



CITY OF JACKSONVILLE, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
SEPTEMBER 30, 2017



Prepared by:
Finance Department

CITY OF JACKSONVILLE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

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The Star
In East Texas

THE CITY OF JACKSONVILLE

March 12, 2018

Honorable Mayor and City Council,
and Citizens of Jacksonville, Texas:

The Comprehensive Annual Financial Report for the City of Jacksonville, Texas (the City or Jacksonville) for the fiscal year ended September 30, 2017, is hereby submitted. This report was prepared through the cooperative effort of the Finance Department and the City's independent auditor, in accordance with Section 103.001 of the Texas Local Government Code and Article II, Section 17 of the Charter of the City of Jacksonville. The purpose of the report is to provide the City Council, management, staff, the public and other interested parties with detailed information reflecting the City's financial condition.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control. In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. Internal controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements that are free of any material misstatements. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the City's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Pattillo, Brown & Hill, L.L.P., Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Jacksonville's financial statements for the year ended September 30, 2017. In addition to meeting City Charter requirements, the goal of the independent audit was to provide reasonable assurance that the financial statements of the City are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion on the City's financial statements for the fiscal year ended September 30, 2017, and that the financial statements 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 CITY OF JACKSONVILLE

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Also included in the financial section is management's discussion and analysis (MD&A), which provides users of the basic financial statements a narrative introduction, overview and analysis of the basic financial statements. The basic financial statements, including the accompanying notes, represent the core of the financial section. These financial statements present the financial condition of the City as a single entity, as well as the individual funds that account for the City's various governmental and business-type activities. This transmittal letter is designed to complement the MD&A, and should be read in conjunction with it.

City Profile

Jacksonville is the largest city in Cherokee County, Texas, United States. Jacksonville is located in an area of rolling hills in East Texas, north of the county seat, Rusk, and south of Tyler, in neighboring Smith County, on U.S. Route 69. The north-south Highway 69 intersects the east-west U.S. Route 79 at the former Landmark Hotel/Restaurant and the Capital One Bank building in downtown Jacksonville. The City encompassing approximately 14 square miles, had a 2010 census population of 14,544 which is a 4.9% increase from the 2000 census population of 13,868. Currently, the City's population is estimated to be 14,884. Area production and shipping of tomatoes gained the town the title "Tomato Capital of the World".

The City, incorporated in 1850, is a home rule city operating under the Council-Manager form of government. The City Charter was adopted on June 18, 1921. The home rule corporation status is granted under the Constitution and Laws of the State of Texas. The City Council is comprised of the Mayor and four Council members who function as the policy-making body of the City's government, determining the overall goals, objectives and direction for City services, and adopting the annual operating budgets for all City departments. The City Manager is appointed by the City Council and is responsible for the daily management and implementation of policy of the City including appointing the various key leaders and department heads. The Mayor and Council members serve two- year terms, with general Council elections occurring each year based on district. The mayor is elected at large; the remaining Council members are elected by district.

For financial reporting purposes, the City is a primary government. As previously mentioned, the City's governing body is elected by the citizens of Jacksonville. This report includes all organizations and activities for which the elected officials exercise financial control. The City is legally responsible for the Jacksonville Economic Development Corporation (JEDCO) which is reported separately within the government wide financial statements of the City.

The City is a full service municipality including general government, public safety (police and fire), streets, parks and recreation, community development, planning and zoning, code enforcement, a public library, emergency medical services and business-type activities, such as water and sewer and sanitation.



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The City Charter provides that the City Council shall adopt by ordinance an annual budget prepared by the City Manager. This budget is presented to the City Council and opportunities are provided for public comment during a series of public hearings before adoption. Budgetary control has been established at the individual fund level. The City Manager has authority, without Council approval, to transfer appropriation balances from one expenditure account to another within a single office, department, or agency of the City; however, before inserting any additional item or increasing any item of appropriation which will increase the total budget by ten (10) percent or more, it must cause to be published a notice setting forth the nature of the proposed increases and fixing a place and time at which the City Council will hold a public hearing thereon. Although the budget is adopted at a fund level, continued line item review and forecasting is done on a monthly and quarterly basis throughout the fiscal year to ensure compliance with the budget and completion of projects.

Local Economy

The information presented in the budget document is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates. The chief industries in and around Jacksonville include: medical and surgical supply manufacturing, retail, electric utility delivery, auto sales, plastics manufacturing, health care, education, and government services. This diversification is evident in the fact that no single taxpayer represents more than 4.79% of assessed valuation in the City. Sales tax revenues decreased 4.39% FY 2017 from FY 2016. The unemployment rate in the City is 7.9%.

The City of Jacksonville is served by the Jacksonville Independent School District. Jacksonville ISD includes one high school, one middle school, one intermediate school, four elementary schools, and one alternative school. Jacksonville is home to a privately owned junior college offering Associates Degrees in Arts, Science, as well as a Junior College Diploma. Jacksonville College offers on-campus living, athletic programs, faith-based curriculum and small class sizes. A Baptist seminary is located in Jacksonville, offering several Masters Degrees, Bachelor Degrees and Associates Degrees. A four-year degree can also be obtained with a 30 minute commute to neighboring Tyler.

Jacksonville is also the medical center of Cherokee County with two hospitals and other supporting clinics and practices. Additionally, Jacksonville has many tourist attractions. ATV Mud Nationals held in Jacksonville, Texas, is the largest ATV celebration in the world inviting ATVer's from all over the world to race the rocky, muddy terrain. The Annual Tomato Fest, celebrating Jacksonville's world famous tomatoes, attracts a large number of visitors each year. One of East Texas' most breathtaking views, Love's Lookout, north of Jacksonville in Cherokee County is part of a long, flat-topped hill that extends north and south about nine miles. The east side looks over a broad valley - a wide expanse of beautiful scenery, (30-35 miles).



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The City actively works with the Jacksonville Economic Development Corporation (JEDCO) and local industries to encourage expansions and relocations to our community. Jacksonville is home to the premier 131-acre Summers A. Norman Industrial Park. The park has direct access to Highway 69, the main thoroughfare in Jacksonville. JEDCO is currently promoting “Operation Facelift”, the Façade Improvement Grant Program (FIGP) will provide assistance to property owners seeking to renovate or restore their exterior building façades.

Long-term Financial Planning

The City’s fund balance policy sets the minimum reserve at 20% for the general fund, which exceeds the Government Finance Officers Association of the United States and Canada (GFOA) recommended best practice minimum of 15%. GFOA recommends that “general-purpose governments, regardless of size, maintain unassigned fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.” This policy allows the City to better weather economic downturns and strategically handle contingencies and unforeseen emergencies. The City’s General Fund’s unassigned fund balance is approximately \$1.76 million or 20% of General Fund operating expenditures as of September 30, 2017. In addition, the City uses a five-year forecast in its budget process to guide decisions and assist in policy. The long range view allows the City to plan appropriately for the future impact of current decisions.

The City maintains a five-year capital improvement program (CIP), with all planned capital projects reviewed annually by the City staff. This annual review allows the City to change and adjust priorities by responding to changing growth patterns, economic conditions, or federal and state mandates. The CIP is used exclusively as a planning tool, and therefore does not commit the City to any project or project funding. The intent of the CIP is for the City staff to identify specific capital improvements needed during the subsequent five years and to project affordability (five-year forecast). The CIP is not a capital budget, and as such provides only recommended projects and the means of financing the improvements. Recommended improvements are not approved until official action has been taken by the City Council.

Awards and Acknowledgements

This is the second year that the City has made application to the GFOA to be considered for the Certificate of Achievement for Excellence in Financial Reporting for our comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2017. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements. We believe that our CAFR will meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for the award.

The City also submitted our FY 2017-2018 annual budget to the GFOA, for the second time, to be considered for the Distinguished Budget Presentation Award offered by the GFOA for conformity in budget presentation. We believe that our current budget conforms to the program requirements and will receive this award again for the fiscal year beginning October 1, 2017.



THE CITY OF JACKSONVILLE

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The preparation of this report could not be accomplished without the dedicated services of the entire staff of the Finance Department. Many individuals devoted extra hours and exhibited dedicated effort in ensuring the accuracy and timeliness of this report. Appreciation is expressed to the City employees throughout the organization, especially those responsible for the maintenance of records upon which this report is based.

Acknowledgment and appreciation is also given to representatives of Pattillo, Brown & Hill, L.L.P., Certified Public Accountants, for their dedicated assistance and input into the preparation of this report.

Finally, our appreciation is extended to the Mayor and the members of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

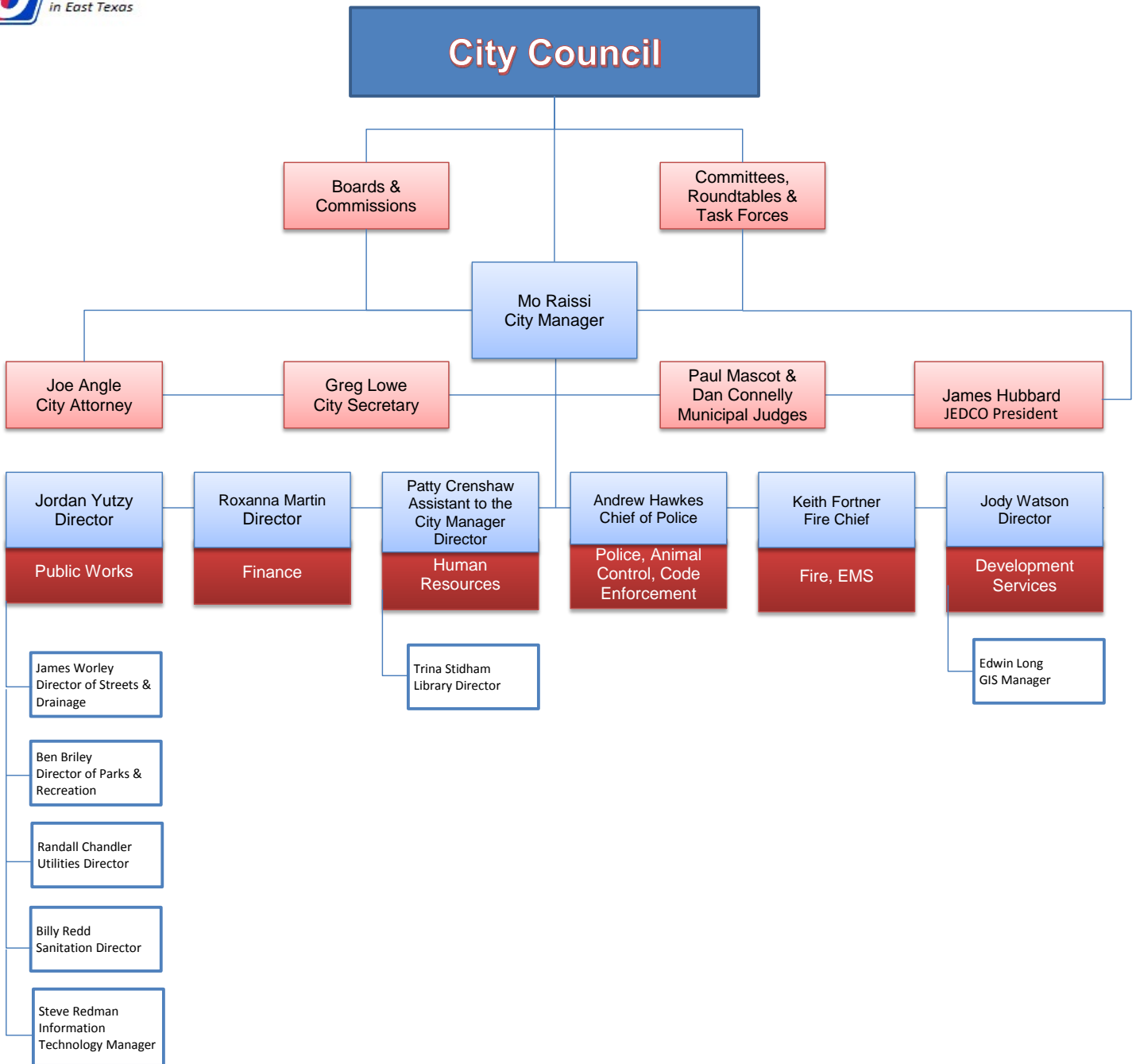
Mo Raissi
Roxanna Martin

City Manager

Finance Director



Citizens of Jacksonville



CITY OF JACKSONVILLE, TEXAS
LIST OF ELECTED AND APPOINTED OFFICIALS
SEPTEMBER 30, 2017

MAYOR AND CITY COUNCIL

Dick Stone	Mayor
Hubert Robinson	Place 1
Jeff Smith	Place 2
Randy Gorham	Place 3
Rob Gowin	Place 4

ADMINISTRATIVE

Mo Raissi	City Manager
Jordan Yutzy	Director of Public Works
Greg Lowe	City Secretary
Roxanna Martin	Director of Finance
Patty Crenshaw	Director of Human Resources Assistant to the City Manager
Andrew Hawkes	Chief of Police
Keith Fortner	Chief of Fire/EMS
Jody Watson	Director of Development Services Chief Building Official

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FINANCIAL SECTION

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PATILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund financial of the City of Jacksonville, Texas (the "City") as of and for the year ended September 30, 2017, which collectively comprise the City's basis financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's 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 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 from 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 auditor's 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2017, 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 information, and pension and retiree health plan information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtain 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 purposes of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules, introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual fund financial statements and schedules 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. In our opinion, the combining and individual fund financial statements and schedules are 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2018, 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 solely to describe the scope of testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 12, 2018

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CITY OF JACKSONVILLE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2017

As management of the City of Jacksonville, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Jacksonville exceeded its liabilities and deferred inflows of resources as of September 30, 2017 by \$45,002,928 (net position). The total net position increased by \$326,632 during the year. Of the total net position, \$5,082,036 (unrestricted net position) may be used to meet the governments' ongoing obligations to citizens and creditors. Unrestricted net position decreased by \$1,373,900 during the fiscal year.
- As of September 30, 2017, the City of Jacksonville's Governmental Funds reported combined ending fund balances of \$4,258,801, a decrease of \$1,191,062 in comparison with the prior fiscal year.
- Fund Balance for the General Fund decreased from \$3,065,160, at September 30, 2016, to \$2,507,030, at September 30, 2017. A decrease of \$558,130 for the fiscal year ended September 30, 2017.
- The City's total long-term bonded debt decreased by \$1,090,000 during the current fiscal year, which is primarily due to current year debt service payments. The City's total bonded payable totaled \$7,710,000 as of September 30, 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the City of Jacksonville's basic financial statements. The City of Jacksonville's basic financial statements are comprised of three components, government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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 a private-sector business. The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred outflows/inflows, with the difference between the two 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 Net Position combines and consolidates government funds; current financial resources (short-term expendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e., roads, drainage improvements, storm and sewer lines, etc.), to assess the overall health or financial condition of the City. The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for items that will only result in cash flows in future fiscal periods (for example, levied but uncollected taxes and earned but unused vacation leave). Both the Statement of Net Position and the Statement of Activities are prepared utilizing the accrual basis of accounting.

In the Statement of Net Position and the Statement of Activities, the City is divided into two kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, including general administration, police, fire, EMS, streets, library and parks and recreation. Property taxes, sales taxes, and utility franchise fees finance most of these activities.
- **Business-Type Activities** – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system, sanitation, and lake activities are reported here.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate entity, Jacksonville Economic Development Corporation (JEDCO), for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13 – 15 of this report.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's three kinds of funds – governmental, proprietary, and fiduciary – utilize different accounting approaches.

- Governmental funds – The majority of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures near-term inflows and outflows of spendable resources. The governmental fund statements provide a detailed short-term view of the City’s general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources than can be spent in the near future to finance the City’s programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long-term impact of the government’s near-term financing decisions. The differences between governmental activities reported in the Statement of Net Position and the Statement of Activities and those reported in the governmental fund statement are detailed in the reconciliation following the fund financial statements.

The City of Jacksonville 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, Debt Service Fund, Capital Projects Fund and Grants Fund, all of which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated nonmajor fund presentation.

The City adopts an annual appropriated budget for the General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

The basic government fund financial statements can be found on pages 16 – 18 of this report.

- Proprietary funds – The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in the proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City’s enterprise funds (a component of proprietary funds) are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The City of Jacksonville maintains three individual enterprise funds. The City uses enterprise funds to account for its water and sewer operations, sanitation, and lake activities. The funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operating fund and the sanitation fund, both of which are considered to be major funds of the City.

The City maintains one internal service fund, the Management Information Systems Fund, which is used to account for information technology services provided to the City’s other departments. This internal service fund predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 20 – 23 of this report.

- Fiduciary funds – Fiduciary funds are used to report assets that are held in a trustee capacity, rather than for use by City government. The City of Jacksonville maintains one fiduciary fund. The City collects donations, disburses monies, and holds assets in a private-purpose trust fund at the direction of and for Keep Jacksonville Beautiful.

The fiduciary fund financial statements can be found on pages 24 – 25 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City’s net pension liability and progress in funding its obligation to provide retiree health insurance benefits to the employees and budgetary comparative information for the General Fund.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions and OPEB.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government’s financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$45,002,928, at the close of the most recent fiscal year

CITY OF JACKSONVILLE’S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 5,939,560	\$ 7,458,826	\$ 6,379,661	\$ 6,624,125	\$ 12,319,221	\$ 14,082,951
Capital assets	25,746,410	24,703,005	19,993,982	20,118,615	45,740,392	44,821,620
Total assets	<u>31,685,970</u>	<u>32,161,831</u>	<u>26,373,643</u>	<u>26,742,740</u>	<u>58,059,613</u>	<u>58,904,571</u>
Total deferred outflows of resources	<u>1,511,512</u>	<u>1,848,724</u>	<u>267,522</u>	<u>336,301</u>	<u>1,779,034</u>	<u>2,185,025</u>
Long-term liabilities	12,371,649	13,522,299	897,515	874,153	13,269,164	14,396,452
Other liabilities	<u>515,202</u>	<u>977,580</u>	<u>642,231</u>	<u>560,169</u>	<u>1,157,433</u>	<u>1,537,749</u>
Total liabilities	<u>12,886,851</u>	<u>14,499,879</u>	<u>1,539,746</u>	<u>1,434,322</u>	<u>14,426,597</u>	<u>15,934,201</u>
Total deferred inflows of resources	<u>344,112</u>	<u>401,485</u>	<u>65,010</u>	<u>77,614</u>	<u>409,122</u>	<u>479,099</u>
Net investment in capital assets	18,151,585	16,198,039	19,993,982	20,118,615	38,145,567	36,316,654
Restricted	1,775,325	1,903,706	-	-	1,775,325	1,903,706
Unrestricted	<u>39,609</u>	<u>1,007,446</u>	<u>5,042,427</u>	<u>5,448,490</u>	<u>5,082,036</u>	<u>6,455,936</u>
Total net position	<u>\$ 19,966,519</u>	<u>\$ 19,109,191</u>	<u>\$ 25,036,409</u>	<u>\$ 25,567,105</u>	<u>\$ 45,002,928</u>	<u>\$ 44,676,296</u>

By far, the largest portion of the City’s net position (84.8%) reflects its net investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), 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 its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City’s net position (3.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,082,036 is unrestricted and may be used to meet the City’s ongoing obligations to its citizens and creditors.

At the end of the fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year fiscal year.

The City’s overall net position increased \$326,632 from the prior year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$857,328 from the prior fiscal year for an ending balance of \$19,966,519. The increase in overall net position of governmental activities is primarily the result of annual debt service payments on the City’s governmental debt. The payments reduced long-term liabilities from FY 2016 to FY 2017. Furthermore, general fund revenues increased in FY 2017 over FY 2016 while expenditures decreased overall.

CITY OF JACKSONVILLE’S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 1,893,437	\$ 1,470,858	\$ 5,827,384	\$ 5,891,354	\$ 7,720,821	\$ 7,362,212
Operating contributions	313,396	325,569	-	-	313,396	325,569
Capital contributions	-	511,196	-	-	-	511,196
General revenues:						
Taxes	7,006,803	6,987,254	-	-	7,006,803	6,987,254
Investment income	51,719	29,907	48,510	24,951	100,229	54,858
Other	72,122	37,454	-	-	72,122	37,454
Transfers	2,188,833	1,648,250	(2,188,833)	(1,648,250)	-	-
	<u>11,526,310</u>	<u>11,010,488</u>	<u>3,687,061</u>	<u>4,268,055</u>	<u>15,213,371</u>	<u>15,278,543</u>
Expenses:						
General government	1,539,275	1,585,265	-	-	1,539,275	1,585,265
Public safety	6,172,240	7,198,230	-	-	6,172,240	7,198,230
Public works	1,405,021	1,218,651	-	-	1,405,021	1,218,651
Culture and recreation	1,264,248	1,228,997	-	-	1,264,248	1,228,997
Economic development	92,454	114,685	-	-	92,454	114,685
Interest and other	195,744	284,471	-	-	195,744	284,471
Water, sewer, sanitation, and lake	-	-	4,217,757	3,769,414	4,217,757	3,769,414
Total expenses	<u>10,668,982</u>	<u>11,630,299</u>	<u>4,217,757</u>	<u>3,769,414</u>	<u>14,886,739</u>	<u>15,399,713</u>
Increase (decrease) in net position	857,328	(619,811)	(530,696)	498,641	326,632	(121,170)
Net position, beginning	<u>19,109,191</u>	<u>19,729,002</u>	<u>25,567,105</u>	<u>25,068,464</u>	<u>44,676,296</u>	<u>44,797,466</u>
Net position, ending	<u>\$ 19,966,519</u>	<u>\$ 19,109,191</u>	<u>\$ 25,036,409</u>	<u>\$ 25,567,105</u>	<u>\$ 45,002,928</u>	<u>\$ 44,676,296</u>

Business-type Activities. For the City's business-type activities, the results for the current fiscal year decreased net position to an ending balance of \$25,036,409. The total decrease in net position for business-type activities was \$530,696 or 2.1% from the prior fiscal year. This decrease is due to an increase in transfers out to the General, Capital Projects, and Internal Service Funds.

Financial Analysis of Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal 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 discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

As of year-end, the City's governmental funds reported combined fund balances of \$4,258,801, a decrease of \$1,191,062 in comparison with the prior year. Approximately, 41.4% of this amount \$1,763,858 constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of the fund balance is either *nonspendable, restricted or assigned* to indicate that it is 1) not in spendable form (\$1,030), 2) restricted for a particular purpose (\$1,751,771), or assigned for particular purpose (\$742,142).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,763,858, while total fund balance decreased to \$2,507,030. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 19.1% of total General Fund expenditures, while total fund balance represents approximately 27.2% of the same amount.

The fund balance of the City's General Fund decreased by \$558,130 during the current fiscal year. The decrease was due to budgeted non-recurring capital expenditures. The one-time capital expenditures caused budgeted expenditures to exceed budgeted revenues. Additionally, the General Fund transferred funds to the Capital Projects, nonmajor governmental, and Internal Service Funds.

The Debt Service Fund, a major fund, had a \$237,833 decrease in fund balance to bring the year end fund balance to \$762,167. The decrease in fund balance was the result of debt service payments exceeding the amount of property taxes restricted for debt service collected in the current year. This was a planned draw down of excess fund balance.

The Capital Projects Fund had a decrease in fund balance during the current year of \$429,735 which put the overall fund balance in a positive position for the amount of \$73,708. The decrease in fund balance was the result of outlays for ongoing capital projects financed by Certificates of Obligation issued in the prior year.

The Grants Fund, the remaining major governmental fund, had ending fund balance of \$46,296, an increase of \$38,454. The increase is a result of payments from granting agencies exceeding expenditures incurred in the current year, as well as a transfer in from the General Fund for matching funds.

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

Unrestricted net position of the Water and Wastewater Fund at the end of the year was \$4,526,931 and for the Sanitation Fund was \$441,252. The decrease in net position for these funds was \$158,513 and \$152,424, respectively. As noted earlier in the discussion of business-type activities, the decrease for the Water and Wastewater and Sanitation Funds was a result of transfers to fund capital projects.

General Fund Budgetary Highlights

During the year there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations.

For fiscal year 2017, actual revenues were \$7,635,198, with budget revenues being \$7,858,447, a negative variance of \$223,249. The variance was primarily due to the decline in sales tax revenue, which came in \$185,353 less than budgeted expectations. Another significant variance to budget was ambulance fees, which were \$111,517 less than budget.

For fiscal year 2017, actual expenditures in the General Fund were \$9,217,654 compared to the budget amount of \$9,883,137, a positive variance of \$665,483. Health insurance expenditures came in under budgeted expectations. As sales tax revenues were declining after the first quarter of the fiscal year, departments were asked to cut expenditures where possible.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City’s investment in capital assets for its governmental and business-type activities as of September 30, 2017, amounts to \$45,740,392 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, and the water and wastewater system. The total increase in capital assets for the current year was 2.0%.

CITY OF JACKSONVILLE’S CAPITAL ASSETS

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,972,434	\$ 1,972,434	\$ 1,073,067	\$ 1,073,067	\$ 3,045,501	\$ 3,045,501
Construction in progress	179,563	2,055,501	-	-	179,563	2,055,501
Buildings and improvements	11,585,732	8,688,857	7,237,371	7,237,371	18,823,103	15,926,228
Equipment	5,550,489	4,659,761	2,409,779	1,986,131	7,960,268	6,645,892
Infrastructure	26,635,227	26,635,227	25,270,777	25,224,378	51,906,004	51,859,605
Library books	1,345,970	1,320,177	-	-	1,345,970	1,320,177
Less accumulated depreciation	(21,523,005)	(20,628,952)	(15,997,012)	(15,402,332)	(37,520,017)	(36,031,284)
Totals	\$ 25,746,410	\$ 24,703,005	\$ 19,993,982	\$ 20,118,615	\$ 45,740,392	\$ 44,821,620

Major capital assets events during the current fiscal year included the following:

- New City Hall construction project cost in the amount of \$705,427.
- Downtown sidewalks refurbished in the amount of \$154,726.
- The purchase of various vehicles and equipment at a total cost of \$937,724.

Additional information on the City’s capital assets can be found in the notes to the financial statements on pages 36 – 37.

Long-term Debt

At year-end, the City had total bonded debt of \$7,710,000. This amount is debt backed by the full faith and credit of the City. The remaining portion of long-term obligations are comprised of net pension liability, OPEB obligation, retainage, compensated absences and notes payable.

CITY OF JACKSONVILLE’S OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 5,920,000	\$ 6,900,000	\$ -	\$ -	\$ 5,920,000	\$ 6,900,000
Certificates of obligation	1,790,000	1,900,000	-	-	1,790,000	1,900,000
Notes payable	82,208	191,636	-	-	82,208	191,636
Compensated absences	345,541	297,177	89,747	75,437	435,288	372,614
Retainage payable	-	73,787	-	-	-	73,787
Other post-employment benefits	1,038,265	923,576	212,657	183,184	1,250,922	1,106,760
Net pension liability	3,150,064	3,184,042	595,111	615,532	3,745,175	3,799,574
Totals	<u>\$ 12,326,078</u>	<u>\$ 13,470,218</u>	<u>\$ 897,515</u>	<u>\$ 874,153</u>	<u>\$ 13,223,593</u>	<u>\$ 14,344,371</u>

The City’s total debt decreased by \$1,120,778 during the current year due to scheduled debt service payments.

The City maintains an “A+” rating from Standards and Poor’s for general obligation debt.

Additional information on the City’s long-term debt can be found in the notes to the financial statements on pages 38 – 40.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

- The City’s elected and appointed officials considered many factors when setting the fiscal year 2018 budget, tax rates, and fees that will be charged for the business-type activities. Property values increased approximately 3.69% for fiscal year 2018 and total property tax revenue is expected to be relatively flat in future years. Sales tax revenue was down for the fiscal year ended September 30, 2017, during the first quarter of fiscal year 2018 collections had begun to rebound; however, the first quarter sales tax receipts were reduced as a result of a Comptroller sales tax audit.

- The General Fund's largest single revenue source is property taxes followed by sales taxes. The property tax rate for FY 2018 is \$0.6596 per \$100 valuation, unchanged from FY 2017. Of this rate, 73.43% is utilized for General Fund activities. The remaining 26.57% is used for paying the City's outstanding debt. The General Fund's portion of total property tax revenue for FY 2018 is estimated to be \$2,888,990. Sales tax revenue for FY 2018 is forecasted to be \$2,267,021.
- The largest revenue source for the utility fund is water sales, with projected sales of \$3,007,014 in FY 2018. While a rate change was adopted, by Ordinance in November 2017, to be effective January 1, 2018, at budget time the rate change was not certain. Therefore, for budgetary purposes, water revenues were projected based on prior year revenue trend information. Council adopted the new rate structure for several reasons: the significant need for capital improvement projects which the City desires to cash-fund, the current rate structure did not meet American Water Works Association (AWWA) and Texas Water Conservation Implementation Task Force (TWCITF) best practices, and Co-op rates that did not sufficiently recover the costs associated with system demands. The new rate structure includes a base (meter) charge that increases based upon meter size, no volumes in the minimum bill, and an increasing (inclining) block rate design. The second largest revenue source for the water and sewer fund is sewer charges with projected collections of \$1,878,701 in FY 2018. Sewer rates were also changed by Ordinance in November 2017, to be effective January 1, 2018.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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 the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, at the City of Jacksonville, 215 East Rusk, Jacksonville, TX 75766.

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BASIC FINANCIAL STATEMENTS

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CITY OF JACKSONVILLE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 4,039,222	\$ 5,212,067	\$ 9,251,289	\$ 4,696,088
Receivables, net:				
Taxes	805,738	-	805,738	182,247
Accounts	806,785	851,666	1,658,451	104,400
Accrued interest	-	-	-	15,641
Due from other governments	286,785	-	286,785	-
Inventory	-	30,618	30,618	-
Deposits and prepaid expenses	1,030	285,310	286,340	-
Capital assets:				
Non-depreciable	2,151,997	1,073,067	3,225,064	228,928
Depreciable, net	<u>23,594,413</u>	<u>18,920,915</u>	<u>42,515,328</u>	<u>416,648</u>
Total assets	<u>31,685,970</u>	<u>26,373,643</u>	<u>58,059,613</u>	<u>5,643,952</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	95,459	-	95,459	-
Deferred outflows related to pensions	<u>1,416,053</u>	<u>267,522</u>	<u>1,683,575</u>	<u>-</u>
Total deferred outflows of resources	<u>1,511,512</u>	<u>267,522</u>	<u>1,779,034</u>	<u>-</u>
LIABILITIES				
Accounts payable	293,486	185,937	479,423	3,776
Accrued expenses	221,716	18,287	240,003	-
Customer deposits	-	438,007	438,007	-
Noncurrent liabilities:				
Due within one year	1,219,485	4,488	1,223,973	-
Due in more than one year	<u>11,152,164</u>	<u>893,027</u>	<u>12,045,191</u>	<u>-</u>
Total liabilities	<u>12,886,851</u>	<u>1,539,746</u>	<u>14,426,597</u>	<u>3,776</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	<u>344,112</u>	<u>65,010</u>	<u>409,122</u>	<u>-</u>
Total deferred inflows of resources	<u>344,112</u>	<u>65,010</u>	<u>409,122</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	18,151,585	19,993,982	38,145,567	645,576
Restricted for:				
Debt service	859,429	-	859,429	-
Municipal court	183,060	-	183,060	-
Public safety-police	66,900	-	66,900	-
Tourism and convention	665,936	-	665,936	-
Economic development	-	-	-	4,994,600
Unrestricted	<u>39,609</u>	<u>5,042,427</u>	<u>5,082,036</u>	<u>-</u>
Total net position	<u>\$ 19,966,519</u>	<u>\$ 25,036,409</u>	<u>\$ 45,002,928</u>	<u>\$ 5,640,176</u>

The accompanying notes are an integral part of these financial statements.

CITY OF JACKSONVILLE, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 1,539,275	\$ 708,823	\$ 265,926	\$ -
Public safety	6,172,240	1,111,249	35,303	-
Public works	1,405,021	-	-	-
Culture and recreation	1,264,248	73,365	12,167	-
Economic development	92,454	-	-	-
Interest and other	195,744	-	-	-
Total governmental activities	<u>10,668,982</u>	<u>1,893,437</u>	<u>313,396</u>	<u>-</u>
Business-type activities:				
Water and wastewater	3,357,908	4,765,720	-	-
Sanitation	635,259	886,622	-	-
Lake Jacksonville	224,590	175,042	-	-
Total business-type activities	<u>4,217,757</u>	<u>5,827,384</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 14,886,739</u>	<u>\$ 7,720,821</u>	<u>\$ 313,396</u>	<u>\$ -</u>
Component Unit:				
Jacksonville Economic Development Corp	\$ 499,901	\$ 5,083	\$ -	\$ -
Total component unit	<u>\$ 499,901</u>	<u>\$ 5,083</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

- Taxes:
 - Property
 - Sales
 - Other
- Investment earnings
- Other
- Transfers
- Total general revenues and transfers
- Change in net position
- Net position - beginning of year
- Net position - end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (564,526)	\$ -	\$ (564,526)	\$ -
(5,025,688)	-	(5,025,688)	-
(1,405,021)	-	(1,405,021)	-
(1,178,716)	-	(1,178,716)	-
(92,454)	-	(92,454)	-
(195,744)	-	(195,744)	-
(8,462,149)	-	(8,462,149)	-
-	1,407,812	1,407,812	-
-	251,363	251,363	-
-	(49,548)	(49,548)	-
-	1,609,627	1,609,627	-
(8,462,149)	1,609,627	(6,852,522)	-
			(494,818)
			(494,818)
3,777,338	-	3,777,338	-
2,189,244	-	2,189,244	1,094,027
1,040,221	-	1,040,221	-
51,719	48,510	100,229	45,167
72,122	-	72,122	-
2,188,833	(2,188,833)	-	-
9,319,477	(2,140,323)	7,179,154	1,139,194
857,328	(530,696)	326,632	644,376
19,109,191	25,567,105	44,676,296	4,995,800
\$ 19,966,519	\$ 25,036,409	\$ 45,002,928	\$ 5,640,176

CITY OF JACKSONVILLE, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2017

	General	Debt Service	Capital Projects	Grants	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 2,289,250	\$ 751,850	\$ 82,836	\$ 46,296	\$ 855,988	\$ 4,026,220
Receivables, net:						
Taxes	730,957	58,849	-	-	15,932	805,738
Accounts	806,785	-	-	-	-	806,785
Due from other governments	3,422	-	-	283,363	-	286,785
Prepaid item	1,030	-	-	-	-	1,030
Total assets	<u>3,831,444</u>	<u>810,699</u>	<u>82,836</u>	<u>329,659</u>	<u>871,920</u>	<u>5,926,558</u>
LIABILITIES						
Accounts payable	281,431	-	9,128	-	2,221	292,780
Accrued liabilities	200,815	-	-	-	99	200,914
Total liabilities	<u>482,246</u>	<u>-</u>	<u>9,128</u>	<u>-</u>	<u>2,320</u>	<u>493,694</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	112,584	48,532	-	-	-	161,116
Unavailable revenue - fines	315,810	-	-	-	-	315,810
Unavailable revenue - EMS services	413,774	-	-	-	-	413,774
Unavailable revenue - grants	-	-	-	283,363	-	283,363
Total deferred inflows of resources	<u>842,168</u>	<u>48,532</u>	<u>-</u>	<u>283,363</u>	<u>-</u>	<u>1,174,063</u>
FUND BALANCES						
Nonspendable:						
Prepaid item	1,030	-	-	-	-	1,030
Restricted for:						
Debt service	-	762,167	-	-	-	762,167
Municipal court	-	-	-	-	183,060	183,060
Public safety-police, fire & EMS	-	-	-	46,296	20,604	66,900
Tourism and convention	-	-	-	-	665,936	665,936
Capital projects	-	-	73,708	-	-	73,708
Assigned to:						
Public works projects	186,478	-	-	-	-	186,478
Professional services	4,025	-	-	-	-	4,025
Subsequent year's budget	551,639	-	-	-	-	551,639
Unassigned	1,763,858	-	-	-	-	1,763,858
Total fund balances	<u>2,507,030</u>	<u>762,167</u>	<u>73,708</u>	<u>46,296</u>	<u>869,600</u>	<u>4,258,801</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,831,444</u>	<u>\$ 810,699</u>	<u>\$ 82,836</u>	<u>\$ 329,659</u>	<u>\$ 871,920</u>	<u>\$ 5,926,558</u>

The accompanying notes are an integral part of these financial statements.

CITY OF JACKSONVILLE, TEXAS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

SEPTEMBER 30, 2017

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

Total fund balance governmental funds	\$ 4,258,801
The internal service fund is used by the City to charge the cost of certain activities to individual funds. The assets, liabilities, deferred outflows and deferred inflows of the internal service fund is included with governmental activities.	11,136
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	25,746,410
Uncollected revenues are reported as unavailable resources in the governmental funds balance sheet, but are recognized as a revenue in the statement of activities.	
Property taxes	161,116
Ambulance fees	413,774
Court fines	315,810
Grants	283,363
Long-term liabilities, including bonds payable, notes payable, compensated absences, net other post employment obligation and net pension liability are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.	
Bonds payable	(7,710,000)
Notes payable	(82,208)
Deferred amount on refunding	95,459
Issuance premium	(45,571)
Compensated absences	(345,541)
Net other post employment obligation	(1,038,265)
Net pension liability	(3,150,064)
Deferred inflows of resources - pension related	(344,112)
Deferred outflows of resources - pension related	1,416,053
Interest payable on long-term debt in the City's governmental activities is not payable from current resources and therefore is not reported in the governmental funds balance sheet.	(19,642)
Net position of governmental activities	\$ <u>19,966,519</u>

The accompanying notes are an integral part of these financial statements.

CITY OF JACKSONVILLE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General	Debt Service	Capital Projects	Grants	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Property	\$ 2,743,960	\$ 1,032,280	\$ -	\$ -	\$ -	\$ 3,776,240
Sales	2,189,244	-	-	-	-	2,189,244
Other	841,888	-	-	-	198,333	1,040,221
Charges for services	1,306,569	-	-	-	16	1,306,585
Intergovernmental	-	-	-	308,632	4,764	313,396
Fines and forfeitures	417,096	-	-	-	20,649	437,745
Licenses and permits	34,995	-	-	-	-	34,995
Investment earnings	29,324	13,246	1,219	195	7,695	51,679
Miscellaneous	72,122	-	-	-	-	72,122
Total revenues	<u>7,635,198</u>	<u>1,045,526</u>	<u>1,219</u>	<u>308,827</u>	<u>231,457</u>	<u>9,222,227</u>
EXPENDITURES						
Current:						
General government	1,447,890	-	-	-	25,242	1,473,132
Public safety	5,557,929	-	-	27,097	7,976	5,593,002
Public works	922,700	-	-	127,447	-	1,050,147
Culture and recreation	1,026,339	-	-	9,529	-	1,035,868
Economic development	-	-	-	-	115,785	115,785
Capital outlay	150,282	-	1,512,810	124,797	-	1,787,889
Debt service:						
Principal	109,428	1,090,000	-	-	-	1,199,428
Interest and other	3,086	193,359	-	-	-	196,445
Total expenditures	<u>9,217,654</u>	<u>1,283,359</u>	<u>1,512,810</u>	<u>288,870</u>	<u>149,003</u>	<u>12,451,696</u>
Excess (deficiency) of revenue over expenditures	<u>(1,582,456)</u>	<u>(237,833)</u>	<u>(1,511,591)</u>	<u>19,957</u>	<u>82,454</u>	<u>(3,229,469)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1,903,722	-	1,098,233	18,497	-	3,020,452
Transfers out	(960,396)	-	(16,377)	-	(86,272)	(1,063,045)
Proceeds from sale of assets	81,000	-	-	-	-	81,000
Total other financing sources (uses)	<u>1,024,326</u>	<u>-</u>	<u>1,081,856</u>	<u>18,497</u>	<u>(86,272)</u>	<u>2,038,407</u>
Net change in fund balances	<u>(558,130)</u>	<u>(237,833)</u>	<u>(429,735)</u>	<u>38,454</u>	<u>(3,818)</u>	<u>(1,191,062)</u>
Fund balance - beginning of year	<u>3,065,160</u>	<u>1,000,000</u>	<u>503,443</u>	<u>7,842</u>	<u>873,418</u>	<u>5,449,863</u>
Fund balance - end of year	<u>\$ 2,507,030</u>	<u>\$ 762,167</u>	<u>\$ 73,708</u>	<u>\$ 46,296</u>	<u>\$ 869,600</u>	<u>\$ 4,258,801</u>

The accompanying notes are an integral part of these financial statements.

CITY OF JACKSONVILLE, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2017

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

Net change in fund balance - total governmental funds	\$(1,191,062)
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital outlay	2,174,289
Depreciation expense	(958,344)
<p>The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.</p>	
	(98,753)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The details of these differences are as follows:</p>	
Property taxes	1,098
Ambulance fees	93,306
Court fines	20,806
<p>Governmental funds report all payments to other post employment benefits as expenditures. However, in the government-wide statement of activities the actuarial annually required contribution is considered an expense. Any deficit amount is considered a liability. Change in net other post employment benefits obligation.</p>	
	(114,689)
<p>Governmental funds report all payments to pension benefits as expenditures. However, in the government-wide statement of activities the pension expense is actuarially determined. This amount is the total of the change in the net pension liability, deferred outflows and inflows related to pensions.</p>	
	(232,224)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds. The details of these differences are as follows:</p>	
Compensated absences	(48,364)
Accrued interest	7,828
<p>The internal service fund is used by the City to charge the cost of certain activities to individual funds. A portion of the net revenue (expense) of the internal service fund is reported with governmental activities.</p>	
	11,136
<p>The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while repayment of the principal long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
Payments on bonds	1,090,000
Payments on capital leases	109,428
Amortization of deferred loss on refunding bonds	(13,637)
Amortization of premium on bond issuance	6,510
	11,136
Change in net position of governmental activities	\$ 857,328

The accompanying notes are an integral part of these financial statements.

CITY OF JACKSONVILLE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2017

	Enterprise Funds				Governmental
	Nonmajor			Total	Activities
	Water and Wastewater	Sanitation	Lake Jacksonville		Internal Service Fund
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 4,573,665	\$ 521,401	\$ 117,001	\$ 5,212,067	\$ 13,002
Accounts receivable, net	728,308	112,715	10,643	851,666	-
Inventory	30,618	-	-	30,618	-
Deposits and prepaid item	285,310	-	-	285,310	-
Total current assets	<u>5,617,901</u>	<u>634,116</u>	<u>127,644</u>	<u>6,379,661</u>	<u>13,002</u>
Noncurrent assets:					
Capital assets:					
Non-depreciable	41,503	250,267	781,297	1,073,067	-
Depreciable, net	18,307,309	334,084	279,522	18,920,915	-
Total noncurrent assets	<u>18,348,812</u>	<u>584,351</u>	<u>1,060,819</u>	<u>19,993,982</u>	<u>-</u>
Total assets	<u>23,966,713</u>	<u>1,218,467</u>	<u>1,188,463</u>	<u>26,373,643</u>	<u>13,002</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	<u>200,345</u>	<u>57,748</u>	<u>9,429</u>	<u>267,522</u>	<u>-</u>
LIABILITIES					
Current liabilities:					
Accounts payable	122,152	35,144	28,641	185,937	706
Accrued expenses	14,282	3,521	484	18,287	1,160
Customer deposits	438,007	-	-	438,007	-
Current portion of compensated absences	3,211	1,164	113	4,488	-
Total current liabilities	<u>577,652</u>	<u>39,829</u>	<u>29,238</u>	<u>646,719</u>	<u>1,866</u>
Noncurrent liabilities:					
Compensated absences, net of current portion	61,012	22,110	2,137	85,259	-
OPEB obligation	158,289	46,179	8,189	212,657	-
Net pension liability	445,677	128,461	20,973	595,111	-
Total noncurrent liabilities	<u>664,978</u>	<u>196,750</u>	<u>31,299</u>	<u>893,027</u>	<u>-</u>
Total liabilities	<u>1,242,630</u>	<u>236,579</u>	<u>60,537</u>	<u>1,539,746</u>	<u>1,866</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	<u>48,685</u>	<u>14,033</u>	<u>2,292</u>	<u>65,010</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	18,348,812	584,351	1,060,819	19,993,982	-
Unrestricted	4,526,931	441,252	74,244	5,042,427	11,136
Total net position	<u>\$ 22,875,743</u>	<u>\$ 1,025,603</u>	<u>\$ 1,135,063</u>	<u>\$ 25,036,409</u>	<u>\$ 11,136</u>

The accompanying notes are an integral part of these financial statements.

CITY OF JACKSONVILLE, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Enterprise Funds				Governmental Activities
	Nonmajor			Total	Internal Service Fund
	Water and Wastewater	Sanitation	Lake Jacksonville		
OPERATING REVENUES					
Charges for services	\$ 4,765,720	\$ 886,622	\$ 175,042	\$ 5,827,384	\$ 3
Total operating revenues	<u>4,765,720</u>	<u>886,622</u>	<u>175,042</u>	<u>5,827,384</u>	<u>3</u>
OPERATING EXPENSES					
Personnel services	1,026,122	373,590	60,232	1,459,944	61,360
Materials and supplies	796,948	44,742	79,015	920,705	6,876
Contractual services	993,216	184,916	64,296	1,242,428	152,097
Depreciation	541,622	32,011	21,047	594,680	-
Total operating expenses	<u>3,357,908</u>	<u>635,259</u>	<u>224,590</u>	<u>4,217,757</u>	<u>220,333</u>
Operating income (loss)	<u>1,407,812</u>	<u>251,363</u>	<u>(49,548)</u>	<u>1,609,627</u>	<u>(220,330)</u>
NONOPERATING REVENUES					
Investment earnings	41,459	5,227	1,824	48,510	40
Total nonoperating revenues	<u>41,459</u>	<u>5,227</u>	<u>1,824</u>	<u>48,510</u>	<u>40</u>
Income (loss) before transfers	1,449,271	256,590	(47,724)	1,658,137	(220,290)
TRANSFERS					
Transfers in	-	-	-	-	231,426
Transfers out	(1,607,784)	(409,014)	(172,035)	(2,188,833)	-
Total transfers	<u>(1,607,784)</u>	<u>(409,014)</u>	<u>(172,035)</u>	<u>(2,188,833)</u>	<u>231,426</u>
Change in net position	<u>(158,513)</u>	<u>(152,424)</u>	<u>(219,759)</u>	<u>(530,696)</u>	<u>11,136</u>
Net position - beginning of year	<u>23,034,256</u>	<u>1,178,027</u>	<u>1,354,822</u>	<u>25,567,105</u>	<u>-</u>
Net position - end of year	<u>\$ 22,875,743</u>	<u>\$ 1,025,603</u>	<u>\$ 1,135,063</u>	<u>\$ 25,036,409</u>	<u>\$ 11,136</u>

The accompanying notes are an integral part of these financial statements.

CITY OF JACKSONVILLE, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR END SEPTEMBER 30, 2017

	Enterprise Funds			Total Enterprise Funds	Governmental
	Water and Wastewater	Sanitation	Nonmajor		Internal Service Fund
			Lake Jacksonville		
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 4,782,610	\$ 895,801	\$ 173,351	\$ 5,851,762	\$ 3
Payments to suppliers and service providers	(1,761,703)	(224,803)	(55,709)	(2,042,215)	(158,267)
Payments to employees for salaries and benefits	(981,531)	(341,572)	(117,185)	(1,440,288)	(60,200)
Net cash provided (used) by operating activities	<u>2,039,376</u>	<u>329,426</u>	<u>457</u>	<u>2,369,259</u>	<u>(218,464)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	-	-	-	231,426
Transfers to other funds	(1,607,784)	(409,014)	(172,035)	(2,188,833)	-
Net cash provided (used) by noncapital financing activities	<u>(1,607,784)</u>	<u>(409,014)</u>	<u>(172,035)</u>	<u>(2,188,833)</u>	<u>231,426</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisitions of capital assets	(356,122)	(89,977)	(23,948)	(470,047)	-
Net cash used by capital and related financing activities	<u>(356,122)</u>	<u>(89,977)</u>	<u>(23,948)</u>	<u>(470,047)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	<u>41,459</u>	<u>5,227</u>	<u>1,824</u>	<u>48,510</u>	<u>40</u>
Net cash provided by investing activities	<u>41,459</u>	<u>5,227</u>	<u>1,824</u>	<u>48,510</u>	<u>40</u>
Net increase (decrease) in cash and cash equivalents	<u>116,929</u>	<u>(164,338)</u>	<u>(193,702)</u>	<u>(241,111)</u>	<u>13,002</u>
Cash and cash equivalents - beginning	<u>4,456,736</u>	<u>685,739</u>	<u>310,703</u>	<u>5,453,178</u>	<u>-</u>
Cash and cash equivalents - ending	<u>\$ 4,573,665</u>	<u>\$ 521,401</u>	<u>\$ 117,001</u>	<u>\$ 5,212,067</u>	<u>\$ 13,002</u>

The accompanying notes are an integral part of these financial statements.

CITY OF JACKSONVILLE, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR END SEPTEMBER 30, 2017

	Enterprise Funds				Governmental
			Nonmajor	Total	Activities
	Water and Wastewater	Sanitation	Lake Jacksonville	Enterprise Funds	Internal Service Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 1,407,812	\$ 251,363	\$(49,548)	\$ 1,609,627	\$(220,330)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	541,622	32,011	21,047	594,680	-
(Increase) decrease in accounts receivable	1,440	9,179	(1,691)	8,928	-
(Increase) decrease in inventory	(2,048)	-	-	(2,048)	-
(Increase) decrease in deposits and prepaids	(5,980)	2,291	162	(3,527)	-
(Increase) decrease in deferred outflows related to pensions	64,128	2,870	1,781	68,779	-
Increase (decrease) in accounts payable	36,489	2,564	25,964	65,017	706
Increase (decrease) in accrued expense	1,282	195	118	1,595	1,160
Increase (decrease) in compensated absences	8,377	4,589	1,344	14,310	-
Increase (decrease) in other post employment benefits payable	21,545	6,808	1,120	29,473	-
Increase (decrease) in deferred inflows related to pensions	(12,352)	43	(295)	(12,604)	-
Increase (decrease) in net pension liability	(38,389)	17,513	455	(20,421)	-
Increase (decrease) in customer deposits	15,450	-	-	15,450	-
Total adjustments	<u>631,564</u>	<u>78,063</u>	<u>50,005</u>	<u>759,632</u>	<u>1,866</u>
Net cash provided by operating activities	<u>\$ 2,039,376</u>	<u>\$ 329,426</u>	<u>\$ 457</u>	<u>\$ 2,369,259</u>	<u>\$(218,464)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF JACKSONVILLE, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2017

	Private- Purpose Trust Fund
ASSETS	
Cash and cash equivalents	\$ <u>4,497</u>
Total assets	<u>4,497</u>
LIABILITIES	
Accounts Payable	<u>150</u>
Total liabilities	<u>150</u>
NET POSITION	
Held in trust for trust beneficiaries	<u>4,347</u>
Total net positon	\$ <u><u>4,347</u></u>

CITY OF JACKSONVILLE, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Private- Purpose Trust Fund
ADDITIONS	
Donations	\$ 5,055
Interest income	48
Total additions	5,103
 DEDUCTIONS	
Supplies	8,866
Total deductions	8,866
Change in net position	(3,763)
Net position - beginning of year	8,110
Net position - end of year	\$ 4,347

The accompanying notes are an integral part of these financial statements.

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CITY OF JACKSONVILLE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Jacksonville, Texas (the “City”) exercises all powers of self-government, and all power enumerated in Chapter 13, Title 28, Revised Civil Statutes of the State of Texas, of 1925. The City was incorporated in 1850 and the City Charter was adopted June 18, 1921. The City operates under a Council-Manager form of government. The accounting policies of the City of Jacksonville, Texas conform to generally accepted accounting principles as applicable to governments.

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Discretely Presented Component Unit

The Jacksonville Economic Development Corporation (JEDCO) was established in 1995, after the citizens of Jacksonville voted to pass a one-half cent sales tax dedicated to economic development. The Corporation is a nonprofit industrial development corporation specifically governed by the Development Corporation Act. The purpose of the Corporation is to promote, assist, and enhance economic development. A separate governing board oversees JEDCO, which is appointed by Jacksonville City Council, and consists of individuals from the community and related governmental entities in the area. The City can remove appointed board members and approves the JEDCO’s budget. The JEDCO is reported as a discretely presented component unit because the governing body is not identical to the governing body of the City, the JEDCO does not solely serve the City and the City has the ability to impose its will on JEDCO. Complete financial statements of the Jacksonville Economic Development Corporation may be obtained by contacting the Jacksonville Economic Development Corporation’s administration office.

B. Basis of Presentation - Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service fund, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the government has a discretely presented component unit. While the component unit is not considered to be a major component unit, it is nevertheless shown in a separate column in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments for interfund services provided and other charges between the City's various other functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

C. Basis of Presentation - 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 enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund – used to account for the general operations of the City.

Debt Service Fund – 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 – used to account for bond proceeds restricted for certain projects and the expenditure of these funds as well as capital expenditures greater than \$25,000.

Grants Fund – used to account for resources received from federal and state agencies that are restricted by grant covenants and the expenditures of these funds.

The City reports the following major enterprise funds:

Water and Wastewater Fund – accounts for the operation of the City's water and wastewater utility.

Sanitation Fund – used to account for the activities of solid waste collections and disposal service provided by the City.

Additionally, the City reports the following fund types:

The Internal Service Fund is used to account for information technology services provided to departments of the City on a cost-reimbursement basis.

A private-purpose trust fund that accounts for contributions collected by the City and disbursed at the direction of and for the committee of Keep Jackson Beautiful.

During the course of operations, the City 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 the funds included in the governmental activities (i.e., the governmental and internal service 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 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.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, court fines, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period of availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

E. Excess of Expenditures over Appropriations

For the year ended September 30, 2017, expenditures exceed appropriations by \$20,143, \$22,379, \$18,274, \$52,610, and \$10,541 in the General Fund Municipal Court, Human Resources, Non-departmental, Parks and Recreation, and Texana Museum departments, respectively. These overruns were funded with existing fund balance.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents

The City's cash and cash equivalents are considered short-term, highly liquid investments with a maturity date within three months of the date acquired that are readily convertible to known amounts of cash and so near maturity that there is not significant risk of changes in value due to change in interest rates.

Investments

Investments in government pools are recorded at amortized cost. All other investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Inventory

Inventory is valued at cost using the first-in, first-out (FIFO) method. Inventory in the Water and Wastewater Fund consists of supplies held for the production, distribution and maintenance of water and the treatment, collection and maintenance of wastewater. The cost of such inventory is recorded as expenditures/expenses when consumed rather than when purchased.

Prepaid Items

Certain costs applicable to future accounting periods are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The City defines capital assets with an initial, individual cost of \$5,000 or greater subsequent to September 30, 2014, and \$2,000 or greater prior to October 1, 2014, and an estimated useful life in excess of one year.

As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

Land and construction in progress are not depreciated. The remainder capital assets are depreciated using the straight-line method over the following estimated useful lives.

Assets	Years
Buildings	50
Building improvements	5 to 25
Infrastructure	75
Machinery and equipment	3 to 20
Library books	5

Compensated Absences

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from City service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Accumulated sick leave lapses when employees leave the employ of the City and, upon separation from service, no monetary obligation exists.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.
- Changes in actuarial assumptions – These changes are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents 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 that time. The City has the following items that qualify for reporting in this category.

- Unavailable revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Difference in expected and actual pension experience - This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position and Fund Balance

Net position represents the difference between assets, deferred outflows of resources and deferred inflows of resources and liabilities. Net investment in capital assets consists of capital assets net of accumulated depreciation and the outstanding balances of any borrowing spent for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

In the fund financial statements, governmental funds report fund balance categorized as follows:

Nonspendable fund balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted fund balance – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation.

Committed fund balance – represents amounts that can only be used for specific purposes imposed by ordinance of the City’s highest level of decision-making authority, the City Council. Committed resources cannot be used for any other purpose unless the City Council removes or changes the specified use by the same type of action previously used to commit those amounts.

Assigned fund balance – represents amounts the City intends to use for specific purposes as expressed by the City Council or an official delegated the authority to assign amounts. At present, only the City Council is authorized to make fund balance assignments. This is the residual classification for all governmental funds other than the general fund.

Unassigned fund balance – represents the residual classification for the general fund or deficit balances in other funds.

Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

G. Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues.

Property Taxes

Property taxes are levied by October 1, due upon receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed. The combined tax rate to finance general governmental services and interest and sinking fund requirements for the year ended September 30, 2017 was \$.6596 per \$100 of valuation.

Proprietary Funds Operating and Non-operating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues not meeting this definition are reported as non-operating revenues and expenses

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

Deposits and Investments

Statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. Agencies, municipal bonds and managed public fund investment pools.

The Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (the "Act"), provide for the creation of public funds investment pools, such as Texas Short-term Reserve Fund ("TexStar"), Local Government Investment Cooperative ("LOGIC"), TexasTERM, and Lone Star Investment Pool ("Lone Star"), through which political subdivisions and other entities may invest public funds.

TexStar, LOGIC, TexasTERM, and Lone Star have a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs to measure the fair value of the asset. Level 1 inputs are quoted prices for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Of the City’s investments, \$3,408,763 were valued using the present value of expected future cash flow model, Level 2 Inputs.

The City’s investments for the year ended September 30, 2017 are as follows:

	Carrying Value	Weighted Average Maturity (Days)	Credit Risk
LOGIC	\$ 2,169,623	42	AAAm
TexStar	971,057	91	AAAm
Lone Star	966,054	101	AAAm
Texas Term	1,218,931	111	AAAm
Brokered certificates of deposit	<u>3,408,763</u>		
Total carrying value	<u>\$ 8,734,428</u>		

Credit risk – In conformance with the City’s investment policy, the City has limited credit risk by investing in only the safest type of securities as allowed by the Public Funds Investment Act, using approved brokers and with different investment pools.

Interest rate risk – The City, in compliance with its investment policy, invests in short-term securities to protect market valuation from unanticipated rate movements. In addition, the City will not directly invest in securities maturing more than five years from the date of purchase.

Concentration of credit risk – The City uses four local government investment pools and brokered certificates of deposit to diversify risk.

Custodial credit risk – The City requires all bank deposits to be collateralized at a level not less than 102% of the total deposits. At September 30, 2017, the carrying value of the City’s bank deposits was entirely covered by federal depository insurance or by collateral held by the agent in the City’s name.

At September 30, 2017, the carrying value of JEDCO’s (a discretely presented component unit) bank deposits was entirely covered by federal depository insurances or by collateral held by the agency in JEDCO’s name.

Receivables

Receivables as of year-end for the City's individual major funds and non-major funds, including the applicable allowances for uncollectible accounts, are as follows:

Receivables	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Water & Wastewater Fund	Sanitation Fund	Nonmajor Proprietary Funds	Totals
Accounts	\$ 26,968	\$ -	\$ -	\$ 743,697	\$ 117,345	\$ 10,643	\$ 898,653
Ambulance	695,592	-	-	-	-	-	695,592
Court	3,158,117	-	-	-	-	-	3,158,117
Taxes	795,869	95,431	15,932	-	-	-	907,232
Other	70,877	-	-	-	-	-	70,877
Gross receivables	4,747,423	95,431	15,932	743,697	117,345	10,643	5,730,471
Less: allowance for uncollectibles	(3,209,681)	(36,582)	-	(15,389)	(4,630)	-	(3,266,282)
Total receivables, net	\$ 1,537,742	\$ 58,849	\$ 15,932	\$ 728,308	\$ 112,715	\$ 10,643	\$ 2,464,189

Notes Receivable

As of September 30, 2017, JEDCO provided financing in the amount of \$104,400 to be used for construction of low income housing. The principal and interest are due at the rate of 3% per annum (simple interest only) in a single payment at maturity. The note matures on December 31, 2056.

Capital Assets

Capital asset activity for the year ended September 30, 2017 was as follows:

	Balance 10/1/2016	Increases	Reclassification/ Decreases	Balance 9/30/2017
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,972,434	\$ -	\$ -	\$ 1,972,434
Construction in progress	<u>2,055,501</u>	<u>938,169</u>	<u>(2,814,107)</u>	<u>179,563</u>
Total capital assets, not being depreciated	<u>4,027,935</u>	<u>938,169</u>	<u>(2,814,107)</u>	<u>2,151,997</u>
Capital assets, being depreciated:				
Buildings	3,487,883	181,436	2,306,419	5,975,738
Improvements other than buildings	5,200,974	91,165	317,855	5,609,994
Equipment	4,659,761	937,726	(46,999)	5,550,488
Infrastructure	26,635,227	-	-	26,635,227
Library books	<u>1,320,177</u>	<u>25,793</u>	<u>-</u>	<u>1,345,970</u>
Total capital assets, being depreciated	<u>41,304,022</u>	<u>1,236,120</u>	<u>2,577,275</u>	<u>45,117,417</u>
Less: accumulated depreciation				
Buildings	(1,572,654)	(67,274)	41,828	(1,598,100)
Improvements other than buildings	(3,961,254)	(140,318)	-	(4,101,572)
Equipment	(3,124,254)	(359,906)	22,463	(3,461,697)
Infrastructure	(10,754,228)	(355,170)	-	(11,109,398)
Library books	<u>(1,216,562)</u>	<u>(35,675)</u>	<u>-</u>	<u>(1,252,237)</u>
Total accumulated depreciation	(20,628,952)	(958,343)	64,291	(21,523,004)
Total capital assets being depreciated, net	<u>20,675,070</u>	<u>277,777</u>	<u>2,641,566</u>	<u>23,594,413</u>
Governmental activities capital assets, net	<u>\$ 24,703,005</u>	<u>\$ 1,215,946</u>	<u>\$(172,541)</u>	<u>\$ 25,746,410</u>
	Balance 10/1/2016	Increases	Reclassification/ Decreases	Balance 9/30/2017
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,073,067	\$ -	\$ -	\$ 1,073,067
Total capital assets, not being depreciated	<u>1,073,067</u>	<u>-</u>	<u>-</u>	<u>1,073,067</u>
Capital assets, being depreciated:				
Buildings and improvements	5,437,554	-	-	5,437,554
Improvements other than buildings	1,799,818	-	-	1,799,818
Infrastructure	25,224,378	46,397	-	25,270,775
Machinery and equipment	<u>1,986,131</u>	<u>423,648</u>	<u>-</u>	<u>2,409,779</u>
Total capital assets, being depreciated	<u>34,447,881</u>	<u>470,045</u>	<u>-</u>	<u>34,917,926</u>
Less: accumulated depreciation				
Buildings and improvements	(3,357,922)	(108,847)	-	(3,466,769)
Improvements other than buildings	(1,615,349)	(11,511)	-	(1,626,860)
Infrastructure	(9,212,753)	(326,766)	-	(9,539,519)
Machinery and equipment	<u>(1,216,307)</u>	<u>(147,556)</u>	<u>-</u>	<u>(1,363,863)</u>
Total accumulated depreciation	(15,402,331)	(594,680)	-	(15,997,011)
Total capital assets being depreciated, net	<u>19,045,550</u>	<u>(124,635)</u>	<u>-</u>	<u>18,920,915</u>
Business-Type activities capital assets, net	<u>\$ 20,118,617</u>	<u>\$(124,635)</u>	<u>\$ -</u>	<u>\$ 19,993,982</u>

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

Government activities:	
General government	\$ 35,832
Public safety	286,249
Public works	425,088
Culture and recreation	<u>211,174</u>
Total depreciation expense - governmental activities	<u>\$ 958,343</u>
Business-type activities:	
Water and wastewater	\$ 541,622
Sanitation	32,011
Lake Jacksonville	<u>21,047</u>
Total depreciation expense - business-type activities	<u>\$ 594,680</u>

Capital assets activity for JEDCO was as follows:

	Balance 10/1/2016	Increases	Reclassification/ Decreases	Balance 9/30/2017
Component Unit:				
Capital assets, not being depreciated:				
Land	\$ 228,928	\$ -	\$ -	\$ 228,928
Total capital assets, not being depreciated	<u>228,928</u>	<u>-</u>	<u>-</u>	<u>228,928</u>
Capital assets, being depreciated:				
Buildings	161,179	80,000	-	241,179
Improvements	344,824	-	-	344,824
Furniture and fixtures	<u>46,500</u>	<u>5,974</u>	<u>-</u>	<u>52,474</u>
Total capital assets, being depreciated	<u>552,503</u>	<u>85,974</u>	<u>-</u>	<u>638,477</u>
Less: accumulated depreciation				
Buildings	(56,699)	(6,029)	-	(62,728)
Improvements	(119,461)	(7,496)	-	(126,957)
Furniture and fixtures	<u>(18,834)</u>	<u>(13,310)</u>	<u>-</u>	<u>(32,144)</u>
Total accumulated depreciation	<u>(194,994)</u>	<u>(26,835)</u>	<u>-</u>	<u>(221,829)</u>
Total capital assets being depreciated, net	<u>357,509</u>	<u>59,139</u>	<u>-</u>	<u>416,648</u>
Component Unit capital assets, net	<u>\$ 586,437</u>	<u>\$ 59,139</u>	<u>\$ -</u>	<u>\$ 645,576</u>

Interfund Transfers

The composition of interfund transfers for the year ended September 30, 2017 is as follows:

Transfers Out	Transfers In				Total
	General Fund	Capital Projects Fund	Grants Fund	Internal Service Fund	
General Fund	\$ -	\$ 813,080	\$ 18,497	\$ 128,819	\$ 960,396
Capital Projects Fund	-	-	-	16,377	16,377
Nonmajor Governmental Funds	29,125	44,156	-	12,991	86,272
Water and Wastewater Fund	1,548,826	-	-	58,958	1,607,784
Sanitation Fund	155,401	240,997	-	12,616	409,014
Nonmajor Enterprise Funds	<u>170,370</u>	<u>-</u>	<u>-</u>	<u>1,665</u>	<u>172,035</u>
Total	<u>\$ 1,903,722</u>	<u>\$ 1,098,233</u>	<u>\$ 18,497</u>	<u>\$ 231,426</u>	<u>\$ 3,251,878</u>

Transfers to the General Fund from the nonmajor governmental funds, Water and Wastewater Fund, Sanitation Fund, and nonmajor enterprise funds for \$29,125, \$1,548,826, \$155,401, \$170,370, respectively, were payments in lieu of taxes. Transfers to the Internal Service Fund from the General Fund, Capital Projects Fund, nonmajor governmental funds, Water and Wastewater Fund, Sanitation Fund, and nonmajor enterprise funds for \$128,819, \$16,377, \$12,991, \$58,958, \$12,616, \$1,665, respectively, were cost allocations for the new internal service fund. Transfers to the Capital Projects fund of \$813,080, \$44,516, and \$240,997 from the General Fund, nonmajor governmental funds, and Sanitation Fund, respectively, were to support ongoing infrastructure and other capital projects. A transfer of \$18,497 was made from the General Fund to the grants fund for grant match.

Long-term Debt

Changes in the City's long-term liabilities for the year ended September 30, 2017 are as follows:

	Balance 10/1/2016	Additions	Deletions	Balance 9/30/2017	Due Within One Year
Governmental activities:					
General obligation debt	\$ 6,900,000	\$ -	\$(980,000)	\$ 5,920,000	\$ 1,005,000
Certificate of obligation debt	1,900,000	-	(110,000)	1,790,000	115,000
Premium on debt	52,081	-	(6,510)	45,571	-
Notes payable	191,636	-	(109,428)	82,208	82,208
Compensated absences	297,177	229,044	(180,680)	345,541	17,277
Retainage payable	73,787	-	(73,787)	-	-
Other post-employment benefits	923,576	187,226	(72,537)	1,038,265	-
Net pension liability	<u>3,184,042</u>	<u>476,701</u>	<u>(510,679)</u>	<u>3,150,064</u>	<u>-</u>
Total governmental activities	<u>\$ 13,522,299</u>	<u>\$ 892,971</u>	<u>\$(2,043,621)</u>	<u>\$ 12,371,649</u>	<u>\$ 1,219,485</u>
Business-type activities:					
Compensated absences	\$ 75,437	\$ 79,655	\$(65,345)	\$ 89,747	\$ 4,488
Other post-employment benefits	183,184	38,348	(8,875)	212,657	-
Net pension liability	<u>615,532</u>	<u>76,056</u>	<u>(96,477)</u>	<u>595,111</u>	<u>-</u>
Total business-type activities	<u>\$ 874,153</u>	<u>\$ 194,059</u>	<u>\$(170,697)</u>	<u>\$ 897,515</u>	<u>\$ 4,488</u>

Compensated absences, net pension liability and OPEB obligation generally are paid by the General Fund for the governmental activities.

General Obligation Bonds and Combination Tax and Revenue Certificates of Obligation

The City issues general obligation bonds and combination tax and revenue certificates of obligation to provide funds for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Combination tax and revenue certificates of obligation pledge the income derived from the acquired or constructed assets and taxes to pay for debt service. General obligation bonds and combination tax and revenue certificates of obligation currently outstanding are as follows:

General Obligation Debt:

\$6,200,000 General Obligation Refunding Bonds, Series 2010, dated September 15, 2010, due in annual installments of \$375,000 to \$500,000, interest rates of 2.00% to 4.00%	\$ 895,000
\$5,475,000 General Obligation Refunding Bonds, Series 2011, dated December 15, 2011, due in annual installments of \$220,000 to \$600,000, interest rates of 2.00% to 2.625%	2,745,000
\$2,330,000 General Obligation Refunding Bonds, Series 2016, dated February 1, 2016, due in annual installments of \$20,000 to \$350,000, interest rates of 1.71%	2,280,000
\$1,900,000 Combination Revenue and Tax Certificates of Obligation, Series 2016, dated May 1, 2016, due in annual installments of \$110,000 to \$145,000, interest rates of .80% to 2.15%	1,790,000

Notes payable at September 30, 2017 is composed of the following:

2014 Pierce Fire Truck: \$142,742 loan payable to Texas National Bank, dated November 24, 2016, due in 3 monthly installments of \$20,810 and one installment of \$82,548, with an interest rate of 1.99%	\$ 82,208
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The debt service requirements for the City's certificates of obligation and general obligation bonds are as follows:

Fiscal Year	Principal	Interest	Total
2018	\$ 1,120,000	\$ 157,133	\$ 1,277,133
2019	1,140,000	135,642	1,275,642
2020	1,165,000	113,671	1,278,671
2021	805,000	90,384	895,384
2022	820,000	73,870	893,870
2023-2027	2,105,000	136,010	2,241,010
2028-2031	555,000	23,285	578,285
	<u>\$ 7,710,000</u>	<u>\$ 729,995</u>	<u>\$ 8,439,995</u>

The debt service requirements for the City's notes payable are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ <u>82,208</u>	\$ <u>372</u>	\$ <u>82,580</u>

Prior Year Refunding of Debt

The City defeased certain outstanding revenue bonds by placing proceeds of new bonds in irrevocable trust to provide for all future debt service payments. Accordingly, the respective trust accounts and liability for the defeased bond are not included in the City's financial statements. As of September 30, 2017, the City does not have bonds considered defeased and outstanding.

Defined Benefit Pension Plans

Plan Description

The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-finance monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefits in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 74% of the member's deposits and interest.

The City grants monetary credits for service rendered of a theoretical amount equal to two times what would have been contributed by the employee, with interest. Monetary credits, also known as the matching ratio, are 200% of the employee's accumulated contributions and are only payable in the form of an annuity.

Beginning in 2008, the City granted an annually repeating (automatic) basis monetary credit referred to as an updated service credit (USC) which is a theoretical amount that takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, initiated in 2011, the City provided on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

Employee deposit rate	6%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated service credit	100% repeating, transfers
Annuity increase to retirees	50% of CPI repeating

Employees Covered by Benefit Terms

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	97
Inactive employees entitled to but not yet receiving benefits	71
Active employees	<u>124</u>
	<u><u>292</u></u>

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.79% and 11.23% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were \$657,587, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumption

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering the 2009 through 2011, and the dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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 expenses 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 target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates return for each major assets class in fiscal year 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
U.S. equities	17.5%	4.55%
International equities	17.5%	6.35%
Core fixed income	10.0%	1.00%
Non-core fixed income	20.0%	4.15%
Real estate	10.0%	4.15%
Real return	10.0%	4.75%
Absolutely return	10.0%	4.00%
Private equity	5.0%	7.75%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in the statute. Based on that assumption, the pensions plan's Fiduciary Net Position was projected to be available to make all project future benefit payments of current active and inactive employees. 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.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(c)
Balance at 12/31/15	\$ 26,851,907	\$ 23,052,334	\$ 3,799,573
Changes for the year:			
Service cost	770,340	-	770,340
Interest	1,799,110	-	1,799,110
Difference between expected and actual experience	(139,703)	-	(139,703)
Contributions - employer	-	607,139	(607,139)
Contributions - employee	-	337,622	(337,622)
Net investment income	-	1,557,927	(1,557,927)
Benefit payments, including refunds of employee contributions	(1,167,194)	(1,167,194)	-
Administrative expense	-	(17,595)	17,595
Other changes	-	(948)	948
Net changes	<u>1,262,553</u>	<u>1,316,951</u>	<u>(54,398)</u>
Balance at 12/31/16	<u>\$ 28,114,460</u>	<u>\$ 24,369,285</u>	<u>\$ 3,745,175</u>

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 7,774,240	\$ 3,745,175	\$ 458,874

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmr.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2017, the City recognized pension expense of \$913,071. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 409,122
Changes in actuarial assumptions	124,088	-
Difference between projected and actual investment earnings	1,064,572	-
Contributions subsequent to the measurement date	494,915	-
Total	<u>\$ 1,683,575</u>	<u>\$ 409,122</u>

\$494,915 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>For the Year Ended September 30,</u>	
2018	\$ 218,733
2019	291,246
2020	279,076
2021	<u>(9,517)</u>
Total	<u>\$ 779,538</u>

Post Employment Benefits

Program Description

The City makes available health care benefits to certain employees who retire from the City who are receiving benefits from a City sponsored retirement program (Texas Municipal Retirement System) through a single-employer defined benefit healthcare plan. This healthcare plan provides insurance, until age 65 when retirees become eligible for Medicare, to eligible retirees through the City's group health insurance plan, which covers both active and retired members. Benefit provisions are established by management. The Plan is administered by the City and provisions are established and amended by City Council. The Plan does not issue a publicly available financial report.

To receive health care from the City, a retiree must have been hired prior to October 1, 2009, retire under the TMRS plan and must be 55 years of age and have 20 years of service with the City.

Funding Policy

Current retiree's contribution the Retiree Health Existing (Closed) Program without adjustment for age and sex. The City contribution to the Retiree Health Existing (Closed) Program consists of pay-as-you-go claims in excess of the retiree contributions. Monthly retiree contribution rate for fiscal year 2017 was \$498. The City contributions to the plan for fiscal year 2017, which are also equal to claims in excess of premiums collected, were \$81,412.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City's annual OPEB cost for the fiscal year ending September 30, 2017, is as follows:

Annual required contribution (ARC)	\$	244,061
Interest on net OPEB obligation		44,270
Adjustment to ARC	(<u>62,757</u>)
Annual OPEB cost end of year		225,574
Net employer contribution	(<u>81,412</u>)
Increase in OPEB obligation		144,162
OPEB obligation - beginning of year		<u>1,106,760</u>
OPEB obligation - end of year	\$	<u><u>1,250,922</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending September 30, 2017 and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Costs	Employer Amount Contributed	Percentage of Annual OPEB Cost Contributed	OPEB Obligation
September 30, 2015	\$ 194,452	\$ 93,661	48.20%	\$ 1,004,276
September 30, 2016	192,935	90,451	46.90%	1,106,760
September 30, 2017	225,574	81,412	36.09%	1,250,922

Funded Status

The funded status of the City's retiree health care plan as of the most recent actuarial date is as follows:

Actuarial Valuation Date as of	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (d)	Ratio of UAAL to Annual Covered Payroll (b-a)/(d)
12/31/2016	\$ -	\$ 2,666,611	\$ 2,666,611	0.0%	\$ 5,799,043	46.0%

Actuarial Methods and Assumptions

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the City's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic recognition of the cost of these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial Methods and Assumptions

Inflation rate	2.5% per annum
Investment rate of return	4.0%, net of expenses
Actuarial cost method	Individual Entry Age Normal Cost Method
Amortization method	Level Dollar
Amortization period	30-year, open amortization
Payroll growth	N/A
Healthcare cost trend rate	Initial rate of 7.50% declining to an ultimate rate of 5.25% after 11 years

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Supplemental Death Benefits Fund

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during the employee's entire careers. The City's contributions to the TMRS SDBF for the fiscal years ended 2017, 2016, and 2015 were \$12,480, \$11,769, and \$11,106, respectively, which equaled the required contributions each year.

Deferred Compensation

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City 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 plan assets are not a part of the City's financial statements because the third party administrator holds these plan assets in trust.

Commitments and Contingencies

The City is a defendant in lawsuits. Although the outcome of the lawsuits is not presently determinable, it is the opinion of the City's management the resolution of these matters will not have a materially adverse effect on the financial condition of the City.

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. 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.

Lake Columbia Project

During November 1987, the City entered into a contract with the Angelina and Neches River Authority for 5% water rights of the Lake Columbia Project (formerly Lake Eastex). The project is ongoing and the City has committed payments in the amount of \$213,646 through 2038.

Encumbrances

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations. At year-end the amount of encumbrances expected to be honored in the next year include \$190,503 in the General Fund.

Landfill

The City-owned landfill is leased to a private corporation, who holds the permit to operate the landfill. The City earns a 6.5% royalty on landfill revenue, which amount to \$192,314 for the year ended September 30, 2017. The landfill has an estimated remaining life of 15 to 20 years. According to the terms of the lease, this corporation is liable for all closing and post closure costs. Accordingly, no liability has been recorded in these financial statements.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The City provides employee health and accident insurance coverage with commercial insurance purchased from independent third parties. Coverages have not significantly decreased and settlements have not exceeded insurance during the past three years.

Significant Transactions with Component Unit

JEDCO leased its office space from the City at no cost until December 26, 2016, at which time JEDCO purchased the building from the City. In addition, the City processes JEDCO's payroll.

New Accounting Principles

Significant new accounting standards not yet implemented by the City include the following.

Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*" – This statement changes the focus of accounting of postemployment benefits other than pensions from whether an entity is responsible for funding the benefits over time to a point-in-time liability that is reflected on the employer's financial statements for any actuarially unfunded portion of benefits earned to date. This statement will become effective for the City in fiscal year 2018.

Subsequent Event

On December 18, 2017, JEDCO entered into a notes receivable in the amount of \$175,000, bearing no interest, with the first payment due January 18, 2018.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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CITY OF JACKSONVILLE, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 2,755,240	\$ 2,755,240	\$ 2,743,960	\$(11,280)
Sales	2,374,590	2,374,590	2,189,244	(185,346)
Other	872,000	872,000	841,888	(30,112)
Charges for service	1,426,301	1,426,301	1,306,569	(119,732)
Fines and penalties	285,393	285,393	417,096	131,703
Licenses and permits	51,610	51,610	34,995	(16,615)
Investment earnings	15,000	15,000	29,324	14,324
Miscellaneous	42,182	78,313	72,122	(6,191)
Total revenues	<u>7,822,316</u>	<u>7,858,447</u>	<u>7,635,198</u>	<u>(223,249)</u>
EXPENDITURES				
Current:				
General government				
Administration	648,325	653,007	622,174	30,833
City Council	21,058	26,058	18,103	7,955
Municipal court	171,717	176,717	196,860	(20,143)
City Secretary	92,880	97,880	90,879	7,001
Finance	383,594	388,594	350,148	38,446
Human resources	96,583	101,583	123,962	(22,379)
Non-departmental	27,490	27,490	45,764	(18,274)
Total general government	<u>1,441,647</u>	<u>1,471,329</u>	<u>1,447,890</u>	<u>23,439</u>
Public safety				
Animal shelter	165,953	165,953	151,851	14,102
Code enforcement	323,592	323,592	290,234	33,358
Fire and EMS	2,562,820	2,564,820	2,423,468	141,352
Police	2,906,335	2,914,954	2,692,376	222,578
Total public safety	<u>5,958,700</u>	<u>5,969,319</u>	<u>5,557,929</u>	<u>411,390</u>
Public works				
Streets	1,058,974	1,134,882	922,700	212,182
Total public works	<u>1,058,974</u>	<u>1,134,882</u>	<u>922,700</u>	<u>212,182</u>

CITY OF JACKSONVILLE, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Culture and recreation				
Cemetery	113,435	113,435	85,742	27,693
Library	345,262	345,262	322,232	23,030
Norman Center	42,820	42,820	26,191	16,629
Parks and recreation	458,889	472,343	524,953	(52,610)
Texana Museum	41,301	56,680	67,221	(10,541)
Total culture and recreation	<u>1,001,707</u>	<u>1,030,540</u>	<u>1,026,339</u>	<u>4,201</u>
Capital outlay	<u>52,505</u>	<u>159,554</u>	<u>150,282</u>	<u>9,272</u>
Debt service:				
Principal	112,513	112,513	109,428	3,085
Interest and other	<u>5,000</u>	<u>5,000</u>	<u>3,086</u>	<u>1,914</u>
Total expenditures	<u>9,631,046</u>	<u>9,883,137</u>	<u>9,217,654</u>	<u>665,483</u>
Excess (deficiency) of revenues over expenditures	<u>(1,808,730)</u>	<u>(2,024,690)</u>	<u>(1,582,456)</u>	<u>442,234</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,888,343	1,903,722	1,903,722	-
Transfers out	(963,999)	(939,831)	(960,396)	20,565
Proceeds from sale of assets	<u>-</u>	<u>-</u>	<u>81,000</u>	<u>(81,000)</u>
Total other financing sources (uses)	<u>924,344</u>	<u>963,891</u>	<u>1,024,326</u>	<u>(60,435)</u>
Net change in fund balances	<u>(884,386)</u>	<u>(1,060,799)</u>	<u>(558,130)</u>	<u>381,799</u>
Fund balances - beginning of year	<u>3,065,160</u>	<u>3,065,160</u>	<u>3,065,160</u>	<u>-</u>
Fund balances - end of year	<u>\$ 2,180,774</u>	<u>\$ 2,004,361</u>	<u>\$ 2,507,030</u>	<u>\$ 381,799</u>

CITY OF JACKSONVILLE, TEXAS

NOTES TO BUDGETARY INFORMATION

SEPTEMBER 30, 2017

BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The City Manager prepares a proposed budget and submits it to the City Council no later than 30 days prior to the beginning of the fiscal year.
2. Upon submission of the proposed budget, the City Council will call for a public hearing which is to be held at least five days after notice of hearing is published.
3. After the holding of the public hearing, the budget shall be adopted by a favorable vote of majority of the members of the Council and upon adoption shall be in effect for the fiscal year.
4. The City Manager has authority, without Council approval, to transfer appropriation balances from one expenditure account to another within a single office, department, or agency of the City.
5. Budgetary integration is employed as a management control device during the year of the General, Special Revenue (except for Court Child Safety and Grants), Debt Service and the Enterprise Funds. Budgetary integration is not employed by Capital Projects Funds because effective budgetary control is achieved through grant, bond ordinance and construction contract provisions.
6. The budget for the General Fund is adopted on the modified accrual basis of accounting, which is consistent with U.S. generally accepted accounting principles.
7. While all budgeted amounts expire at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to State regulations.

CITY OF JACKSONVILLE, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Plan Year	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total pension liability			
Service Cost	\$ 665,913	\$ 725,255	\$ 770,340
Interest	1,710,098	1,775,204	1,799,110
Differences between expected and actual experience	(433,156)	(324,116)	(139,703)
Assumption changes	-	233,416	-
Benefit payments, including refunds of employee contributions	<u>(974,329)</u>	<u>(1,110,561)</u>	<u>(1,167,194)</u>
Net change in total pension liability	968,526	1,299,198	1,262,553
Total pension liability - beginning	<u>24,584,183</u>	<u>25,552,709</u>	<u>26,851,907</u>
Total pension liability - ending (a)	<u>\$ 25,552,709</u>	<u>\$ 26,851,907</u>	<u>\$ 28,114,460</u>
Plan fiduciary net position			
Contributions - employer	\$ 596,028	\$ 627,279	\$ 607,139
Contributions - member	323,342	332,187	337,622
Net investment income	1,258,629	34,220	1,557,927
Benefit payments	(974,329)	(1,110,561)	(1,167,194)
Administrative expense	(13,141)	(20,843)	(17,595)
Other	<u>(1,080)</u>	<u>(1,029)</u>	<u>(949)</u>
Net change in plan fiduciary net position	1,189,449	(138,747)	1,316,950
Plan fiduciary net position - beginning	<u>22,001,633</u>	<u>23,191,082</u>	<u>23,052,335</u>
Plan fiduciary net position - ending (b)	<u>\$ 23,191,082</u>	<u>\$ 23,052,335</u>	<u>\$ 24,369,285</u>
Net pension liability - ending (a) - (b)	<u>\$ 2,361,627</u>	<u>\$ 3,799,572</u>	<u>\$ 3,745,175</u>
Plan fiduciary net position as a percentage of the total pension liability	90.76%	85.85%	86.68%
Covered employee payroll	\$ 5,389,041	\$ 5,536,295	\$ 5,627,029
Net pension liability as a percentage of covered employee payroll	43.82%	68.63%	66.56%

* GASB Statement 68 requires this schedule to report 10 years of data. Data prior to 2014 is not available.

CITY OF JACKSONVILLE, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Fiscal year ending September 30,	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution	\$ 620,023	\$ 634,926	\$ 657,587
Contributions in relation to the actuarially determined contributions	<u>620,023</u>	<u>634,926</u>	<u>657,587</u>
Contribution excess (deficiency)	-	-	-
Covered employee payroll	5,508,952	5,805,781	5,799,043
Contributions as a percentage of covered employee payroll	11.25%	10.94%	11.34%

* GASB Statement 68 requires this schedule to report 10 years of data. Data prior to 2015 is not available.

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation date: Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months late.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	29 years
Asset valuation method	10 year smoothed market; 15% soft corridor
Inflation	2.5%
Salary increases	3.5% to 10.5% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other information There were no benefit changes during the year.

CITY OF JACKSONVILLE, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
RETIREE HEALTH PLAN
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2010	\$ -	\$ 2,562,065	\$ 2,562,065	0.0%	\$ 4,976,765	51.5%
12/31/2013	-	1,868,940	1,868,940	0.0%	3,811,271	49.0%
12/31/2016	-	2,666,611	2,666,611	0.0%	5,627,029	47.4%

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Court Technology Fund – The state legislature has allowed for the creation of a Municipal Court Technology Fund to defray the costs related to technology in the court system. This fund accounts for the collection of technology fees charged to defendants for misdemeanor offences as a cost of court. These funds will be used to purchase software, PCs and any other technology items needed for the court.

Court Security Fund – The security building fund provides for the collection of court fees with each fine that is to be utilized for the security of the court. Expenditures are restricted to security systems, bailiffs, metal detectors, locks, electronic identification systems, etc.

Court Child Safety Fund – This fund is used to account for the collection of court costs paid by defendants and spent by the City for programs designed to enhance child safety, health, or nutrition, including child abuse prevention and intervention and drug and alcohol abuse prevention.

Public Safety Fund – This fund accounts for funds received from local, state and federal sources for the purpose of supporting the City's Police and Fire programs.

War Memorial Fund – This fund is used for the maintenance of the World War I Monument located in Downtown Jacksonville, Texas.

Hotel/Motel Occupancy Fund – This fund is used to account for the receipt and expenditure of funds received by the City from the assessment of hotel and motel occupancy tax.

CITY OF JACKSONVILLE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	<u>Court Technology</u>	<u>Court Security</u>	<u>Court Child Safety</u>	<u>Public Safety</u>
ASSETS				
Cash and cash equivalents	\$ 25,230	\$ 158,150	\$ 5,129	\$ 15,475
Receivables, net:				
Taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>25,230</u>	<u>158,150</u>	<u>5,129</u>	<u>15,475</u>
LIABILITIES				
Accounts payable	221	-	-	-
Accrued liabilities	<u>-</u>	<u>99</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>221</u>	<u>99</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Municipal court	25,009	158,051	-	-
Public safety-police, fire & EMS	-	-	5,129	15,475
Tourism and convention	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>25,009</u>	<u>158,051</u>	<u>5,129</u>	<u>15,475</u>
Total liabilities and fund balances	<u>\$ 25,230</u>	<u>\$ 158,150</u>	<u>\$ 5,129</u>	<u>\$ 15,475</u>

<u>War Memorial</u>	<u>Hotel/ Motel Occupancy</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 10,822	\$ 641,182	\$ 855,988
<u>-</u>	<u>15,932</u>	<u>15,932</u>
<u>10,822</u>	<u>657,114</u>	<u>871,920</u>
-	2,000	2,221
<u>-</u>	<u>-</u>	<u>99</u>
<u>-</u>	<u>2,000</u>	<u>2,320</u>
-	-	183,060
-	-	20,604
<u>10,822</u>	<u>655,114</u>	<u>665,936</u>
<u>10,822</u>	<u>655,114</u>	<u>869,600</u>
<u>\$ 10,822</u>	<u>\$ 657,114</u>	<u>\$ 871,920</u>

CITY OF JACKSONVILLE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Court Technology</u>	<u>Court Security</u>	<u>Court Child Safety</u>	<u>Public Safety</u>
REVENUES				
Taxes:				
Hotel/Motel	\$ -	\$ -	\$ -	\$ -
Charges for services	-	16	-	-
Intergovernmental	-	-	-	4,764
Fines and forfeitures	10,603	7,942	2,104	-
Investment earnings	<u>365</u>	<u>1,388</u>	<u>40</u>	<u>156</u>
Total revenues	<u>10,968</u>	<u>9,346</u>	<u>2,144</u>	<u>4,920</u>
EXPENDITURES				
Current:				
General government	19,348	5,894	-	-
Public safety	-	743	-	7,233
Economic development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>19,348</u>	<u>6,637</u>	<u>-</u>	<u>7,233</u>
Excess (deficiency) of revenue over expenditures	<u>(8,380)</u>	<u>2,709</u>	<u>2,144</u>	<u>(2,313)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(12,991)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(12,991)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(21,371)</u>	<u>2,709</u>	<u>2,144</u>	<u>(2,313)</u>
Fund balance - beginning of year	<u>46,380</u>	<u>155,342</u>	<u>2,985</u>	<u>17,788</u>
Fund balance - end of year	<u>\$ 25,009</u>	<u>\$ 158,051</u>	<u>\$ 5,129</u>	<u>\$ 15,475</u>

<u>War Memorial</u>	<u>Hotel/ Motel Occupancy</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 198,333	\$ 198,333
-	-	16
-	-	4,764
-	-	20,649
96	5,650	7,695
96	203,983	231,457
-	-	25,242
-	-	7,976
-	115,785	115,785
-	115,785	149,003
96	88,198	82,454
-	(73,281)	(86,272)
-	(73,281)	(86,272)
96	14,917	(3,818)
10,726	640,197	873,418
\$ 10,822	\$ 655,114	\$ 869,600

CITY OF JACKSONVILLE, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
DEBT SERVICE FUND - BUDGET AND ACTUAL**

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 1,045,722	\$ 1,045,722	\$ 1,032,280	\$(13,442)
Investment earnings	<u>6,700</u>	<u>6,700</u>	<u>13,246</u>	<u>6,546</u>
Total revenues	<u>1,052,422</u>	<u>1,052,422</u>	<u>1,045,526</u>	<u>(6,896)</u>
EXPENDITURES				
Debt service:				
Principal	1,090,000	1,090,000	1,090,000	-
Interest and other charges	<u>197,112</u>	<u>199,362</u>	<u>193,359</u>	<u>6,003</u>
Total expenditures	<u>1,287,112</u>	<u>1,289,362</u>	<u>1,283,359</u>	<u>6,003</u>
Net change in fund balances	<u>(234,690)</u>	<u>(236,940)</u>	<u>(237,833)</u>	<u>(893)</u>
Fund balances - beginning of year	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
Fund balances - end of year	<u>\$ 765,310</u>	<u>\$ 763,060</u>	<u>\$ 762,167</u>	<u>\$(893)</u>

CITY OF JACKSONVILLE, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
COURT TECHNOLOGY FUND - BUDGET AND ACTUAL**

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Fines and forfeitures	\$ 8,000	\$ 8,000	\$ 10,603	\$ 2,603
Investment earnings	<u>200</u>	<u>200</u>	<u>365</u>	<u>165</u>
Total revenues	<u>8,200</u>	<u>8,200</u>	<u>10,968</u>	<u>2,768</u>
EXPENDITURES				
Current:				
General government	<u>-</u>	<u>-</u>	<u>19,348</u>	<u>(19,348)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>19,348</u>	<u>(19,348)</u>
Excess (deficiency) of revenues over expenditures	<u>8,200</u>	<u>8,200</u>	<u>(8,380)</u>	<u>22,116</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(12,991)</u>	<u>(12,991)</u>	<u>(12,991)</u>	<u>-</u>
Total other financing sources (uses)	<u>(12,991)</u>	<u>(12,991)</u>	<u>(12,991)</u>	<u>-</u>
Net change in fund balances	<u>(4,791)</u>	<u>(4,791)</u>	<u>(21,371)</u>	<u>(16,580)</u>
Fund balances - beginning of year	<u>46,380</u>	<u>46,380</u>	<u>46,380</u>	<u>-</u>
Fund balances - end of year	<u>\$ 41,589</u>	<u>\$ 41,589</u>	<u>\$ 25,009</u>	<u>\$ (16,580)</u>

CITY OF JACKSONVILLE, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
COURT SECURITY FUND - BUDGET AND ACTUAL**

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ -	\$ -	\$ 16	\$ 16
Fines and forfeitures	6,256	6,256	7,942	1,686
Investment earnings	<u>300</u>	<u>300</u>	<u>1,388</u>	<u>1,088</u>
Total revenues	<u>6,556</u>	<u>6,556</u>	<u>9,346</u>	<u>2,790</u>
EXPENDITURES				
Current:				
General government	35,896	35,896	5,894	30,002
Public safety	<u>-</u>	<u>-</u>	<u>743</u>	<u>(743)</u>
Total expenditures	<u>35,896</u>	<u>35,896</u>	<u>6,637</u>	<u>29,259</u>
Net change in fund balances	<u>(29,340)</u>	<u>(29,340)</u>	<u>2,709</u>	<u>32,049</u>
Fund balances - beginning of year	<u>155,342</u>	<u>155,342</u>	<u>155,342</u>	<u>-</u>
Fund balances - end of year	<u>\$ 126,002</u>	<u>\$ 126,002</u>	<u>\$ 158,051</u>	<u>\$ 32,049</u>

CITY OF JACKSONVILLE, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
COURT CHILD SAFETY FUND - BUDGET AND ACTUAL**

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Fines and forfeitures	\$ 2,500	\$ 2,500	\$ 2,104	\$(396)
Investment earnings	<u>5</u>	<u>5</u>	<u>40</u>	<u>35</u>
Total revenues	<u>2,505</u>	<u>2,505</u>	<u>2,144</u>	<u>(361)</u>
EXPENDITURES				
Current:				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>2,505</u>	<u>2,505</u>	<u>2,144</u>	<u>(361)</u>
Fund balances - beginning of year	<u>2,985</u>	<u>2,985</u>	<u>2,985</u>	<u>-</u>
Fund balances - end of year	<u><u>\$ 5,490</u></u>	<u><u>\$ 5,490</u></u>	<u><u>\$ 5,129</u></u>	<u><u>\$(361)</u></u>

CITY OF JACKSONVILLE, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
PUBLIC SAFETY FUND - BUDGET AND ACTUAL**

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 6,665	\$ 6,665	\$ 4,764	\$(1,901)
Investment earnings	<u>38</u>	<u>38</u>	<u>156</u>	<u>118</u>
Total revenues	<u>6,703</u>	<u>6,703</u>	<u>4,920</u>	<u>(1,783)</u>
EXPENDITURES				
Current:				
Public safety	<u>1,280</u>	<u>1,280</u>	<u>7,233</u>	<u>(5,953)</u>
Total expenditures	<u>1,280</u>	<u>1,280</u>	<u>7,233</u>	<u>(5,953)</u>
Net change in fund balances	<u>5,423</u>	<u>5,423</u>	<u>(2,313)</u>	<u>(7,736)</u>
Fund balances - beginning of year	<u>17,788</u>	<u>17,788</u>	<u>17,788</u>	<u>-</u>
Fund balances - end of year	<u><u>\$ 23,211</u></u>	<u><u>\$ 23,211</u></u>	<u><u>\$ 15,475</u></u>	<u><u>\$(7,736)</u></u>

CITY OF JACKSONVILLE, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
WAR MEMORIAL FUND - BUDGET AND ACTUAL**

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment earnings	\$ 50	\$ 50	\$ 96	\$ 46
Total revenues	<u>50</u>	<u>50</u>	<u>96</u>	<u>46</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>50</u>	<u>50</u>	<u>96</u>	<u>46</u>
Fund balances - beginning of year	<u>10,726</u>	<u>10,726</u>	<u>10,726</u>	<u>-</u>
Fund balances - end of year	<u><u>\$ 10,776</u></u>	<u><u>\$ 10,776</u></u>	<u><u>\$ 10,822</u></u>	<u><u>\$ 46</u></u>

CITY OF JACKSONVILLE, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
HOTEL/MOTEL OCCUPANCY FUND - BUDGET AND ACTUAL**

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Hotel/motel taxes	\$ 216,289	\$ 216,289	\$ 198,333	\$(17,956)
Investment earnings	<u>2,300</u>	<u>2,300</u>	<u>5,650</u>	<u>3,350</u>
Total revenues	<u>218,589</u>	<u>218,589</u>	<u>203,983</u>	<u>(14,606)</u>
EXPENDITURES				
Current:				
Economic development	<u>111,995</u>	<u>111,995</u>	<u>115,785</u>	<u>(3,790)</u>
Total expenditures	<u>111,995</u>	<u>111,995</u>	<u>115,785</u>	<u>(3,790)</u>
Excess (deficiency) of revenues over expenditures	<u>106,594</u>	<u>106,594</u>	<u>88,198</u>	<u>(10,816)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(13,746)</u>	<u>(73,281)</u>	<u>(73,281)</u>	<u>-</u>
Total other financing sources (uses)	<u>(13,746)</u>	<u>(73,281)</u>	<u>(73,281)</u>	<u>-</u>
Net change in fund balances	<u>92,848</u>	<u>33,313</u>	<u>14,917</u>	<u>(10,816)</u>
Fund balances - beginning of year	<u>640,197</u>	<u>640,197</u>	<u>640,197</u>	<u>-</u>
Fund balances - end of year	<u>\$ 733,045</u>	<u>\$ 673,510</u>	<u>\$ 655,114</u>	<u>\$(10,816)</u>

STATISTICAL SECTION

(Unaudited)

This part of the City of Jacksonville, Texas' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page Number
Financial Trends	67
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	76
These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax.	
Debt Capacity	81
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	86
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	90
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.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF JACKSONVILLE, TEXAS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(Amounts Expressed in Thousands)

	Fiscal Year			
	2008	2009	2010	2011
Governmental Activities				
Net investment in capital				
assets	\$ 10,205	\$ 9,981	\$ 12,207	\$ 12,416
Restricted	317	351	403	916
Unrestricted	<u>2,916</u>	<u>2,727</u>	<u>2,527</u>	<u>3,148</u>
Total governmental activities net position	\$ <u>13,438</u>	\$ <u>13,059</u>	\$ <u>15,137</u>	\$ <u>16,480</u>
Business-type Activities				
Net investment in capital				
assets	\$ 23,743	\$ 23,009	\$ 22,501	\$ 22,409
Restricted	-	-	-	-
Unrestricted	<u>3,364</u>	<u>3,825</u>	<u>2,276</u>	<u>3,287</u>
Total business-type activities net position	\$ <u>27,107</u>	\$ <u>26,834</u>	\$ <u>24,777</u>	\$ <u>25,696</u>
Primary Government				
Net investment in capital				
assets	\$ 33,948	\$ 32,990	\$ 34,708	\$ 34,825
Restricted	317	351	403	916
Unrestricted	<u>6,280</u>	<u>6,552</u>	<u>4,803</u>	<u>6,435</u>
Total primary government net position	\$ <u>40,545</u>	\$ <u>39,893</u>	\$ <u>39,914</u>	\$ <u>42,176</u>

TABLE 1

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 13,218	\$ 13,732	\$ 14,390	\$ 14,872	\$ 16,198	\$ 18,152
1,206	1,483	1,719	1,921	1,904	1,775
<u>4,851</u>	<u>4,987</u>	<u>4,449</u>	<u>2,936</u>	<u>1,007</u>	<u>40</u>
<u>\$ 19,275</u>	<u>\$ 20,202</u>	<u>\$ 20,558</u>	<u>\$ 19,729</u>	<u>\$ 19,109</u>	<u>\$ 19,967</u>
\$ 21,870	\$ 21,283	\$ 20,740	\$ 20,289	\$ 20,119	\$ 19,994
-	-	-	-	-	-
<u>4,059</u>	<u>4,805</u>	<u>5,009</u>	<u>4,779</u>	<u>5,448</u>	<u>5,042</u>
<u>\$ 25,929</u>	<u>\$ 26,088</u>	<u>\$ 25,749</u>	<u>\$ 25,068</u>	<u>\$ 25,567</u>	<u>\$ 25,036</u>
\$ 35,088	\$ 35,015	\$ 35,130	\$ 35,161	\$ 36,317	\$ 38,146
1,206	1,483	1,719	1,921	1,904	1,775
<u>8,910</u>	<u>9,792</u>	<u>9,458</u>	<u>7,715</u>	<u>6,456</u>	<u>5,082</u>
<u>\$ 45,204</u>	<u>\$ 46,290</u>	<u>\$ 46,307</u>	<u>\$ 44,797</u>	<u>\$ 44,676</u>	<u>\$ 45,003</u>

CITY OF JACKSONVILLE, TEXAS
EXPENSES, PROGRAM REVENUES AND NET (EXPENSE) REVENUE
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(Amounts Expressed in Thousands)

	Fiscal Year			
	2008	2009	2010	2011
Expenses				
Governmental Activities				
General government	\$ 1,890	\$ 2,224	\$ 1,981	\$ 2,156
Public safety	4,576	4,835	5,015	5,187
Public works	1,545	1,307	1,158	1,368
Culture and recreation	816	777	589	615
Economic development	176	175	138	141
Interest and other	734	716	856	457
Total governmental activities expenses	<u>9,736</u>	<u>10,032</u>	<u>9,738</u>	<u>9,924</u>
Business-type Activities				
Water and wastewater	3,280	3,091	3,139	3,152
Sanitation	657	614	570	594
Lake	54	73	137	152
Total business-type activities expenses	<u>3,990</u>	<u>3,778</u>	<u>3,846</u>	<u>3,897</u>
Total primary government expenses	<u>\$ 13,727</u>	<u>\$ 13,810</u>	<u>\$ 13,584</u>	<u>\$ 13,821</u>
Program Revenues				
Governmental Activities				
Charges for services	\$ 1,671	\$ 1,177	\$ 1,395	\$ 1,327
Operating grants and contributions	6	155	58	135
Capital grants and contributions	99	294	159	381
Total governmental activities program revenues	<u>1,776</u>	<u>1,626</u>	<u>1,611</u>	<u>1,843</u>
Business-type Activities				
Charges for services				
Water and wastewater	4,151	4,272	4,503	5,344
Sanitation	726	724	769	764
Lake	96	97	189	187
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	-	383
Total business-type activities program revenues	<u>4,974</u>	<u>5,093</u>	<u>5,461</u>	<u>6,677</u>
Total primary government program revenues	<u>\$ 6,749</u>	<u>\$ 6,719</u>	<u>\$ 7,072</u>	<u>\$ 8,521</u>
Net (Expense)/Revenue				
Governmental Activities	\$(7,961)	\$(8,406)	\$(8,127)	\$(8,081)
Business-type Activities	<u>983</u>	<u>1,316</u>	<u>1,615</u>	<u>2,780</u>
Total primary government net expense	<u>\$(6,978)</u>	<u>\$(7,090)</u>	<u>\$(6,511)</u>	<u>\$(5,301)</u>

TABLE 2

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 1,828	\$ 2,749	\$ 1,828	\$ 2,020	\$ 1,585	\$ 1,539
5,451	5,300	5,602	5,609	7,198	6,172
1,319	1,384	1,331	1,196	1,219	1,405
665	700	664	760	1,229	1,264
89	101	88	84	115	92
<u>259</u>	<u>297</u>	<u>257</u>	<u>234</u>	<u>284</u>	<u>196</u>
<u>9,612</u>	<u>10,531</u>	<u>9,769</u>	<u>9,902</u>	<u>11,630</u>	<u>10,668</u>
3,066	3,011	3,011	2,920	3,069	3,358
631	626	656	607	570	635
<u>142</u>	<u>155</u>	<u>166</u>	<u>170</u>	<u>130</u>	<u>225</u>
<u>3,838</u>	<u>3,792</u>	<u>3,833</u>	<u>3,698</u>	<u>3,769</u>	<u>4,218</u>
<u>\$ 13,450</u>	<u>\$ 14,323</u>	<u>\$ 13,602</u>	<u>\$ 13,600</u>	<u>\$ 15,400</u>	<u>\$ 14,886</u>
\$ 1,280	\$ 1,482	\$ 1,313	\$ 1,139	\$ 1,471	\$ 1,893
55	894	20	217	326	313
<u>53</u>	<u>126</u>	<u>187</u>	<u>14</u>	<u>511</u>	<u>-</u>
<u>1,387</u>	<u>2,502</u>	<u>1,521</u>	<u>1,370</u>	<u>2,308</u>	<u>2,206</u>
4,947	4,692	4,343	4,380	4,665	4,766
808	911	896	937	886	887
130	145	157	149	341	175
-	-	-	-	-	-
<u>7</u>	<u>1</u>	<u>12</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>5,893</u>	<u>5,749</u>	<u>5,409</u>	<u>5,467</u>	<u>5,891</u>	<u>5,828</u>
<u>\$ 7,280</u>	<u>\$ 8,251</u>	<u>\$ 6,930</u>	<u>\$ 6,837</u>	<u>\$ 8,199</u>	<u>\$ 8,034</u>
\$(8,225)	\$(8,029)	\$(8,248)	\$(8,532)	\$(9,323)	\$(8,462)
<u>2,055</u>	<u>1,957</u>	<u>1,576</u>	<u>1,769</u>	<u>2,122</u>	<u>1,610</u>
<u>\$(6,170)</u>	<u>\$(6,072)</u>	<u>\$(6,672)</u>	<u>\$(6,763)</u>	<u>\$(7,201)</u>	<u>\$(6,852)</u>

CITY OF JACKSONVILLE, TEXAS
GENERAL REVENUES AND TOTAL CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(Amounts Expressed in Thousands)

	Fiscal Year			
	2008	2009	2010	2011
Net (Expense) / Revenue				
Governmental Activities	\$(7,961)	\$(8,406)	\$(8,127)	\$(8,081)
Business-type Activities	<u>983</u>	<u>1,316</u>	<u>1,615</u>	<u>2,780</u>
 Total primary government net (expense)	 <u>(6,978)</u>	 <u>(7,090)</u>	 <u>(6,511)</u>	 <u>(5,301)</u>
 General Revenues and Other Changes in Net Position				
Governmental Activities				
Taxes	6,053	6,446	6,164	7,061
Investment income	115	44	33	20
Contributed capital	-	-	(20)	-
Transfers	781	1,074	3,708	1,886
Other	<u>829</u>	<u>497</u>	<u>320</u>	<u>457</u>
 Total governmental activities	 <u>7,778</u>	 <u>8,061</u>	 <u>10,205</u>	 <u>9,423</u>
Business-type Activities				
Investment income	81	26	15	13
Contributed capital	-	-	20	-
Transfers	(781)	(1,074)	(3,708)	(1,886)
Other	<u>4</u>	<u>2</u>	<u>-</u>	<u>12</u>
 Total business-type activities	 <u>(696)</u>	 <u>(1,046)</u>	 <u>(3,673)</u>	 <u>(1,861)</u>
 Total primary government	 <u>\$ 7,082</u>	 <u>\$ 7,015</u>	 <u>\$ 6,532</u>	 <u>\$ 7,563</u>
 Change in net position				
Governmental Activities	\$(182)	\$(345)	\$ 2,078	\$ 1,342
Business-type Activities	<u>287</u>	<u>270</u>	<u>(2,057)</u>	<u>920</u>
 Total primary government	 <u>\$ 105</u>	 <u>\$(75)</u>	 <u>\$ 21</u>	 <u>\$ 2,262</u>

TABLE 3

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$(8,225)	\$(8,029)	\$(8,248)	\$(8,532)	\$(9,323)	\$(8,462)
<u>2,055</u>	<u>1,957</u>	<u>1,576</u>	<u>1,769</u>	<u>2,122</u>	<u>1,610</u>
<u>(6,170)</u>	<u>(6,072)</u>	<u>(6,672)</u>	<u>(6,763)</u>	<u>(7,201)</u>	<u>(6,852)</u>
6,799	6,763	6,627	6,857	6,987	7,007
29	20	16	17	30	52
-	-	-	-	-	-
1,839	1,823	1,898	2,140	1,648	2,189
<u>1,009</u>	<u>265</u>	<u>310</u>	<u>272</u>	<u>37</u>	<u>72</u>
<u>9,677</u>	<u>8,870</u>	<u>8,851</u>	<u>9,286</u>	<u>8,703</u>	<u>9,320</u>
19	18	16	17	25	49
-	-	-	-	-	-
(1,839)	(1,823)	(1,898)	(2,140)	(1,648)	(2,189)
<u>(3)</u>	<u>7</u>	<u>(33)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(1,822)</u>	<u>(1,798)</u>	<u>(1,914)</u>	<u>(2,123)</u>	<u>(1,623)</u>	<u>(2,140)</u>
<u>\$ 7,855</u>	<u>\$ 7,072</u>	<u>\$ 6,937</u>	<u>\$ 7,163</u>	<u>\$ 7,080</u>	<u>\$ 7,180</u>
\$ 1,452	\$ 842	\$ 603	\$ 754	\$(620)	\$ 857
<u>233</u>	<u>159</u>	<u>(339)</u>	<u>(354)</u>	<u>499</u>	<u>(531)</u>
<u>\$ 1,684</u>	<u>\$ 1,000</u>	<u>\$ 265</u>	<u>\$ 400</u>	<u>\$(121)</u>	<u>\$ 326</u>

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TABLE 4

CITY OF JACKSONVILLE, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(Amounts Expressed in Thousands)

	Fiscal Year				
	2008	2009	2010	2011	2012
General fund					
Reserved	\$ 4	\$ 4	\$ 3	\$ -	\$ -
Unreserved	1,722	1,665	1,775	-	-
Nonspendable	-	-	-	57	56
Assigned	-	-	-	10	8
Unassigned	-	-	-	2,857	3,018
Total general fund	<u>\$ 1,726</u>	<u>\$ 1,669</u>	<u>\$ 1,778</u>	<u>\$ 2,923</u>	<u>\$ 3,082</u>
All other governmental funds					
Reserved, reported in					
Special revenue funds	\$ 304	\$ 326	\$ 370	\$ -	\$ -
Unreserved, reported in					
Debt service fund	317	351	403	-	-
Capital project funds	117	151	152	-	-
Grant funds	36	30	48	-	-
Restricted	-	-	-	916	1,206
Committed	-	-	-	34	43
Assigned	-	-	-	153	153
Total all other governmental funds	<u>\$ 774</u>	<u>\$ 858</u>	<u>\$ 973</u>	<u>\$ 1,102</u>	<u>\$ 1,403</u>
	Fiscal Year				
	2013	2014	2015	2016	2017
General fund					
Nonspendable	\$ 56	\$ 96	\$ 87	\$ 29	\$ 1
Assigned	8	8	3	1,095	742
Unassigned	3,294	2,882	3,167	1,941	1,764
Total general fund	<u>\$ 3,358</u>	<u>\$ 2,986</u>	<u>\$ 3,257</u>	<u>\$ 3,065</u>	<u>\$ 2,507</u>
All other governmental funds					
Restricted	\$ 1,483	\$ 1,720	\$ 1,921	\$ 2,385	\$ 1,752
Committed	24	39	39	-	-
Assigned	154	254	118	-	-
Total all other governmental funds	<u>\$ 1,661</u>	<u>\$ 2,013</u>	<u>\$ 2,078</u>	<u>\$ 2,385</u>	<u>\$ 1,752</u>

Note: The City implemented GASB Statement No. 54 which amended fund balance classifications in 2011.

CITY OF JACKSONVILLE, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(Amounts Expressed in Thousands)

	Fiscal Year			
	2008	2009	2010	2011
Revenues				
Taxes				
Property	\$ 3,122	\$ 3,251	\$ 3,366	\$ 3,430
Sales	2,213	2,485	2,121	2,398
Other	731	688	680	1,236
Charges for services	838	1,043	1,202	1,147
Intergovernmental	105	449	216	517
Fines and forfeitures	200	177	140	159
Licenses and permits	60	56	55	63
Investment earnings	115	44	33	20
Miscellaneous	835	689	323	510
Total revenues	<u>8,219</u>	<u>8,883</u>	<u>8,136</u>	<u>9,480</u>
Expenditures				
General government	1,864	2,032	1,873	2,072
Public safety	4,342	4,548	4,547	4,855
Public works	1,083	921	745	962
Culture and recreation	630	574	406	468
Economic development	176	175	138	141
Capital outlay	1,111	610	313	478
Debt service				
Principal	795	835	855	775
Interest and other	713	695	854	435
Total expenditures	<u>10,714</u>	<u>10,390</u>	<u>9,731</u>	<u>10,186</u>
Excess (deficiency) of revenues over expenditures	<u>(2,495)</u>	<u>(1,507)</u>	<u>(1,595)</u>	<u>(706)</u>
Other Financing Sources (Uses)				
Issuance of long-term debt	-	-	6,441	95
Operating transfers in	1,156	1,569	3,768	2,070
Operating transfers out	(19)	(156)	(61)	(185)
Payment to escrow agent	-	-	(8,329)	-
Proceeds from sale of assets	-	-	-	-
Total other financing sources (uses)	<u>1,137</u>	<u>1,413</u>	<u>1,819</u>	<u>1,980</u>
Net change in fund balances	<u><u>\$ (1,358)</u></u>	<u><u>\$ (94)</u></u>	<u><u>\$ 224</u></u>	<u><u>\$ 1,274</u></u>
Debt Service as a Percentage of Noncapital Expenditures	15.7%	15.6%	18.2%	12.5%

TABLE 5

Fiscal Year						
2012	2013	2014	2015	2016	2017	
\$ 3,429	\$ 3,486	\$ 3,465	\$ 3,572	\$ 3,752	\$ 3,776	
2,396	2,517	2,384	2,495	2,290	2,189	
885	772	783	772	1,039	1,040	
994	1,051	935	1,055	1,223	1,307	
107	1,019	208	231	325	313	
179	170	162	145	282	438	
62	34	50	45	37	35	
29	20	16	17	30	52	
<u>915</u>	<u>368</u>	<u>304</u>	<u>279</u>	<u>38</u>	<u>72</u>	
<u>8,996</u>	<u>9,436</u>	<u>8,306</u>	<u>8,611</u>	<u>9,015</u>	<u>9,222</u>	
1,745	2,671	1,792	2,086	1,500	1,473	
5,020	4,923	5,246	5,365	5,588	5,593	
901	966	906	768	798	1,050	
509	492	484	471	1,008	1,036	
89	101	88	84	115	116	
975	438	655	717	2,140	1,788	
875	855	875	983	1,057	1,199	
<u>360</u>	<u>281</u>	<u>264</u>	<u>242</u>	<u>292</u>	<u>196</u>	
<u>10,475</u>	<u>10,726</u>	<u>10,309</u>	<u>10,716</u>	<u>12,498</u>	<u>12,451</u>	
(1,479)	(1,290)	(2,003)	(2,104)	(3,483)	(3,229)	
5,476	-	85	300	4,230	-	
1,948	1,851	1,961	2,431	1,744	3,020	
(109)	(28)	(62)	(291)	(95)	(1,063)	
(5,376)	-	-	-	(2,280)	-	
-	-	-	-	-	81	
<u>1,939</u>	<u>1,823</u>	<u>1,983</u>	<u>2,440</u>	<u>3,598</u>	<u>2,038</u>	
\$ <u>460</u>	\$ <u>533</u>	\$ <u>(20)</u>	\$ <u>336</u>	\$ <u>115</u>	\$ <u>(1,191)</u>	
13.0%	11.0%	11.8%	12.3%	13.0%	13.1%	

TABLE 6

CITY OF JACKSONVILLE, TEXAS
TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(Amounts Expressed in Thousands)

Fiscal Years	Property Tax	Sales & Use Tax	Occupancy Tax	Franchise Tax	Mixed Beverage Tax	Total
2008	\$ 3,122	\$ 1,999	\$ 197	\$ 731	\$ 17	\$ 6,065
2009	3,251	2,284	180	688	21	6,424
2010	3,366	1,954	149	680	18	6,166
2011	3,430	2,190	188	1,236	20	7,064
2012	3,429	2,154	225	885	18	6,710
2013	3,486	2,288	213	772	16	6,774
2014	3,465	2,158	207	783	19	6,632
2015	3,572	2,251	227	772	16	6,839
2016	3,752	2,290	199	824	15	7,081
2017	3,776	2,189	198	826	15	7,006
Percent Change 2008 - 2017	21.0%	9.5%	0.5%	13.1%	-10.4%	15.5%

TABLE 7

CITY OF JACKSONVILLE, TEXAS
ASSESSED VALUE AND ESTIMATED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(Amounts Expressed in Thousands)

<u>Fiscal Years</u>	<u>Assessed Value</u>	<u>Less: Tax Exempt Real Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Value as a Percentage of Actual Value</u>
2008	\$ 531,111	\$ 11,907	\$ 519,204	\$ 0.59840	\$ 519,204	100%
2009	575,151	19,910	555,241	0.59840	555,241	100%
2010	564,268	15,454	548,814	0.62770	548,814	100%
2011	571,224	14,551	556,672	0.62750	556,672	100%
2012	574,252	13,787	560,466	0.62510	560,466	100%
2013	575,099	12,870	562,229	0.62690	562,229	100%
2014	574,817	12,536	562,281	0.62760	562,281	100%
2015	566,447	11,740	554,707	0.65960	554,707	100%
2016	585,157	12,597	572,560	0.65960	572,560	100%
2017	595,791	13,065	582,726	0.65960	582,726	100%

Source: Cherokee County Appraisal District

TABLE 8

**CITY OF JACKSONVILLE, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS**

Fiscal Years	City of Jacksonville Direct Tax Rate			Overlapping Tax Rates		Total Direct & Overlapping Rates
	General Government	Debt Service	Total	Jacksonville ISD	Cherokee County	
2008	\$ 0.41040	\$ 0.18800	\$ 0.59840	\$ 1.11790	\$ 0.61000	\$ 2.32630
2009	0.40520	0.19320	0.59840	1.13000	0.58000	2.30840
2010	0.43420	0.19350	0.62770	1.13000	0.56000	2.31770
2011	0.43410	0.19340	0.62750	1.32000	0.55000	2.49750
2012	0.42470	0.20040	0.62510	1.32000	0.57000	2.51510
2013	0.42590	0.20100	0.62690	1.32000	0.59000	2.53690
2014	0.42660	0.20100	0.62760	1.32000	0.59000	2.53760
2015	0.45860	0.20100	0.65960	1.39500	0.59000	2.64460
2016	0.45860	0.20100	0.65960	1.39500	0.59000	2.64460
2017	0.47860	0.18100	0.65960	1.39500	0.59500	2.64960

Source: Cherokee County Appraisal District

TABLE 9

**CITY OF JACKSONVILLE, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
CURRENT AND NINE YEARS AGO**

Taxpayer	2017			2008		
	Assessed Value	Rank	Percentage of Total City Assessed Value	Assessed Value	Rank	Percentage of Total City Assessed Value
Specialty Retailers TX LP	\$ 27,934,510	1	4.79%	\$ 7,287,700	5	1.40%
Cardinal Health 200 LLC	26,783,960	2	4.60%	29,546,100	1	5.69%
Wal-Mart Stores Inc.	10,492,510	3	1.80%	10,984,790	4	2.12%
Oncor Electric Delivery Co. LLC	9,256,720	4	1.59%			
Teknor Color Co.	5,376,644	5	0.92%	7,185,088	6	1.38%
Bacon Auto Country Inc.	3,459,910	6	0.59%			
Beard, Wesley	3,398,459	7	0.58%			
Panel Processing of Texas Inc.	3,190,420	8	0.55%			
Murdock, Larry & Ellen	3,039,890	9	0.52%			
East Texas Jackson Realty LTD	2,933,820	10	0.51%			
Astro Air Inc.				13,862,700	2	2.67%
TXU Electric Delivery Co.				11,326,320	3	2.18%
3 Beall Bros 3 Inc.				6,034,340	7	1.16%
Builders Best Inc.				5,533,950	8	1.07%
Federal Health Sign				4,259,980	9	0.82%
Verizon Southwest				3,677,546	10	0.71%
All Other	<u>486,859,037</u>		<u>83.55%</u>	<u>419,505,511</u>		<u>80.80%</u>
Total	<u>\$ 582,725,880</u>		<u>100.00%</u>	<u>\$ 519,204,025</u>		<u>100.00%</u>

Source: Cherokee County Appraisal District

TABLE 10

**CITY OF JACKSONVILLE, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Amounts Expressed in Thousands)**

Fiscal Years	Taxes Levied for the Fiscal Year	Collected Within Year of the Levy		Total Collections to Date		
		Current Year Amount	Percentage of Levy	Delinquent Collections in Subsequent Years	Combined Amount	Percentage of Levy
2008	\$ 3,107	\$ 3,000	96.57%	\$ 27	\$ 3,027	97.44%
2009	3,323	3,142	94.57%	51	3,193	96.10%
2010	3,494	3,275	93.72%	39	3,314	94.84%
2011	3,395	3,314	97.61%	36	3,350	98.67%
2012	3,401	3,339	98.15%	40	3,379	99.33%
2013	3,525	3,474	98.57%	43	3,517	99.79%
2014	3,424	3,346	97.74%	27	3,373	98.53%
2015	3,540	3,449	97.43%	34	3,483	98.39%
2016	3,777	3,563	94.34%	40	3,603	95.40%
2017	3,844	3,615	94.04%	-	3,615	94.04%

Source: Cherokee County Appraisal District

TABLE 11

CITY OF JACKSONVILLE, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Amounts Expressed in Thousands)

Fiscal Years	Governmental Activities			Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	Bank Loans & Promissory Note		
2008	\$ 3,140	\$ 5,950	\$ -		
2009	2,420	5,705	-		
2010	6,200	5,580	66		
2011	11,200	-	120		
2012	10,325	-	63		
2013	9,470	-	30		
2014	8,595	-	87		
2015	7,700	-	299		
2016	6,952	1,900	192		
2017	5,966	1,790	82		

Fiscal Years	Business-type Activities			Percentage of Personal Income	Per Capita
	Certificates of Obligation	Bank Loans	Total Primary Government		
2008	\$ 6,470	\$ -	\$ 14,595	6.75%	\$ 982
2009	6,175	-	18,021	8.19%	1,204
2010	-	-	11,320	5.06%	778
2011	-	-	10,388	4.57%	711
2012	-	-	9,500	4.11%	647
2013	-	-	8,682	3.69%	588
2014	-	-	7,999	3.35%	540
2015	-	249	9,292	3.83%	624
2016	-	-	7,838	3.13%	524
2017	-	-	7,838	3.24%	527

TABLE 12

CITY OF JACKSONVILLE, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(Amounts Expressed in Thousands)

Fiscal Years	General Obligation Debt Payable from Ad Valorem Taxes			Total	Percentage of Actual Taxable Value of Property	Per Capita
	Total General Obligation Debt	Less: Amount Available in Debt Service				
2008	\$ 15,560	\$ 6,470	\$ 9,090	1.75%	\$ 612	
2009	14,300	6,175	8,125	1.46%	543	
2010	11,780	1,900	9,880	1.80%	679	
2011	11,200	1,351	9,849	1.77%	674	
2012	10,325	1,246	9,079	1.62%	618	
2013	9,470	1,143	8,327	1.48%	564	
2014	8,595	1,037	7,558	1.34%	510	
2015	7,700	882	6,818	1.23%	458	
2016	8,852	1,022	7,830	1.37%	524	
2017	7,756	859	6,897	1.18%	463	

TABLE 13

**CITY OF JACKSONVILLE, TEXAS
DIRECT AND OVERLAPPING
GOVERNMENTAL ACTIVITIES DEBT**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt Repaid with Property Taxes			
Jacksonville ISD	\$ 89,260,000	49.24%	\$ 43,951,624
Cherokee County	-	23.97%	-
Subtotal, Overlapping Debt			43,951,624
City of Jacksonville Direct Debt	7,755,571	100%	<u>7,755,571</u>
Total Direct and Overlapping Debt			<u>\$ 51,707,195</u>
Average Debt Per Capita			\$ 3,458

Source: The Municipal Advisory of Texas (Texas MAC)

CITY OF JACKSONVILLE, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Amounts Expressed in Thousands)

	Fiscal Year				
	2008	2009	2010	2011	2012
Total Taxable Assessed Value	\$ 519,204	\$ 555,241	\$ 548,814	\$ 556,672	\$ 560,466
Annual payment	1,518	1,523	1,505	1,198	1,131
Debt limit	51,920	55,524	54,881	55,667	56,047
Total net debt applicable to limit	15,187	13,983	11,429	10,797	9,813
Legal debt margin	36,733	41,541	43,452	44,871	46,234

	Fiscal Year				
	2013	2014	2015	2016	2017
Total Taxable Assessed Value	\$ 562,229	\$ 562,281	\$ 554,707	\$ 572,560	\$ 582,726
Annual payment	1,131	1,134	1,132	1,142	1,276
Debt limit	56,223	56,228	55,471	57,256	58,273
Total net debt applicable to limit	8,782	7,745	6,724	7,817	6,756
Legal debt margin	47,441	48,483	48,747	49,439	51,517

Legal Debt Margin Calculation for the Current Fiscal Year

Assessed value	\$ 595,791
Exempt real property	(13,065)
	<u>582,726</u>
Debt Limit (10% of assessed value)	<u>58,273</u>
Debt applicable to limit	
General Obligation Bonds	7,756
Less: Amount set aside for repayment of general obligation debt	<u>1,000</u>
Total net debt applicable to limit	<u>6,756</u>
Legal debt margin	<u>\$ 51,517</u>

Note:

The Constitution of Texas in Article 11, section 5, limits the maximum amount that a home rule city can tax to \$2.50 per \$100 of valuation.

The Attorney General of Texas has created a rule for the guidance of home rule cities which states that bonds outstanding under this constitutional provision shall be on the basis of no greater than \$1.50 per \$100 of assessed valuation.

Calculations are based on a 20-year payment term and at an annual interest rate of 4%.

TABLE 15

**CITY OF JACKSONVILLE, TEXAS
 PLEDGED-REVENUE COVERAGE
 LAST TEN FISCAL YEARS
 (Amounts Expressed in Thousands)**

Fiscal Years	Water and Sewer Revenue Bonds						Coverage
	Utility Service Charges	Less Operating Expenses*	Net Available Revenue	Debt Service			
				Principal	Interest		
2008	\$ 4,163	\$ 2,691	\$ 1,472	\$ 290	\$ 322	2.41	
2009	4,272	2,549	1,722	295	309	2.85	
2010	4,503	2,608	1,895	-	-	N/A	
2011	5,344	2,629	2,715	-	-	N/A	
2012	4,940	2,517	2,423	-	-	N/A	
2013	4,692	2,469	2,223	-	-	N/A	
2014	4,343	2,474	1,870	-	-	N/A	
2015	4,380	2,398	1,983	-	-	N/A	
2016	4,665	2,543	2,122	-	-	N/A	
2017	4,766	2,816	1,950	-	-	N/A	

*Total operating expense excluding depreciation

*Refer to Table 11 for total business-type debt

TABLE 16

CITY OF JACKSONVILLE, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

	Fiscal Year				
	2008	2009	2010	2011	2012
Population	14,861	14,971	14,544	14,614	14,684
Personal income (000s)	\$ 216,131	\$ 219,920	\$ 223,709	\$ 227,499	\$ 231,288
Per capita personal income	\$ 14,544	\$ 14,690	\$ 15,382	\$ 15,567	\$ 15,751
Median age	36.9	37.0	37.1	37.2	37.3
Education level in years of schooling Percentage with high school diploma or greater	71.1%	71.2%	71.6%	72.1%	73.8%
School enrollment	4,826	4,845	4,864	4,883	4,800
Unemployment rate	5.8%	8.8%	8.8%	8.2%	7.3%
	Fiscal Year				
	2013	2014	2015	2016	2017
Population	14,754	14,825	14,884	14,955	14,884
Personal income (000s)	\$ 235,077	\$ 238,866	\$ 242,656	\$ 250,234	\$ 242,237
Per capita personal income	\$ 15,933	\$ 16,112	\$ 16,303	\$ 16,732	\$ 16,275
Median age	37.4	37.5	37.6	37.7	31.4
Education level in years of schooling Percentage with high school diploma or greater	72.7%	72.8%	71.2%	71.4%	70.9%
School enrollment	4,726	4,756	4,806	4,809	4,981
Unemployment rate	6.9%	5.8%	5.1%	5.3%	7.9%

Sources: U.S. Census
Texas Demographic Center
Jacksonville Independent School District
City-Data.com
nces.ed.gov

TABLE 17

**CITY OF JACKSONVILLE, TEXAS
PRINCIPAL EMPLOYERS - CHEROKEE COUNTY
CURRENT YEAR**

Employer	2017		Percentage of Total City Employment
	Employees	Rank	
Rusk State Hospital	1,152	1	5.4%
Jacksonville Independent School District	926	2	4.3%
Skyview Unit- TX Dept. of Criminal Justice	685	3	3.2%
Stage Stores D.C.	485	4	2.3%
Convergys	425	5	2.0%
Cardinal Health	325	6	1.5%
Walmart	320	7	1.5%
Arrington Lumber & Pallet Co.	225	8	1.0%
Builder's Best	200	9	0.9%
Federal Heath	150	10	0.7%
	<u>4,893</u>		<u>22.8%</u>
All Other	<u>16,574</u>		<u>77.2%</u>
Total	<u><u>21,467</u></u>		<u><u>100.0%</u></u>

The information for nine years ago is not available.

Sources: Jacksonville Economic Development Corporation
Texas Workforce Commission
Workforce Solutions East Texas

CITY OF JACKSONVILLE, TEXAS
BUDGETED FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	Fiscal Year			
	2008	2009	2010	2011
General Fund				
Administration	4	4	4	4
Municipal Court	4	4	4	4
City Secretary	1	1	1	1
Finance	4	4	4	3
Tax	1	1	-	-
Human Resources	1	1	1	1
Police	38	37	37	38
Fire / EMS	19	20	29	29
EMS	10	10	-	-
Code Enforcement	4	4	5	5
Animal Control / Shelter	1	1	1	1
Streets	9	7	8	8
Library	4	4	4	4
Parks & Recreation	7	6	4	4
Cemetery	2	2	2	2
Total General Fund	<u>109</u>	<u>106</u>	<u>104</u>	<u>104</u>
Utility Fund				
Administration	2	2	2	2
Water Production	3	3	3	3
Water Distribution & Maintenance	5	6	5	5
Wastewater Treatment	5	4	5	5
Wastewater Collection & Maintenance	3	2	3	3
Utility Billing	3	3	2	3
Total Utility Fund	21	20	20	21
Lake Fund	-	-	1	1
Sanitation Fund	8	7	7	7
MSI Fund	-	-	-	-
Total	<u>8</u>	<u>7</u>	<u>8</u>	<u>8</u>
Grand Total	<u>138</u>	<u>133</u>	<u>132</u>	<u>133</u>

Source: City Budget Book

TABLE 18

Fiscal Year						
2012	2013	2014	2015	2016	2017	
4	4	4	4	4	4	4
3	3	3	3	3	3	2
1	1	1	1	1	1	1
4	4	4	4	4	3	3
-	-	-	-	-	-	-
-	-	-	-	-	1	1
38	38	37	37	38	38	37
29	29	29	29	29	29	29
-	-	-	-	-	-	-
5	5	5	5	5	5	5
1	1	1	1	1	2	2
8	8	8	8	8	8	8
4	4	4	4	4	4	4
4	4	4	4	4	4	4
2	2	2	2	2	2	2
<u>103</u>	<u>103</u>	<u>102</u>	<u>102</u>	<u>104</u>	<u>102</u>	
2	2	2	2	2	2	2
3	3	3	3	3	3	3
5	5	5	5	5	5	2
5	5	5	5	5	5	5
3	3	3	3	3	3	3
3	3	3	3	3	3	6
21	21	21	21	21	21	21
1	1	1	1	1	1	1
7	7	7	7	7	7	7
-	-	-	-	-	-	1
8	8	8	8	8	8	9
<u>132</u>	<u>132</u>	<u>131</u>	<u>131</u>	<u>133</u>	<u>132</u>	

CITY OF JACKSONVILLE, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year			
	2008	2009	2010	2011
Police				
Calls for service	12,346	11,173	14,495	14,649
Avg. response time per call (minutes)	2	2	3	3
Clearance rate	34%	40%	41%	55%
Fire / EMS				
Number of calls answered- Fire	1,150	1,153	1,080	1,112
Number of calls answered- EMS	3,125	3,200	3,250	3,420
Reports processed	4,495	4,653	4,685	4,874
Inspections	220	300	355	342
Highway and Streets				
Street maintenance - man hours	16,586	18,694	15,083	15,329
Sanitation				
Annual tonnage at landfill	8,344	8,368	8,394	8,618
Culture and Recreation				
Park maintenance - man hours	13,629	15,361	12,394	12,357
Swimming pool attendance	*	*	*	*
Water				
Water meters read	78,661	78,886	79,236	79,572
Work orders processed	11,601	12,013	12,440	14,050
Total water consumption (thousands of gallons)	819,438	816,698	918,590	1,086,909
Cost per thousand gallons	\$ 1.73	\$ 1.52	\$ 1.31	\$ 1.17
Wastewater				
Average daily sewage treatment (thousands of gallons)	*	*	*	1,270
Sources: Various City departments				
* Data not available				

TABLE 19

Fiscal Year						
2012	2013	2014	2015	2016	2017	
14,649	15,281	15,964	17,002	15,616	16,166	
2	3	3	2	2	3	
69%	53%	79%	98%	64%	48%	
1,100	990	1,010	1,160	1,100	1,150	
3,400	3,380	3,420	3,386	3,400	3,420	
4,852	4,690	4,790	4,906	4,860	4,930	
352	320	360	360	360	360	
16,983	16,932	14,258	16,046	14,913	16,640	
9,486	8,796	8,979	8,923	8,145	6,473	
13,103	12,875	11,101	11,463	13,600	14,300	
*	*	*	3,550	3,545	3,326	
79,488	80,064	80,172	80,184	80,472	80,844	
12,100	13,750	13,240	12,115	14,550	13,870	
996,938	843,411	742,796	750,275	761,168	770,152	
\$ 1.16	\$ 1.31	\$ 1.42	\$ 1.51	\$ 1.52	\$ 1.53	
1,410	1,600	1,600	1,900	2,800	2,482	

CITY OF JACKSONVILLE, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year			
	2008	2009	2010	2011
Public Safety				
Police stations	1	1	1	1
Fire stations	2	2	2	2
Highway and Streets				
Streets- City (miles)	133.02	133.02	133.02	133.02
Streets- State Highway (miles)	24.17	24.17	24.17	24.17
Area in square miles	14.1	14.1	14.1	14.1
Culture and Recreation				
Libraries	1	1	1	1
Museums	1	1	1	1
Parks acreage	357	357	357	357
Swimming pools	1	1	1	1
Picnic areas and playgrounds	15	15	15	15
Cemeteries	2	2	2	2
Recreation center	1	1	1	1
Disc Golf Course	-	-	-	-
Basketball courts	7	7	7	7
Tennis courts	6	6	6	6
Camping sites	27	27	27	27
Boat ramps	3	3	3	3
Public swimming areas	2	2	2	2
Water				
Water main (miles)	100 +	100 +	100 +	100 +
Average daily consumption (millions of gallons)	2.25	2.24	2.52	2.98
Sewer				
Sanitary sewers (miles)	100 +	100 +	100 +	100 +
Maximum treatment capacity (millions of gallons)	2.9	2.9	2.9	2.9

Sources: Various City departments

TABLE 20

Fiscal Year						
2012	2013	2014	2015	2016	2017	
1	1	1	1	1	1	1
2	2	2	2	2	2	2
133.02	133.02	133.02	133.02	133.02	133.02	133.02
24.17	24.17	24.17	24.17	24.17	24.17	24.17
14.1	14.1	14.1	14.1	14.1	14.1	14.1
1	1	1	1	1	1	1
1	1	1	1	1	1	1
357	357	357	357	357	357	357
1	1	1	1	1	1	1
15	15	15	15	15	15	15
2	2	2	2	2	2	2
1	1	1	1	1	1	1
1	1	1	1	1	1	1
7	7	7	7	7	7	7
6	6	6	6	6	6	6
27	27	27	27	27	27	27
3	3	3	3	3	3	3
2	2	2	2	2	2	2
100 +	100 +	100 +	100 +	100 +	100 +	100 +
2.73	2.31	2.04	2.06	2.09	2.11	
100 +	100 +	100 +	100 +	100 +	100 +	100 +
2.9	2.9	2.9	2.9	2.9	2.9	2.9

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COMPLIANCE SECTION

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PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Jacksonville, Texas (the "City") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 12, 2018.

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 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 a 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 a 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have direct and material effect on the provisions was not an objective of our audit, and accordingly, we do not express such as 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 results of that testing, and not to provide an opinion on the effectiveness of the City'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.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 12, 2018