

CITY OF JACKSONVILLE, ALABAMA

**AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION**

SEPTEMBER 30, 2012

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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

January 10, 2013

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. 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.

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, 2012, 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.

INDEPENDENT AUDITORS' REPORT – (Continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2013, 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.

The City of Jacksonville, Alabama has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States, as specified by the Governmental Accounting Standards Board has determined is necessary to supplemental, although not required to be part of the financial statements.

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 combining and individual nonmajor fund financial statements 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, 2012

	Primary Government	
	Governmental Activities	Total
ASSETS		
Cash	\$ 5,259,693	\$ 5,259,693
Investments	3,537,434	3,537,434
Receivables, net	913,620	913,620
Accrued interest	129	129
Prepaid expenses	104,426	104,426
Due from other governments	96,675	96,675
Inventories	21,173	21,173
Other assets	231,351	231,351
Capital assets, net	13,416,860	13,416,860
Total Assets	\$ 23,581,361	\$ 23,581,361
LIABILITIES		
Accounts payable and accrued liabilities	\$ 651,547	\$ 651,547
Due to other governments	16,828	16,828
Accrued interest	15,110	15,110
Noncurrent liabilities:		
<i>Due within one year</i>		
Bonds and warrants payable	115,519	115,519
Capital leases payable	-	-
Compensated absences	381,480	381,480
<i>Due in more than one year</i>		
Bonds and warrants payable	4,097,618	4,097,618
Capital leases payable	-	-
Compensated absences	-	-
Total Liabilities	5,278,102	5,278,102
NET ASSETS		
Nonspendable	125,599	125,599
Committed	-	-
Invested in capital assets, net of debt	9,236,860	9,236,860
<i>Restricted for:</i>		
Debt service	169,510	169,510
Special revenues	445,613	445,613
<i>Unassigned, reported in:</i>		
General fund	8,795,258	8,795,258
Special revenues	(469,581)	(469,581)
Total Net Assets	18,303,259	18,303,259
Total Liabilities and Net Assets	\$ 23,581,361	\$ 23,581,361

CITY OF JACKSONVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	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	\$ 2,538,622	\$ 70	\$ 7,597	\$ -	\$ (2,530,955)	\$ (2,530,955)	
Public protection:							
Police	1,766,807	2,537	14,330	-	(1,749,940)	(1,749,940)	
Fire	1,702,883	5	75,005	-	(1,627,873)	(1,627,873)	
Other	214,419	942,018	271,549	-	999,148	999,148	
Public works	1,787,647	896,340	-	32,661	(858,646)	(858,646)	
Recreational	2,076,405	326,240	94,400	-	(1,655,765)	(1,655,765)	
Health and social services	284,119	-	9,445	-	(274,674)	(274,674)	
Other boards and agencies	282,646	-	-	-	(282,646)	(282,646)	
Depreciation expense, net	1,327,232	-	-	-	(1,327,232)	(1,327,232)	
Interest and fiscal charges	163,647	-	-	-	(163,647)	(163,647)	
Total Governmental Activities	12,144,427	2,167,210	472,326	32,661	(9,472,230)	(9,472,230)	
Total City	\$ 12,144,427	\$ 2,167,210	\$ 472,326	\$ 32,661	(9,472,230)	(9,472,230)	
General Revenues:							
Taxes:							
Sales, property, other for general purposes					8,455,147	8,455,147	
General business licenses and permits					1,305,722	1,305,722	
Other general state shared revenues					198,873	198,873	
Miscellaneous income					14,038	14,038	
Interest income					9,973,780	9,973,780	
Total General Revenues					501,550	501,550	
Change in Net Assets					17,810,511	17,810,511	
Net Assets, Beginning					(8,802)	(8,802)	
Prior Period Adjustment							
Net Assets, Ending					\$ 18,303,259	\$ 18,303,259	

CITY OF JACKSONVILLE
BALANCE SHEETS - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Current Assets			
Cash	\$ 4,488,600	\$ 771,093	\$ 5,259,693
Investments	3,537,434	-	3,537,434
Receivables, net	912,356	1,264	913,620
Accrued interest	129	-	129
Prepaid expenses	104,426	-	104,426
Due from other funds	442,896	1,729	444,625
Due from other governments	87,236	9,439	96,675
Inventories	21,173	-	21,173
Other assets	84,565	146,786	231,351
Total Current Assets	9,678,815	930,311	10,609,126
Noncurrent Assets			
Investments	-	-	-
Total Noncurrent Assets	-	-	-
Total Assets	\$ 9,678,815	\$ 930,311	\$ 10,609,126
LIABILITIES			
Accounts payable and accrued liabilities	\$ 197,527	\$ 454,020	\$ 651,547
Due to other funds	-	444,625	444,625
Due to other governments	-	16,828	16,828
Total Liabilities	197,527	915,473	1,113,000
FUND BALANCES			
Nonspendable			
Committed	-	-	-
<i>Restricted for:</i>			
Debt service fund	-	169,510	169,510
Special revenue funds	-	298,548	298,548
<i>Unassigned for:</i>			
General fund	9,481,288	-	9,481,288
Special revenue funds	-	(453,220)	(453,220)
Total Fund Balances	9,481,288	14,838	9,496,126
Total Liabilities and Fund Balances	\$ 9,678,815	\$ 930,311	\$ 10,609,126

CITY OF JACKSONVILLE
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2012

Total fund balances for governmental funds \$ 9,496,126

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	46,329,144	
Less: Accumulated depreciation	<u>(32,912,284)</u>	
Total Capital Assets		13,416,860

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	(4,213,137)	
Compensated absences	<u>(381,480)</u>	
		<u>(4,609,727)</u>

Net assets of governmental activities \$ 18,303,259

CITY OF JACKSONVILLE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 8,376,606	\$ 78,542	\$ 8,455,148
Licenses and permits	1,305,722	-	1,305,722
Charges for services	1,500,580	70,106	1,570,686
Fines and forfeitures	596,521	-	596,521
Operating grants and contributions	427,286	171,619	598,905
Capital grants and contributions	32,662	-	32,662
Interest	14,024	14	14,038
Miscellaneous	72,294	-	72,294
Total Revenues	<u>12,325,695</u>	<u>320,281</u>	<u>12,645,976</u>
Expenditures			
General government	2,406,971	133,694	2,540,665
Public safety	3,691,135	-	3,691,135
Public works	1,636,651	152,929	1,789,580
Health and social services	284,119	-	284,119
Culture and recreation	1,858,271	-	1,858,271
Other boards and agencies	283,580	-	283,580
Capital expenditures	594,772	463,360	1,058,132
Debt service:			
Principal	-	119,774	119,774
Interest and fees	-	163,647	163,647
Total Expenditures	<u>10,755,499</u>	<u>1,033,404</u>	<u>11,788,903</u>
Excess Revenues Over (Under) Expenditures	1,570,196	(713,123)	857,073
Other Financing Sources (Uses)			
Operating transfers in	-	307,593	307,593
Operating transfers out	(307,593)	-	(307,593)
Total Other Financing Sources (Uses)	<u>(307,593)</u>	<u>307,593</u>	<u>-</u>
Net Change in Fund Balance	1,262,603	(405,530)	857,073
Fund Balance, Beginning	<u>8,218,685</u>	<u>420,368</u>	<u>8,639,053</u>
Fund Balance, Ending	<u>\$ 9,481,288</u>	<u>\$ 14,838</u>	<u>\$ 9,496,126</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, 2012

Net change in fund balances total governmental funds \$ 857,073

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	838,029	
Less: Current year depreciation, net	<u>(1,327,232)</u>	(489,203)

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

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>133,680</u>
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Change in net assets of governmental activities	<u>\$ 501,550</u>
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**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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, 2012**

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 2012 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, 2012**

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, 2012**

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 \$84,565 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 \$146,786 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, 2012**

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, 2012

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, 2012 is \$381,480.

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, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fund Equity - Continued

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, 2012**

**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, 2012; 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, 2012.

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, 2012, the carrying amount of the City's cash was \$5,259,693. 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, 2012**

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, 2012, the City's investments consisted of \$3,537,434 in Certificates of Deposit and securities invested in certificates of deposit.

NOTE E – RECEIVABLES

Accounts Receivable

Receivables as of September 30, 2012 are as follows:

Alatax receivable	\$ 629,090
Ambulance service receivables, net	227,625
Miscellaneous receivables	<u>56,905</u>
	<u>\$ 913,620</u>

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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 \$87,896.

Due From Other Governments

Due from other governments at September 30, 2012 was \$96,675 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, 2012 were \$160,106.

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	\$ 63,367
Prepaid Gen Liability Insurance	15,794
Prepaid other contract services	<u>25,265</u>
	<u>\$ 104,426</u>

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE G – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012 was as follows:

<u>Capital Assets</u>	<u>Balance at 9/30/11</u>	<u>Prior Period Adjustment</u>	<u>Addition</u>	<u>Deletion</u>	<u>Balance at 9/30/12</u>
Non-depreciable assets					
Land	\$ 474,077	\$ -	\$ -	\$ -	\$ 474,077
Construction in prog.	533,127	-	165,542	(533,127)	165,542
Total non-deprec. assets	<u>1,007,204</u>	<u>-</u>	<u>165,542</u>	<u>(533,127)</u>	<u>639,619</u>
Depreciable assets					
Land improvements	644,554	-	-	-	644,554
Bldgs and improv	9,168,401	(224,568)	541,027	-	9,484,860
Furniture and fixture	246,589	8,710	-	-	255,299
Machinery and equip	3,299,863	44,312	284,621	(6,618)	3,622,178
Vehicles	2,729,439	(5,051)	379,966	(67,386)	3,036,968
Infrastructure	28,477,728	167,938	-	-	28,645,666
Total deprec. assets	<u>44,566,574</u>	<u>(8,659)</u>	<u>1,205,614</u>	<u>(74,004)</u>	<u>45,689,525</u>
Total assets	45,573,778	(8,659)	1,371,156	(607,131)	46,329,144
Less:					
Accumulated depreciation	<u>(31,658,913)</u>	<u>(143)</u>	<u>(1,327,232)</u>	<u>74,004</u>	<u>(32,912,284)</u>
Capital Assets, net	<u>\$ 13,914,865</u>	<u>\$ (8,802)</u>	<u>\$ 43,924</u>	<u>\$ (533,127)</u>	<u>\$ 13,416,860</u>

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, 2012 was \$1,327,232 and is shown as a separate line item on the Statement of Activities.

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE H – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Payables at September 30, 2012 consist of the following

	2012
Accrued salaries	\$ 66,083
Cash bonds	11,115
Payroll liabilities	13,688
Performance bonds	3,554
Accounts payable	557,107
	\$ 651,547

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, 2012 is as follows:

	Interfund Payables	Interfund Receivables
General Fund		
Due from Special Revenue – Inert Landfill	\$ -	\$ 339,296
Due from Special Revenue – RSVP Local	-	100,235
Due to Special Revenue – RSVP Federal	-	801
Due from Special Revenue – RSVP State	-	2,564
Total General Fund	-	442,896
Special Revenue Funds		
RSVP Federal – Due from GF	-	1,729
RSVP Local – Due to GF	102,765	-
RSVP State – Due to GF	2,565	-
Inert Landfill Fund – Due to GF	339,295	-
Total Special Revenue Funds	444,625	1,729
Total Interfund Payables / Receivables	\$ 444,625	\$ 444,625

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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, 2012 is as follows:

	Transfers In	Transfers Out
General Fund		
Debt Service	\$ -	\$ 288,593
RSVP Local	-	19,000
Total General Fund	-	307,593
Special Revenue Funds		
RSVP Local – from GF	19,000	
Debt Service Fund – from GF	288,593	-
Total Special Revenue Funds	307,593	-
Total Interfund Transfers	\$ 307,593	\$ 307,593

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, 2012 was \$4,180,000.

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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, 2012 was \$33,137.

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, 2012 is as follows:

	<u>Beginning Balance 10/1/11</u>	<u>Loan Proceeds</u>	<u>Principal Paid</u>	<u>Ending Balance 9/30/12</u>	<u>Interest Paid</u>
<u>BONDS AND WARRANTS</u>					
Series 2007 Bond Issue	\$ 4,285,000	\$ -	\$ (105,000)	\$ 4,180,000	\$ 171,783
2001 Honda Bond	43,141	-	(10,004)	33,137	2,157
Total Bonds and Warrants	<u>4,328,141</u>	<u>-</u>	<u>(115,004)</u>	<u>4,213,137</u>	<u>173,940</u>
<u>CAPITAL LEASES</u>					
Berney Office Solutions	4,771	-	(4,771)	-	207
Total Capital Leases	<u>4,771</u>	<u>-</u>	<u>(4,771)</u>	<u>-</u>	<u>207</u>
Total	\$ <u>4,332,912</u>	\$ <u>-</u>	\$ <u>(119,775)</u>	\$ <u>4,213,137</u>	\$ <u>174,147</u>

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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>
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	125,000	150,490	275,490
2018-2022	705,000	677,340	1,382,340
2023-2027	855,000	525,500	1,380,500
2028-2032	1,040,000	338,700	1,378,700
2033-2037	1,000,000	105,825	1,105,825
 Total	 \$ <u>4,213,137</u>	 \$ <u>2,444,083</u>	 \$ <u>6,657,220</u>

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, 2012 was \$-0-.

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE K – RETIREMENT

Plan Description

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

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

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

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE K – RETIREMENT – Continued

The following schedule is based on the actuarial valuation as of September 30, 2011 (most recent information available) as provided by the Employees' Retirement System of Alabama:

**Summary of Employee Census Data
Rates Effective October 1, 2013**

Number of active members:	183
Annual compensation:	\$ 5,814,214
Number of retired members and beneficiaries:	52
Annual retirement allowances:	\$ 815,105

Required Employer Contribution Rates

Normal cost	3.53%
Accrued liability	5.64%
Pre-retirement death benefit	0.14%
Administrative expense	0.21%
Total	9.52%
5% Employer contribution factor (9.52%/5%)	1.904
6% Employer contribution factor (9.52%/6%)	1.586

NOTE K – RETIREMENT – Continued

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
9/30/2009	\$ 344,475	100.0%	\$0
9/30/2010	\$ 387,138	100.0%	\$0
9/30/2011	\$ 445,870	100.0%	\$0

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE K – RETIREMENT – Continued

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b) ¹	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a) / c)
9/30/2006 ²	\$ 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 ³	\$ 14,140,870	\$ 18,717,056	\$ 4,576,186	75.6%	5,504,678	83.1%
9/30/2010 ^{3,4}	\$ 14,140,870	\$ 18,773,723	\$ 4,632,853	75.3%	\$ 5,504,678	84.2%
9/30/2011 ⁵	\$ 13,889,194	\$ 19,295,380	\$ 5,406,186	72.0%	\$ 5,814,214	93.0%
9/30/2011 ^{4,5}	\$ 13,889,194	\$ 19,342,849	\$ 5,453,655	71.8%	\$ 5,814,214	93.8%

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 2011-676 which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012.
 5. Reflects changes in actuarial assumptions.
- * Market value of assets as of September 30, 2011: \$11,857,974

The valuation was prepared using the entry age normal actuarial cost method. An interest rate and projected salary increases of 3.75-7.25% were used for all purposes, together with other actuarial assumptions based on the experience of the system. Since the previous valuation, there have been no amendments to the system affecting the valuation. Actuarial gains and losses are reflected in the unfunded actuarial accrued liability, which is being amortized over 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, 2012

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, 2012**

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.

NOTE O – PRIOR PERIOD ADJUSTMENT

Fixed assets were overstated in the prior year by \$8,802. This caused net assets to be overstated by \$8,802.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF JACKSONVILLE
SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL FUND BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
REVENUES			
Taxes	\$ 6,921,142	\$ 8,376,606	\$ 1,455,464
Licenses and permits	1,227,500	1,305,722	78,222
Fines and forfeitures	652,150	596,521	(55,629)
Charges for services	1,433,942	1,500,580	66,638
Grants and contributions	293,700	459,948	166,248
Interest	74,597	14,024	(60,573)
Miscellaneous revenues	11,000	72,294	61,294
Total Revenues	<u>10,614,031</u>	<u>12,325,695</u>	<u>1,711,664</u>
EXPENDITURES			
General government	2,872,242	2,406,971	465,271
Public safety	3,907,160	3,691,135	216,025
Street	1,354,073	1,414,153	(60,080)
Sanitation	402,600	222,498	180,102
Health and social services	298,392	284,119	14,273
Culture and recreation	2,578,399	1,858,271	720,128
Education	267,673	283,580	(15,907)
Capital expenditures	290,390	594,772	(304,382)
Total Expenditures	<u>11,970,929</u>	<u>10,755,499</u>	<u>1,215,430</u>
Excess of Revenues Over (Under) Expenditures	(1,356,898)	1,570,196	2,927,094
Other Financing Sources (Uses):			
Operating transfers in	-	-	-
Operating transfers out	(307,593)	(307,593)	-
Total Other Financing Sources (Uses)	<u>(307,593)</u>	<u>(307,593)</u>	<u>-</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (1,664,491)</u>	<u>\$ 1,262,603</u>	<u>\$ 2,927,094</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, 2012, which collectively comprise the City of Jacksonville, Alabama's basic financial statements and have issued our report thereon dated January 10, 2013. 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

Management of City of Jacksonville, Alabama, is responsible for establishing and maintaining effective 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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or 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*.

We noted certain matters that we reported to management of City of Jacksonville, Alabama in a separate letter dated January 10, 2013.

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
January 10, 2013

**CITY OF JACKSONVILLE
SUMMARY SCHEDULE OF FINDINGS AND RECOMMENDATIONS
SEPTEMBER 30, 2012**

FINANCIAL STATEMENT FINDINGS

Current Year Findings:

None

Prior Year Findings

None

SUPPLEMENTAL INFORMATION

CITY OF JACKSONVILLE
 COMBINING BALANCE SHEETS -
 NONMAJOR GOVERNMENTAL FUNDS (BY FUND TYPES)
 SEPTEMBER 30, 2012

	Special Revenue Funds	Debt Service Fund	Total Other Governmental Funds
ASSETS			
Cash	\$ 748,369	\$ 22,724	\$ 771,093
Receivables, net	1,264	-	1,264
Other assets	-	146,786	146,786
Due from other funds	1,729	-	1,729
Due from other governments	9,439	-	9,439
Total Assets	<u>\$ 760,801</u>	<u>\$ 169,510</u>	<u>\$ 930,311</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 454,020	\$ -	\$ 454,020
Due to other funds	444,625	-	444,625
Due to other governments	16,828	-	16,828
Total Liabilities	<u>915,473</u>	<u>-</u>	<u>915,473</u>
FUND BALANCES			
Nonspendable			
Restricted	-	169,510	169,510
Special revenue funds	298,548	-	298,548
Unassigned			
Special revenue funds	(453,220)	-	(453,220)
Total Fund Balances	<u>(154,672)</u>	<u>169,510</u>	<u>14,838</u>
Total Liabilities and Fund Balances	<u>\$ 760,801</u>	<u>\$ 169,510</u>	<u>\$ 930,311</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, 2012

	Special Revenue Funds	Debt Service Fund	Total Other Governmental Funds
Revenues			
Charges for services	\$ 70,106	\$ -	\$ 70,106
Operating grants and contributions	171,619	-	171,619
Capital grants and contributions	-	-	-
Interest revenues	11	3	14
Tax revenues	78,542	-	78,542
Miscellaneous	-	-	-
Total Revenues	<u>320,278</u>	<u>3</u>	<u>320,281</u>
Expenditures			
General	133,694	-	133,694
Public safety	-	-	-
Public works	152,929	-	152,929
Capital outlay	463,360	-	463,360
Debt service	-	283,421	283,421
Total Expenditures	<u>749,983</u>	<u>283,421</u>	<u>1,033,404</u>
Excess Expenditures over Revenues	(429,705)	(283,418)	(713,123)
Other Financing Sources (Uses)			
Transfers in	19,000	288,593	307,593
Transfers out	-	-	-
Total Other Financing Sources (Uses)	<u>19,000</u>	<u>288,593</u>	<u>307,593</u>
Excess (deficiency) of revenues over expenditures and other financing sources	(410,705)	5,175	(405,530)
Fund Balance, Beginning	<u>256,033</u>	<u>164,335</u>	<u>420,368</u>
Fund Balance, Ending	<u>\$ (154,672)</u>	<u>\$ 169,510</u>	<u>\$ 14,838</u>

CITY OF JACKSONVILLE
 COMBINING BALANCE SHEETS -
 SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2012

	4 & 5 cent Gasoline Tax	7 cent Gasoline Tax	Inert Landfill
ASSETS			
Cash	\$ 265,309	\$ 413,836	\$ 4,795
Accounts receivable	-	-	1,264
Due from other funds	-	-	-
Due from other governments	4,235	5,204	-
Total Assets	\$ 269,544	\$ 419,040	\$ 6,059
 LIABILITIES			
Accounts payable and accrued liabilities	\$ 237,406	\$ -	1,454
Due to other funds	-	-	339,295
Due to other governments	-	-	16,828
Total Liabilities	237,406	-	357,577
 FUND BALANCES			
Fund balance - nonspendable	-	-	-
Fund balance - restricted	32,138	419,040	-
Fund balance - unassigned	-	-	(351,518)
Total Fund Balance	32,138	419,040	(351,518)
Total Liabilities and Fund Balances	\$ 269,544	\$ 419,040	\$ 6,059

CITY OF JACKSONVILLE
 COMBINING BALANCE SHEETS -
 SPECIAL REVENUE FUNDS (Continued)
 SEPTEMBER 30, 2012

	Retired Senior Volunteer Program (Federal)		Retired Senior Volunteer Program (State)		Retired Senior Volunteer Program (Local)		CDBG Grant Fund		Total
ASSETS									
Cash	\$ 1,237	\$ -	2,771	\$ -	2,873	\$ -	57,548	\$ -	748,369
Accounts receivable	-	-	-	-	-	-	-	-	1,264
Due from other funds	1,729	-	-	-	-	-	-	-	1,729
Due from other governments	-	-	-	-	-	-	-	-	9,439
Total Assets	\$ 2,966	\$ -	2,771	\$ -	2,873	\$ -	57,548	\$ -	760,801
LIABILITIES									
Accounts payable and accrued liabilities	\$ 8,737	\$ -	-	\$ -	1,810	\$ -	204,613	\$ -	454,020
Due to other funds	-	-	2,565	-	102,765	-	-	-	444,625
Due to other governments	-	-	-	-	-	-	-	-	16,828
Total Liabilities	8,737	-	2,565	-	104,575	-	204,613	-	915,473
FUND BALANCES									
Fund balance - nonspendable	-	-	-	-	-	-	-	-	-
Fund balance - restricted	(5,771)	-	206	-	-	-	(147,065)	-	298,548
Fund balance - unassigned	-	-	-	-	(101,702)	-	-	-	(453,220)
Total Fund Balance	(5,771)	-	206	-	(101,702)	-	(147,065)	-	(154,672)
Total Liabilities and Fund Balances	\$ 2,966	\$ -	2,771	\$ -	2,873	\$ -	57,548	\$ -	760,801

CITY OF JACKSONVILLE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	4 & 5 cent Gasoline Tax	7 cent Gasoline Tax	Inert Landfill
Revenues			
Charges for services	\$ -	\$ -	\$ 70,106
Operating grants and contributions	-	-	-
Capital grants and contributions	-	-	-
Interest revenues	-	-	4
Tax revenues	34,405	44,137	-
Miscellaneous	-	-	-
Total Revenues	<u>34,405</u>	<u>44,137</u>	<u>70,110</u>
Expenditures			
General	-	-	-
Public safety	-	-	-
Public works	-	-	152,929
Capital outlay	237,406	-	-
Total Expenditures	<u>237,406</u>	<u>-</u>	<u>152,929</u>
Excess Revenues Over (Under) Expenditures	(203,001)	44,137	(82,819)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess Revenues and Other Sources over (under) Expenditures	(203,001)	44,137	(82,819)
Fund Balance, Beginning	<u>235,139</u>	<u>374,903</u>	<u>(268,699)</u>
Fund Balance, Ending	<u>\$ 32,138</u>	<u>\$ 419,040</u>	<u>\$ (351,518)</u>

CITY OF JACKSONVILLE
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS (continued)
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Retired Senior Volunteer Program (Federal)	Retired Senior Volunteer Program (State)	Retired Senior Volunteer Program (Local)	CDBG Grant Fund	Total
Revenues					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ 70,106
Operating grants and contributions	30,700	5,230	56,800	78,889	171,619
Capital grants and contributions	-	-	-	-	-
Interest revenues	2	1	4	-	11
Tax revenues	-	-	-	-	78,542
Miscellaneous	-	-	-	-	-
Total Revenues	30,702	5,231	56,804	78,889	320,278
Expenditures					
General	38,237	5,278	90,179	-	133,694
Public safety	-	-	-	-	152,929
Public works	-	-	-	225,954	463,360
Capital outlay	-	-	-	225,954	749,983
Total Expenditures	38,237	5,278	90,179	225,954	749,983
Excess Revenues Over (Under) Expenditures	(7,535)	(47)	(33,375)	(147,065)	(429,705)
Other Financing Sources (Uses)					
Transfers in	-	-	19,000	-	19,000
Transfers out	-	-	-	-	-
Total Other Sources (Uses)	-	-	19,000	-	19,000
Excess Revenues and Other Sources over (under) Expenditures	(7,535)	(47)	(14,375)	(147,065)	(410,705)
Fund Balance, Beginning	1,764	253	(87,327)	-	256,033
Fund Balance, Ending	\$ (5,771)	\$ 206	\$ (101,702)	\$ (147,065)	\$ (154,672)

CITY OF JACKSONVILLE
 COMBINING BALANCE SHEET -
 DEBT SERVICE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Debt Service Fund
ASSETS	
Cash	\$ 22,724
Bond issuance discount	39,578
Bond issuance costs	<u>107,208</u>
Total Assets	<u>\$ 169,510</u>
LIABILITIES AND FUND BALANCES	
Fund balance - reserved	<u>\$ 169,510</u>
Total Fund Balances	<u>169,510</u>
 Total Liabilities and Fund Balances	 <u>\$ 169,510</u>

CITY OF JACKSONVILLE
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE -
 DEBT SERVICE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Debt Service Fund</u>
Revenues	
Charges for services	\$ -
Operating grants and contributions	-
Interest revenues	3
Tax revenues	-
Miscellaneous	-
Total Revenues	<u>3</u>
Expenditures	
General	-
Public safety	-
Public works	-
Capital outlay	-
Debt service	<u>283,421</u>
Total Expenditures	<u>283,421</u>
Excess Revenues over Expenditures	(283,418)
Other Financing Sources (Uses)	
Transfers in	288,593
Transfers out	-
Total Other Financing Sources (Uses)	<u>288,593</u>
Excess (deficiency) of revenues over expenditures and other financing sources	5,175
Fund Balance, Beginning	<u>164,335</u>
Fund Balance, Ending	<u>\$ 169,510</u>

CITY OF JACKSONVILLE
 SCHEDULE OF NET ASSETS - JACKSONVILLE WATER WORKS,
 GAS & SEWER BOARD - COMPONENT UNIT
 SEPTEMBER 30, 2012

ASSETS	<u>2012</u>
<u>Current Assets</u>	
Cash and cash equivalents	\$ 2,736,595
Accounts receivable (Net of \$451,957 and \$2,248 allowance for doubtful accounts)	-
Unbilled revenue	360,139
Accrued interest	179,128
Prepaid expenses	783
Inventory - natural gas	46,234
Inventory - supplies	208,353
Total Current Assets	<u>119,911</u>
	3,651,143
<u>Restricted Assets</u>	
Total Restricted Assets	<u>3,110,504</u>
<u>Utility Plant and Equipment</u>	
Land and wells	66,442
Buildings and parking lot	682,245
Office equipment	375,256
Plants and systems	20,838,214
Tools and equipment	555,694
Vehicles	985,895
Total Utility Plant in Service	<u>23,503,746</u>
Less: accumulated depreciation	(12,092,595)
Utility Plant and Equipment, Net	<u>11,411,151</u>
<u>Other Assets, Net</u>	
Bond issuance cost and discount	600,527
Total Other Assets	<u>600,527</u>
Total Assets	<u>\$ 18,773,325</u>

CITY OF JACKSONVILLE
SCHEDULE OF NET ASSETS - JACKSONVILLE WATER WORKS,
GAS & SEWER BOARD - COMPONENT UNIT (Continued)
SEPTEMBER 30, 2012

	2012
LIABILITIES AND NET ASSETS	
<u>Current Liabilities</u>	
Accounts payable and accrued expenses	\$ 224,734
Due to other governments	85,602
Current portion of long-term debt	250,000
Total Current Liabilities	560,336
 <u>Liabilities of Restricted Funds</u>	
Customer meter deposits	301,742
Total Liabilities of Restricted Funds	301,742
 <u>Long-Term Liabilities</u>	
Accrued annual leave	43,419
Revenue bonds payable	8,860,000
Less : current portion of long-term debt	(250,000)
Total Long-Term Liabilities	8,653,419
 <u>Net Assets</u>	
Invested in capital assets, net of related debt	4,474,876
Restricted net assets	2,808,762
Unrestricted net assets	1,974,190
Total Net Assets	9,257,828
 Total Liabilities and Net Assets	 \$ 18,773,325

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, 2012

	2012
Operating Revenues	
Water revenues	\$ 1,443,540
Gas revenues	1,723,187
Sewer revenues	853,958
Installations	51,672
Miscellaneous income	82,676
Total Operating Revenues	4,155,033
Operating Expenses	
Water department expenses	833,324
Sewer department expenses	793,802
Cost of natural gas sold	592,219
Gas department expenses and purchases	225,161
General and administrative expenses	720,942
Depreciation and amortization	799,398
Total Operating Expenses	3,964,846
Net Operating Income	190,187
Non Operating Income and Expense	
Interest income	31,835
Interest expense	(347,965)
Total Non Operating Income and Expense	(316,130)
Change in Net Assets	(125,943)
Net Assets, Beginning	9,383,771
Net Assets, Ending	\$ 9,257,828

**WATER WORKS, GAS & SEWER BOARD
CITY OF JACKSONVILLE, ALABAMA
SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	2012
Cash Flows from Operating Activities:	
Cash received from customers	\$ 3,992,213
Cash paid to suppliers	(1,774,818)
Cash paid to employees	(1,178,588)
Net Cash Provided by Operating Activities	1,038,807
Cash Flows from Noncapital Financing Activities:	
Cash received from customers for utility deposits	1,627
Net Cash Provided by Noncapital Financing Activities	1,627
Capital and Related Financing Activities:	
Loss on disposal of assets	(1,358)
Acquisition and construction of capital assets	(1,433,696)
Principal paid on long-term debt	(240,000)
Interest paid on long-term debt	(354,612)
Net Cash Used by Capital and Related Financing Activities	(2,029,666)
Cash Flows from Investing Activities:	
Interest received on investments	31,835
Net Cash Provided by Investing Activities	31,835
Net Decrease in Cash and Cash Equivalents	(957,397)
Cash and Cash Equivalents, Beginning	6,804,496
Cash and Cash Equivalents, Ending	\$ 5,847,099
Cash and cash equivalents	\$ 2,736,595
Restricted assets	3,110,504
Cash and Cash Equivalents, Ending	\$ 5,847,099

WATER WORKS, GAS & SEWER BOARD
CITY OF JACKSONVILLE, ALABAMA
SCHEDULE OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2012
(CONTINUED)

	2012
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:	
Net operating income	\$ 190,187
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:	
Bad debt expense	16,056
Depreciation and amortization	799,398
Overhead depreciation	(6,684)
Changes in Assets/Liabilities:	
Inventory of supplies	63,412
Prepaid expenses	(185)
Accrued interest receivable	(146)
Customer receivables	130,102
Accounts payable	(143,737)
Due to other governments	389
Accrued annual leave	(9,985)
Net Cash Provided by Operating Activities	\$ 1,038,807

STATISTICAL SECTION

CITY OF JACKSONVILLE
 SCHEDULE OF INSURANCE IN FORCE
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

<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	89311027132	12/16/2011	12/16/2012	Commercial Property Total buildings limit	\$ 17,279,770
				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 Software	\$ 153,111 \$ 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