

CITY OF GARDENDALE, ALABAMA
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2014

MICHAEL R. WILLIAMS, C.P.A., P.C.
CERTIFIED PUBLIC ACCOUNTANT

CITY OF GARDENDALE, ALABAMA
CITY OFFICIALS

SEPTEMBER 30, 2014

MAYOR

Honorable Othell G. Phillips

CITY COUNCIL

- District 1 Mr. Allen Jerkins
- District 2 Mr. Blake Guinn
- District 3 Mr. Alvin Currington
- District 4 Mr. Greg Colvert
- District 5 and Council President Mr. Stan Hogeland

CITY CLERK / TREASURER

Ms. Melissa Honeycutt

DEPARTMENT HEADS

- Administration Department Ms. Melissa Honeycutt
- Police Department Police Chief Mike Walker
- Fire and Rescue Department Fire Chief Clint Doss
- Public Works Department Mr. Jeff Holliyan
- Inspections Department Mr. Robert Ryant
- Civic Center Mr. Keith Mosley
- Parks and Recreation Department Mr. Dale Hyche
- Gardendale-Martha Moore Public Library Ms. Connie L. Smith

CITY OF GARDENDALE, ALABAMA

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	4-6
Management's Discussion and Analysis (MD&A) - Unaudited	7-15
Basic Financial Statements:	
Government-Wide Financial Statements	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements	
Balance Sheet - Governmental Funds	18
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Notes to Financial Statements	22-54
Required Supplementary Information (RSI)	55-57
Supplementary Information	58-64

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
and Members of the City Council
City of Gardendale, Alabama

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gardendale, Alabama, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Gardendale, Alabama management. Our responsibility is to express opinions on these financial statements based on our audit.

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 misstatement, 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 of 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 the 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

To the Honorable Mayor
and Members of the City Council
City of Gardendale, Alabama
Page Two

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 opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gardendale, Alabama, as of September 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on Pages 7–15 and 56–57 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 an 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 inquiries 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 evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gardendale, Alabama basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and

To the Honorable Mayor
and Members of the City Council
City of Gardendale, Alabama
Page Three

statistical tables 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 from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements 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.

Michael R. Williams, C.P.A., P.C.

Birmingham, Alabama
July 13, 2015



MAYOR
OTHELL PHILLIPS
CITY COUNCIL
ALLEN JERKINS
BLAKE GUINN
ALVIN CURRINGTON
GREG COLVERT
STAN HOGELAND

City of Gardendale Management's Discussion & Analysis (MD&A) September 30, 2014

As management of the City of Gardendale, Alabama (the City) we offer readers of the City's financial statements this narrative overview of the City's financial activities for the fiscal year ended September 30, 2014. Management Discussion and Analysis (MD&A) is intended to provide an analysis of the City's current year financial performance during the fiscal year. We encourage readers to consider the information presented here as a part of the whole. Readers should also review and evaluate all sections of this report, including the note disclosures and supplemental information that is provided in addition to this MD&A.

Financial Highlights

The City's assets exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2014 by \$26,130,787 (net position). Of this amount, \$2,960,815 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors. Total net position decreased by \$564,637 in fiscal year 2014.

At September 30, 2014, the City's governmental funds reported combined ending fund balances of \$7,572,134. Of this amount, \$466,287 is available for spending at the City's discretion (unassigned fund balance).

General Fund and Special Revenue Fund resources available for appropriation showed a favorable budget variance of \$695,217. This was primarily due to license collections (favorable variance of approximately \$103,000) being higher than projected. Total annual expenditures exceeded budget projections by \$824,039 due to the expenditure of approximately \$425,000 on road projects, \$100,000 on wages and \$150,000 on professional services. Equipment purchases were also expended for various departments.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Gardendale's basic financial statements. The City of Gardendale's basic financial statements are comprised of three components: 1) government-wide financial statements,

2) fund financial statements and 3) notes to the financial statements. The report also includes other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of the City of Gardendale's finances, in a manner similar to a private-sector business.

The Statement of Net Position: This statement reports all assets and liabilities of the City as of September 30, 2014. The difference between total assets and total liabilities is reported as "net position." It provides an overall summary of the City's financial condition on a single page. Assets and liabilities are reflected based on the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when incurred. The Change in Net Position is important because it indicates if the City's financial condition has improved or declined. Many other items should be taken into account including the City's current economic situation as a whole.

The Statement of Activities: This statement serves the purpose of the traditional income statement. It provides consolidated reporting of the results of all activities of the City for the year ended September 30, 2014. Changes in net position are recorded in the period which the underlying event takes place, which may differ from the period in which cash is received or disbursed. The Statement of Revenues, Expenditures, and Changes in Fund Balance displays the expense of the City's various programs net of the related revenues, as well as a separate presentation of revenues available for general purposes.

Effective October 1, 2008, the City implemented Government Accounting Standard Statement 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions (GASB 45). The City's Annual Required Contribution (ARC) was actuarially determined to be \$77,027. The liability of the net OPEB obligation at year end was \$278,882. This amount is reported on the Statement of Net Position, Page 16, Net OPEB Obligation.

Both of the government-wide financial statements report functions of the City that are governmental in nature and principally supported by taxes and intergovernmental revenues. These governmental activities of the City of Gardendale include administration, police, fire, public works, inspections, the civic center, parks and recreation, and the library.

The government-wide financial statements can be found on Pages 16 and 17 of this report.

Fund Financial Statements: A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Gardendale, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City are governmental funds.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information can be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information 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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City presently has nine governmental funds: General Fund, Corrections Fund, Gasoline Tax Fund, E-911 District Fund, Court Ordered Fund, Drug Enforcement Fund, Parks & Recreation Rental Fund, Debt Service Fund and Capital Projects Fund. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures and changes in fund balances for the General Fund, Gasoline Tax Fund and Capital Projects Fund, all of which are considered to be major funds. Information from the remaining funds, which are considered to be nonmajor, have been aggregated and reported in a single column titled "Other Governmental Funds." Additional information about these aggregated funds is provided in the supplementary information.

The City adopts an annual budget for its General Fund and Special Revenue Funds each year. A budgetary comparison statement, located in the Required Supplementary Information (RSI), has been provided for the General Fund. The budgetary comparison statement for the Special Revenue Funds is located in the Supplementary Information. These statements demonstrate compliance with the annual adopted budget.

The basic governmental fund financial statements can be found on Pages 18 and 20 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-side and fund financial statements. The notes to the financial statements can be found beginning on Page 22 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At September 30, 2014, the City's assets exceed liabilities by \$26,130,787. By far, the largest portion of the City's net assets reflects its investment in capital assets (e.g. land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to its citizens. These assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to pay for or liquidate these liabilities. The City has restricted net position (\$1,172,437) subject to restrictions on these resources. The remaining balance of unrestricted net position (\$2,960,815) may be used to meet the government's ongoing obligations to citizens and creditors.

Condensed Statement of Net Position

Table 1 below presents condensed information on net assets for fiscal years ended September 30, 2014 and 2013.

Table 1 – City of Gardendale
Condensed Statement of Net Position

	Governmental Activities	
	2014	2013
Current and other assets	\$ 8,591,341	\$ 9,790,581
Capital assets	31,187,535	31,062,093
Total assets	<u>\$ 39,778,876</u>	<u>\$ 40,852,674</u>
Long-term liabilities	\$ 857,952	\$ 12,938,637
Other liabilities	12,628,882	1,019,304
Total liabilities	<u>13,486,834</u>	<u>13,957,941</u>
Deferred inflows of resources	<u>161,255</u>	<u>-</u>
Net investment in capital assets	21,997,535	21,387,093
Restricted	1,172,437	-
Unrestricted	<u>2,960,815</u>	<u>5,507,640</u>
	<u>\$ 26,130,787</u>	<u>\$ 26,894,733</u>

Condensed Statement of Activities

Table 2 presents the City's changes in net assets for the fiscal years ended September 30, 2014 and 2013.

Table 2 - City of Gardendale
Changes in Net Assets

	Governmental Activities	
	2014	2013
Revenues:		
Program revenues:		
Charges for service	\$ 626,281	\$ 535,381
Operating grants and contributions	13,400	26,825
General revenues:		
Sales taxes	10,173,322	9,872,911
Ad valorem property taxes	144,580	-
Other taxes	1,315,542	1,235,000
Business licenses	2,071,337	1,986,705
Permits	188,684	292,952
Fines and forfeitures	222,826	202,550
Investment earnings	7,827	10,142
Other	827,467	708,860
Total revenues	<u>15,591,266</u>	<u>14,871,326</u>
Expenses:		
Primary government:		
Governmental activities:		
General and Administrative	3,742,219	2,765,926
Police Department	3,715,857	3,815,899
Fire and Rescue	2,678,327	2,024,994
Public Works Department	2,104,185	1,929,920
Inspection Department	489,870	467,884
Civic Center	1,352,803	1,069,301
Parks and Recreation Department	1,125,435	1,113,655
Gardendale-Martha Moore Public Library	650,367	644,334
Interest on Long-Term Debt	296,840	156,958
Total expenses	<u>16,155,903</u>	<u>13,988,871</u>
Increase in net assets	<u>(564,637)</u>	<u>882,455</u>
Net Assets - Beginning, Restated	26,707,613	26,014,585
Prior Period Adjustment	<u>(12,189)</u>	<u>(2,307)</u>
Net Assets - Ending	<u>\$ 26,130,787</u>	<u>\$ 26,894,733</u>

The City fared well with major revenues; sales and use tax collections increased by 3% in fiscal year 2014 as compared to fiscal year 2013, while collections for licenses increased by 4%. An additional 1% sales tax was approved and became effective January 1, 2011; this additional tax, by ordinance, expired December 31, 2014. Upon its expiration, an additional 1% sales tax was once again approved, this time effective January 1, 2015 through December 31, 2018. The additional 1% sales tax approved effective January 1, 2011 has been utilized for the expansion of the Gardendale-Martha Moore Public Library and for debt retirement and economic development initiatives. The additional 1% sales tax effective January 1, 2015 has been/will be utilized for debt retirement and community and economic development. This 1% sales tax generated \$2,536,149 in additional (committed) sales tax revenue in fiscal year 2014 as compared to \$2,444,510 in fiscal year 2013. Due to the uncertainty of revenue projections, the Mayor and Council made a concentrated effort to work with City departments to reduce and contain expenditures in order to keep department expenses within their budgets.

The Mayor and Council realize the importance of public safety and are concerned for the general welfare of our citizens. They continue to study the impact of public safety personnel, equipment and facility planning within budgetary constraints. As often as possible, grant funds are sought to increase the budget appropriations available for the Police and Fire Departments of the City.

Fund Financial Analysis

The City uses fund accounting to demonstrate compliance with finance-related legal requirements. The General, Special Revenue, Debt Service and Capital Projects Funds are considered governmental funds and are accounted for on the modified accrual method of accounting. As of the end of the current fiscal year, the City of Gardendale's governmental funds reported combined ending fund balances of \$7,572,134. Of this total fund balance, \$466,287 constitutes the *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is to indicate that which is not available for new spending because of prior funding commitments.

The General Fund is the chief operating fund of the City of Gardendale. At the end of the current fiscal year unassigned fund balance of the general fund was \$466,287. The remainder of the fund balance which totaled \$3,511,052 is broken down into nonspendable, restricted, committed and assigned designation of funds.

In other governmental funds, fund balances are as follows: the Special Revenue Funds are comprised of funds which are received from special revenues and are limited as to how they are to be spent. The combined *restricted and assigned* fund balances of the Special Revenue Funds were \$838,888 at the end of the current year.

The Debt Service Fund, which reports debt payment activity, has a total *assigned* fund balance of \$428,449; this amount is assigned for payment of debt service.

The total *committed* fund balance of the Capital Projects Fund is \$2,327,458 at current year end.

Capital Asset and Long-Term Debt Activity

Capital Asset Activity

As of September 30, 2014, the City of Gardendale's investment in capital assets (net of accumulated depreciation and related debt) for its governmental activities totals \$21,997,535. This investment in capital assets includes land, buildings, machinery and equipment, and park facilities. Major capital asset expenditures during the current fiscal year included the renovation of an existing structure for the purpose of housing Fire Station #2.

Long-Term Debt Activity

The outstanding debt for the City of Gardendale as of September 30, 2014, was \$12,628,882. The City had three bond issues outstanding. These issues included \$8,415,000 of general obligation warrants and \$775,000 of general obligation taxable warrants.

One of the current bond issues is repaid from rental income; the other issue is repaid from General Fund monies. A detailed listing of debt outstanding can be found in the Notes to the Financial Statements; see Note I to the financial statements.

General and Special Revenue Funds Budgetary Highlights

The City's budget is prepared according to the laws of the State of Alabama. Budgets are prepared each year for the General and the Special Revenue Funds. Departmental totals are budgeted annually, but the City Council holds each department head accountable for every line item in their budget.

In the General Fund, Special Revenue Fund and the Capital Projects Fund, the Council periodically approves funds for special projects and purchases of additional capital assets based on need as documented by Council committees and individual department personnel. Approvals for these unbudgeted expenses are documented in the minutes of monthly Council meetings and the semi-monthly lists of bills approved by the City Council for payment.

The City Council has complete control over the appropriation of funds; however, the Mayor is responsible for making an annual budget recommendation to the Council. The budget process begins in August when the departments submit their budget requests for the following year to the Mayor and the Finance Committee. After these requests and revenue projections have been compiled, the Mayor and Finance Committee begin adjusting the request in order to present a balanced General and Special Revenue Funds budget to the City Council by the end of September. The entire Council reviews the Mayor's recommendation and makes adjustments before the final budget is adopted the first Council meeting of October (adopted on October 7, 2013 for the current audit year). No Capital Budget was adopted; capital expenditures were approved on an as-needed or as-approved basis during the fiscal year.

Refer to the budgetary comparison schedule for the General Fund in the Required Supplementary Information (RSI) section of the financial statements beginning on Page 56 and for the Special Revenue Funds in the Supplementary Information section of the financial statements beginning on Page 59. There was one budget amendment approved during the fiscal year-ending September 30, 2014.

CURRENT FINANCIAL ISSUES

Economic Factors and Outlook

Revenue sources, such as sales and use taxes and licenses, are the most significant sources of revenue each fiscal year. In fiscal year end 2014, city sales and use tax collections accounted for 66% of annual City revenues. Licenses accounted for another 13% of revenues. These revenues (sales and use taxes and licenses) accounted for 79% of all fiscal year end 2014 revenues. These statistics validate the direct correlation between the economy and revenues generated annually by the City. Previously, the City had not received property (ad valorem) tax assessments on property located within the city limits. This changed in September 2013 when the City Council enacted a 5 mills ad valorem tax to support the proposed new school system. An additional 5 mills ad valorem was passed by public referendum in November 2013 to fund the to-be-formed City school system.

Management is optimistic that economic development efforts with various new commercial projects within the City will compensate for any negative impacts the economy may have on local revenues. The remainder of the City Center property development is under a real estate purchase agreement with a closing date extended until July 31, 2015. The developer is looking to lease the property for retail, restaurants, offices and entertainment.

Several new businesses have opened in the City during 2014 and 2015. These include Panera Bread which opened in March 2014 and Yogurt Mountain in June 2014. Also, several new businesses have opened in the Magnolia City Center located on the corner of Odum Road and Fieldstown Road, just off of Interstate 65, including T.J. Maxx in November 2014; Publix in December 2014; and Starbucks in April 2015.

A second fire station was completed and opened on Fieldstown Road in January 2014. A new City Hall is presently under construction near the corner of Main Street and Bell Street and is scheduled for completion in September 2015. Once completed, the Administration and Inspection Services will be moved to the new City Hall.

The City's management is aware of challenges that must be faced due to national, state and local economic challenges. As the Mayor and Council move into fiscal year 2015, they are prepared to revise the budget (if required) based on actual revenues and funds available from reserves in order to provide sound financial management for the City's best interest. Management is currently preparing for the fiscal year 2016 budget process; a very conservative approach will be used in forecasting fiscal year 2016 revenues and

will concentrate on ways to work within a balanced budget in order to safeguard the City's assets for the future.

Request for information

This financial report is designed to provide a general overview of the City of Gardendale's financial condition for our citizens and other interested parties. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Mayor's office at Post Office Box 889, Gardendale, Alabama 35071.

CITY OF GARDENDALE, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

	Governmental Activities	Component Unit Gardendale - Martha Moore Public Library
ASSETS		
Cash and cash equivalents	\$ 7,967,555	\$ 18,359
Short-term investments	185,696	-
Receivables, net and prepaids	438,090	83
Capital assets, net		
Non-depreciable	14,098,710	90,263
Depreciable	17,088,825	50,117
TOTAL ASSETS	\$ 39,778,876	\$ 158,822
LIABILITIES		
Accounts payable	\$ 355,104	\$ 402
Accrued salaries and wages	337,306	-
Deposits from others	165,542	-
Noncurrent liabilities		
Due within one year		
Bonds payable	485,000	-
Due in more than one year		
Bonds payable	8,705,000	-
Net OPEB obligation	278,882	-
Compensated absences	2,984,899	-
Overtime leave	175,101	-
TOTAL LIABILITIES	13,486,834	402
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue	161,255	-
NET POSITION		
Net investment in capital assets	21,997,535	140,380
Restricted	1,172,437	-
Unrestricted	2,960,815	18,040
TOTAL NET POSITION	\$ 26,130,787	\$ 158,420

See accompanying independent auditor's report and notes to basic financial statements.

CITY OF GARDENDALE, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Gardendale - Martha Moore Public Library	
Primary government:						
Governmental activities:						
General and Administrative	\$ 3,742,219	\$ 2,205	\$ 13,400	\$ (3,726,614)	\$ -	
Police Department	3,715,857	469,373	-	(3,246,484)	-	
Fire and Rescue	2,678,327	-	-	(2,678,327)	-	
Public Works Department	2,104,185	-	-	(2,104,185)	-	
Inspection Department	489,870	-	-	(489,870)	-	
Civic Center	1,352,803	114,558	-	(1,238,245)	-	
Parks and Recreation Department	1,125,435	40,145	-	(1,085,290)	-	
Gardendale-Martha Moore Public Library	650,367	-	-	(650,367)	(48,957)	
Interest on Long-Term Debt	296,840	-	-	(296,840)	-	
Total governmental activities	\$ 16,155,903	\$ 626,281	\$ 13,400	\$ (15,516,222)	\$ (48,957)	
General revenues:						
Taxes:						
Sales taxes				\$ 10,173,322	\$ -	
Ad valorem property taxes				144,580	-	
Other taxes				1,315,542	-	
Business licenses				2,071,337	-	
Permits				188,684	-	
Fines and forfeitures				222,826	-	
Investment earnings				7,827	-	
Other				827,467	45,646	
Total general revenues				14,951,585	45,646	
Change in net position				(564,637)	(3,311)	
Net Position - Beginning, Restated				26,707,613	161,731	
Prior Period Adjustment				(12,189)	-	
Net Position - Ending				\$ 26,130,787	\$ 158,420	

See accompanying independent auditor's report and notes to basic financial statements.

CITY OF GARDENDALE, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	General	Gasoline Tax Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,281,189	\$ 459,469	\$ 2,560,968	\$ 665,929	\$ 7,967,555
Short-term investments	23,947	-	-	161,749	185,696
Receivables, net and prepaids	437,036	800	-	254	438,090
TOTAL ASSETS	\$ 4,742,172	\$ 460,269	\$ 2,560,968	\$ 827,932	\$ 8,591,341
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 121,366	\$ -	\$ 233,510	\$ 228	\$ 355,104
Accrued salaries and wages	337,306	-	-	-	337,306
Deposits from others	165,542	-	-	-	165,542
TOTAL LIABILITIES	624,214	-	233,510	228	857,952
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue	140,619	-	-	20,636	161,255
FUND BALANCES					
Nonspendable - prepaid items	95,577	-	-	-	95,577
Restricted	384,500	460,269	-	327,668	1,172,437
Committed	2,911,052	-	2,327,458	-	5,238,510
Assigned	119,923	-	-	479,400	599,323
Unassigned	466,287	-	-	-	466,287
TOTAL FUND BALANCES	3,977,339	460,269	2,327,458	807,068	7,572,134
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,742,172	\$ 460,269	\$ 2,560,968	\$ 827,932	\$ 8,591,341

See accompanying independent auditor's report and notes to basic financial statements.

CITY OF GARDENDALE, ALABAMA
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
 TO STATEMENT OF NET POSITION
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

Fund Balances - Total Governmental Funds	\$	7,572,134
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Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.

Governmental capital assets		47,808,288
Less accumulated depreciation		(16,620,753)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.

Bonds payable		(9,190,000)
Net OPEB obligation		(278,882)
Compensated absences		(2,984,899)
Overtime leave		(175,101)
		(13,528,882)

Net Position of Governmental Activities	\$	26,130,787
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See accompanying independent auditor's report and notes to basic financial statements.

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

	General	Gasoline Tax Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes, licenses, and permits	\$ 12,839,249	\$ -	\$ -	\$ -	\$ 12,839,249
Intergovernmental revenue	799,795	254,421	-	-	1,054,216
Charges for services	117,063	-	-	508,824	625,887
Fines and forfeitures	222,826	-	-	-	222,826
Interest income	2,572	638	3,591	1,026	7,827
Other	827,651	-	-	13,610	841,261
TOTAL REVENUES	<u>14,809,156</u>	<u>255,059</u>	<u>3,591</u>	<u>523,460</u>	<u>15,591,266</u>
EXPENDITURES					
General and Administrative	3,295,029	-	631,730	16,196	3,942,955
Police Department	3,246,424	-	62,462	386,301	3,695,187
Fire and Rescue	2,437,436	-	137,171	-	2,574,607
Public Works Department	1,812,270	437,948	95,081	-	2,345,299
Inspection Department	466,957	-	-	-	466,957
Civic Center	1,013,151	-	-	-	1,013,151
Parks and Recreation Department	1,003,740	3,805	77,545	18,091	1,103,181
Gardendale-Martha Moore Public Library	608,840	-	-	-	608,840
Debt service	-	-	-	-	-
Principal payments	-	-	-	485,000	485,000
Interest charges	-	-	-	296,840	296,840
Other charges	-	-	-	3,911	3,911
TOTAL EXPENDITURES	<u>13,883,847</u>	<u>441,753</u>	<u>1,003,989</u>	<u>1,206,339</u>	<u>16,535,928</u>
Excess (deficiency) of revenues over expenditures	925,309	(186,694)	(1,000,398)	(682,879)	(944,662)
Other financing sources (uses)					
Operating transfers in	1,148,802	358,641	916,853	1,218,295	3,642,591
Operating transfers out	(2,198,543)	(389,238)	(290,646)	(764,164)	(3,642,591)
	(124,432)	(217,291)	(374,191)	(228,748)	(944,662)
Fund Balances - Beginning	4,117,771	677,560	2,701,649	1,032,005	8,528,985
Prior Period Adjustment	(16,000)	-	-	3,811	(12,189)
Fund Balances - Ending	<u>\$ 3,977,339</u>	<u>\$ 460,269</u>	<u>\$ 2,327,458</u>	<u>\$ 807,068</u>	<u>\$ 7,572,134</u>

See accompanying independent auditor's report and notes to basic financial statements.

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

Net change in fund balances - total governmental funds \$ (944,662)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciable over their estimated useful lives.

Expenditures for capital assets	1,475,705
Less current year depreciation	(1,405,435)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal bond payments	485,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.

Change in net OPEB obligation	-
Change in compensated absences	(156,038)
Change in overtime leave	(19,207)
	(192,245)

Change in net position of governmental activities	\$ (564,637)
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See accompanying independent auditor's report and notes to basic financial statements.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The City of Gardendale, Alabama (“City”), an Alabama Municipal Corporation, was incorporated in June 1955 under the laws of the State of Alabama. The City operates under a Mayor-Council form of government which is governed by a mayor, elected at large, and five council members, elected from defined districts. The City Council President presides over the City Council meetings. The City provides the following services to its community: Public Safety – Police, Fire and Rescue, Public Works and Inspection; Culture – Parks and Recreation and Civic Center; Gardendale-Martha Moore Public Library and General and Administrative services.

Accounting

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting through its pronouncements (Statements and Interpretations). The accounting and reporting framework and the more significant accounting policies established in GAAP and used by the City are discussed in subsequent subsections of this note.

Financial Reporting Entity

The Governmental Accounting Standards Board establishes standards for defining and reporting on the financial reporting entity. As required by accounting principles generally accepted in the United States of America, these financial statements present the City (the primary government) and its component unit. The component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. It is included in the City’s reporting entity because of the significance of its operational or financial relationship with the City. The City has no blended component units.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Based on the aforementioned, the following is included as a component unit in the City's reporting entity:

Gardendale-Martha Moore Public Library – Presentation of the component unit's financial statements are discretely presented in the City's basic financial statements since it is fiscally dependent on the City because its operational and capital budgets are approved by the City Council. In addition, the Library is prohibited from issuing debt without the approval of the City Council. The component unit has a September 30 year-end.

Basic Financial Statements – Government-Wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's police and fire protection, parks and recreation, civic center, library, street and inspection, and general and administrative services are classified as governmental activities. There are no business-type activities.

The primary government is reported separately from the legally separate component unit.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. As of September 30, 2014, the City had no restricted net position.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given program, and (b) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basic Financial Statements – Government-Wide Statements – Continued

The City does not employ an indirect cost allocation system. Internal activity between funds is limited to transfers and the loaning of money between funds, which has been eliminated in the government-wide statements. Any other internal activity between funds is nominal.

The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the City (sales and use taxes, certain intergovernmental revenues, fines, permits, charges, etc.).

Basic Financial Statements – Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. There are no proprietary activities for year-ended September 30, 2014.

Nonmajor funds by category are summarized into a single column. GASB reporting standards set forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category) for the determination of major funds. The City electively added funds, as major funds, which had specific community focus. The nonmajor funds are combined in a column in the fund financial statements.

The following fund types are used by the City: Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources.

The City has presented the following major governmental funds:

General Fund – The General Fund serves as the general operating fund of the City and is always classified as a major fund. All general operating revenues which are not restricted or designated as to their use by outside sources are recorded in the General Fund.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basic Financial Statements – Fund Financial Statements - Continued

Gasoline Tax Fund – This fund is used to account for gasoline tax revenue received from the State of Alabama. Under state law, the city must use the seven-cent gasoline tax revenue only for street and highway purposes. The use of four and five-cent gasoline tax revenue is limited to resurfacing and rehabilitating roads, streets and bridges.

Capital Projects Fund – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The City has presented the following nonmajor governmental funds:

Debt Service Fund – These funds are used to account for the accumulation of resources and the payment of principal and interest on debt not accounted for in the General Fund.

Corrections Fund – These funds are segregated and are to be used for maintenance and operation of the City’s jail and for maintenance and operation of the City’s Municipal Court. The State of Alabama requires that a certain portion of the amount received by Court defendants is to be set aside in a special fund to be used for corrections.

Drug Enforcement Fund – These funds are segregated and are to be used for drug enforcement policy in accordance with regulatory provisions.

Court Ordered Fund – These funds are used to account for court funding sources on state and county courts. These funds are expended by presiding judge and/or municipal court clerk for the operation of the City’s Municipal Court.

E-911 District Fund – These funds are segregated and are to be used for the purpose of communications with emergency personnel and communication equipment for the City’s E-911 dispatchers to receive incoming E-911 emergency calls. The City receives an E-911 surcharge on all telephones within the City’s E-911 District.

Parks and Recreation Rental Fund – These funds are segregated and by City ordinance are used only for maintenance, repair, improvement, purchase or construction of parks and recreation facilities or property required by the City’s Parks & Recreational Department to meet the recreational needs of its citizens.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basic Financial Statements – Fund Financial Statements - Continued

Income from this fund is derived from a usage fee for the rental of meeting rooms, park pavilions, Park Place, the Splash Pad and the Splash Pad Pavilion at the Kenneth A. Clemons Recreational Complex.

Basis of Accounting/Measurement Focus

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are prepared on the accrual basis of accounting. The governmental funds in the fund financial statements are presented on a modified accrual basis using the flow of current financial resources measurement focus.

Accrual Basis – Revenues are recognized when earned and expenses are recognized when incurred under the accrual basis of accounting.

Modified Accrual Basis – Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. “Available” means collectible within the current period or within sixty days after year-end, to be used to pay liabilities of the current period. Most taxes and intergovernmental receipts are subject to accrual. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred, except for principal and interest payments of general obligation warrants which are reported when due.

Encumbrances

In the fund financial statements, the City does not utilize encumbrance accounting techniques which means that fund balances are not reserved upon the issuance of purchase orders. Expenditures are recorded upon the impairment of an asset.

Budgetary Accounting

The City Charter established the fiscal year as the twelve-month period beginning October 1. An operating budget is adopted each fiscal year for the general fund, special revenue funds and debt service obligations on the same modified accrual basis used to reflect actual revenues and expenditures in the governmental funds financial statements.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Budgetary Accounting – Continued

Annually, the Finance Committee submits to the City Council a proposed budget for the upcoming fiscal year. The budget includes proposed expenditures and the means of financing those expenditures. The budget is legally enacted through passage of a resolution. Any revisions that alter the budget of any fund or transfer of funds between departments must be approved by the City Council. Formal budgetary integration is employed as a management control device during the year for the general, special revenue, capital projects and debt service funds. At the end of the year, unencumbered appropriations automatically lapse.

Budgeted amounts are as originally adopted on October 7, 2013 by the City Council (Resolution Number 2013-85). There was one budget amendment (Resolution Number 2014-73) approved during fiscal year-ending September 30, 2014.

Cash and Investments

The City has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agent. In addition, any marketable securities not included in the common pooled accounts that are purchased with a maturity of ninety days or less from the date of acquisition are also considered to be “cash equivalents.” The State Attorney General has issued a legal opinion which states that cities may not place public funds at risk by investing in companies not insured by the federal government. The City maintains a cash and investment system in which substantially all cash is invested either in interest-bearing checking accounts or certificates of deposit.

Inventories

Inventory in the General Fund is valued at cost on a first-in, first-out basis. Inventory consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased rather than when consumed. Reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets. There are no significant inventory items at September 30, 2014.

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Prepaid Expenditures

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid expenditures has been recognized to signify that a portion of non-spendable fund balance is not available for other subsequent expenditures.

Capital Assets and Depreciation

In accordance with GASB reporting standards, the City reports and depreciates capital assets in the government-wide financial statements. Capital assets which include buildings, improvements, furniture, machinery, equipment and vehicles purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Donated assets are valued at their estimated fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line method over the following estimated useful lives:

Capital Asset Class	Years
Buildings	40
Additions to buildings, improvements and other structures	15
Furniture, machinery and equipment	7
Vehicles / transportation equipment	7
Computer equipment and software	5
Infrastructure	15-40

Infrastructure assets including roads, bridges, sidewalks, underground pipes/sewers, traffic signals, etc. are recorded as capital assets by the City and are being depreciated accordingly.

When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, “Deferred Outflows of Resources,” represents a consumption of net position that applies to a future period and so will not be recognized as an expense/expenditure until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, “Deferred Inflows of Resources,” represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then.

Compensated Absences

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

All full-time classified employees will accrue paid vacation leave determined by a schedule of completed service years. An employee will not accrue vacation leave during any month in which, for more than fifteen (15) days of the month, the employee is on a leave of absence without pay, is suspended, or is otherwise in a non-pay status.

Vacation leave accrued but not used may be accumulated during the calendar year with no maximum amount. However, no more than 320 hours of accrued vacation leave may be carried forward from one calendar year to the next for most City employees, the exception being in the Fire Department. Firefighters may accrue a maximum of 420 hours of accrued vacation leave.

City employees had accumulated unpaid vacation leave benefits amounting to \$777,519 at September 30, 2014.

All employees, with the exception of Fire Department personnel, will accrue paid sick leave at the rate of 8.0 hours per month of service. Fire Department personnel accrue paid sick leave at the rate of 10.64 hours per month of service. An employee will not accrue sick leave during any month in which, for more than fifteen (15) days of the month, the

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Compensated Absences – Continued

employee is on a leave of absence without pay, a suspension, or is otherwise in a non-pay status.

Sick leave may be accumulated and carried forward from year to year with no maximum amount.

Employees may accumulate unused sick leave on an unlimited basis which can be converted to “creditable months of service” upon service retirement. An employee’s accrued leave may be used toward legitimate, approved, sickness after one year’s service. Upon retirement or termination, after 5 years “in good standing”, the maximum payment allowable for accrued sick leave conversion will be fifty percent (50%) of all accrued sick time not to exceed 60 days (30 day maximum). At retirement, an employee may convert 100% of sick leave to calculated months of service with the Retirement Systems of Alabama instead of receiving payment the employee is entitled to receive.

City employees had accumulated unused sick leave benefits amounting to \$2,207,380 at September 30, 2014.

Overtime Leave

Employees may accumulate overtime leave for overtime hours worked, but not compensated for, during a specific pay period. This amount will carry over and is a liability of the City until the employee is paid in future periods. Departmental accumulation of overtime leave liability at September 30, 2014 is as follows:

Overtime Leave:	
General and Administrative	\$ 4,261
Police Department	59,710
Fire and Rescue	35,619
Public Works Department	23,610
Inspection Department	1,837
Civic Center	8,029
Parks and Recreation Department	42,035
Gardendale-Martha Moore Public Library	-
Total Overtime Leave	\$ 175,101

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Interfund Receivables and Payables

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Interfund loans are classified as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Ad Valorem Property Taxes

In September 2013, the City Council enacted a 5 mills ad valorem tax to support a proposed new school system. An additional 5 mills ad valorem was passed by public referendum in November 2013 to fund the establishment of the City school system.

The City's ad valorem property taxes are collected and remitted to the City by Jefferson County. Property taxes are assessed for property as of October 1 of the preceding year based on millage rates established by the Jefferson County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31.

Long-Term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations and whether they are reported in the government-wide or fund financial statements. All long-term debt to be repaid from governmental resources are reported as liabilities in the government-wide statements.

The long-term debt consists primarily of warrants payable, notes payable, lines of credit and compensated absences. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures.

Unamortized bond costs associated with the issuance of the 2011 and 2013 General Obligation Warrants are being amortized over the life of the debt on the ratio of bond redemptions to the original amount of total principal.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Equity Classifications

Equity is classified differently depending on whether it is in the government-wide financial statements or the fund financial statements.

In the government-wide statements, equity is classified as net assets and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – Consists of all other net positions that do not meet the definition of “restricted” or “net investment in capital assets.”

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is presented in five possible categories:

- a. Nonspendable – resources which cannot be spent because they are either 1) not in spendable form or; 2) legally or contractually required to be maintained intact.
- b. Restricted – resources with constraints placed on the use of resources which are either 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or 2) imposed by law through constitutional provisions or enabling legislation.
- c. Committed – resources which are subject to limitations the City imposes upon itself by action of the City Council, and that remain binding unless the limitations are removed in the same manner.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Equity Classifications – Continued

- d. Assigned – resources neither restricted nor committed for which the City has a stated intended use as established by the City Council or a body or official to which the City Council has delegated the authority to assign amounts for specific purposes.
- e. Unassigned – resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

New GASB Pronouncements

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, is effective for periods beginning after December 15, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses or expenditures) or inflows of resources (revenues), certain items that were previously reported as assets and liabilities. The City has implemented this reporting for the year ended September 30, 2014. Implementation of GASB Statement No. 65 resulted in a restatement of beginning net position.

NOTE B – REVENUES AND EXPENDITURES

Revenues

Substantially all governmental fund revenues are accrued.

Major Revenue Sources

The City's primary sources of revenue include sales and use taxes, ad valorem property taxes, business licenses and permits. Collectively, these taxes and licenses totaled approximately \$12.6 million or 81% of the total General and Special Revenue Fund revenues during the year ended September 30, 2014.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE B – REVENUES AND EXPENDITURES – CONTINUED

1-Cent Temporary Sales and Use Tax Increase

Effective January 1, 2011, the City's local sales and use tax rate increased from 3% to 4%. Under the terms of the authorizing ordinance, the additional 1-cent tax expired on December 31, 2014, and the revenues from the additional tax may be used only for the following three purposes: (1) expansion and renovation of the Gardendale-Martha Moore Public Library; (2) retirement of debt; and (3) economic development initiatives. The Ordinance was reinstated on November 17, 2014, for a period of January 1, 2015 through December 31, 2018, modifying its intent for future expenditure purposes to debt retirement and community and economic development.

Lease Revenue

The City leases a commercial building to the United States Postal Service serving the citizens of Gardendale, Alabama. The lease, commencing February 19, 1999, is a non-cancelable operating lease for 20 years. Minimum lease revenue, for the next 5 years, is as follows:

<u>Lease Revenue</u>	
<u>Year</u>	<u>Totals</u>
2015	\$ 218,137
2016	218,137
2017	218,137
2018	218,137
2019	72,712

Rental income for year-ending September 30, 2014 was \$218,137.

Expenditures

Expenditures are recognized when the related fund liability is incurred.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE B – REVENUES AND EXPENDITURES – CONTINUED

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent liabilities and the reported amount of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE C – DEPOSITS AND INVESTMENTS

Deposits

The Alabama State Legislature has enacted the Security of Alabama Funds Enhancement (SAFE) Program (Title 41, Chapter 14A, Code of Alabama 1975, as amended) that prescribes the way all Alabama public deposits are collateralized. The City manages custodial credit risk, which is the risk that in the event of a bank failure the City's deposits may not be returned. The City approves, by resolution, all banks or other financial institutions utilized as depositories for City funds. Prior to approval, each proposed depository must provide evidence of its designation by the Alabama State Treasurer as a qualified public depository under SAFE. From time to time, the Council may request that the depository provide evidence of its continuing designation as a qualified public depository. The enactment of the SAFE program changed the way all Alabama public deposits are collateralized. In the past, the bank pledged collateral directly to each individual public entity. Under the mandatory SAFE program, each qualified public depository (QPD) is required to hold collateral for all its public depositories on a pooled basis in a custody account established for the State Treasurer as 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.

At September 30, 2014, the carrying amount of the City's deposits was \$8,153,251 and the bank balance was \$8,153,251. The total bank balance at year-end was covered by federal depository insurance or collateral held by the fiscal agent in the City's name under the SAFE program.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE C – DEPOSITS AND INVESTMENTS – CONTINUED

Investments

As of September 30, 2014, the City had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less than 1	1-5
Certificates of Deposit	\$ <u>185,696</u>	\$ <u>185,696</u>	\$ <u>-</u>

NOTE D – ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following account balances at September 30, 2014:

Paving receivable	\$ 75,000
House demolition receivables	30,590
Weed Control Ordinance violations	22,465
School projects	14,731
Grant receivables	9,900
Miscellaneous receivables	<u>3,757</u>
 Total	 \$ <u>156,443</u>

NOTE E – SEWER ASSESSMENTS RECEIVABLE

Sewer construction is partially financed by assessments levied on property owners benefiting from the construction. There was no sewer construction in progress at September 30, 2014.

NOTE F – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014 is stated on the following page.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE F – CAPITAL ASSETS – CONTINUED

	Balance October 1, 2013	Additions/ Completions	Retirements/ Dispositions	Balance September 30, 2014
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 12,146,895	\$ 80,206	\$ (68,050)	\$ 12,159,051
Construction in Progress	1,746,292	1,003,974	(810,607)	1,939,659
Total Capital Assets Not Being Depreciated	<u>13,893,187</u>	<u>1,084,180</u>	<u>(878,657)</u>	<u>14,098,710</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	22,848,033	757,264	(3,473)	23,601,824
Equipment	6,968,574	141,216	(94,756)	7,015,034
Infrastructure	2,665,688	427,032	-	3,092,720
Total Capital Assets Being Depreciated	<u>32,482,295</u>	<u>1,325,512</u>	<u>(98,229)</u>	<u>33,709,578</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(8,485,448)	(935,600)	3,473	(9,417,575)
Equipment	(6,094,922)	(309,059)	94,598	(6,309,383)
Infrastructure	(733,019)	(160,776)	-	(893,795)
Total Accumulated Depreciation	<u>(15,313,389)</u>	<u>(1,405,435)</u>	<u>98,071</u>	<u>(16,620,753)</u>
Total Capital Assets Being Depreciated, Net	<u>17,168,906</u>	<u>(79,923)</u>	<u>(158)</u>	<u>17,088,825</u>
Governmental Activities Capital Assets, Net	<u>\$ 31,062,093</u>	<u>\$ 1,004,257</u>	<u>\$ (878,815)</u>	<u>\$ 31,187,535</u>

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2014

NOTE F – CAPITAL ASSETS – CONTINUED

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental Activities:	
General and Administrative	\$ 473,998
Police Department	137,094
Fire and Rescue	153,630
Public Works Department	235,964
Inspection Department	4,796
Civic Center	252,647
Parks and Recreation Department	96,592
Gardendale-Martha Moore Public Library	<u>50,714</u>
Total depreciation expense- Governmental activities	<u>\$ 1,405,435</u>

NOTE G – CONSTRUCTION-IN-PROGRESS

Construction and Development of New City Center

Construction-in-progress on the new City Center project, including sewer expansion and other relevant costs at September 30, 2014, totaled \$783,379.

Construction and Development of New City Hall

Construction-in-progress on the new City Hall at September 30, 2014 totaled \$728,013.

Lighthouse and Civil House Properties

The City purchased the Lighthouse and Civil House properties for renovation of both the interior and exterior of the existing buildings. The City's long-range plan for these properties is to host city events as well as to rent them to the public for weddings, reunions, etc. The work on the projects is ongoing. No projected completion date is set for these projects. Construction-in-progress at September 30, 2014 totaled \$365,362.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE G – CONSTRUCTION-IN-PROGRESS – CONTINUED

Pedestrian Improvements / Sidewalk Projects

In conjunction with Alabama Department of Transportation (ALDOT), a resolution approved pedestrian and sidewalk improvements along Main Street, Bell Street, and the new City Hall complex. The project entered the design phase during October 2013. The project continues to be ongoing as ALDOT has not announced an expected completion date. Construction-in-progress at September 30, 2014 totaled \$62,905.

NOTE H – LETTER OF CREDIT

The City entered into a \$3,000,000 Letter of Credit on August 28, 2014 with Regions Bank. Interest rate was 1.585% per annum. The Letter of Credit is collateralized by the good faith and credit of the City. There was no outstanding liability balance at September 30, 2014.

NOTE I – LONG-TERM DEBT

Note Payable and Capital Leases

At September 30, 2014, there were no note payable balances or capital leases outstanding.

Capital Leases

At September 30, 2014, there were no capital lease balances outstanding.

General Obligation Warrants and General Obligation Taxable Warrants

General Obligation Warrants and General Obligation Taxable Warrants are direct obligations issued on a pledge of the general taxing power of the payment of the debt obligations of the City. The obligations require the City to compute at the time other taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity; the City is in compliance with this requirement.

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2014

NOTE I – LONG-TERM DEBT - CONTINUED

General Obligation Warrants and General Obligation Taxable Warrants - Continued

At September 30, 2014, warrants consisted of two (2) outstanding general obligation warrants and one (1) outstanding general obligation taxable warrant, as scheduled below:

	Governmental Activities					Amount Outstanding at September 30, 2014
	Interest Rates	Issue Date	Maturity Date	Original Issue	at September 30, 2014	
General Obligation Taxable Warrants, Series 1999 – United States Postal Service Building	5.74% to 6.77%	1/1/1999	1/1/2019	\$ 2,050,000	\$ 775,000	
General Obligation Warrants, Series 2011 – Defeasance of General Obligation Warrants, Series 1998	1.10% to 3.35%	2/1/2011	10/1/2018	2,640,000	1,735,000	
General Obligation Warrants, Series 2013 – Public Safety Center, New City Hall and Second Fire Station	1.80% to 3.35%	6/1/2013	6/1/2033	6,715,000	6,680,000	
				<u>\$ 11,405,000</u>	<u>\$ 9,190,000</u>	

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2014

NOTE I – LONG-TERM DEBT – CONTINUED

General Obligation Warrants and General Obligation Taxable Warrants - Continued

Annual debt service requirements to maturity for the general obligation warrants and general obligation taxable warrants are as follows:

Year Ended September 30	Total	Annual Requirement Principal	Governmental Activities					
			1999 General Obligation Taxable Warrants		2011 General Obligation Warrants		2013 General Obligation Warrants	
			Principal	Interest	Principal	Interest	Principal	Interest
2015	767,856	485,000	135,000	47,898	335,000	42,725	15,000	192,233
2016	771,073	505,000	145,000	38,420	335,000	35,690	25,000	191,963
2017	771,968	525,000	155,000	28,265	345,000	27,190	25,000	191,513
2018	771,049	545,000	165,000	17,433	355,000	17,553	25,000	191,063
2019	767,651	565,000	175,000	5,924	365,000	6,114	25,000	190,613
2020	585,163	395,000	-	-	-	-	395,000	190,163
2021	587,855	405,000	-	-	-	-	405,000	182,855
2022	584,350	410,000	-	-	-	-	410,000	174,350
2023	584,920	420,000	-	-	-	-	420,000	164,920
2024	584,420	430,000	-	-	-	-	430,000	154,420
2025	588,240	445,000	-	-	-	-	445,000	143,240
2026	586,003	455,000	-	-	-	-	455,000	131,003
2027	588,035	470,000	-	-	-	-	470,000	118,035
2028	583,935	480,000	-	-	-	-	480,000	103,935
2029	584,055	495,000	-	-	-	-	495,000	89,055
2030	587,968	515,000	-	-	-	-	515,000	72,968
2031	586,230	530,000	-	-	-	-	530,000	56,230
2032	588,475	550,000	-	-	-	-	550,000	38,475
2033	584,775	565,000	-	-	-	-	565,000	19,775
Totals	\$ 12,054,021	\$ 9,190,000	\$ 775,000	\$ 137,940	\$ 1,735,000	\$ 129,272	\$ 6,680,000	\$ 2,596,809

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE I – LONG-TERM DEBT – CONTINUED

The following is a summary of long-term debt transactions of the City for the year-ended September 30, 2014:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Warrants payable:					
General obligation warrants	\$ 8,775,000	\$ -	\$ 360,000	\$ 8,415,000	\$ 350,000
General obligation taxable warrants	900,000	-	125,000	775,000	135,000
Total bonds payable	<u>9,675,000</u>	<u>-</u>	<u>485,000</u>	<u>9,190,000</u>	<u>485,000</u>
Net OPEB obligation	278,882	-	-	278,882	-
Compensated absences:					
Vacation leave	713,364	492,701	428,546	777,519	-
Sick leave	2,115,497	438,937	347,054	2,207,380	-
Overtime leave	155,894	47,992	28,785	175,101	-
Governmental activity long-term liabilities	<u>\$ 12,938,637</u>	<u>\$ 979,630</u>	<u>\$ 1,289,385</u>	<u>\$ 12,628,882</u>	<u>\$ 485,000</u>

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE J – PRIOR PERIOD ADJUSTMENTS

A prior period adjustment was recorded to adjust cash to a lesser amount, as determined by account reconciliation. An amount of \$16,000 was recorded to decrease the beginning balance of both the General Fund and net position for governmental activities.

A prior period adjustment was recorded to adjust E-911 revenue to a higher amount, as determined by accounts receivable reconciliation. An amount of \$3,811 was recorded to increase the beginning balance of both the E-911 District Fund and net position for governmental activities.

The net effect of the prior period adjustments, shown above, is a decrease in the beginning fund balance of the General Fund of \$4,117,771, as originally reported, to \$4,101,771 and a increase in the beginning fund balance of the E-911 District Fund of \$254,948, as originally reported, to \$258,759. In addition, beginning net position for governmental activities has been decreased from \$26,707,613, as originally reported, to \$26,695,424.

NOTE K – RETIREMENT PLAN

Plan Description

The City contributes to the Employees' Retirement System of Alabama, an agent multiple-employer public employee retirement system, that acts as a common investment and administrative agent for the various state agencies, departments and municipalities.

Substantially all permanent employees who work 20 hours per week or more are members of the Employees' Retirement System of Alabama. Membership is mandatory for covered or eligible employees of the City of Gardendale, Alabama. Members must contribute five (5.0) percent of earnable compensation to the plan; any certified, full-time firefighter, correctional officer or law enforcement officer not covered as a State Policeman must contribute six (6.0) percent. Benefits vest after 10 years of creditable service. Vested employees may retire with full retirement benefits at age 60 or after 25 years of service.

Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE K – RETIREMENT PLAN – CONTINUED

Under this method retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner.

The pre-retirement death benefit is paid in addition to the return of accumulated contributions upon the death of an active member who is not eligible for retirement but has completed at least one year of active membership in the system and whose date of death was within ninety days of such member's last date of actual service. The pre-retirement death benefit is equal to the annual earnable compensation of the member as reported to the system for the preceding year.

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

The Employees' Retirement System of Alabama issues a summary plan description and a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to The Employees' Retirement System of Alabama, Post Office Box 302150, 201 South Union Street, Montgomery, Alabama 36130.

The City is required to contribute the remaining amounts necessary to fund RSA, using the "entry age" actuarial method. The current rate is 13.05% of annual covered payroll. These contribution requirements are established and may be amended by the RSA Board of Control.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE K – RETIREMENT PLAN – CONTINUED

EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA
ACTUARIAL VALUATION AS OF SEPTEMBER 30, 2013
Rates Effective for Period Beginning October 1, 2015

2299 GAR Gardendale

Our records indicate that your agency has not elected to increase the employee contribution rate as provided by Act 2011-676. In the event that you do wish to adopt these provisions effective 10/1/2015, we have provided additional information related to your contribution rates under these provisions.

Summary of Employee Census Data

	<u>Tier 1</u>	<u>DROP</u>	<u>Tier 2</u>	<u>Total</u>
Number of active members:	135	0	7	142
Annual compensation:	\$6,135,786	\$ 0	\$185,737	\$6,321,522
	<u>Retirees</u>	<u>DROP</u>		<u>Total</u>
Number of retired members and beneficiaries:	50	0		50
Annual retirement allowances:	\$1,226,631	\$ 0		\$1,226,631
	<u>Vested</u>	<u>Non-vested</u>		<u>Total</u>
Number of inactive members:	2	10		12
Accumulated contributions with interest:	\$100,119	\$25,214		\$125,333

Required Employer Contribution Rates

Tier 1 Employees (applies to all members hired before January 1, 2013)	Retain Current Member Contribution Rates	Elect to Increase Member Contribution Rates Under Act 2011-676
Normal cost	3.12%	0.94%
Accrued liability	8.69	8.75
Pre-retirement death benefit	0.02	0.02
Administrative expense	<u>0.35</u>	<u>0.35</u>
Total Employer Contribution Rate	12.18%	10.06%
5% Employer contribution factor (12.18%/5%)	2.436000	
6% Employer contribution factor (12.18%/6%)	2.030000	
7.5% Employer contribution factor (10.06%/7.5%)		1.341333
8.5% Employer contribution factor (10.06%/8.5%)		1.183529
Tier 2 Employees (applies to all members hired on or after January 1, 2013) Note: These rates apply regardless of Tier 1 member contribution rate election		
Normal cost	0.48%	
Accrued liability	8.69	
Pre-retirement death benefit	0.02	
Administrative expense	<u>0.35</u>	
Total Employer Contribution Rate	9.54%	
6% Employer contribution factor (9.54%/6%)	1.590000	
7% Employer contribution factor (9.54%/7%)	1.362857	

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE K – RETIREMENT PLAN – CONTINUED

**EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA
ACTUARIAL VALUATION AS OF SEPTEMBER 30, 2013**

2299 GAR Gardendale

Accounting Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Liability (AAL) Entry Age (b) ¹	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
9/30/2008	\$13,751,229	\$19,103,970	\$5,352,741	72.0%	\$6,250,221	85.6%
9/30/2009	\$13,817,280	\$20,251,259	\$6,433,979	68.2%	\$6,023,395	106.8%
9/30/2010 ²	\$13,664,404	\$21,287,870	\$7,623,466	64.2%	\$5,866,771	129.9%
9/30/2011 ⁴	\$13,482,448	\$21,560,156	\$8,077,708	62.5%	\$6,084,833	132.8%
9/30/2012 ⁵	\$13,510,197	\$21,179,512	\$7,669,315	63.8%	\$6,031,602	127.2%
9/30/2013 ⁶	\$14,646,834	\$23,271,566	\$8,624,732	62.9%	\$6,321,522	136.4%
9/30/2013 ^{3,6}	\$14,646,834	\$23,330,274	\$8,683,440	62.8%	\$6,321,522	137.4%

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

* The actuarial value of assets was set equal to the market value of assets as of September 30, 2012.
Market Value of Assets as of September 30, 2013: \$15,346,344

Valuation date	9/30/2013
Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	27 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Ultimate Investment rate of return (discount rate)**	8.00%
Projected salary increases**	3.75 – 7.25%
**Includes inflation at	3.00%
Cost-of-living adjustments	None

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
9/30/2011	\$610,569	100.0%	\$ 0
9/30/2012	\$626,061	100.0%	\$ 0
9/30/2013	\$666,423	100.0%	\$ 0

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE L – DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. RSA-1, Deferred Compensation Plan administered by The Retirement Systems Deferred Compensation Plan, was authorized by an act of the Alabama Legislature for the benefit of Alabama's public employees.

The plan, available to all City employees, permits them to defer a portion of their salary until future years. There is no minimum employees may defer. An employee may defer up to 100% of their includible income (as defined by the Internal Revenue Service), reduced by other tax deferred retirement contributions and pretax salary reductions, but not more than the following annual contribution maximums: Under 50 years of age - \$17,500; 50 years of age and over \$35,000. If an employee is within three years of retirement, the deferred limit may be higher. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The City funds all amounts of compensation deferred under the plan, at the direction of the covered employee, through investments administered by The Retirement Systems of Alabama.

NOTE M – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

The City's medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement. The employees are covered by a retirement system and the eligibility requirement to receive retiree medical benefits is age 62 and 10 years of service (see below under "Method of Determining Value of Benefits" for graded percentage of employer payment of retiree premiums based on service at retirement). Complete plan provisions are included in the official plan documents.

Contribution Rates

Employees do not contribute to their post employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2014

NOTE M – OTHER POST EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Fund Policy

Until Fiscal Year Ending September 30, 2008, the City recognized the cost of providing post-employment medical benefits (the City’s portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. Effective with the Fiscal Year beginning October 1, 2008, the City implemented GASB No. 45, “Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions.” The funding policy is not to fund the ARC except to the extent of the current year’s retiree funding costs.

In Fiscal Year Ending September 30, 2013, the City’s portion of health care funding cost for retired employees totaled \$23,757. These amounts were applied toward the Net OPEB Benefit Obligation as shown in the table on the following page.

Annual Required Contribution

The City’s Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB No. 45. The ARC is the sum of the Normal Cost plus the contribution to amortize the Underfunded Actuarial Accrued Liability (UAAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The total ARC for the fiscal year beginning October 1, 2013 is \$77,027, as set forth below:

		<u>Medical</u>
Normal Cost	\$	43,873
30-year UAL amortization amount		<u>33,154</u>
Annual required contribution (ARC)	\$	<u><u>77,027</u></u>

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE M – OTHER POST EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Net Post-employment Benefit Obligation (Asset)

The table below shows the City's Net Other Post-employment Benefit (OPEB) Obligation (Asset) for fiscal year ending September 30, 2013:

Beginning Net OPEB Obligation (Asset) 10/1/2012	\$	Medical 229,708
Annual required contribution		77,027
Interest on Net OPEB Obligation (Asset)		9,188
ARC Adjustment		<u>(13,284)</u>
OPEB Cost		72,931
Contribution		-
Current year retiree premium		<u>(23,757)</u>
Change in Net OPEB Obligation		49,174
Ending Net OPEB Obligation (Asset) 9/30/2013	\$	<u>278,882</u>

The following table shows the City's annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post employment benefits (PEB) liability (asset):

Post Employment Benefit	Annual Fiscal Year Ended September 30, 2013 OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation (Asset)
Medical	\$72,931	32.57%	\$278,882

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2014

NOTE M – OTHER POST EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Funded Status and Funding Progress

In the fiscal year ending September 30, 2013, the City made no contributions to its post employment benefits plan. The plan was not funded at all, has no assets, and hence has a funded ratio of zero. Based on the October 1, 2012 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at fiscal year end September 30, 2013 was \$596,215, which is defined as that portion, as determined by a particular actuarial cost method (the City uses the Projected Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost.

	Medical
Actuarial Accrued Liability (AAL)	\$ 596,215
Actuarial Value of Plan Assets	-
Unfunded Act. Accrued Liability (UAAL)	596,215
Funded Ratio (Act. Val. Assets/AAL)	0.00%
Covered Payroll (active plan members)	6,132,271
UAAL as a percentage of covered payroll	9.72%

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the City and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the City and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the City and plan members in the future.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE M – OTHER POST EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

Actuarial Cost Method

The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

Actuarial Value of Plan Assets

Since the OPEB obligation has not as yet been funded, there are not any assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB No. 45 will be used.

Turnover Rate

An age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce an composite annual turnover of approximately 5%. The rates for each age are below:

Post Employment Benefit Plan Eligibility Requirements

Because of the graded schedule of employer contributions based on service at retirement and the necessity of retiring at not earlier than age 62 for employer payment of retiree premiums, it has been assumed that entitlement to benefits will commence at the later of attainment of age 62 and completion of 10 years of service. Medical benefits are provided to employees upon actual retirement.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE M – OTHER POST EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Investment Return Assumption (Discount Rate)

GASB No. 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits. Since the ARC is not currently being funded and not expected to be funded in the near future, we have performed this valuation using a 4% annual investment return assumption.

Health Care Cost Trend Rate

The expected rate of increase in medical cost is based on a graded schedule beginning with 8% annually, down to an ultimate annual rate of 5.0% for ten years out and later.

Mortality Rate

The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rate and 50% of the unloaded female mortality rates, was used. This is a recently published mortality table which has been used in determining the value of accrued benefits in defined benefit pension plans. Projected future mortality improvement has not been used since it is our opinion that this table contains sufficiently conservative margin for the population involved in this valuation.

Method of Determining Value of Benefits

The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer pays for a portion of the retiree unblended premium based on service at retirement. That portion is equal to 100% for employees retiring with 20 or more years of service. For employees retiring with less than 20 years of service, the employer pays 70% at 10 years plus 2% for each year above 10 years to 88% for 19 years. The employer pays for retiree coverage only, not dependents, and retiree coverage ceases at age 65.

Inflation Rate

Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2.50% annually.

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2014

NOTE M – OTHER POST EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Projected Salary Increases

This assumption is not applicable since neither the benefit structure nor the valuation methodology involves salary.

Post-retirement Benefit Increases

The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future.

OPEB Costs and Contributions

	September 30, 2011	September 30, 2012	September 30, 2013
OPEB Cost	\$ 73,848	\$ 74,770	\$ 72,931
Contribution	-	-	-
Retiree premium	<u>16,882</u>	<u>16,882</u>	<u>23,757</u>
Total contribution and premium	<u>16,882</u>	<u>16,882</u>	<u>23,757</u>
Change in net OPEB obligation	\$ <u><u>56,966</u></u>	\$ <u><u>57,888</u></u>	\$ <u><u>49,174</u></u>
Percent of contribution to cost	0.00%	0.00%	0.00%
Percent of contribution plus premium to cost	22.86%	22.58%	32.57%

NOTE N – RISK MANAGEMENT

The City carries traditional insurance coverage rather than finance risks through self-insurance.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE O – CONTINGENT LIABILITIES

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material. The City is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City.

NOTE P – SUBSEQUENT EVENTS

The City has evaluated subsequent events through the date of issuance of these financial statements.

Relocation of City Hall

On July 15, 2013, the City purchased property on the corner of Main Street and Bell Street for \$450,000, a portion of which will be used to build a new City Hall. Administration and Inspections would then be moved to the new City Hall with an expected completion date set during September 2015.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GARDENDALE, ALABAMA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Taxes, licenses, and permits	\$ 12,759,992	\$ 12,759,992	\$ 12,839,249	\$ 79,257
Intergovernmental revenue	684,453	684,453	799,795	115,342
Charges for services	140,074	140,074	117,063	(23,011)
Fines and forfeitures	169,693	169,693	222,826	53,133
Interest income	6,553	6,553	2,572	(3,981)
Other	655,930	655,930	827,651	171,721
TOTAL REVENUES	<u>14,416,695</u>	<u>14,416,695</u>	<u>14,809,156</u>	<u>392,461</u>
EXPENDITURES				
General and Administrative	1,894,269	2,989,269	3,295,029	(305,760)
Police Department	3,251,707	3,230,807	3,246,424	(15,617)
Fire and Rescue	2,267,680	2,267,080	2,437,436	(170,356)
Public Works Department	1,807,954	1,839,354	1,812,270	27,084
Inspection Department	450,372	450,372	466,957	(16,585)
Civic Center	1,001,861	1,001,161	1,013,151	(11,990)
Parks and Recreation Department	1,095,871	1,095,871	1,003,740	92,131
Gardendale-Martha Moore Public Library	619,157	619,157	608,840	10,317
TOTAL EXPENDITURES	<u>12,388,871</u>	<u>13,493,071</u>	<u>13,883,847</u>	<u>(390,776)</u>
Excess (deficiency) of revenues over expenditures	2,027,824	923,624	925,309	1,685
Other financing sources (uses) Operating transfers in (out)	<u>(1,049,741)</u>	<u>(1,049,741)</u>	<u>(1,049,741)</u>	<u>-</u>
	978,083	(126,117)	(124,432)	1,685
Fund Balances - Beginning, adjusted	<u>4,101,771</u>	<u>4,101,771</u>	<u>4,101,771</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 5,079,854</u>	<u>\$ 3,975,654</u>	<u>\$ 3,977,339</u>	<u>\$ 1,685</u>

See accompanying independent auditor's report and notes to basic financial statements.

CITY OF GARDENDALE, ALABAMA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Budgets and Budgetary Accounting

The City has adopted and adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

1. The Finance Committee submits to the City Council a proposed budget for the fiscal year commencing October 1. The budget includes proposed expenditures and the means of financing those expenditures.
2. The budget is legally enacted through the passage of a resolution.
3. Any revisions that alter the budget of any fund or transfer of funds between departments must be approved by the City Council.
4. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, Capital Projects and Debt Service Funds.
5. At the end of the year, unencumbered appropriations automatically lapse.

Budget information presented in the financial statements is based on the budget as adopted by the City Council on October 7, 2013 (Resolution Number 2013-85). There was one budget amendment (Resolution Number 2014-73) approved during the fiscal year.

SUPPLEMENTARY INFORMATION

CITY OF GARDENDALE, ALABAMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2014

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Debt Service Fund	Corrections Fund	Drug Enforcement Fund	Court Ordered Fund	E-911 District Fund	Parks and Recreation Rental Fund		
ASSETS								
Cash and cash equivalents	\$ 428,449	\$ 48,732	\$ 54,511	\$ 48,976	\$ 34,310	\$ 50,951	\$	665,929
Short-term investments	-	69,349	-	-	92,400	-	-	161,749
Receivables-net and prepaids	-	11	-	-	243	-	-	254
TOTAL ASSETS	\$ 428,449	\$ 118,092	\$ 54,511	\$ 48,976	\$ 126,953	\$ 50,951	\$	827,932
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
LIABILITIES								
Accounts Payable	\$ -	\$ -	\$ -	\$ 228	\$ -	\$ -	\$ -	228
TOTAL LIABILITIES	\$ -	\$ -	\$ -	\$ 228	\$ -	\$ -	\$ -	228
DEFERRED INFLOWS OF RESOURCES								
Unearned Revenue	\$ -	\$ -	\$ 20,636	\$ -	\$ -	\$ -	\$ -	20,636
FUND BALANCES								
Restricted	-	118,092	33,875	48,748	126,953	-	-	327,668
Assigned	428,449	-	-	-	-	50,951	-	479,400
TOTAL FUND BALANCES	428,449	118,092	33,875	48,748	126,953	50,951	\$	807,068
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 428,449	\$ 118,092	\$ 54,511	\$ 48,976	\$ 126,953	\$ 50,951	\$	827,932

See accompanying independent auditor's report and notes to basic financial statements.

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

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Debt Service Fund	Corrections Fund	Drug Enforcement Fund	Court Ordered Fund	E-911 District Fund	Parks and Recreation Rental Fund		
REVENUES								
Charges for services	\$ -	\$ 74,268	\$ -	\$ 29,902	\$ 364,509	\$ 40,145	\$	508,824
Interest income	-	244	41	79	458	204		1,026
Other	-	1,073	12,477	-	-	60		13,610
TOTAL REVENUES	-	75,585	12,518	29,981	364,967	40,409		523,460
EXPENDITURES								
General and Administrative	-	-	-	16,196	-	-		16,196
Police Department	-	1,813	3,770	-	380,718	-		386,301
Parks and Recreation Department	-	-	-	-	-	18,091		18,091
Debt service								
Principal payments	485,000	-	-	-	-	-		485,000
Interest charges	296,840	-	-	-	-	-		296,840
Other charges	3,911	-	-	-	-	-		3,911
TOTAL EXPENDITURES	785,751	1,813	3,770	16,196	380,718	18,091		1,206,339
Excess (deficiency) of revenues over expenditures	(785,751)	73,772	8,748	13,785	(15,751)	22,318		(682,879)
Other financing sources (uses)								
Operating transfers in	800,735	74,466	-	30,829	312,265	-		1,218,295
Operating transfers out	(2,805)	(204,466)	-	(29,902)	(428,320)	(98,671)		(764,164)
Fund Balances - Beginning	12,179	(56,228)	8,748	14,712	(131,806)	(76,353)		(228,748)
Prior Period Adjustment	416,270	174,320	25,127	34,036	254,948	127,304		1,032,005
Fund Balances - Ending	\$ 428,449	\$ 118,092	\$ 33,875	\$ 48,748	\$ 126,953	\$ 50,951	\$	807,068

See accompanying independent auditor's report and notes to basic financial statements.

CITY OF GARDENDALE, ALABAMA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Orginal Budget	Final Budget	Actual	Variance
REVENUES				
Intergovernmental revenue	\$ 214,009	\$ 214,009	\$ 254,421	\$ 40,412
Charges for services	261,168	261,168	508,824	247,656
Interest income	-	-	1,664	1,664
Other	586	586	13,610	13,024
TOTAL REVENUES	<u>475,763</u>	<u>475,763</u>	<u>778,519</u>	<u>302,756</u>
EXPENDITURES				
General and Administrative	12,440	12,440	16,196	(3,756)
Police Department	416,638	416,638	386,301	30,337
Public Works Department	-	-	437,948	(437,948)
Parks and Recreation Department	-	-	21,896	(21,896)
TOTAL EXPENDITURES	<u>429,078</u>	<u>429,078</u>	<u>862,341</u>	<u>(433,263)</u>
Excess (deficiency) of revenues over expenditures	46,685	46,685	(83,822)	(130,507)
Other financing sources (uses)				
Operating transfers in (out)	<u>(374,396)</u>	<u>(374,396)</u>	<u>(374,396)</u>	<u>-</u>
	(327,711)	(327,711)	(458,218)	(130,507)
Fund Balances - Beginning, adjusted	<u>1,809,952</u>	<u>1,809,952</u>	<u>1,297,106</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 1,482,241</u>	<u>\$ 1,482,241</u>	<u>\$ 838,888</u>	<u>\$ (130,507)</u>

See accompanying independent auditor's report and notes to basic financial statements.

GARDENDALE-MARTHA MOORE PUBLIC LIBRARY
BALANCE SHEET
SEPTEMBER 30, 2014

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 18,359
Accounts receivable	<u>83</u>
TOTAL ASSETS	<u>\$ 18,442</u>
LIABILITIES	
Accounts payable	<u>\$ 402</u>
TOTAL LIABILITIES	<u>402</u>
FUND BALANCE	
Unassigned	<u>18,040</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 18,442</u>

GARDENDALE-MARTHA MOORE PUBLIC LIBRARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2014

REVENUES	
Book sales	\$ 1,665
Coffee sales	457
Copier income	2,323
Donations and memorials	1,325
Fax charges	3,956
Fines	12,755
Grant	657
Laminator fees	255
Library card replacement	717
Lost or damaged material	3,082
Miscellaneous	935
Non-resident card fees	950
Printer income	5,796
Reimbursed expenses	1,091
Rental of meeting room	105
State aid	9,302
Test proctor fee	275
	45,646
TOTAL REVENUES	
EXPENDITURES	
Adult programs	3,150
Audio books and CD's	726
Books	248
Building fund expense	68
Cellular telephone expense	1,599
Cleaning supplies	108
Copier fee	2,783
Dues	486
Equipment	1,000
Office supplies	3,084
Periodicals	680
E-rate	500
Food and medical	2,324
Internet expense	300
Miscellaneous	4,196
Postage and shipping	20
Programs	10,501
Promotional	220
Repair and maintenance	1,978
Staff development	1,505
State aid expenditures	11,559
Video and DVDs	1,922
	48,957
TOTAL EXPENDITURES	
EXCESS OF EXPENDITURES OVER REVENUES	
	(3,311)
FUND BALANCE AT BEGINNING OF THE YEAR	21,351
FUND BALANCE AT END OF THE YEAR	\$ 18,040

GARDENDALE-MARTHA MOORE PUBLIC LIBRARY
SCHEDULE OF STATE AID (ALABAMA PUBLIC LIBRARY SERVICE)
YEAR ENDED SEPTEMBER 30, 2014

REVENUES	
State aid	<u>\$ 9,302</u>
TOTAL REVENUES - (Received and deposited)	<u>9,302</u>
EXPENDITURES	
Supplies	<u>11,559</u>
TOTAL EXPENDITURES	<u>11,559</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u><u>\$ (2,257)</u></u>

The above schedule reflects cash basis method of accounting.