actuarial cost method	Entry age normal	Entry age normal
Asset valuation method	5-year smoothed market; 20% corridor	5-year smoothed market; 20% corridor

Mortality rates were based on the RP-2000 Combined Health Mortality Table Projected to 2018 Table, set forward two years for men.

The actuarial assumptions used for the December 31, 2019 actuarial valuation were based on the results of an actuarial experience study for the period 2008 through 2011.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

LOPFI Police and Fire Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic fixed income	30.00%	0.78%
Domestic equity	42.00%	5.58%
Foreign equity	18.00%	7.38%
Alternative investments	10.00%	6.23%
Total	<u>100.00%</u>	

Discount Rate

A single discount rate of 7.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Plan assets are expected to be invested using a strategy to achieve the expected rate of return. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the City's proportionate share of the net pension liability calculated using a single discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percent lower or one percent higher than the current rate:

		1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Local Police and Fire Retirement System (LOPFI)				
LOPFI - Police	Net pension liability	\$ 9,141,583	\$ 5,737,215	\$ 2,991,870
LOPFI - Fire	Net pension liability	\$ 11,402,295	\$ 7,156,028	\$ 3,731,759

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 City of Jacksonville employees in accordance with provisions of Section 457 of the Internal Revenue Code, as amended. The plan, available to all permanent employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City does not have any fiduciary responsibility or administrative duties relating to the deferred compensation plan other than remitting employees' contributions to the trustees. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributed to those amounts, property, or rights are held in trust by a third party for the participants. Accordingly, the City has not presented the assets and liabilities from the plan in these basic financial statements.

Note 8: Other Postemployment Benefits

General Information about the OPEB Plan

The City of Jacksonville participates in the Municipal Health Benefit Fund (MHBF), a statewide cost-sharing, multiple employer defined benefit post-employment healthcare plan administered by the Arkansas Municipal League. MHBF provides medical benefits to retired employees of participating municipalities. Arkansas statute provides that any municipal city official or employee vested in any of the City's retirement plans with 20 years of service and attains 55 years of age may continue to participate in the City's healthcare plan after retirement. The State of Arkansas has the authority to establish and amend the requirements of this statute. The City does not issue stand alone financial statements of the plan. However, all required information is presented in this report.

The contribution requirements of plan members are established by terms and conditions as set forth in the MHBF Funding Booklet. Plan members pay the entire cost of monthly insurance premiums at the

same rate charged to active employees and receive a benefit from the blended premium rate from all of the employees participating in the MHBF insurance plan. The City is not required to make contributions to the plan on behalf of the retirees and funds the plan on a projected pay-as-you-go financing method. The plan has three active participants who pay monthly premiums ranging from \$408 for single coverage to \$905 for family coverage. Total contributions for the year ending December 31, 2019 was \$27,454.

Net OPEB Liability

The City's net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The components of the net OPEB liability of the City at December 31, 2019 were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at January 1, 2019	\$1,393,902	\$0	\$1,393,902
Changes for the year:			
Service cost	80,712	-	80,712
Interest	53,176	-	53,176
Employer contributions	-	27,454	(27,454)
Benefit payments	(27,454)	(27,454)	-
Change in discount rate	56,184	-	56,184
Net changes	162,618	-	162,618
Balances at December 31, 2019	<u>\$1,556,520</u>	<u>\$0</u>	<u>\$1,556,520</u>

OPEB Plan Fiduciary Net Position

The statement of fiduciary net position and the statement of changes in fiduciary net position for the OPEB Plan are below:

Assets	
Cash and cash equivalents	\$ -
Investments	-
Equities	-
Mutual funds and other investments	-
Total assets	<u>-</u>
Net Position	
Net position restricted for other postemployment benefits	<u>\$ -</u>
Additions	
Contributions	
Employer (implied subsidy)	\$ 27,454
Total contributions	<u>27,454</u>
Total additions	<u>27,454</u>
Deductions	
Benefits paid directly to participants	<u>27,454</u>
Total deductions	<u>27,454</u>
Net Increase in Net Position	-
Net Position Restricted for Other Postemployment Benefits, Beginning of Year	<u>-</u>
Net Position Restricted for Other Postemployment Benefits, End of Year	<u>-</u>

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended December 31, 2019, the City recognized OPEB expense of \$129,617. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 32,552
Changes of assumptions	51,502	56,981
	<u>\$ 51,502</u>	<u>\$ 89,533</u>

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

Year Ending December 31,	
2019	\$ (4,271)
2020	(4,271)
2021	(4,271)
2022	(4,271)
2023	(4,271)
Thereafter	(16,676)
Total	<u>\$ (38,031)</u>

Actuarial Assumptions

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	3.00%
Investment rate of return	3.26%
Health care cost trend rates	8% in year 1, graded downward 0.5% per year, to 5% in year 7 and later
Pre and post-retirement mortality	RP 2014 Mortality Table
Base claim costs	Retiree(no Medicare) \$1,142, Retiree (with Medicare) \$545 Premium assumed at \$545 per month for net subsidy of \$596
Administrative Costs	None assumed
Family Coverage	Sponsor provide single coverage only
Selection of coverage	85% of eligible retirees would select plan upon retirement, 15% would continue past age 65
Voluntary terminations	Same as assumptions used by APERS

Long-term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return. The target allocation and the long-term expected rates of return are shown in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic fixed income	0.00%	0.00%
International fixed income	0.00%	0.00%
Domestic equity	0.00%	0.00%
Foreign equity	0.00%	0.00%
Cash	100.00%	26%
Subtotal	100.00%	0.26%
Inflation		3.00%
Total		3.26%

Discount Rate

A discount rate of 3.26% was used to measure the total OPEB liability. This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The plan net position (assets) in future years can then be projected and compared to the obligation to make benefit payments in those years. As long as assets are projected to be on hand in a future year, the assumed valuation discount rate is used. In years where assets are not projected to be sufficient to meet benefit payments, the use of a "risk-free" rate is required. The single discount rate is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and to Changes in the Healthcare Cost Trend Rates

Sensitivity of the net OPEB liability to changes in the discount rate: The following table presents the net OPEB liability of the City calculated using the single discount rate of 3.26%, as well as what the net OPEB liability would be if it were calculated using a single discount rate that is 1-percentage-point lower (2.26%) or 1-percentage-point higher (4.26%) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Net OPEB liability	\$ 1,717,117	\$ 1,556,520	\$ 1,395,066

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates: The following presents the net OPEB liability of the City, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trends:

	1% Decrease in HCCTR	Current Discount Rate in HCCTR	1% Increase in HCCTR
Net OPEB liability	\$ 1,308,431	\$ 1,556,520	\$ 1,847,401

Note 9: Interlocal Agreement: Central Arkansas Library System

The cities of Little Rock, Jacksonville, Maumelle, Sherwood, and Pulaski and Perry Counties entered into an agreement on January 28, 1998, to establish the public library system for the Central Arkansas area which will offer library services to the public within the communities of each of the participating entities. The agreement states that the funding will be derived from tax millage assessed by the participating entities, state formula distribution, fees and fines, and endowment fund earnings and gifts. The Board of Directors shall consist of seven directors for the City of Little Rock, one each for the Cities of Jacksonville, Maumelle and Sherwood, two directors from Pulaski County and one director representing Perry County. The City provided a building and paid \$94,197 for operating expenses in 2019. Separate financial statements of the Central Arkansas Library System are available at 100 Rock Street, Little Rock, Arkansas 72201.

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 2018 to 2019 and there were no settlements that exceeded insurance coverage in the past three fiscal years.

Note 11: Property Taxes

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

In the governmental funds, property taxes are measurable when levied even though not available. As a result, on December 31, 2019 property taxes receivable and related deferred inflows of resources of \$1,285,604 have been recorded in the governmental funds. In the government-wide statement of net position, property taxes are considered earned at the time levied. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible. The appraised value of taxable property upon which the property tax is levied is determined by the county assessor. The assessor estimates full market value and applies the statutory rate of 20% to arrive at assessed value.

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

Description	Millage Limit	Levied
		2018 for 2019 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
	<u>13.45</u>	<u>4.45</u>

Note 12: Sales Taxes

In April 1982, Pulaski County began assessing a 1% sales and use tax on retail sales in the county. Each city within Pulaski County receives a portion of the tax based upon population of the city. Currently the City receives approximately 7.41% of the county tax. The tax is collected by the state and remitted to the City, net of a collection fee. County sales taxes remitted to the City or in control of the collecting agent totaled \$6,565,369 for 2019. 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 \$7,971,755 for 2019. These taxes are included in the General Fund's sales tax revenues in the accompanying financial statements.

Note 13: Contingencies

The City participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the *Single Audit Act* as amended. Accordingly, the City's compliance with applicable grant requirements will be established at a future date. The amount of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time, although the City anticipates such amounts, if any, will be immaterial.

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

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

Note 14: Discretely Presented Component Units**Jacksonville Municipal Water Works (JMWW)****Capital Assets**

Capital asset activity for the year ended December 31, 2019 was as follows:

Jacksonville Municipal Water Works	Balance January 1, 2019	Increases	Decreases	Transfers	Balance December 31, 2019
Capital Assets, non-depreciable					
Land	\$ 506,466	\$ 91	\$ -	\$ -	\$ 506,557
Total capital assets, non-depreciable	<u>506,466</u>	<u>91</u>	<u>-</u>	<u>-</u>	<u>506,557</u>
Capital Assets, depreciable					
Utility system	53,015,611	882,163	-	-	53,897,774
LRAFB water distribution system	17,750,941	-	-	-	17,750,941
Buildings and improvements	2,649,852	3,966	-	-	2,653,818
Furniture and equipment	<u>3,011,151</u>	<u>139,686</u>	<u>-</u>	<u>-</u>	<u>3,150,837</u>
Total capital assets, depreciable	<u>76,427,555</u>	<u>1,025,815</u>	<u>-</u>	<u>-</u>	<u>77,453,370</u>
Less accumulated depreciation	<u>24,017,221</u>	<u>2,884,250</u>	<u>-</u>	<u>-</u>	<u>26,901,471</u>
Total capital assets, depreciable, net	<u>52,410,334</u>	<u>(1,858,435)</u>	<u>-</u>	<u>-</u>	<u>50,551,899</u>
Total capital assets, net	<u>\$ 52,916,800</u>	<u>\$ (1,858,344)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,058,456</u>

Long-Term Liabilities

Long-term debt consists of Water Capital Improvement Revenue Bonds and Little Rock Air Force Base Distribution System Contingent Liability for which the changes in the year are as follows:

Jacksonville Municipal Water Works	Balance January 1, 2019	Increases	Decreases	Balance December 31, 2019	Amounts Due In One Year
Water revenue bonds	<u>\$ 29,155,182</u>	<u>\$ -</u>	<u>\$ 3,235,109</u>	<u>\$ 25,920,073</u>	<u>\$ 3,014,594</u>

The annual requirements to amortize water bond indebtedness outstanding, and scheduled, including interest are as follows:

Year	Principal	Interest
2020	\$ 3,014,594	\$ 304,414
2021	3,312,009	263,799
2022	3,353,148	222,660
2023	3,394,816	180,992
2024	3,437,025	138,783
Thereafter	9,408,481	166,345
Total	<u>\$ 25,920,073</u>	<u>\$ 1,276,993</u>

Net Pension Liability

JMWW participates in the Arkansas Public Employees Retirement System (APERS). The general information and actuarial assumptions related to this plan can be found in *Note 6* above. See below for information about JMWW's Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

At December 31, 2019, JMWW reported a liability of \$1,837,253 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. JMWW's portion of the net pension liability was based on JMWW's contributions to the pension plan relative to the total contributions of all participating APERS members. At June 30, 2019, JMWW's proportion was 0.07615466%, which was an increase of 0.00971318% from its proportion measured as of June 30, 2018 of 0.06644148%.

For the year ended December 31, 2019, JMWW recognized pension expense of \$430,291. At December 31, 2019, JMWW reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 50,002	\$ 2,730
Net differences between expected and actual earnings on pension plan investments	-	13,955
Changes of assumptions	99,721	70,627
Changes in proportion	191,486	4,917
Contributions subsequent to the measurement date	111,014	-
	<u>\$ 452,223</u>	<u>\$ 92,229</u>

The \$111,014 reported as deferred outflows of resources at December 31, 2019, related to pensions resulting from JMWW's contributions subsequent to measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,		
2020	\$	150,113
2021		16,425
2022		49,820
2023		32,622
	<u>\$</u>	<u>248,980</u>

Sensitivity of JMWW Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents JMWW proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as what JMWW proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

1% Decrease (6.15%)	Current Single Rate Assumption (7.15%)	1% Increase (8.15%)
<u>\$ 2,944,658</u>	<u>\$ 1,837,253</u>	<u>\$ 923,593</u>

Jacksonville Wastewater Utility (JWWU)

Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows:

Jacksonville Wastewater Utility	Balance January 1, 2019	Increases	Decreases	Transfers	Balance December 31, 2019
Capital Assets, non-depreciable					
Land	\$ 411,491	\$ -	\$ -	\$ -	\$ 411,491
Construction in progress	82,379	493,780	(468,444)		107,715
Total capital assets, non-depreciable	493,870	493,780	(468,444)	-	519,206
Capital Assets, depreciable					
Utility system	60,663,613	684,473	(26,113)		61,321,973
Buildings and improvements	2,414,955	17,617	(2,345)		2,430,227
Furniture and equipment	2,518,549	18,702	(16,597)		2,520,654
Total capital assets, depreciable	65,597,117	720,792	(45,055)	-	66,272,854
Less accumulated depreciation	34,540,314	2,049,167	(45,055)		36,544,426
Total capital assets, net	\$ 31,550,673	\$ (834,595)	\$ (468,444)	\$ -	\$ 30,247,634

Long-Term Liabilities

Long-term debt consists of Wastewater Refunding and Construction Revenue Bonds for which the changes in the year are as follows:

Jacksonville Wastewater Utility	Balance January 1, 2019	Increases	Decreases	Balance December 31, 2019	Amounts Due In One Year
Wastewater revenue bonds	\$ 14,845,000	\$ -	\$ 460,000	\$ 14,385,000	\$ 370,000
Add issuance premium	241,200	-	17,410	223,790	-
	<u>\$ 15,086,200</u>	<u>\$ -</u>	<u>\$ 477,410</u>	<u>\$ 14,608,790</u>	<u>\$ 370,000</u>

The annual requirements to amortize wastewater bond indebtedness outstanding, and scheduled, including interest are as follows:

Year	Principal	Interest
2020	\$ 370,000	\$ 535,194
2021	-	525,943
2022	-	525,943
2023	440,000	525,943
2024	640,000	508,344
2025-2029	3,610,000	2,136,319
2030-2034	4,385,000	1,367,269
2035-2039	4,940,000	525,508
Total	<u>\$ 14,385,000</u>	<u>\$ 6,650,463</u>

Net Pension Liability

JWWU participates in the Arkansas Public Employees Retirement System (APERS). The general information and actuarial assumptions related to this plan can be found in *Note 6* above. See below for information about JWWU's Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

At December 31, 2019, JWWU reported a liability of \$1,656,746, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. JWWU's proportion of the net pension liability is based on the JWWU's contributions to the pension plan relative to the contributions of all participating APERS members. At June 30, 2019, JWWU's proportion was 0.06867259%, which was an increase of 0.00028998% from its proportion measured as of June 30, 2018 of 0.06838261%.

For the year ended December 31, 2019, JWWU recognized pension expense of \$298,850. At December 31, 2019, JWWU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 45,090	\$ 2,461
Net differences between expected and actual earnings on pension plan investments	-	12,584
Changes of assumptions	89,924	63,688
Changes in proportion	4,812	57,342
Contributions subsequent to the measurement date	99,486	-
	<u>\$ 239,312</u>	<u>\$ 136,075</u>

The \$99,486 reported as deferred outflows of resources at December 31, 2019, related to pension resulting from JWWU's contributions subsequent to measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,			
2020	\$	46,200	
2021		(63,371)	
2022		(2,254)	
2023		23,176	
	\$	3,751	

Sensitivity of JWWU Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents JWWU proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as what JWWU proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

1% Decrease (6.15%)	Current Single Rate Assumption (7.15%)	1% Increase (8.15%)
\$ 2,655,350	\$ 1,656,746	\$ 832,852

Note 15: Subsequent Events

Economic Environment

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the City. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

2006 Library Construction and Improvement Bonds

The 2006 Library Construction and Improvement Bonds were fully redeemed in May 2020. The Jacksonville City Council voted to reallocate the 1.0 mill ad valorem tax levied on real and personal property within the City to pay the bonds. The tax was reallocated as 0.5 mill for City general operations and as 0.5 mill for capital equipment effective for 2019 assessed taxes collectible in 2020.

Wastewater Construction Revenue Bonds, Series 2020

On August 27, 2020, the City issued \$14,620,000 Series 2020 Wastewater Refunding Revenue Bonds at interest rates ranging from 0.72% to 2.70%. The bonds mature December 1, 2039. The bonds were issued to advance refund the City's Wastewater Refunding Revenue Bonds, Series 2016B, to fund a debt service reserve and to pay expenses of issuing the bonds. The bonds are special obligations, secured by a pledge of and payable from net revenues derived from the City's wastewater system, which is operated by the Jacksonville Wastewater Utility.



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF JACKSONVILLE, ARKANSAS

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 560,000	\$ 560,000	\$ 577,095	\$ 17,095
Sales taxes	14,350,725	14,350,725	14,623,842	273,117
Licenses and permits	237,300	237,300	305,522	68,222
Intergovernmental	1,795,878	1,795,878	1,976,521	180,643
Charges for services	947,599	947,599	1,020,293	72,694
Fines and fees	497,616	497,616	429,075	(68,541)
Utility franchise taxes	1,089,800	1,089,800	1,113,293	23,493
Investment income	-	-	11,451	11,451
Contributions	-	-	-	-
Miscellaneous	260,955	260,955	289,514	28,559
Total revenues	19,739,873	19,739,873	20,346,606	606,733
Expenditures				
General government				
General administration	416,599	416,599	326,177	90,422
City council	94,781	94,781	96,627	(1,846)
Mayor	250,399	250,399	253,951	(3,552)
City clerk	138,557	138,557	142,928	(4,371)
City attorney	267,483	267,483	261,310	6,173
District court	359,589	359,589	397,238	(37,649)
Director of administration	58,949	58,949	58,909	40
Director of information technology	499,539	499,539	455,513	44,026
Finance	502,849	502,849	500,923	1,926
Human resources	171,061	171,061	168,178	2,883
Fleet services	142,281	142,281	137,301	4,980
Community programs	158,021	158,021	181,135	(23,114)
Total general government	3,060,108	3,060,108	2,980,190	79,918
Public works				
Public works coordinator	163,704	163,704	164,916	(1,212)
Engineering	177,091	177,091	164,091	13,000
Code enforcement	259,309	259,309	139,012	120,297
Total public works	600,104	600,104	468,019	132,085
Parks and recreation services	2,645,019	2,645,019	2,681,222	(36,203)
Police	6,521,859	6,521,859	5,679,726	842,133
Fire	4,948,325	4,948,325	4,969,057	(20,732)
Emergency communication services	923,927	923,927	812,913	111,014
Animal control	316,995	316,995	307,313	9,682
Total expenditures	19,016,337	19,016,337	17,898,440	1,117,897
Excess (Deficiency) of Revenues Over Expenditures	723,536	723,536	2,448,166	1,724,630
Other Financing Sources (Uses)				
Transfers in	3,000	3,000	-	(3,000)
Transfers out	(726,536)	(726,536)	(1,301,536)	(575,000)
Total other financing sources (uses)	(723,536)	(723,536)	(1,301,536)	(578,000)
Net Change in Fund Balances	-	-	1,146,630	1,146,630
Fund Balances, Beginning of Year	2,002,862	2,002,862	2,002,862	-
Fund Balances, End of Year	\$ 2,002,862	\$ 2,002,862	\$ 3,149,492	\$ 1,146,630

CITY OF JACKSONVILLE, ARKANSAS

BUDGETARY COMPARISON SCHEDULE

STREET FUND

YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 2,617,842	\$ 2,617,842	\$ 2,877,135	\$ 259,293
Investment income	7,000	7,000	64,870	57,870
Miscellaneous	10,250	10,250	1,991	(8,259)
Total revenues	2,635,092	2,635,092	2,943,996	308,904
Expenditures				
Public works				
Streets and drainage	2,635,092	2,635,092	2,469,895	165,197
Total expenditures	2,635,092	2,635,092	2,469,895	165,197
Excess (Deficiency) of Revenues Over Expenditures	-	-	474,101	474,101
Fund Balances, Beginning of Year	3,709,687	3,709,687	3,709,687	-
Fund Balances, End of Year	\$ 3,709,687	\$ 3,709,687	\$ 4,183,788	\$ 474,101

CITY OF JACKSONVILLE, ARKANSAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2019

Budgets and Budgetary Accounting

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

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

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

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

CITY OF JACKSONVILLE, ARKANSAS

OTHER POST-EMPLOYMENT BENEFIT PLAN - REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS YEAR ENDED DECEMBER 31, 2019

	2019	2018
Total OPEB Liability		
Service Cost	\$ 80,712	\$ 92,521
Interest	53,176	43,850
Differences between expected and actual experience	-	(39,062)
Changes of assumptions	56,184	(68,377)
Benefit payments	(27,454)	(22,679)
Net change in total OPEB liability	162,618	6,253
Total OPEB liability - Beginning	1,393,902	1,387,649
Total OPEB liability - Ending (a)	1,556,520	1,393,902
Plan Fiduciary Net Position		
Contributions - employer	27,454	22,679
Benefit payments	(27,454)	(22,679)
Net change in plan fiduciary net position	-	-
Plan fiduciary net position - Beginning	-	-
Plan fiduciary net position - Ending (b)	-	-
Net OPEB liability - Ending (a)-(b)	1,556,520	1,393,902
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%
Covered payroll	N/A	N/A
Net OPEB liability as a percentage of covered employee payroll	N/A	N/A

The information in this schedule has been determined as of the measurement date (December 31) of the City's net OPEB liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision, only periods for which such information is available are presented.

CITY OF JACKSONVILLE, ARKANSAS

OTHER POST-EMPLOYMENT BENEFIT PLAN - REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS

YEAR ENDED DECEMBER 31, 2019

	2019	2018
Actuarially Determined Contribution	\$ 156,481	\$ 163,683
Contributions in relation to the actuarially determined contribution	27,454	22,679
Contribution deficiency (excess)	<u>\$ 129,027</u>	<u>\$ 141,004</u>
Covered employee payroll	N/A	N/A
Contributions as a percentage of employee payroll	N/A	N/A
Assumed single discount rate	3.64%	3.16%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

Valuation date

Actuarially determined contributions are calculated as of December 31 after the valuation date.

Actuarial cost method

Entry Age Normal

Amortization method

Level dollar over 30 years from January 1, 2018.

Remaining amortization period

30 years

Asset valuation method

Market value

Assumed single discount rate

Shown in table above.

Assumed inflation

3.00%

Assumed retirement age

Experience-based table of rates that are specific to the type of eligibility condition

Mortality

RP 2014 Mortality Table

Other information:

The information in this schedule has been determined as of the measurement date (December 31) of the City's net OPEB liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision, only periods for which such information is available are presented.

CITY OF JACKSONVILLE, ARKANSAS

OTHER POST-EMPLOYMENT BENEFIT PLAN - REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF INVESTMENT RETURNS YEAR ENDED DECEMBER 31, 2019

Fiscal Year Ending	Annual Money- Weighted Rate of Return
12/31/2018	0%
12/31/2019	0%

Other information:

The information in this schedule has been determined as of the measurement date (December 31) of the City's net OPEB liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision, only periods for which such information is available are presented.

CITY OF JACKSONVILLE, ARKANSAS

DEFINED BENEFIT PENSION PLANS - REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN PENSION FUND NET PENSION LIABILITY AND RELATED RATIOS YEAR ENDED DECEMBER 31, 2019

Policemen's Pension and Relief Fund

Fiscal year ending December 31,	2019	2018	2017	2016	2015
Total pension liability:					
Interest	\$ 280,024	\$ 278,842	\$ 286,440	\$ 307,361	\$ 330,964
Changes of benefit terms	418,451	449,142	-	-	-
Difference between expected and actual experience	(276,719)	(184,491)	77,943	(205,160)	(266,517)
Changes in assumptions	-	-	-	-	-
Benefit payments, including refunds of plan member contributions	(515,688)	(524,022)	(508,690)	(532,529)	(540,476)
Net change in total pension liability	(93,933)	19,471	(144,307)	(430,328)	(476,029)
Total pension liability, beginning of year	5,858,319	5,838,848	5,983,154	6,413,482	6,889,512
Total pension liability, end of year	<u>\$ 5,764,386</u>	<u>\$ 5,858,319</u>	<u>\$ 5,838,848</u>	<u>\$ 5,983,154</u>	<u>\$ 6,413,483</u>
Plan fiduciary net position:					
Employer contributions	\$ 334,222	\$ 334,484	\$ 329,627	\$ 341,668	\$ 334,472
Net investment income	706,670	(190,014)	491,440	304,119	(140,490)
Benefit payments, including refunds of plan member contributions	(515,688)	(524,022)	(508,690)	(532,529)	(540,476)
Administrative expense	(8,778)	(8,987)	(6,932)	(6,967)	(7,706)
Other	250	50	9,858	150	-
Net change in plan fiduciary net position	516,676	(388,489)	315,303	106,441	(354,200)
Plan fiduciary net position, beginning of year	5,731,676	6,120,165	5,804,861	5,698,420	6,052,620
Plan fiduciary net position, end of year	<u>\$ 6,248,352</u>	<u>\$ 5,731,676</u>	<u>\$ 6,120,164</u>	<u>\$ 5,804,861</u>	<u>\$ 5,698,420</u>
City's net pension liability (asset), end of year	<u>\$ (483,966)</u>	<u>\$ 126,643</u>	<u>\$ (281,316)</u>	<u>\$ 178,293</u>	<u>\$ 715,063</u>
Plan's fiduciary net position as a percentage of the total pension liability	108.40%	97.84%	104.82%	97.02%	88.85%
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Plan's net pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A

Note to the Schedule:

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

CITY OF JACKSONVILLE, ARKANSAS

DEFINED BENEFIT PENSION PLANS - REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN PENSION FUND NET PENSION LIABILITY AND RELATED RATIOS YEAR ENDED DECEMBER 31, 2019

Firemen's Pension and Relief Fund

Fiscal year ending December 31,	2019	2018	2017	2016	2015
Total pension liability:					
Interest	\$ 431,668	\$ 454,423	\$ 464,671	\$ 481,908	\$ 528,688
Difference between expected and actual experience	(145,950)	(126,560)	126,580	91,701	(473,629)
Benefit payments, including refunds of plan member contributions	(771,546)	(794,388)	(798,043)	(1,038,656)	(942,640)
Net change in total pension liability	(485,828)	(466,525)	(206,792)	(465,046)	(887,581)
Total pension liability, beginning of year	<u>9,019,132</u>	<u>9,485,657</u>	<u>9,692,449</u>	<u>10,157,495</u>	<u>11,045,076</u>
Total pension liability, end of year	<u>\$ 8,533,304</u>	<u>\$ 9,019,132</u>	<u>\$ 9,485,657</u>	<u>\$ 9,692,449</u>	<u>\$ 10,157,495</u>
Plan fiduciary net position:					
Employer contributions	\$ 435,210	\$ 388,103	\$ 380,031	\$ 418,220	\$ 399,410
Plan member contributions	-	-	-	2,191	7,017
Net investment income	687,769	(270,812)	658,346	176,675	(77,487)
Benefit payments, including refunds of plan member contributions	(771,546)	(794,388)	(798,043)	(1,038,656)	(942,640)
Administrative expense	(1,600)	(2,094)	(6,942)	(6,448)	(6,425)
Other	-	-	9,858	-	2,800
Net change in plan fiduciary net position	349,833	(679,191)	243,250	(448,017)	(617,325)
Plan fiduciary net position, beginning of year	<u>6,012,769</u>	<u>6,691,960</u>	<u>6,448,710</u>	<u>6,896,727</u>	<u>7,514,052</u>
Plan fiduciary net position, end of year	<u>\$ 6,362,602</u>	<u>\$ 6,012,769</u>	<u>\$ 6,691,960</u>	<u>\$ 6,448,710</u>	<u>\$ 6,896,727</u>
City's net pension liability, end of year	<u>\$ 2,170,702</u>	<u>\$ 3,006,363</u>	<u>\$ 2,793,697</u>	<u>\$ 3,243,739</u>	<u>\$ 3,260,768</u>
Plan's fiduciary net position as a percentage of the total pension liability	74.56%	66.67%	70.55%	66.53%	67.90%
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Plan's net pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A

Note to the Schedule:

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

CITY OF JACKSONVILLE, ARKANSAS

DEFINED BENEFIT PENSION PLANS - REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS YEAR ENDED DECEMBER 31, 2019

	Year Ended December 31	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as % of Covered Payroll
Policemen's Pension and Relief Fund	2014	\$ 222,748	\$ 341,169	\$ (118,421)	\$ -	N/A
	2015	188,699	334,472	(145,773)	-	N/A
	2016	161,229	341,668	(180,439)	-	N/A
	2017	40,201	329,627	(289,427)	-	N/A
	2018	-	334,484	(334,484)	-	N/A
	2019	28,555	334,222	(305,667)	-	N/A

Notes to the Schedule:

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

Key Assumptions for ADC:

Cost Method	Entry age normal
Amortization Method	Level dollar, open
Remaining Amortization	Five years
Asset Valuation	Market value of assets
Investment rate of return	5.00%
Mortality	1983 GAM

	Year Ended December 31	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as % of Covered Payroll
Firemen's Pension and Relief Fund	2014	\$ 745,307	\$ 395,673	\$ 349,634	\$ -	N/A
	2015	796,158	399,410	396,748	-	N/A
	2016	735,223	418,220	317,003	-	N/A
	2017	731,383	380,031	351,352	-	N/A
	2018	629,910	388,103	241,807	-	N/A
	2019	677,861	435,210	242,651	-	N/A

Notes to the Schedule:

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

Key Assumptions for ADC:

Cost Method	Entry age normal
Amortization Method	Level dollar, open
Remaining Amortization	Five years
Asset Valuation	Market value of assets
Investment Return/Discount	5.00%
Mortality	1983 GAM

CITY OF JACKSONVILLE, ARKANSAS

COST SHARING PENSION PLANS - REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS YEAR ENDED DECEMBER 31, 2019

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

June 30	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.2257885%	0.2284472%	0.2546313%	0.2592827%	0.2593006%
City's proportionate share of the net pension liability	\$ 5,447,214	\$ 5,039,397	\$ 6,580,031	\$ 6,200,353	\$ 4,775,626
City's covered payroll	\$ 4,413,157	\$ 4,280,563	\$ 4,393,927	\$ 4,312,438	\$ 4,309,745
City's proportionate share of the net pension liability as a percentage of its covered payroll	123.43%	117.73%	149.75%	143.78%	110.81%
Plan fiduciary net position as a percentage of the total pension liability	78.55%	79.59%	75.65%	75.50%	80.39%

Notes to the Schedule:

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

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

CITY OF JACKSONVILLE, ARKANSAS

COST SHARING PENSION PLANS - REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS YEAR ENDED DECEMBER 31, 2019

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

December 31	2019	2018	2017	2016	2015
Contractually required contribution	\$ 744,077	\$ 684,529	\$ 661,320	\$ 685,822	\$ 679,053
Contributions related to the contractually required contribution	744,077	684,529	661,320	685,822	679,053
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 4,616,073	\$ 4,302,673	\$ 4,405,479	\$ 4,556,439	\$ 4,403,272
Contributions as a percent of covered payroll	16.12%	15.91%	15.01%	15.05%	15.42%

Notes to the Schedule:

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

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

CITY OF JACKSONVILLE, ARKANSAS

COST SHARING PENSION PLANS - REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS YEAR ENDED DECEMBER 31, 2019

ARKANSAS LOCAL POLICE AND FIRE RETIREMENT SYSTEM

LOPFI - Police

December 31	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.742450%	0.804420%	1.052449%	1.140590%	1.217420%
City's proportionate share of the net pension liability	\$ 5,737,215	\$ 7,258,921	\$ 7,478,672	\$ 6,507,408	\$ 6,388,710
City's covered payroll	\$ 2,721,171	\$ 2,835,601	\$ 3,458,671	\$ 3,506,494	\$ 3,535,137
City's proportionate share of the net pension liability as a percentage of its covered payroll	210.84%	255.99%	216.23%	185.58%	180.72%
Plan fiduciary net position as a percentage of the total pension liability	73.03%	65.84%	71.17%	72.46%	72.41%

LOPFI - Fire

December 31	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.926060%	0.937480%	0.947852%	1.038400%	0.989380%
City's proportionate share of the net pension liability	\$ 7,156,028	\$ 8,459,642	\$ 6,735,410	\$ 5,924,363	\$ 5,192,039
City's covered payroll	\$ 3,380,971	\$ 3,417,168	\$ 3,443,817	\$ 3,369,089	\$ 3,322,435
City's proportionate share of the net pension liability as a percentage of its covered payroll	211.66%	247.56%	195.58%	175.84%	156.27%
Plan fiduciary net position as a percentage of the total pension liability	73.03%	65.84%	71.17%	72.46%	72.41%

Notes to the Schedule:

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

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

CITY OF JACKSONVILLE, ARKANSAS

COST SHARING PENSION PLANS - REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS YEAR ENDED DECEMBER 31, 2019

ARKANSAS LOCAL POLICE AND FIRE RETIREMENT SYSTEM

LOPFI - Police

December 31	2019	2018	2017	2016	2015
Contractually required contribution	\$ 619,463	\$ 713,355	\$ 752,784	\$ 779,997	\$ 755,994
Contributions related to the contractually required contribution	619,463	713,355	752,784	779,997	755,994
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 2,721,171	\$ 2,835,601	\$ 3,458,671	\$ 3,506,494	\$ 3,535,137
Contribution as a percent of covered payroll	22.76%	25.16%	21.77%	22.24%	21.39%

LOPFI - Fire

December 31	2019	2018	2017	2016	2015
Contractually required contribution	\$ 772,808	\$ 760,297	\$ 678,135	\$ 686,207	\$ 614,388
Contributions related to the contractually required contribution	772,808	760,297	678,135	686,207	614,388
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 3,380,971	\$ 3,417,168	\$ 3,443,817	\$ 3,369,089	\$ 3,322,435
Contribution as a percent of covered payroll	22.86%	22.25%	19.69%	20.37%	18.49%

Notes to the Schedule:

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

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

CITY OF JACKSONVILLE, ARKANSAS

DEFINED BENEFIT PENSION PLANS - REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF INVESTMENT RETURNS YEAR ENDED DECEMBER 31, 2019

	Fiscal Year Ending	Annual Money-weighted Rate of Return
Policemen's Pension and Relief Fund	12/31/2019	12.54%
	12/31/2018	(3.16%)
	12/31/2017	8.60%
	12/31/2016	5.43%
	12/31/2015	(2.36%)
	12/31/2014	3.72%
Firemen's Pension and Relief Fund	12/31/2019	11.77%
	12/31/2018	(4.17%)
	12/31/2017	10.55%
	12/31/2016	2.68%
	12/31/2015	(1.07%)
	12/31/2014	2.58%

Note to the Schedule:

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



NONMAJOR GOVERNMENTAL FUNDS

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

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

HOME Investment Partnership Program Fund (HOME) – Accounts for HOME grant funds received from the U.S. Department of Housing and Urban Development and passed through the Arkansas Development Finance Authority. These revenues provide assistance for affordable housing to qualifying citizens.

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

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

The **Capital Projects Fund** accounts for the acquisition or construction of major capital assets from the proceeds from general obligation bond issues and other financing sources.

2015 Capital Improvements Construction – The 2015 Capital Improvement Construction fund holds the net proceeds from the 2015 Capital Improvements and Refunding Bonds issued in 2015.

The **Debt Service Funds** account 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 a 1.0 mil annual ad valorem tax and the pro-rata portion of the proceeds of the sales and use tax implemented pursuant to Amendment 79 to the Arkansas Constitution.

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

CITY OF JACKSONVILLE, ARKANSAS

COMBINING BALANCE SHEET
GOVERNMENTAL FUNDS - NONMAJOR
DECEMBER 31, 2019

	Special Revenue				Capital Project 2015 Capital Improvements Construction	Debt Service		Total
	CDBG	HOME	Grants	Asset Forfeiture		2006 Library Debt Service	2015 Capital Improvements Debt Service	
Assets								
Cash	\$ 48,785	\$ 69,816	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118,601
Restricted cash	-	-	-	24,214	148,636	283,171	511,926	967,947
Accounts receivable	34,826	5,797	54,446	-	-	15,798	-	110,867
Due from other funds	1	-	-	2,394	-	-	36,649	39,044
Total Assets	<u>\$ 83,612</u>	<u>\$ 75,613</u>	<u>\$ 54,446</u>	<u>\$ 26,608</u>	<u>\$ 148,636</u>	<u>\$ 298,969</u>	<u>\$ 548,575</u>	<u>\$ 1,236,459</u>
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ 3,237	\$ -	\$ 23,905	\$ -	\$ -	\$ -	\$ -	\$ 27,142
Due to other funds	13,112	-	-	-	36,649	-	-	49,761
Accrued wages payable	2,322	-	-	-	-	-	-	2,322
Other liabilities	536	30,717	16,855	-	-	-	8,911	57,019
Total liabilities	<u>19,207</u>	<u>30,717</u>	<u>40,760</u>	<u>-</u>	<u>36,649</u>	<u>-</u>	<u>8,911</u>	<u>136,244</u>
Fund Balances								
Restricted:								
Debt service	-	-	-	-	-	298,969	539,664	838,633
Law enforcement activities	-	-	-	26,608	-	-	-	26,608
Housing and neighborhood programs	64,406	44,896	-	-	-	-	-	109,302
Grant funds	-	-	13,687	-	-	-	-	13,687
Capital projects	-	-	-	-	111,987	-	-	111,987
Total fund balances	<u>64,406</u>	<u>44,896</u>	<u>13,687</u>	<u>26,608</u>	<u>111,987</u>	<u>298,969</u>	<u>539,664</u>	<u>1,100,217</u>
Total Liabilities and Fund Balances	<u>\$ 83,612</u>	<u>\$ 75,613</u>	<u>\$ 54,446</u>	<u>\$ 26,608</u>	<u>\$ 148,636</u>	<u>\$ 298,969</u>	<u>\$ 548,575</u>	<u>\$ 1,236,459</u>

CITY OF JACKSONVILLE, ARKANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS - NONMAJOR YEAR ENDED DECEMBER 31, 2019

	Special Revenue				Capital Project	Debt Service		Total
	CDBG	HOME	Grants	Asset Forfeiture	2015 Capital Improvements Construction	2006 Library Debt Service	2015 Capital Improvements Debt Service	
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 266,901	\$ -	\$ 266,901
Intergovernmental	308,103	-	229,998	15,218	-	-	-	553,319
Investment income	665	-	44	-	4,850	3,695	10,837	20,091
Miscellaneous	20	-	-	-	-	-	-	20
Total revenues	308,788	-	230,043	15,218	4,850	270,596	10,837	840,331
Expenditures								
Police	-	-	163,989	24,586	-	-	-	188,575
Fire	-	-	-	-	231,491	-	-	231,491
Housing and neighborhood programs	306,466	5,546	53,568	-	-	-	-	365,580
Debt service								
Principal	-	-	-	-	-	260,000	530,000	790,000
Interest	-	-	-	-	-	15,830	182,561	198,391
Agent fees	-	-	-	-	-	5,741	1,000	6,741
Total expenditures	306,466	5,546	217,556	24,586	231,491	281,571	713,561	1,780,777
Excess (Deficiency) of Revenues Over Expenditures	2,322	(5,546)	12,487	(9,368)	(226,641)	(10,975)	(702,724)	(940,446)
Other Financing Sources								
Transfers in	-	-	-	-	-	-	726,536	726,536
Total other financing sources	-	-	-	-	-	-	726,536	726,536
Net Change in Fund Balances	2,322	(5,546)	12,487	(9,368)	(226,641)	(10,975)	23,812	(213,910)
Fund Balances, Beginning of Year	62,084	50,442	1,200	35,976	338,628	309,944	515,852	1,314,126
Fund Balances, End of Year	\$ 64,406	\$ 44,896	\$ 13,687	\$ 26,608	\$ 111,987	\$ 298,969	\$ 539,664	\$ 1,100,217



FIDUCIARY FUNDS

Pension Trust Funds

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

Agency Funds

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

CITY OF JACKSONVILLE, ARKANSAS

COMBINING STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS DECEMBER 31, 2019

	Employee Retirement Plans		
	Policemen's Pension And Relief Fund	Firemen's Pension And Relief Fund	Total
Assets			
Cash and cash equivalents	\$ 290,524	\$ 467,759	\$ 758,283
Investments			
U.S. Government obligations	1,189,503	2,964,112	4,153,615
Corporate bonds	1,384,767	-	1,384,767
Mutual funds	3,360,357	2,907,529	6,267,886
Receivables			
Accounts	233	233	466
Due from other funds	32,827	32,827	65,654
Accrued interest	18,354	18,065	36,419
Total assets	<u>\$ 6,276,565</u>	<u>\$ 6,390,525</u>	<u>\$ 12,667,090</u>
Net Position			
Net position restricted for pension benefits	<u>\$ 6,276,565</u>	<u>\$ 6,390,525</u>	<u>\$ 12,667,090</u>

CITY OF JACKSONVILLE, ARKANSAS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2019

	Employee Retirement Plans		
	Policemen's Pension And Relief Fund	Firemen's Pension And Relief Fund	Total
Additions			
Contributions			
Employer	\$ 48,399	\$ -	\$ 48,399
Contributed from General Fund			
Property taxes	284,511	284,511	569,022
State insurance turnback and guarantee fund	53,960	208,361	262,321
Total contributions	386,870	492,872	879,742
Investment income			
Net increase in fair value of investments	509,578	574,185	1,083,763
Interest and dividends	163,072	99,246	262,318
Gain on sale of investments	88,160	99,632	187,792
Other investment income	354	-	354
	761,164	773,063	1,534,227
Less investment expense	59,584	67,228	126,812
Net investment income	701,580	705,835	1,407,415
Total additions	1,088,450	1,198,706	2,287,156
Deductions			
Benefits paid directly to participants	569,398	830,166	1,399,564
Administrative expenses	3,290	1,600	4,890
Total deductions	572,688	831,766	1,404,454
Change in Net Position	515,762	366,940	882,702
Net Position Restricted for Pension Benefits			
Beginning of Year	5,760,803	6,023,585	11,784,388
Net Position Restricted for Pension Benefits			
End of Year	\$ 6,276,565	\$ 6,390,525	\$ 12,667,090

CITY OF JACKSONVILLE, ARKANSAS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

YEAR ENDED DECEMBER 31, 2019

	Balance January 1, 2019	Additions	Deletions	Balance December 31, 2019
<u>District Court Fines and Forfeitures Fund</u>				
Assets				
Cash	\$ 28,946	\$ 568,423	\$ 581,789	\$ 15,580
Liabilities				
Other liabilities	\$ 28,946	\$ 568,423	\$ 581,789	\$ 15,580
<u>District Court Restitution Fund</u>				
Assets				
Cash	\$ 2,063	\$ 316	\$ 755	\$ 1,624
Liabilities				
Other Liabilities	\$ 2,063	\$ 316	\$ 755	\$ 1,624
<u>Total Agency Funds</u>				
Assets				
Cash	\$ 31,009	\$ 568,739	\$ 582,544	\$ 17,204
Liabilities				
Other liabilities	31,009	568,739	582,544	17,204
Total Liabilities	\$ 31,009	\$ 568,739	\$ 582,544	\$ 17,204

DISCRETELY PRESENTED COMPONENT UNITS

CITY OF JACKSONVILLE, ARKANSAS

COMBINING STATEMENT OF CASH FLOWS DISCRETELY PRESENTED COMPONENT UNITS YEAR ENDED DECEMBER 31, 2019

	Jacksonville Municipal Water Works	Jacksonville Wastewater Utility	Nonmajor Component Unit Advertising and Promotion Commission	Total
Operating Activities				
Receipts from customers	\$ 8,272,703	\$ 4,830,801	\$ -	\$ 13,103,504
Other receipts	2,217,485	40,325	-	2,257,810
Payments to employees	(2,244,034)	(1,851,332)	-	(4,095,366)
Payments to suppliers	(826,495)	(705,036)	(4,841)	(1,536,372)
Payments to service providers	(181,876)	(386,220)	(722,866)	(1,290,962)
Other payments	(2,668,702)	-	-	(2,668,702)
Net cash provided by (used in) operating activities	4,569,081	1,928,538	(727,707)	5,769,912
Noncapital Financing Activities				
Local tax levy supporting operations	-	-	832,780	832,780
Capital and Related Financing Activities				
Purchase of capital assets	(821,651)	(624,563)	-	(1,446,214)
Proceeds from issuance of long-term debt	(3,235,109)	-	-	(3,235,109)
Principal paid on long-term debt	-	(460,000)	-	(460,000)
Interest paid on long-term debt	(332,959)	(546,695)	-	(879,654)
Net cash provided by (used in) capital and related financing activities	(4,389,719)	(1,631,258)	-	(6,020,977)
Investing Activities				
Proceeds from maturities of cash investments	2,165,692	-	-	2,165,692
Purchase of cash investments	(2,171,112)	-	(155,446)	(2,326,558)
Decrease (increase) in restricted cash	(544)	-	-	(544)
Interest received	9,459	212,597	5,708	227,764
Net cash provided by (used in) investing activities	3,495	212,597	(149,738)	66,354
Net Increase in Cash and Cash Equivalents	182,857	509,878	(44,665)	648,070
Cash and Cash Equivalents, Beginning of Year	7,027,353	8,450,436	479,612	15,957,401
Cash and Cash Equivalents, End of Year	\$ 7,210,210	\$ 8,960,314	\$ 434,947	\$ 16,605,471
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities				
Operating income (loss)	\$ (875,171)	\$ (148,248)	\$ (823,989)	\$ (1,847,408)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation and amortization expense	2,884,250	2,049,167	-	4,933,417
Closure and post-closure care costs	-	27,380	-	27,380
Amortization of deferred expenses	72,933	-	-	72,933
Other income, net	2,217,485	-	-	2,217,485
Changes in operating assets and liabilities				
Receivables, net	93,906	(119,390)	-	(25,484)
Revenues earned and unbilled	-	(6,247)	-	(6,247)
Prepaid expenses	(1,655)	(1,109)	-	(2,764)
Inventories	28,860	25,078	-	53,938
Due to other entities	49,582	-	-	49,582
Accounts payable	(132,812)	3,852	96,282	(32,678)
Accrued pension liability	371,597	-	-	371,597
Accrued expenses	3,715	(9,035)	-	(5,320)
Customer deposits	22,975	-	-	22,975
Deferrals related to pensions	(167,114)	107,090	-	(60,024)
Other liabilities	530	-	-	530
Net cash provided by (used in) operating activities	\$ 4,569,081	\$ 1,928,538	\$ (727,707)	\$ 5,769,912
Presented on the Statement of Fund Net Position- Proprietary Funds as Follows:				
Current assets				
Cash and cash equivalents	\$ 7,210,210	\$ 8,259,864	\$ 434,947	\$ 15,905,021
Restricted for bond requirements-cash and cash equivalents	-	124,216	-	124,216
Noncurrent assets				
Cash and cash equivalents	-	576,234	-	576,234
Total Cash and Cash Equivalents	\$ 7,210,210	\$ 8,960,314	\$ 434,947	\$ 16,605,471

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 2019 was \$207,861.

During 2019, Jacksonville Wastewater Utility accepted utility property constructed by private developers.
The fair value of this donated property was \$121,566.

City of Jacksonville, Arkansas

STATISTICAL SECTION

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

Contents	Page
Financial Trends (Tables 1-5)	114
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity (Tables 6-10)	124
These schedules contain information to help the reader assess the City's most significant local revenue source, the sales tax.	
Debt Capacity (Tables 11-15)	129
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information (Tables 16-17)	135
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information (Tables 18-20)	138
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.	

CITY OF JACKSONVILLE, ARKANSAS

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental activities				
Net investment in capital assets	\$ 34,751,804	\$ 36,800,745	\$ 41,063,504	\$ 42,058,114
Restricted	2,384,498	2,052,401	1,798,969	1,184,762
Unrestricted (deficit)	13,387,422	10,824,395	5,937,438	3,544,078
Total governmental activities net position	<u>\$ 50,523,724</u>	<u>\$ 49,677,541</u>	<u>\$ 48,799,911</u>	<u>\$ 46,786,954</u>
Business-type activities				
Net investment in capital assets	\$ 469,824	\$ 653,790	\$ 821,873	\$ 887,393
Unrestricted	238,833	825,120	1,107,844	1,479,431
Total business-type activities net position	<u>\$ 708,657</u>	<u>\$ 1,478,910</u>	<u>\$ 1,929,717</u>	<u>\$ 2,366,824</u>
Primary government				
Net investment in capital assets	\$ 35,221,628	\$ 37,454,535	\$ 41,885,377	\$ 42,945,507
Restricted	2,384,498	2,052,401	1,798,969	1,184,762
Unrestricted (deficit)	13,626,255	11,649,515	7,045,282	5,023,509
Total primary government net position	<u>\$ 51,232,381</u>	<u>\$ 51,156,451</u>	<u>\$ 50,729,628</u>	<u>\$ 49,153,778</u>

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

(2) During 2017, the AGFF Shooting Sports Complex was moved into an enterprise fund from the General Fund.

Table 1

<u>2014</u>	<u>2015 (1)</u>	<u>2016</u>	<u>2017(2)</u>	<u>2018</u>	<u>2019</u>
\$ 42,843,428	\$ 43,120,490	\$ 42,125,123	\$ 37,788,738	\$ 35,873,213	\$ 34,351,016
1,831,423	6,086,120	4,161,056	4,759,509	5,023,813	5,284,005
2,694,078	(12,819,219)	(14,319,749)	(15,403,962)	(15,340,558)	(14,662,089)
<u>\$ 47,368,930</u>	<u>\$ 36,387,390</u>	<u>\$ 31,966,430</u>	<u>\$ 27,144,285</u>	<u>\$ 25,556,468</u>	<u>\$ 24,972,931</u>
\$ 989,853	\$ 1,366,575	\$ 1,820,668	\$ 5,284,651	\$ 5,080,941	\$ 5,050,271
1,673,821	871,967	328,090	178,852	(193,393)	347,011
<u>\$ 2,663,674</u>	<u>\$ 2,238,542</u>	<u>\$ 2,148,758</u>	<u>\$ 5,463,502</u>	<u>\$ 4,887,549</u>	<u>\$ 5,397,282</u>
\$ 43,833,282	\$ 44,487,065	\$ 43,945,791	\$ 43,073,389	\$ 40,954,154	\$ 39,401,287
1,831,423	6,086,120	4,161,056	4,759,509	5,023,813	5,284,005
4,367,899	(11,947,253)	(13,991,659)	(15,225,111)	(15,533,950)	(14,315,078)
<u>\$ 50,032,604</u>	<u>\$ 38,625,934</u>	<u>\$ 34,115,188</u>	<u>\$ 32,607,787</u>	<u>\$ 30,444,016</u>	<u>\$ 30,370,214</u>

CITY OF JACKSONVILLE, ARKANSAS

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Expenses				
Governmental activities:				
General administration	\$ 1,754,213	\$ 389,238	\$ 454,301	\$ 614,247
City council	115,831	120,634	112,915	143,817
Office of the mayor	231,562	230,970	240,152	245,782
City clerk	144,722	212,357	143,434	140,796
City attorney	184,094	180,478	190,970	192,214
District court	308,593	303,536	336,932	342,963
Director of administration	317,955	125,806	112,868	114,376
Information technology	-	177,839	216,749	241,131
Finance	535,466	478,674	659,988	541,303
Human resources	202,575	245,038	228,913	236,759
Fleet services	176,543	186,396	165,871	144,176
Community programs	14,139	173,030	198,400	94,705
Public works	2,866,092	2,585,034	2,872,093	3,605,742
Parks and recreation services	2,515,033	2,602,790	2,748,589	2,953,709
Police	7,025,994	8,510,214	7,782,731	7,928,822
Fire	4,500,852	3,998,521	4,882,380	4,840,219
Emergency communication services	800,722	563,861	894,851	962,308
Animal control	313,564	308,039	306,344	320,102
Housing and neighborhood programs	543,274	273,097	365,162	588,290
Interest expense on long term debt	92,912	102,070	79,563	154,499
Agent fees on long-term debt	-	-	-	-
Debt issuance costs	-	-	-	-
Total governmental activities expenses	<u>22,644,136</u>	<u>21,767,622</u>	<u>22,993,206</u>	<u>24,405,960</u>
Business-type activities				
Sanitation services	1,628,388	1,531,003	1,585,114	1,522,422
Shooting complex services	-	-	-	-
Emergency medical services	1,094,031	1,460,366	1,615,704	1,876,427
Total business-type activities expenses	<u>2,722,419</u>	<u>2,991,369</u>	<u>3,200,818</u>	<u>3,398,849</u>
Total primary government expenses	<u>\$ 24,490,041</u>	<u>\$ 25,984,575</u>	<u>\$ 27,606,778</u>	<u>\$ 25,806,023</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General administration	\$ 181,945	\$ 162,959	\$ 178,388	\$ 156,458
District court	307,641	311,855	730,677	766,291
Finance	8,001	8,026	8,001	20,001
Fleet services	73,845	51,060	37,225	28,368
Public works	105,706	67,005	73,871	79,073
Parks and recreation services	732,000	672,790	751,295	797,053
Police	362,790	363,469	59,193	33,670
Fire	2,912	2,512	800	822
Emergency communication services	225,154	205,394	-	212,769
Animal control	32,350	24,420	20,865	19,365
Housing and neighborhood programs	17,007	535	1,036	486
Operating grants and contributions	3,916,198	3,731,153	4,236,786	4,428,410
Capital grants and contributions	419,836	709,285	1,013,992	685,232
Total governmental activities program revenues	<u>6,385,386</u>	<u>6,310,463</u>	<u>7,112,129</u>	<u>7,227,997</u>
Business-type activities				
Sanitation services	1,277,118	1,812,390	1,816,769	1,908,726
AGFF Shooting sports complex	-	-	-	-
Emergency medical services	709,812	1,009,118	1,062,331	1,132,011
Operating grants and contributions	12,000	13,500	13,000	6,500
Capital grants and contributions	-	305,495	59,196	-
Total business-type activities program revenues	<u>1,998,930</u>	<u>3,140,503</u>	<u>2,951,296</u>	<u>3,047,237</u>
Total primary government program revenues	<u>\$ 8,384,316</u>	<u>\$ 9,450,966</u>	<u>\$ 10,063,425</u>	<u>\$ 10,275,234</u>

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

Table 2

<u>2014</u>	<u>2015 (1)</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 538,999	\$ 569,284	\$ 556,838	\$ 557,064	\$ 588,492	\$ 536,219
129,174	137,959	127,096	135,390	115,767	102,366
239,117	242,586	268,762	257,366	235,751	264,799
137,910	133,400	156,334	137,719	132,710	149,541
177,245	175,033	169,206	265,883	195,078	263,203
340,907	339,984	363,278	327,002	288,647	410,884
114,063	108,044	129,570	168,666	66,589	60,483
233,713	215,326	344,072	281,286	328,045	396,834
470,372	468,408	523,413	480,310	476,826	520,396
227,865	223,741	234,627	182,619	173,136	179,466
151,582	142,922	155,398	151,475	144,414	143,021
193,128	156,941	410,863	247,008	197,863	236,212
2,247,748	2,832,455	2,987,291	3,134,679	2,802,632	3,167,610
3,381,026	3,547,411	4,109,087	2,875,561	2,688,822	3,053,109
7,507,452	7,129,333	9,125,283	7,531,016	6,757,932	6,377,452
4,498,167	3,985,677	5,744,534	5,465,496	6,345,142	5,840,076
1,035,881	980,293	1,103,149	1,026,272	1,001,230	1,108,903
318,606	296,316	329,470	307,420	285,996	336,284
239,470	200,669	240,454	216,681	252,044	370,280
224,750	209,386	262,728	242,525	223,214	199,807
-	33,833	6,844	6,990	7,035	6,741
-	145,014	-	-	-	-
<u>22,407,174</u>	<u>22,274,017</u>	<u>27,348,297</u>	<u>23,998,428</u>	<u>23,307,364</u>	<u>23,723,687</u>
1,459,139	1,516,551	1,575,392	2,001,844	2,001,844	2,030,667
-	-	813,554	657,188	657,188	565,546
2,005,367	2,472,158	1,994,625	2,323,196	2,323,196	2,254,304
<u>3,464,506</u>	<u>3,988,709</u>	<u>4,383,571</u>	<u>4,982,228</u>	<u>4,982,228</u>	<u>4,850,517</u>
<u>\$ 25,738,523</u>	<u>\$ 31,337,006</u>	<u>\$ 28,381,999</u>	<u>\$ 28,289,592</u>	<u>\$ 28,289,592</u>	<u>\$ 28,574,204</u>
\$ 183,919	\$ 365,550	\$ 259,848	\$ 443,992	\$ 311,026	\$ 434,576
812,509	561,363	533,596	473,217	435,533	364,662
20,001	29,001	28,001	29,001	29,001	29,001
22,950	35,338	33,602	30,990	28,920	31,583
87,505	118,729	178,305	101,345	73,919	106,416
980,103	1,024,897	1,037,505	690,777	688,960	640,172
25,464	92,562	46,142	82,007	69,432	103,226
1,968	600	616	6,218	2,956	2,756
221,994	221,144	224,805	227,063	237,118	309,191
24,415	18,770	10,508	10,444	4,865	20,495
67,693	53,217	300	45,973	46,020	20
4,598,762	4,145,981	4,413,390	4,300,118	4,242,826	2,031,400
211,790	933,951	259,177	111,000	406,260	3,048,158
<u>7,259,074</u>	<u>7,601,103</u>	<u>7,025,795</u>	<u>6,552,145</u>	<u>6,576,836</u>	<u>7,121,656</u>
1,847,490	1,881,351	1,825,540	1,854,628	1,885,890	1,591,723
-	-	-	361,463	332,942	405,152
1,387,624	1,550,301	1,579,660	1,743,946	1,739,613	2,132,153
-	12,460	11,947	15,855	13,893	16,171
-	-	-	-	-	-
<u>3,235,114</u>	<u>3,444,112</u>	<u>3,417,147</u>	<u>3,975,892</u>	<u>3,972,338</u>	<u>4,145,199</u>
<u>\$ 10,494,188</u>	<u>\$ 11,045,215</u>	<u>\$ 10,442,942</u>	<u>\$ 10,528,038</u>	<u>\$ 10,549,174</u>	<u>\$ 11,266,855</u>

(continued)

CITY OF JACKSONVILLE, ARKANSAS

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

	2010	2011	2012	2013
Net (expense)/revenue				
Governmental activities	\$ (16,258,750)	\$ (15,457,159)	\$ (15,881,077)	\$ (17,177,963)
Business-type activities	(854,543)	418,084	(40,073)	(153,581)
Total primary government net expense	<u>\$ (17,113,294)</u>	<u>\$ (15,039,075)</u>	<u>\$ (15,921,150)</u>	<u>\$ (17,331,544)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
General property taxes	\$ 768,342	\$ 777,265	\$ 784,180	\$ 826,033
Sales taxes	13,157,342	12,612,511	13,138,610	13,164,041
Utility franchise taxes	1,097,960	1,057,234	1,031,798	1,292,667
Investment earnings	79,823	38,014	21,136	7,026
Grants and contributions not restricted to specific programs	491,200	459,187	459,957	433,463
Gain (loss) on sale of capital assets	9,209	9,265	10,263	31,775
Transfers	(500,000)	(342,500)	(442,496)	(590,000)
Total governmental activities	<u>15,103,876</u>	<u>14,610,976</u>	<u>15,003,448</u>	<u>15,165,005</u>
Business-type activities:				
Investment earnings	5,500	(17,890)	504	688
Grants and contributions not restricted	-	27,559	47,881	-
Gain on sale of capital assets	-	-	-	-
Transfers	500,000	342,500	442,496	590,000
Total business-type activities	<u>505,500</u>	<u>352,169</u>	<u>490,880</u>	<u>590,688</u>
Total primary government	<u>\$ 15,609,376</u>	<u>\$ 14,963,144</u>	<u>\$ 15,494,328</u>	<u>\$ 15,755,693</u>
Changes in Net Position				
Governmental activities	\$ (1,154,874)	\$ (846,183)	\$ (877,629)	\$ (2,012,958)
Business-type activities	(349,043)	770,253	450,807	437,107
Change in accounting principle	-	-	-	-
Total primary government	<u>\$ (1,503,918)</u>	<u>\$ (75,930)</u>	<u>\$ (426,822)</u>	<u>\$ (1,575,851)</u>

Table 2

2014	2015 (1)	2016	2017	2018	2019
\$ (15,148,100)	\$ (14,672,914)	\$ (20,322,502)	\$ (17,446,283)	\$ (16,730,529)	\$ (16,602,030)
(163,735)	(20,394)	(571,562)	(407,679)	(1,009,890)	(705,318)
<u>\$ (15,311,835)</u>	<u>\$ (14,693,308)</u>	<u>\$ (20,894,064)</u>	<u>\$ (17,853,962)</u>	<u>\$ (17,740,419)</u>	<u>\$ (17,307,348)</u>
\$ 838,864	\$ 845,840	\$ 871,178	\$ 821,693	\$ 882,197	\$ 917,150
13,406,409	13,798,792	13,781,154	14,013,579	13,935,682	14,623,842
1,137,932	1,262,049	1,105,865	1,096,000	1,078,449	1,113,293
5,059	15,644	89,570	110,441	78,189	110,642
470,303	454,419	451,246	449,828	449,060	448,418
331,187	(69,038)	37,520	(149,160)	-	-
(459,677)	(425,000)	(434,989)	(3,718,243)	(390,000)	(1,194,851)
<u>15,730,077</u>	<u>15,882,706</u>	<u>15,901,544</u>	<u>12,624,139</u>	<u>16,033,577</u>	<u>16,018,494</u>
908	993	1,539	4,125	10,755	20,200
-	-	-	-	-	-
-	74,831	45,250	56	33,180	-
459,677	425,000	434,989	3,718,243	390,000	1,194,851
<u>460,585</u>	<u>500,825</u>	<u>481,778</u>	<u>3,722,424</u>	<u>433,935</u>	<u>1,215,051</u>
<u>\$ 16,190,662</u>	<u>\$ 16,383,531</u>	<u>\$ 16,383,322</u>	<u>\$ 16,346,563</u>	<u>\$ 16,467,512</u>	<u>\$ 17,233,545</u>
\$ 581,977	\$ 1,209,792	\$ (4,420,959)	\$ (4,822,144)	\$ (696,952)	\$ (583,537)
296,850	480,431	(89,784)	3,314,745	(575,955)	509,733
-	(13,096,892)	-	-	(890,867)	-
<u>\$ 878,827</u>	<u>\$ (11,406,669)</u>	<u>\$ (4,510,742)</u>	<u>\$ (1,507,399)</u>	<u>\$ (2,163,774)</u>	<u>\$ (73,803)</u>

CITY OF JACKSONVILLE, ARKANSAS

GENERAL GOVERNMENT TAX REVENUES BY SOURCE

LAST TEN YEARS

(Accrual Basis of Accounting)

Table 3

Year	General Property Taxes		Sales Taxes				Utility Franchise Taxes		Total
			City	Pulaski County	Alcoholic Beverage	Total Sales Taxes			
2010	\$	768,342	\$ 6,932,962	\$ 6,205,568	\$ 18,812	\$ 13,157,342	\$ 1,097,960	\$	15,023,644
2011		777,265	6,923,047	5,655,813	33,651	12,612,511	1,057,234		14,447,010
2012		784,180	7,338,792	5,747,451	52,368	13,138,610	1,031,799		14,954,589
2013		826,033	7,337,421	5,777,520	49,100	13,164,041	1,292,667		15,282,741
2014		838,864	7,448,713	5,852,314	105,382	13,406,409	1,137,932		15,383,205
2015		845,840	7,646,395	6,071,374	81,023	13,798,792	1,262,049		15,906,681
2016		871,178	7,643,899	6,042,853	94,402	13,781,154	1,105,865		15,758,197
2017		821,693	7,786,515	6,144,151	82,913	14,013,580	1,096,000		15,931,273
2018		882,197	7,639,555	6,211,566	84,560	13,935,682	1,078,449		15,896,328
2019		917,150	7,971,755	6,565,369	86,719	14,623,842	1,113,293		16,654,285
Change									
2010-2019		19.4%	15.0%	5.8%	361.0%	11.1%	1.4%		10.9%

CITY OF JACKSONVILLE, ARKANSAS

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

Table 4

Pre-GASB 54									
2010									
General Fund									
Reserved				\$	159,341				
Unreserved					3,297,028				
Total general fund				\$	3,456,369				
All Other Governmental Funds									
Reserved, reported in:									
Debt service funds				\$	254,508				
Special revenue funds					8,928,627				
Unreserved, reported in:									
Special revenue funds					2,995,731				
Capital projects funds									
Total all other governmental funds				\$	12,178,866				
Post-GASB 54									
	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund									
Nonspendable	\$ -	\$ -	\$ -	\$ 49,285	\$ 35,247	\$ 29,034	\$ 1,003	\$ 3,758	\$ 2,066
Restricted	536,440	537,495	123,382	8,158	8,158	-	-	-	-
Committed	5,265	5,943	7,039	2,654	3,301	5,948	5,876	6,985	7,873
Assigned	1,070,000	-	-	-	-	-	-	-	-
Unassigned	3,792,850	4,095,873	3,089,430	2,375,306	1,830,111	806,202	994,333	1,992,119	3,139,553
Total general fund	\$ 5,404,555	\$ 4,639,311	\$ 3,219,851	\$ 2,435,403	\$ 1,876,818	\$ 841,184	\$ 1,001,212	\$ 2,002,862	\$ 3,149,492
All Other Governmental Funds									
Restricted	\$ 1,515,961	\$ 1,261,474	\$ 1,061,380	\$ 1,823,265	\$ 6,077,962	\$ 4,161,056	\$ 4,759,508	\$ 5,023,812	\$ 5,284,005
Assigned	6,180,291	2,733,641	1,809,841	1,597,837	1,617,645	1,603,548	1,406,102	1,472,853	1,471,609
Total all other governmental funds	\$ 7,696,252	\$ 3,995,115	\$ 2,871,221	\$ 3,421,102	\$ 7,695,606	\$ 5,764,604	\$ 6,165,610	\$ 6,496,665	\$ 6,755,615

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

In 2015, the increase in restricted fund balance is associated with the issuance of the 2015 Capital Improvement Bonds.

CITY OF JACKSONVILLE, ARKANSAS

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN YEARS

(Modified Accrual Basis of Accounting)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenues				
Property taxes	\$ 723,754	\$ 762,221	\$ 779,861	\$ 782,292
Sales taxes	13,157,342	12,612,511	13,138,610	13,164,041
Licenses and permits	153,264	122,289	160,514	123,447
Intergovernmental	4,305,841	4,053,971	5,310,202	4,674,667
Charges for services	1,026,128	924,618	1,056,207	1,081,303
Fines and fees	651,231	651,271	791,192	798,456
Utility franchise taxes	1,097,960	1,057,234	1,031,798	1,292,667
Investment income	79,823	38,014	21,136	7,026
Contributions	-	-	-	150,000
Miscellaneous	343,931	818,963	227,747	917,159
Total revenues	21,539,274	21,041,092	22,517,267	22,991,058
Expenditures				
General government	3,265,843	2,794,399	3,600,208	3,491,811
Public works	3,259,890	4,137,281	3,070,904	3,021,075
Parks and recreation services	2,568,025	2,332,786	3,694,975	5,514,730
Police	7,920,716	7,675,658	11,533,317	8,096,659
Fire	5,177,419	4,716,182	4,403,817	4,486,226
Emergency communication services	672,701	755,149	4,858,959	878,086
Animal control	299,631	295,563	298,166	322,848
Housing and neighborhood programs	539,016	286,307	371,863	559,482
Debt Service				
Principal	145,000	135,000	155,000	1,422,435
Interest	94,956	104,094	81,468	157,622
Agent fees	250	600	700	600
Issuance costs	-	-	-	-
Total expenditures	23,943,447	23,233,019	32,069,377	27,951,574
Excess (Deficiency) of revenues over (under) expenditures	(2,404,173)	(2,191,927)	(9,552,110)	(4,960,516)
Other Financing Sources (Uses)				
Bonds issued	-	-	-	-
Proceeds from other long-term debt	-	-	3,011,700	3,157,161
Capital lease	-	-	2,516,526	-
Transfers in	14,209,326	836,647	6,004	577,890
Transfers out	(14,709,326)	(1,179,147)	(448,500)	(1,167,890)
Total other financing sources (uses)	(500,000)	(342,500)	5,085,730	2,567,161
Net change in fund balances	<u>\$ (2,904,173)</u>	<u>\$ (2,534,427)</u>	<u>\$ (4,466,380)</u>	<u>\$ (2,393,355)</u>
Debt service as a percentage of noncapital expenditures	1.3%	1.3%	0.9%	10.5%

Table 5

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 802,438	\$ 833,835	\$ 839,052	\$ 826,251	\$ 856,539	\$ 852,536
13,406,409	13,798,792	13,781,154	14,013,579	13,935,682	14,623,842
133,586	136,274	226,274	434,535	243,423	305,522
4,729,464	4,575,835	4,847,747	4,738,360	4,687,887	5,482,124
1,119,187	1,150,933	1,097,253	942,439	956,629	1,063,640
840,609	651,626	562,916	542,862	493,869	429,075
1,137,932	1,262,049	1,105,865	1,096,000	1,078,449	1,113,293
5,059	15,644	89,570	110,441	78,189	110,642
-	772,000	257,500	110,000	406,260	4,125
932,527	665,312	548,794	234,085	260,997	334,679
23,107,211	23,862,300	23,356,125	23,048,552	22,997,923	24,319,477
2,906,919	2,708,248	2,781,035	2,904,825	2,797,378	3,025,070
2,528,778	2,802,715	2,375,150	2,390,959	2,295,609	3,029,940
3,025,248	3,292,345	3,936,111	2,473,090	2,620,703	2,682,522
7,149,003	7,347,242	7,370,238	6,970,618	6,003,262	5,919,883
4,324,497	4,472,701	7,214,517	4,764,915	5,261,163	5,200,548
714,945	675,758	699,037	714,326	761,607	812,913
305,998	287,637	280,536	290,121	299,083	307,313
238,824	202,067	226,768	213,718	244,248	365,580
1,803,468	6,389,707	725,000	1,050,000	765,000	790,000
227,594	215,760	272,534	251,964	220,133	198,391
600	33,833	6,844	6,990	7,035	6,741
-	145,014	-	-	-	-
23,225,874	28,573,027	25,887,770	22,031,526	21,275,222	22,338,900
(118,663)	(4,710,727)	(2,531,645)	1,017,026	1,722,701	1,980,577
-	8,851,649	-	-	-	-
344,335	-	-	-	-	-
-	-	-	-	-	-
554,150	150,000	993,156	1,088,000	1,000,336	726,536
(1,013,827)	(575,000)	(1,428,145)	(1,543,989)	(1,390,336)	(1,301,536)
(115,342)	8,426,649	(434,989)	(455,989)	(390,000)	(575,000)
\$ (234,005)	\$ 3,715,922	\$ (2,966,634)	\$ 561,037	\$ 1,332,701	\$ 1,405,577
12.4%	33.6%	4.3%	7.5%	5.0%	4.5%

CITY OF JACKSONVILLE, ARKANSAS

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE

LAST TEN YEARS

(Modified Accrual Basis of Accounting)

Table 6

Year	General Property Taxes	Sales Taxes			Total Sales Taxes	Utility Franchise Taxes	Total
		City	Pulaski County	Alcoholic Beverage			
2010	\$ 723,754	\$ 6,932,962	\$ 6,205,568	\$ 18,812	\$ 13,157,342	\$ 1,097,960	\$ 14,979,056
2011	762,221	6,923,047	5,655,813	33,651	12,612,511	1,057,234	14,431,966
2012	779,861	7,338,792	5,747,451	52,368	13,138,610	1,031,799	14,950,270
2013	782,292	7,337,421	5,777,520	49,100	13,164,041	1,292,667	15,239,000
2014	802,438	7,448,713	5,852,314	105,382	13,406,409	1,137,932	15,346,779
2015	833,835	7,646,395	6,071,374	81,023	13,798,792	1,262,049	15,894,676
2016	839,052	7,643,899	6,042,853	94,402	13,781,154	1,105,865	15,726,071
2017	826,251	7,786,515	6,144,151	82,913	14,013,580	1,096,000	15,935,831
2018	856,539	7,639,555	6,211,566	84,560	13,935,682	1,078,449	15,870,670
2019	852,536	7,971,755	6,565,369	86,719	14,623,842	1,113,293	16,589,671
Change							
2010-2019	17.8%	15.0%	5.8%	361.0%	11.1%	1.4%	10.8%

CITY OF JACKSONVILLE, ARKANSAS

ASSESSED AND APPRAISED VALUE OF TAXABLE PROPERTY LAST TEN YEARS

Table 7

Year	Regular Property		Utility Property		Total Taxable Assessed Value	Total Direct Tax Rate	Total Appraised Value	Assessed Value as a Percentage of Appraised Value
	Real	Personal	Real	Personal				
2010	\$ 202,266,211	\$ 49,397,720	\$ -	\$ 16,140,540	\$ 267,804,471	3.0	\$ 1,339,022,355	20%
2011	204,232,215	51,272,975	-	16,919,055	272,424,245	3.0	1,362,121,225	20%
2012	202,646,506	53,595,970	-	17,026,315	273,268,791	3.0	1,366,343,955	20%
2013	208,233,348	55,876,090	-	17,583,900	281,693,338	3.0	1,408,466,690	20%
2014	211,849,225	58,290,985	-	19,517,835	289,658,045	3.0	1,448,290,225	20%
2015	214,553,993	57,134,325	-	20,250,790	291,939,108	3.0	1,459,695,540	20%
2016	218,016,627	60,054,250	-	17,822,980	295,893,857	3.0	1,479,469,285	20%
2017	212,102,407	60,382,580	-	21,874,860	294,359,847	3.0	1,471,799,235	20%
2018	219,119,460	59,101,010	-	21,670,270	299,890,740	3.0	1,499,453,700	20%
2019	223,912,898	69,007,820	-	22,845,645	315,766,363	3.0	1,578,831,815	20%

Source: Pulaski County Tax Assessor.

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

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

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

CITY OF JACKSONVILLE, ARKANSAS

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

Table 8

Local Tax Rates Per \$1,000 Assessed Value

Year	Jacksonville		Pulaski County		Pulaski County Special School District		Jacksonville North Pulaski School District		Totals	
	Real	Personal	Real	Personal	Real	Personal	Real	Personal	Real	Personal
2010	3.00	3.00	10.10	10.10	40.70	40.70	-	-	50.80	50.80
2011	3.00	3.00	10.10	10.10	40.70	40.70	-	-	50.80	50.80
2012	3.00	3.00	10.10	10.10	40.70	40.70	-	-	50.80	50.80
2013	3.00	3.00	10.10	10.10	40.70	40.70	-	-	50.80	50.80
2014	3.00	3.00	10.10	10.10	40.70	40.70	-	-	50.80	50.80
2015	3.00	3.00	10.10	10.10	40.70 (1)	40.70 (1)	-	-	50.80	50.80
2016	3.00	3.00	10.10	10.10	-	- (2)	40.70	40.70	50.80	50.80
2017	3.00	3.00	10.10	10.10	-	-	48.30	48.30	58.40	58.40
2018	3.00	3.00	10.10	10.10	-	-	48.30	48.30	58.40	58.40
2019	3.00	3.00	10.10	10.10	-	-	48.30	48.30	58.40	58.40

Tax Levies

2010	\$	1,191,800	\$	46,915,434	\$	93,963,825	\$	-	\$	147,871,810
2011		1,212,353		48,464,111		98,195,347		-		150,884,589
2012		1,216,108		49,084,104		100,584,377		-		156,811,691
2013		1,253,591		50,553,806		105,004,294		-		162,634,409
2014		1,289,033		52,080,512		109,264,864		-		69,343,032
2015		1,299,180		53,185,616		14,858,236		-		56,492,623
2016		1,316,778		55,175,845		-		18,017,117		75,443,503
2017		1,309,974		55,667,587		-		18,465,942		77,969,963
2018		1,334,609		57,637,586		-		18,997,768		77,969,963
2019		1,405,292		59,806,627		-		19,920,435		81,132,354

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

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

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

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

State statutory limits on City tax rate:

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

CITY OF JACKSONVILLE, ARKANSAS

PRINCIPAL SALES TAXPAYERS DECEMBER 31, 2019

Table 9

The City of Jacksonville, Arkansas' largest own-source revenue is sales taxes. The City's sale taxes revenues are generated from two separate tax levies: a two cent city tax based on point of sale and a portion of the county's one cent tax based on population. Taxes are assessed based on the point of sale. The City of Jacksonville makes up approximately 7% of the county population and receives a like portion of the county tax. In 2019, the two cent city sales tax generated revenue of \$7,971,754. The City's share of the county 1-cent tax generated revenue of \$6,548,442.

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

Jacksonville Top Ten 2 Cent Sales Taxpayers Industries	Tax Collected	% of Total
Retail Trade	\$ 4,466,306	56.0%
Accommodations and Food Services	712,576	8.9%
Other	535,785	6.7%
Wholesale Trade	486,824	6.1%
Information and Cultural Industries	413,904	5.2%
Rental, Leasing and Real Estate	269,157	3.4%
Admin & Support & Waste Mngmt & Remediation Services	244,986	3.1%
Utilities	231,552	2.9%
Other Services (except Public Administration)	204,862	2.6%
Automobile	160,019	2.0%
Totals	<u>\$ 7,725,971</u>	<u>96.9%</u>
Jacksonville Top Ten 1 Cent County Sales Taxpayers Industry	Collected	% of Total
Retail Trade	\$ 2,999,187	45.8%
Accommodations and Food Services	818,555	12.5%
Wholesale Trade	609,005	9.3%
Utilities	445,294	6.8%
Rental, Leasing and Real Estate	307,777	4.7%
Manufacturing	301,228	4.6%
Information and Cultural Industries	288,131	4.4%
Other Services (except Public Administration)	235,744	3.6%
Admin & Support & Waste Mngmt & Remediation Services	189,905	2.9%
Automobile	78,581	1.2%
Totals	<u>\$ 6,273,408</u>	<u>95.8%</u>

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

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

CITY OF JACKSONVILLE, ARKANSAS

PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN YEARS

Table 10

Year	Total Tax Levy in Prior Year		Taxes Levied in the Prior Year Collected within the current year		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$	1,151,423	\$ 976,709	84.83%	\$ 69,858	\$ 1,046,567	90.89%
2010		1,150,690	983,175	85.44%	73,819	1,056,994	91.86%
2011		1,191,800	1,019,875	85.57%	86,730	1,106,605	92.85%
2012		1,212,353	1,049,855	86.60%	102,969	1,152,824	95.09%
2013		1,216,108	1,056,117	86.84%	89,448	1,145,565	94.20%
2014		1,253,591	1,101,934	87.90%	90,277	1,192,211	95.10%
2015		1,289,033	1,124,222	87.21%	88,624	1,212,846	94.09%
2016		1,299,180	1,120,679	86.26%	83,517	1,204,196	92.69%
2017		1,316,778	1,110,770	84.36%	82,084	1,192,854	90.59%
2018		1,309,974	1,114,212	85.06%	100,976	1,215,188	92.76%
2019		1,334,609	1,171,176	87.75%	59,229	1,230,405	92.19%

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

CITY OF JACKSONVILLE, ARKANSAS

RATIOS OF OUTSTANDING DEBT BY TYPE LAST TEN YEARS

Table 11

Year	Governmental Activities				Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Revenue Bonds	Notes Payable	Capital Leases	Notes Payable				
2010	\$ 2,075,000	\$ -	\$ -	\$ -	\$ -	\$ 2,075,000	0.37%	\$ 103.86	
2011	1,940,000	-	-	-	1,294,514	3,234,514	0.56%	157.44	
2012	1,785,000	-	3,011,700	2,516,526	1,037,081	8,350,307	1.39%	394.68	
2013	1,579,017	-	5,038,839	2,429,113	771,818	9,818,787	1.70%	482.35	
2014	1,404,381	-	4,104,899	2,075,153	475,337	8,059,770	1.40%	395.94	
2015	1,194,520	8,849,418 (2)	-	74,958	216,842	1,486,320	0.26%	72.57	
2016	970,126	8,343,237	-	54,958	-	9,368,322	1.68%	477.37	
2017	735,732	7,521,374	-	621,185	-	8,878,292	1.54%	437.14	
2018	490,139	7,004,038	-	633,710	-	8,127,887	1.36%	384.86	
2019	230,041	6,470,439	-	463,223	-	7,163,702	1.14%	323.48	

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

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

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

CITY OF JACKSONVILLE, ARKANSAS

RATIO OF GENERAL BONDED DEBT OUTSTANDING LAST TEN YEARS

Table 12

Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Appraised Value of Property (1)	Per Capita (2)
2010	\$ 267,804,471	\$ 1,672,256	\$ 266,132,215	0.62%	\$ 58.96
2011	272,424,245	7,014,419	265,409,826	2.57%	247.30
2012	273,268,791	7,311,637	265,957,154	2.68%	257.78
2013	281,693,338	9,046,969	272,646,369	3.21%	318.96
2014	289,658,045	7,584,433	282,073,612	2.62%	267.40
2015	291,939,108	10,078,357	281,860,751	3.45%	355.32
2016	295,893,857	9,313,363	286,580,494	3.15%	328.35
2017	294,359,847	8,257,106	286,102,741	2.81%	291.11
2018	299,890,740	7,494,177	292,396,563	2.50%	264.21
2019	315,766,363	6,700,479	309,065,884	2.12%	236.23

Note: Details regarding the City's outstanding debt can be found in *Note 5* to the financial statements.

(1) See *Table 7*, Schedule of Assessed and Appraised Value of Taxable Property for property value data.

(2) See *Table 16*, Schedule of Demographic and economic Statistics for personal income and population data.

CITY OF JACKSONVILLE, ARKANSAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT DECEMBER 31, 2019

Table 13

	Debt Available for Retirement	Percentage Applicable	City's Share of Overlapping Debt
Direct:			
City of Jacksonville	\$ 7,163,702	100%	\$ 7,163,702
Overlapping:			
Jacksonville North Pulaski School District	<u>56,525,000</u>	77% (1)	<u>43,524,250 (2)</u>
Total direct & overlapping debt	<u>\$ 63,688,702</u>		<u>\$ 50,687,952</u>

(1) Property value for city is \$315,766,363 while property value for the School District is \$412,431,112.
Estimated percentage = 315.8 divided by 412.4 = 77%

(2) Share of outstanding debt = 56,525,000 X 77%

CITY OF JACKSONVILLE, ARKANSAS

LEGAL DEBT MARGIN INFORMATION LAST TEN YEARS

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt limit	\$ 66,951,118	\$ 68,106,061	\$ 68,317,198	\$ 70,423,335
Total net debt applicable to limit	<u>1,817,691</u>	<u>1,672,256</u>	<u>7,014,419</u>	<u>8,772,496</u>
Legal debt margin	<u>\$ 65,133,427</u>	<u>\$ 66,433,805</u>	<u>\$ 61,302,779</u>	<u>\$ 61,650,839</u>
Total net debt applicable to the limit as a percentage of debt limit	3.03%	2.71%	2.46%	10.27%

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

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

Table 14

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2018</u>	<u>2019</u>
\$ 72,414,511	\$ 72,984,777	\$ 73,973,464	\$ 73,589,962	\$ 74,972,685	\$ 74,972,685	\$ 78,941,591
<u>7,308,901</u>	<u>9,739,216</u>	<u>8,732,284</u>	<u>7,534,343</u>	<u>7,472,668</u>	<u>7,472,668</u>	<u>6,731,895</u>
<u>\$ 65,105,610</u>	<u>\$ 63,245,561</u>	<u>\$ 65,241,180</u>	<u>\$ 66,055,619</u>	<u>\$ 67,500,017</u>	<u>\$ 67,500,017</u>	<u>\$ 72,209,695</u>
12.46%	10.09%	13.34%	11.80%	10.24%	9.97%	8.53%

Legal Debt Margin Calculation for 2019

Assessed value	\$ 315,766,363
Debt limit:	
General obligation debt limitation (1)	63,153,273
Short-term financing debt limitation (2)	<u>15,788,318</u>
Total Debt Limitation	<u>78,941,591</u>
Debt applicable to limit:	
General obligation and short-term financing	7,163,702
Less: Amount set aside for repayment in debt service fund	<u>431,807</u>
Total net debt applicable to limit	<u>6,731,895</u>
Legal debt margin	<u>\$ 72,209,695</u>

CITY OF JACKSONVILLE, ARKANSAS

PLEDGED REVENUE BOND COVERAGE LAST TEN YEARS

Table 15

Governmental Activities Revenue Bonds*						
2006 Library Construction Bond						
Fiscal Year	Pledged Revenues	Debt Service Requirements				
		Principal	Interest	Total	Coverage	
2019	\$ 5,494,775	\$ 70,000	\$ 84,430	\$ 154,430	3%	
2015 Capital Improvement and Refunding Bond						
Fiscal Year	Pledged Revenues	Debt Service Requirements				
		Principal	Interest	Total	Coverage	
2019	\$ 16,868,130	\$ 530,000	\$ 193,236	\$ 723,236	4%	

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

*Primary government pledged revenue bond coverage is presented starting with fiscal year 2019.

(1) Library Bonds are backed by the 1 mills annual ad valorem tax levied by the City on all taxable and real personal property located within the jurisdictional limits of the City.

(2) Capital Improvement and Refunding Revenue Bonds are backed with a pledge of specific Utility Franchise fees.

CITY OF JACKSONVILLE, ARKANSAS

DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN YEARS

Table 16

Year	Population		Personal Income (thousands of dollars) (2)	Per Capita Income (2)	Median Age	Percent of Population Age 25+ MA/Professional Degree or Higher	School Enrollment (3)(7)	Unemployment Rate (4)
2010	28,364	(1)	\$ 566,656	\$ 19,978	30.0	15.0%	5,826	(3) 8.5%
2011	28,364	(1)	582,738	20,545	30.0	15.0%	5,527	(3) 7.9%
2012	28,364	(1)	600,097	21,157	30.8	15.0%	5,333	(3) 8.0%
2013	28,364	(1)	577,378	20,356	31.2	15.0%	5,279	(3) 7.7%
2014	28,364	(1)	577,378	20,356	31.2	15.0%	5,144	(3) 6.1%
2015	28,364	(1)	580,895	20,480	31.2	18.6%	3,898	(5) 5.7%
2016	28,364	(1)	556,644	19,625	31.2	18.9%	4,062	(6) 4.1%
2017	28,364	(1)	576,073	20,310	31.9	19.2%	3,871	3.3%
2018	28,364	(1)	599,019	21,119	32.4	19.5%	3,886	4.2%
2019	28,364	(1)	628,149	22,146	33.1	18.6%	3,958	5.0%

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

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

CITY OF JACKSONVILLE, ARKANSAS

JACKSONVILLE AREA MAJOR EMPLOYERS CURRENT YEAR AND TEN YEARS

Table 17

<u>Employer</u>	<u>2019</u>			<u>2010</u>	
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>
Little Rock Air Force Base	9,662	1	55.12%	7,163	1
Jacksonville North Pulaski School District	625	2	3.57%	-	-
Pathfinder, Inc	568	3	3.24%	900	2
Wal-Mart	300	4	1.71%	555	4
City of Jacksonville	288	5	1.64%	277	6
Arkansas Federal Credit Union	223	6	1.27%	174	8
Lomanco, Inc.	205	7	1.17%	194	7
First Arkansas Bank & Trust	149	8	0.85%	147	9
Lowe's	144	9	0.82%	-	-
Gwatney Chevrolet	125	10	0.71%	-	-
First Electric Co-op	-	-		130	10
Pulaski County Special School District	-	-		788	3
North Metro Medical Center	-	-		450	5
	<u>12,289</u>		<u>70.11%</u>	<u>10,778</u>	

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



CITY OF JACKSONVILLE, ARKANSAS

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

<u>Function</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Government:					
General administration	12	12	12	12	12
City council	10	10	10	10	10
Mayor	2	2	2	2	2
City clerk	2	2	2	2	2
City attorney	2	2	2	2	2
District court	5	5	5	5	5
Director of administration	1	1	1	1	1
Information technology	2	2	2	2	2
Finance	8	7	7	8	7
Human resources	3	3	3	3	3
Fleet services	3	3	3	3	2
Public works					
Public works coordinator	1	1	1	1	1
Engineering	3	3	4	4	4
Code enforcement	5	4	4	4	4
Parks and recreation	45	30	40	55	35
Police	90	95	95	98	96
Fire	52	54	54	56	56
Emergency communication	13	13	14	15	12
Animal control	6	6	6	6	5
Total General Fund	<u>264</u>	<u>254</u>	<u>266</u>	<u>288</u>	<u>261</u>
Community Development	2	2	2	2	1
Emergency Medical Services	12	11	12	12	12
Public Works - Street	22	18	22	18	15
Sanitation	24	16	18	16	15
Total Other Funds	<u>60</u>	<u>47</u>	<u>54</u>	<u>48</u>	<u>43</u>
Total Personnel	<u>324</u>	<u>301</u>	<u>320</u>	<u>336</u>	<u>303</u>

Source: City's Human Resource Department

Table 18

2015	2016	2017	2018	2019
12	12	10	10	10
10	10	10	10	10
2	1	1	1	2
2	1	1	1	2
2	1	1	1	2
5	5	3	4	5
1	1	0	0	0
1	1	1	1	3
6	6	6	6	7
2	1	1	1	2
2	2	2	2	2
1	1	1	1	1
3	3	3	3	3
4	4	3	2	5
34	45	34	64	55
95	94	79	55	60
55	45	55	51	56
11	10	13	9	10
5	5	5	5	5
253	248	229	227	240
1	1	1	1	1
12	12	12	12	10
14	18	19	16	14
15	15	16	13	15
42	46	48	42	40
295	294	277	269	280

CITY OF JACKSONVILLE, ARKANSAS

OPERATING INDICATORS BY FUNCTION/PROGRAM LAST TEN YEARS

Function/Program	2010	2011	2012	2013
Planning and Development				
Total building permits issued	224	171	228	158
Estimated building cost	\$ 20,416,524	\$ 13,250,658	\$ 28,930,558	\$ 10,620,235
New commercial construction permits	27	9	3	9
Commercial construction value	\$ 10,353,317	\$ 8,412,857	\$ 16,653,110	\$ 5,335,457
New residential construction permits	60	31	102	32
Residential construction value	\$ 8,665,968	\$ 3,416,000	\$ 10,687,144	\$ 4,109,500
Police				
Number of uniformed employees	76	76	79	80
Call responses	47,895	47,217	48,167	49,659
Physical arrests	4,362	4,007	4,050	3,804
Parking/traffic violations	7,865	7,146	7,399	5,996
Clearance rate - violent crimes	49.7%	65.6%	44.0%	63.5%
Clearance rate - property crimes	30.7%	36.3%	44.8%	64.0%
Fire				
Number of uniformed employees	51	53	53	55
Fire alarms	2,640	3,129	3,129	4,141
EMS alarms	2,841	3,125	3,216	3,120
Fire losses	\$ 380,450	\$ 407,600	\$ 963,342	\$ 829,630
Fire savings	\$ 2,630,600	\$ 990,800	\$ 1,113,900	\$ 3,014,880
911 Communications				
Ambulance land line calls (1)(2)	852	1,406	1,447	1,404
Ambulance wireless calls (1)(2)	1,989	1,718	1,769	1,716
Fire land line calls (1)(2)	792	1,408	1,408	1,863
Fire wireless calls (1)(2)	1,848	1,721	1,721	2,278
Police land line calls (1)(2)	14,369	21,248	21,675	22,347
Police wireless calls (1)(2)	33,527	25,969	26,492	27,312
Animal Shelter				
Animals handled	2,176	2,063	1,762	1,563
Adoptions	915	758	564	595
Rescued and released to owners	431	416	419	374
Animal cruelty investigations	145	156	107	73
Animal bite investigations	34	39	33	35
Solid Waste/Garbage collection				
Solid waste disposal monthly service rate (3)	\$ 8.21	\$ 9.60	\$ 20.98	\$ 21.40
Refuse collected (cubic yards)	23,648	22,503	21,027	21,542
Recyclables collected,processed,and sold (tons)	675	665	609	579
Recycled yard waste (cubic yards)	32,816	35,768	32,910	33,456
Recycle drive-thru customers (4)	8,474	7,500	6,696	7,826
Public Works				
Asphalt milling (square yards)	6,111	7,113	8,308	15,513
Asphalt overlay (tons)	2,554	1,655	1,956	2,574
Right-of-way and ditch mowing (miles)	1,850	1,850	1,850	1,850
Ditch cleaning (linear feet)	12,906	11,398	22,322	22,322
Pipe/culvert installation (linear feet)	1,423	1,000	2,158	2,577
Storm drain culverts cleaned/flushed (feet)	3,000	3,000	3,000	3,000
Roadways cleaned with street sweeper (miles)	9,318	9,318	9,318	9,318
Potholes repaired	256	241	167	202
Parks and recreation				
Total recorded parks attendance	487,600	349,525	356,321	375,000
Community Center events booked	376	325	338	350
Pool parties-indoor pool	216	128	154	227
Pool parties-outdoor pool	81	107	122	113
Swim lessons	1,656	853	1,220	1,562
AG&FF Shooting Sports Complex (5)				
Total Events Held	-	-	-	-
Targets Thrown	-	-	-	-

Source: Various city departments

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

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

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

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

(4) Decrease due to the County's new 2017 curbside recycling program

(5) Beginning in 2017 the Shooting Sports Complex became its own Enterprise Fund

Table 19

2014	2015	2016	2017	2018	2019
150	147	153	183	145	190
\$ 11,637,357	\$ 9,244,024	\$ 15,307,827	\$ 97,881,742	\$ 18,957,534	\$ 41,491,501
3	1	6	13	8	4
\$ 5,273,746	\$ 380,000	\$ 2,126,400	\$ 87,803,785	\$ 9,564,888	\$ 26,265,314
39	43	41	63	36	56
\$ 4,749,000	\$ 5,633,017	\$ 5,060,053	\$ 7,309,903	\$ 5,404,500	\$ 13,256,326
80	77	76	79	70	70
45,587	55,199	51,263	42,804	43,266	40,031
4,040	3,363	2,896	1,898	2,621	2,018
7,278	7,731	6,410	3,502	3,651	5,572
56.7%	63.0%	59.0%	56.0%	59.0%	38.7%
44.5%	49.0%	37.0%	18.0%	35.0%	39.7%
55	67	55	56	52	56
3,752	4,485	4,699	5,035	5,308	5,558
3,541	3,847	3,920	4,215	4,253	4,608
\$ 803,495	\$ 394,220	\$ 829,630	\$ 706,250	\$ 459,600	\$ 205,750
\$ 2,906,079	\$ 7,949,810	\$ 5,656,220	\$ 10,133,450	\$ 6,967,785	\$ 7,633,750
1,593	1,731	980	1,054	1,063	1,152
1,948	2,116	2,940	3,161	3,190	3,456
1,688	2,018	1,175	1,259	1,327	1,390
2,064	2,467	3,524	3,776	3,981	4,169
20,514	24,840	12,816	10,701	10,816	10,008
25,073	30,359	38,447	32,103	32,450	30,023
1,507	1,500	1,503	1,723	1,668	1,720
795	1,032	1,125	1,236	1,180	1,012
324	324	296	329	299	361
38	27	17	9	6	14
40	40	32	40	18	8
\$ 22.40	\$ 22.40	\$ 22.40	\$ 22.62	\$ 22.39	\$ 22.39
22,393	24,774	26,890	26,886	22,789	23,967
612	557	524	531	557	384
34,529	30,636	31,830	38,352	30,636	30,054
8,156	8,140	8,122	6,620	8,140	6,766
13,286	7,314	11,600	10,000	7,390	21,025
1,623	2,226	2,055	2,064	2,280	2,759
1,850	1,850	1,850	1,850	1,850	1,850
22,240	18,422	20,299	27,856	30,582	30,582
1,500	1,065	1,528	2,106	3,288	2,040
3,000	3,000	3,000	3,000	3,000	2,500
9,318	9,318	7,800	7,800	7,800	7,800
200	225	225	246	358	495
425,000	425,000	435,000	500,000	435,000	500,000
173	187	303	329	474	304
185	272	184	212	203	171
112	126	92	127	118	97
1,541	1,126	1,477	1,392	1,472	1,439
-	-	79	87	60	60
-	-	1,200,000	1,300,000	1,200,000	1,200,000

CITY OF JACKSONVILLE, ARKANSAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM LAST TEN YEARS

Table 20

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Sub-stations	1	1	1	1	1	2	2	2	2	2
Patrol units	69	69	69	69	87	82	78	80	49	51
Fire										
Fire Stations	4	4	4	4	4	4	4	4	4	4
Fire trucks	4	4	4	4	5	5	5	5	6	8
Ambulances	4	4	4	4	4	4	4	3	4	5
Refuse Collection										
Collection trucks	18	18	18	18	18	18	20	22	18	19
Public Works										
Miles of streets	120	121.33	121	121	121	123	123	124	124	124
Miles of highways	43	43	43	43	43	43	43	43	43	43
Traffic signals	24	24	24	24	17	17	16	16	18	18
Parks and Recreation										
Acreage	313	318	318	318	700	700	700	700	700	700
Number of parks	16	16	16	16	16	16	16	16	16	16
Number of playgrounds	10	10	11	11	11	11	11	11	11	11
Number of ball fields	11	11	11	11	11	11	11	11	11	11
Number of soccer fields	4	4	4	4	4	4	4	4	4	4
Number of community centers	2	2	2	2	2	3	3	3	3	2
Number of fitness centers	1	1	1	1	1	1	1	1	1	1
Number of swimming pools	1	1	1	1	1	1	1	1	1	1
Number of pavilions	18	18	18	18	18	18	18	18	18	18

Source: Various City departments.

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

McAlister & Associates, P. A.

CERTIFIED PUBLIC ACCOUNTANTS

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

Independent 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, 2019:

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

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

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

In our opinion, management's assertion that the City of Jacksonville, Arkansas complied with the aforementioned requirements during the year ended December 31, 2019 is fairly stated, in all material respects.

This report is intended solely for the information and use of the governing body, management and the State of Arkansas, and is not intended to be and should not be used by anyone other than these specified parties.

McAlister & Associates, P.A.

McAlister & Associates, P.A.
Certified Public Accountants

Jacksonville, Arkansas
October 30, 2020



McAlister & Associates, P. A.

CERTIFIED PUBLIC ACCOUNTANTS

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

**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**

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Jacksonville, Arkansas (the City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Jacksonville, Arkansas' basic financial statements, and have issued our report thereon dated October 30, 2020. Our report includes a reference to other auditors who audited the financial statements of Jacksonville Municipal Water Works as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



McAlister & Associates, P.A.
Certified Public Accountants

Jacksonville, Arkansas
October 30, 2020

McAlister & Associates, P. A.

CERTIFIED PUBLIC ACCOUNTANTS

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

Report on Compliance for the Major Federal Program and Report on Internal Control over Compliance

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for the Major Federal Program

We have audited the City of Jacksonville, Arkansas's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2019. The City's 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. on these financial statements based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City 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, 2019.

Report on Internal Control Over Compliance

Management of the City 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's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program, and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness on internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's 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 a 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 a combination of deficiencies, in internal control over compliance 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 over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

McAlister & Associates, P.A.

McAlister & Associates, P.A.
Certified Public Accountants

Jacksonville, Arkansas
October 30, 2020

CITY OF JACKSONVILLE, ARKANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Awards Expended
Department of Defense Programs				
Direct Programs:				
Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies	12.610	N/A	-	48,211
Total Department of Defense			-	48,211
Department of Housing and Urban Development Programs				
Direct Programs:				
<i>CDBG Entitlement Grants Cluster</i>				
Community Development Block Grants/ Entitlement Grants	14.218	N/A	\$ 6,000	\$ 270,094
<i>Total CDBG Entitlement Grants Cluster</i>			6,000	270,094
Total Department of Housing and Urban Development			6,000	270,094
Department of Justice Programs				
Direct Programs:				
Bulletproof Vest Partnership Program	16.607	N/A	-	6,891
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	-	21,887
Equitable Sharing Program	16.922	N/A	-	24,586
Total Department of Justice			-	53,364
Department of Transportation Programs				
<i>Highway Planning and Construction Cluster</i>				
Pass-Through From:				
Arkansas Department of Transportation Highway Planning and Construction	20.205	JOB #061489. JOB #061538	-	455,000
Pass-Through From:				
Arkansas State Police Highway Safety Improvement Program	20.205	HSIP 148-2018-012220-02 HSIP 148-2018-012220-02	-	121,841
<i>Total Highway Planning and Construction Cluster</i>			-	576,841
Total Department of Transportation Programs			-	576,841
<i>Total Expenditures of Federal Awards</i>			\$ 6,000	\$ 948,510

CITY OF JACKSONVILLE, ARKANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2019

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the City of Jacksonville, Arkansas (City) under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3: Indirect Cost Rate

The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: Federal Loan Programs

The City did not have any federal loan programs during the year ended December 31, 2019.

CITY OF JACKSONVILLE, ARKANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2019

Section I - Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statement audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Material weakness(es) identified? ☐ Yes ☒ No

3. Noncompliance considered material to the financial statements noted?

☐ Yes ☒ No

Federal Awards

4. Internal control over compliance for the major federal awards program:
applicable to major federal awards programs disclosed:

Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Material weakness(es) identified? ☐ Yes ☒ No

5. Type of auditor's report issued on compliance for the major federal award program:

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

☐ Yes ☒ No

CITY OF JACKSONVILLE, ARKANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2019

7. Identification of the major federal program:

Cluster/Program

Highway Planning and Construction Cluster

8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

9. The City qualified as a low-risk auditee?

☐ Yes

☒ No

Section II - Findings Required to be Reported by *Government Auditing Standards*

Reference Number**Finding**

No matters are reportable.

Section III - Findings Required to be Reported by the Uniform Guidance

Reference Number**Finding**

No matters are reportable.

CITY OF JACKSONVILLE, ARKANSAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED DECEMBER 31, 2019

Reference Number	Summary of Finding	Status
	No matters are reportable	