

CITY OF JACKSONVILLE, ALABAMA

**AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION**

SEPTEMBER 30, 2014

CONTENTS

	Page
INTRODUCTORY SECTION	
Officials of the City of Jacksonville	i
Management's Discussion and Analysis	ii
FINANCIAL SECTION	
Independent Auditors' Report	1
Basic Financial Statements	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements	
Balance Sheets – Governmental Funds	6
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	7
Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Notes to Financial Statements	10
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues and Expenditures – General Fund Budget and Actual	31
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	32

CONTENTS

	Page
SUPPLEMENTAL INFORMATION	
Combining Financial Statements	
Combining Balance Sheets – Nonmajor Governmental Funds (by fund types)	34
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds (by fund types)	35
Combining Balance Sheets – Special Revenue Funds	36
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Special Revenue Funds	38
Combining Balance Sheet – Debt Service Fund	40
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Debt Service Fund	41
Component Unit Financial Data	
Schedule of Net Assets – Jacksonville Water Works, Gas & Sewer Board – Component Unit	42
Schedule of Revenues, Expenses and Changes in Fund Net Assets – Jacksonville Water Works, Gas & Sewer Board – Component Unit	44
Schedule of Cash Flows – Jacksonville Water Works, Gas & Sewer Board – Component Unit	45
STATISTICAL SECTION	
Schedule of Insurance in Force	47

INTRODUCTORY SECTION

OFFICIALS OF THE CITY OF JACKSONVILLE

Mayor

Johnny L. Smith

City Council

Mark Jones, President
Sandra F. Sudduth, President Pro-Tem
Truman Norred
Jerry T. Parris
Jonathan Tompkins

Financial Control Officer

Jarrold Simmons

Other City Officials

Building	Mark Williams, Inspector
City Clerk	Dorothy P. Wilson, City Clerk
Environmental Services	Samuel P. Meadows, Inert Landfill Manager
Fire Department	K. Wade Buckner, Chief
Human Resources	Joy Cox, Human Resources Specialist
Library	Barbara Rowell, Director
Municipal Court	Angela M. Crane, Court Administrator
Parks & Recreation	Janis Burns, Director
Planning	Lynn Causey, City Planner
Police Department	Thomas L. Thompson, Chief
Purchasing	Mayor Johnny L. Smith, Purchasing Agent
Retired Senior Volunteer Program	Denise Rucker, Director
Streets & Sanitation	Stanley Carr, Superintendent

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Jacksonville's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and other supplementary information, which follow this narrative.

Financial Highlights

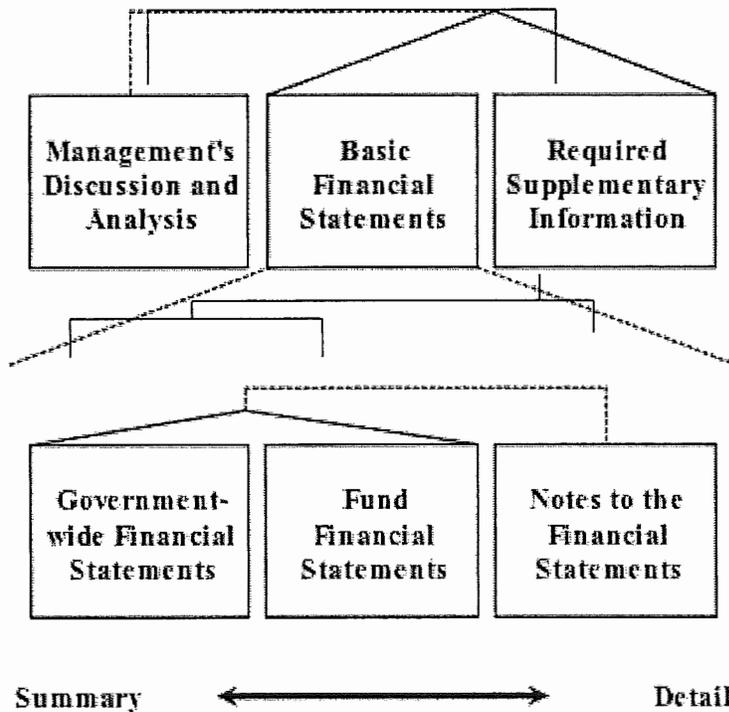
- The assets of the City of Jacksonville (primary government) exceeded its liabilities at the close of fiscal year 2014 by \$17,340,340 (net position). Of this amount, \$7,370,494 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$938,748. A prior period adjustment of \$110,000 was required due to the overstatement of bonds payable in the prior year. Capital assets, net decreased by \$603,416.
- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$26,594,154 a decrease of \$761,869. \$13,361,868 is restricted for City capital projects and \$3,829,764 is restricted for Jacksonville Board of Education capital projects. \$7,749,982 is available for spending at the government's discretion (unassigned general fund balance) with another \$1,075,770 available in the general fund for fire tax eligible expenditures.
- The general fund closed with a total fund balance of \$9,034,741 down from \$9,502,395 in 2013. The 2014 ending general fund balance represents 77.3 percent of total general fund operating expenditures, compared with the ending general fund balance amounting to 84.4 percent of total operating expenditures in 2013 and 88.2 percent of total operating expenditures in 2012.
- The City issued \$17,890,000 of general obligation warrants in 2013. \$13,915,000 for City capital projects (public safety complex) and \$3,975,000 for use by the Jacksonville City Board of Education on school capital projects (new elementary school). Debt outstanding at the close of 2014 totaled \$21,296,595.

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Jacksonville's basic financial statements. The basic financial statements consist of three components: 1. government-wide financial statements, 2. fund financial statements, and 3. notes to the financial statements (see figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other required supplemental information that will enhance the reader's understanding of the financial condition of the City of Jacksonville. The following diagram shows how the required components of this annual report are arranged and relate to one another.

Required Components of Annual Financial Report (Figure 1)



MANAGEMENT’S DISCUSSION AND ANALYSIS – Continued

Major Features of the Government-Wide and Fund Financial Statements (Figure 2)

	Government-Wide Statements	Fund Financial Statements Governmental Funds
Scope	Entire City government and the City's component units (see note on component units)	The activities of the City that are not proprietary or fiduciary, such as police, fire, public works, parks, and general administration
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balance
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital and short-term and long-term	Only assets expected to be used up and liabilities that come due during current year or soon thereafter; no capital assets included
Type of Inflow/Outflow Information	All revenues and expenditures during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-wide Financial Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The *statement of net position* includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the *statement of activities* regardless of when cash is received or paid.

The government-wide financial statements of the City are divided into two categories:

Governmental Activities – Most of the City's basic services are included here such as the police, fire, public works, parks and recreation, and general administration. Sales, use and property taxes, charges for services, and state and federal grants finance most of these activities.

Component units – The City includes other legally separate units. The Jacksonville City Board of Education is a component unit of the City. Their audited financial statements are available at the Board office. The Jacksonville Water Works, Gas & Sewer Board provides services for the citizens of the City of Jacksonville, Alabama. WWGSB financial statements may be found on pages 42 through 46 and a full copy may be obtained at their offices.

Government-wide Financial Statements

Governmental Activities
and Component Units

Measurement Focus:
Economic Resources

Accounting Basis: Accrual

Statement of Net Position

Assets
+
deferred inflows of resources
-
Liabilities
-
deferred outflows of resources
=
Net Position

Statement of Activities

General Revenues
-
Net Program Expenses
=
Change in Net Position

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

The *statement of net position* includes all of the government's assets and liabilities except fiduciary funds. The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting groups that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by federal or state law while some are required by grant agreements. Other funds are established to control and manage City resources designated for specific purposes.

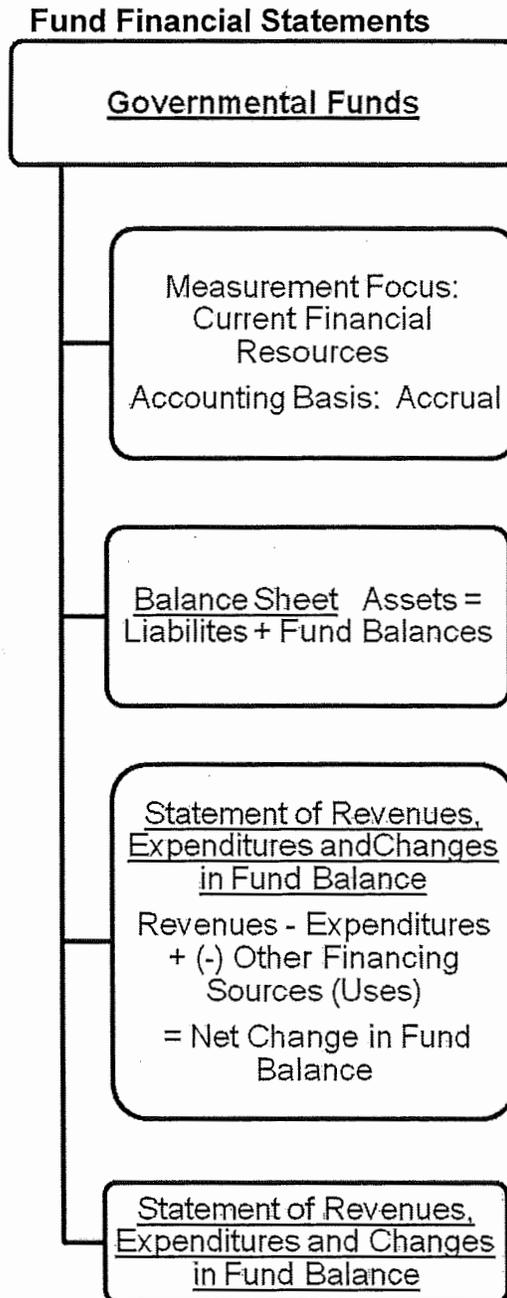
The City currently uses only one type of fund:

Governmental Funds – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow into and out of the funds and (2) the balances left at year-end that are available for spending. Because the focus on governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

The City of Jacksonville adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund on page 31.

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

The following diagram presents the major features of the fund financial statements including the types of information contained therein.



MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

Notes to the Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information that should be considered in the evaluation of the City's financial position.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$17,340,340 at the close of the most recent year.

Summary of Net Position

	Governmental Activities		
	2013	2014	Increase (Decrease)
ASSETS			
Current and other assets	\$ 28,021,022	\$ 27,373,749	\$ (647,273)
Capital assets	\$ 13,256,194	\$ 12,652,778	\$ (603,416)
Total Assets	<u>\$ 41,277,216</u>	<u>\$ 40,026,527</u>	<u>\$ (1,250,689)</u>
LIABILITIES			
Other liabilities	\$ 1,566,532	\$ 1,360,698	\$ (205,834)
Long-term liabilities outstanding	\$ 21,431,596	\$ 21,325,489	\$ (106,107)
Total liabilities	<u>\$ 22,998,128</u>	<u>\$ 22,686,187</u>	<u>\$ (311,941)</u>
NET POSITION			
Net investment in capital assets	\$ 8,900,028	\$ 8,547,815	\$ (352,213)
Restricted	\$ 1,336,537	\$ 1,538,581	\$ 202,044
Unrestricted	\$ 8,042,523	\$ 7,253,944	\$ (788,579)
Total net position	<u>\$ 18,279,088</u>	<u>\$ 17,340,340</u>	<u>\$ (938,748)</u>

Issuing \$17,890,000 of G.O. Warrants in FY 2013 significantly impacted the City's net position as seen in the chart above. The majority of assets are now reserved for capital projects associated with the issuance of the debt. It is of particular note that the debt outstanding includes school warrants, whose corresponding assets are not reflected. The City of Jacksonville uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. The City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Financial Analysis of the City's Funds

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

Governmental Funds

The focus of the City of Jacksonville's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Jacksonville's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Jacksonville. At the end of the current fiscal year, total fund balance of the general fund was \$9,034,741, compared with \$9,502,395 at the end of 2013. As a measure of the general fund's liquidity, it may be useful to compare fund balance to total operating expenditures. Total general fund balance represents 77.3 percent of total general fund operating expenditures at the end of 2014, compared with 84.4 percent at September 30, 2013.

General Fund Budgetary Highlights

In FY 2014, the City Council adopted an original budget that projected \$652,301 greater expenditures than revenues, anticipating a transfer from reserves. The City experienced greater than anticipated revenues during the year with higher than anticipated sales, use, rental and lodgings taxes the leading cause.

Expenditures were slightly below budget, however, after transfers out for debt service and to other governmental funds, the excess of expenditures over revenues totaled \$467,654 for the current year resulting in a decrease of the total general fund balance.

Capital Asset and Debt Administration

Capital Assets: The City of Jacksonville's investment in capital assets for its governmental activities as of September 30, 2014 totals \$12,652,778 (net of accumulated depreciation). These assets include infrastructure, buildings, land, vehicles, machinery and equipment.

Additional information about the City of Jacksonville's fixed assets can be found in the notes to the financial statements.

Long-term Debt: As of September 30, 2014, the City of Jacksonville had general obligation warrants outstanding of \$21,285,000. The City issued \$17,890,000 of general obligation warrants in 2013. \$13,915,000 for City capital projects (public safety complex) and \$3,975,000 for use by the Jacksonville City Board of Education on school capital projects (new elementary school). In addition, the City is participating in regional economic development that specifically funded certain infrastructure at Honda Manufacturing of Alabama's plant in Lincoln, Alabama. The amount outstanding for this commitment is \$11,595 which will conclude in FY 2015.

Economic Factors and Next Year's Budget

In May 2013, the City received an A+ long term credit rating from Standard and Poor's. Here is an excerpt from that report:

Standard & Poor's Ratings Services assigned its 'A+' long-term rating to the city of Jacksonville, Ala.'s series 2013A general obligation (GO) warrants and series 2013B GO school warrants. At the same time, we affirmed its 'A+' underlying rating (SPUR) on the city's outstanding GO debt. The outlook on all ratings is stable.

In our opinion, the rating reflects the city's:

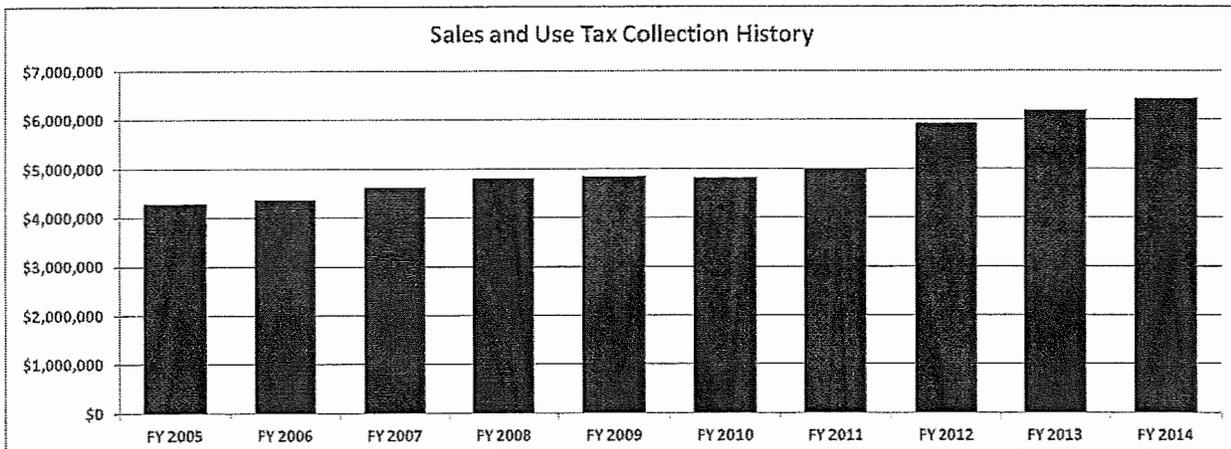
- Stable tax base anchored by Jacksonville State University (JSU), which has an enrollment of about 9,500 and employs over 1,000;
- Very strong financial position, bolstered by very strong reserves; and
- Moderate-to-low debt burden, with limited future capital needs.

The expansion of local industry Shelco Foundries (a division of Gnutti Carol USA) is ahead of pace, adding sixty-five jobs as of September 2014. The company anticipates adding at least another 41 jobs by the end of 2015. Bear and Son Cutlery (M&J Shipping) also expanded in FY 2014 adding approximately 15 jobs and signed a exclusive deal with Remington which should result in further expansion.

The long anticipated completion of the Eastern Bypass (Hwy 431) north of Jacksonville as well as the extension of Iron Mountain Road should have a positive effect on the residential and retail opportunities in the City. The completion of these road projects, projected for 2015, along with the strong reputation of the City school system will position the community for significant growth in the coming years.

The City anticipates breaking ground on the new public safety complex in February 2015, with a total construction period of 18 months. The Jacksonville Board of Education also anticipates breaking ground on the new Kitty Stone Elementary School in February 2015 with the goal of opening the new school in August 2016.

Sales tax will remain the major source of general fund revenue for FY 15 representing about 56% of the total general fund budget. So far, the growth trend of the last two years has continued into FY 15.



In August 2014, the City Council approved an Early Retirement Incentive Program (ERIP) allowing eligible employees maintain current health insurance coverage for a period of five years. The plan should result in net personnel savings and have a positive effect in FY 2015 and future budget years.

A complete copy of the FY 2015 budget may be obtained at www.jacksonville-al.org, City Hall, or by using the contact information below.

Requests For Information

This financial report is designed to provide a general overview of the City's finances for interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the FCO/City Administrator, City of Jacksonville, 320 Church Ave SE, Jacksonville, Alabama 36265 or jsimmons@jacksonville-al.org.

FINANCIAL SECTION

Edgar and Associates, LLC
Certified Public Accountants

218 East 12th Street, Anniston, AL 36207
256.237.1773

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Jacksonville, Alabama as of and for the year ended September 30, 2014, and 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 misstatements, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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

INDEPENDENT AUDITORS' REPORT - Continued

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, each major fund, and the aggregate remaining fund information of the City of Jacksonville, Alabama as of September 30, 2014, and respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages ii-xii and 30-32 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 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 inquires 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 evidences 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, Alabama's basic financial statements.

INDEPENDENT AUDITORS' REPORT - Continued

The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived for and related directly to the underlying account 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 statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Edgar and Associates, LLC

Anniston, Alabama
January 12, 2015

CITY OF JACKSONVILLE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

		<u>Primary Government</u>	
		<u>Governmental</u>	
		<u>Activities</u>	<u>Total</u>
ASSETS			
Cash		\$ 22,543,743	\$ 22,543,743
Investments		3,505,438	3,505,438
Receivables, net		894,184	894,184
Accrued interest		328	328
Prepaid expenses		113,417	113,417
Due from other governments		102,405	102,405
Inventories		11,267	11,267
Other assets		202,967	202,967
Capital assets, net		<u>12,652,778</u>	<u>12,652,778</u>
Total Assets		<u>\$ 40,026,527</u>	<u>\$ 40,026,527</u>
LIABILITIES			
Accounts payable and accrued liabilities		\$ 424,624	\$ 424,624
Due to other governments		16,828	16,828
Accrued interest		64,508	64,508
Deferred revenue		86,080	86,080
Other liabilities		252,063	252,063
Noncurrent liabilities:			
<i>Due within one year</i>			
Bonds and warrants payable		516,595	516,595
Capital leases payable		-	-
Compensated absences		-	-
<i>Due in more than one year</i>			
Bonds and warrants payable		20,780,000	20,780,000
OPEB Payable		100,119	100,119
Compensated absences		<u>445,370</u>	<u>445,370</u>
Total Liabilities		<u>22,686,187</u>	<u>22,686,187</u>
NET POSITION			
Invested in capital assets, net of debt		8,547,815	8,547,815
<i>Restricted for:</i>			
Fire Department		1,075,770	1,075,770
Debt service		(109,708)	(109,708)
Special revenues		572,519	572,519
<i>Unrestricted:</i>			
General fund		7,370,494	7,370,494
Special revenues		<u>(116,550)</u>	<u>(116,550)</u>
Total Net Position		<u>17,340,340</u>	<u>17,340,340</u>
Total Liabilities and Net Position		<u>\$ 40,026,527</u>	<u>\$ 40,026,527</u>

**CITY OF JACKSONVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Activities:						
Governmental	\$ 2,706,438	\$ 3,191	\$ 820	\$ -	\$ (2,702,427)	\$ (2,702,427)
Public protection:		-	-			
Police	2,123,726	1,721	12,300	-	(2,109,705)	(2,109,705)
Fire	1,759,821	469,204	13,578	-	(1,277,039)	(1,277,039)
Other	334,705	416,910	-	-	82,205	82,205
Public works	1,784,533	942,548	-	120,200	(721,785)	(721,785)
Health and social services	240,382	-	65,703	-	(174,679)	(174,679)
Culture and recreation	2,027,783	335,208	23,146	-	(1,669,429)	(1,669,429)
Other boards and agencies	767,126	-	-	-	(767,126)	(767,126)
Depreciation expense, net	1,395,009	-	-	-	(1,395,009)	(1,395,009)
Interest and fiscal charges	<u>867,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(867,500)</u>	<u>(867,500)</u>
Total Governmental Activities	<u>14,007,023</u>	<u>2,168,782</u>	<u>115,547</u>	<u>120,200</u>	<u>(11,602,494)</u>	<u>(11,602,494)</u>
Total City	<u>\$ 14,007,023</u>	<u>\$ 2,168,782</u>	<u>\$ 115,547</u>	<u>\$ 120,200</u>	<u>(11,602,494)</u>	<u>(11,602,494)</u>
General Revenues:						
Taxes:						
Sales, property, other for general purposes					9,052,228	9,052,228
General business licenses and permits					1,341,024	1,341,024
Other general state shared revenues					-	-
Miscellaneous income					136,058	136,058
Interest income					<u>24,436</u>	<u>24,436</u>
Total General Revenues					<u>10,553,746</u>	<u>10,553,746</u>
Change in Net Position					(1,048,748)	(1,048,748)
Net Position, Beginning					18,279,088	18,279,088
Prior Period Adjustment					<u>110,000</u>	<u>110,000</u>
Net Position, Ending					<u>\$ 17,340,340</u>	<u>\$ 17,340,340</u>

See Notes to Financial Statements

CITY OF JACKSONVILLE
BALANCE SHEETS - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	General Fund	Municipal Complex Fund	School Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Current Assets					
Cash	\$ 4,653,736	\$ 13,361,868	\$ 3,829,764	\$ 698,375	\$ 22,543,743
Investments	3,505,438	-	-	-	3,505,438
Receivables, net	885,084	-	-	9,100	894,184
Accrued interest	328	-	-	-	328
Prepaid expenses	113,417	-	-	-	113,417
Due from other funds	99,910	-	-	-	99,910
Due from other governments	100,709	-	-	1,696	102,405
Inventories	11,267	-	-	-	11,267
Other assets	84,305	-	-	118,662	202,967
Total Current Assets	9,454,194	13,361,868	3,829,764	827,833	27,473,659
Noncurrent Assets					
Investments	-	-	-	-	-
Total Noncurrent Assets	-	-	-	-	-
Total Assets	\$ 9,454,194	\$ 13,361,868	\$ 3,829,764	\$ 827,833	\$ 27,473,659
LIABILITIES					
Accounts payable and accrued liabilities	\$ 419,453	\$ -	\$ -	\$ 5,171	\$ 424,624
Due to other funds	-	-	-	99,910	99,910
Due to other governments	-	-	-	16,828	16,828
Other liabilities	-	-	-	252,063	252,063
Deferred revenue	-	-	-	86,080	86,080
Total Liabilities	419,453	-	-	460,052	879,505
FUND BALANCES					
<i>Nonspendable:</i>	208,989	-	-	-	208,989
<i>Restricted for:</i>					
Fire Department	1,075,770	-	-	-	1,075,770
Debt service fund	-	-	-	-	-
Special revenue funds	-	-	-	572,519	572,519
Capital Projects	-	13,361,868	3,829,764	-	17,191,632
<i>Unassigned for:</i>					
General fund	7,749,982	-	-	-	7,749,982
Debt service fund	-	-	-	(109,708)	(109,708)
Special revenue funds	-	-	-	(95,030)	(95,030)
Total Fund Balances	9,034,741	13,361,868	3,829,764	367,781	26,594,154
Total Liabilities and Fund Balances	\$ 9,454,194	\$ 13,361,868	\$ 3,829,764	\$ 827,833	\$ 27,473,659

**CITY OF JACKSONVILLE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

Total fund balances for governmental funds \$ 26,594,154

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Governmental capital assets	48,184,500	
Less: Accumulated depreciation	<u>(35,531,722)</u>	
Total Capital Assets		12,652,778

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net position.

Accrued interest	(64,508)	
Bonds and warrants payable	(21,296,595)	
Compensated absences	(445,370)	
OPEB Payable	<u>(100,119)</u>	
		<u>(21,906,592)</u>

Net position of governmental activities \$ 17,340,340

CITY OF JACKSONVILLE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	General Fund	Municipal Complex Fund	School Improvements Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 8,974,347	\$ -	\$ -	\$ 77,881	\$ 9,052,228
Licenses and permits	1,341,024	-	-	-	1,341,024
Charges for services	1,615,600	-	-	125,449	1,741,049
Fines and forfeitures	427,733	-	-	-	427,733
Operating grants and contributions	49,845	-	-	65,703	115,548
Capital grants and contributions	120,200	-	-	-	120,200
Interest	6,086	14,144	4,171	34	24,435
Miscellaneous	79,442	-	-	56,616	136,058
Total Revenues	<u>12,614,277</u>	<u>14,144</u>	<u>4,171</u>	<u>325,683</u>	<u>12,958,275</u>
Expenditures					
General government	2,288,001	-	-	311,825	2,599,826
Public safety	4,195,766	-	-	-	4,195,766
Public works	1,777,931	-	-	-	1,777,931
Health and social services	240,382	-	-	-	240,382
Culture and recreation	2,059,939	-	-	-	2,059,939
Other boards and agencies	588,233	-	175,963	-	764,196
Capital expenditures	540,805	212,173	-	-	752,978
Debt service:					
Principal	-	-	-	-	-
Interest and fees	-	-	-	1,329,126	1,329,126
Total Expenditures	<u>11,691,057</u>	<u>212,173</u>	<u>175,963</u>	<u>1,640,951</u>	<u>13,720,144</u>
Excess Revenues Over (Under) Expenditures	923,220	(198,029)	(171,792)	(1,315,268)	(761,869)
Other Financing Sources (Uses)					
Operating transfers in	-	-	-	1,390,874	1,390,874
Proceeds from long term debt	-	-	-	-	-
Operating transfers out	(1,390,874)	-	-	-	(1,390,874)
Total Other Financing Sources (Uses)	<u>(1,390,874)</u>	<u>-</u>	<u>-</u>	<u>1,390,874</u>	<u>-</u>
Net Change in Fund Balance	(467,654)	(198,029)	(171,792)	75,606	(761,869)
Fund Balance, Beginning	<u>9,502,395</u>	<u>13,559,897</u>	<u>4,001,556</u>	<u>292,175</u>	<u>27,356,023</u>
Fund Balance, Ending	<u>\$ 9,034,741</u>	<u>\$ 13,361,868</u>	<u>\$ 3,829,764</u>	<u>\$ 367,781</u>	<u>\$ 26,594,154</u>

**CITY OF JACKSONVILLE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Net change in fund balances total governmental funds \$ (761,869)

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are capitalized and depreciated over their estimated useful lives.

Expenditures for capital assets	791,593	
Less: Current year depreciation, net	<u>(1,395,009)</u>	(603,416)

Governmental funds do not accrue interest payable on long term debt. However, interest payable is recorded on the government-wide statements.

Change in interest payable		(49,398)
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Bond proceeds provide current financial resources to governmental funds, but the repayment reduces long-term liabilities in the statement of position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Net Change in long-term debt from bond proceeds, defeasance payment of principal, and change in compensated absences		<u>365,935</u>
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Change in net position of governmental activities		<u>\$ (1,048,748)</u>
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**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The City of Jacksonville, Alabama was incorporated in 1934 under the laws of the State of Alabama. The City provides and accounts for in these financial statements the general government, police protection, fire protection, emergency medical service, a storm drainage system, street maintenance, a parks and recreation system, rubbish and trash collection, library services, educational programs, industrial development programs, Retired Senior Volunteers Program, inert landfill, and community development programs. All of these are included within the primary government entity.

Reporting Entity

The financial statements of the City have been prepared in conformity with the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board (GASB). In June 1999, GASB issued Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis – for State and Local Governments*. This Statement was developed to make annual reports easier to understand and more useful to the people who use government financial information to make decisions. The City has adopted GASB Statement No. 34 for the fiscal year ended September 30, 2004 and all future years then ended.

As required by the accounting principles in the United States, these financial statements present the primary government (“the City”) and its discretely presented component units, entities for which the government is considered financially accountable. Because there is a financial burden or benefit from the entities, they are considered governmental fund type and component units and are reported in a separate column in the government-wide statements to emphasize that they are legally separate from the primary government. Each discretely presented component unit has a September 30 fiscal year-end.

Jacksonville City Board of Education is a component unit of the City. Their audited financial statements are available at the Board office.

Jacksonville Water Works, Gas & Sewer Board provides services for the citizens of the City of Jacksonville, Alabama.

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Related Organizations

The City of Jacksonville is also responsible for appointing a voting majority of the boards of other organizations, but the City's financial accountability for these organizations does not extend beyond making the appointments. The City appointed a voting majority for Arts Council, Community Development Board, Industrial Development Board, and Planning Commission. In fiscal year 2014 the City appropriated \$500 to the Arts Council and provided the Planning Commission with a place to meet. These organizations are related organizations that have not been included within the City's financial statements.

Joint Venture

As defined in GASB Statement No. 14, a joint venture is a legal entity or other organization that results from a contractual arrangement and is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (1) an ongoing financial interest or (2) an ongoing financial responsibility. The Cities of Jacksonville and Piedmont have partnered in the operation of an Inert Landfill located between the two cities. Details of this joint venture are disclosed in Commitments and Contingencies note.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. The effect of interfund activity has been removed from these statements. The City as the *primary government* is shown separately from its two legally separate component units. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function; program revenues include (a) charges to customers who purchase, use, or directly benefit from goods, services, or privileges, provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. General revenues include taxes and other items not included in program revenues. The City does not allocate indirect expenses.

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this focus and basis, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the cash is received or expended. Property taxes are recognized as revenues when the enforceable legal claim has occurred, grants and similar items are recognized when all the eligibility requirements of the providers have been met. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. The City considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are recorded when the liability is incurred, consistent with accrual accounting. Debt service expenditures, claims and judgments, as well as expenditures related to compensated absences are recorded only when payment is due.

The City reports the following major governmental fund:

The General Fund is the City's primary operating fund and accounts for all financial resources except those required to be accounted for in other funds.

GASB Statement No. 20 requires that each government make elections concerning proprietary funds. The City elected to apply Financial Accounting Standards Board (FASB) pronouncements and interpretations issued before or on November 20, 1989, unless they conflict with or contradict GASB pronouncements.

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Deposits and Investments

The City's cash is considered to be cash on hand and demand deposits.

The City may invest in instruments authorized by Section 11-81-19 through 11-81-21, Code of Alabama, 1975, as amended. The City adopted Resolution R-1588-10, Investment Policy, on February 22, 2010, which further classifies funds, defines their objectives, specifies maturities, and assigns authority and responsibility for the investment of funds.

Interfund Receivables and Payables

Activity between funds that are representative of lending / borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / from other funds". Flow of cash or goods from one fund to another without a requirement for repayment is reported as interfund transfers.

Inventories

Inventory shown in the General Fund consists of gasoline held for consumption and is valued at cost on a first-in, first-out basis. All other items purchased for consumption are recorded as expenditures of the specific fund and are not inventoried.

Other Assets

Other assets totaling \$84,305 involve the capital contribution of the municipality for its membership in the Alabama Municipal Insurance Corporation. This money is held in an escrow account at Union Bank and Trust Company in Montgomery, Alabama. \$32,582 consists of bond issuance costs. This will be amortized over the life of the bond. \$86,080 consists of a note receivable.

Capital Assets

In the government-wide financial statements, capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Donated capital assets are valued at their estimated fair market value on the date donated. The City capitalizes assets with a cost of \$5,000 or more as purchase and construction outlays occur.

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Capital Assets – Continued

Prior to October 1, 2001, government funds' infrastructure assets were not capitalized. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively to 1980 using estimated historical costs as of September 30, 2007.

Depreciation is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	20-40 years
Improvements	40 years
Machinery and Equipment	5-10 years
Automotive Equipment	5 years
Office Equipment	3-10 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures upon acquisition. Bond discounts, premiums and issuance costs are treated as period costs of the year of issue.

Compensated Absences

The City follows Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*, which requires that accrued liabilities for future vacations and sick leave be recorded to the extent the future leaves (1) relate to rights attributable to employee services already rendered, (2) relate to rights that vest or accumulate, (3) where payment is probable and (4) where amounts can be reasonably estimated.

The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. The current portion of this debt is estimated based on historical trends. In the governmental fund financial statements, amounts that would normally be paid with expendable available financial resources are recorded in the General Fund, and the amounts considered non-current are held in the long-term debt account group. Amounts paid or payable within sixty days are deemed to be payable from expendable financial resources. Employees may accumulate and carry over at their anniversary dates the equivalent of one year's accrual of annual leave.

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Compensated Absences – Continued

No limit is placed upon the number of sick leave hours that may be accumulated and used for absences, but only 25% of the accumulated hours with a cap of 500 hours are available for reimbursement upon retirement with ten years of service. The accumulated value of annual and sick leave as of September 30, 2014 is \$445,370.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs associated with bond insurance, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. In the statement of net assets under GASB No. 54, fund balances may be classified in the following five categories:

Nonspendable. Fund balances that cannot be spent because they are either:

Not in Spendable Form- generally, amounts that are not expected to be converted to cash, such as inventories or prepaid amounts

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fund Equity - Continued

Legally or Contractually Required to be Maintained Intact- amounts that are required to be maintained intact, such as the principal of a permanent fund

Restricted- amounts that can be used only for specific purposes because of (a) constitutional provisions or enabling legislation or (b) externally imposed constraints.

Committed- amounts that can be used only for specific purposes because of a formal action by the government's highest level of decision-making authority.

Assigned- amounts intended to be used for specific purposes but that do not meet the criteria to be classified as restricted or committed

Unassigned- residual classification for the general fund (i.e. everything that is not in another classification or in another fund).

The City's policy is first to apply restricted resources and then unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Interfund Transactions

During the course of normal operations the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and debt service. Interfund transfers are reported as other financing sources / uses in governmental funds. The government-wide statements eliminate interfund transfers and receivables / payables as reported within the segregated governmental activities column. Only transfers and receivables / payables between the two columns appear in this statement, which zero in total.

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

**NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND
FINANCIAL STATEMENTS**

**Governmental Fund Balance Sheet and Government-wide Statement of Net
Position**

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets.

**Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund
Balances and the Government-wide Statement of Activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a 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.

NOTE C – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Accounting

The annual budget for the City is adopted on a basis consistent with generally accepted accounting principles. The fiscal year is a twelve-month period beginning October 1. The annual budget includes all general revenues and expenditures. The City adopted the annual budget for the year ending September 30, 2014; however, throughout the year, the Council amends the budget as needed. The budgeted amounts in this report are as originally budgeted as of September 30, 2014.

The General Fund Schedule of Revenues and Expenditures–Budget to Actual present a comparison of budgetary data to actual results of operations for which annual operating budgets are legally adopted. These funds utilize the same basis of accounting for both budgetary purposes and actual results. At the end of each fiscal year, unexpended and unencumbered appropriations are closed into the fund balance accounts. At the start of the next fiscal year all encumbrances outstanding at year end are reappropriated in the new budget and therefore reestablished. Capital Project Funds are budgeted over the life of the project and adjusted as necessary and are not on an annual basis; therefore, budgetary data for these funds have not been presented in the accompanying combined financial statement.

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE D – CASH AND INVESTMENTS

Cash consists of checking and savings. At September 30, 2014, the carrying amount of the City's cash was \$22,543,743. The City's depositories are all designated by the Alabama State Treasurer as qualified public depositories under the Security of Alabama Funds Enhancement Act (SAFE). The enactment of the SAFE program changed the way all Alabama public deposits are collateralized. Each qualified public depository

(QPD) is required to hold collateral for all its public depositories on a pooled basis in a custody account established by the State Treasurer as a SAFE administrator. In the unlikely event a public entity should suffer a deposit loss due to QPD insolvency or default a claim form would be filed with the State Treasurer who would use the SAFE pool collateral or other means to reimburse the loss.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels are as follows:

- Category 1* Deposits which are insured or collateralized with securities held by the City or by its agent in the City's name.

- Category 2* Deposits which are collateralized with securities held by the pledging financial institutions trust department or agent in the City's name.

- Category 3* Deposits which are not collateralized or insured.

Based on the three levels of risk, the City's cash deposits are classified as Category 1 deposits.

Investments consist of funds with a maturity date greater than three months. All of the investments that have a maturity date of one year or less are current, and investments that have a maturity date greater than a year are considered noncurrent. At September 30, 2014, the City's investments consisted of \$3,505,438 in Certificates of Deposit and securities invested in certificates of deposit.

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE E – RECEIVABLES

Accounts Receivable

Receivables as of September 30, 2014 are as follows:

Alatax receivable	\$ 653,319
Ambulance service receivables, net	192,618
Miscellaneous receivables	<u>48,247</u>
	\$ <u>894,184</u>

Ambulance receivables are shown net of allowance for doubtful accounts. The allowance for doubtful accounts is \$48,342. Bad debt expense in the general fund was \$27,234.

Due From Other Governments

Due from other governments at September 30, 2014 was \$102,405 and consists of taxes and grants due to the City from other governmental entities.

Outstanding Warrants

Outstanding warrants have not been recorded on the books of the City. The warrants consist of all outstanding payments due the City from individuals. The amount of collectible warrants is undeterminable at this time. The total outstanding warrants at September 30, 2014 were \$472,978.

Property Tax

Property taxes are levied as of October 1 of each year on property assessed the preceding October 1. The taxes are due on October 1 and become delinquent on the lien date of January 1. Billings are mailed out on October 1 of each year. Property taxes are received monthly from Calhoun County. Taxes that are not both available and measurable are not accrued. These include property taxes, business licenses and franchise taxes.

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE F – PREPAID EXPENSES

Prepaid expenses consist of:

Prepaid Worker’s Comp. Insurance	\$	70,190
Prepaid Gen Liability Insurance		15,553
Prepaid other contract services		<u>27,674</u>
	\$	<u>113,417</u>

NOTE G – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014 was as follows:

<u>Capital Assets</u>	<u>Balance at 9/30/13</u>	<u>Addition</u>	<u>Deletion</u>	<u>Balance at 9/30/14</u>
Non-depreciable assets				
Land	\$ 474,077	\$ 190,576	\$ -	\$ 664,653
Construction in prog	<u>448,676</u>	<u>194,030</u>	<u>(57,802)</u>	<u>584,904</u>
Total non-deprec. assets	922,753	-	-	-
Depreciable assets				
Land improvements	644,554	-	413,263	1,057,817
Bldgs and Improv	9,492,071	78,585	(413,263)	9,157,394
Furniture and fixture	255,299	-	(542)	254,757
Machinery and equip	4,045,910	167,930	(10,387)	4,203,453
Vehicles	3,449,059	174,186	(39,721)	3,583,524
Infrastructure	<u>28,645,666</u>	<u>32,333</u>	<u>-</u>	<u>28,677,998</u>
	46,532,559	453,034	(50,650)	46,934,943
Total assets	47,455,312	837,640	(108,452)	48,184,500
Less:				
Accumulated depreciation	(34,199,118)	(1,395,009)	62,405	(35,531,722)
Capital Assets, net	\$ <u>13,256,194</u>	\$ <u>(557,369)</u>	\$ <u>(46,047)</u>	\$ <u>12,652,778</u>

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE G – CAPITAL ASSETS -continued

The City determined the value of Major Capital Assets based on the insurance replacement value established under the AMIC Insurance listing on the City's 2005 policy. Large buildings were depreciated based on a forty-year life. Other buildings were depreciated on a twenty-year life. The City's building inspection reviewed all real property and determined the useful life before substantive repairs. All equipment and other assets were recorded at historical costs.

Depreciation expense for the year ended September 30, 2014 was \$1,395,009 and is shown as a separate line item on the Statement of Activities.

NOTE H – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Payables at September 30, 2014 consist of the following

	<u>2014</u>
Accrued salaries	\$ 117,050
Cash bonds	11,114
Payroll liabilities	48,637
Performance bonds	2,000
Accounts payable	<u>245,823</u>
	<u>\$ 424,624</u>

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE I – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The City uses interfund receivables / payables to record interfund reimbursements that arise when one fund reimburses another fund for costs incurred on its behalf. The composition of interfund balances as of September 30, 2014 is as follows:

	Interfund Payables	Interfund Receivables
General Fund		
Due from Special Revenue – Inert Landfill	\$ -	\$ 99,590
Due from Special Revenue – RSVP State	-	320
Total General Fund	-	99,910
Special Revenue Funds		
RSVP Fund – Due from GF	320	-
Inert Landfill Fund – Due to GF	99,590	-
Total Special Revenue Funds	99,910	-
Total Interfund Payables / Receivables	\$ 99,910	\$ 99,910

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE I – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS – Continued

The City uses interfund transfers to record the resources one fund provides another fund with no expectation of repayment, such as occurs with companion funds. The composition of interfund transfer balances at September 30, 2014 is as follows:

	Transfers In	Transfers Out
General Fund		
Debt Service	\$ -	\$ 1,325,874
Inert Landfill	-	15,000
Municipal Complex	-	-
RSVP Local	-	50,000
Total General Fund	-	1,390,874
Special Revenue Funds		
RSVP Local – from GF	50,000	-
School Improve. – from Debt Service	-	-
Municipal Complex – from Debt Service	-	-
Inert Landfill – from GF	15,000	-
Debt Service – to Construction Funds	-	-
Debt Service Fund – from GF	1,325,874	-
Total Special Revenue Funds	1,390,874	-
Total Interfund Transfers	\$ 1,390,874	\$ 1,390,874

NOTE J – LONG-TERM DEBT

Bonds and Warrants

The City issued 2007 Series General Obligation Bonds for refunding of the 2000 A bond issues in May 2007. The bonds are direct obligations of the City, and the full faith and credit of the City is pledged against the bonds. The bond outstanding at September 30, 2014 were the 2007 Series General Obligation Warrants, due semi-annually at rates ranging from 3.50% - 4.15% per annum, maturing September 1, 2036. The balance at September 30, 2014 was \$3,960,000.

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE J – LONG-TERM DEBT – Continued

Bonds and Warrants – Continued

On July 24, 2000, the City Council approved participation with the East Central Alabama Industrial Development Authority along with nine other cities and four counties. The Authority issued \$15,475,000 of Special Obligation Bonds to provide infrastructure for the Honda plant located at Lincoln, Alabama. First Commercial Bank administers the bond agreement (Honda Funding Agreement). The City agreed to make annual payments of principal and interest on February 1 of each year beginning 2001 and ending 2015 of \$182,480 with each annual payment approximating \$12,150. The balance at September 30, 2014 was \$11,595.

In May of 2007 the City issued the Series 2007 Bond Issue. Proceeds from the bond issue were used to establish an escrow fund to satisfy the requirements of the Series 2000 A Bond Issue. The remaining funds are to be used for capital improvements consisting of remodeling or renovation of various facilities. Cash in the amount of \$3,849,282 was deposited with an escrow agent pursuant to an escrow agreement. The maturities of these securities and related earnings thereon are expected to provide sufficient cash flow to meet the debt service requirements of the defeased Series 2000 A Bonds as it matures. This transaction effectively released the City from its obligation to repay the defeased Series 2000 A Bonds and constitutes an in-substance defeasance.

The City issued 2013 Series General Obligation Bonds for the building of the Municipal Complex and for school improvements. The bonds are direct obligations of the City, and the full faith and credit of the City is pledged against the bonds. The bond outstanding at September 30, 2014 were the 2013 Series General Obligation Warrants, due semi-annually at rates ranging from 2.00% - 5.00% per annum, maturing in 2042. The balance at September 30, 2014 was \$17,325,000.

The debt activity for the governmental activities of the City for the year ended September 30, 2014 is as follows:

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE J – LONG-TERM DEBT – Continued

Bonds and Warrants – Continued

	<u>Beginning Balance 10/1/13</u>	<u>Loan Proceeds</u>	<u>Principal Paid</u>	<u>Ending Balance 9/30/14</u>	<u>Interest Paid</u>
<u>BONDS AND WARRANTS</u>					
Series 2007 Bond Issue	\$ 4,075,000	\$ -	\$ (115,000)	\$ 3,960,000	\$ 163,382
2001 Honda Bond	22,619	-	(11,023)	11,595	1,131
2013 GOW Bonds	17,710,000	-	(385,000)	17,325,000	653,398
Total Bonds and Warrants	<u>21,807,619</u>	<u>-</u>	<u>(511,023)</u>	<u>21,296,595</u>	<u>817,911</u>
<u>CAPITAL LEASES</u>					
Total Capital Leases	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>21,807,619</u>	\$ <u>-</u>	\$ <u>(511,023)</u>	\$ <u>21,296,595</u>	\$ <u>817,911</u>

The principal maturities and related interest requirements for the bonds and warrants, and Honda Funding Agreement for the next five fiscal years and thereafter are as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 516,595	\$ 805,462	\$ 1,322,057
2016	520,000	792,827	1,312,827
2017	530,000	780,387	1,310,387
2018	545,000	767,599	1,312,599
2019	560,000	754,424	1,314,424
2020-2024	3,085,000	3,484,228	6,569,228
2025-2029	3,600,000	2,955,206	6,555,206
2030-2034	4,440,000	2,123,662	6,563,662
2035-2039	4,625,000	1,112,778	5,737,778
2040-2042	2,875,000	233,000	3,108,000
Total	\$ <u>21,296,595</u>	\$ <u>13,809,573</u>	\$ <u>35,106,168</u>

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE K – RETIREMENT

Plan Description

All full-time employees are members of the Employees' Retirement Systems of Alabama. Membership is mandatory for covered or eligible employees of the City. Benefits vest after ten years of creditable service. Retirement benefits are calculated by two methods with the retiree receiving payment under that method that yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method, retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to members of the plan.

The Employees' Retirement Systems was established as of October 1, 1945 under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for state employees, state police and on an elective basis to all cities, counties, towns and quasi-public organizations. The responsibility for general administration and operation of the Employees' Retirement Systems is vested in the City of Jacksonville, Alabama. Benefit provisions are established by the Code of Alabama 1975, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Employees' Retirement System Board authority to accept or reject various Cost-Of-Living Adjustments (COLAs) granted to retirees.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement Systems of Alabama.

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE K – RETIREMENT – Continued

The following schedule is based on the actuarial valuation as of September 30, 2013 (most recent information available) as provided by the Employees' Retirement System of Alabama:

**Summary of Employee Census Data
Rates Effective October 1, 2015**

Number of active members:	187
Annual compensation:	\$5,751,453
Number of retired members and beneficiaries:	61
Annual retirement allowances:	\$1,022,581

Required Employer Contribution Rates

Tier 1 Employees

Normal cost	3.26%
Accrued liability	5.96%
Pre-retirement death benefit	0.02%
Administrative expense	0.35%
Total	9.59%
5% Employer contribution factor (9.59%/5%)	1.918
6% Employer contribution factor (9.59%/6%)	1.598
7.5% Employer contribution factor (7.30%/7.5%)	.973
8.5% Employer contribution factor (7.30%/8.5)	.858

Tier 2 Employees

Normal cost	0.18%
Accrued liability	5.96%
Pre-retirement death benefit	0.02%
Administrative expense	0.35%
Total	6.51%
6% Employer contribution factor (6.51%/6%)	1.085
7% Employer contribution factor (6.51%/7%)	.93

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE K – RETIREMENT – Continued

**Trend
Information**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
09/30/2011	\$445,870	100.0%	\$0
09/30/2012	\$441,057	100.0%	\$0
09/30/2013	\$473,107	100.0%	\$0

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b) ¹	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a) / c)
9/30/2008	\$14,484,542	\$17,386,485	\$2,901,943	83.3%	\$5,671,207	51.2%
9/30/2009	\$14,187,922	\$17,693,362	\$3,505,440	80.2%	\$5,537,652	63.3%
9/30/2010 ²	\$14,140,870	\$18,717,056	\$4,576,186	75.6%	\$5,504,678	83.1%
9/30/2011 ⁴	\$13,889,194	\$19,295,380	\$5,406,186	72.0%	\$5,814,214	93.0%
9/30/2012 ⁵	\$13,761,362	\$18,556,697	\$4,795,335	77.2%	\$5,303,549	90.4%
9/30/2013 ⁶	\$14,824,429	\$20,207,040	\$5,382,611	73.4%	\$5,751,453	93.6%
9/30/2013 ^{3,6}	\$14,824,429	\$20,258,533	\$5,434,104	73.2%	\$5,751,453	94.5%

1. Reflects effect liability for cost of living benefit increases granted on or after October 1, 1978
2. Reflects impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011.
3. Reflects the impact of Act 2011-676 which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012.
4. Reflects changes in actuarial assumptions.
5. Reflects changes to interest smoothing methodology.
6. Reflects implementation of Board Funding Policy.

- The actuarial value of assets was set equal to the market value of assets as of September 30, 2012. Market Value of Assets as of September 30, 2013: \$15,534,951.

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE K – RETIREMENT – Continued

The valuation was prepared using the entry age normal actuarial cost method. An interest rate and projected salary increases of 3.75-7.25% were used for all purposes, together with other actuarial assumptions based on the experience of the system. Since the previous valuation, there have been no amendments to the system affecting the valuation. Actuarial gains and losses are reflected in the unfunded actuarial accrued liability, which is being amortized over 27 years. The retirement plan is included in the financial report of the Retirement Systems of Alabama. Copies of this report may be obtained from the Retirement Systems of Alabama, P.O. Box 302150, Montgomery, AL 36130-2150.

Employees are also eligible to participate in the PEIRAF Deferred Compensation Plan of the Retirement Systems of Alabama. Employees may defer a portion of their pre-tax compensation into this plan and are eligible to remove the proceeds at retirement. The City does not contribute to this plan. An Annual Report may be obtained from the Retirement Systems of Alabama

NOTE L – RISK MANAGEMENT

The City of Jacksonville is exposed to various risks of loss related to torts, theft, errors and omissions, job-related illnesses and injuries, and natural disasters. Risk management is the process of managing the City's activities to minimize the adverse effects of certain types of losses and to obtain finances to provide for or restore the economic damages of those losses. The City maintains insurance coverage with the Alabama Municipal Insurance Corporation. The City believes the coverage is adequate to preclude any significant risk exposure.

NOTE M – COMMITMENTS AND CONTINGENCIES

The Cities of Jacksonville and Piedmont are joint participants in an inert landfill located about halfway between the two cities. The City of Jacksonville maintains the bank account and sends out invoices to the customers and covers all payroll and liabilities. At the end of each fiscal year the City receives 10% of the yearly landfill receipts for administering the landfill fund. The net amount is accrued in an account for one half of the profit payable to the City of Piedmont. Once the landfill is closed, Piedmont will receive their portion of the income for the landfill. If any losses are in excess of the total income in the accrued account, Piedmont is required to pay at that point in time for their portion of the loss.

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE M – COMMITMENTS AND CONTINGENCIES-continued

The City entered into a Long-Term Funding Agreement with the East Central Alabama Industrial Development Authority to provide funds to pay the agency's bonded indebtedness for development of the Honda Project in Lincoln, Alabama. Details of this agreement are disclosed in Note J – Long-term Debt.

The City is a defendant in various litigations of which legal counsel and City management is of the opinion that none will have a material adverse effect on the financial statements of the City. These actions include both asserted and unasserted claims. The City's legal counsel has advised that damages on any asserted claims, should an unfavorable judgment be reached, will be within the limits of the City's insurance coverage and therefore should not impact upon municipal assets. The City's maximum liability is estimated to be the \$5,000 insurance deductible for claims. No accrual has been included in these financial statements for this matter.

NOTE N – CLOSURE AND POST CLOSURE COST

State and federal laws and regulations require the City to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. The Cities of Jacksonville and Piedmont and Calhoun County were joint participants in a sanitary landfill. The landfill has been closed since 1992. The City maintains and monitors the site and charges Calhoun County and City of Piedmont for one-third of the costs and 5% above expenses for maintaining the site. The City is paid annually for the costs of maintaining the site.

NOTE O – POSTEMPLOYMENT HEALTH INSURANCE PLAN

The Early Retirement Incentive Program provides continuing participation in the City of Jacksonville's Health Insurance Plan through the LGHIP division of the SEIB with single or family coverage to eligible retirees and their families. This benefit is for a term of five years with an expected ending date of January 1, 2020. The required contributions by the retiree and the City are based on pay-as-you-go financing requirements

NOTE P – PRIOR PERIOD ADJUSTMENT

Bonds payable was overstated in the prior year by \$110,000. Net position was understated in the prior period by \$110,000.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF JACKSONVILLE
SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL FUND BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
REVENUES			
Taxes	\$ 8,587,883	\$ 8,974,347	\$ 386,464
Licenses and permits	1,342,100	1,341,024	(1,076)
Fines and forfeitures	623,450	427,733	(195,717)
Charges for services	1,508,725	1,615,600	106,875
Grants and contributions	121,000	170,045	49,045
Interest	15,390	6,086	(9,304)
Miscellaneous revenues	38,100	79,442	41,342
Total Revenues	<u>12,236,648</u>	<u>12,614,277</u>	<u>377,629</u>
EXPENDITURES			
General government	2,472,011	2,288,001	184,010
Public safety	4,209,784	4,195,766	14,018
Public works	1,828,261	1,777,931	50,330
Health and social services	261,857	240,382	21,475
Culture and recreation	2,114,928	2,059,939	54,989
Other boards and agencies	92,830	94,590	(1,760)
Education	484,666	493,643	(8,977)
Capital expenditures	-	540,805	(540,805)
Total Expenditures	<u>11,464,337</u>	<u>11,691,057</u>	<u>(226,720)</u>
Excess of Revenues Over (Under) Expenditures	772,311	923,220	150,909
Other Financing Sources (Uses):			
Operating transfers in	-	-	-
Operating transfers out	<u>(1,480,126)</u>	<u>(1,390,874)</u>	<u>89,252</u>
Total Other Financing Sources (Uses)	<u>(1,480,126)</u>	<u>(1,390,874)</u>	<u>89,252</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (707,815)</u>	<u>\$ (467,654)</u>	<u>\$ 240,161</u>

Edgar and Associates, LLC
Certified Public Accountants

218 East 12th Street, Anniston, AL 36207
256.237.1773

**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**

Honorable Mayor and City Council
City of Jacksonville, Alabama

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 governmental activities, each major fund, and the aggregate remaining fund information of the City of Jacksonville, Alabama as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise of the City of Jacksonville, Alabama's basic financial statements, and have issued our report thereon dated January 12, 2015.

Internal Control Over Financial Reporting

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

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

**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* – Continued**

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

We noted certain matters that we reported to management of City of Jacksonville, Alabama in a separate letter dated January 12, 2015.

Edgar and Associates, LLC

Anniston, Alabama
January 12, 2015

SUPPLEMENTAL INFORMATION

**CITY OF JACKSONVILLE
 COMBINING BALANCE SHEETS -
 NONMAJOR GOVERNMENTAL FUNDS (BY FUND TYPES)
 SEPTEMBER 30, 2014**

	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Total Other Governmental Funds</u>
ASSETS			
Cash	\$ 588,602	\$ 109,773	\$ 698,375
Receivables, net	9,100	-	9,100
Other assets	-	32,582	32,582
Due from other funds	-	-	-
Due from other governments	1,696	-	1,696
Notes receivable	<u>86,080</u>	<u>-</u>	<u>86,080</u>
Total Assets	<u>\$ 685,478</u>	<u>\$ 142,355</u>	<u>\$ 827,833</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 5,171	\$ -	\$ 5,171
Due to other funds	99,910	-	99,910
Due to other governments	16,828	-	16,828
Other liabilities	-	252,063	252,063
Deferred revenue	<u>86,080</u>	<u>-</u>	<u>86,080</u>
Total Liabilities	207,989	252,063	460,052
FUND BALANCES			
Nonspendable			
Restricted	-	(109,708)	(109,708)
Special revenue funds	572,519	-	572,519
Unassigned			
Special revenue funds	<u>(95,030)</u>	<u>-</u>	<u>(95,030)</u>
Total Fund Balances	<u>477,489</u>	<u>(109,708)</u>	<u>367,781</u>
Total Liabilities and Fund Balances	<u>\$ 685,478</u>	<u>\$ 142,355</u>	<u>\$ 827,833</u>

**CITY OF JACKSONVILLE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS (BY FUND TYPES)
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Total Other Governmental Funds</u>
Revenues			
Charges for services	\$ 125,449	\$ -	\$ 125,449
Operating grants and contributions	65,703	-	65,703
Capital grants and contributions	-	-	-
Interest revenues	27	7	34
Tax revenues	77,881	-	77,881
Miscellaneous	<u>56,616</u>	<u>-</u>	<u>56,616</u>
Total Revenues	325,676	7	325,683
Expenditures			
General	311,825	-	311,825
Public safety	-	-	-
Public works	-	-	-
Capital outlay	-	-	-
Debt service	<u>-</u>	<u>1,329,126</u>	<u>1,329,126</u>
Total Expenditures	<u>311,825</u>	<u>1,329,126</u>	<u>1,640,951</u>
Excess Expenditures over Revenues	13,851	(1,329,119)	(1,315,268)
Other Financing Sources (Uses)			
Transfers in	65,000	1,325,874	1,390,874
Proceeds from long term debt	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>65,000</u>	<u>1,325,874</u>	<u>1,390,874</u>
Excess (deficiency) of revenues over expenditures and other financing sources	78,851	(3,245)	75,606
Fund Balance, Beginning	<u>398,638</u>	<u>(106,463)</u>	<u>292,175</u>
Fund Balance, Ending	<u>\$ 477,489</u>	<u>\$ (109,708)</u>	<u>\$ 367,781</u>

**CITY OF JACKSONVILLE
COMBINING BALANCE SHEETS -
SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2014**

	4 & 5 cent Gasoline Tax	7 cent Gasoline Tax	Inert Landfill
ASSETS			
Cash	\$ 148,603	\$ 423,916	\$ 13,894
Accounts receivable	-	-	9,100
Due from other funds	-	-	-
Due from other governments	-	-	1,696
Notes receivable	-	-	86,080
Total Assets	\$ 148,603	\$ 423,916	\$ 110,770
LIABILITIES			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 3,392
Due to other funds	-	-	99,590
Due to other governments	-	-	16,828
Deferred revenue	-	-	86,080
Total Liabilities	-	-	205,890
FUND BALANCES			
Fund balance - nonspendable	-	-	-
Fund balance - restricted	148,603	423,916	-
Fund balance - unassigned	-	-	(95,120)
Total Fund Balance	148,603	423,916	(95,120)
Total Liabilities and Fund Balances	\$ 148,603	\$ 423,916	\$ 110,770

CITY OF JACKSONVILLE
 COMBINING BALANCE SHEETS -
 SPECIAL REVENUE FUNDS (Continued)
 SEPTEMBER 30, 2014

	Retired Senior Volunteer Program	Total
ASSETS		
Cash	\$ 2,189	\$ 588,602
Accounts receivable	-	9,100
Due from other funds	-	-
Due from other governments	-	1,696
Notes receivable	-	<u>86,080</u>
Total Assets	<u>\$ 2,189</u>	<u>\$ 685,478</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,779	\$ 5,171
Due to other funds	320	99,910
Due to other governments	-	16,828
Deferred revenue	-	<u>86,080</u>
Total Liabilities	<u>2,099</u>	<u>207,989</u>
FUND BALANCES		
Fund balance - nonspendable	-	-
Fund balance - restricted	-	572,519
Fund balance - unassigned	<u>90</u>	<u>(95,030)</u>
Total Fund Balance	<u>90</u>	<u>477,489</u>
Total Liabilities and Fund Balances	<u>\$ 2,189</u>	<u>\$ 685,478</u>

**CITY OF JACKSONVILLE
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	4 & 5 cent Gasoline Tax	7 cent Gasoline Tax	Inert Landfill
Revenues			
Charges for services	\$ -	\$ -	\$ 125,449
Operating grants and contributions	-	-	-
Capital grants and contributions	-	-	-
Interest revenues	-	-	-
Tax revenues	34,205	43,676	-
Miscellaneous	-	-	36,316
Total Revenues	34,205	43,676	161,765
Expenditures			
General	-	-	168,227
Public safety	-	-	-
Public works	-	-	-
Capital outlay	-	-	-
Total Expenditures	-	-	168,227
Excess Revenues Over (Under) Expenditures	34,205	43,676	(6,462)
Other Financing Sources (Uses)			
Transfers in	-	-	15,000
Transfers out	-	-	-
Total Other Sources (Uses)	-	-	15,000
Excess Revenues and Other Sources over (under) Expenditures	34,205	43,676	8,538
Fund Balance, Beginning	114,398	380,240	(103,658)
Fund Balance, Ending	\$ 148,603	\$ 423,916	\$ (95,120)

**CITY OF JACKSONVILLE
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS (continued)
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Retired Senior Volunteer Program	Total
Revenues		
Charges for services	\$ -	\$ 125,449
Operating grants and contributions	65,703	65,703
Capital grants and contributions	-	-
Interest revenues	27	27
Tax revenues	-	77,881
Miscellaneous	20,300	56,616
Total Revenues	86,030	325,676
Expenditures		
General	143,598	311,825
Public safety	-	-
Public works	-	-
Capital outlay	-	-
Total Expenditures	143,598	311,825
Excess Revenues Over (Under) Expenditures	(57,568)	13,851
Other Financing Sources (Uses)		
Transfers in	50,000	65,000
Transfers out	-	-
Total Other Sources (Uses)	50,000	65,000
Excess Revenues and Other Sources over (under) Expenditures	(7,568)	78,851
Fund Balance, Beginning	7,658	398,638
Fund Balance, Ending	\$ 90	\$ 477,489

CITY OF JACKSONVILLE
 COMBINING BALANCE SHEET -
 DEBT SERVICE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Debt Service Fund</u>
ASSETS	
Cash	\$ 109,773
Bond issuance discount	32,582
Total Assets	<u>\$ 142,355</u>
LIABILITIES AND FUND BALANCES	
Bond Premium	252,063
Total Liabilities	<u>252,063</u>
Fund balance - reserved	\$ (109,708)
Total Fund Balances	<u>(109,708)</u>
Total Liabilities and Fund Balances	<u>\$ 142,355</u>

CITY OF JACKSONVILLE
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE -
 DEBT SERVICE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Debt Service Fund</u>
Revenues	
Charges for services	\$ -
Operating grants and contributions	-
Interest revenues	7
Tax revenues	-
Miscellaneous	-
Total Revenues	<u>7</u>
 Expenditures	
General	
Public safety	-
Public works	-
Capital outlay	-
Debt service	<u>1,329,126</u>
Total Expenditures	<u>1,329,126</u>
 Excess Revenues over Expenditures	 (1,329,119)
 Other Financing Sources (Uses)	
Transfers in	1,325,874
Proceeds from long term debt	-
Transfers out	-
Total Other Financing Sources (Uses)	<u>1,325,874</u>
 Excess (deficiency) of revenues over expenditures and other financing sources	 (3,245)
 Fund Balance, Beginning	 <u>(106,463)</u>
 Fund Balance, Ending	 <u>\$ (109,708)</u>

**CITY OF JACKSONVILLE
SCHEDULE OF NET ASSETS - JACKSONVILLE WATER WORKS,
GAS & SEWER BOARD - COMPONENT UNIT
SEPTEMBER 30, 2014**

	2014
ASSETS	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 3,076,310
Accounts receivable (Net of \$1,864 allowance for doubtful accounts)	372,961
Unbilled revenue	193,558
Accrued interest	783
Prepaid expenses	64,920
Inventory - natural gas	273,090
Inventory - supplies	<u>144,665</u>
Total Current Assets	4,126,287
<u>Restricted Assets</u>	<u>3,121,432</u>
Total Restricted Assets	3,121,432
<u>Utility Plant and Equipment</u>	
Land and wells	71,424
Buildings and parking lot	691,799
Office equipment	374,634
Plants and systems	21,375,563
Tools and equipment	606,497
Vehicles	<u>978,268</u>
Total Utility Plant in Service	24,098,185
Less: accumulated depreciation	<u>(13,522,740)</u>
Utility Plant and Equipment, Net	10,575,445
<u>Other Assets, Net</u>	
Bond issuance cost and discount	<u>130,295</u>
Total Other Assets	130,295
Total Assets	<u>\$ 17,953,459</u>

CITY OF JACKSONVILLE
SCHEDULE OF NET ASSETS - JACKSONVILLE WATER WORKS,
GAS & SEWER BOARD - COMPONENT UNIT (Continued)
SEPTEMBER 30, 2014

	2014
LIABILITIES AND NET ASSETS	
<u>Current Liabilities</u>	
Accounts payable and accrued expenses	\$ 235,369
Due to other governments	98,120
Current portion of long-term debt	265,000
Total Current Liabilities	598,489
 <u>Liabilities of Restricted Funds</u>	
Customer meter deposits	311,862
Total Liabilities of Restricted Funds	311,862
 <u>Long-Term Liabilities</u>	
Accrued annual leave	51,810
Revenue bonds payable	8,355,000
Less : current portion of long-term debt	(265,000)
Total Long-Term Liabilities	8,141,810
 <u>Net Assets</u>	
Invested in capital assets, net of related debt	4,144,561
Restricted net assets	885,418
Unrestricted net assets	3,871,319
Total Net Assets	8,901,298
 Total Liabilities and Net Assets	 \$ 17,953,459

**CITY OF JACKSONVILLE
 SCHEDULE OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET ASSETS - JACKSONVILLE WATER WORKS,
 GAS & SEWER BOARD - COMPONENT UNIT
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	2014
Operating Revenues	
Water revenues	\$ 1,398,016
Gas revenues	2,252,845
Sewer revenues	849,692
Installations	28,417
Grant proceeds	-
Miscellaneous income	181,586
Total Operating Revenues	4,710,556
Operating Expenses	
Water department expenses	882,862
Sewer department expenses	775,979
Cost of natural gas sold	800,608
Gas department expenses and purchases	235,205
General and administrative expenses	730,723
Depreciation and amortization	745,893
Total Operating Expenses	4,171,270
Net Operating Income	539,286
Non Operating Income and Expense	
Interest income	18,139
Interest expense	(333,507)
Total Non Operating Income and Expense	(315,368)
Change in Net Assets	223,918
Net Assets, Beginning	9,104,411
Prior Period Adjustment	(427,031)
Net Assets, Ending	\$ 8,901,298

WATER WORKS, GAS & SEWER BOARD
CITY OF JACKSONVILLE, ALABAMA
SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	2014
Cash Flows from Operating Activities:	
Cash received from customers	\$ 4,547,443
Cash paid to suppliers	(2,182,033)
Cash paid to employees	(1,173,045)
Net Cash Provided by Operating Activities	1,192,365
Cash Flows from Noncapital Financing Activities:	
Cash received from customers for utility deposits	5,325
Net Cash Provided by Noncapital Financing Activities	5,325
Capital and Related Financing Activities:	
Loss on disposal of assets	-
Acquisition and construction of capital assets	(327,313)
Principal paid on long-term debt	(255,000)
Interest paid on long-term debt	(333,507)
Net Cash Used by Capital and Related Financing Activities	(915,820)
Cash Flows from Investing Activities:	
Interest received on investments	18,139
Net Cash Provided by Investing Activities	18,139
Net Decrease in Cash and Cash Equivalents	300,009
Cash and Cash Equivalents, Beginning	5,897,733
Cash and Cash Equivalents, Ending	\$ 6,197,742
Cash and cash equivalents	\$ 3,076,310
Restricted assets	3,121,432
Cash and Cash Equivalents, Ending	\$ 6,197,742

WATER WORKS, GAS & SEWER BOARD
CITY OF JACKSONVILLE, ALABAMA
SCHEDULE OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2014
(CONTINUED)

	2014
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:	
Net operating income	\$ 539,286
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:	
Bad debt expense	8,125
Depreciation and amortization	745,893
Inventory adjustment	2,325
Overhead depreciation	(10,449)
Changes in Assets/Liabilities:	
Inventory of supplies	(55,166)
Prepaid expenses	(27,381)
Accrued interest receivable	-
Customer receivables	4,896
Accounts payable	(31,220)
Due to other governments	9,439
Accrued annual leave	6,617
Net Cash Provided by Operating Activities	\$ 1,192,365

STATISTICAL SECTION

**CITY OF JACKSONVILLE
SCHEDULE OF INSURANCE IN FORCE
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

<u>Company Name</u>	<u>Policy Number</u>	<u>From</u>	<u>To</u>	<u>Types of Coverage</u>	<u>Liability Limits</u>
Alabama Municipal	ALB2001643	11/3/2008	11/7/2016	Public Officials Bond	\$ 100,000
Alabama Municipal	89311027132	12/16/2011	12/16/2012	Commercial Property Total buildings limit	\$ 17,912,729
				Total personal property and contents limit	\$ 6,484,049
				Commercial General Liability	\$ 3,000,000
				Business Auto	\$ 3,000,000
				Errors and Omissions	\$ 3,000,000
				Law Enforcement Liability	\$ 3,000,000
				Electronic Hardware	\$ 183,111
				Software	\$ 100,000
				Contractor's Equipment	\$ 969,773
				Public Employees Dishonest	\$ 250,000
				Employee Benefits Liability	\$ 3,000,000
				Radio Equipment	\$ 307,706
				Misc. Equipment	\$ 19,290
				Community Fine Arts	\$ 50,000