

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

CITY OF JACKSONVILLE

JACKSONVILLE, TEXAS

SEPTEMBER 30, 2015

INTRODUCTORY SECTION

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SEPTEMBER 30, 2015
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FINANCIAL SECTION

HENRY & PETERS, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Jacksonville, Texas

We have audited the accompanying 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 City of Jacksonville, Texas (City), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

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 of Jacksonville, Texas, as of September 30, 2015, 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.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 19 to the financial statements, in 2015 the City adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary schedules on pages 3-10 and 45-52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jacksonville, Texas' basic financial statements. The budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison 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 budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2016, on our consideration of the City of Jacksonville, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 City of Jacksonville, Texas' internal control over financial reporting and compliance.

Henry + Peters, P.C.

Tyler, Texas
March 3, 2016

**City of Jacksonville, Texas
Management's Discussion and Analysis
September 30, 2015**

The discussion and analysis of the City of Jacksonville's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2015. It should be read in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City of Jacksonville exceeded its liabilities at the close of the fiscal year ending September 30, 2015 by \$44,797,466 (net position). The total net position decreased by \$(1,510,296) during the year. Of the total net position, \$7,714,978 (unrestricted net position) may be used to meet the governments' ongoing obligations to citizens and creditors. Unrestricted net position decreased by \$(1,742,921) during the fiscal year. The decrease in unrestricted net position can mainly be attributed to the implementation of GASB Statement No. 68 which requires the City to record its Net Pension Liability.
- As of September 30, 2015, the City of Jacksonville's Governmental Funds reported combined ending fund balances of \$5,334,464, an increase of \$335,838 in comparison with the prior fiscal year.
- Fund Balance for the General Fund increased from \$2,985,787, at September 30, 2014, to \$3,256,692, at September 30, 2015. An increase of \$270,905 for the fiscal year ended September 30, 2015.
- The City's total long-term General Obligation debt decreased by \$(895,000) during the current fiscal year. The City's General Obligation Debt payable totaled \$7,700,000 as of September 30, 2015.

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 in addition to 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 of Jacksonville's finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all of the City of Jacksonville's assets and liabilities, 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 of Jacksonville is improving or deteriorating. The Statement of Net Position combines and consolidates governmental 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 some 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 the police, fire, libraries, planning and development, transportation, parks and recreation, and general administration. 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.

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 cash and all other financial assets that can readily be converted into cash. 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 a reconciliation following the fund financial statements.

The City of Jacksonville maintains seven 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 and Grant Fund, all of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated non-major fund presentation.

- 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 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 four individual enterprise funds. The City uses enterprise funds to account for its water and sewer operations, water and sewer capital transactions, 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.

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

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 progress in funding its obligation to provide pension benefits to the employees and budgetary comparative information for the general fund.

THE CITY AS A WHOLE – GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As shown in Table I, the City's combined net position was \$44,797,466 as of September 30, 2015. Stated separately, the net position of the governmental activities is \$19,729,002, while the net position of the business-type activities is \$25,068,464. This analysis focuses on the net position and changes in revenue and significant expenses of the City's governmental and business-type activities.

By far, the largest portion of the City's net position (78%) reflects its net investment in capital assets (e.g., land, building, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. 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.

Table I Summary of Net Position at September 30, 2015 (Amounts Expressed in Thousands)

	Government Activities	Business-type Activities	Total Primary Government
Current and other assets	\$ 8,374	\$ 5,941	\$ 14,315
Capital assets	22,919	20,537	43,456
Total assets	31,293	26,478	57,771
Deferred charge on refunding	110	-	110
Deferred outflows related to pensions	567	115	682
Total deferred outflows of resources	677	115	792
Long-term liabilities outstanding	11,254	869	12,123
Other liabilities	710	601	1,311
Total liabilities	11,964	1,470	13,434
Deferred inflows related to pensions	277	55	332
Total deferred inflows of resources	277	55	332
Net position:			
Invested in capital assets, net of related debt	14,872	20,289	35,161
Restricted	1,940	-	1,940
Unrestricted	2,917	4,779	7,696
Total net position	\$ 19,729	\$ 25,068	\$ 44,797

Activities

The Statement of Activities, summarized in Table II, reports charges for services and operating and capital grants as offsets of expenses, and reports general governmental revenues as separate totals. Total Government and Business-type Activities revenue for the City increased \$133,698 or, 0.96%, for the year ended September 30, 2015. The increase in revenue is due primarily to an increase in Tax revenue which totaled \$6,856,913 for the year ended September 30, 2015. Governmental revenue totaled \$10,656,027 for the year ended September 30, 2015, compared to \$10,372,451 for the prior year. The growth in revenue for the year ended September 30, 2015 was due to increases in tax collections, investment income, transferred revenue, and grants and contributions. Sales tax revenues were up approximately 4.66% over the previous year. Property tax revenue was up approximately 3.75% over the previous year. The most significant governmental expenses for the City were in providing for public safety, for which the City expended \$5,313,524, an increase of \$30,710 or 0.58%. The components of public safety are police, fire and EMS departments.

Water and Wastewater revenue increased from \$4,343,441, for year ended September 30, 2014, to \$4,380,341, for year ended September 30, 2015. Water and Waste Water revenue increased \$36,900 or approximately 0.85% over the previous year. Expenses for the City's business-type activities were \$3,698,087 for the year, resulting in income of \$1,768,887 before transfers to the general fund.

Table II Statement of Activities (Amounts in Thousands)

	Governmental Activities 2015	Business-type Activities 2015	Total 2015	Total 2014
Revenues:				
Program Revenues:				
Charges for services	\$ 1,120	\$ 5,467	\$ 6,587	\$ 6,710
General revenues:				
Taxes	6,875	-	6,875	6,627
Investment Income	17	17	34	33
Transfers	2,140	(2,140)	-	-
Grants & contributions	231	-	231	220
Other	296	-	296	301
Gain (Loss) on sale of assets	(23)	-	(23)	(25)
	<u>10,656</u>	<u>3,344</u>	<u>14,000</u>	<u>13,866</u>
Expenses:				
General government	1,496	-	1,496	1,421
Public safety	5,314	-	5,314	5,283
Public works	1,196	-	1,196	1,331
Public health	200	-	200	133
Cemetery	73	-	73	105
Code enforcement	295	-	295	319
Parks and recreation	561	-	561	531
Economic development	84	-	84	88
Non-departmental	451	-	451	301
Interest and fiscal charges	233	-	233	257
Water, sewer, sanitation, and lake	-	3,698	3,698	3,833
Total expenses	<u>9,903</u>	<u>3,698</u>	<u>13,601</u>	<u>13,602</u>
Increase (decrease) in net position	753	(354)	399	264
Net position, October 1, 2014	20,559	25,749	46,308	46,291
Prior period adjustment	(1,583)	(327)	(1,910)	(247)
Net position, September 30, 2015	<u>\$ 19,729</u>	<u>\$ 25,068</u>	<u>\$ 44,797</u>	<u>\$ 46,308</u>

THE CITY'S SPENDABLE SHORT-TERM RESOURCES

The City's Funds

The City government's activities are also presented in fund statements, which focus on the City's cash transactions and its ability to provide services in the near future. At the close of the City's fiscal year on September 30, 2015, the governmental funds of the City reported a combined fund balance of \$5,334,464, as summarized in Table III. This ending balance includes increases of \$270,905 in the City's General Fund, \$58,922 in the City's Debt Service Fund and \$6,011 in the City's Non-Major Funds for a total increase of \$335,838, or 6.72%, over the prior year.

Table III Governmental Fund Balances (Amounts in Thousands)

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Assets:			
Cash	\$ 3,550	\$ 3,327	\$ 223
Short-term Investments	1,486	1,484	2
Other current assets	<u>3,338</u>	<u>3,361</u>	<u>(23)</u>
Total assets:	8,374	8,172	202
Liabilities:			
Accounts Payable	206	270	(64)
Other current liabilities	<u>475</u>	<u>456</u>	<u>19</u>
Total liabilities:	681	726	(45)
Deferred Inflows of Resources:			
Unavailable revenue	<u>2,359</u>	<u>2,448</u>	<u>(89)</u>
Total deferred inflows of resources:	2,359	2,448	(89)
Fund Balances:			
Non-spendable	87	96	(9)
Restricted For:			
Debt Service	1,035	976	59
Grant Funds	41	37	4
Municipal Court	260	253	7
Public Safety	10	11	(1)
Tourism and convention	593	443	150
Committed to:			
Library	28	28	-
Parks and recreation	11	11	-
Assigned to:			
Capital projects	118	254	(136)
Public safety	3	3	-
Parks and recreation	-	4	(4)
Unassigned:	<u>3,148</u>	<u>2,882</u>	<u>266</u>
Total fund balances	5,334	4,998	336
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 8,374</u></u>	<u><u>\$ 8,172</u></u>	<u><u>\$ 202</u></u>

Table IV shows a summary of the sources of cash income and the uses of those resources. Sources include tax revenues, charges for services, as well as bond proceeds, and inter-governmental and inter-fund transfers.

Table IV Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds
(Amounts in Thousands)

	2015	2014	Increase (Decrease)
Revenues:			
Taxes	\$ 6,857	\$ 6,632	\$ 225
Charges for services	1,037	935	102
Intergovernmental	231	208	23
Fines and penalties	145	162	(17)
Other revenues	324	353	(29)
Investment income	17	16	1
Total revenues:	8,611	8,306	305
Expenditures:			
General government	1,452	1,371	81
Public safety	5,077	4,940	137
Public works	768	906	(138)
Non-departmental	438	290	148
Capital outlay	717	655	62
Debt service	1,225	1,139	86
Other expenditures	1,038	1,009	29
Total expenditures:	10,715	10,310	405
Deficiency of revenues over expenditures	(2,104)	(2,004)	(100)
Net other financing sources	2,440	1,983	457
Net changes in Fund Balance	336	(21)	357
Fund balance, October 1	4,998	5,019	(21)
Fund balance, September 30	<u>\$ 5,334</u>	<u>\$ 4,998</u>	<u>\$ 336</u>

General Fund Budgetary Highlights

For Fiscal Year 2015, actual revenues were \$7,033,644, with budgeted revenues being \$6,650,900, a positive variance of \$382,744. The variance was primarily due to a conservative revenue budget and higher than anticipated revenues in sales and use tax and charges for services.

For Fiscal Year 2015, actual expenditures in the General Fund were \$9,143,724 compared to the budget amount of \$9,547,126, a positive variance of \$403,402.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2015, the City had \$43,457,147 (net of accumulated depreciation) invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines. (See Table V below). The City's fiscal year 2016 capital budget calls for it to spend \$1,485,184 for capital projects, principally for the construction of a new City Hall. Other budgeted capital expenditures include machinery and equipment, motor vehicles, and library books and materials.

Table V Capital Assets at Year-end (Amounts in Thousands)

	Government Activities		Business Type Activities		Total	
	2015	2014	2015	2014	2015	2014
	Land	\$ 1,461	\$ 1,461	\$ 1,073	\$ 1,073	\$ 2,534
Building and improvements	8,689	8,682	7,237	7,237	15,926	15,919
Equipment	4,501	4,167	2,014	1,674	6,515	5,841
Construction in progress	128	6	-	-	128	6
Infrastructure	26,635	26,635	25,224	25,196	51,859	51,831
Library books	1,435	1,376	-	-	1,435	1,376
Less Accumulated Depreciation	(19,930)	(19,201)	(15,011)	(14,440)	(34,941)	(33,641)
Totals	<u>\$ 22,919</u>	<u>\$ 23,126</u>	<u>\$ 20,537</u>	<u>\$ 20,740</u>	<u>\$ 43,456</u>	<u>\$ 43,866</u>

Debt

At year-end, the City had \$7,700,000 in General Obligation Bonds outstanding as compared to \$8,595,000 at the end of the prior fiscal year, a decrease of \$(895,000) as shown in Table VI.

Table VI Outstanding Bonded Indebtedness (Amounts in Thousands)

	Government Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
	General obligation bonds (backed by the City)	\$ 7,700	\$ 8,595	\$ -	\$ -	\$ 7,700
Totals	<u>\$ 7,700</u>	<u>\$ 8,595</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,700</u>	<u>\$ 8,595</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2016 budget, tax rates, and fees that will be charged for the business-type activities. Property values increased approximately 3.27% for fiscal year 2016 and total property tax revenue is expected to be relatively flat in future years. Sales tax revenue was up for the fiscal year ended September 30, 2015, and has continued to increase for the first quarter of fiscal year 2016 despite the downturn in the economy due to the oil industry.

The General Fund's largest single revenue source is property taxes followed by sales taxes. The property tax rate for FY 2016 is \$0.6596 per \$100 valuation, unchanged from FY 2015. Of this rate, 69.53% is utilized for General Fund activities. The remaining 30.47% is used for paying the City's outstanding debt. The General Fund's portion of total property tax revenue for FY 2016 is estimated to be \$2,542,921. Sales tax revenue for FY 2016 is forecasted to be \$2,168,000.

The largest revenue source for the utility fund is water sales, with projected sales of \$2,813,390 in FY 2016. The base residential rate for FY 2016 is \$13.76 and incorporates the cost of raw water treatment, distribution and maintenance costs. The second largest revenue source for the water and sewer fund is sewer charges with projected collections of \$1,852,441 in FY 2016.

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, 301 E. Commerce, Jacksonville, TX 75766.

CITY OF JACKSONVILLE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 3,550,242	\$ 4,419,450	\$ 7,969,692	\$ 3,510,021
Investments	1,485,817	-	1,485,817	-
Receivables (net of allowance for estimated uncollectible accounts):				
Taxes	255,540	-	255,540	194,109
Accounts	2,332,530	792,483	3,125,013	-
Due from other governments	663,198	-	663,198	-
Inventory	1,993	42,164	44,157	-
Deposits and prepaid expenses	84,804	281,871	366,675	-
Restricted cash and cash equivalents	-	404,512	404,512	-
Capital assets (net of accumulated depreciation)	22,919,240	20,537,907	43,457,147	624,836
Total Assets	<u>31,293,364</u>	<u>26,478,387</u>	<u>57,771,751</u>	<u>4,328,966</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding (net of amortization)	109,710	-	109,710	-
Deferred outflows related to pensions	567,470	115,343	682,813	-
Total Deferred Outflows of Resources	<u>677,180</u>	<u>115,343</u>	<u>792,523</u>	<u>-</u>
LIABILITIES				
Accounts payable	205,520	148,029	353,549	15,000
Accrued expenses	472,142	48,605	520,747	70,000
Deposits payable for restricted assets	3,000	404,512	407,512	-
Accrued interest payable	29,639	-	29,639	-
Long-term debt				
Due within one year	1,156,788	119,485	1,276,273	-
Due in more than one year	10,097,215	749,851	10,847,066	-
Total Liabilities	<u>11,964,304</u>	<u>1,470,482</u>	<u>13,434,786</u>	<u>85,000</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	277,238	54,784	332,022	-
NET POSITION				
Net investment in capital assets	14,872,065	20,289,330	35,161,395	624,836
Restricted for debt service	1,035,048	-	1,035,048	-
Restricted for grant restrictions	40,959	-	40,959	-
Restricted for municipal court	260,017	-	260,017	-
Restricted for public safety	10,418	-	10,418	-
Restricted for tourism and convention	574,651	-	574,651	-
Unrestricted	2,935,844	4,779,134	7,714,978	3,619,130
Total Net Position	<u>\$ 19,729,002</u>	<u>\$ 25,068,464</u>	<u>\$ 44,797,466</u>	<u>\$ 4,243,966</u>

See accompanying notes to financial statements.

**CITY OF JACKSONVILLE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental activities:								
General government	\$ 1,495,692	\$ 70,508	\$ 211,702	\$ -	\$ (1,213,482)	\$ -	\$ (1,213,482)	\$ -
Public safety	5,313,524	815,210	5,561	14,147	(4,478,606)	-	(4,478,606)	-
Public works	1,195,980	207,224	-	-	(988,756)	-	(988,756)	-
Health	199,913	-	-	-	(199,913)	-	(199,913)	-
Cemetery	73,296	-	-	-	(73,296)	-	(73,296)	-
Code enforcement	295,028	44,795	-	-	(250,233)	-	(250,233)	-
Parks and recreation	559,939	908	-	-	(559,031)	-	(559,031)	-
Economic development	84,032	-	-	-	(84,032)	-	(84,032)	-
Nondepartmental	450,843	-	-	-	(450,843)	-	(450,843)	-
Interest and fiscal charges	233,963	-	-	-	(233,963)	-	(233,963)	-
Total Governmental activities	<u>9,902,210</u>	<u>1,138,645</u>	<u>217,263</u>	<u>14,147</u>	<u>(8,532,155)</u>	<u>-</u>	<u>(8,532,155)</u>	<u>-</u>
Business-Type activities:								
Water and wastewater	2,920,465	4,380,341	-	-	-	1,459,876	1,459,876	-
Sanitation	607,133	937,338	-	-	-	330,205	330,205	-
Lake Jacksonville	170,489	149,295	-	-	-	(21,194)	(21,194)	-
Total Business-Type activities	<u>3,698,087</u>	<u>5,466,974</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,768,887</u>	<u>1,768,887</u>	<u>-</u>
Total Primary Government	<u>\$ 13,600,297</u>	<u>\$ 6,605,619</u>	<u>\$ 217,263</u>	<u>\$ 14,147</u>	<u>\$ (8,532,155)</u>	<u>\$ 1,768,887</u>	<u>\$ (6,763,268)</u>	<u>\$ -</u>
Component Unit:								
Jacksonville Development Corp.	\$ 253,036	\$ 4,551	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (248,485)
Total Component Units	<u>\$ 253,036</u>	<u>\$ 4,551</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (248,485)</u>
General Revenues:								
Taxes:								
Property					3,589,935	-	3,589,935	-
Sales					2,494,620	-	2,494,620	1,125,471
Other					772,358	-	772,358	-
Investment income					16,967	17,389	34,356	10,730
Contributed capital					-	-	-	-
Transfers					2,140,000	(2,140,000)	-	-
Other					295,518	-	295,518	-
Gain (loss) on sale of assets					(23,426)	-	(23,426)	-
Total general revenues					<u>9,285,972</u>	<u>(2,122,611)</u>	<u>7,163,361</u>	<u>1,136,201</u>
Change in net position					753,817	(353,724)	400,093	887,716
Net position - beginning of year					20,558,513	25,749,249	46,307,762	3,356,250
Prior period adjustment					(1,583,328)	(327,061)	(1,910,389)	-
Net position - end of year					<u>\$ 19,729,002</u>	<u>\$ 25,068,464</u>	<u>\$ 44,797,466</u>	<u>\$ 4,243,966</u>

See accompanying notes to financial statements.

**CITY OF JACKSONVILLE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015**

	General	Debt Service	Non-Major Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,577,521	\$ 1,038,683	\$ 934,038	\$ 3,550,242
Investments	1,423,193	-	62,624	1,485,817
Receivables (net of allowance for estimated uncollectible accounts):				
Taxes	181,014	60,152	14,374	255,540
Accounts	2,332,530	-	-	2,332,530
Due from other funds	-	-	-	-
Due from other governments	612,618	-	50,580	663,198
Inventory	1,993	-	-	1,993
Prepays	84,804	-	-	84,804
Total Assets	<u>\$ 6,213,673</u>	<u>\$ 1,098,835</u>	<u>\$ 1,061,616</u>	<u>\$ 8,374,124</u>
LIABILITIES				
Accounts payable	\$ 186,628	\$ -	\$ 18,892	\$ 205,520
Accrued expenses	472,142	-	-	472,142
Deposits	3,000	-	-	3,000
Total Liabilities	<u>661,770</u>	<u>-</u>	<u>18,892</u>	<u>680,662</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	189,944	63,787	-	253,731
Unavailable revenue - fines	1,441,815	-	-	1,441,815
Unavailable revenue - EMS services	663,452	-	-	663,452
Total Deferred Inflows of Resources	<u>2,295,211</u>	<u>63,787</u>	<u>-</u>	<u>2,358,998</u>
FUND BALANCES				
Nonspendable:				
Inventory	1,993	-	-	1,993
Prepays	84,804	-	-	84,804
Restricted for:				
Debt service	-	1,035,048	-	1,035,048
Grant restrictions	-	-	40,959	40,959
Municipal court	-	-	260,017	260,017
Public safety	-	-	10,418	10,418
Tourism and convention	-	-	574,651	574,651
Committed to:				
Library	-	-	28,307	28,307
Parks and recreation	-	-	10,676	10,676
Assigned to:				
Capital projects	-	-	117,696	117,696
Public safety	3,164	-	-	3,164
Unassigned	3,166,731	-	-	3,166,731
Total Fund Balances	<u>3,256,692</u>	<u>1,035,048</u>	<u>1,042,724</u>	<u>5,334,464</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,213,673</u>	<u>\$ 1,098,835</u>	<u>\$ 1,061,616</u>	<u>\$ 8,374,124</u>

See accompanying notes to financial statements.

**CITY OF JACKSONVILLE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

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

Total fund balance per balance sheet	\$ 5,334,464
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	22,919,240
Some of the City's revenues will be collected after year end, but are not available soon enough to pay current year's expenditures and therefore are not reported in the governmental funds balance sheet.	2,358,998
Net other post employment benefit obligation in governmental activities does not require current financial resources and therefore is not reported in the governmental funds balance sheet.	(841,281)
Long-term liabilities, including bonds payable, notes payable, compensated absences, and net pension liability, are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.	(10,012,780)
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.	<u>(29,639)</u>
Net position of governmental activities	<u><u>\$ 19,729,002</u></u>

See accompanying notes to financial statements.

**CITY OF JACKSONVILLE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	General	Debt Service	Non-major Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	\$ 2,481,711	\$ 1,090,245	\$ -	\$ 3,571,956
Sales	2,267,327	-	227,293	2,494,620
Other	772,358	-	-	772,358
Charges for services	1,055,137	-	-	1,055,137
Intergovernmental	-	-	231,410	231,410
Fines and penalties	145,046	-	-	145,046
Licenses and permits	45,005	-	-	45,005
Other revenues	258,336	-	20,605	278,941
Investment income	8,724	5,776	2,467	16,967
Total Revenues	7,033,644	1,096,021	481,775	8,611,440
EXPENDITURES				
Current (operating):				
General government	1,435,877	-	15,698	1,451,575
Public safety	5,067,869	-	8,884	5,076,753
Public works	760,776	-	7,068	767,844
Health	196,829	-	-	196,829
Cemetery	73,790	-	-	73,790
Code enforcement	287,967	-	-	287,967
Parks and recreation	393,715	-	3,165	396,880
Economic development	-	-	84,032	84,032
Nondepartmental	244,247	-	193,583	437,830
Capital outlay	594,349	-	122,349	716,698
Debt service:				
Principal	88,305	895,000	-	983,305
Interest and fiscal charges	-	242,099	-	242,099
Total Expenditures	9,143,724	1,137,099	434,779	10,715,602
Excess (deficiency) of revenues over (under) expenditures	(2,110,080)	(41,078)	46,996	(2,104,162)
OTHER FINANCING SOURCES (USES)				
Proceeds from loans	300,000	-	-	300,000
Transfers in	2,205,985	100,000	125,000	2,430,985
Transfers out	(125,000)	-	(165,985)	(290,985)
Total Other Financing Sources (Uses)	2,380,985	100,000	(40,985)	2,440,000
Net change in fund balances	270,905	58,922	6,011	335,838
Fund balance - beginning of year	2,985,787	976,126	1,036,713	4,998,626
Fund balance - end of year	<u>\$ 3,256,692</u>	<u>\$ 1,035,048</u>	<u>\$ 1,042,724</u>	<u>\$ 5,334,464</u>

See accompanying notes to financial statements.

**CITY OF JACKSONVILLE, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2015**

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

Net change in fund balance - total governmental funds	\$ 335,838
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. This is the amount by which depreciation expense in the current period exceeded capital outlay.	(199,523)
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(6,849)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(88,564)
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.	(92,463)
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 decrease in the net pension liability of \$184,470, the increase in deferred inflows related to pensions of \$277,238, and the increase of deferred outflows related to pensions of \$209,220.	116,452
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. This amount reflects the change in the accrued liability for compensated absences.	(2,515)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while repayment of the principal of 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, discounts, 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.	688,661
Interest payable on long-term debt is recorded in the government-wide statements. This is the amount that prior year interest payable exceeded current year interest payable.	2,780
Change in net position of governmental activities	<u>\$ 753,817</u>

See accompanying notes to financial statements.

CITY OF JACKSONVILLE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015

	Water and Wastewater Operating Fund	Sanitation Fund	Nonmajor Funds	Total
ASSETS				
Current assets				
Unrestricted current assets:				
Cash and cash equivalents	\$ 1,850,810	\$ 710,281	\$ 1,858,359	\$ 4,419,450
Accounts receivable (net of allowance for estimated uncollectible accounts)	669,457	115,380	7,646	792,483
Inventory	42,164	-	-	42,164
Deposits and prepaid expenses	279,504	2,340	27	281,871
Total unrestricted current assets	<u>2,841,935</u>	<u>828,001</u>	<u>1,866,032</u>	<u>5,535,968</u>
Restricted cash and cash equivalents	404,512	-	-	404,512
Total restricted current assets	<u>404,512</u>	<u>-</u>	<u>-</u>	<u>404,512</u>
Total current assets	<u>3,246,447</u>	<u>828,001</u>	<u>1,866,032</u>	<u>5,940,480</u>
Capital assets (net of accumulated depreciation)	<u>18,902,308</u>	<u>557,456</u>	<u>1,078,143</u>	<u>20,537,907</u>
Total assets	<u>22,148,755</u>	<u>1,385,457</u>	<u>2,944,175</u>	<u>26,478,387</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	<u>86,484</u>	<u>24,451</u>	<u>4,408</u>	<u>115,343</u>
LIABILITIES				
Current liabilities				
Unrestricted current liabilities				
Accounts payable	\$ 84,024	\$ 41,117	\$ 22,888	\$ 148,029
Accrued expenses	37,462	9,488	1,655	48,605
Current portion of compensated absences payable	15,834	5,341	193	21,368
Current portion of notes payable	-	98,117	-	98,117
Total unrestricted current liabilities	<u>137,320</u>	<u>154,063</u>	<u>24,736</u>	<u>316,119</u>
Restricted deposits	<u>404,512</u>	<u>-</u>	<u>-</u>	<u>404,512</u>
Total current liabilities	541,832	154,063	24,736	720,631
Noncurrent liabilities				
Compensated absences payable, net of current portion	22,761	7,677	278	30,716
Other post employment benefits payable	121,986	34,707	6,302	162,995
Net pension liability	303,689	84,244	17,747	405,680
Notes payable, net of current portion	-	150,460	-	150,460
Total noncurrent liabilities	<u>448,436</u>	<u>277,088</u>	<u>24,327</u>	<u>749,851</u>
Total liabilities	<u>990,268</u>	<u>431,151</u>	<u>49,063</u>	<u>1,470,482</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	<u>41,171</u>	<u>11,953</u>	<u>1,660</u>	<u>54,784</u>
NET POSITION				
Net investment in capital assets	18,902,308	308,879	1,078,143	20,289,330
Unrestricted	2,301,492	657,925	1,819,717	4,779,134
Total net position	<u>\$ 21,203,800</u>	<u>\$ 966,804</u>	<u>\$ 2,897,860</u>	<u>\$25,068,464</u>

See accompanying notes to financial statements.

**CITY OF JACKSONVILLE, TEXAS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Water and Wastewater Operating Fund	Sanitation Fund	Nonmajor Funds	Total
Operating Revenues:				
Charges for services	\$ 4,369,706	\$ 936,335	\$ 78,377	\$ 5,384,418
Leases and miscellaneous	10,635	1,003	70,918	82,556
Total Operating Revenues	<u>4,380,341</u>	<u>937,338</u>	<u>149,295</u>	<u>5,466,974</u>
Operating Expenses:				
Utility billing	193,765	-	-	193,765
Water production and distribution	1,130,394	-	-	1,130,394
Wastewater collection and treatment	619,712	-	-	619,712
Sanitation	-	574,131	-	574,131
Lake Jacksonville	-	-	150,697	150,697
Pretreatment and monitoring	172,164	-	-	172,164
Nondepartmental	270,171	-	-	270,171
Depreciation	522,796	28,306	19,792	570,894
Bad debts and discounts	11,463	4,696	-	16,159
Total Operating Expenses	<u>2,920,465</u>	<u>607,133</u>	<u>170,489</u>	<u>3,698,087</u>
Operating Income (Loss)	<u>1,459,876</u>	<u>330,205</u>	<u>(21,194)</u>	<u>1,768,887</u>
Nonoperating Revenues:				
Interest earned	7,239	2,898	7,252	17,389
Total Nonoperating Revenues	<u>7,239</u>	<u>2,898</u>	<u>7,252</u>	<u>17,389</u>
Income (loss) before contributions and transfers	<u>1,467,115</u>	<u>333,103</u>	<u>(13,942)</u>	<u>1,786,276</u>
Transfers in	306,000			306,000
Transfers (out)	<u>(1,630,000)</u>	<u>(500,000)</u>	<u>(316,000)</u>	<u>(2,446,000)</u>
Change in Net Position	143,115	(166,897)	(329,942)	(353,724)
Net Position - beginning of year	<u>21,305,589</u>	<u>1,201,906</u>	<u>3,241,754</u>	<u>25,749,249</u>
Prior period adjustment	<u>(244,904)</u>	<u>(68,205)</u>	<u>(13,952)</u>	<u>(327,061)</u>
Net Position - end of year	<u>\$ 21,203,800</u>	<u>\$ 966,804</u>	<u>\$ 2,897,860</u>	<u>\$ 25,068,464</u>

See accompanying notes to financial statements.

CITY OF JACKSONVILLE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Water and Wastewater Operating Fund	Sanitation Fund	Nonmajor Funds	Total
Cash Flows From Operating Activities:				
Cash received from customers	\$ 4,364,775	\$ 935,199	\$ 151,676	\$ 5,451,650
Cash payments to suppliers for goods and services	(1,472,377)	(248,261)	(87,726)	(1,808,364)
Cash payments to employees for services	(953,848)	(315,593)	(62,359)	(1,331,800)
Net cash provided by operating activities	<u>1,938,550</u>	<u>371,345</u>	<u>1,591</u>	<u>2,311,486</u>
Cash Flows From Noncapital Financing Activities:				
Operating transfers out to other funds	(1,630,000)	(500,000)	(316,000)	(2,446,000)
Operating transfers in from other funds	306,000	-	-	306,000
Net cash used in noncapital financing activities	<u>(1,324,000)</u>	<u>(500,000)</u>	<u>(316,000)</u>	<u>(2,140,000)</u>
Cash Flows From Capital and Related Financing Activities:				
Acquisition of capital assets	(43,258)	(296,805)	(28,393)	(368,456)
Proceeds from notes payable	-	300,000	-	300,000
Principal payments on notes payable	-	(51,423)	-	(51,423)
Net cash used in capital and related financing activities	<u>(43,258)</u>	<u>(48,228)</u>	<u>(28,393)</u>	<u>(119,879)</u>
Cash Flows From Investing Activities:				
Interest on investments	7,239	2,898	7,252	17,389
Net cash provided by investing activities	<u>7,239</u>	<u>2,898</u>	<u>7,252</u>	<u>17,389</u>
Net increase (decrease) in cash and cash equivalents	578,531	(173,985)	(335,550)	68,996
Cash and cash equivalents - beginning of year	<u>1,676,791</u>	<u>884,266</u>	<u>2,193,909</u>	<u>4,754,966</u>
Cash and cash equivalents - end of year	<u>\$ 2,255,322</u>	<u>\$ 710,281</u>	<u>\$ 1,858,359</u>	<u>\$ 4,823,962</u>

See accompanying notes to financial statements.

CITY OF JACKSONVILLE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
CONTINUED

	<u>Water and Wastewater Operating Fund</u>	<u>Sanitation Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 1,459,876	\$ 330,205	\$ (21,194)	\$ 1,768,887
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	522,796	28,306	19,792	570,894
Bad debts and discounts	(2,677)	(807)	-	(3,484)
Change in Assets and Liabilities:				
(Increase) decrease in accounts receivable	(15,021)	3,364	2,381	(9,276)
Increase in inventory	(6,766)	-	-	(6,766)
(Increase) decrease in deposits and prepaids	(5,744)	1,330	472	(3,942)
Increase in deferred outflows related to pensions	(55,720)	(15,890)	(2,662)	(74,272)
Increase (decrease) in accounts payable	(10,369)	17,286	18,645	25,562
Increase (decrease) in accrued expense	1,655	(1,964)	(15,830)	(16,139)
Decrease in compensated absences payable	(7,636)	(3,821)	(1,705)	(13,162)
Increase (decrease) in other post employment benefits payable	6,133	2,466	(271)	8,328
Increase in deferred inflows related to pensions	41,171	11,953	1,660	54,784
(Decrease) increase in net pension obligation	(2,743)	(1,083)	303	(3,523)
Increase in customer deposits payable	13,595	-	-	13,595
Total adjustments	<u>478,674</u>	<u>41,140</u>	<u>22,785</u>	<u>542,599</u>
Net Cash Provided by Operating Activities	<u>\$ 1,938,550</u>	<u>\$ 371,345</u>	<u>\$ 1,591</u>	<u>\$ 2,311,486</u>
Reconciliation of total cash and cash equivalents:				
Current assets:				
Cash and cash equivalents	\$ 1,850,810	\$ 710,281	\$ 1,858,359	\$ 4,419,450
Restricted assets - cash and cash equivalents	404,512	-	-	404,512
Total cash and cash equivalents	<u>\$ 2,255,322</u>	<u>\$ 710,281</u>	<u>\$ 1,858,359</u>	<u>\$ 4,823,962</u>

See accompanying notes to financial statements.

**CITY OF JACKSONVILLE, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2015**

	<u>Private- Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 4,956	\$ 74,343
Deposits and prepaid expenses	-	1,146
Due from component unit	-	11,824
Total Assets	<u>\$ 4,956</u>	<u>\$ 87,313</u>
 LIABILITIES		
Accounts payable	<u>\$ -</u>	<u>\$ 87,313</u>
Total Liabilities	<u>-</u>	<u>\$ 87,313</u>
 NET POSITION		
Held in trust for trust beneficiaries	<u>4,956</u>	
Total Net Position	<u>\$ 4,956</u>	

See accompanying notes to financial statements.

CITY OF JACKSONVILLE, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Private- Purpose Trust Funds</u>
ADDITIONS	
Donations	\$ 7,248
Interest income	23
Total Additions	<u>\$ 7,271</u>
DEDUCTIONS	
Supplies	<u>\$ 10,853</u>
Total Deductions	<u>10,853</u>
Change in Net Position	(3,582)
Net Position - beginning of year	<u>8,538</u>
Net Position - end of year	<u>\$ 4,956</u>

See accompanying notes to financial statements.

**CITY OF JACKSONVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Jacksonville, Texas (City) was incorporated January 27, 1931, and 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 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 following is a summary of the more significant policies:

A. GENERAL STATEMENT

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants in the publication entitled *State and Local Governments – Audit and Accounting Guide*. The more significant accounting policies of the City are described below.

B. REPORTING ENTITY

The basic financial statements are prepared in conformity with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund or account group but distinguish between the City's governmental activities, business-type activities, and activities of its discretely presented component unit on the statement of net position and statement of activities.

For financial reporting purposes, based on standards established by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the financial statements present the City (the primary government) and its component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria: the primary government appoints the voting majority of its board, and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government. The component units discussed in this note are included in the City's reporting entity because the primary government appoints a voting majority of the organization's governing body, and it is able to impose its will on that organization.

Individual Component Unit Disclosures:

Discretely Presented Component Unit:

The Jacksonville Development Corporation (Corporation) – Established in 1995, 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. The Corporation is governed by a board of directors appointed by the City Council.

Complete financial statements of the Jacksonville Development Corporation can be obtained from Jacksonville Development Corporation administration office, Jacksonville, Texas.

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.

(Continued)

**CITY OF JACKSONVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

The accounts of the City are organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures as appropriate. The following fund types are used by the City:

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.

Governmental Funds - are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). *Measurable* means the amount of the transaction can be determined. *Available* means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

The City reports the following major governmental funds:

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

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

Proprietary fund level financial statements are used to account for activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations (e.g., water bill payments). The City has four proprietary funds which are classified as enterprise 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 is used to account for the activities of the solid waste disposal service provided by the City.

(Continued)

**CITY OF JACKSONVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION - CONTINUED

Fiduciary fund level financial statements include fiduciary funds which are classified into private purpose trust and agency funds. The City has one private purpose trust and two agency funds which are used to account for assets held by the City as an agent for individuals, private organizations, other governments and other funds. Trust funds are accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. Agency funds do not involve a formal trust agreement. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

E. CASH EQUIVALENTS

Cash equivalents are 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 no significant risk of changes in value due to changes in interest rates.

F. INVESTMENTS

The City records investments at fair market value in accordance with provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which applies to investments in external investment pools, investments purchased with maturities greater than one year, mutual funds and certain investment agreements. Generally, governmental entities are required to report the "fair value" changes for these investments at year-end and record these gains and losses on the income statement. Investments with maturities less than one year at the time of purchase are stated at cost or amortized cost. The fair value of the City's position in these investment pools is the same as the value of the pool shares.

G. INVENTORY

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the General Fund consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are used. Reported inventories are equally offset by a fund balance reserve which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

H. CAPITAL ASSETS

Capital assets, which include infrastructure, property, plant and equipment, are in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment of the City is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	5 to 25
Infrastructure	75
Machinery and equipment	3 to 20

I. COMPENSATED ABSENCES

The City accounts for expenditures related to sick leave when payments are made to employees. Accrued sick leave is not paid upon separation. The City accounts for all material liabilities and expenditures related to vacation pay during the year in which such benefits accrue.

(Continued)

**CITY OF JACKSONVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position 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 two types of items, which arise only under an accrual basis of accounting that qualify for reporting in this category. The 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 life of the refunded or refunding debt. Deferred outflows related to pensions, which arise only under an accrual basis of accounting, is reported only in the government-wide and proprietary statements of net position. This amount is deferred and amortized over the actuarial determined recognition period.

In addition to liabilities, the statement of financial position 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 two types of items that qualify for reporting in this category. The item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, fines and EMS services. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows related to pensions, which arise only under an accrual basis of accounting, is reported only in the government-wide and proprietary statements of net position. This amount is deferred and amortized over the actuarial determined recognition period.

K. PENSIONS

During the year ended September 30, 2015, the City implemented the provisions of GASB Statement 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS' 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.

L. NET POSITION AND FUND BALANCE

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets net of accumulated depreciation and the outstanding balances of any borrowings 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.

The City considers restricted-net position to have been depleted before unrestricted-net position is applied.

In the fund financial statements, governmental funds report fund balance categorized as nonspendable, restricted, committed, assigned or unassigned.

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).

(Continued)

**CITY OF JACKSONVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

L. NET POSITION AND FUND BALANCE - CONTINUED

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 formal action 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, either by resolution or by ordinance.

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.

When more than one classification of fund balance is available for use, it is the government’s policy to use the most restricted resources first.

M. 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.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

The governmental fund balance sheet includes reconciliation between fund balance for total governmental funds and net position as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.” The details of this \$10,012,780 difference are as follows:

Bonds payable	\$	(7,700,000)
Bond premium, net		(157,906)
Deferred charge on refunding, net of amortization		109,710
Notes payable		(298,979)
Compensated absences		(299,890)
Net pension liability		(1,955,947)
Deferred outflows related to pensions		567,470
Deferred inflows related to pensions		(277,238)
Net adjustment to reduce fund balance - total governmental funds		(10,012,780)
to arrive at net position - governmental activities	\$	(10,012,780)

(Continued)

**CITY OF JACKSONVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - CONTINUED

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION - CONTINUED

Another element of that reconciliation states that "Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the governmental funds balance sheet." The details of this \$22,919,240 difference are as follows:

Beginning balance of capital assets, net of accumulated depreciation	\$	23,125,612
Capital asset additions, net of retirements		709,849
Depreciation of capital assets, current year		(916,221)
		\$ 22,919,240

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental funds statement of revenues, expenditures and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation indicates that "governmental funds report capital outlays 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." The details of this \$199,523 difference are as follows:

Capital outlay	\$	716,698
Depreciation expense		(916,221)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities		\$ (199,523)

Another element of that reconciliation states that "The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of 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, discounts, and similar items when debt is first issued; whereas the amounts are deferred and amortized in the statement of activities." The details of this \$688,661 difference are as follows:

Principal payments on long-term debt	\$	983,305
Proceeds from notes payable		(300,000)
Amortization of bond premium and deferred charges on refunding		5,356
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities		\$ 688,661

(Continued)

**CITY OF JACKSONVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

3. 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 funds investment pools. The City's investments for the year ended September 30, 2015 are as follows:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Risk</u>
LOGIC	\$ 1,423,193	37	AAAm
TexStar	62,624	46	AAAm
Cash in bank	8,449,536		
Cash on hand	3,967		
Total fair value	<u>\$ 9,939,320</u>		
Portfolio weighed average maturity		5.59	

A reconciliation of cash and investments as shown on the Statement of Net Position is as follows:

Cash on hand	\$ 3,967
Carrying amount of deposits	8,449,536
Carrying amount of investments	1,485,817
	<u>\$ 9,939,320</u>
Cash and cash equivalents	\$ 7,969,692
Investments	1,485,817
Cash and cash equivalents - Restricted	404,512
Cash and cash equivalents - Fiduciary	79,299
	<u>\$ 9,939,320</u>

Credit risk – In conformance with the City's investment policy, the City has limited credit risk by investing in only the safest types 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 two local government investment pools 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, 2015, the carrying value of the City's bank deposits was \$8,449,536 while the bank balance was \$8,612,433. The account was entirely covered by federal depository insurance or by collateral held by the agent in the City's name.

At September 30, 2015, the carrying value of the Development Corporation's (a discretely presented component unit) bank deposits was \$3,510,021 and the bank balance was \$3,522,454. The account was entirely covered by federal depository insurances or by collateral held by the agent in the Development Corporation's name.

4. DUE FROM OTHER GOVERNMENTS

The amount due from other governments consisted of the following:

	<u>General Fund</u>	<u>Non-major Funds</u>
State of Texas	<u>\$ 612,618</u>	<u>\$ 50,580</u>

(Continued)

CITY OF JACKSONVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

5. 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:

<u>Receivables</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Water & Wastewater Operating Fund</u>	<u>Sanitation Fund</u>	<u>Non-major Proprietary Funds</u>	<u>Total</u>
Accounts	\$ 4,299,328	\$ -	\$ -	\$ 686,650	\$ 120,845	\$ 7,646	\$ 5,114,469
Taxes	181,014	70,971	14,374	-	-	-	266,359
Gross receivables	4,480,342	70,971	14,374	686,650	120,845	7,646	5,380,828
Less: allowance for uncollectibles	(1,966,798)	(10,819)	-	(17,193)	(5,465)	-	(2,000,275)
Net total receivables	<u>\$ 2,513,544</u>	<u>\$ 60,152</u>	<u>\$ 14,374</u>	<u>\$ 669,457</u>	<u>\$ 115,380</u>	<u>\$ 7,646</u>	<u>\$ 3,380,553</u>

6. PROPERTY TAX

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, 2015 was \$.6596 per \$100 of valuation.

7. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015 was as follows:

	<u>Balance 10/1/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 9/30/2015</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,461,238	\$ -	\$ -	\$ 1,461,238
Construction in progress	5,850	122,349	-	128,199
Total capital assets, not being depreciated	<u>1,467,088</u>	<u>122,349</u>	<u>-</u>	<u>1,589,437</u>
Capital assets, being depreciated:				
Buildings	3,480,838	7,045	-	3,487,883
Improvements other than buildings	5,200,974	-	-	5,200,974
Equipment	4,166,516	544,304	(210,080)	4,500,740
Infrastructure	26,635,227	-	-	26,635,227
Library Books	1,375,834	59,577	-	1,435,411
Total capital assets being depreciated	<u>40,859,389</u>	<u>610,926</u>	<u>(210,080)</u>	<u>41,260,235</u>
Less: accumulated depreciation	<u>19,200,865</u>	<u>916,221</u>	<u>(186,654)</u>	<u>19,930,432</u>
Total capital assets being depreciated, net	<u>21,658,524</u>	<u>(305,295)</u>	<u>(23,426)</u>	<u>21,329,803</u>
Governmental activities capital assets, net	<u>\$ 23,125,612</u>	<u>\$ (182,946)</u>	<u>\$ (23,426)</u>	<u>\$ 22,919,240</u>

(Continued)

CITY OF JACKSONVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

7. CHANGES IN CAPITAL ASSETS - CONTINUED

	Balance 10/1/2014	Increases	Decreases	Balance 9/30/2015
Water and Wastewater Activities:				
Capital assets, not being depreciated:				
Land	\$ 41,503	\$ -	\$ -	\$ 41,503
Total capital assets, not being depreciated	41,503	-	-	41,503
Capital assets, being depreciated:				
Building and improvements	5,366,901	-	-	5,366,901
Improvements other than buildings	1,328,892	-	-	1,328,892
Water and sewer system	24,855,985	-	-	24,855,985
Machinery and equipment	1,290,301	43,258	-	1,333,559
Total capital assets, being depreciated	32,842,079	43,258	-	32,885,337
Less: accumulated depreciation	13,501,736	522,796	-	14,024,532
Total capital assets, being depreciated, net	19,340,343	(479,538)	-	18,860,805
Water and wastewater activities capital assets, net	<u>\$ 19,381,846</u>	<u>\$ (479,538)</u>	<u>\$ -</u>	<u>\$ 18,902,308</u>
Lake Jacksonville:				
Capital assets, not being depreciated:				
Land	\$ 781,297	\$ -	\$ -	\$ 781,297
Total capital assets, not being depreciated	781,297	-	-	781,297
Capital assets, being depreciated:				
Improvements other than buildings	512,316	-	-	512,316
Infrastructure	340,000	28,393	-	368,393
Machinery and equipment	80,015	-	-	80,015
Total capital assets, being depreciated	932,331	28,393	-	960,724
Less: accumulated depreciation	644,086	19,792	-	663,878
Total capital assets, being depreciated, net	288,245	8,601	-	296,846
Lake Jacksonville activities capital assets, net	<u>\$ 1,069,542</u>	<u>\$ 8,601</u>	<u>\$ -</u>	<u>\$ 1,078,143</u>
Sanitation:				
Capital assets, not being depreciated:				
Land	\$ 250,267	\$ -	\$ -	\$ 250,267
Total capital assets, not being depreciated	250,267	-	-	250,267
Capital assets, being depreciated:				
Building and improvements	29,262	-	-	29,262
Machinery and equipment	303,347	296,805	-	600,152
Total capital assets, being depreciated	332,609	296,805	-	629,414
Less: accumulated depreciation	293,919	28,306	-	322,225
Total capital assets, being depreciated, net	38,690	268,499	-	307,189
Sanitation activities capital assets, net	<u>\$ 288,957</u>	<u>\$ 268,499</u>	<u>\$ -</u>	<u>\$ 557,456</u>

(Continued)

**CITY OF JACKSONVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

7. CHANGES IN CAPITAL ASSETS - CONTINUED

	<u>Balance 10/1/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 9/30/2015</u>
Total 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:				
Building and improvements	5,396,163	-	-	5,396,163
Improvements other than buildings	1,841,208	-	-	1,841,208
Infrastructure	340,000	28,393	-	368,393
Water and sewer system	24,855,985	-	-	24,855,985
Machinery and equipment	1,673,663	340,063	-	2,013,726
Total capital assets, being depreciated	34,107,019	368,456	-	34,475,475
Less: accumulated depreciation	<u>14,439,741</u>	<u>570,894</u>	<u>-</u>	<u>15,010,635</u>
Total capital assets, being depreciated, net	<u>19,667,278</u>	<u>(202,438)</u>	<u>-</u>	<u>19,464,840</u>
Business-Type activities capital assets, net	<u>\$ 20,740,345</u>	<u>\$ (202,438)</u>	<u>\$ -</u>	<u>\$ 20,537,907</u>

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

Government activities:	
General government	\$ 53,471
Public safety	266,599
Public works	421,421
Health	694
Cemetery	2,401
Code enforcement	9,201
Parks and recreation	153,945
Non-departmental	<u>8,489</u>
Total depreciation expense - governmental funds	<u>\$ 916,221</u>
Business-Type activities:	
Water and wastewater	\$ 522,796
Lake Jacksonville	19,792
Sanitation	<u>28,306</u>
Total depreciation expense - business-type activities	<u>\$ 570,894</u>

(Continued)

CITY OF JACKSONVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

7. CHANGES IN CAPITAL ASSETS - CONTINUED

Capital asset activity for the Development Corporation follows:

	Balance 10/1/2014	Increases	Decreases	Balance 9/30/2015
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 243,345	\$ -	\$ -	\$ 243,345
Total capital assets, not being depreciated	243,345	-	-	243,345
Capital assets, being depreciated:				
Building	161,179	-	-	161,179
Improvements	354,481	-	(9,657)	344,824
Furniture and fixtures	54,111	-	(7,611)	46,500
Total capital assets, being depreciated	569,771	-	(17,268)	552,503
Less: accumulated depreciation	164,299	23,981	(17,268)	171,012
Total capital assets, being depreciated, net	405,472	(23,981)	-	381,491
Governmental activities capital assets, net	<u>\$ 648,817</u>	<u>\$ (23,981)</u>	<u>\$ -</u>	<u>\$ 624,836</u>

8. INTERFUND ACTIVITY

Interfund transfers for the fiscal year ending September 30, 2015 are summarized below:

	Transfers In					Total
	General Fund	Debt Service Fund	Non-Major Governmental Funds	Water and Wastewater Operating Fund	Non-Major Enterprise Funds	
Transfers Out						
General Fund	\$ -	\$ -	\$ 125,000	\$ -	\$ -	\$ 125,000
Non-Major Governmental Funds	165,985	-	-	306,000	-	471,985
Water and Wastewater Operating Fund	1,530,000	100,000	-	-	-	1,630,000
Sanitation Fund	500,000	-	-	-	-	500,000
Non-Major Enterprise Funds	10,000	-	-	-	-	10,000
Total	<u>\$2,205,985</u>	<u>\$ 100,000</u>	<u>\$ 125,000</u>	<u>\$ 306,000</u>	<u>\$ -</u>	<u>\$2,736,985</u>

Transfers are primarily used to move funds from:

- The General Fund to the Non-Major Governmental Funds for capital projects.
- The Non-Major Governmental Funds to the General Fund to help pay for budgeted capital purchases, grant expense and custodial care of the museum building.
- The Non-Major Governmental Funds to the Water and Wastewater Operating Fund to help pay for budgeted capital purchases.
- The Water and Wastewater Operating Fund to the General Fund for a payment in lieu of taxes and utility fund administration.
- The Water and Wastewater Operating Fund to the Debt Service Fund to pay debt.
- The Sanitation Fund to the General Fund for sanitation administration.
- The Non-Major Enterprise Funds to the General Fund for administration of the lake fund.

(Continued)

CITY OF JACKSONVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

9. CHANGES IN LONG-TERM DEBT

During the year ended September 30, 2015, the following changes occurred in long-term debt:

	Balance 10/1/2014	Additions	Retirements and Other	Balance 9/30/2015	Due Within One Year	Due in More Than One Year
General Fund Activities:						
General obligation debt	\$ 8,595,000	\$ -	\$ (895,000)	\$ 7,700,000	\$ 930,000	\$ 6,770,000
Unamortized premium	175,453	-	(17,547)	157,906	-	157,906
Notes payable	87,284	300,000	(88,305)	298,979	107,381	191,598
Compensated absences	297,375	201,398	(198,883)	299,890	119,407	180,483
Other post employment benefits	748,818	92,463	-	841,281	-	841,281
Net pension liability	2,140,417	2,809,409	(2,993,879)	1,955,947	-	1,955,947
Total governmental activities	<u>\$12,044,347</u>	<u>\$ 3,403,270</u>	<u>\$ (4,193,614)</u>	<u>\$ 11,254,003</u>	<u>\$1,156,788</u>	<u>\$ 10,097,215</u>
Business-type Activities:						
Notes payable	\$ -	\$ 297,000	\$ (48,423)	\$ 248,577	\$ 98,117	\$ 150,460
Compensated absences	65,246	26,378	(39,540)	52,084	21,368	30,716
Other post employment benefits	154,667	8,328	-	162,995	-	162,995
Net pension liability	442,133	555,152	(591,605)	405,680	-	405,680
Total business-type activities	<u>\$ 662,046</u>	<u>\$ 886,858</u>	<u>\$ (679,568)</u>	<u>\$ 869,336</u>	<u>\$ 119,485</u>	<u>\$ 749,851</u>

General Obligation Bonds

During the 2012 fiscal year, the City issued \$5,475,000 *General Obligation Refunding Bonds Series 2011*. The proceeds from the sale of the bonds were used to refund the remaining outstanding principal amounts of the *City of Jacksonville, Texas General Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2001* and *City of Jacksonville, Texas Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2003*.

General Obligation debt payable at September 30, 2015 is composed of the following individual issues:

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%	\$ 3,825,000
\$5,475,000 General Obligation Refunding Bonds, Series 2011, dated December 15, 2011, due in annual installments \$220,000 to \$600,000, interest rates of 2.00% to 2.625%	3,875,000

Property tax revenue is pledged for the repayment of the General Obligation debt. During the year ended September 30, 2015, the City expended \$242,099 for interest and fiscal charges on long-term debt in the Debt Service fund.

(Continued)

**CITY OF JACKSONVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

9. CHANGES IN LONG-TERM DEBT - CONTINUED

Notes payable at September 30, 2015 is composed of the following notes:

2014 Dodge 3500 Ambulance:		
\$85,000 loan payable to Austin Bank, dated July 15, 2014, due in 12 quarterly installments of \$7,318, with an interest rate of 1.99%		\$ 57,235
2014 Pierce Fire Truck		
\$300,000 loan payable to Texas National Bank, dated November 24, 2014, due in 11 monthly installments of \$20,810 and one installment of \$123,229, with an interest rate of 1.99%		\$ 241,745
2- 2015 Freightliner Garbage Trucks:		
\$297,000 loan payable to Austin Bank, dated March 20, 2015, due in 3 quarterly installments of \$25,471 and one installment of \$225,226, with an interest rate of 1.75%		\$ 248,577

The notes payable for the 2014 Pierce Fire Truck and the 2 - 2015 Freightliner Garbage Trucks were both financed as short-term obligations; however the City is expected to refinance both yearly. Accordingly, these notes payable have been reported as long-term debt.

The annual requirements to amortize all long-term debt with fixed maturities outstanding as of September 30, 2015, including interest payments of \$998,651 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,135,498	\$ 211,925	\$ 1,347,423
2017	1,159,351	185,523	1,344,874
2018	1,107,708	158,921	1,266,629
2019	995,000	133,900	1,128,900
2020	1,025,000	108,513	1,133,513
2021-2024	2,825,000	199,869	3,024,869
	<u>\$ 8,247,557</u>	<u>\$ 998,651</u>	<u>\$ 9,246,208</u>

10. DEFINED BENEFIT PENSION PLANS

A. PLAN DESCRIPTION

The City participates as one of 860 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.

B. 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.

(Continued)

**CITY OF JACKSONVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

10. DEFINED BENEFIT PENSION PLANS - CONTINUED

B. BENEFITS PROVIDED - CONTINUED

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit 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 75% of the member's deposits and interest.

	<u>Plan Year 2013</u>	<u>Plan Year 2014</u>
Employee deposit rate	6%	6%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility	20 years at any age, 5 years at age 60 and above	20 years at any age, 5 years at age 60 and above
Updated service credit	100% repeating, transfers	100% repeating, transfers
Annuity increase to retirees	50% of CPI repeating	50% of CPI repeating

Employees covered by benefit terms

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	82
Inactive employees entitled to but not yet receiving benefits	55
Active employees	<u>125</u>
	262

C. 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. The contribution rates for the City were 11.33% and 11.06% in calendar years 2014 and 2015, respectively. The city's contributions to TMRS for the year ended September 30, 2015, were \$632,896, and were equal to the required contributions.

D. NET PENSION LIABILITY

The city's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

(Continued)

**CITY OF JACKSONVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

10. DEFINED BENEFIT PENSION PLANS - CONTINUED

D. NET PENSION LIABILITY - CONTINUED

Actuarial assumptions:

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, 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 Table, 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 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and 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. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. 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 expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.80%
International Equity	17.50%	6.05%
Core Fixed Income	30.00%	1.50%
Non-Core Fixed Income	10.00%	3.50%
Real Return	5.00%	1.75%
Real Estate	10.00%	5.25%
Absolute Return	5.00%	4.25%
Private Equity	5.00%	8.50%
Total	100.00%	

(Continued)

**CITY OF JACKSONVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

10. DEFINED BENEFIT PENSION PLANS - CONTINUED

D. NET PENSION LIABILITY - CONTINUED

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected 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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/13	\$ 24,584,183	\$ 22,001,633	\$ 2,582,550
Changes for the year:			
Service cost	665,913	-	665,913
Interest	1,710,098	-	1,710,098
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(433,156)	-	(433,156)
Changes of assumptions	-	-	-
Contributions - employer	-	596,028	(596,028)
Contributions - employee	-	323,342	(323,342)
Net investment income	-	1,258,629	(1,258,629)
Benefit payments, including refunds of employee contributions	(974,329)	(974,329)	-
Administrative expense	-	(13,141)	13,141
Other changes	-	(1,080)	1,080
Net changes	968,526	1,189,449	(220,923)
Balance at 12/31/14	\$ 25,552,709	\$ 23,191,082	\$ 2,361,627

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, 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 (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's net pension liability	\$6,058,953	\$2,361,627	\$(655,126)

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.

(Continued)

**CITY OF JACKSONVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

10. DEFINED BENEFIT PENSION PLANS - CONTINUED

E. PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended September 30, 2015, the city recognized pension expense of \$493,432.

At September 30, 2015, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 332,022
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	225,188	-
Contributions subsequent to the measurement date	457,625	-
Total	\$ 682,813	\$ 332,022

\$457,625 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, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec 31:	
2016	(44,837)
2017	(44,837)
2018	(44,837)
2019	27,677
2020	-
Thereafter	-

11. 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 a third party administrator holds these plan assets in trust. The market value and carrying value of deferred compensation plan assets is \$1,201,646 as of September 30, 2015.

12. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

U.S. generally accepted accounting principles require disclosure, as part of the Combined Statements - Overview, of certain information concerning individual funds including:

- A. For the year ended September 30, 2015, neither the General fund nor the debt Service Fund had total expenditures in excess of appropriations.
- B. As of September 30, 2015, there were no funds with a deficit fund balance.

(Continued)

**CITY OF JACKSONVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

13. LANDFILL CLOSURE AND POST CLOSURE COSTS

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 amounted to \$207,224 for the year ended September 30, 2015. 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.

14. 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.

15. LAKE COLUMBIA PROJECT

During November 1987, the City entered into a contract with the Angelina and Neches River Authority for a 5% interest in the Lake Columbia Project (formerly Lake Eastex). The project allows the City to purchase 5% of the water rights. The obligated payment for 2015 was \$5,705 and the scheduled payment for 2016 is \$5,705. As of September 30, 2015, \$248,860 related to this project was included in Deposits of the Water and Wastewater Operating Fund.

16. SIGNIFICANT TRANSACTIONS WITH COMPONENT UNIT

The City has an agreement with the Jacksonville Development Corporation whereby one-third of the sales tax revenue of the City is paid to the Development Corporation. During the year ended September 30, 2015, \$1,125,471 of sales tax revenue received by the City was allocated to Jacksonville Development Corporation. As of September 30, 2015, \$194,109 was payable to the Development Corporation comprised of sales tax revenue payable and is included in accrued expenses.

The Development Corporation leases its office space from the City at no costs. In addition, the City processes the Development Corporation's payroll.

17. POST EMPLOYMENT BENEFITS

Program Description:

In addition to the pension benefits described in Note 10, as required by state law and defined by City Policy, the City makes available health care benefits to all employees who retire from the City and 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.

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.

Under the provisions of GASB Statement No. 45, employees who will be required to contribute the full age based cost for coverage for the City's Health Plan do not receive an Other Post Employment Benefit. Accordingly, only those employees who are eligible to participate in the Retiree Health Existing (Closed) Program are included in the valuation results described below.

(Continued)

**CITY OF JACKSONVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

17. POST EMPLOYMENT BENEFITS - CONTINUED

Funding Policy:

Current retirees contribute to 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 2015 was \$498. The City contributions to the plan for fiscal year 2015, which are also equal to claims in excess of premiums collected, were \$93,661.

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, 2015, is as follows:

Annual required contribution (ARC)	\$ 208,050
Interest on net OPEB obligation	40,657
Adjustment to ARC	<u>(54,255)</u>
Annual OPEB cost end of year	194,452
Estimated net employer contribution	<u>(93,661)</u>
Increase in net OPEB obligation	100,791
Net OPEB obligation - beginning of year	<u>903,485</u>
Net OPEB obligation - end of year	<u><u>\$ 1,004,276</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, 2015 and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Costs	Employer Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
September 30, 2013	\$ 305,812	\$ 92,228	30.2%	\$ 803,430
September 30, 2014	195,958	95,903	48.9%	903,485
September 30, 2015	194,452	93,661	48.2%	1,004,276

Funded Status:

The funded status of the City's retiree health care plan, under GASB Statement No. 45 as of December 31, 2013 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
12/31/2013	\$ -	\$ 1,868,940	\$ 1,868,940	0.0%	\$ 3,811,271	49.0%

Under the reporting parameters, the City's retiree health care plan is 0.0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$1,868,940 at December 31, 2013. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 49%.

(Continued)

**CITY OF JACKSONVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

17. POST EMPLOYMENT BENEFITS - CONTINUED

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	3.00% per annum
Investment rate of return	4.50%, net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level Dollar
Amortization period	30-year, open amortization
Payroll growth	NA
Healthcare cost trend rate	Initial rate of 7.50% declining to an ultimate rate of 4.70% after 12 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 the 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 employees' entire careers. The City's contributions to the TMRS SDBF for the fiscal years ended 2015, 2014 and 2013 were \$1,273, \$1,068, and \$1,028, respectively, which equaled the required contributions each year.

(Continued)

CITY OF JACKSONVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

18. NEW ACCOUNTING PRONOUNCEMENTS

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*, which improves financial reporting of certain assets and liabilities measured at fair value. This statement is effective for periods beginning after June 15, 2015. The City is evaluating the impact of this statement on the City's financial statements.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which improves financial reporting of public employee pensions that are not within the scope of GASB Statement 68. This statement is effective for periods beginning after June 15, 2015. The City is evaluating the impact of this statement on the City's financial statements.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which improves the usefulness of information about postemployment benefits other than pensions. This statement is effective for periods beginning after June 15, 2016. The City is evaluating the impact of this statement on the City's financial statements.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which improves financial reporting of postemployment benefits other than pensions. This statement is effective for periods beginning after June 15, 2017. The City is evaluating the impact of this statement on the City's financial statements.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which improves financial reporting by raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. This statement is effective for periods beginning after December 15, 2015. The City is evaluating the impact of this statement on the City's financial statements.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*, which improves financial reporting by requiring the disclosure of information about the nature and magnitude of tax abatements. This statement is effective for periods beginning after June 15, 2016. The City is evaluating the impact of this statement on the City's financial statements.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement is effective for periods beginning after December 15, 2016. The City is evaluating the impact of this statement on the City's financial statements.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*, which addresses for certain external investment pools and their participants the accounting and financial reporting implications that result from changes in the regulatory provisions referenced by previous accounting and financial reporting standards. This statement is effective for periods beginning after June 15, 2015. The City is evaluating the impact of this statement on the City's financial statements.

(Continued)

CITY OF JACKSONVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

18. NEW ACCOUNTING PRONOUNCEMENTS

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units*, which improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement is effective for periods beginning after June 15, 2016. The City is evaluating the impact of this statement on the City's financial statements.

19. PRIOR PERIOD ADJUSTMENT

During the year, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Under GASB Statement 68, the City was required to record its Net Pension Liability. Adoption of GASB 68 required a prior period adjustment to report the effect retroactively. The prior period adjustment was \$1,583,328, \$327,061, \$244,904, \$68,205, and \$13,952, respectively, for Governmental Activities, Business-type Activities, the Waste and Wastewater Operating Fund, the Sanitation Fund, and the Nonmajor Enterprise Funds.

20. SUBSEQUENT EVENTS

The City has evaluated subsequent events through March 3, 2016 the date of which the financial statements were available to be issued. On February 9, 2016, the City adopted an ordinance authorizing the issuance of General Obligation Refunding Bonds, Series 2016, in the amount of \$2,330,000.

CITY OF JACKSONVILLE, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OF GENERAL FUND - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,480,000	\$ 2,480,000	\$ 2,481,711	\$ 1,711
Sales and use tax	2,113,000	2,113,000	2,267,327	154,327
Gross receipts tax	779,000	779,000	772,358	(6,642)
Charges for services	889,000	889,000	1,055,137	166,137
Fines and penalties	160,000	160,000	145,046	(14,954)
Licenses and permits	39,700	39,700	45,005	5,305
Other revenues	182,200	182,200	258,336	76,136
Investment income	8,000	8,000	8,724	724
Total Revenues	<u>6,650,900</u>	<u>6,650,900</u>	<u>7,033,644</u>	<u>382,744</u>
EXPENDITURES				
General government	1,451,552	1,456,302	1,435,877	20,425
Public safety	5,202,901	5,244,226	5,067,869	176,357
Public works	1,055,568	1,058,068	760,776	297,292
Health	139,321	139,321	196,829	(57,508)
Cemetery	110,532	110,532	73,790	36,742
Code enforcement	320,064	320,064	287,967	32,097
Parks and recreation	378,357	378,357	393,715	(15,358)
Nondepartmental	218,358	218,358	244,247	(25,889)
Capital outlay	651,045	621,898	594,349	27,549
Debt service	-	-	88,305	(88,305)
Total Expenditures	<u>9,527,698</u>	<u>9,547,126</u>	<u>9,143,724</u>	<u>403,402</u>
Deficiency of Revenues Under Expenditures	(2,876,798)	(2,896,226)	(2,110,080)	786,146
OTHER FINANCING SOURCES (USES)				
Proceeds from loans	300,000	300,000	300,000	-
Operating transfers in	2,197,000	2,201,000	2,205,985	4,985
Operating transfers out	(20,000)	(149,722)	(125,000)	24,722
Total Other Financing Sources	<u>2,477,000</u>	<u>2,351,278</u>	<u>2,380,985</u>	<u>29,707</u>
(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) OVER EXPENDITURES AND OTHER USES - BUDGET BASIS				
	<u>\$ (399,798)</u>	<u>\$ (544,948)</u>	270,905	<u>\$ 815,853</u>
Fund balance - beginning of year			<u>2,985,787</u>	
Fund balance - end of year			<u>\$ 3,256,692</u>	

**CITY OF JACKSONVILLE, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF GENERAL FUND
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
GENERAL GOVERNMENT:				
City Council:				
Supplies	\$ 1,100	\$ 1,100	\$ 1,441	\$ (341)
Maintenance	200	200	73	127
Other services and charges	6,010	7,760	11,395	(3,635)
	<u>7,310</u>	<u>9,060</u>	<u>12,909</u>	<u>(3,849)</u>
City Administration:				
Personnel	356,618	356,618	363,039	(6,421)
Supplies	6,700	5,700	5,941	(241)
Maintenance	1,900	1,900	2,190	(290)
Other services and charges	17,400	17,400	15,368	2,032
	<u>382,618</u>	<u>381,618</u>	<u>386,538</u>	<u>(4,920)</u>
Municipal Court:				
Personnel	147,988	147,988	146,467	1,521
Supplies	3,000	3,000	2,617	383
Maintenance	2,000	2,000	2,858	(858)
Other services and charges	13,700	13,700	11,157	2,543
	<u>166,688</u>	<u>166,688</u>	<u>163,099</u>	<u>3,589</u>
Finance:				
Personnel	240,439	240,439	237,518	2,921
Supplies	6,425	6,425	6,630	(205)
Maintenance	1,000	1,000	1,686	(686)
Other services and charges	161,850	161,850	157,571	4,279
	<u>409,714</u>	<u>409,714</u>	<u>403,405</u>	<u>6,309</u>
Library:				
Personnel	242,125	242,125	233,552	8,573
Supplies	20,707	20,707	19,314	1,393
Maintenance	22,993	22,993	24,332	(1,339)
Other services and charges	39,557	39,557	37,508	2,049
	<u>325,382</u>	<u>325,382</u>	<u>314,706</u>	<u>10,676</u>
City Secretary:				
Personnel	73,951	73,951	74,003	(52)
Supplies	700	700	515	185
Maintenance	300	300	1,400	(1,100)
Other services and charges	9,950	9,950	7,577	2,373
	<u>84,901</u>	<u>84,901</u>	<u>83,495</u>	<u>1,406</u>
Activity Center:				
Personnel	10,391	10,391	9,804	587
Supplies	8,100	8,100	4,314	3,786
Maintenance	26,000	26,000	22,722	3,278
Other services and charges	14,600	14,600	13,100	1,500
	<u>59,091</u>	<u>59,091</u>	<u>49,940</u>	<u>9,151</u>

**CITY OF JACKSONVILLE, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF GENERAL FUND
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015
CONTINUED**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
GENERAL GOVERNMENT - CONTINUED:				
Museum:				
Personnel	\$ 10,598	\$ 10,598	\$ 9,263	\$ 1,335
Maintenance	1,000	5,000	5,601	(601)
Other services and charges	4,250	4,250	6,921	(2,671)
	<u>15,848</u>	<u>19,848</u>	<u>21,785</u>	<u>(1,937)</u>
TOTAL GENERAL GOVERNMENT	<u>1,451,552</u>	<u>1,456,302</u>	<u>1,435,877</u>	<u>20,425</u>
PUBLIC SAFETY:				
Police Department:				
Personnel	2,382,072	2,382,072	2,345,443	36,629
Supplies	175,746	187,924	146,785	41,139
Maintenance	54,600	54,600	44,765	9,835
Other services and charges	113,300	113,300	124,532	(11,232)
	<u>2,725,718</u>	<u>2,737,896</u>	<u>2,661,525</u>	<u>76,371</u>
Fire Department:				
Personnel	2,083,789	2,083,789	2,016,290	67,499
Supplies	188,564	197,910	176,424	21,486
Maintenance	96,630	116,630	110,407	6,223
Other services and charges	108,200	108,001	103,223	4,778
	<u>2,477,183</u>	<u>2,506,330</u>	<u>2,406,344</u>	<u>99,986</u>
TOTAL PUBLIC SAFETY	<u>5,202,901</u>	<u>5,244,226</u>	<u>5,067,869</u>	<u>176,357</u>
PUBLIC WORKS:				
Streets:				
Personnel	324,468	324,468	288,944	35,524
Supplies	56,000	56,000	41,816	14,184
Maintenance	478,500	476,000	223,683	252,317
Other services and charges	196,600	201,600	206,333	(4,733)
	<u>1,055,568</u>	<u>1,058,068</u>	<u>760,776</u>	<u>297,292</u>
TOTAL PUBLIC WORKS	<u>1,055,568</u>	<u>1,058,068</u>	<u>760,776</u>	<u>297,292</u>
HEALTH:				
Animal Control:				
Personnel	48,771	48,771	65,534	(16,763)
Supplies	9,550	9,550	45,013	(35,463)
Maintenance	2,200	2,200	66,056	(63,856)
Other services and charges	78,800	78,800	20,226	58,574
	<u>139,321</u>	<u>139,321</u>	<u>196,829</u>	<u>(57,508)</u>

**CITY OF JACKSONVILLE, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF GENERAL FUND
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015
CONTINUED**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
CEMETERY:				
Personnel	\$ 88,332	\$ 88,332	\$ 60,726	\$ 27,606
Supplies	14,200	14,200	8,549	5,651
Maintenance	4,000	4,000	1,228	2,772
Other services and charges	4,000	4,000	3,287	713
TOTAL CEMETERY	110,532	110,532	73,790	36,742
CODE ENFORCEMENT:				
Personnel	276,234	271,134	251,144	19,990
Supplies	13,730	13,730	7,269	6,461
Maintenance	3,000	4,100	4,257	(157)
Other services and charges	27,100	31,100	25,297	5,803
TOTAL CODE ENFORCEMENT	320,064	320,064	287,967	32,097
PARKS AND RECREATION:				
Personnel	195,187	195,187	196,644	(1,457)
Supplies	51,920	51,920	54,752	(2,832)
Maintenance	64,000	64,000	56,986	7,014
Other services and charges	67,250	67,250	85,333	(18,083)
TOTAL PARKS AND RECREATION	378,357	378,357	393,715	(15,358)
NONDEPARTMENTAL:				
Personnel	53,074	53,074	49,553	3,521
Supplies	4,000	4,000	2,648	1,352
Maintenance	7,000	7,000	1,090	5,910
Other services and charges	154,284	154,284	190,956	(36,672)
TOTAL NONDEPARTMENTAL	218,358	218,358	244,247	(25,889)
CAPITAL OUTLAY:				
Animal Control	-	-	7,045	(7,045)
Library	42,505	42,505	43,001	(496)
Parks	11,800	11,800	25,998	(14,198)
Police	87,600	87,600	83,986	3,614
Fire	509,140	479,993	434,319	45,674
TOTAL CAPITAL OUTLAY	651,045	621,898	594,349	27,549
DEBT SERVICE:				
Principal	-	-	88,305	(88,305)
TOTAL DEBT SERVICE	-	-	88,305	(88,305)
TOTAL EXPENDITURES	\$ 9,527,698	\$ 9,547,126	\$ 9,143,724	\$ 403,402

**CITY OF JACKSONVILLE, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES , EXPENDITURES AND CHANGES IN FUND BALANCE
OF DEBT SERVICE FUND - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,085,000	\$ 1,085,000	\$ 1,090,245	\$ 5,245
Investment income	5,500	5,500	5,776	276
Total Revenues	1,090,500	1,090,500	1,096,021	5,521
EXPENDITURES				
Debt Service				
Principal	895,000	895,000	895,000	-
Interest and fiscal charges	250,601	250,601	242,099	8,502
Total Expenditures	1,145,601	1,145,601	1,137,099	8,502
Deficiency of Revenues Under Expenditures	(55,101)	(55,101)	(41,078)	14,023
OTHER FINANCING SOURCES				
Operating transfers in	100,000	100,000	100,000	-
Total Other Financing Sources	100,000	100,000	100,000	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES - BUDGET BASIS	\$ 44,899	\$ 44,899	58,922	\$ 14,023
Fund balance - beginning of year			976,126	
Fund balance - end of year			\$ 1,035,048	

**CITY OF JACKSONVILLE, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS***

	12/31/14
Total pension liability	
Service cost	\$ 665,913
Interest	1,710,098
Changes in benefit terms	-
Differences between expected and actual experience	(433,156)
Assumption changes	-
Employee contributions	(974,329)
Net change in total pension liability	968,526
Total pension liability - beginning	24,584,183
Total pension liability - ending (a)	\$ 25,552,709
 Plan fiduciary net position	
Contributions - employer	\$ 596,028
Contributions - members	323,342
Net investment income	1,258,629
Benefit payments	(974,329)
Administrative expense	(13,141)
Other	(1,080)
Net change in plan fiduciary net position	1,189,449
Plan fiduciary net position - beginning	22,001,633
Plan fiduciary net position - ending (b)	\$ 23,191,082
 Net pension liability - ending (a) - (b)	\$ 2,361,627
 Plan fiduciary net position as a percentage of the total pension liability	90.76%
 Covered employee payroll	\$ 5,389,041
Net pension liability as a percentage of covered Employee payroll	43.82%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**CITY OF JACKSONVILLE, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS**

LAST 10 FISCAL YEARS*

Fiscal year ending September 30,	<u>2015</u>
Actuarially determined contribution	\$ 632,896
Contributions in relation to the actuarially determined contributions	<u>(632,896)</u>
Contribution excess	<u>\$ -</u>
Covered employee payroll	\$ 5,389,041
Contributions as a percentage of covered employee payroll	11.74%

Notes to Required Supplementary Information:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	26 years
Asset valuation method	10 year smoothed market; 15% soft corridor
Inflation	3.00%
Salary increases	3.5% to 12.0% including inflation
Investment rate of return	7.00%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009.
Mortality	RP2000 combined monthly 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.

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF JACKSONVILLE, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
RETIREE HEALTH PLAN
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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 (1) (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2008	\$ -	\$ 1,473,471	\$1,473,471	0.0%	\$ 4,695,426	31.4%
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%

(1) The annual covered payroll is the payroll related to those grandfathered employees who will be able to retire and continue health coverage at a subsidized premium.

**CITY OF JACKSONVILLE, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2015**

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 a majority of the members of the Council and upon adoption shall be in effect for the fiscal year.
4. Budgetary amendments involving the transfer of funds from one office, department or agency to another require the approval of the City Council.
5. Budgetary integration is employed as a management control device during the year for the General, Special Revenue, 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. Budgets for the Enterprise Fund are also adopted on the modified accrual basis of accounting, which is not consistent with U.S. generally accepted accounting principles as Enterprise Funds are required to be reported on the accrual basis of accounting.
7. All budgeted amounts expire at year end.

The budgets as presented in the financial statements reflect all amendments approved by the City Council for the year ended September 30, 2015, if designated as final budget.

**CITY OF JACKSONVILLE, TEXAS
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - WATER AND WASTEWATER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Operating Revenues:				
Water sales	\$ 2,800,000	\$ 2,800,000	\$ 2,502,117	\$ (297,883)
Wastewater sales	1,700,000	1,700,000	1,713,042	13,042
Tap fees - water	3,000	3,000	5,100	2,100
Tap fees - wastewater	2,500	2,500	1,400	(1,100)
Penalties	140,000	140,000	148,047	8,047
Miscellaneous	5,600	5,600	7,310	1,710
Transfer fees	2,500	2,500	3,325	825
TOTAL REVENUE	4,653,600	4,653,600	4,380,341	(273,259)
Operating Expenses:				
Utility Billing:				
Personnel	130,004	130,004	106,997	23,007
Supplies	3,200	3,200	2,356	844
Maintenance	1,250	1,250	2,852	(1,602)
Contractual	81,650	81,650	81,560	90
	<u>216,104</u>	<u>216,104</u>	<u>193,765</u>	<u>22,339</u>
Water Production:				
Personnel	167,973	167,973	161,298	6,675
Supplies	150,470	131,820	102,210	29,610
Maintenance	186,250	295,866	190,374	105,492
Contractual	419,800	436,220	361,745	74,475
	<u>924,493</u>	<u>1,031,879</u>	<u>815,627</u>	<u>216,252</u>
Wastewater Treatment:				
Personnel	230,851	230,851	187,160	43,691
Supplies	62,700	61,700	43,901	17,799
Maintenance	71,700	71,700	76,069	(4,369)
Contractual	403,050	404,150	312,582	91,568
	<u>768,301</u>	<u>768,401</u>	<u>619,712</u>	<u>148,689</u>
Nondepartmental-Contractual:				
Personnel	163,961	163,961	210,067	(46,106)
Supplies	4,920	4,920	4,441	479
Maintenance	1,350	1,350	1,921	(571)
Contractual	54,850	54,850	53,742	1,108
	<u>225,081</u>	<u>225,081</u>	<u>270,171</u>	<u>(45,090)</u>

CITY OF JACKSONVILLE, TEXAS
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - WATER AND WASTEWATER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015
CONTINUED

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Operating Expenses - continued:				
Water Distribution and Maintenance:				
Personnel	\$ 211,805	\$ 211,805	\$ 195,375	\$ 16,430
Supplies	22,750	29,000	21,662	7,338
Maintenance	149,500	149,200	93,038	56,162
Contractual	2,700	3,000	2,011	989
Other services and charges	5,000	5,000	2,681	2,319
	<u>391,755</u>	<u>398,005</u>	<u>314,767</u>	<u>83,238</u>
Pretreatment:				
Personnel	118,902	118,902	75,811	43,091
Supplies	16,800	14,950	14,077	873
Maintenance	35,000	84,300	80,684	3,616
Contractual	1,000	500	300	200
Other services and charges	5,000	2,000	1,292	708
	<u>176,702</u>	<u>220,652</u>	<u>172,164</u>	<u>48,488</u>
TOTAL OPERATING EXPENSES	<u>2,702,436</u>	<u>2,860,122</u>	<u>2,386,206</u>	<u>473,916</u>
OPERATING INCOME	<u>1,951,164</u>	<u>1,793,478</u>	<u>1,994,135</u>	<u>200,657</u>
Nonoperating Revenue (Expenses):				
Interest income	5,000	5,000	7,239	2,239
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>5,000</u>	<u>5,000</u>	<u>7,239</u>	<u>2,239</u>
INCOME BEFORE OPERATING TRANSFERS	<u>1,956,164</u>	<u>1,798,478</u>	<u>2,001,374</u>	<u>202,896</u>
Operating Transfers In (Out):				
Transfers in	177,000	212,000	306,000	94,000
Transfers out	(1,630,000)	(1,630,000)	(1,630,000)	-
TOTAL OPERATING TRANSFERS IN (OUT)	<u>(1,453,000)</u>	<u>(1,418,000)</u>	<u>(1,324,000)</u>	<u>94,000</u>
NET INCOME - BUDGETARY BASIS	<u>503,164</u>	<u>380,478</u>	<u>677,374</u>	<u>296,896</u>
Adjustments to GAAP Basis:				
Increase (Decrease):				
Depreciation	-	-	(522,796)	(522,796)
Bad debts and discounts	-	-	(11,463)	(11,463)
TOTAL ADJUSTMENTS TO GAAP BASIS	<u>-</u>	<u>-</u>	<u>(534,259)</u>	<u>(534,259)</u>
NET INCOME GAAP BASIS	<u>\$ 503,164</u>	<u>\$ 380,478</u>	<u>\$ 143,115</u>	<u>\$ (237,363)</u>
NET POSITION - BEGINNING OF YEAR			<u>21,305,589</u>	
PRIOR PERIOD ADJUSTMENT			(244,904)	
NET POSITION - END OF YEAR			<u>\$ 21,203,800</u>	

**CITY OF JACKSONVILLE, TEXAS
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - SANITATION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Operating Revenues:				
Charges for service	\$ 926,500	\$ 926,500	\$ 936,335	\$ 9,835
Miscellaneous	450	450	1,003	553
TOTAL REVENUE	926,950	926,950	937,338	10,388
Operating Expenses:				
Personnel	283,043	283,043	307,254	(24,211)
Supplies	61,050	67,550	52,269	15,281
Maintenance	72,000	72,000	36,064	35,936
Contractual	157,216	157,216	177,494	(20,278)
Capital outlay	1,200	1,200	1,050	150
TOTAL OPERATING EXPENSES	574,509	581,009	574,131	6,878
OPERATING INCOME	352,441	345,941	363,207	17,266
Nonoperating Revenue (Expenses):				
Interest income	2,000	2,000	2,898	898
TOTAL NONOPERATING REVENUES (EXPENSES)	2,000	2,000	2,898	898
INCOME BEFORE OPERATING TRANSFERS	354,441	347,941	366,105	18,164
Operating Transfers In (Out):				
Transfers out	(108,250)	(500,000)	(500,000)	-
TOTAL OPERATING TRANSFERS IN (OUT)	(108,250)	(500,000)	(500,000)	-
NET INCOME - BUDGETARY BASIS	246,191	(152,059)	(133,895)	18,164
Adjustments to GAAP Basis:				
Increase (Decrease):				
Depreciation	-	-	(28,306)	(28,306)
Bad debts and discounts	-	-	(4,696)	(4,696)
TOTAL ADJUSTMENTS TO GAAP BASIS	-	-	(33,002)	(33,002)
NET INCOME GAAP BASIS	\$ 246,191	\$ (152,059)	(166,897)	\$ (14,838)
NET POSITION - BEGINNING OF YEAR			1,201,906	
PRIOR PERIOD ADJUSTMENT			(68,205)	
NET POSITION - END OF YEAR			\$ 966,804	

GOVERNMENTAL COMPLIANCE SECTION

HENRY & PETERS, PC

CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Mayor and City Council
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, each major fund, and the aggregate remaining fund information of the City of Jacksonville, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Jacksonville, Texas' basic financial statements, and have issued our report thereon dated March 3, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Jacksonville, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Jacksonville, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Jacksonville, Texas' 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings as item 2015-1 that we consider to be a significant deficiency.

Compliance and Other Matters

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

City of Jacksonville, Texas' Response to Findings

City of Jacksonville, Texas' response to the findings identified in our audit is described in the accompanying schedule of findings. City of Jacksonville, Texas' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Henry + Peters, P.C.

Tyler, Texas
March 3, 2016

**CITY OF JACKSONVILLE, TEXAS
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<i>Unmodified</i>
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(s) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Section II - Financial Statement Findings

2015-1

Criteria:

The City's purchasing policy is that all expenditures must have a signed Departmental Purchase Order (DPO) before the purchase of goods or services.

- For purchases less than \$1,500, the DPO must be signed by the Department Head prior to the purchase.
- All purchases over \$1,500 but less than \$4,000 must be approved by the Finance Department or the City Manager prior to the goods or services being ordered.
- All purchases over \$4,000 but less than \$5,000 must be approved by the Finance Department or the City Manager prior to the goods or services being ordered, reviewed to see if historically underutilized business (HUB) vendors exist, and three verbal quotes are required.
- All purchases over \$5,000 but less than \$50,000 must be approved by the Finance Department or the City Manager prior to the goods or services being ordered, reviewed to see if HUB vendors exist, and three written quotes are required.
- All purchases over \$50,000, in accordance with the Texas Local Government Code §252.021 are required to be purchased through formal, written, and sealed competitive bids.

Condition:

During the audit, we noted 10 expenditures tested did not have a signed Departmental Purchase Order attached to the invoice. We noted 5 of the 10 expenditures had the Department Head's signature on the face of the invoice.

Cause:

The items noted appear to be caused by department heads not following the City's purchasing policy.

Effect or Potential Effect:

Expenditures are being paid without proper approval.

Recommendation:

The City should send out a formal notification to all department heads to follow the City's purchasing policy. We recommend the Finance Director work with the department heads to educate them on the importance of following the City's purchasing policy.

**CITY OF JACKSONVILLE, TEXAS
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Management's Response:

The City of Jacksonville's purchasing policy is in process of being revised by the Finance Department. The revisions will clarify required documentation for small and routine expenses. The revised policy provides some level of flexibility while still maintaining Management's control over purchases.