

CITY OF JACKSONVILLE, ALABAMA
AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION
SEPTEMBER 30, 2018

CONTENTS

	Page
INTRODUCTORY SECTION	
Officials of the City of Jacksonville, Alabama	i
Management's Discussion and Analysis	ii
FINANCIAL SECTION	
Independent Auditor's Report	1
Basic Financial Statements	
Government-Wide 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	38
Schedule of Changes in Net Pension Liability	39
Schedule of Employer Contributions and Notes to Schedule	40

CONTENTS

	Page
OTHER SUPPLEMENTARY INFORMATION	
Combining Financial Statements	
Nonmajor Governmental Funds-Combining Balance Sheets	41
Nonmajor Governmental Funds-Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	42
Special Revenue Funds-Combining Balance Sheets	43
Special Revenue Funds-Combining Schedule of Revenues, Expenditures, And Changes in Fund Balances	44
Debt Service Fund-Combining Balance Sheet	45
Debt Service Fund-Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance	46
Component Unit Financial Data	
Schedule of Net Assets – Jacksonville Water Works, Gas & Sewer Board	47
Schedule of Revenues, Expenses and Changes in Fund Net Assets – Jacksonville Water Works, Gas & Sewer Board	49
Schedule of Cash Flows – Jacksonville Water Works, Gas & Sewer Board	50
Compliance Section	
Schedule of Expenditures of Federal Awards	52
Notes to Schedule of Expenditures of Federal Awards	53
Independent Auditor's Report on Compliance and 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>	54
Independent Auditor's Report of Compliance for Each Major Federal Program and Report of Internal Control over Compliance in Accordance with the Uniform Guidance	56
Schedule of Findings and Questioned Costs	59
Schedule of Prior Audit Findings	61

INTRODUCTORY SECTION

OFFICIALS OF THE CITY OF JACKSONVILLE

Mayor

Johnny L. Smith

City Council

Sandra F. Sudduth, President
Jerry Parris, President Pro-Tempore
Coty Galloway
Jimmy L. Harrell, Jr.
Tony Taylor

City Administrator

Albertha Grant

Other City Officials

Building	Mark Williams, Inspector
City Clerk	Antonia R. Fanning, City Clerk
Environmental Services	Samuel P. Meadows, Inert Landfill Manager
Fire Department	Keith Kadle, Interim Chief
Human Resources	Joy Seijo, Human Resources Specialist
Finance Department	Laura Copeland, Finance Accountant
Library	Barbara Rowell, Director
Municipal Court	Angela M. Crane, Court Administrator
Parks & Recreation	Janis Burns, Superintendent
Planning	Mark W. Stephens, City Planner
Police Department	Thomas L. Thompson, Chief
Purchasing	Mayor Johnny L. Smith, Purchasing Agent
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, 2018. 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

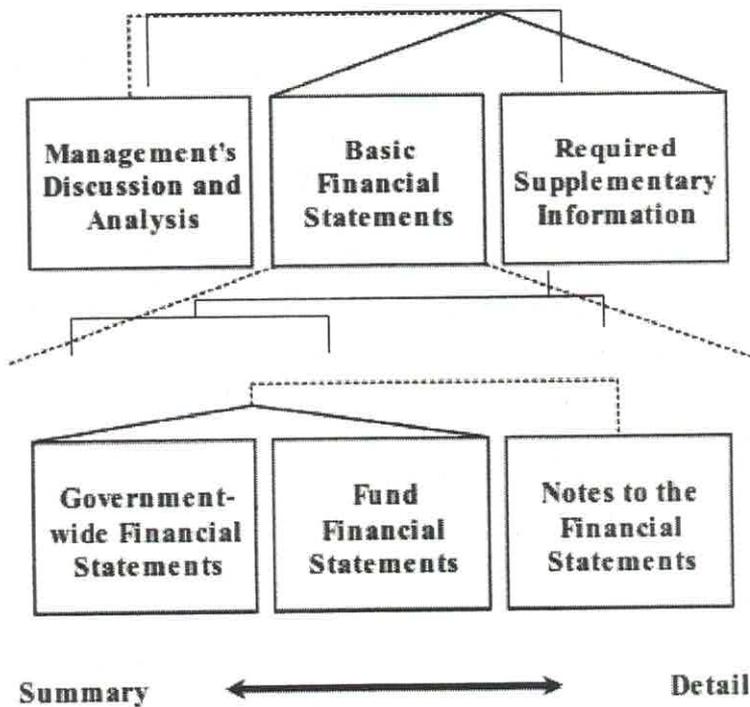
- The assets of the City of Jacksonville (primary government) exceeded its liabilities at the close of fiscal year 2018 by \$8,921,888 (net position).
- The City's total net position increased by \$1,260,590. Amounts receivable for disaster relief was the major reason for the increase.
- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$12,904,299 an increase of \$1,984,244. \$896,629 is restricted for City capital projects. \$10,055,612 is available for spending at the government's discretion (unassigned general fund balance) with another \$1,468,305 available in the general fund for fire tax eligible expenditures.
- The general fund closed FY 2018 with a total fund balance of \$11,829,302 up from \$9,769,672 in 2017. The 2018 ending general fund balance represents 70 percent of total general fund operating expenditures, compared with the ending general fund balance amounting to 85 percent of total operating expenditures in 2017 and 80.4 percent of total operating expenditures in 2016.
- Debt outstanding at the close of FY 2018 totaled \$21,750,589.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

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 49 through 53 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.

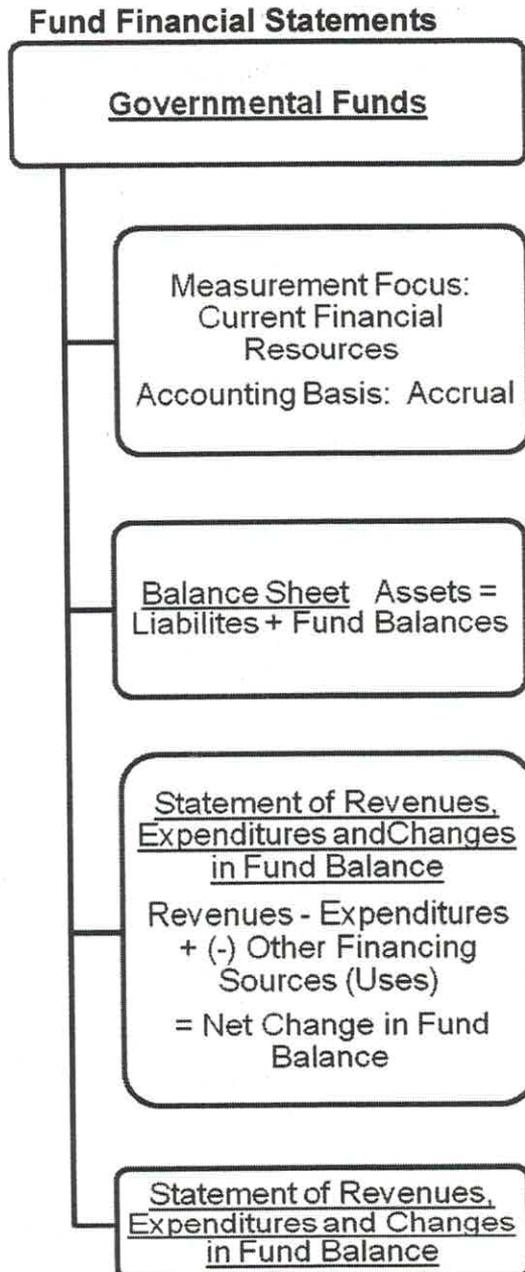
The City currently uses only one type of fund:

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 38.

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 \$8,921,888 at the close of the most recent year.

GASB 68 which requires entities to recognize net pension liability significantly impacted the City's net position as seen in the chart above. It is also of particular note that 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

Summary of Net Position

	Governmental Activities		
	2018	2017	Increase (Decrease)
ASSETS			
Current and other assets	\$ 15,517,248	\$ 13,695,686	\$ 1,821,562
Capital assets	\$ 22,634,424	\$ 23,819,877	\$ (1,185,453)
Total Assets	\$ 38,151,672	\$ 37,515,563	\$ 636,109
LIABILITIES			
Other liabilities	\$ 1,525,589	\$ 1,324,043	\$ 201,546
Long-term liabilities outstanding	\$ 20,225,000	\$ 20,845,000	\$ (620,000)
Net pension liabilities	\$ 7,479,195	\$ 7,685,222	\$ (206,027)
Total Liabilities	\$ 29,229,784	\$ 29,854,265	\$ (624,481)
NET POSITION			
Net investment in capital assets	\$ 3,576,160	\$ 4,313,702	\$ (737,542)
Restricted	\$ 1,673,703	\$ 1,468,352	\$ 205,351
Unrestricted	\$ 3,672,025	\$ 1,879,244	\$ 1,792,781
Total Net Position	\$ 8,921,888	\$ 7,661,298	\$ 1,260,590

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 \$11,829,302 compared with \$9,769,672 at the end of 2017. As a measure of the general fund's liquidity, it may be useful to compare fund balance to total operating expenditures. Total

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

general fund balance represents 70 percent of total general fund operating expenditures at the end of 2018, compared with 85 percent at September 30, 2017.

General Fund Budgetary Highlights

Expenditures were very close to budgeted levels, after transfers out for debt service and to other governmental funds, and adjustments for disaster relief the excess of revenues over expenditures totaled \$2,059,630 for the current year resulting in the increase of 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, 2018 totals \$22,634,424 (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, 2018, the City of Jacksonville had general obligation warrants outstanding of \$20,225,000. 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 2015, the City issued \$4,230,000 in general obligation warrants which refunded the Series 2007 Warrants.

Economic Factors and Next Year's Budget

During FY 2018, The Jacksonville Public Safety Complex completed its first full year in operation. There have been and will continue to be some operational adjustments for the Police, Fire, Jail and Court departmental budgets as result of the new facility. The traffic light improvement project along AL Highway 21, funded through Alabama Department of Transportation's ATRIP program, was also completed in 2018. Much need renovations to the City's Parks and Recreation playgrounds were completed; having received a grant allowing for the purchase of new playground equipment for Henry Farm, Germania Springs and the Community Center.

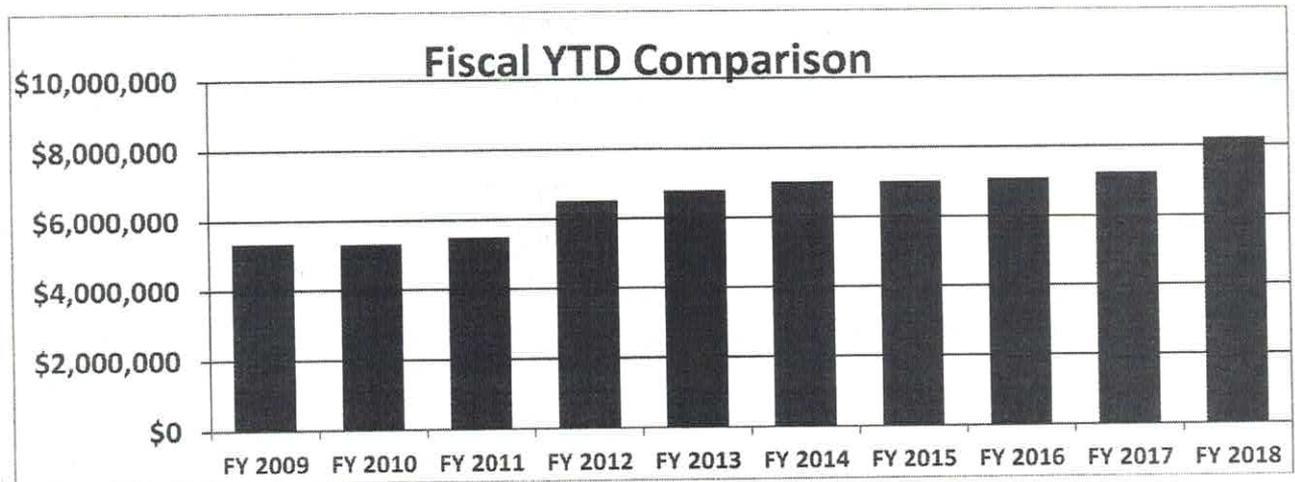
On March 19, 2018, The City of Jacksonville was hit by an EF-3 tornado, resulting in approximately 5 million in damages. While much of the recovery has been completed and reimbursed by FEMA, The City will continue recovery efforts in FY 2019, focusing on three projects not completed by the end of FY 2018. Repairs to Minnesota Street, which was used for transportation of debris, repairs to damaged inlet boxes, sidewalks

and curbs in the hardest hit area, as well as repairs to a culvert located in the affected area are the three projects still remaining for FY 2019.

Jacksonville State University (JSU) continues to be the largest economic driver for the City. Total enrollment remained steady from fall 2017 to fall 2018.

In early 2017, JSU announced several on-campus capital improvement projects including a \$39 million 101,000 square foot student recreation center and a \$7 million upgrade to the baseball stadium. This is in addition to previously announced plans for \$10 million in renovations to on-campus residential facilities. Each of these projects should have a positive impact on student enrollment and the overall attractiveness of JSU as the university of choice for the region.

Sales /use taxes, the City's largest revenue source has remained fairly consistent over the last few years:



Sales tax will remain the largest revenue source for the City in FY19 representing approximately 52.9% of total budgeted general fund revenues. So far in FY19, sales tax collections are consistent with FY18.

The City's last credit rating occurred in May 2015, the City received an affirmation of its A+/Stable long term credit rating from Standard and Poor's with a stable outlook.

A complete copy of the FY 2018 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 Finance Accountant, City of Jacksonville, 320 Church Ave SE, Jacksonville, Alabama 36265 or lcopeland@jacksonville-al.org.

FINANCIAL SECTION

Edgar and Associates, LLC
Certified Public Accountants

606 Edgar Road, Glencoe, AL 35905
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, 2018, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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, the 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, 2018, 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 38 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining, individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2018, on our consideration of the City of Jacksonville, Alabama's internal control; over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Jacksonville, Alabama's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Jacksonville, Alabama's internal control over financial reporting and compliance.

Edgar and Associates, LLC

Glencoe, Alabama
December 27, 2018

**CITY OF JACKSONVILLE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018**

	Primary Government	
	Governmental Activities	Total
ASSETS		
Cash	\$ 8,334,722	\$ 8,334,722
Investments	26,628	26,628
Receivables, net	1,118,084	1,118,084
Accrued interest	-	-
Prepaid expenses	185,861	185,861
Due from other governments	4,058,819	4,058,819
Inventories	8,612	8,612
Other assets	115,279	115,279
Capital assets, net	<u>22,634,424</u>	<u>22,634,424</u>
Total Assets	<u>\$ 36,482,429</u>	<u>\$ 36,482,429</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pensions	<u>\$ 1,669,243</u>	<u>\$ 1,669,243</u>
Total Deferred Outflows of Resources	<u>\$ 1,669,243</u>	<u>\$ 1,669,243</u>
 Total Assets and Deferred Outflows of Resources	 <u>\$ 38,151,672</u>	 <u>\$ 38,151,672</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 659,497	\$ 659,497
Due to other governments	9,625	9,625
Accrued interest	53,962	53,962
Deferred revenue	137,222	137,222
Other liabilities	-	-
Noncurrent liabilities:		
<i>Due within one year</i>		
Bonds and warrants payable	635,000	635,000
OPEB Payable	-	-
Compensated absences	-	-
<i>Due in more than one year</i>		
Bonds and warrants payable	19,590,000	19,590,000
Premium on Bonds Payable	137,362	137,362
OPEB Payable	70,894	70,894
Compensated absences	<u>457,027</u>	<u>457,027</u>
Total Liabilities	<u>\$ 21,750,589</u>	<u>\$ 21,750,589</u>
DEFERRED INFLOWS OF RESOURCES		
Net Pension Liability	\$ 6,446,596	\$ 6,446,596
Deferred Inflow of Resources	<u>1,032,599</u>	<u>1,032,599</u>
Total Deferred Inflows of Resources	<u>\$ 7,479,195</u>	<u>\$ 7,479,195</u>
 Total Liabilities and Deferred Inflows of Resources	 <u>\$ 29,229,784</u>	 <u>\$ 29,229,784</u>
NET POSITION		
Invested in capital assets, net of debt	\$ 3,576,160	\$ 3,576,160
<i>Restricted for:</i>		
Fire Department	1,468,305	1,468,305
Debt Service	32,050	32,050
Special revenues	173,348	173,348
<i>Unrestricted:</i>		
Unrestricted	<u>3,672,025</u>	<u>3,672,025</u>
Total Net Position	<u>8,921,888</u>	<u>8,921,888</u>
 Total Liabilities, Deferred Inflows, and Net Position	 <u>\$ 38,151,672</u>	 <u>\$ 38,151,672</u>

See Notes to Financial Statements

CITY OF JACKSONVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Governmental Activities	Total
Activities:						
Governmental	\$ 7,899,684	\$ 4,101	\$ 2,500	\$ -	\$ (7,893,083)	\$ (7,893,083)
Public protection:						
Police	2,337,604	1,935	5,865	-	(2,329,804)	(2,329,804)
Fire	2,234,419	404,649	147,246	-	(1,682,524)	(1,682,524)
Other	474,962	418,087	-	-	(56,875)	(56,875)
Public works	1,688,879	1,131,329	-	5,924,940	5,367,390	5,367,390
Health and social services	360,710	-	-	-	(360,710)	(360,710)
Culture and recreation	1,946,423	300,144	63,741	-	(1,582,538)	(1,582,538)
Other boards and agencies	434,071	-	-	-	(434,071)	(434,071)
Depreciation expense, net	1,332,530	-	-	-	(1,332,530)	(1,332,530)
Interest and fiscal charges	685,373	-	-	-	(685,373)	(685,373)
Total Governmental Activities	19,394,655	2,260,245	219,352	5,924,940	(10,990,118)	(10,990,118)
Total City	\$ 19,394,655	\$ 2,260,245	\$ 219,352	\$ 5,924,940	(10,990,118)	(10,990,118)
General Revenues:						
Taxes:						
Sales, property, other for general purposes					10,506,693	10,506,693
General business licenses and permits					1,655,414	1,655,414
Other general state shared revenues					-	-
Miscellaneous income					58,043	58,043
Interest income					30,558	30,558
Total General Revenues					12,250,708	12,250,708
Change in Net Position					1,260,590	1,260,590
Net Position, Beginning					7,661,298	7,661,298
Net Position, Ending					\$ 8,921,888	\$ 8,921,888

**CITY OF JACKSONVILLE
BALANCE SHEETS - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

	General Fund	Municipal Complex Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
<u>Current Assets</u>				
Cash	\$ 6,859,449	\$ 1,166,736	\$ 308,537	\$ 8,334,722
Investments	26,628	-	-	26,628
Receivables, net	1,083,763	-	34,321	1,118,084
Accrued interest	-	-	-	-
Prepaid expenses	185,861	-	-	185,861
Due from other funds	42,367	-	-	42,367
Due from other governments	4,058,819	-	-	4,058,819
Inventories	8,612	-	-	8,612
Other assets	<u>83,882</u>	<u>-</u>	<u>31,397</u>	<u>115,279</u>
Total Current Assets	12,349,381	1,166,736	374,255	13,890,372
<u>Noncurrent Assets</u>				
Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Noncurrent Assets	-	-	-	-
Total Assets	<u>\$ 12,349,381</u>	<u>\$ 1,166,736</u>	<u>\$ 374,255</u>	<u>\$ 13,890,372</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 382,857	\$ 270,107	\$ 6,533	\$ 659,497
Due to other funds	-	-	42,367	42,367
Due to other governments	-	-	9,625	9,625
Other liabilities	-	-	137,362	137,362
Deferred revenue	<u>137,222</u>	<u>-</u>	<u>-</u>	<u>137,222</u>
Total Liabilities	520,079	270,107	195,887	986,073
FUND BALANCES				
<i>Nonspendable:</i>	278,355	-	-	278,355
<i>Restricted for:</i>				
Fire Department	1,468,305	-	-	1,468,305
Debt service fund	-	-	32,050	32,050
Special revenue funds	-	-	173,348	173,348
Capital Projects	-	896,629	-	896,629
<i>Unassigned for:</i>				
General fund	10,082,642	-	-	10,082,642
Debt service fund	-	-	-	-
Special revenue funds	<u>-</u>	<u>-</u>	<u>(27,030)</u>	<u>(27,030)</u>
Total Fund Balances	<u>11,829,302</u>	<u>896,629</u>	<u>178,368</u>	<u>12,904,299</u>
Total Liabilities and Fund Balances	<u>\$ 12,349,381</u>	<u>\$ 1,166,736</u>	<u>\$ 374,255</u>	<u>\$ 13,890,372</u>

CITY OF JACKSONVILLE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

Total fund balances for governmental funds \$ 12,904,299

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

Items recorded on the Statement of Net Assets include:

A Net Pension Liability or Asset calculated by the actuary.

Some of each year's pension costs will be deferred (deferred inflows and deferred outflows of resources) and amortized over a number of years.

Deferred Outflow of Resources	1,669,243	
Net Pension Liability	(6,446,596)	
Deferred Inflow of Resources	<u>(1,032,599)</u>	
		(5,809,952)

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	62,970,351	
Less: Accumulated depreciation	<u>(40,335,927)</u>	
Total Capital Assets		22,634,424

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	(53,962)	
Bonds and warrants payable	(20,225,000)	
Compensated absences	(457,027)	
OPEB Payable	<u>(70,894)</u>	
		<u>(20,806,883)</u>

Net position of governmental activities

\$ 8,921,888

CITY OF JACKSONVILLE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>General Fund</u>	<u>Municipal Complex Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 10,422,554	\$ -	\$ 84,139	\$ 10,506,693
Licenses and permits	1,655,414	-	-	1,655,414
Charges for services	1,582,283	-	253,806	1,836,089
Fines and forfeitures	424,157	-	-	424,157
Operating grants and contributions	219,352	-	-	219,352
Capital grants and contributions	5,924,940	-	-	5,924,940
Interest	21,009	2,691	6,858	30,558
Miscellaneous	58,043	-	-	58,043
Total Revenues	<u>20,307,752</u>	<u>2,691</u>	<u>344,803</u>	<u>20,655,246</u>
Expenditures				
General government	7,205,847	-	222,207	7,428,054
Public safety	5,033,001	-	-	5,033,001
Public works	1,673,553	-	-	1,673,553
Health and social services	360,710	-	-	360,710
Culture and recreation	1,938,721	-	-	1,938,721
Other boards and agencies	433,097	-	-	433,097
Capital expenditures	299,082	174,780	23,584	497,446
Debt service:				
Principal	-	-	620,000	620,000
Interest and fees	-	-	686,420	686,420
Total Expenditures	<u>16,944,011</u>	<u>174,780</u>	<u>1,552,211</u>	<u>18,671,002</u>
Excess Revenues Over (Under) Expenditures	3,363,741	(172,089)	(1,207,408)	1,984,244
Other Financing Sources (Uses)				
Operating transfers in	-	-	1,304,111	1,304,111
Proceeds from long term debt	-	-	-	-
Escrow for defeased series 2013	-	-	-	-
Operating transfers out	(1,304,111)	-	-	(1,304,111)
Total Other Financing Sources (Uses)	<u>(1,304,111)</u>	<u>-</u>	<u>1,304,111</u>	<u>-</u>
Net Change in Fund Balance	2,059,630	(172,089)	96,703	1,984,244
Fund Balance, Beginning	<u>9,769,672</u>	<u>1,068,718</u>	<u>81,665</u>	<u>10,920,055</u>
Fund Balance, Ending	<u>\$ 11,829,302</u>	<u>\$ 896,629</u>	<u>\$ 178,368</u>	<u>\$ 12,904,299</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, 2018

Net change in fund balances total governmental funds \$ 1,984,244

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

Governmental funds report pension income/expense as calculated by the actuary. It is tied to the change in net pension liability rather than the amount of contributions.

Pension Income (Expense)	(151,639)	
		(151,639)

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	147,077	
Less: Current year depreciation, net	(1,332,530)	
		(1,185,453)

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	1,047
----------------------------	-------

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

Bonds and Warrants Payable	620,000
OPEB	29,225
Compensated Absences	(36,834)

Change in net position of governmental activities	<u>\$ 1,260,590</u>
---	---------------------

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The City of Jacksonville, Alabama was incorporated in 1834 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, 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 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 separately 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, 2018**

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 2018 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, 2018**

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, 2018**

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 total \$115,279. The capital contribution of the municipality for its membership in the Alabama Municipal Insurance Corporation is \$84,305. This money is held in an escrow account at Union Bank and Trust Company in Montgomery, Alabama. \$31,397 consists of bond insurance costs to be amortized over the life of the bond.

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, 2018**

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, 2018**

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, 2018 is \$457,027.

Pensions

The Employees' Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the benefit terms. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

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.

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Interfund Transactions - Continued

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.

**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 on September 25, 2017 for the year ending September 30, 2018; however, throughout the year, the Council amends the budget as needed.

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE C – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

Budgetary Accounting - Continued

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.

NOTE D – CASH AND INVESTMENTS

Cash consists of checking and savings. At September 30, 2018, the carrying amount of the City's cash was \$8,334,722. 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.

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE D – CASH AND INVESTMENTS - Continued

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, 2018, the City's investments consisted of \$26,628 in Certificates of Deposit and securities invested in certificates of deposit.

NOTE E – RECEIVABLES

Accounts Receivable

Receivables as of September 30, 2018 are as follows:

Tax receivable	\$ 819,822
Ambulance service receivables, net	204,995
Miscellaneous receivables	<u>93,267</u>
	\$ <u>1,118,084</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 \$114,653.

Due from Other Governments

Due from other governments at September 30, 2018 was \$4,058,819 and consists of taxes and grants due to the City from other governmental entities, including \$3,962,210 from federal and state emergency management agencies for tornado damages.

Outstanding Warrants

Outstanding warrants receivable have not been recorded on the books of the City. The warrants consist of all amounts due to the City from individuals. The amount of collectible warrants is undeterminable at this time. The total balance due at September 30, 2018 was \$590,445.

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE E – RECEIVABLES - Continued

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.

NOTE F – PREPAID EXPENSES

Prepaid expenses consist of:

Prepaid Worker's Comp. Insurance	\$ 57,968
Prepaid Gen Liability Insurance	56,893
Prepaid other contract services	<u>71,000</u>
	<u>\$ 185,861</u>

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE G – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018 was as follows:

Capital Assets	Balance at 9/30/17	Transfers & Additions	Transfers & Deletions	Balance at 9/30/18
Non-depreciable				
Land	\$ 674,833	\$ -	\$ -	\$ 674,833
Construction in prog.	326,223	-	-	326,223
Total non-depreciable	1,001,056	-	-	1,001,056
Depreciable				
Land improvements	1,067,248	689,272	-	1,756,520
Building & Improve	22,113,926	-	(379,622)	21,734,304
Furniture and fixture	254,453	-	(25,491)	228,962
Machinery and equip	4,465,615	420,580	-	4,886,195
Vehicles	4,691,091	219,424	(545,421)	4,365,094
Infrastructure	29,239,423	-	(241,203)	28,998,220
Total depreciable	61,831,756	1,329,276	(1,191,737)	61,969,295
Total assets	62,832,812	1,329,276	(1,191,737)	62,970,351
Less:				
Accumulated depreciation	(39,012,935)	(1,332,530)	9,538	(40,335,927)
Capital Assets, net	\$ 23,819,877	\$ (3,254)	\$ (1,182,199)	\$ 22,634,424

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, 2018 of \$1,332,530 is shown as a separate line item on the Statement of Activities.

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE H – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Payables at September 30, 2018 consist of the following

	2018
Accrued salaries	\$ 219,263
Cash bonds	341
Accounts payable	439,893
	\$ 659,497

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, 2018 is as follows:

	Interfund Receivables	Interfund Payables
General Fund		
Due from Special Revenue – Inert Landfill	\$ 42,367	\$ -
Due to Gas Tax Fund	-	-
Due from Capital Project Fund	-	-
Total General Fund	42,367	-
Special Revenue Funds		
Gas Tax Fund – Due from GF	-	-
Capital Project Fund – Due to General Fund	-	-
Inert Landfill Fund – Due to GF	-	42,367
Total Special Revenue Funds	-	42,367
Total Interfund Payables / Receivables	\$ 42,367	\$ 42,367

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

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, 2018 is as follows:

	Transfers Out	Transfers In
General Fund		
Debt Service	\$ 217,768	\$ -
Inert Landfill	-	-
Operating	1,086,343	-
Total General Fund	1,304,111	-
 Special Revenue Funds		
Gas tax	-	-
Capital Projects	-	-
Inert Landfill – from GF	-	-
Debt Service	-	1,304,111
Total Special Revenue Funds	-	1,304,111
 Total Interfund Transfers	 \$ 1,304,111	 \$ 1,304,111

NOTE J – LONG-TERM DEBT

Bonds and Warrants

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, 2018 were the 2013 Series General Obligation Warrants, due semi-annually at rates ranging from 2.00% - 5.00% per annum, maturing in 2042. Advance refunding and redeeming of \$5,430,000 principal portion of the Series 2013 Warrants is March 1, 2020. The remaining balance at September 30, 2018 was \$10,285,000.

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE J – LONG-TERM DEBT – Continued

Bonds and Warrants – Continued

The City issued 2015 Series General Obligation Warrants in order to refund the 2007 Series General Obligation Bonds on July 30, 2015. The bonds are direct obligations of the City, and the full faith and credit of the City is pledged against the bonds. The bonds outstanding at September 30, 2018 were the 2015 Series General Obligation Warrants, due semi-annually at rates ranging from 1.500% - 3.625% per annum, maturing September 1, 2036. The balance at September 30, 2018 was \$3,750,000.

In April of 2017 the City issued the Series 2017 bonds. Proceeds from the bond issue were used to establish an escrow fund to satisfy partial refunding of the Series 2013 Bond Issue. Cash in the amount of \$5,957,651 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 partially defeased Series 2013 Bond as it matures. This transaction effectively released the City from its obligation to repay the refunded Series 2013 Bond and constitutes an in-substance defeasance. The remaining funds are to be used for capital improvements. The bonds are direct obligations of the City, and the full faith and credit of the City is pledged against the bonds. The bonds outstanding at September 30, 2018 were the Series 2017 General Obligation Warrants, due semi-annually at 3.29% per annum, maturing September 1, 2016. The balance at September 30, 2018 was \$6,190,000.

The debt activity for the governmental activities of the City for the year ended September 30, 2018 is as follows:

	<u>Beginning Balance 10/1/17</u>	<u>Loan Proceeds</u>	<u>Principal Paid</u>	<u>Ending Balance 9/30/18</u>	<u>Interest Paid</u>
<u>BONDS AND WARRANTS</u>					
2013 GOW Bonds	10,700,000	-	(415,000)	10,285,000	373,048
2015 GOW Bonds	3,910,000	-	(160,000)	3,750,000	112,117
2017 GOW Bonds	6,235,000	-	(45,000)	6,190,000	205,132
Total Bonds and Warrants	\$ 20,845,000	\$ -	\$ (620,000)	\$ 20,225,000	\$ 690,297

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

J – LONG-TERM DEBT – Continued

Bonds and Warrants – Continued

The principal maturities and related interest requirements for the bonds and warrants 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>
2019	\$ 635,000	\$ 677,317	\$ 1,312,317
2020	650,000	660,611	1,310,611
2021	670,000	642,596	1,312,596
2022	700,000	619,528	1,319,528
2023	705,000	602,579	1,307,579
2024-2028	3,855,000	2,703,252	6,558,252
2029-2033	4,500,000	2,055,730	6,555,730
2034-2038	4,750,000	1,262,593	6,012,593
2039-2042	3,760,000	383,400	4,143,400
 Total	 \$ 20,225,000	 \$ 9,607,606	 \$ 29,832,606

NOTE K – RETIREMENT

Plan Description. The Employees' Retirement System of Alabama (ERS), an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, under the provisions of Act 515 of the Legislature of 1945. The purpose of the ERS is to provide 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. Assets of the ERS are pooled for investment purposes. However, separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of its employees only. The responsibility for the general administration and operation of ERS is vested in its Board of Control. Title 36-Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE K – RETIREMENT - continued

The ERS Board of Control consists of 13 trustees as follows:

1. The Governor, ex officio.
2. The State Treasurer, ex officio.
3. The State Personnel Director, ex officio.
4. The State Director of Finance, ex officio.
5. Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
6. Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant to § 36-27-6.

ERS membership includes approximately 163,190 participants from approximately 877 local participating employers.

As of September 30, 2017 the City's membership consisted of:

Retired members or their beneficiaries currently receiving benefits	83
Vested inactive members	1
Non-vested inactive members	26
Active members	182
Post-DROP retired members still in active service	<u>0</u>
Total	<u>292</u>

Pension Benefits. State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for Tier 1 ERS members vest after 10 years of creditable service. State employees who retire after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE K – RETIREMENT – Continued

that yields the highest monthly benefit. Under the formula method, Tier 1 members of the ERS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service

Members are eligible for disability retirement if they have 10 years of credible service, are currently in –service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary on the member's age, service, credit, employment status and eligibility for retirement.

Member and Employer Contributions. Tier 1 covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, Tier 1 covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members. The City elected not to increase the employee contribution rate as provided by Act 2011-676.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. These contributions rates are the same for Tier 2 covered members of local participating employers.

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE K – RETIREMENT – Continued

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2018 the City's average contribution rate to fund the normal and accrued liability costs was 9.88 and 6.74 percent of covered employee payroll for Tier 1 and Tier 2.

The City's contractually required contribution rate for the year ended September 30, 2018 was 10.25% of pensionable pay for Tier 1 employees, and 7.11% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2015, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$517,849 for the year ended September 30, 2018.

Net Pension Liability.

The City's net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2016 rolled forward to September 30, 2017 using standard roll-forward techniques as shown in the following table:

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE K – RETIREMENT – Continued

	<u>Expected</u>	<u>Actual</u>
(a) TPL as of September 30, 2016	\$ 25,146,095	\$ 24,758,693
(b) Discount rate	7.75%	7.75%
(c) Entry Age Normal Cost for October 1, 2016-September 30,2017	520,904	520,904
(d) Transfers Among Employers:		(6,421)
(e) Actual Benefit Payments and Refunds for October 1, 2016-September 30, 2017	<u>(1,504,438)</u>	<u>(1,504,438)</u>
(f) TPL as of September 30, 2017	<u>\$ 26,053,086</u>	<u>\$ 25,629,239</u>
= [(a) x (1 + (b))] + (c) + (d) + [(e) x (1 + 0.5 * (b))]		
(g) Difference between Expected and Actual		\$ (423,847)
(h) Less Liability transferred for recognition		<u>(6,421)</u>
(l) Experience (Gain)/Loss=(g)-(h)		\$ (417,426)

Actuarial Assumptions. The total pension liability in the September 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75% - 7.25%
Investment rate of return*	8.00%

* Net of pension plan investment expense, including inflation

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

The actuarial assumptions used in the September 30, 2015 valuation were based on the results of an investigation of the economic and demographic experience for the ERS

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE K – RETIREMENT – Continued

based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	25.00%	5.00%
U.S. Large Stocks	34.00%	9.00%
U.S. Mid Stocks	8.00%	12.00%
U.S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	100.00%	

*Includes assumed rate of inflation of 2.50%.

Discount rate. The discount rate used to measure the total pension liability was the long term rate of return, 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE K – RETIREMENT – Continued

Changes in Net Pension Liability

	Liability (a)	Position (b)	Liability (Asset) (a) - (b)
Balances at 9/30/2016	\$ 25,146,095	\$ 17,587,045	\$ 7,559,050
Changes for the year:			
Service Cost	520,904	-	520,904
Interest	1,890,525	-	1,890,525
Changes of assumptions	-	-	-
Differences between expected and actual experience	(417,426)	-	(417,426)
Contributions - employer	-	524,284	(524,284)
Contributions - employee	-	369,804	(369,804)
Net investment income	-	2,212,369	(2,212,369)
Benefit payments, includes refunds of employee contributions	(1,504,438)	(1,504,438)	-
Administrative expense	-	-	-
Transfers among Employers	(6,421)	(6,421)	-
Net changes	483,144	1,595,598	(1,112,454)
Balances at 9/30/2017	<u>\$ 25,629,239</u>	<u>\$ 19,182,643</u>	<u>\$ 6,446,596</u>

Sensitivity of the net pension liability to changes in the discount rate. The following table presents the City's net pension liability calculated using the discount rate of 7.75%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Rate (7.75%)	1% Increase (8.75%)
Plan's Net Pension Liability (Asset)	\$ 9,390,194	\$ 6,446,596	\$ 3,963,326

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE K – RETIREMENT – Continued

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2017. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2017. The auditor's report dated August 31, 2018 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

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

For the year ended September 30, 2018, the City recognized pension expense of \$151,639. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 566,099	\$ 452,620
Changes of assumptions	605,964	-
Net difference between projected and actual earnings on plan investments	-	579,979
Employer contributions subsequent to the Measurement Date	497,180	-
Total	<u>\$ 1,669,243</u>	<u>\$ 1,032,599</u>

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE K – RETIREMENT – Continued

<u>Collective Deferred Outflows and Inflows between Expected and Actual Experience</u>											
		<u>Beginning Balance</u>							<u>Ending Balance</u>		
Initial	Initial					Amounts	Amounts				
Balance	Balance					Recognized	Recognized				
of Losses/	of Gains/	Amorti-			Losses/	Gains/	Expense/	Expense/			
Deferred	Deferred	zation	Deferred	Deferred	Deferred	Deferred	Deferred	Deferred	Deferred	Deferred	
Outflow	Inflow	Period	Outflows	Inflows	Outflows	Inflows	Outflow	Inflow	Outflows	Inflows	
Year			(a)	(b)	(c)	(d)	(e)	(f)	(a)+(c)-(e)	(b)+(d)-(f)	
2017	\$ -	\$ 417,426	6.7	\$ -	\$ -	\$ -	\$ 417,426	\$ -	\$ 62,302	\$ -	\$ 355,124
2016	\$ 806,991	\$ -	6.7	\$ 686,545	\$ -	\$ -	\$ -	\$ 120,446	\$ -	\$ 566,099	\$ -
2015	\$ -	\$ 133,524	6.4	\$ -	\$ 126,172	\$ -	\$ -	\$ -	\$ 28,676	\$ -	\$ 97,496
2014	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total				<u>\$ 686,545</u>	<u>\$ 126,172</u>	<u>\$ -</u>	<u>\$ 417,426</u>			<u>\$ 566,099</u>	<u>\$ 452,620</u>

<u>Collective Deferred Outflows and Inflows for Differences from Assumption Changes</u>											
		<u>Beginning Balance</u>							<u>Ending Balance</u>		
Initial	Initial					Amounts	Amounts				
Balance	Balance					Recognized	Recognized				
of Losses/	of Gains/	Amorti-			Losses/	Gains/	Expense/	Expense/			
Deferred	Deferred	zation	Deferred	Deferred	Deferred	Deferred	Deferred	Deferred	Deferred	Deferred	
Outflow	Inflow	Period	Outflows	Inflows	Outflows	Inflows	Outflow	Inflow	Outflows	Inflows	
Year			(a)	(b)	(c)	(d)	(e)	(f)	(a)+(c)-(e)	(b)+(d)-(f)	
2017	\$ -	\$ -	6.7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ 863,820	\$ -	6.7	\$ 734,892	\$ -	\$ -	\$ -	\$ 128,928	\$ -	\$ 605,964	\$ -
2015	\$ -	\$ -	6.4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2014	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total				<u>\$ 734,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			<u>\$ 605,964</u>	<u>\$ -</u>

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE K – RETIREMENT – Continued

Collective Deferred Outflows and Inflows for Differences in Investment Experience											
		<u>Beginning Balance</u>							<u>Ending Balance</u>		
Year	Initial Balance	Initial Balance	Amortization Period	Deferred Outflows	Deferred Inflows	Losses/Deferred Outflows	Gains/Deferred Inflows	Amounts	Amounts	Deferred Outflows	Deferred Inflows
								Recognized in Pension Expense/Deferred Outflow	Recognized in Pension Expense/Deferred Inflow		
				(a)	(b)	(c)	(d)	(e)	(f)	(a)+(c)-(e)	(b)+(d)-(f)
2017	\$ -	\$ 873,273	5	\$ -	\$ -	\$ -	\$ 873,273	\$ -	\$ 174,655	\$ -	\$ 698,618
2016	\$ -	\$ 354,475	5	\$ -	\$ 283,578	\$ -	\$ -	\$ -	\$ 70,894	\$ -	\$ 212,684
2015	\$ 1,135,377	\$ -	5	\$ 681,227	\$ -	\$ -	\$ -	\$ 227,075	\$ -	\$ 454,152	\$ -
2014	\$ -	\$ 614,137	5	\$ -	\$ 245,656	\$ -	\$ -	\$ -	\$ 122,827	\$ -	\$ 122,829
Total				\$ 681,227	\$ 529,234	\$ -	\$ 873,273			\$ 454,152	\$ 1,034,131
Net difference between projected and actual earnings on investments										\$ -	\$ 579,979

Summary of Deferred Outflows and Inflows of Resources									
Amort. Year	<u>Actual & Expected Experience</u>				<u>Investment Gains/Losses</u>				Total
	2015	2016	2017	2018	2014	2015	2016	2017	
2019	(28,676)	120,446	(62,302)	128,928	(122,829)	\$ 227,075	\$ (70,894)	\$ (174,655)	\$ 17,093
2020	(28,676)	120,446	(62,302)	128,928	-	\$ 227,077	\$ (70,894)	\$ (174,655)	\$ 139,924
2021	(28,676)	120,446	(62,302)	128,928	-	-	(70,896)	\$ (174,655)	(87,155)
2022	(11,468)	120,446	(62,302)	128,928	-	-	-	\$ (174,653)	951
2023	-	84,315	(62,302)	90,252	-	-	-	-	112,265
after	-	-	(43,614)	-	-	-	-	-	(43,614)
Total	\$ (97,496)	\$ 566,099	\$ (355,124)	\$ 605,964	\$ (122,829)	\$ 454,152	\$ (212,684)	\$ (698,618)	\$ 139,464

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE K – RETIREMENT – Continued

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

Year ended September 30:	
2019	\$ 17,093
2020	139,924
2021	(87,155)
2022	951
2023	112,265
Thereafter	(43,614)

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, 2018**

NOTE M – COMMITMENTS AND CONTINGENCIES – continued

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. As of September 30, 2018, the City had not drawn upon a letter of credit, which had been issued in the maximum amount of \$1,000,000 for tornado expenses.

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 1993. 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 – TAX ABATEMENTS

The City enters into tax abatement agreements with local businesses under the state Tax Incentive Reform Act of 1992. Under the Act, localities may grant abatement of noneducational sales and use taxes, noneducational property taxes, and/or mortgage and recording taxes on industrial development property as an incentive to attract new industries and encourage existing industries to expand in Alabama.

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

TAX ABATEMENTS - continued

The abatements may be granted for a new project or a major addition. The sales and use taxes are abated through a certificate of exemption issued by the Alabama Department of Revenue prior to any project purchases. The property taxes are abated through the business contacting the local county assessing official between October 1 and December 31 to claim the abatement. The full property tax millage rate is reduced by the educational millage to determine the abatable millage rate and may be abated for a period of up to ten years. If the statutory requirements are not met the City may terminate the agreement and take such equitable action available to it as if the agreement never existed. The business user will be liable for taxes, penalties, and interest due.

For the fiscal year ended September 30, 2018, the City abated property taxes and sales and use taxes totaling approximately \$46,000, including the following tax abatement agreement that exceeded 10 percent of the total amount abated: \$32,000 property tax abatement to Gnutti Carlo USA d/b/a Shelco Foundries to upgrade and expand the foundry.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF JACKSONVILLE
SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL FUND BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
REVENUES				
Taxes	\$ 9,425,882	\$ 9,425,882	\$ 10,422,554	\$ 996,672
Licenses and permits	1,495,700	1,495,700	1,655,414	159,714
Fines and forfeitures	547,000	547,000	424,157	(122,843)
Charges for services	1,714,000	1,714,000	1,582,283	(131,717)
Grants and contributions	535,250	4,535,250	6,144,292	1,609,042
Interest	22,500	22,500	21,009	(1,491)
Miscellaneous revenues	<u>62,500</u>	<u>62,500</u>	<u>58,043</u>	<u>(4,457)</u>
Total Revenues	13,802,832	17,802,832	20,307,752	2,504,920
EXPENDITURES				
General government	3,751,051	7,686,921	7,205,847	481,074
Public safety	5,229,595	5,229,595	5,033,001	196,594
Public works	1,885,164	1,949,294	1,673,553	275,741
Health and social services	312,516	312,516	360,710	(48,194)
Culture and recreation	2,061,675	2,061,675	1,938,721	122,954
Other boards and agencies	86,400	86,400	98,697	(12,297)
Education	626,431	626,431	555,957	70,474
Capital expenditures	<u>-</u>	<u>-</u>	<u>299,082</u>	<u>(299,082)</u>
Total Expenditures	<u>13,952,832</u>	<u>17,952,832</u>	<u>17,165,568</u>	<u>787,264</u>
Excess of Revenues Over (Under) Expenditures	(150,000)	(150,000)	3,142,184	3,292,184
Other Financing Sources (Uses):				
Operating transfers in	150,000	150,000	-	(150,000)
Operating transfers out	<u>-</u>	<u>-</u>	<u>(1,082,554)</u>	<u>(1,082,554)</u>
Total Other Financing Sources (Uses)	<u>150,000</u>	<u>150,000</u>	<u>(1,082,554)</u>	<u>(1,232,554)</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,059,630</u>	<u>\$ 2,059,630</u>

CITY OF JACKSONVILLE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
LAST 10 FISCAL YEARS ENDING SEPTEMBER 30
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	2017	2016	2015	2014
Total Pension Liability				
Service Cost	\$ 520,904	\$ 510,934	\$ 521,156	\$ 508,042
Interest	1,890,525	1,755,990	1,708,300	1,637,422
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(417,426)	806,991	(183,524)	-
Changes of assumption	-	863,820	-	-
Benefit payments, including refunds of employee contributions	(1,504,438)	(1,443,018)	(1,456,588)	(1,062,388)
Transfers among employers	(6,421)	(20,006)		
Net change in total pension liability	483,144	2,474,711	589,344	1,083,076
Total pension liability-beginning	25,146,095	22,671,384	22,082,040	20,998,964
Total pension liability-ending (a)	<u>\$ 25,629,239</u>	<u>\$ 25,146,095</u>	<u>\$ 22,671,384</u>	<u>\$ 22,082,040</u>
Plan fiduciary net position				
Contributions-employer	\$ 524,284	\$ 541,081	\$ 517,552	\$ 540,617
Contributions-member	369,804	331,395	333,015	325,868
Net investment income	2,212,369	1,652,831	197,690	1,842,848
Benefit payments, including refunds of employee contributions	(1,504,438)	(1,443,018)	(1,456,588)	(1,062,388)
Transfers among employees	(6,421)	(20,006)	(92,929)	(155,514)
Net change in plan fiduciary net position	1,595,598	1,062,283	(501,260)	1,491,431
Plan net position-beginning	17,587,045	16,524,762	17,026,022	15,534,591
Plan net position-ending (b)	<u>\$ 19,182,643</u>	<u>\$ 17,587,045</u>	<u>\$ 16,524,762</u>	<u>\$ 17,026,022</u>
Net pension liability (asset)-ending (a) - (b)	\$ 6,446,596	\$ 7,559,050	\$ 6,146,622	\$ 5,056,018
Plan fiduciary net position as a percentage of the total pension liability	74.85%	69.94%	72.89%	77.10%
Covered-employee payroll	\$ 5,956,414	\$ 5,956,414	\$ 5,956,414	\$ 6,036,291
Net pension liability (asset) as a percentage of covered-employee payroll	1.08	1.27	1.03	0.84

**CITY OF JACKSONVILLE
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST 10 FISCAL YEARS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	2018	2017	2016	2015
Actuarially determined contributions	\$ 497,180	\$ 453,479	\$ 468,828	\$ 446,546
Contributions in relation to the actuarially determined contributions	497,180	453,479	468,828	446,546
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 5,956,414	\$ 5,956,414	\$ 5,956,414	\$ 6,036,291
Contributions as a percentage of covered employee payroll	8.35%	7.61%	7.87%	7.40%

NOTES TO SCHEDULE

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2018 were based on the September 30, 2015 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	27.1 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.75 - 7.25%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

SUPPLEMENTAL INFORMATION

**CITY OF JACKSONVILLE
COMBINING BALANCE SHEETS -
NONMAJOR GOVERNMENTAL FUNDS (BY FUND TYPES)
SEPTEMBER 30, 2018**

	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Total Other Governmental Funds</u>
ASSETS			
Cash	\$ 170,522	\$ 138,015	\$ 308,537
Receivables, net	34,321	-	34,321
Other assets	-	31,397	31,397
Due from other funds	-	-	-
Due from other governments	-	-	-
Notes receivable	-	-	-
Total Assets	<u>\$ 204,843</u>	<u>\$ 169,412</u>	<u>\$ 374,255</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 6,533	\$ -	\$ 6,533
Due to other funds	42,367	-	42,367
Due to other governments	9,625	-	9,625
Other liabilities	-	137,362	137,362
Deferred revenue	-	-	-
Total Liabilities	<u>58,525</u>	<u>137,362</u>	<u>195,887</u>
FUND BALANCES			
Nonspendable	-	32,050	32,050
Restricted	-	-	-
Special revenue funds	173,348	-	173,348
Unassigned	-	-	-
Special revenue funds	<u>(27,030)</u>	<u>-</u>	<u>(27,030)</u>
Total Fund Balances	<u>146,318</u>	<u>32,050</u>	<u>178,368</u>
Total Liabilities and Fund Balances	<u>\$ 204,843</u>	<u>\$ 169,412</u>	<u>\$ 374,255</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, 2018**

	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Total Other Governmental Funds</u>
Revenues			
Charges for services	\$ 253,806	\$ -	\$ 253,806
Operating grants and contributions	-	-	-
Capital grants and contributions	-	-	-
Interest revenues	395	6,463	6,858
Tax revenues	84,139	-	84,139
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	338,340	6,463	344,803
Expenditures			
General	222,207	-	222,207
Public safety	-	-	-
Public works	-	-	-
Capital outlay	23,584	-	23,584
Debt service	<u>-</u>	<u>1,306,420</u>	<u>1,306,420</u>
Total Expenditures	<u>245,791</u>	<u>1,306,420</u>	<u>1,552,211</u>
Excess Expenditures over Revenues	92,549	(1,299,957)	(1,207,408)
Other Financing Sources (Uses)			
Transfers in	-	1,304,111	1,304,111
Proceeds from long term debt	-	-	-
Escrow for defeased series 2013	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,304,111</u>	<u>1,304,111</u>
Excess (deficiency) of revenues over expenditures and other financing sources	92,549	4,154	96,703
Fund Balance, Beginning	<u>53,769</u>	<u>27,896</u>	<u>81,665</u>
Fund Balance, Ending	<u>\$ 146,318</u>	<u>\$ 32,050</u>	<u>\$ 178,368</u>

CITY OF JACKSONVILLE
 COMBINING BALANCE SHEETS -
 SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2018

	4 & 5 cent Gasoline Tax	7 cent Gasoline Tax	Inert Landfill	Total
ASSETS				
Cash	\$ 52,090	\$ 113,503	\$ 4,929	\$ 170,522
Accounts receivable	3,427	4,328	26,566	34,321
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Notes receivable	-	-	-	-
Total Assets	\$ 55,517	\$ 117,831	\$ 31,495	\$ 204,843
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 6,533	\$ 6,533
Due to other funds	-	-	42,367	42,367
Due to other governments	-	-	9,625	9,625
Deferred revenue	-	-	-	-
Total Liabilities	\$ -	\$ -	\$ 58,525	\$ 58,525
FUND BALANCES				
Fund balance - nonspendable	-	-	-	-
Fund balance - restricted	55,517	117,831	-	173,348
Fund balance - unassigned	-	-	(27,030)	(27,030)
Total Fund Balance	\$ 55,517	\$ 117,831	\$ (27,030)	\$ 146,318
Total Liabilities and Fund Balances	\$ 55,517	\$ 117,831	\$ 31,495	\$ 204,843

CITY OF JACKSONVILLE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	4 & 5 cent Gasoline Tax	7 cent Gasoline Tax	Inert Landfill	Total
Revenues				
Charges for services	\$ -	\$ -	\$ 253,806	\$ 253,806
Operating grants and contributions	-	-	-	-
Capital grants and contributions	82	154	159	395
Interest revenues	36,997	47,142	-	84,139
Tax revenues	-	-	-	-
Miscellaneous	37,079	47,296	253,965	338,340
Total Revenues				
	13,495	47,296	31,758	92,549
Expenditures				
General	-	-	222,207	222,207
Public safety	-	-	-	-
Public works	-	-	-	-
Capital outlay	23,584	-	-	23,584
Total Expenditures	23,584	-	222,207	245,791
Excess Revenues Over (Under) Expenditures	13,495	47,296	31,758	92,549
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Sources (Uses)	-	-	-	-
Excess Revenues and Other Sources over (under) Expenditures	13,495	47,296	31,758	92,549
Fund Balance, Beginning	42,022	70,535	(58,788)	53,769
Fund Balance, Ending	\$ 55,517	\$ 117,831	\$ (27,030)	\$ 146,318

**CITY OF JACKSONVILLE
 COMBINING BALANCE SHEET -
 DEBT SERVICE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Debt Service Fund
ASSETS	
Cash	\$ 138,015
Bond issuance discount	21,669
Prepaid Insurance	9,728
Total Assets	\$ 169,412
LIABILITIES AND FUND BALANCES	
Bond Premium	137,362
Total Liabilities	137,362
Fund balance - reserved	\$ 32,050
Total Fund Balances	32,050
Total Liabilities and Fund Balances	\$ 169,412

**CITY OF JACKSONVILLE
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE -
 DEBT SERVICE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Debt Service Fund</u>
Revenues	\$ -
Charges for services	-
Operating grants and contributions	6,463
Interest revenues	-
Tax revenues	-
Miscellaneous	-
Total Revenues	<u>6,463</u>
 Expenditures	
General	-
Public safety	-
Public works	-
Capital outlay	1,306,420
Debt service	<u>1,306,420</u>
Total Expenditures	<u>1,306,420</u>
 Excess Revenues over Expenditures	 (1,299,957)
 Other Financing Sources (Uses)	 1,304,111
Transfers in	-
Proceeds from long term debt	-
Escrow for Defeased Series 2013	-
Transfers out	-
Total Other Financing Sources (Uses)	<u>1,304,111</u>
 Excess (deficiency) of revenues over expenditures and other financing sources	 4,154
 Fund Balance, Beginning	 <u>27,896</u>
 Fund Balance, Ending	 <u>\$ 32,050</u>

**CITY OF JACKSONVILLE
SCHEDULE OF NET ASSETS - JACKSONVILLE WATER WORKS,
GAS & SEWER BOARD - COMPONENT UNIT
SEPTEMBER 30, 2018**

	2018
ASSETS	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 3,501,462
Accounts receivable (Net of \$2,116 allowance for doubtful accounts)	509,572
Unbilled revenue	205,510
Accrued interest	459
Prepaid expenses	53,297
Inventory - natural gas	176,283
Inventory - supplies	141,841
Total Current Assets	4,588,424
	3,891,547
<u>Restricted Assets</u>	
Total Restricted Assets	3,891,547
<u>Utility Plant and Equipment</u>	
Land and wells	79,224
Buildings and parking lot	694,158
Office equipment	335,094
Plants and systems	29,573,635
Tools and equipment	706,138
Vehicles	919,878
Construction in progress	5,241
Total Utility Plant in Service	32,313,368
Less: accumulated depreciation	(14,618,640)
Utility Plant and Equipment, Net	17,694,728
<u>Other Assets, Net</u>	
Bond issuance cost	22,244
Total Other Assets, Net	22,244
Total Assets	26,196,943
DEFERRED OUTFLOW OF RESOURCES	
Deferred loss on bond refunding	212,630
Total Assets and Deferred Outflows	\$ 26,409,573

CITY OF JACKSONVILLE
SCHEDULE OF NET ASSETS - JACKSONVILLE WATER WORKS,
GAS & SEWER BOARD - COMPONENT UNIT (Continued)
SEPTEMBER 30, 2018

	2018
LIABILITIES AND NET ASSETS	
<u>Current Liabilities</u>	
Accounts payable and accrued expenses	\$ 202,209
Due to other governments	95,320
Current portion of long-term debt	850,000
Total Current Liabilities	1,147,529
 <u>Liabilities of Restricted Funds</u>	
Customer meter deposits	326,855
Total Liabilities of Restricted Funds	326,855
 <u>Long-Term Liabilities</u>	
Accrued annual leave	49,923
Revenue bonds payable	17,225,000
Less: current portion of long-term debt	(850,000)
Less: discount on bonds payable	(13,892)
Total Long-Term Liabilities	16,411,031
 <u>Net Assets</u>	
Invested in capital assets, net of related debt	3,114,651
Restricted net assets	919,837
Unrestricted net assets	4,489,670
Total Net Assets	8,524,158
 Total Liabilities and Net Assets	 \$ 26,409,573

**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, 2018**

	2018
Operating Revenues	
Water revenues	\$ 1,473,529
Gas revenues	1,773,272
Sewer revenues	1,450,586
Installations	114,146
Miscellaneous income	<u>147,522</u>
Total Operating Revenues	4,959,055
 Operating Expenses	
Water department expenses	836,184
Sewer department expenses	833,202
Cost of natural gas sold	558,170
Gas department expenses and purchases	273,039
General and administrative expenses	799,788
Depreciation and amortization	<u>754,699</u>
Total Operating Expenses	<u>4,055,082</u>
 Net Operating Income	 903,973
 Non Operating Income and Expense	
Interest income	49,872
Interest expense	(410,470)
Loss on asset disposal	<u>(1,848,742)</u>
Total Non Operating Income and Expense	<u>(2,209,340)</u>
 Change in Net Assets	 (1,305,367)
 Net Assets, Beginning	 <u>9,829,525</u>
 Net Assets, Ending	 <u><u>\$ 8,524,158</u></u>

**CITY OF JACKSONVILLE
SCHEDULE OF CASH FLOWS - JACKSONVILLE WATER WORKS
GAS & SEWER BOARD - COMPONENT UNIT
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	2018
Cash Flows from Operating Activities:	
Cash received from customers	\$ 4,708,863
Cash paid to suppliers	(3,810,113)
Cash paid to employees	<u>(1,195,890)</u>
Net Cash Provided by Operating Activities	(297,140)
Cash Flows from Noncapital Financing Activities:	
Cash received from customers for utility deposits	<u>(200)</u>
Net Cash Provided by Noncapital Financing Activities	(200)
Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(1,198,321)
Principal paid on long-term debt	(800,000)
Interest paid on long-term debt	<u>(410,470)</u>
Net Cash Used by Capital and Related Financing Activities	(2,408,791)
Cash Flows from Investing Activities:	
Interest received on investments	<u>49,872</u>
Net Cash Provided by Investing Activities	<u>49,872</u>
Net Decrease in Cash and Cash Equivalents	(2,656,259)
Cash and Cash Equivalents, Beginning	<u>10,049,268</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 7,393,009</u></u>
Cash and cash equivalents	\$ 3,501,462
Restricted assets	<u>3,891,547</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 7,393,009</u></u>

CITY OF JACKSONVILLE
SCHEDULE OF CASH FLOWS - JACKSONVILLE WATER WORKS
GAS & SEWER BOARD - COMPONENT UNIT
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(CONTINUED)

	2018
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:	
Net operating income	\$ 903,973
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:	
Depreciation and amortization	754,699
Loss on disposal of plant assets	(1,848,741)
Changes in Assets/Liabilities:	
(Increase) decrease in inventory	(2,054)
(Increase) decrease in prepaid expenses	13,650
(Increase) decrease in accrued interest receivable	-
(Increase) decrease in customer receivables	(78,796)
(Increase) decrease in accounts payable	(44,634)
(Increase) decrease in due to other governments	(2,759)
(Increase) decrease in accrued annual leave	7,522
Net Cash Provided by Operating Activities	\$ (297,140)

CITY OF JACKSONVILLE, ALABAMA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 for the year ended September 30, 2018

Federal Agency/ Pass-through Agency/ Federal Program Title	Pass-Through Entity Identifying number	Federal CFDA Number	Total Federal Expenditures	Provided to Subrecipients
Department of Homeland Security (DHS) Federal Emergency Management Agency (FEMA)				
Pass-through from Alabama Emergency Management Agency (AEMA) Disaster Grants-Public Assistance (PA) Expenditures Pass-Through to sub-recipients	FEMA-4362-4-PA-AL	97.036	\$ 5,736,803	\$ 4,481,870
Fire SAFER grant	EMW-2015-FH-00554	97.083	134,399	
Subtotal Department of Homeland Security (DHS)			<u>5,871,202</u>	
General Services Administration Donations of Federal Surplus Property		39.003	31,300	
Subtotal General Services Administration (GSA)			<u>31,300</u>	
Total Federal Awards Expended			<u>\$ 5,902,502</u>	

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

CITY OF JACKSONVILLE, ALABAMA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2018

NOTE A—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Jacksonville under programs of the federal government for the year ended September 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Jacksonville it is not intended to and does not present the financial position, changes in net assets, or cash flows of City of Jacksonville.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C—INDIRECT COST RATE

The City of Jacksonville has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Edgar and Associates, LLC
Certified Public Accountants

606 Edgar Road, Glencoe, AL 35905
256.237.1773

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

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, 2018, 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 December 27, 2018.

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

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

Edgar and Associates, LLC

Glencoe, Alabama
December 27, 2018

Edgar and Associates, LLC
Certified Public Accountants

606 Edgar Road, Glencoe, AL 35905
256.237.1773

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Mayor and Council
City of Jacksonville
Jacksonville, Alabama

Report on Compliance for Each Major Federal Program

We have audited the City of Jacksonville, Alabama's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the City of Jacksonville, Alabama's major federal programs for the year ended September 30, 2018. The City of Jacksonville, Alabama's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Jacksonville, Alabama's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE-continued

referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Jacksonville, Alabama's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Jacksonville, Alabama's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Jacksonville, Alabama complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with the Uniform Guidance.

Report on Internal Control Over Compliance

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE-continued

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

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

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

Edgar and Associates, LLC

Glencoe, Alabama
December 27, 2018

**CITY OF JACKSONVILLE, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2018**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements:

Type of auditor’s report issued	Unmodified
Internal control over financial reporting: significant deficiencies identified	-No-
Non-compliance material to financial statements noted	-No-

Federal Awards:

Internal controls over major programs: significant deficiencies identified	-No-
Type of auditors’ report issued on compliance for major program	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	-No-

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
97.036	Public Assistance-Disaster Relief

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low- risk auditee -No-

**CITY OF JACKSONVILLE, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Current year audit findings:

None reported.

**CITY OF JACKSONVILLE, ALABAMA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
SEPTEMBER 30, 2018**

FINANCIAL STATEMENT FINDINGS

Prior Findings:

None reported.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Prior year audit findings:

None reported.