

**CITY OF JACKSONVILLE, ALABAMA**  
**AUDITED FINANCIAL STATEMENTS**  
**AND**  
**SUPPLEMENTAL INFORMATION**

**SEPTEMBER 30, 2011**

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**INTRODUCTORY SECTION**

## OFFICIALS OF THE CITY OF JACKSONVILLE

### City Council

Johnny L. Smith, Mayor  
George L. Areno  
Mark Jones  
Truman Norred  
Sandra F. Sudduth  
Derek Raulerson

### Finance Director

Rita Spruiell

### Other City Officials

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

**FINANCIAL SECTION**

*Edgar and Associates, LLC*  
*Certified Public Accountants*

218 East 12th Street, Anniston, AL 36207  
256.237.1773

**INDEPENDENT AUDITORS' REPORT**

February 28, 2012

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A- 133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. These financial statements are the responsibility of the City of Jacksonville, Alabama's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

## INDEPENDENT AUDITORS' REPORT – (Continued)

The financial statements referred to above include only the primary government of the City of Jacksonville, Alabama, which consists of all funds, organizations, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the City of Jacksonville, Alabama as of September 30, 2011, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information for the primary government of the City of Jacksonville, Alabama as of September 30, 2011, and the respective changes in financial position and, where applicable, cash flows, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2012, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

City of Jacksonville, Alabama has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements. The budgetary comparison information on page 30 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

## INDEPENDENT AUDITORS' REPORT – (Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jacksonville, Alabama's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Edgar and Associates, LLC*  
Anniston, Alabama

**CITY OF JACKSONVILLE  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2011**

	<b>Primary Government</b>	
	<b>Governmental Activities</b>	<b>Total</b>
<b>ASSETS</b>		
Cash	\$ 4,249,085	\$ 4,249,085
Investments	3,510,906	3,510,906
Receivables, net	776,833	776,833
Accrued interest	128	128
Prepaid expenses	113,568	113,568
Due from other governments	96,785	96,785
Inventories	19,266	19,266
Other assets	225,569	225,569
Capital assets, net	13,914,865	13,914,865
<b>Total Assets</b>	<b>\$ 22,907,005</b>	<b>\$ 22,907,005</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 320,951	\$ 320,951
Due to other governments	32,136	32,136
Accrued interest	15,110	15,110
Noncurrent liabilities:		
<i>Due within one year</i>		
Bonds and warrants payable	115,004	115,004
Capital leases payable	4,771	4,771
Compensated absences	395,385	395,385
<i>Due in more than one year</i>		
Bonds and warrants payable	4,213,137	4,213,137
Capital leases payable	-	-
Compensated absences	-	-
<b>Total Liabilities</b>	<b>5,096,494</b>	<b>5,096,494</b>
<b>NET ASSETS</b>		
Nonspendable	132,834	132,834
Committed	20,000	20,000
Invested in capital assets, net of debt	9,566,843	9,566,843
<i>Restricted for:</i>		
Debt service	164,335	164,335
Special revenues	612,059	612,059
<i>Unassigned, reported in:</i>		
General fund	7,670,466	7,670,466
Special revenues	(356,026)	(356,026)
<b>Total Net Assets</b>	<b>17,810,511</b>	<b>17,810,511</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 22,907,005</b>	<b>\$ 22,907,005</b>

**CITY OF JACKSONVILLE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Activities:						
Governmental	\$ 2,368,834	\$ 8	\$ 60,000	\$ -	\$ (2,308,826)	\$ (2,308,826)
Public protection:						
Police	1,809,321	2,462	7,918	-	(1,798,941)	(1,798,941)
Fire	1,921,378	4	149,630	-	(1,771,744)	(1,771,744)
Other	38,707	910,338	250	301,157	871,881	871,881
Public works	1,635,000	781,591	-	15,000	(552,252)	(552,252)
Recreational	1,958,567	372,606	124,294	-	(1,446,667)	(1,446,667)
Health and social services	294,538	-	9,877	-	(284,661)	(284,661)
Other boards and agencies	298,407	-	-	-	(298,407)	(298,407)
Depreciation expense, net	1,238,503	-	-	-	(1,238,503)	(1,238,503)
Interest and fiscal charges	177,209	-	-	-	(177,209)	(177,209)
Total Governmental Activities	11,740,464	2,067,009	351,969	316,157	(9,005,329)	(9,005,329)
Total City	\$ 11,740,464	\$ 2,067,009	\$ 351,969	\$ 316,157	(9,005,329)	(9,005,329)
General Revenues:						
Taxes:						
Sales, property, other for general purposes					7,280,730	7,280,730
General business licenses and permits					1,259,727	1,259,727
Other general state shared revenues					-	-
Miscellaneous income					102,140	102,140
Interest income					48,683	48,683
Total General Revenues					8,691,280	8,691,280
Change in Net Assets					(314,049)	(314,049)
Net Assets, Beginning					18,124,560	18,124,560
Net Assets, Ending					\$ 17,810,511	\$ 17,810,511

**CITY OF JACKSONVILLE  
BALANCE SHEETS - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2011**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
<b><u>Current Assets</u></b>			
Cash	\$ 3,612,299	\$ 636,786	\$ 4,249,085
Investments	3,510,906	-	3,510,906
Receivables, net	772,629	4,204	776,833
Accrued interest	128	-	128
Prepaid expenses	113,568	-	113,568
Due from other funds	341,681	2,417	344,098
Due from other governments	87,346	9,439	96,785
Inventories	19,266	-	19,266
Other assets	84,305	141,264	225,569
<b>Total Current Assets</b>	<b>8,542,128</b>	<b>794,110</b>	<b>9,336,238</b>
<b><u>Noncurrent Assets</u></b>			
Investments	-	-	-
<b>Total Noncurrent Assets</b>	-	-	-
<b>Total Assets</b>	<b>\$ 8,542,128</b>	<b>\$ 794,110</b>	<b>\$ 9,336,238</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 305,719	\$ 15,232	\$ 320,951
Due to other funds	2,417	341,681	344,098
Due to other governments	15,307	16,829	32,136
<b>Total Liabilities</b>	<b>323,443</b>	<b>373,742</b>	<b>697,185</b>
<b>FUND BALANCES</b>			
Nonspendable			
Committed	20,000		20,000
<i>Restricted for:</i>			
Debt service fund	-	164,335	164,335
Special revenue funds	-	612,059	612,059
<i>Unassigned for:</i>			
General fund	8,198,685	-	8,198,685
Special revenue funds	-	(356,026)	(356,026)
<b>Total Fund Balances</b>	<b>8,218,685</b>	<b>420,368</b>	<b>8,639,053</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,542,128</b>	<b>\$ 794,110</b>	<b>\$ 9,336,238</b>

**CITY OF JACKSONVILLE**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2011**

Total fund balances for governmental funds \$ 8,639,053

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

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

Governmental capital assets	45,573,777	
Less: Accumulated depreciation	<u>(31,658,912)</u>	
Total Capital Assets		13,914,865

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 assets.

Accrued interest	(15,110)	
Bonds and warrants payable	(4,328,141)	
Capital leases payable	(4,771)	
Compensated absences	<u>(395,385)</u>	
		<u>(4,743,407)</u>

Net assets of governmental activities \$ 17,810,511

**CITY OF JACKSONVILLE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**OF GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Taxes	\$ 7,163,118	\$ 117,612	\$ 7,280,730
Licenses and permits	1,259,727	-	1,259,727
Charges for services	1,418,761	77,843	1,496,604
Fines and forfeitures	570,405	-	570,405
Operating grants and contributions	244,013	107,956	351,969
Capital grants and contributions	316,157	-	316,157
Interest	48,467	216	48,683
Miscellaneous	102,140	-	102,140
Total Revenues	<u>11,122,788</u>	<u>303,627</u>	<u>11,426,415</u>
<b>Expenditures</b>			
General government	2,219,772	136,648	2,356,420
Public safety	3,727,433	-	3,727,433
Public works	1,468,777	154,209	1,622,986
Health and social services	298,407	-	298,407
Culture and recreation	1,895,426	-	1,895,426
Other boards and agencies	289,456	-	289,456
Capital expenditures	1,028,291	7,262	1,035,553
Debt service:			
Principal	-	115,339	115,339
Interest and fees	-	177,920	177,920
Total Expenditures	<u>10,927,562</u>	<u>591,378</u>	<u>11,518,940</u>
Excess Revenues Over (Under) Expenditures	195,226	(287,751)	(92,525)
<b>Other Financing Sources (Uses)</b>			
Operating transfers in	-	287,821	287,821
Operating transfers out	(287,821)	-	(287,821)
Total Other Financing Sources (Uses)	<u>(287,821)</u>	<u>287,821</u>	<u>-</u>
Net Change in Fund Balance	(92,595)	70	(92,525)
<b>Fund Balance, Beginning</b>	<u>8,311,280</u>	<u>420,298</u>	<u>8,731,578</u>
<b>Fund Balance, Ending</b>	<u>\$ 8,218,685</u>	<u>\$ 420,368</u>	<u>\$ 8,639,053</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, 2011**

Net change in fund balances total governmental funds \$ (92,525)

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

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

Expenditures for capital assets	984,242	
Less: Current year depreciation, net	<u>(1,238,503)</u>	(254,261)

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		711
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Bond proceeds provide current financial resources to governmental funds, but the repayment reduces long-term liabilities in the statement of assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Net Change in long-term debt from bond proceeds, defeasance payment of principal, and change in compensated absences		<u>32,026</u>
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Change in net assets of governmental activities		<u>\$ (314,049)</u>
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**CITY OF JACKSONVILLE  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

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

**Reporting Entity**

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

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

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

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

**CITY OF JACKSONVILLE  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**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 2011 the City appropriated \$450 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 assets 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, 2011**

**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, 2011**

**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 610, Investment Policy, on November 25, 1996, which further classifies funds, defines their objectives, specifies maturities, and assigns authority and responsibility for the investment of funds.

**Interfund Receivables and Payables**

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

**Inventories**

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

**Other Assets**

Other assets totaling \$84,305 involve the capital contribution of the municipality for its membership in the Alabama Municipal Insurance Corporation. This money is held in an escrow account at Union Bank and Trust Company in Montgomery, Alabama. The remaining \$141,264 consists of bond issuance discount and issuance costs. These will 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, 2011**

**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, 2011**

**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 service. The accumulated value of annual and sick leave as of September 30, 2011 is \$395,385.

**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, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

**Fund Equity**

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

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

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

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

**CITY OF JACKSONVILLE  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

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

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

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

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

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

**Interfund Transactions**

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

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

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

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.

**CITY OF JACKSONVILLE  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

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

**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 assets of governmental activities as reported in the government-wide statement of activities.

**NOTE C – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Accounting**

The annual budget for the City is adopted on a basis consistent with generally accepted accounting principles. The fiscal year is a twelve-month period beginning October 1. The annual budget includes all general revenues and expenditures. The City adopted the annual budget for the year ending September 30, 2011; however, throughout the year, the Council amends the budget as needed. The budgeted amounts in this report are as originally budgeted as of September 30, 2011.

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, 2011, the carrying amount of the City's cash was \$4,249,085. 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

**CITY OF JACKSONVILLE  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE D – CASH AND INVESTMENTS – Continued**

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

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

- Category 1* Deposits which are insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2* Deposits which are collateralized with securities held by the pledging financial institutions trust department or agent in the City's name.
- Category 3* Deposits which are not collateralized or insured.

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

Investments consist of funds with a maturity date greater than three months. All of the investments that have a maturity date of one year or less are current, and investments that have a maturity date greater than a year are considered noncurrent. At September 30, 2011, the City's investments consisted of \$3,510,906 in Certificates of Deposit and securities invested in certificates of deposit.

**NOTE E – RECEIVABLES**

**Accounts Receivable**

Receivables as of September 30, 2011 are as follows:

Alatax receivable	\$ 500,954
Ambulance service receivables, net	150,315
Miscellaneous receivables	<u>125,564</u>
	<u>\$ 776,833</u>

**CITY OF JACKSONVILLE  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE E – RECEIVABLES – Continued**

**Accounts Receivable – Continued**

Ambulance receivables are shown net of allowance for doubtful accounts. The allowance for doubtful accounts is \$21,108. Bad debt expense in the general fund was \$61,983.

**Due From Other Governments**

Due from other governments at September 30, 2011 was \$96,785 and consists of taxes and grants due to the City from other governmental entities.

**Outstanding Warrants**

Outstanding warrants have not been recorded on the books of the City. The warrants consist of all outstanding payments due the City from individuals. The amount of collectible warrants is undeterminable at this time. The total outstanding warrants at September 30, 2011 were \$339,264.

**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	\$ 58,272
Prepaid Gen Liability Insurance	14,749
Prepaid fixed asset	9,710
Prepaid other contract services	<u>30,837</u>
	\$ <u>113,568</u>

**CITY OF JACKSONVILLE  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE G – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2011 was as follows:

<u>Capital Assets</u>	<u>Balance at 9/30/10</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 9/30/11</u>
Non-depreciable assets				
Land	\$ 445,077	\$ 29,000	\$ -	\$ 474,077
Construction in progress	533,127	-	-	533,127
Total non-deprec. assets	978,204	29,000	-	1,007,204
Depreciable assets				
Land improvements	644,554	-	-	644,554
Bldgs and improvements	8,666,304	502,097	-	9,168,401
Furniture and fixtures	232,571	14,018	-	246,589
Machinery and equipment	3,204,245	95,618	-	3,299,863
Vehicles	2,548,685	223,802	(43,048)	2,729,439
Infrastructure	28,358,021	119,706	-	28,477,727
Total deprec. assets	43,654,380	955,242	(43,048)	44,566,574
Total assets	44,632,584	984,242	(43,048)	45,573,778
Less:				
Accumulated depreciation	(30,463,458)	(1,238,503)	43,048	(31,658,913)
Capital Assets, net	\$ 14,169,126	\$ (254,261)	\$ -	\$ 13,914,865

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, 2011 was \$1,238,503 and is shown as a separate line item on the Statement of Activities.

**CITY OF JACKSONVILLE  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE H – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Payables at September 30, 2011 consist of the following

	<b>2011</b>
Accrued salaries	\$ 61,220
Cash bonds	11,115
Payroll liabilities	13,142
Performance bonds	2,000
Accounts payable	233,474
	\$ 320,951

**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, 2011 is as follows:

	<b>Interfund Payables</b>	<b>Interfund Receivables</b>
<b>General Fund</b>		
Due from Special Revenue – Inert Landfill	\$ -	\$ 261,918
Due from Special Revenue – RSVP Local	-	77,142
Due to Special Revenue – RSVP Federal	2,417	-
Due from Special Revenue – RSVP State	-	2,621
Total General Fund	2,417	341,681
<b>Special Revenue Funds</b>		
RSVP Federal – Due from GF	-	2,417
RSVP Local – Due to GF	77,142	-
RSVP State – Due to GF	2,621	-
Inert Landfill Fund – Due to GF	261,918	-
Total Special Revenue Funds	341,681	2,417
Total Interfund Payables / Receivables	\$ 344,098	\$ 344,098

**CITY OF JACKSONVILLE  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**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, 2011 is as follows:

	<b>Transfers In</b>	<b>Transfers Out</b>
<b>General Fund</b>		
Debt Service	\$ -	\$ 287,821
Total General Fund	-	287,821
 <b>Special Revenue Funds</b>		
Debt Service Fund – from GF	287,821	-
Total Special Revenue Funds	287,821	-
 Total Interfund Transfers	\$ 287,821	\$ 287,821

**NOTE J – LONG-TERM DEBT**

**Bonds and Warrants**

The City issued 2007 Series General Obligation Bonds for refunding of the 2000 A bond issues in May 2007. The bonds are direct obligations of the City, and the full faith and credit of the City is pledged against the bonds. The bond outstanding at September 30, 2011 were the 2007 Series General Obligation Warrants, due semi-annually at rates ranging from 3.50% - 4.15% per annum, maturing September 1, 2036. The balance at September 30, 2011 was \$4,285,000.

**CITY OF JACKSONVILLE  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE J – LONG-TERM DEBT – Continued**

**Bonds and Warrants – Continued**

On July 24, 2000, the City Council approved participation with the East Central Alabama Industrial Development Authority along with nine other cities and four counties. The Authority issued \$15,475,000 of Special Obligation Bonds to provide infrastructure for the Honda plant located at Lincoln, Alabama. First Commercial Bank administers the bond agreement (Honda Funding Agreement). The City agreed to make annual payments of principal and interest on February 1 of each year beginning 2001 and ending 2015 of \$182,480 with each annual payment approximating \$12,150. The balance at September 30, 2011 was \$43,141.

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

The debt activity for the governmental activities of the City for the year ended September 30, 2011 is as follows:

	<u>Beginning Balance 10/1/10</u>	<u>Loan Proceeds</u>	<u>Principal Paid</u>	<u>Ending Balance 9/30/11</u>	<u>Interest Paid</u>
<b><u>BONDS AND WARRANTS</u></b>					
Series 2000B Bond Issue	\$ -	\$ -	\$ -	\$ -	\$ -
Series 2007 Bond Issue	4,385,000	-	(100,000)	4,285,000	175,782
2001 Honda Bond	52,665	-	(9,524)	43,141	2,432
Total Bonds and Warrants	<u>4,437,665</u>	<u>-</u>	<u>(109,524)</u>	<u>4,328,141</u>	<u>178,214</u>
<b><u>CAPITAL LEASES</u></b>					
Berney Office Solutions	10,586	-	(5,815)	4,771	207
Total Capital Leases	<u>10,586</u>	<u>-</u>	<u>(5,815)</u>	<u>4,771</u>	<u>207</u>
<b>Total</b>	<b>\$ <u>4,448,251</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>(115,339)</u></b>	<b>\$ <u>4,332,912</u></b>	<b>\$ <u>178,421</u></b>

**CITY OF JACKSONVILLE  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE J – LONG-TERM DEBT – Continued**

**Bonds and Warrants – Continued**

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

<u>Fiscal Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 115,004	\$ 173,940	\$ 288,944
2013	115,518	169,240	284,758
2014	126,023	164,513	290,536
2015	126,596	159,765	286,361
2016	120,000	152,710	272,710
2017-2021	675,000	703,290	1,378,290
2022-2026	830,000	558,700	1,388,700
2027-2031	995,000	379,315	1,374,315
2032-2036	1,225,000	535,865	1,760,865
<b>Total</b>	<b>\$ 4,328,141</b>	<b>\$ 2,997,338</b>	<b>\$ 7,325,479</b>

**Capital Leases**

On July 2009, the City entered into a lease-purchase agreement with Berney Office Solutions for the purchase of two copiers in the amount of \$17,067 for 36 months with payments of \$553 at 5.0% per annum, due monthly. The balance at September 30, 2011 was \$4,771.

**CITY OF JACKSONVILLE  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE J – LONG-TERM DEBT – Continued**

**Capital Leases – Continued**

The principal maturities and related interest requirements for the capital leases are as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 4,771	\$ 207	\$ 4,978
Total	\$ 4,771	\$ 207	\$ 4,978

**NOTE K – RETIREMENT**

**Plan Description**

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

**CITY OF JACKSONVILLE  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE K – RETIREMENT – Continued**

The Employees' Retirement Systems was established as of October 1, 1945 under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for state employees, state police and on an elective basis to all cities, counties, towns and quasi-public organizations. The responsibility for general administration and operation of the Employees' Retirement Systems is vested in the City of Jacksonville, Alabama. Benefit provisions are established by the Code of Alabama 1975, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 3627B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Employees' Retirement System Board authority to accept or reject various Cost-Of-Living Adjustments (COLAs) granted to retirees.

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

The following schedule is based on the actuarial valuation as of September 30, 2008 (most recent information available) as provided by the Employees' Retirement System of Alabama:

**Summary of Employee Census Data  
Rates Effective October 1, 2012**

Number of active members:	176
Annual compensation:	\$ 5,504,678
Number of retired members and beneficiaries:	52
Annual retirement allowances:	\$ 786,074

**Required Employer Contribution Rates**

Normal cost	4.48%
Accrued liability	4.30%
Pre-retirement death benefit	0.15%
Administrative expense	0.18%
Total	9.11%
5% Employer contribution factor (9.11%/5%)	1.822
6% Employer contribution factor (9.11%/6%)	1.518

**CITY OF JACKSONVILLE  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE K – RETIREMENT – Continued**

**Trend Information**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
9/30/2008	\$ 353,223	100.0%	\$0
9/30/2009	\$ 344,475	100.0%	\$0
9/30/2010	\$ 387,138	100.0%	\$0

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b) <sup>1</sup>	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a) / c)
9/30/2005	\$ 12,125,178	\$ 13,278,934	\$ 1,153,756	91.3%	4,713,718	24.5%
9/30/2006 <sup>2</sup>	\$ 12,908,004	\$ 14,597,839	\$ 1,689,835	88.4%	5,077,310	33.3%
9/30/2007	\$ 13,955,981	\$ 15,909,540	\$ 1,953,559	87.7%	5,113,438	38.2%
9/30/2008	\$ 14,484,542	\$ 17,386,485	\$ 2,901,943	83.3%	5,671,207	51.2%
9/30/2009	\$ 14,187,922	\$ 17,693,362	\$ 3,505,440	80.2%	5,537,652	63.3%
9/30/2010 <sup>3</sup>	\$ 14,140,870	\$ 18,717,056	\$ 4,576,186	75.6%	5,504,678	83.1%
9/30/2010 <sup>4</sup>	\$ 14,140,870	\$ 18,773,723	\$ 4,632,853	75.3%	\$ 5,504,678	84.2%

1. Reflects effect liability for cost of living benefit increases granted on or after October 1, 1978
  2. Reflects changes in actuarial assumptions.
  3. Reflects impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011.
  4. Reflects the impact of Act 2011-27 as well as Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012.
- \* Market value of assets as of September 30, 2010: \$11,756,537

The valuation was prepared using the entry age normal actuarial cost method. An interest rate and projected salary increases of 4.61-7.75% were used for all purposes, together with other actuarial assumptions based on the experience of the system. Since the previous valuation, there have been no amendments to the system affecting the valuation. Actuarial gains and losses are reflected in the unfunded actuarial accrued liability, which is being amortized over a twenty-year period. The retirement plan is included in the financial report of the Retirement Systems of Alabama. Copies of this report may be obtained from the Retirement Systems of Alabama, P.O. Box 302150, Montgomery, AL 36130-2150.

**CITY OF JACKSONVILLE  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE K – RETIREMENT – Continued**

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

**NOTE L – RISK MANAGEMENT**

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

**NOTE M – COMMITMENTS AND CONTINGENCIES**

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

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

**CITY OF JACKSONVILLE  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**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.

**NOTE N – CLOSURE AND POST CLOSURE COST**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF JACKSONVILLE  
SCHEDULE OF REVENUES AND EXPENDITURES -  
GENERAL FUND BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
<b>REVENUES</b>			
Taxes	\$ 6,889,242	\$ 7,163,118	\$ 273,876
Licenses and permits	1,227,500	1,259,727	32,227
Fines and forfeitures	652,150	570,405	(81,745)
Charges for services	1,432,062	1,418,761	(13,301)
Grants and contributions	145,800	560,170	414,370
Interest	74,447	48,467	(25,980)
Miscellaneous revenues	71,000	102,140	31,140
Total Revenues	<u>10,492,201</u>	<u>11,122,788</u>	<u>630,587</u>
<b>EXPENDITURES</b>			
General government	2,217,696	2,219,772	(2,076)
Public safety	3,739,226	3,727,433	11,793
Street	1,546,799	1,468,777	78,022
Sanitation	-	-	-
Health and social services	282,907	298,407	(15,500)
Culture and recreation	1,865,024	1,895,426	(30,402)
Education	278,523	289,456	(10,933)
Capital expenditures	617,600	1,028,291	(410,691)
Total Expenditures	<u>10,547,775</u>	<u>10,927,562</u>	<u>(379,787)</u>
Excess of Revenues Over (Under) Expenditures	(55,574)	195,226	250,800
<b>Other Financing Sources (Uses):</b>			
Operating transfers in	-	-	-
Operating transfers out	-	(287,821)	(287,821)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(287,821)</u>	<u>(287,821)</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (55,574)</u>	<u>\$ (92,595)</u>	<u>\$ (37,021)</u>

*Edgar and Associates, LLC*  
*Certified Public Accountants*

218 East 12th Street, Anniston, AL 36207  
256.237.1773

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

Honorable Mayor and City Council  
City of Jacksonville, Alabama

We have audited 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, 2011, which collectively comprise the City of Jacksonville, Alabama's basic financial statements and have issued our report thereon dated February 28, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Jacksonville, Alabama's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Jacksonville, Alabama's internal control over financial reporting.

*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.

**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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Jacksonville, Alabama's financial statements are free of 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*.

**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**

We noted certain matters that we reported to management of City of Jacksonville, Alabama in a separate letter dated February 28, 2012.

This report is intended solely for the information and use of management, City Council, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Edgar and Associates, LLC*

Anniston, Alabama  
February 28, 2012

*Edgar and Associates, LLC*  
*Certified Public Accountants*

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

Honorable Mayor and City Council  
City of Jacksonville, Alabama

Compliance

We have audited the City of Jacksonville, Alabama's compliance with the types of compliance requirements described in the OMB Circular A-133 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, 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Jacksonville, Alabama's management. Our responsibility is to express an opinion on the City of Jacksonville, Alabama's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City 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 with those requirements.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133 – Continued**

In our opinion, the City of Jacksonville, Alabama complied, in all material respects, with the 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, 2011.

The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

Management of the City of Jacksonville, Alabama is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Jacksonville, Alabama's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance to OMB Circular A-133, 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.

*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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133 – Continued**

This report is intended solely for the information and use of management, the Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Edgar and Associates, LLC*

Anniston, Alabama  
February 28, 2012

**CITY OF JACKSONVILLE, ALABAMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SEPTEMBER 30, 2011**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements:**

Type of auditor's report issued	Unqualified
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	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section 510(a)	-No-

**Identification of Major Programs:**

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.205	Chief Ladiga Trail Resurfacing
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low- risk auditee	-No-

**CITY OF JACKSONVILLE, ALABAMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SEPTEMBER 30, 2011**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Current year audit findings:**

None reported.

**CITY OF JACKSONVILLE  
SUMMARY SCHEDULE OF PRIOR FINDINGS AND RECOMMENDATIONS  
SEPTEMBER 30, 2011**

**FINANCIAL STATEMENT FINDINGS**

**Prior Findings:**

None reported.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Prior year audit findings:**

None reported.

**SUPPLEMENTAL INFORMATION**

**CITY OF JACKSONVILLE  
COMBINING BALANCE SHEETS -  
NONMAJOR GOVERNMENTAL FUNDS (BY FUND TYPES)  
SEPTEMBER 30, 2011**

	<b>Special Revenue Funds</b>	<b>Debt Service Fund</b>	<b>Total Other Governmental Funds</b>
<b>ASSETS</b>			
Cash	\$ 613,715	\$ 23,071	\$ 636,786
Receivables, net	4,204	-	4,204
Other assets	-	141,264	141,264
Due from other funds	2,417	-	2,417
Due from other governments	9,439	-	9,439
<b>Total Assets</b>	<b><u>\$ 629,775</u></b>	<b><u>\$ 164,335</u></b>	<b><u>\$ 794,110</u></b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 15,232	\$ -	\$ 15,232
Due to other funds	341,681	-	341,681
Due to other governments	16,829	-	16,829
<b>Total Liabilities</b>	<b><u>373,742</u></b>	<b><u>-</u></b>	<b><u>373,742</u></b>
<b>FUND BALANCES</b>			
Nonspendable			
Restricted	-	164,335	164,335
Special revenue funds	612,059	-	612,059
Unassigned			
Special revenue funds	(356,026)	-	(356,026)
<b>Total Fund Balances</b>	<b><u>256,033</u></b>	<b><u>164,335</u></b>	<b><u>420,368</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 629,775</u></b>	<b><u>\$ 164,335</u></b>	<b><u>\$ 794,110</u></b>

**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, 2011**

	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Total Other Governmental Funds</u>
<b>Revenues</b>			
Charges for services	\$ 77,843	\$ -	\$ 77,843
Operating grants and contributions	107,956	-	107,956
Capital grants and contributions	-	-	-
Interest revenues	213	3	216
Tax revenues	117,612	-	117,612
Miscellaneous	-	-	-
<b>Total Revenues</b>	<u>303,624</u>	<u>3</u>	<u>303,627</u>
<b>Expenditures</b>			
General	136,648	-	136,648
Public safety	-	-	-
Public works	154,209	-	154,209
Capital outlay	7,262	-	7,262
Debt service	-	293,259	293,259
<b>Total Expenditures</b>	<u>298,119</u>	<u>293,259</u>	<u>591,378</u>
Excess Expenditures over Revenues	5,505	(293,256)	(287,751)
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	287,821	287,821
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>287,821</u>	<u>287,821</u>
Excess (deficiency) of revenues over expenditures and other financing sources	5,505	(5,435)	70
<b>Fund Balance, Beginning</b>	<u>250,528</u>	<u>169,770</u>	<u>420,298</u>
<b>Fund Balance, Ending</b>	<u>\$ 256,033</u>	<u>\$ 164,335</u>	<u>\$ 420,368</u>

CITY OF JACKSONVILLE  
 COMBINING BALANCE SHEETS -  
 SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2011

	4 & 5 cent Gasoline Tax	7 cent Gasoline Tax	Inert Landfill
<b>ASSETS</b>			
Cash	\$ 230,904	\$ 369,699	\$ 6,920
Accounts receivable	-	-	4,204
Due from other funds	-	-	-
Due from other governments	4,235	5,204	-
<b>Total Assets</b>	\$ 235,139	\$ 374,903	\$ 11,124
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	-	-	1,076
Due to other funds	-	-	261,918
Due to other governments	-	-	16,829
<b>Total Liabilities</b>	-	-	279,823
<b>FUND BALANCES</b>			
Fund balance - nonspendable	-	-	-
Fund balance - restricted	235,139	374,903	-
Fund balance - unassigned	-	-	(268,699)
<b>Total Fund Balance</b>	235,139	374,903	(268,699)
<b>Total Liabilities and Fund Balances</b>	\$ 235,139	\$ 374,903	\$ 11,124

CITY OF JACKSONVILLE  
 COMBINING BALANCE SHEETS -  
 SPECIAL REVENUE FUNDS (Continued)  
 SEPTEMBER 30, 2011

	Retired Senior Volunteer Program (Federal)	Retired Senior Volunteer Program (State)	Retired Senior Volunteer Program (Local)	Total
<b>ASSETS</b>				
Cash	\$ 548	\$ 2,874	\$ 2,770	\$ 613,715
Accounts receivable	-	-	-	4,204
Due from other funds	2,417	-	-	2,417
Due from other governments	-	-	-	9,439
<b>Total Assets</b>	<u>\$ 2,965</u>	<u>\$ 2,874</u>	<u>\$ 2,770</u>	<u>\$ 629,775</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 1,201	\$ -	\$ 12,955	\$ 15,232
Due to other funds	-	2,621	77,142	341,681
Due to other governments	-	-	-	16,829
<b>Total Liabilities</b>	<u>1,201</u>	<u>2,621</u>	<u>90,097</u>	<u>373,742</u>
<b>FUND BALANCES</b>				
Fund balance - nonspendable	1,764	253	-	612,059
Fund balance - restricted	-	-	(87,327)	(356,026)
Fund balance - unassigned	1,764	253	(87,327)	256,033
<b>Total Fund Balance</b>	<u>1,764</u>	<u>253</u>	<u>(87,327)</u>	<u>256,033</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,965</u>	<u>\$ 2,874</u>	<u>\$ 2,770</u>	<u>\$ 629,775</u>

**CITY OF JACKSONVILLE**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	4 & 5 cent Gasoline Tax	7 cent Gasoline Tax	Inert Landfill
<b>Revenues</b>			
Charges for services	\$ -	\$ -	\$ 77,843
Operating grants and contributions	-	-	-
Capital grants and contributions	76	123	7
Interest revenues	53,050	64,562	-
Tax revenues	-	-	-
Miscellaneous	53,126	64,685	77,850
<b>Total Revenues</b>	<b>106,252</b>	<b>129,270</b>	<b>155,700</b>
<b>Expenditures</b>			
General	-	-	-
Public safety	-	-	-
Public works	-	-	154,209
Capital outlay	6,000	-	-
Total Expenditures	6,000	-	154,209
<b>Excess Revenues Over (Under) Expenditures</b>	<b>100,252</b>	<b>129,270</b>	<b>(76,359)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Sources (Uses)	-	-	-
<b>Excess Revenues and Other Sources over (under) Expenditures</b>	<b>100,252</b>	<b>129,270</b>	<b>(76,359)</b>
<b>Fund Balance, Beginning</b>	<b>188,013</b>	<b>310,218</b>	<b>(192,340)</b>
<b>Fund Balance, Ending</b>	<b>\$ 235,139</b>	<b>\$ 374,903</b>	<b>\$ (268,699)</b>

CITY OF JACKSONVILLE  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS (continued)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Retired Senior Volunteer Program (Federal)	Retired Senior Volunteer Program (State)	Retired Senior Volunteer Program (Local)	Total
<b>Revenues</b>				
Charges for services	\$ -	\$ -	\$ -	\$ 77,843
Operating grants and contributions	57,556	18,700	31,700	107,956
Capital grants and contributions	-	-	-	-
Interest revenues	3	1	3	213
Tax revenues	-	-	-	117,612
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<u>57,559</u>	<u>18,701</u>	<u>31,703</u>	<u>303,624</u>
<b>Expenditures</b>				
General	51,493	18,488	66,667	136,648
Public safety	-	-	-	-
Public works	-	-	-	154,209
Capital outlay	-	-	1,262	7,262
<b>Total Expenditures</b>	<u>51,493</u>	<u>18,488</u>	<u>67,929</u>	<u>298,119</u>
Excess Revenues Over (Under) Expenditures	6,066	213	(36,226)	5,505
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess Revenues and Other Sources over (under) Expenditures	6,066	213	(36,226)	5,505
<b>Fund Balance, Beginning</b>	<u>(4,302)</u>	<u>40</u>	<u>(51,101)</u>	<u>250,528</u>
<b>Fund Balance, Ending</b>	<u>\$ 1,764</u>	<u>\$ 253</u>	<u>\$ (87,327)</u>	<u>\$ 256,033</u>

**CITY OF JACKSONVILLE  
 COMBINING BALANCE SHEET -  
 DEBT SERVICE FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011**

		<b>Debt Service Fund</b>
<b>ASSETS</b>		
Cash	\$	23,071
Bond issuance discount		37,829
Bond issuance costs		103,435
<b>Total Assets</b>	<b>\$</b>	<b><u>164,335</u></b>
<b>LIABILITIES AND FUND BALANCES</b>		
Fund balance - reserved	\$	<u>164,335</u>
<b>Total Fund Balances</b>		<u>164,335</u>
<b>Total Liabilities and Fund Balances</b>	<b>\$</b>	<b><u>164,335</u></b>

**CITY OF JACKSONVILLE  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE -  
 DEBT SERVICE FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<b>Debt Service Fund</b>
<b>Revenues</b>	
Charges for services	\$ -
Operating grants and contributions	-
Interest revenues	3
Tax revenues	-
Miscellaneous	-
Total Revenues	3
<b>Expenditures</b>	
General	-
Public safety	-
Public works	-
Capital outlay	-
Debt service	293,259
Total Expenditures	293,259
Excess Revenues over Expenditures	(293,256)
<b>Other Financing Sources (Uses)</b>	
Transfers in	287,821
Transfers out	-
Total Other Financing Sources (Uses)	287,821
Excess (deficiency) of revenues over expenditures and other financing sources	(5,435)
<b>Fund Balance, Beginning</b>	169,770
<b>Fund Balance, Ending</b>	\$ 164,335

CITY OF JACKSONVILLE  
 SCHEDULE OF NET ASSETS - JACKSONVILLE WATER WORKS,  
 GAS & SEWER BOARD - COMPONENT UNIT  
 SEPTEMBER 30, 2011

	2011
<b>ASSETS</b>	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 3,135,282
Accounts receivable (Net of \$451,957 and \$2,248 allowance for doubtful accounts)	449,709
Unbilled revenue	219,660
Accrued interest	637
Prepaid expenses	46,049
Inventory - natural gas	261,533
Inventory - supplies	130,143
<b>Total Current Assets</b>	<b>4,243,013</b>
<u>Restricted Assets</u>	3,669,214
<b>Total Restricted Assets</b>	<b>3,669,214</b>
<u>Utility Plant and Equipment</u>	
Land and wells	66,442
Buildings and parking lot	675,720
Office equipment	377,384
Plants and systems	19,656,059
Tools and equipment	479,151
Vehicles	832,774
Construction in progress	6,599
Total Utility Plant in Service	22,094,129
Less: accumulated depreciation	(11,351,805)
<b>Utility Plant and Equipment, Net</b>	<b>10,742,324</b>
<u>Other Assets, Net</u>	
Bond issuance cost and discount	636,414
<b>Total Other Assets</b>	<b>636,414</b>
<b>Total Assets</b>	<b>\$ 19,290,965</b>

CITY OF JACKSONVILLE  
 SCHEDULE OF NET ASSETS - JACKSONVILLE WATER WORKS,  
 GAS & SEWER BOARD - COMPONENT UNIT (Continued)  
 SEPTEMBER 30, 2011

	2011
<b>LIABILITIES AND NET ASSETS</b>	
<u>Current Liabilities</u>	
Accounts payable and accrued expenses	\$ 368,471
Due to other governments	85,213
Current portion of long-term debt	240,000
<b>Total Current Liabilities</b>	<b>693,684</b>
 <u>Liabilities of Restricted Funds</u>	
Customer meter deposits	300,106
<b>Total Liabilities of Restricted Funds</b>	<b>300,106</b>
 <u>Long-Term Liabilities</u>	
Accrued annual leave	53,404
Revenue bonds payable	9,100,000
Less : current portion of long-term debt	(240,000)
<b>Total Long-Term Liabilities</b>	<b>8,913,404</b>
 <u>Net Assets</u>	
Invested in capital assets, net of related debt	4,122,794
Restricted net assets	888,633
Unrestricted net assets	4,372,344
<b>Total Net Assets</b>	<b>9,383,771</b>
 <b>Total Liabilities and Net Assets</b>	 <b>\$ 19,290,965</b>

**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, 2011**

	<b>2011</b>
<b>Operating Revenues</b>	
Water revenues	\$ 1,444,947
Gas revenues	2,447,947
Sewer revenues	852,195
Installations	809,772
Miscellaneous income	71,450
Total Operating Revenues	5,626,311
<b>Operating Expenses</b>	
Water department expenses	711,802
Sewer department expenses	806,311
Cost of natural gas sold	942,605
Gas department expenses and purchases	207,055
General and administrative expenses	769,305
Depreciation and amortization	737,658
Total Operating Expenses	4,174,736
<b>Net Operating Income</b>	1,451,575
<b>Non Operating Income and Expense</b>	
Interest income	50,360
Interest expense	(354,612)
Total Non Operating Income and Expense	(304,252)
<b>Change in Net Assets</b>	1,147,323
<b>Net Assets, Beginning</b>	8,236,448
<b>Net Assets, Ending</b>	\$ 9,383,771

**WATER WORKS, GAS & SEWER BOARD  
CITY OF JACKSONVILLE, ALABAMA  
SCHEDULE OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<b>2011</b>
<b>Cash Flows from Operating Activities:</b>	
Cash received from customers	\$ 5,525,542
Cash received from grant	-
Cash paid to suppliers	(2,152,041)
Cash paid to employees	(1,192,208)
Net Cash Provided by Operating Activities	2,181,293
<b>Cash Flows from Noncapital Financing Activities:</b>	
Cash received from customers for utility deposits	8,789
Net Cash Provided by Noncapital Financing Activities	8,789
<b>Capital and Related Financing Activities:</b>	
Proceeds from long term debt	-
Costs related to long term borrowing	(35,895)
Loss on disposal of assets	(2,826)
Acquisition and construction of capital assets	(1,788,704)
Principal paid on long-term debt	(235,000)
Interest paid on long-term debt	(368,967)
Net Cash Used by Capital and Related Financing Activities	(2,431,392)
<b>Cash Flows from Investing Activities:</b>	
Interest received on investments	50,360
Net Cash Provided by Investing Activities	50,360
<b>Net Decrease in Cash and Cash Equivalents</b>	(190,950)
<b>Cash and Cash Equivalents, Beginning</b>	6,995,446
<b>Cash and Cash Equivalents, Ending</b>	\$ 6,804,496
Cash and cash equivalents	\$ 3,135,282
Restricted assets	3,669,214
<b>Cash and Cash Equivalents, Ending</b>	\$ 6,804,496

**WATER WORKS, GAS & SEWER BOARD  
CITY OF JACKSONVILLE, ALABAMA  
SCHEDULE OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2011  
(CONTINUED)**

	2011
<b>Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:</b>	
Net operating income	\$ 1,451,575
<b>Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:</b>	
Bad debt expense	19,920
Depreciation and amortization	737,658
Overhead depreciation	(6,270)
<b>Changes in Assets/Liabilities:</b>	
Inventory of supplies	(392)
Prepaid expenses	(16,137)
Accrued interest receivable	482
Customer receivables	(100,769)
Accounts payable	86,366
Due to other governments	8,528
Accrued annual leave	332
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 2,181,293</b>

CITY OF JACKSONVILLE, ALABAMA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 SEPTEMBER 30, 2011

	<u>Grant Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<b><u>U.S. Department of Transportation</u></b>			
Indirect Programs Passed Through Alabama Department of Transportation			
ARRA Transportation Enhancement Funds	STPOA -STMETE - TE09	20.205	\$ 240,000
Block Grant	STPOA -STMETE - TE09	20.205	61,157
Block Grant	STPOA-PE10(915)	20.205	15,574
Block Grant	STPOA-7432(603)	20.205	<u>8,623</u>
<b>Total U.S. Department of Transportation</b>			325,354
<b><u>U.S. Department of Health and Human Service</u></b>			
Indirect Program Passed Through East Alabama Regional Planning and Development Commission			
Title III Part C, Senior Nutrition	04-11-03-23	93.045	<u>9,385</u>
<b>Total U.S. Department of Health and Human Services</b>			9,385
<b><u>Corporation for National and Community Service</u></b>			
Direct Program			
Retired and Senior Volunteer Program		94.002	<u>57,556</u>
<b>Total Corporation for National and Community Service</b>			57,556
<b><u>U. S. Department of Homeland Security</u></b>			
Direct Program			
Staffing for Adequate Fire and Emergency Response		97.044	148,484
Indirect Program Passed Through Calhoun County Emergency Management Agency			
Computer Aided Dispatch System		97.067	<u>57,000</u>
<b>Total U. S. Department of Homeland Security</b>			205,484
<b><u>Institute of Museum and Library Services</u></b>			
Indirect Program Passed Through Alabama Public Library Services			
LSTA Grant		45.310	<u>15,000</u>
<b>Total Institute of Museum and Library Services</b>			15,000
<b>Total Federal Financial Assistance</b>			<b>\$ <u>612,779</u></b>

**CITY OF JACKSONVILLE, ALABAMA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**SEPTEMBER 30, 2011**

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Board and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts may differ from amounts presented in or used in the preparation of the financial statements.

**STATISTICAL SECTION**

**CITY OF JACKSONVILLE  
 SCHEDULE OF INSURANCE IN FORCE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011**

<u>Company Name</u>	<u>Policy Number</u>	<u>From</u>	<u>To</u>	<u>Types of Coverage</u>	<u>Liability Limits</u>
Alabama Municipal	ALB2001643	11/3/2008	11/5/2012	Public Officials Bond	\$ 100,000
Alabama Municipal	89311027103	12/16/2010	12/15/2011	Commercial Property Total buildings limit	\$ 17,279,770
Alabama Municipal	89311027132	12/16/2011	12/16/2012	Total personal property and contents limit	\$ 5,035,345
				Commercial General Liability	\$ 4,000,000
				Business Auto	\$ 4,000,000
				Errors and Omissions	\$ 4,000,000
				Law Enforcement Liability	\$ 4,000,000
				Electronic Hardware	\$ 153,111
				Software	\$ 100,000
				Contractor's Equipment	\$ 748,796
				Public Employees Dishonest	\$ 250,000
				Employee Benefits Liability	\$ 4,000,000
				Radio Equipment	\$ 307,706
				Misc. Equipment	\$ 19,290
				Community Fine Arts	\$ 50,000