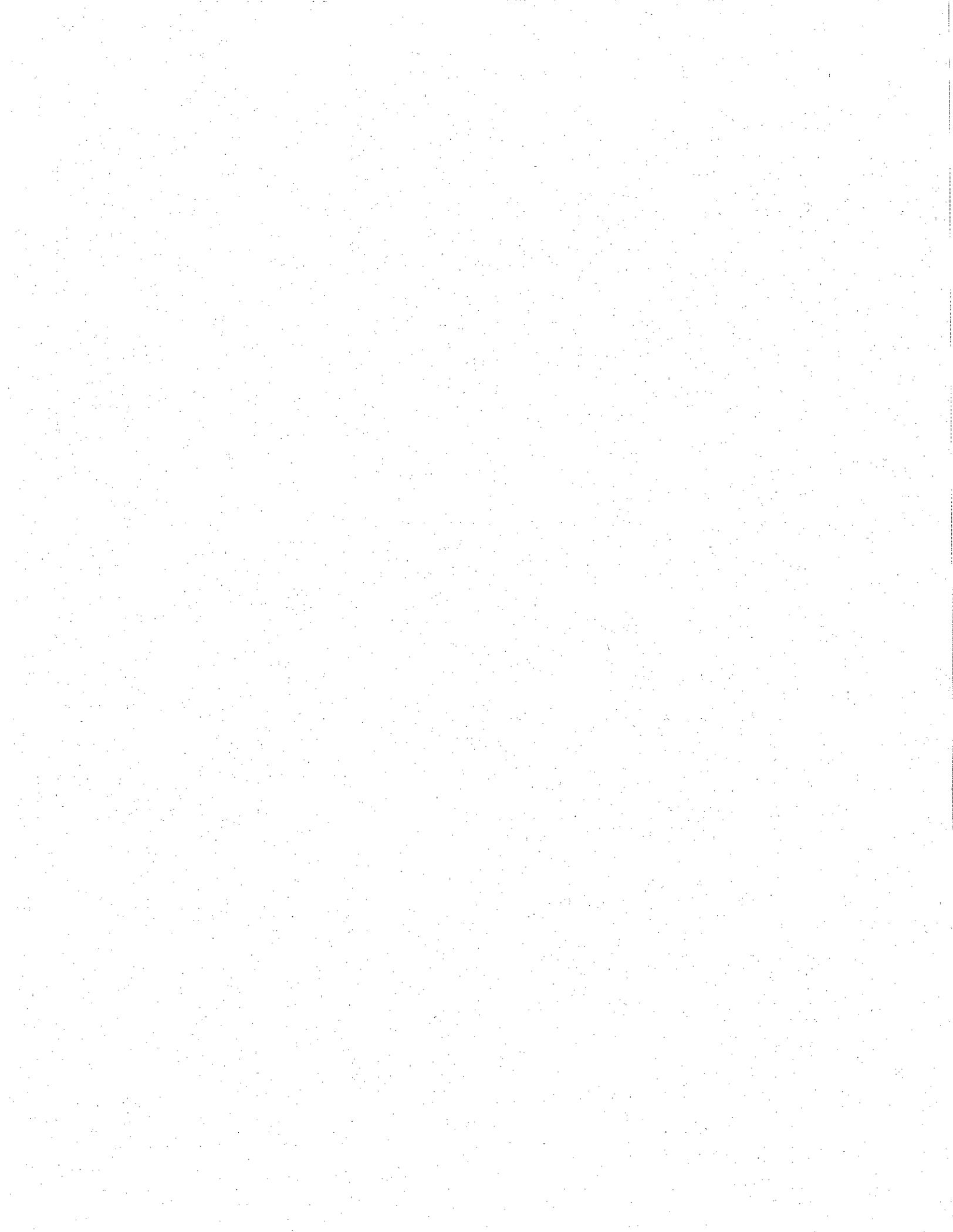


CITY OF JACKSONVILLE, ALABAMA

**AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION**

SEPTEMBER 30, 2016



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INTRODUCTORY SECTION

OFFICIALS OF THE CITY OF JACKSONVILLE

Mayor

Johnny L. Smith

City Council

Sandra F. Sudduth, President
Jerry Parris, President Pro-Tempore
Truman Norred
Jonathan Tompkins

Financial Control Officer

Jarrold Simmons

Other City Officials

Building	Mark Williams, Inspector
City Clerk	Antonia R. Fanning, 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	Mark W. Stephens, City Planner
Police Department	Thomas L. Thompson, Chief
Purchasing	Mayor Johnny L. Smith, Purchasing Agent
Streets & Sanitation	Stanley Carr, Superintendent

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Jacksonville's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and other supplementary information, which follow this narrative.

Financial Highlights

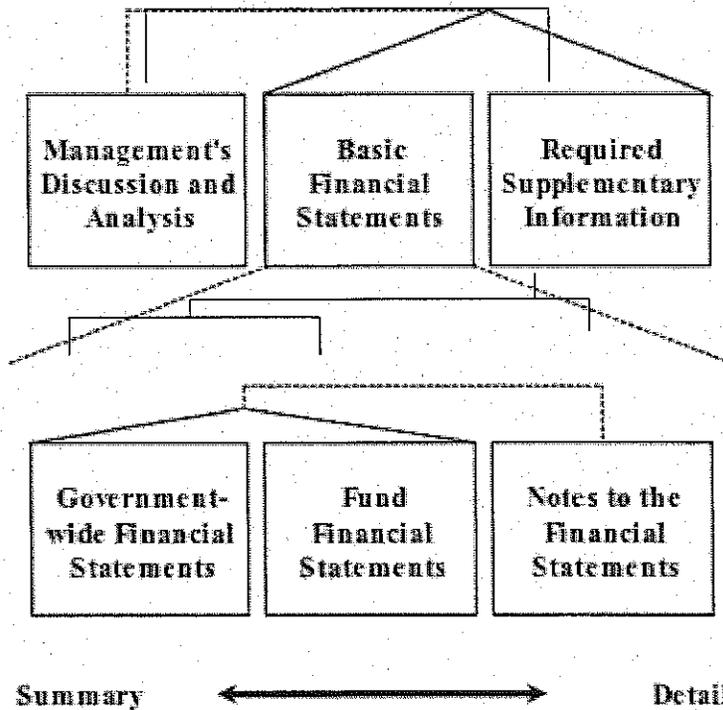
- The assets of the City of Jacksonville (primary government) exceeded its liabilities at the close of fiscal year 2016 by \$8,853,287 (net position).
- The City's total net position decreased by \$1,049,295. A change in the city's net pension liability under GASB 68 as part of the government wide financial statements was the major impetus for the decrease along with a capital fund appropriation to the Board of Education.
- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$12,394,117 a decrease of \$8,025,597. \$2,579,246 is restricted for City capital projects. \$7,963,345 is available for spending at the government's discretion (unassigned general fund balance) with another \$1,170,342 available in the general fund for fire tax eligible expenditures.
- The general fund closed FY 2016 with a total fund balance of \$9,408,717 up from \$9,261,453 in 2015. The 2016 ending general fund balance represents 80.4 percent of total general fund operating expenditures, compared with the ending general fund balance amounting to 83.2 percent of total operating expenditures in 2015 and 77.3 percent of total operating expenditures in 2014.
- Debt outstanding at the close of FY 2016 totaled \$20,605,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

Overview of the Financial Statements

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

Required Components of Annual Financial Report (Figure 1)



MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

Government-wide Financial Statements

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

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

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

Component units – The City includes other legally separate units. The Jacksonville City Board of Education is a component unit of the City. Their audited financial statements are available at the Board office. The Jacksonville Water Works, Gas & Sewer Board provides services for the citizens of the City of Jacksonville, Alabama. WWGSB financial statements may be found on pages 48 through 52 and a full copy may be obtained at their offices.

Government-wide Financial Statements

Governmental Activities
and Component Units

Measurement Focus:
Economic Resources

Accounting Basis: Accrual

Statement of Net Position

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

Statement of Activities

General Revenues
-
Net Program Expenses
=
Change in Net Position

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

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

Fund Financial Statements

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

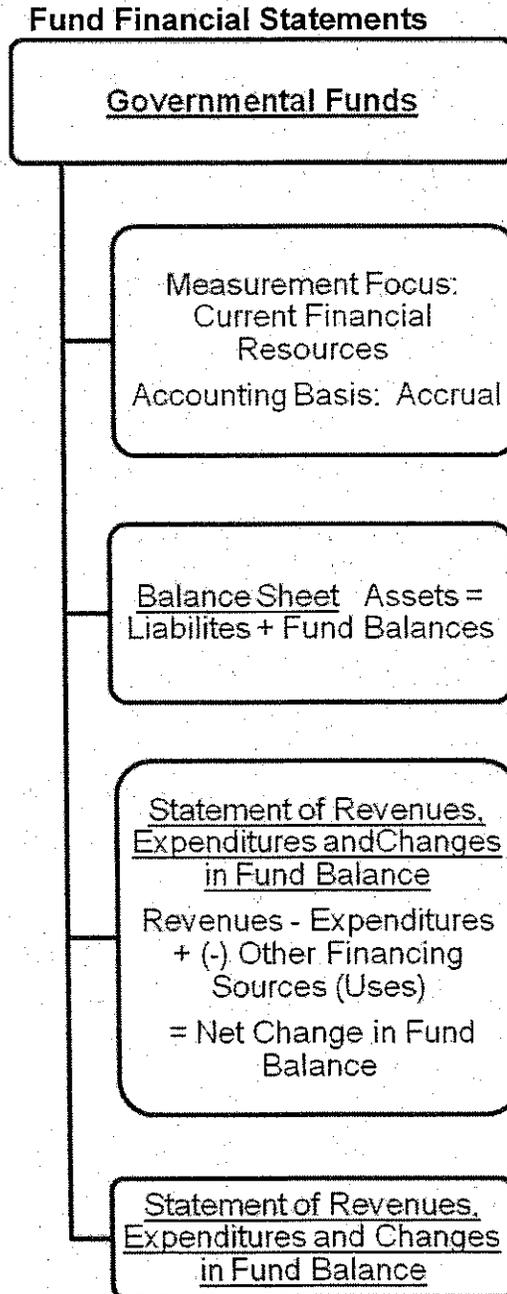
The City currently uses only one type of fund:

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

The City of Jacksonville adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund on page 35.

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

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



MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

Notes to the Financial Statements

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

Other Information

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$8,853,286 at the close of the most recent year.

GASB 68 which requires entities to recognize net pension liability significantly impacted the City's net position as seen in the chart above. It is also of particular note that debt outstanding includes school warrants, whose corresponding assets are not reflected. The City of Jacksonville uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. The City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

Summary of Net Position

	Governmental Activities		
	2015	2016	Increase (Decrease)
ASSETS			
Current and other assets	\$ 22,169,260	\$ 14,843,202	\$ (7,326,058)
Capital assets	\$ 16,315,453	\$ 22,928,787	\$ 6,613,334
Total Assets	<u>\$ 38,484,713</u>	<u>\$ 37,771,989</u>	<u>\$ (712,724)</u>
LIABILITIES			
Other liabilities	\$ 2,514,798	\$ 1,959,878	\$ (554,920)
Long-term liabilities outstanding	\$ 21,011,315	\$ 20,812,202	\$ (199,113)
Net pension liability	\$ 5,056,018	\$ 6,146,622	\$ 1,090,604
Total liabilities	<u>\$ 28,582,131</u>	<u>\$ 28,918,702</u>	<u>\$ 336,571</u>
NET POSITION			
Net investment in capital assets	\$ 5,292,403	\$ 5,544,910	\$ 252,507
Restricted	\$ 3,070,910	\$ 1,676,618	\$ (1,394,292)
Unrestricted	\$ 1,539,269	\$ 1,631,759	\$ 92,490
Total net position	<u>\$ 9,902,582</u>	<u>\$ 8,853,287</u>	<u>\$ (1,049,295)</u>

Financial Analysis of the City's Funds

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

Governmental Funds

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

The general fund is the chief operating fund of the City of Jacksonville. At the end of the current fiscal year, total fund balance of the general fund was \$9,408,717, compared with \$9,261,453 at the end of 2015. As a measure of the general fund's liquidity, it may be useful to compare fund balance to total operating expenditures. Total general fund balance represents 80.4 percent of total general fund operating expenditures at the end of 2016, compared with 83.2 percent at September 30, 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

General Fund Budgetary Highlights

In FY 2016, the City Council adopted an original budget that projected \$300,000 greater expenditures than revenues, anticipating a transfer from reserves. The City experienced greater than anticipated revenues during the year with higher than anticipated sales, use, rental and lodgings taxes the leading cause.

Expenditures were very close to budgeted levels, after transfers out for debt service and to other governmental funds, the excess of revenues over expenditures totaled \$147,264 for the current year resulting in the increase of total general fund balance.

Capital Asset and Debt Administration

Capital Assets: The City of Jacksonville's investment in capital assets for its governmental activities as of September 30, 2016 totals \$22,928,787 (net of accumulated depreciation). These assets include infrastructure, buildings, land, vehicles, machinery and equipment.

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

Long-term Debt: As of September 30, 2016, the City of Jacksonville had general obligation warrants outstanding of \$20,605,000. The City issued \$17,890,000 of general obligation warrants in 2013. \$13,915,000 for City capital projects (public safety complex) and \$3,975,000 for use by the Jacksonville City Board of Education on school capital projects (new elementary school). In 2015, the City issued \$4,230,000 in general obligation warrants which refunded the Series 2007 Warrants.

Economic Factors and Next Year's Budget

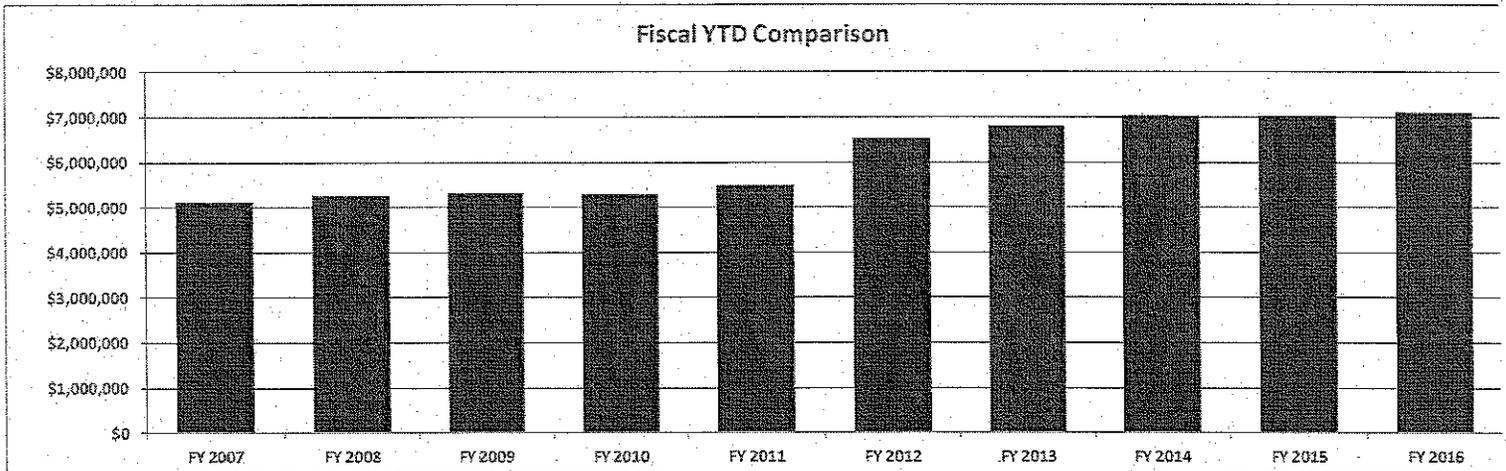
During FY 2017, the City will see completion of several long anticipated projects. The Jacksonville Public Safety Complex, which was the principle capital project funded by the Series 2013 G.O. Warrant issue will be fully operational in early 2017. Kitty Stone Elementary School, the other large project funded by the 2013 Warrants was complete in August 2016. There will be some operational adjustments for the Police, Fire, Jail and Court departmental budgets as result of the new facility. It is also anticipated that the traffic light improvement project along AL Highway 21 funded through Alabama Department of Transportation's ATRIP program will be completed in 2017.

Jacksonville State University (JSU) continues to be the largest economic driver for the City. Enrollment at JSU saw improvement for the first time in five years during the Fall of 2016 with an overall increase of 5.4 percent.

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

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

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



Sales tax will remain the largest revenue source for the City in FY17 representing approximately 56% of total budgeted general fund revenues. So far in FY17, sales tax collections are consistent with FY16.

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

A complete copy of the FY 2017 budget may be obtained at www.jacksonville-al.org, City Hall, or by using the contact information below.

Requests For Information

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

FINANCIAL SECTION

Edgar and Associates, LLC
Certified Public Accountants

218 East 12th Street, Anniston, AL 36207
256.237.1773

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Jacksonville, Alabama as of and for the year ended September 30, 2016, and related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such

INDEPENDENT AUDITORS' REPORT - Continued

opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions

Opinions

In our opinion, the financial statements referred to above present fairly, the all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Jacksonville, Alabama as of September 30, 2016, and respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages ii-xii and 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidences to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jacksonville, Alabama's basic financial statements.

INDEPENDENT AUDITORS' REPORT - Continued

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

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived for and related directly to the underlying account and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Edgar and Associates, LLC

Anniston, Alabama
January 20, 2017

**CITY OF JACKSONVILLE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

	<u>Primary Government</u>	
	<u>Governmental Activities</u>	<u>Total</u>
ASSETS		
Cash	\$ 8,691,642	\$ 8,691,642
Investments	3,505,985	3,505,985
Receivables, net	1,170,033	1,170,033
Accrued interest	327	327
Prepaid expenses	179,168	179,168
Due from other governments	111,614	111,614
Inventories	11,767	11,767
Other assets	164,019	164,019
Capital assets, net	22,928,787	22,928,787
Deferred Outflows of Resources	1,008,647	1,008,647
Total Assets	<u>\$ 37,771,989</u>	<u>\$ 37,771,989</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,144,717	\$ 1,144,717
Due to other governments	16,828	16,828
Accrued interest	59,474	59,474
Deferred revenue	44,833	44,833
Other liabilities	234,059	234,059
Noncurrent liabilities:		
<i>Due within one year</i>		
Bonds and warrants payable	565,000	565,000
OPEB Payable	100,119	100,119
Compensated absences	-	-
<i>Due in more than one year</i>		
Bonds and warrants payable	20,040,000	20,040,000
OPEB Payable	-	-
Compensated absences	412,202	412,202
Net Pension Liability	6,146,622	6,146,622
Deferred Inflow of Resources	154,848	154,848
Total Liabilities	<u>28,918,702</u>	<u>28,918,702</u>
NET POSITION		
Invested in capital assets, net of debt	5,544,910	5,544,910
<i>Restricted for:</i>		
Fire Department	1,170,342	1,170,342
Capital Projects - School	-	-
Special revenues	506,276	506,276
<i>Unrestricted:</i>		
Unrestricted	1,631,759	1,631,759
Total Net Position	<u>8,853,287</u>	<u>8,853,287</u>
Total Liabilities and Net Position	<u>\$ 37,771,989</u>	<u>\$ 37,771,989</u>

CITY OF JACKSONVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total	
Activities:							
Governmental	\$ 2,971,461	\$ 1,545	\$ -	\$ -	\$ (2,969,916)	\$ (2,969,916)	
Public protection:							
Police	1,942,726	1,910	9,079	-	(1,931,737)	(1,931,737)	
Fire	1,932,774	575,877	300	-	(1,356,597)	(1,356,597)	
Other	413,754	416,378	-	-	2,624	2,624	
Public works	1,723,563	991,241	-	773,522	41,200	41,200	
Health and social services	239,256	-	-	-	(239,256)	(239,256)	
Culture and recreation	1,812,058	322,513	28,513	-	(1,461,032)	(1,461,032)	
Other boards and agencies	1,468,082	-	-	-	(1,468,082)	(1,468,082)	
Depreciation expense, net	1,671,032	-	-	-	(1,671,032)	(1,671,032)	
Interest and fiscal charges	749,616	17,119	-	-	(732,497)	(732,497)	
Total Governmental Activities	14,924,322	2,326,583	37,892	773,522	(11,786,325)	(11,786,325)	
Total City	\$ 14,924,322	\$ 2,326,583	\$ 37,892	\$ 773,522	(11,786,325)	(11,786,325)	
General Revenues:							
Taxes:							
Sales, property, other for general purposes					9,276,503	9,276,503	
General business licenses and permits					1,390,144	1,390,144	
Other general state shared revenues					70,383	70,383	
Miscellaneous income					-	-	
Interest income					-	-	
Total General Revenues					10,737,030	10,737,030	
Change in Net Position					(1,049,295)	(1,049,295)	
Net Position, Beginning					9,902,582	9,902,582	
Net Position, Ending					\$ 8,853,287	\$ 8,853,287	

CITY OF JACKSONVILLE
BALANCE SHEETS - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	General Fund	Municipal Complex Fund	School Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Current Assets					
Cash	\$ 4,698,618	\$ 3,221,123	\$ -	\$ 771,901	\$ 8,691,642
Investments	3,505,985	-	-	-	3,505,985
Receivables, net	953,707	202,064	-	14,262	1,170,033
Accrued interest	327	-	-	-	327
Prepaid expenses	179,168	-	-	-	179,168
Due from other funds	748,996	-	-	10	749,006
Due from other governments	99,851	-	-	11,763	111,614
Inventories	11,767	-	-	-	11,767
Other assets	84,095	-	-	79,923	164,018
Total Current Assets	10,282,514	3,423,187	-	877,859	14,583,560
Noncurrent Assets					
Investments	-	-	-	-	-
Total Noncurrent Assets	-	-	-	-	-
Total Assets	\$ 10,282,514	\$ 3,423,187	\$ -	\$ 877,859	\$ 14,583,560
LIABILITIES					
Accounts payable and accrued liabilities	\$ 873,787	\$ 270,107	\$ -	\$ 823	\$ 1,144,717
Due to other funds	10	573,834	-	175,162	749,006
Due to other governments	-	-	-	16,828	16,828
Other liabilities	-	-	-	234,059	234,059
Deferred revenue	-	-	-	44,833	44,833
Total Liabilities	873,797	843,941	-	471,705	2,189,443
FUND BALANCES					
<i>Nonspendable:</i>	275,030	-	-	-	275,030
<i>Restricted for:</i>					
Fire Department	1,170,342	-	-	-	1,170,342
Debt service fund	-	-	-	-	-
Special revenue funds	-	-	-	506,275	506,275
Capital Projects	-	2,579,246	-	-	2,579,246
<i>Unassigned for:</i>					
General fund	7,963,345	-	-	-	7,963,345
Debt service fund	-	-	-	(84,039)	(84,039)
Special revenue funds	-	-	-	(16,082)	(16,082)
Total Fund Balances	9,408,717	2,579,246	-	406,154	12,394,117
Total Liabilities and Fund Balances	\$ 10,282,514	\$ 3,423,187	\$ -	\$ 877,859	\$ 14,583,560

**CITY OF JACKSONVILLE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

Total fund balances for governmental funds \$ 12,394,117

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

Items recorded on the Statement of Net Assets include:

A Net Pension Liability or Asset calculated by the actuary.

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

Deferred Outflow of Resources	1,008,647	
Net Pension Liability	(6,146,622)	
Deferred Inflow of Resources	<u>(154,848)</u>	
		(5,292,823)

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	59,981,960	
Less: Accumulated depreciation	<u>(37,053,173)</u>	
Total Capital Assets		22,928,787

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net position.

Accrued interest	(59,474)	
Bonds and warrants payable	(20,605,000)	
Compensated absences	(412,202)	
OPEB Payable	<u>(100,118)</u>	
		<u>(21,176,794)</u>

Net position of governmental activities \$ 8,853,287

CITY OF JACKSONVILLE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General Fund	Municipal Complex Fund	School Improvements Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 9,192,492	\$ -	\$ -	\$ 84,012	\$ 9,276,504
Licenses and permits	1,390,144	-	-	-	1,390,144
Charges for services	1,765,300	-	-	120,182	1,885,482
Fines and forfeitures	423,982	-	-	-	423,982
Operating grants and contributions	37,892	-	-	-	37,892
Capital grants and contributions	279,847	437,170	-	56,506	773,523
Interest	12,230	4,856	31	-	17,117
Miscellaneous	70,380	-	-	-	70,380
Total Revenues	<u>13,172,267</u>	<u>442,026</u>	<u>31</u>	<u>260,700</u>	<u>13,875,024</u>
Expenditures					
General government	2,426,980	-	-	351,270	2,778,250
Public safety	4,282,596	-	-	-	4,282,596
Public works	1,726,316	-	-	-	1,726,316
Health and social services	239,256	-	-	-	239,256
Culture and recreation	1,810,555	-	-	-	1,810,555
Other boards and agencies	574,322	-	1,132,605	-	1,706,927
Capital expenditures	646,580	7,399,632	-	-	8,046,212
Debt service:					
Principal	-	-	-	-	-
Interest and fees	-	-	-	1,310,509	1,310,509
Total Expenditures	<u>11,706,605</u>	<u>7,399,632</u>	<u>1,132,605</u>	<u>1,661,779</u>	<u>21,900,621</u>
Excess Revenues Over (Under) Expenditures	1,465,662	(6,957,606)	(1,132,574)	(1,401,079)	(8,025,597)
Other Financing Sources (Uses)					
Operating transfers in	50,000	2,975	-	1,368,398	1,421,373
Proceeds from long term debt	-	-	-	-	-
Operating transfers out	<u>(1,368,398)</u>	<u>-</u>	<u>-</u>	<u>(52,975)</u>	<u>(1,421,373)</u>
Total Other Financing Sources (Uses)	<u>(1,318,398)</u>	<u>2,975</u>	<u>-</u>	<u>1,315,423</u>	<u>-</u>
Net Change in Fund Balance	147,264	(6,954,631)	(1,132,574)	(85,656)	(8,025,597)
Fund Balance, Beginning	<u>9,261,453</u>	<u>9,533,877</u>	<u>1,132,574</u>	<u>491,810</u>	<u>20,419,714</u>
Fund Balance, Ending	<u>\$ 9,408,717</u>	<u>\$ 2,579,246</u>	<u>\$ -</u>	<u>\$ 406,154</u>	<u>\$ 12,394,117</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, 2016

Net change in fund balances total governmental funds		\$ (8,025,597)
<p>The change in net position reported for governmental activities in the statement of activities is different because:</p> <p>Governmental funds report pension income/expense as calculated by the actuary. It is tied to the change in net pension liability rather than the amount of contributions.</p>		
Pension Income (Expense)	<u>(192,040)</u>	(192,040)
<p>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.</p>		
Expenditures for capital assets	8,284,366	
Less: Current year depreciation, net	<u>(1,671,032)</u>	6,613,334
<p>Governmental funds do not accrue interest payable on long term debt. However, interest payable is recorded on the government-wide statements.</p>		
Change in interest payable		895
<p>Bond proceeds provide current financial resources to governmental funds, but the repayment reduces long-term liabilities in the statement of position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
<p>Net Change in long-term debt from bond proceeds, defeasance payment of principal, and change in compensated absences</p>		
Bonds and Warrants Payable		560,000
Compensated Absences		<u>(5,887)</u>
Change in net position of governmental activities		<u>\$ (1,049,295)</u>

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The City of Jacksonville, Alabama was incorporated in 1834 under the laws of the State of Alabama. The City provides and accounts for in these financial statements the general government, police protection, fire protection, emergency medical service, a storm drainage system, street maintenance, a parks and recreation system, rubbish and trash collection, library services, educational programs, industrial development programs, 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 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, 2016**

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 2015 the City appropriated \$500 to the Arts Council and provided the Planning Commission with a place to meet. These organizations are related organizations that have not been included within the City's financial statements.

Joint Venture

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

Government-wide and Fund Financial Statements

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

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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, 2016**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Deposits and Investments

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

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

Interfund Receivables and Payables

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

Inventories

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

Other Assets

Other assets totaling \$164,019 includes the capital contribution of the municipality for its membership in the Alabama Municipal Insurance Corporation of \$84,096. This money is held in an escrow account at Union Bank and Trust Company in Montgomery, Alabama. \$35,090 consists of bond issuance costs. This will be amortized over the life of the bond. \$44,833 consists of a note receivable.

Capital Assets

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

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Compensated Absences – Continued

No limit is placed upon the number of sick leave hours that may be accumulated and used for absences, but only 25% of the accumulated hours with a cap of 500 hours are available for reimbursement upon retirement with ten years of service. The accumulated value of annual and sick leave as of September 30, 2016 is \$412,202.

Pensions

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

Long-Term Obligations

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

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

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fund Equity

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

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

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

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

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

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

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

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

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

Interfund Transactions

During the course of normal operations the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and debt service. Interfund transfers are reported as other financing sources / uses in governmental funds. The government-wide statements eliminate interfund

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Interfund Transactions - Continued

transfers and receivables / payables as reported within the segregated governmental activities column. Only transfers and receivables / payables between the two columns appear in this statement, which zero in total.

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

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

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities.

NOTE C – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Accounting

The annual budget for the City is adopted on a basis consistent with generally accepted accounting principles. The fiscal year is a twelve-month period beginning October 1. The annual budget includes all general revenues and expenditures. The City adopted the annual budget for the year ending September 30, 2016; 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, 2016.

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE C – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

Budgetary Accounting - Continued

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

NOTE D – CASH AND INVESTMENTS

Cash consists of checking and savings. At September 30, 2016, the carrying amount of the City's cash was \$8,691,642. The City's depositories are all designated by the Alabama State Treasurer as qualified public depositories under the Security of Alabama Funds Enhancement Act (SAFE). The enactment of the SAFE program changed the way all Alabama public deposits are collateralized. Each qualified public depository

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

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

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

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE D – CASH AND INVESTMENTS - Continued

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

Investments consist of funds with a maturity date greater than three months. All of the investments that have a maturity date of one year or less are current, and investments that have a maturity date greater than a year are considered noncurrent. At September 30, 2016, the City's investments consisted of \$3,505,985 in Certificates of Deposit and securities invested in certificates of deposit.

NOTE E – RECEIVABLES

Accounts Receivable

Receivables as of September 30, 2016 are as follows:

Tax receivable	\$ 737,596
Ambulance service receivables, net	197,491
Miscellaneous receivables	<u>234,946</u>
	<u>\$ 1,170,033</u>

Ambulance receivables are shown net of allowance for doubtful accounts. The allowance for doubtful accounts is \$48,342. Bad debt expense in the general fund was \$152,822.

Due From Other Governments

Due from other governments at September 30, 2016 was \$111,614 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, 2016 were \$462,468.

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE E – RECEIVABLES - Continued

Property Tax

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

NOTE F – PREPAID EXPENSES

Prepaid expenses consist of:

Prepaid Worker's Comp. Insurance	\$ 54,246
Prepaid Gen Liability Insurance	47,593
Prepaid other contract services	<u>77,329</u>
	<u>\$ 179,168</u>

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE G – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016 was as follows:

<u>Capital Assets</u>	<u>Balance at 9/30/15</u>	<u>Addition</u>	<u>Deletion</u>	<u>Balance at 9/30/16</u>
Non-depreciable				
Land	\$ 664,653	\$ -	\$ -	\$ 664,653
Construction in prog	3,979,103	7,139,659	-	11,118,762
Total non-depreciable	4,643,756	7,139,659	-	11,783,415
Depreciable				
Land improvements	1,054,748	-	-	1,054,748
Bldgs and Improv	9,200,844	15,030	-	9,215,874
Furniture and fixture	254,757	998	(829)	254,926
Machinery and equip	4,315,938	468,123	(204,252)	4,579,809
Vehicles	3,667,749	407,074	(114,308)	3,960,515
Infrastructure	28,687,769	444,903	-	29,132,672
Total depreciable	47,181,805	1,336,128	(319,389)	48,198,544
Total assets	51,825,561	8,475,787	(319,389)	59,981,959
Less:				
Accumulated depreciation	(35,510,108)	(1,671,032)	127,968	(37,053,172)
Capital Assets, net	\$ 16,315,453	\$ 6,804,755	\$ (191,421)	\$ 22,928,787

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, 2016 was \$1,671,032 and is shown as a separate line item on the Statement of Activities.

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE H – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Payables at September 30, 2016 consist of the following

	2016
Accrued salaries	\$ 201,073
Cash bonds	11,114
Payroll liabilities	15,018
Performance bonds	2,000
Accounts payable	915,512
	\$ 1,144,717

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, 2016 is as follows:

	Interfund Receivables	Interfund Payables
General Fund		
Due from Special Revenue – Inert Landfill	\$ 175,162	\$ -
Due to Gas Tax Fund	-	10
Due from Capital Project Fund	573,834	-
Total General Fund	749,006	10
Special Revenue Funds		
Gas Tax Fund – Due from GF	10	-
Capital Project Fund – Due to General Fund	-	573,834
Inert Landfill Fund – Due to GF	-	175,162
Total Special Revenue Funds	10	749,006
Total Interfund Payables / Receivables	\$ 749,016	\$ 749,016

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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, 2016 is as follows:

	Transfers Out	Transfers In
General Fund		
Debt Service	\$ 289,146	\$ -
Inert Landfill	-	-
Municipal Complex	-	-
Operating	1,079,252	-
Total General Fund	1,368,398	-
Special Revenue Funds		
RSVP Local – from GF	-	-
School Improve. – from Debt Service	-	-
Capital Projects	-	2,975
Inert Landfill – from GF	-	52,500
Debt Service	2,975	-
Debt Service Fund	-	1,315,898
Total Special Revenue Funds	2,975	1,371,373
Total Interfund Transfers	\$ 1,371,373	\$ 1,371,373

NOTE J – LONG-TERM DEBT

Bonds and Warrants

The City issued 2013 Series General Obligation Bonds for the building of the Municipal Complex and for school improvements. The bonds are direct obligations of the City, and the full faith and credit of the City is pledged against the bonds. The bond outstanding at September 30, 2016 were the 2013 Series General Obligation Warrants, due semi-annually at rates ranging from 2.00% - 5.00% per annum, maturing in 2042. The balance at September 30, 2016 was \$16,535,000.

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE J – LONG-TERM DEBT – Continued

Bonds and Warrants – Continued

The City issued 2015 Series General Obligation Warrants in order to refund the 2007 Series General Obligation Bonds on July 30, 2015. The bonds are direct obligations of the City, and the full faith and credit of the City is pledged against the bonds. The bonds outstanding at September 30, 2016 were the 2015 Series General Obligation Warrants, due semi-annually at rates ranging from 1.500% - 3.625% per annum, maturing September 1, 2036. The balance at September 30, 2016 was \$4,070,000

In July of 2015 the City issued the Series 2015 Bond Issue. Proceeds from the bond issue were used to establish an escrow fund to satisfy the requirements of the Series 2007 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 \$3,922,465 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 2007 Bond as it matures. This transaction effectively released the City from its obligation to repay the defeased Series 2007 Bond and constitutes an in-substance defeasance.

The debt activity for the governmental activities of the City for the year ended September 30, 2016 is as follows:

	<u>Beginning Balance 10/1/15</u>	<u>Loan Proceeds</u>	<u>Principal Paid</u>	<u>Ending Balance 9/30/16</u>	<u>Interest Paid</u>
<u>BONDS AND WARRANTS</u>					
2013 GOW Bonds	16,935,000	-	(400,000)	16,535,000	637,897
2015 GOW Bonds	4,230,000	-	(160,000)	4,070,000	10,206
Total Bonds and Warrants	\$ 21,165,000	\$ -	\$ (560,000)	\$ 20,605,000	\$ 648,103

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

J – LONG-TERM DEBT – Continued

Bonds and Warrants – Continued

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

<u>Fiscal Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 565,000	\$ 745,215	\$ 1,310,215
2018	575,000	733,915	1,308,915
2019	590,000	722,415	1,312,415
2020	605,000	707,190	1,312,190
2021	625,000	690,655	1,315,655
2022-2026	3,390,000	3,177,126	6,567,126
2027-2031	3,945,000	2,613,111	6,558,111
2032-2036	4,880,000	1,689,312	6,569,312
2037-2041	4,435,000	745,400	5,180,400
2042	955,000	39,800	1,034,800
Total	<u>\$ 20,605,000</u>	<u>\$ 11,864,139</u>	<u>\$ 32,469,139</u>

NOTE K – RETIREMENT

Plan Description. The Employees' Retirement System of Alabama, an agency multiple-employer plan, was established October 1, 1945 under the provisions of Act 515 of the Legislature of 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 the general administration and operation of ERS is vested in its Board of Control. The ER Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE K – RETIREMENT - continued

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

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

Benefits provided. State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service

**CITY OF JACKSONVILLE
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2016**

NOTE K – RETIREMENT – Continued

and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

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

The ERS serves approximately 846 local participating employers. These participating employers include 287 cities, 65 counties, and 494 other public entities. The ERS membership includes approximately 83,874 participants. As of September 30, 2015 the City’s membership consisted of:

Retired members or their beneficiaries currently receiving benefits	77
Vested inactive members	1
Non-vested inactive members	13
Active members	180
Post-DROP retired members still in active service	<u>0</u>
Total	<u>271</u>

Contributions. Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE K – RETIREMENT – Continued

The City elected not to increase the employee contribution rate as provided by Act 2011-676. Covered members continue to contribute 5% of earnable compensation.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2016 the City's active employee contribution rate was 10.25 percent of covered payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 9.88 percent of covered employee payroll.

The City's contractually required contribution rate for the year ended September 30, 2016 was 10.25% of pensionable pay for Tier 1 employees, and 7.90% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2015, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$487,742 for the year ended September 30, 2016.

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE K – RETIREMENT – Continued

Net Pension Liability.

The City's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2014 rolled forward to September 30, 2015 using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual</u>
(a) Total Pension Liability as of September 30, 2014	\$ 22,082,040	\$ 21,912,111
(b) Entry Age Normal Cost for October 1, 2014-September 30, 2015	521,156	521,156
(c) Actual Benefit Payments and Refunds for October 1, 2014-September 30, 2015	<u>(1,456,588)</u>	<u>(1,456,588)</u>
(d) Total Pension Liability as of September 30, 2015 = ((a) x (1.08)) + (b) - ((c) x (1.04))	<u>\$ 22,854,908</u>	<u>\$ 22,671,384</u>
(e) Difference between Expected and Actual Experience (Gain)/Loss		\$ (183,524)

Actuarial Assumptions. The total pension liability in the September 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

* Net of pension plan investment expense, including inflation

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE K – RETIREMENT – Continued

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

The actuarial assumptions used in the September 30, 2013 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

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

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

*Includes assumed rate of inflation of 2.50%.

Discount rate. The discount rate used to measure the total pension liability was the long term rate of return, 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE K – RETIREMENT – Continued

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

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at 9/30/2014	\$ 22,082,040	\$ 17,026,022	\$ 5,056,018
Changes for the year:			
Service Cost	521,156	-	521,156
Interest	1,708,300	-	1,708,300
Differences between expected and actual experience	(183,524)	-	(183,524)
Contributions - employer	-	517,552	(517,552)
Contributions - employee	-	333,015	(333,015)
Net investment income	-	197,690	(197,690)
Benefit payments, includes refunds of employee contributions	(1,456,588)	(1,456,588)	-
Administrative expense	-	-	-
Transfers among Employers	-	(92,929)	92,929
Net changes	589,344	(501,260)	1,090,604
Balances at 9/30/2015	\$ 22,671,384	\$ 16,524,762	\$ 6,146,622

Sensitivity of the net pension liability to changes in the discount rate. The following table presents the City's net pension liability calculated using the discount rate of 8%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE K – RETIREMENT – Continued

	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increase (9.00%)
City's net pension liability (asset)	\$8,760,724	\$ 6,146,622	\$3,931,829

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2015. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2015. The auditor's report dated October 17, 2016 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

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

For the year ended September 30, 2016, the City recognized pension expense of \$192,041. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 154,848
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	539,819	-
Employer contributions subsequent to the measurement date	468,828	-
Total	\$ 1,008,647	\$ 154,848

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE K – RETIREMENT – Continued

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

2017		\$	75,572
2018			75,572
2019			75,570
2020			198,401
2021			(28,676)
Thereafter			(11,468)

Collective Deferred Outflows and Inflows between Expected and Actual Experience												
		<u>Beginning Balance</u>								<u>Ending Balance</u>		
								Amounts	Amounts			
Initial	Initial							Recognized	Recognized			
Balance	Balance			Losses/	Gains/			in Pension	in Pension			
		of Losses/	of Gains/	Amorti-			Deferred	Deferred	Expense/	Expense/		
Deferred	Deferred	Deferred	Deferred	Deferred	Deferred	Outflows	Inflows	Deferred	Deferred	Deferred	Deferred	
Outflow	Inflow	Period	Outflows	Outflows	Inflows	Inflows	Inflows	Inflow	Inflow	Outflows	Inflows	
										(a) + (c) -	(b) + (d) -	
Year			(a)	(b)	(c)	(d)	(e)	(f)	(e)	(f)		
2015	\$	-	\$ 183,524	\$ 6.4	\$ -	\$ -	\$ -	\$ 183,524	\$ -	\$ 28,676	\$ -	\$ 154,848
2014	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total			<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,524</u>			<u>\$ -</u>	<u>\$ 154,848</u>		

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE K – RETIREMENT – Continued

Collective Deferred Outflows and Inflows for Differences from Assumption Changes											
Beginning Balance						Ending Balance					
								Amounts		Amounts	
Initial	Initial							Recognized	Recognized		
Balance	Balance			Losses/		Gains/		in Pension	in Pension		
of Losses/	of Gains/	Amorti		Deferred		Deferred		Expense/	Expense/		
Deferred	Deferred	zation	Deferred	Deferred	Outflows	Inflows	Deferred	Deferred	Deferred	Deferred	
Outflow	Inflow	Period	Outflows	Inflows			Inflow	Inflow	Outflows	Inflows	
									(a) + (c) - (b) + (d) -		
Year		(a)	(b)	(c)	(d)	(e)	(f)	(e)	(f)		
2015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				

Collective Deferred Outflows and Inflows for Differences in Investment Experience											
Beginning Balance						Ending Balance					
								Amounts		Amounts	
Initial	Initial							Recognized	Recognized		
Balance	Balance			Losses/		Gains/		in Pension	in Pension		
of Losses/	of Gains/	Amorti		Deferred		Deferred		Expense/	Expense/		
Deferred	Deferred	zation	Deferred	Deferred	Outflows	Inflows	Deferred	Deferred	Deferred	Deferred	
Outflow	Inflow	Period	Outflows	Inflows			Inflow	Inflow	Outflows	Inflows	
									(a) + (c) - (b) + (d) -		
Year		(a)	(b)	(c)	(d)	(e)	(f)	(e)	(f)		
2015	\$ 1,185,377	\$ -	\$ 50	\$ -	\$ -	\$ 1,185,377	\$ -	\$ 227,075	\$ -	\$ 908,302	\$ -
2014	\$ -	\$ 614,137	\$ 5	\$ -	\$ 491,310	\$ -	\$ -	\$ -	\$ 122,827	\$ -	\$ 368,483
Total		\$ -	\$ 491,310	\$ 1,185,377	\$ -	\$ -	\$ -	\$ 908,302	\$ 368,483	\$ -	\$ -
Net difference between projected and actual earnings on investments									\$ 539,819	\$ 0	

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE K – RETIREMENT – Continued

<u>Summary of Amortization of Deferred Outflows and Inflows of Resources</u>							
Amortization	<u>Actual & Expected Experience</u>		<u>Assumption Changes</u>		<u>Investment Gains/Losses</u>		
Year	2014	2015	2014	2015	2014	2015	Total
2017	\$ -	\$ (28,676)	\$ -	\$ -	\$ (122,827)	\$ 227,075	\$ 75,572
2018	\$ -	\$ (28,676)	\$ -	\$ -	\$ (122,827)	\$ 227,075	\$ 75,572
2019	\$ -	\$ (28,676)	\$ -	\$ -	\$ (122,829)	\$ 227,075	\$ 75,570
2020	\$ -	\$ (28,676)	\$ -	\$ -	\$ -	\$ 227,077	\$ 198,401
2021	\$ -	\$ (28,676)	\$ -	\$ -	\$ -	\$ -	\$ (28,676)
Thereafter	\$ -	\$ (11,468)	\$ -	\$ -	\$ -	\$ -	\$ (11,468)
Total	\$ -	\$ (154,848)	\$ -	\$ -	\$ (368,483)	\$ 908,302	\$ 384,971

NOTE L – RISK MANAGEMENT

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

NOTE M – COMMITMENTS AND CONTINGENCIES

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

**CITY OF JACKSONVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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 – POSTEMPLOYMENT HEALTH INSURANCE PLAN

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

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF JACKSONVILLE
SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL FUND BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
REVENUES			
Taxes	\$ 9,020,882	\$ 9,192,492	\$ 171,610
Licenses and permits	1,320,900	1,390,144	69,244
Fines and forfeitures	535,230	423,982	(111,248)
Charges for services	1,638,400	1,765,300	126,900
Grants and contributions	197,500	317,739	120,239
Interest	10,210	12,230	2,020
Miscellaneous revenues	<u>58,000</u>	<u>70,380</u>	<u>12,380</u>
Total Revenues	12,781,122	13,172,267	391,145
EXPENDITURES			
General government	2,569,395	2,426,980	142,415
Public safety	4,520,479	4,282,596	237,883
Public works	1,792,585	1,726,316	66,269
Health and social services	345,857	239,256	106,601
Culture and recreation	2,051,151	1,810,555	240,596
Other boards and agencies	-	93,573	(93,573)
Education	430,215	480,749	(50,534)
Capital expenditures	<u>-</u>	<u>646,580</u>	<u>(646,580)</u>
Total Expenditures	<u>11,709,682</u>	<u>11,706,605</u>	<u>3,077</u>
Excess of Revenues Over (Under) Expenditures	1,071,440	1,465,662	394,222
Other Financing Sources (Uses):			
Operating transfers in	-	50,000	50,000
Operating transfers out	<u>(1,377,000)</u>	<u>(1,368,398)</u>	<u>8,602</u>
Total Other Financing Sources (Uses)	<u>(1,377,000)</u>	<u>(1,318,398)</u>	<u>58,602</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (305,560)</u>	<u>\$ 147,264</u>	<u>\$ 452,824</u>

CITY OF JACKSONVILLE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
LAST 10 FISCAL YEARS ENDING SEPTEMBER 30
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>2015</u>	<u>2014</u>
Total Pension Liability		
Service Cost	\$ 521,156	\$ 508,042
Interest	1,708,300	1,637,422
Changes of benefit terms	-	-
Differences between expected and actual experience	(183,524)	-
Changes of assumption	-	-
Benefit payments, including refunds of employee contributions	(1,456,588)	(1,062,388)
Net change in total pension liability	589,344	1,083,076
Total pension liability-beginning	22,082,040	20,998,964
Total pension liability-ending (a)	<u>\$ 22,671,384</u>	<u>\$ 22,082,040</u>
Plan fiduciary net position		
Contributions-employer	\$ 517,552	\$ 540,617
Contributions-member	333,015	325,868
Net investment income	197,690	1,842,848
Benefit payments, including refunds of employee contributions	(1,456,588)	(1,062,388)
Transfers among employees	(92,929)	(155,514)
Net change in plan fiduciary net position	(501,260)	1,491,431
Plan net position-beginning	17,026,022	15,534,591
Plan net position-ending (b)	<u>\$ 16,524,762</u>	<u>\$ 17,026,022</u>
Net pension liability (asset)-ending (a) - (b)	\$ 6,146,622	\$ 5,056,018
Plan fiduciary net position as a percentage of the total pension liability	72.89%	77.10%
Covered-employee payroll	\$ 5,956,414	\$ 6,036,291
Net pension liability (asset) as a percentage of covered-employee payroll	1.03	0.84

**CITY OF JACKSONVILLE
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 LAST 10 FISCAL YEARS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	\$ 468,828	\$ 446,546
Contributions in relation to the actuarially determined contributions	468,828	446,546
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 5,956,414	\$ 6,036,291
Contributions as a percentage of covered employee payroll	7.87%	7.40%

NOTES TO SCHEDULE

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported.
 Contributions for fiscal year 2016 were based on the September 30, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	27 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.75 - 7.25%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

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

Honorable Mayor and City Council
City of Jacksonville, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of governmental activities, each major fund, and the aggregate remaining fund information of the City of Jacksonville, Alabama as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise of the City of Jacksonville, Alabama's basic financial statements, and have issued our report thereon dated January 20, 2017.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We noted certain matters that we reported to management of City of Jacksonville, Alabama in a separate letter dated January 20, 2017.

Edgar and Associates, LLC

Anniston, Alabama
January 20, 2017

SUPPLEMENTAL INFORMATION

**CITY OF JACKSONVILLE
COMBINING BALANCE SHEETS -
NONMAJOR GOVERNMENTAL FUNDS (BY FUND TYPES)
SEPTEMBER 30, 2016**

	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Total Other Governmental Funds</u>
ASSETS			
Cash	\$ 656,971	\$ 114,930	\$ 771,901
Receivables, net	14,262	-	14,262
Other assets	-	35,090	35,090
Due from other funds	10	-	10
Due from other governments	11,763	-	11,763
Notes receivable	44,833	-	44,833
Total Assets	<u>\$ 727,839</u>	<u>\$ 150,020</u>	<u>\$ 877,859</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 823	\$ -	\$ 823
Due to other funds	175,162	-	175,162
Due to other governments	16,828	-	16,828
Other liabilities	-	234,059	234,059
Deferred revenue	44,833	-	44,833
Total Liabilities	<u>237,646</u>	<u>234,059</u>	<u>471,705</u>
FUND BALANCES			
Nonspendable			
Restricted	-	(84,039)	(84,039)
Special revenue funds	506,275	-	506,275
Unassigned			
Special revenue funds	(16,082)	-	(16,082)
Total Fund Balances	<u>490,193</u>	<u>(84,039)</u>	<u>406,154</u>
Total Liabilities and Fund Balances	<u>\$ 727,839</u>	<u>\$ 150,020</u>	<u>\$ 877,859</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, 2016

	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Total Other Governmental Funds</u>
Revenues			
Charges for services	\$ 120,182	\$ -	\$ 120,182
Operating grants and contributions	-	-	-
Capital grants and contributions	56,506	-	56,506
Interest revenues	-	-	-
Tax revenues	84,012	-	84,012
Miscellaneous	-	-	-
Total Revenues	<u>260,700</u>	-	<u>260,700</u>
Expenditures			
General	351,270	-	351,270
Public safety	-	-	-
Public works	-	-	-
Capital outlay	-	-	-
Debt service	-	1,310,509	1,310,509
Total Expenditures	<u>351,270</u>	<u>1,310,509</u>	<u>1,661,779</u>
Excess Expenditures over Revenues	(90,570)	(1,310,509)	(1,401,079)
Other Financing Sources (Uses)			
Transfers in	52,500	1,315,898	1,368,398
Proceeds from long term debt	-	-	-
Transfers out	(50,000)	(2,975)	(52,975)
Total Other Financing Sources (Uses)	<u>2,500</u>	<u>1,312,923</u>	<u>1,315,423</u>
Excess (deficiency) of revenues over expenditures and other financing sources	(88,070)	2,414	(85,656)
Fund Balance, Beginning	<u>578,263</u>	<u>(86,453)</u>	<u>491,810</u>
Fund Balance, Ending	<u>\$ 490,193</u>	<u>\$ (84,039)</u>	<u>\$ 406,154</u>

CITY OF JACKSONVILLE
 COMBINING BALANCE SHEETS -
 SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2016

	4 & 5 cent Gasoline Tax	7 cent Gasoline Tax	Inert Landfill
ASSETS			
Cash	\$ 146,710	\$ 352,112	\$ 111,441
Accounts receivable	3,328	4,115	6,819
Due from other funds	-	10	-
Due from other governments	-	-	11,763
Notes receivable	-	-	44,833
Total Assets	\$ 150,038	\$ 356,237	\$ 174,856
LIABILITIES			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 823
Due to other funds	-	-	175,162
Due to other governments	-	-	16,828
Deferred revenue	-	-	44,833
Total Liabilities	\$ -	\$ -	\$ 237,646
FUND BALANCES			
Fund balance - nonspendable	-	-	-
Fund balance - restricted	150,038	356,237	-
Fund balance - unassigned	-	-	(62,790)
Total Fund Balance	\$ 150,038	\$ 356,237	\$ (62,790)
Total Liabilities and Fund Balances	\$ 150,038	\$ 356,237	\$ 174,856

CITY OF JACKSONVILLE
 COMBINING BALANCE SHEETS -
 SPECIAL REVENUE FUNDS (Continued)
 SEPTEMBER 30, 2016

	CDBG Grant	Total
ASSETS		
Cash	\$ 46,708	\$ 656,971
Accounts receivable	-	14,262
Due from other funds	-	10
Due from other governments	-	11,763
Notes receivable	-	44,833
Total Assets	\$ 46,708	\$ 727,839
LIABILITIES		
Accounts payable and accrued liabilities	\$ -	823
Due to other funds	-	175,162
Due to other governments	-	16,828
Deferred revenue	-	44,833
Total Liabilities	\$ -	237,646
FUND BALANCES		
Fund balance - nonspendable	-	-
Fund balance - restricted	-	506,275
Fund balance - unassigned	46,708	(16,082)
Total Fund Balance	46,708	490,193
Total Liabilities and Fund Balances	\$ 46,708	\$ 727,839

CITY OF JACKSONVILLE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	4 & 5 cent Gasoline Tax	7 cent Gasoline Tax	Inert Landfill
Revenues			
Charges for services	-	-	120,182
Operating grants and contributions	-	-	-
Capital grants and contributions	-	-	-
Interest revenues	-	-	-
Tax revenues	36,617	47,395	-
Miscellaneous	-	-	-
Total Revenues	<u>36,617</u>	<u>47,395</u>	<u>120,182</u>
Expenditures			
General	70,625	110,567	160,280
Public safety	-	-	-
Public works	-	-	-
Capital outlay	-	-	-
Total Expenditures	<u>70,625</u>	<u>110,567</u>	<u>160,280</u>
Excess Revenues Over (Under) Expenditures	(34,008)	(63,172)	(40,098)
Other Financing Sources (Uses)			
Transfers in	-	-	52,500
Transfers out	-	(50,000)	-
Total Other Sources (Uses)	<u>-</u>	<u>(50,000)</u>	<u>52,500</u>
Excess Revenues and Other Sources over (under) Expenditures	(34,008)	(113,172)	12,402
Fund Balance, Beginning	<u>184,046</u>	<u>469,409</u>	<u>(75,192)</u>
Fund Balance, Ending	<u>\$ 150,038</u>	<u>\$ 356,237</u>	<u>\$ (62,790)</u>

CITY OF JACKSONVILLE
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS (continued)
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	CDBG Grant	Total
Revenues		
Charges for services	\$ -	120,182
Operating grants and contributions	-	-
Capital grants and contributions	56,506	56,506
Interest revenues	-	-
Tax revenues	-	84,012
Miscellaneous	-	-
Total Revenues	56,506	260,700
Expenditures		
General	9,798	351,270
Public safety	-	-
Public works	-	-
Capital outlay	-	-
Total Expenditures	9,798	351,270
Excess Revenues Over (Under) Expenditures	46,708	(90,570)
Other Financing Sources (Uses)		
Transfers in	-	52,500
Transfers out	-	(50,000)
Total Other Sources (Uses)	-	2,500
Excess Revenues and Other Sources over (under) Expenditures	46,708	(88,070)
Fund Balance, Beginning	-	578,263
Fund Balance, Ending	\$ 46,708	\$ 490,193

CITY OF JACKSONVILLE
 COMBINING BALANCE SHEET -
 DEBT SERVICE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Debt Service Fund</u>
ASSETS	
Cash	\$ 114,930
Bond issuance discount	24,218
Prepaid Insurance	<u>10,872</u>
Total Assets	<u>\$ 150,020</u>
LIABILITIES AND FUND BALANCES	
Bond Premium	<u>234,059</u>
Total Liabilities	234,059
Fund balance - reserved	<u>\$ (84,039)</u>
Total Fund Balances	<u>(84,039)</u>
Total Liabilities and Fund Balances	<u>\$ 150,020</u>

CITY OF JACKSONVILLE
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE -
 DEBT SERVICE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Debt Service Fund</u>
Revenues	
Charges for services	\$ -
Operating grants and contributions	-
Interest revenues	-
Tax revenues	-
Miscellaneous	-
Total Revenues	<u>-</u>
Expenditures	
General	
Public safety	-
Public works	-
Capital outlay	-
Debt service	<u>1,310,509</u>
Total Expenditures	<u>1,310,509</u>
Excess Revenues over Expenditures	(1,310,509)
Other Financing Sources (Uses)	
Transfers in	1,315,898
Proceeds from long term debt	-
Transfers out	<u>(2,975)</u>
Total Other Financing Sources (Uses)	<u>1,312,923</u>
Excess (deficiency) of revenues over expenditures and other financing sources	2,414
Fund Balance, Beginning	<u>(86,453)</u>
Fund Balance, Ending	<u>\$ (84,039)</u>

CITY OF JACKSONVILLE
SCHEDULE OF NET ASSETS - JACKSONVILLE WATER WORKS,
GAS & SEWER BOARD - COMPONENT UNIT
SEPTEMBER 30, 2016

	2016
ASSETS	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 3,999,790
Accounts receivable (Net of \$2,378 allowance for doubtful accounts)	474,854
Unbilled revenue	213,780
Accrued interest	400
Prepaid expenses	72,160
Inventory - natural gas	159,575
Inventory - supplies	137,929
Total Current Assets	5,058,488
<u>Restricted Assets</u>	13,370,501
Total Restricted Assets	13,370,501
<u>Utility Plant and Equipment</u>	
Land and wells	71,424
Buildings and parking lot	696,070
Office equipment	350,145
Plants and systems	21,721,585
Tools and equipment	629,915
Vehicles	1,015,286
Construction in progress	501,163
Total Utility Plant in Service	24,985,588
Less: accumulated depreciation	(14,876,591)
Utility Plant and Equipment, Net	10,108,997
<u>Other Assets, Net</u>	
Bond issuance cost and discount	25,025
Total Other Assets	25,025
<u>Deferred Outflow of resources</u>	
Deferred loss on bond refunding	243,005
Total Assets	\$ 28,806,016

CITY OF JACKSONVILLE
SCHEDULE OF NET ASSETS - JACKSONVILLE WATER WORKS,
GAS & SEWER BOARD - COMPONENT UNIT (Continued)
SEPTEMBER 30, 2016

	2016
LIABILITIES AND NET ASSETS	
<u>Current Liabilities</u>	
Accounts payable and accrued expenses	\$ 200,927
Due to other governments	96,579
Current portion of long-term debt	780,000
Total Current Liabilities	1,077,506
 <u>Liabilities of Restricted Funds</u>	
Customer meter deposits	326,526
Total Liabilities of Restricted Funds	326,526
 <u>Long-Term Liabilities</u>	
Accrued annual leave	44,174
Revenue bonds payable	18,805,000
Less: current portion of long-term debt	(780,000)
Less: discount on bonds payable	(15,879)
Total Long-Term Liabilities	18,053,295
 <u>Net Assets</u>	
Invested in capital assets, net of related debt	6,180,588
Restricted net assets	10,217,076
Unrestricted net assets	(7,048,975)
Total Net Assets	9,348,689
 Total Liabilities and Net Assets	 \$ 28,806,016

**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, 2016**

	2016
Operating Revenues	
Water revenues	\$ 1,491,140
Gas revenues	1,771,608
Sewer revenues	1,476,126
Installations	32,756
Grant proceeds	-
Miscellaneous income	84,234
Total Operating Revenues	4,855,864
Operating Expenses	
Water department expenses	806,932
Sewer department expenses	760,140
Cost of natural gas sold	518,893
Gas department expenses and purchases	212,680
General and administrative expenses	1,055,457
Depreciation and amortization	822,571
Total Operating Expenses	4,176,673
Net Operating Income	679,191
Non Operating Income and Expense	
Interest income	42,353
Interest expense	(442,090)
Total Non Operating Income and Expense	(399,737)
Change in Net Assets	279,454
Net Assets, Beginning	9,069,235
Net Assets, Ending	\$ 9,348,689

**CITY OF JACKSONVILLE
SCHEDULE OF CASH FLOWS - JACKSONVILLE WATER WORKS
GAS & SEWER BOARD - COMPONENT UNIT
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	2016
Cash Flows from Operating Activities:	
Cash received from customers	\$ 4,704,498
Cash paid to suppliers	(2,089,313)
Cash paid to employees	(1,161,085)
Net Cash Provided by Operating Activities	1,454,100
Cash Flows from Noncapital Financing Activities:	
Cash received from customers for utility deposits	8,074
Net Cash Provided by Noncapital Financing Activities	8,074
Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(495,504)
Principal paid on long-term debt	(8,120,000)
Proceeds from long-term debt	18,793,633
Deferred loss on bond refunding	(243,005)
Interest paid on long-term debt	(442,090)
Net Cash Used by Capital and Related Financing Activities	9,493,034
Cash Flows from Investing Activities:	
Interest received on investments	42,353
Net Cash Provided by Investing Activities	42,353
Net Decrease in Cash and Cash Equivalents	10,997,561
Cash and Cash Equivalents, Beginning	6,372,730
Cash and Cash Equivalents, Ending	\$ 17,370,291
Cash and cash equivalents	\$ 3,999,790
Restricted assets	13,370,501
Cash and Cash Equivalents, Ending	\$ 17,370,291

CITY OF JACKSONVILLE
 SCHEDULE OF CASH FLOWS - JACKSONVILLE WATER WORKS
 GAS & SEWER BOARD - COMPONENT UNIT
 FOR THE YEAR ENDED SEPTEMBER 30, 2016
 (CONTINUED)

	2016
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:	
Net operating income	\$ 679,191
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:	
Bad debt expense	-
Depreciation and amortization	822,571
Inventory adjustment	-
Overhead depreciation	-
Changes in Assets/Liabilities:	
Inventory of supplies	16,172
Prepaid expenses	(6,323)
Accrued interest receivable	13
Customer receivables	(42,347)
Accounts payable	(25,212)
Due to other governments	17,830
Accrued annual leave	(7,795)
Net Cash Provided by Operating Activities	\$ 1,454,100