

CITY OF GARDENDALE, ALABAMA
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2018

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

CITY OF GARDENDALE, ALABAMA
CITY OFFICIALS

SEPTEMBER 30, 2018

MAYOR

Honorable Stan Hogeland

CITY COUNCIL

District 1Mr. Allen Jerkins
District 2Mr. Adam Berendt
District 3 and Council President Mr. Alvin Currington
District 4Mr. Greg Colvert
District 5Mr. Will Hardman

CITY CLERK / TREASURER

Ms. Melissa Honeycutt

DEPARTMENT HEADS

Administration Department Ms. Melissa Honeycutt
Municipal Court Magistrate Supervisor..... Ms. Bree Dunn
Police DepartmentPolice Chief Mike Walker
Fire and Rescue Department Fire Chief Joe Thomas
Public Works DepartmentMr. Jeff Holliyan
Inspections DepartmentMr. Robert Ryant
Civic CenterMr. Keith Mosley
Parks and Recreation DepartmentMr. Dale Hyche
Gardendale-Martha Moore Public Library Ms. Connie L. Smith

CITY OF GARDENDALE, ALABAMA

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MICHAEL R. WILLIAMS, C.P.A., P.C.

CERTIFIED PUBLIC ACCOUNTANT

1957 HOOVER COURT, SUITE 110

BIRMINGHAM, ALABAMA 35226-3600

TELEPHONE (205) 980-9696

FACSIMILE (205) 978-8780

EMAIL mrw@mrwcpapc.com

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

To the Honorable Mayor
and Members of the City Council
City of Gardendale, Alabama
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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, 2018, 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.

Change in Accounting Principles

As discussed in Note L and M to the financial statements, the City adopted new accounting guidance in 2018, GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)." Beginning net position has been restated to reflect the change in accounting principle for implementation of this Statement. My opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (Pages 7–15), budgetary comparison information, the schedule of changes in the net OPEB liability and related ratios, the schedule of changes in the net pension liability and related ratios, and the schedule of employer contributions (Pages 60-65) 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

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

Other Information

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 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
March 18, 2019



Mayor:
STAN HOGELAND

City Council:
GREG COLVERT
ALVIN CURRINGTON
ADAM BERENDT
WILL HARDMAN
ALLEN JERKINS

City of Gardendale Management's Discussion & Analysis (MD&A) For the Year Ended September 30, 2018

The City of Gardendale's management presents to the readers of its financial statements this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2018. 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 assets and deferred outflows of resources of the City of Gardendale (City) exceeded liabilities and deferred inflows of resources at the close of the current fiscal year by \$21,439,542 (net position). Of this amount, \$24,358,890 is net investment in capital assets, \$690,667 is restricted net position and (\$3,610,015) is unrestricted net position.

Net position increased by \$1,967,817.

The City's governmental funds reported a combined ending fund balance of \$11,540,441, an increase of \$2,106,157 in comparison to the prior year. The general fund reported fund balance of \$10,187,805, of which \$1,508,023 is categorized as unassigned.

The City's total bonded debt decreased by \$545,000.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains information in addition to the basic financial statements that will help the reader gain a more in-depth understanding of the City.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's financial position, similar to consolidated financial statements in a private-sector business. These statements consist of the statement of net position and the statement of activities.

The statement of net position presents information on all of the City's assets, liabilities, and deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information on how net position changed during the current fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement may result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused personal leave).

The City implemented Government Accounting Standard Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75). The City's total OPEB liability was actuarially determined to be \$1,719,473. This amount is reported on the Statement of Net Position, Page 16, OPEB Liability.

The City implemented Government Accounting Standard Statement 68, Accounting and Financial Reporting for Pensions, which requires unfunded pension liabilities to be reported on the balance sheet (statement of net position) of governmental financial statements as Net Pension Liability. That liability equals the difference between the total pension liability and the value of assets set aside in a pension plan to pay benefits and was \$10,829,117 as of September 30, 2018.

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. The governmental activities for the City 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 separate set of accounts used to control resources that have been segregated for a specific purpose. The City uses fund accounting to demonstrate compliance with legal and finance-related requirements. All funds of the City are governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same activities reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of financial resources and the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's short-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 presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may be able to better understand the long-term impact of near-term financing decisions. Reconciliations from the governmental fund statements to the government-wide statements are provided to aid in the comparison.

The City maintains ten individual governmental funds. Information is presented separately on the governmental fund balance sheet and on the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, gasoline tax fund, and debt service fund, all of which are considered to be major funds. Information for the other governmental funds is combined into a single, aggregated column. Individual presentations for each of the nonmajor governmental funds are provided in the form of combining statements in the supplementary information section of this report as listed in the table of contents.

The City adopts annual appropriated budgets for its general and special revenue funds. Budgetary comparison schedules are provided to demonstrate compliance with budgetary requirements. These schedules can be found in the required supplementary information and supplementary information sections of this report as listed in the table of contents.

The basic governmental fund financial statements can be found as listed in the table of contents.

Notes to the Financial Statements

The notes to the financial statements provide information that is essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements can be found as listed in the table of contents.

Condensed Statement of Net Position

Table 1 presents condensed information on net assets for fiscal years ended September 30, 2018 and 2017.

Table 1 – City of Gardendale
Condensed Statement of Net Position

	Governmental Activities	
	2018	2017
Current and other assets	\$ 12,310,333	\$ 10,267,734
Capital assets	42,364,210	42,682,562
Deferred outflows of resources	2,699,870	2,776,618
Total assets	\$ 57,374,413	\$ 55,726,914
Current liabilities	\$ 1,380,622	\$ 1,445,601
Long-term liabilities	33,609,963	33,424,127
Total liabilities	34,990,585	34,869,728
Deferred inflows of resources	944,286	119,309
Net investment in capital assets	24,358,890	23,947,563
Restricted	690,667	1,061,973
Unrestricted	(3,610,015)	(4,271,659)
	\$ 21,439,542	\$ 20,737,877

As noted earlier, net position assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Gardendale, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$21,439,542 at the close of the current fiscal year.

By far the largest portion of the City's net position is invested in capital assets (e.g. land, buildings, infrastructure and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens who live, work, pass through, or benefit in other ways from the City. By their nature, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt typically must be provided from other sources, since the assets themselves are not typically used to liquidate these liabilities.

An additional part of net position is assets that are subject to external restrictions on how they may be expended (e.g., debt service, capital projects, etc.). The remaining unrestricted net position can be used to meet the City's ongoing obligations to its citizens and creditors.

Condensed Statement of Activities

Table 2 presents the City's changes in net position for the fiscal years ended September 30, 2018 and 2017.

Table 2 - City of Gardendale
Changes in Net Assets

Revenues:	Governmental Activities	
	2018	2017
Program revenues:		
Charges for service	\$ 859,076	\$ 911,907
Operating grants and contributions	11,333	10,167
Capital grants and contributions	-	-
General revenues:		
Sales taxes	12,567,057	12,317,016
Ad valorem property taxes	1,628,394	1,601,923
Other taxes	1,344,359	1,343,044
Business licenses	2,641,012	2,380,564
Permits	611,774	329,383
Fines and forfeitures	332,973	394,108
Investment earnings	22,873	10,633
Gain on sale of capital assets	9,618	21,899
Other	510,721	653,708
Total revenues	<u>20,539,190</u>	<u>19,974,352</u>
Expenses:		
Primary government:		
Governmental activities:		
General and Administrative	4,229,107	6,169,552
Court	281,155	317,667
Police Department	4,444,627	4,596,872
Fire and Rescue	2,847,321	2,913,502
Public Works Department	2,108,931	2,314,058
Inspection Department	562,950	542,821
Civic Center	1,229,649	1,284,324
Senior Center	173,390	184,130
Parks and Recreation Department	1,386,114	1,402,865
Gardendale-Martha Moore Public Library	757,991	751,712
Interest on Long-Term Debt	550,138	365,024
Total expenses	<u>18,571,373</u>	<u>20,842,527</u>
Increase in net assets	<u>1,967,817</u>	<u>(868,175)</u>
Net Assets - Beginning, Restated	19,471,725	21,589,865
Prior Period Adjustment	-	16,187
Net Assets - Ending	<u>\$ 21,439,542</u>	<u>\$ 20,737,877</u>

Governmental Activities

Governmental activities net position increased by \$1,967,817 for the current fiscal year. Key elements of this increase are as follows:

- Net investment in capital assets increased by \$411,327. This increase is composed of new investment in capital assets as well as the retirement of outstanding debt on existing assets, net of depreciation.
- Restricted net position decreased by \$371,306, primarily related to restricted financial resources being used in the General and Special Revenue Funds.
- Unrestricted net position increased by \$661,644, due to a conservative approach to budgeting and spending.

Financial Analysis of the City of Gardendale's Funds

As noted earlier, the City uses fund accounting to demonstrate compliance with legal or finance-related requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on the near-term inflows, outflows, and balances of spendable resources. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Governmental fund balance is reported in five separate categories: nonspendable, restricted, committed, assigned and unassigned. Nonspendable fund balance includes amounts that cannot be spent for legal or practical reasons. An example would be long-term notes receivable. Restricted fund balance includes amounts restricted to specific purposes by external parties such as amounts restricted for debt service.

Committed fund balance includes amounts that have been set aside by the City Council for a specific purpose prior to the end of the fiscal year. Assigned fund balance includes amounts that have been set aside by the City Council for a specific purpose, but subsequent to the end of the fiscal year. Unassigned fund balance includes all remaining amounts.

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$11,540,441, with an increase of \$2,106,157 compared to the prior fiscal year. Of the total balance, \$104,943 is nonspendable, \$690,667 is restricted, \$8,210,584 is committed, \$1,026,224 is assigned, and \$1,508,023 is unassigned.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the general fund reported a fund balance of \$10,187,805, of which \$104,943 is nonspendable, \$329,250 is restricted, \$8,210,584 is committed, \$35,005 is assigned, and \$1,508,023 is unassigned.

Fund balance of the general fund increased by \$2,813,966 due primarily to ad valorem tax received and increases in revenue from sales tax, business licenses and permits.

Fund balance of the gasoline tax fund decreased by \$461,383 due to more funds spent on road projects than received.

Fund balance of the debt service fund decreased by \$299,591 primarily due to debt service payments made from the Capitalized Interest Fund bank account established at the time of the 2017 bond issue.

General Fund Budgetary Highlights

Differences between the general fund's original budget and the final amended budget amounted to a total increase in appropriations of \$80,973 or 9 percent. A significant part of the decrease was related to departmental wages. Other changes in appropriations were for miscellaneous items.

Significant differences between the final budget and actual results are as follows:

- Approximately \$600,000 less was spent for paving than budgeted.
- The amount budgeted for pedestrian sidewalk, \$150,000, was not spent.
- Approximately \$150,000 less was spent for software than budgeted.

Capital Asset and Debt Administration

The City's investment in capital assets for its governmental activities amounts to \$24,358,890 (net of related debt). This investment in capital assets includes land, buildings, infrastructure, and equipment.

Major capital events during the current fiscal year include the following:

- The City purchased a ladder truck which cost approximately \$140,000.
- The City spent approximately \$300,000 during the year on a roadway in Caufield Square.

Table 3 presents the City's capital assets for the fiscal years ended September 30, 2018 and 2017.

Table 3 – City of Gardendale
Capital Assets

	2018	2017
Land	\$ 21,842,692	\$ 21,842,692
Land Improvements	875,278	875,278
Buildings and Improvements	20,644,731	20,608,175
Equipment	7,819,714	7,906,999
Infrastructure	10,100,046	9,854,407
Construction in Progress	1,861,155	1,065,452
	<u>63,143,616</u>	<u>62,153,003</u>
Accumulated Depreciation	<u>(20,779,406)</u>	<u>(19,470,441)</u>
Total	<u>\$ 42,364,210</u>	<u>\$ 42,682,562</u>

Additional information regarding the City's capital assets can be found in the Capital Assets Note in the notes to the financial statements of this report.

At the end of the current fiscal year, the City had principal outstanding on notes, capital leases and bonds of \$18,005,320. Of this amount, \$17,435,000 comprises debt backed by the full faith and credit of the City and the remainder represents debt secured by other revenue sources (e.g., sales tax, rental income, etc.).

Table 4 presents the City's notes payable, capital leases payable and bonds payable for the fiscal years ended September 30, 2018 and 2017.

Table 4 – City of Gardendale
Notes Payable, Capital Leases Payable and Bonds Payable

	2018	2017
Note payable	\$ 180,243	\$ 238,651
Capital leases payable	390,077	516,348
General obligation warrants	6,955,000	7,335,000
General obligation taxable warrants	<u>10,480,000</u>	<u>10,645,000</u>
Total	<u>\$ 18,005,320</u>	<u>\$ 18,734,999</u>

Utilizing bond insurance, rated bonds outstanding had a rating of AA- by S&P Global Ratings at issuance.

Additional information on the City's long-term debt can be found in the Long-Term Debt Note in the notes to the financial statements of this report.

Economic Factors and Next Year's Budgets and Rates

The City continues to approach budgeting for revenues conservatively with a focus on long-term sustainability.

Requests for information

This financial report is designed to provide a general overview of the City of Gardendale's finances. Questions regarding any of the information contained in this report or requests 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, 2018

	Governmental Activities	ComponentUnit Gardendale - Martha Moore Public Library
ASSETS		
Cash and cash equivalents	\$ 11,772,059	\$ 16,047
Short-term investments	177,560	-
Receivables, net and prepaids	360,714	-
Capital assets, net		
Non-depreciable	23,703,847	90,263
Depreciable	18,660,363	50,117
TOTAL ASSETS	54,674,543	156,427
DEFERRED OUTFLOWS OF RESOURCES		
Pension related amount	2,699,870	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,699,870	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 57,374,413	\$ 156,427
LIABILITIES		
Accounts payable	\$ 415,403	\$ -
Accrued salaries and wages	192,358	-
Deposits from others	21,158	-
Noncurrent liabilities		
Due within one year		
Note payable	60,099	-
Capital leases payable	126,604	-
Bonds payable	565,000	-
Due in more than one year		
Note payable	120,144	-
Capital leases payable	263,473	-
Bonds payable	16,870,000	-
OPEB liability	1,719,473	-
Net pension liability	10,829,117	-
Compensated absences	3,588,342	-
Overtime leave	219,414	-
TOTAL LIABILITIES	34,990,585	-
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue	140,973	-
Pension related amount	638,884	-
OPEB related amount	164,429	-
TOTAL DEFERRED INFLOWS OF RESOURCES	944,286	-
NET POSITION		
Net investment in capital assets	24,358,890	140,380
Restricted	690,667	-
Unrestricted	(3,610,015)	16,047
TOTAL NET POSITION	\$ 21,439,542	\$ 156,427

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, 2018

Functions / Programs	Program Revenues				Net (Expense)	Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net	
					Governmental Activities	Gardendale - Martha Moore Public Library
Primary government:						
Governmental activities:						
General and Administrative	\$ 4,229,107	\$ 4,295	\$ 11,333	\$ -	\$ (4,213,479)	\$ -
Court	281,155	-	-	-	(281,155)	-
Police Department	4,444,627	241,361	-	-	(4,203,266)	-
Fire and Rescue	2,847,321	149,921	-	-	(2,697,400)	-
Public Works Department	2,108,931	-	-	-	(2,108,931)	-
Inspection Department	562,950	-	-	-	(562,950)	-
Civic Center	1,229,649	388,076	-	-	(841,573)	-
Senior Center	173,390	-	-	-	(173,390)	-
Parks and Recreation Department	1,386,114	75,423	-	-	(1,310,691)	-
Gardendale-Martha Moore Public Library	757,991	-	-	-	(757,991)	(70,173)
Interest and Charges on Long-Term Debt	550,138	-	-	-	(550,138)	-
Total governmental activities	\$ 18,571,373	\$ 859,076	\$ 11,333	\$ -	\$ (17,700,964)	\$ (70,173)
General revenues:						
Taxes:						
					\$ 12,567,057	\$ -
					1,628,394	-
					1,344,359	-
					2,641,012	-
					611,774	-
					332,973	-
					22,873	-
					9,618	-
					510,721	72,487
					<u>19,668,781</u>	<u>72,487</u>
					1,967,817	2,314
					<u>19,471,725</u>	<u>154,113</u>
					<u>\$ 21,439,542</u>	<u>\$ 156,427</u>

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

CITY OF GARDENDALE, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	Major Funds				
	General Fund	Gasoline Tax Fund	Debt Service Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 10,343,640	\$ 43,721	\$ 909,909	\$ 474,789	\$ 11,772,059
Short-term investments	10,230	-	-	167,330	177,560
Receivables, net and prepaids	359,681	-	-	1,033	360,714
Due from other funds	181,496	-	-	-	181,496
TOTAL ASSETS	\$ 10,895,047	\$ 43,721	\$ 909,909	\$ 643,152	\$ 12,491,829
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 415,403	\$ -	\$ -	\$ -	\$ 415,403
Accrued salaries and wages	192,358	-	-	-	192,358
Deposits from others	21,158	-	-	-	21,158
Due to other funds	-	179,407	-	2,089	181,496
TOTAL LIABILITIES	628,919	179,407	-	2,089	810,415
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue	78,323	-	-	62,650	140,973
FUND BALANCES					
Nonspendable - prepaid items	104,943	-	-	-	104,943
Restricted	329,250	(135,686)	-	497,103	690,667
Committed	8,210,584	-	-	-	8,210,584
Assigned	35,005	-	909,909	81,310	1,026,224
Unassigned	1,508,023	-	-	-	1,508,023
TOTAL FUND BALANCES	10,187,805	(135,686)	909,909	578,413	11,540,441
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 10,895,047	\$ 43,721	\$ 909,909	\$ 643,152	\$ 12,491,829

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, 2018

Fund Balances - Total Governmental Funds		\$ 11,540,441
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.</p>		
Governmental capital assets	63,143,616	
Less accumulated depreciation	<u>(20,779,406)</u>	42,364,210
<p>Deferred outflows of resources not reported in the governmental funds balance sheet</p>		
Pension related amount		2,699,870
<p>Net pension liability is not due and payable in the current period and therefore, not reported in the governmental funds balance sheet</p>		
		(10,829,117)
<p>Net OBEB obligation is not due and payable in the current period and therefore, not reported in the governmental funds balance sheet</p>		
		(1,719,473)
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.</p>		
Note payable	(180,243)	
Capital leases payable	(390,077)	
Bonds payable	(17,435,000)	
Compensated absences	(3,588,342)	
Overtime leave	<u>(219,414)</u>	(21,813,076)
<p>Deferred inflows of resources not reported in the governmental funds balance sheet</p>		
Pension related amount	(638,884)	
OPEB related amount	<u>(164,429)</u>	(803,313)
Net Position of Governmental Activities		<u>\$ 21,439,542</u>

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, 2018

	Major Funds			Total Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Gasoline Tax Fund	Debt Service Fund		
REVENUES					
Taxes, licenses, and permits	\$ 17,844,749	\$ -	\$ -	\$ -	\$ 17,844,749
Intergovernmental revenue	671,451	276,395	-	-	947,846
Charges for services	429,339	-	-	429,737	859,076
Fines and forfeitures	300,146	-	-	32,827	332,973
Interest income	13,411	194	6,599	2,669	22,873
Other	500,550	-	2,370	19,134	522,054
TOTAL REVENUES	19,759,646	276,589	8,969	484,367	20,529,571
EXPENDITURES					
General and Administrative	3,514,694	-	-	-	3,514,694
Court	136,671	-	-	85,028	221,699
Police Department	3,796,003	-	-	299,810	4,095,813
Fire and Rescue	2,725,785	-	-	-	2,725,785
Public Works Department	1,820,530	20	-	-	1,820,550
Inspection Department	519,032	-	-	-	519,032
Civic Center	1,048,662	-	-	-	1,048,662
Senior Center	161,820	-	-	-	161,820
Parks and Recreation Department	1,163,146	-	-	1,548	1,164,694
Gardendale-Martha Moore Public Library	678,024	-	-	-	678,024
Capital Outlay	216,450	28,313	-	1,083,950	1,328,713
Debt service					
Principal payments	58,408	-	545,000	-	603,408
Interest charges	6,146	-	538,731	-	544,877
Other charges	-	-	5,261	-	5,261
TOTAL EXPENDITURES	15,845,371	28,333	1,088,992	1,470,336	18,433,032
Excess (deficiency) of revenues over expenditures	3,914,275	248,256	(1,080,023)	(985,969)	2,096,539
Other financing sources (uses)					
Sale of capital assets	9,618	-	-	-	9,618
Operating transfers in	2,275,059	682,115	780,432	1,755,290	5,492,896
Operating transfers out	(3,384,986)	(1,391,754)	-	(716,156)	(5,492,896)
	2,813,966	(461,383)	(299,591)	53,165	2,106,157
Fund Balances - Beginning	7,373,839	325,697	1,209,500	525,248	9,434,284
Fund Balances - Ending	\$ 10,187,805	\$ (135,686)	\$ 909,909	\$ 578,413	\$ 11,540,441

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, 2018

Net change in fund balances - total governmental funds	\$	2,106,157
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Expenditures for capital assets	1,328,713	
Less current year depreciation	<u>(1,635,346)</u>	(306,633)
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.		
Note payable payments	58,408	
Capital lease payments	126,271	
Principal bond payments	<u>545,000</u>	729,679
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.		
OPEB plan expense	(139,819)	
Pension expense	(341,018)	
Compensated absences and overtime leave	<u>(80,549)</u>	(561,386)
Change in net position of governmental activities	\$	<u>1,967,817</u>

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

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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, Civic Center and Senior Center; Gardendale-Martha Moore Public Library, Court 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.

Based on the aforementioned, the following are included as component units 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

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Financial Reporting Entity – Continued

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.

Gardendale Downtown Redevelopment Authority – Presentation of the component unit's financial statements are blended in the City's basic financial statements. Although legally separate, the Gardendale Downtown Redevelopment Authority is blended as a governmental fund component unit into the City because the structure meets the GASB Statement 61 criteria for blending. A separate financial report is not prepared.

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.

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, 2018

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, 2018.

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, 2018

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.

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.

The City has presented the following nonmajor governmental funds:

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

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, 2018

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 utilizes encumbrance accounting techniques in which fund balances are reserved upon the issuance of purchase orders. No encumbrances were outstanding at September 30, 2018.

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, 2018

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. The City Clerk is authorized to transfer budgeted amounts between line items and departments within any fund; however, appropriations that amend the total expenditures of any fund require City Council resolution. 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 2, 2017 by the City Council (Resolution Number 2017-107). The budget is revised by City Council approved budget amendments or through administrative reclassifications that do not change the surplus.

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, 2018.

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

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, 2018

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 \$918,654 at September 30, 2018.

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, 2018

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 \$2,669,688 at September 30, 2018.

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, 2018 is as follows:

Overtime Leave:	
General and Administrative	\$ 2,057
Court	2,630
Police Department	100,472
Fire and Rescue	40,585
Public Works Department	26,709
Inspection Department	8,239
Civic Center	13,032
Senior Center	304
Parks and Recreation Department	25,386
Gardendale-Martha Moore Public Library	-
Total Overtime Leave	\$ <u>219,414</u>

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Pension

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

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

The City Council enacted a 5 mills ad valorem tax to support a proposed new school system. An additional 5 mills ad valorem was later passed by public referendum 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.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Long-Term Obligations – Continued

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.

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.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Equity Classifications – Continued

- 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.
- 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.

Tax Abatements

The City extends abatement agreements in accordance with Alabama Constitutional Amendment 772. Applicants must show their development or redevelopment benefits the citizens of the City by increasing the economic tax base, increasing jobs to the areas or otherwise improving the City. In the fiscal year ending September 30, 2018, the City had four (4) active tax abatements for retail developments:

Gardendale Retail, LLC – Sales taxes are abated for a period of 10 years. Abatement rebates began in January 2015. Sales tax abatement rebate terms are half of 3% of tax remitted for 10 years. Abated amounts: sales tax – \$88,262.

PGP Gardendale, LLC – Sales taxes are abated for a period of 10 years. Abatement rebates began in March 2015. Sales tax abatement rebate terms are half of 3% of tax remitted for 10 years. Abated amounts: sales tax – \$547,986.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Tax Abatements – Continued

Gauldin Investment Company, Inc. – Sales taxes are abated for a period of 5 years. Abatement rebates began in February 2017. Sales tax abatement rebate terms are half of 3% of tax remitted for 5 years. Abated amounts: sales tax – \$21,761.

McAdam Properties, LLC – Sales taxes are abated for a period of 5 years. Abatement rebates began in February 2017. Sales tax abatement rebate terms are half of 3% of tax remitted for 5 years. Abated amounts: sales tax – \$35,731.

NOTE B – REVENUES AND EXPENDITURES

Revenues and Major Revenue Sources

Substantially all governmental fund revenues are accrued.

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 \$17.8 million or 87% of the total General and Special Revenue Fund revenues during the year ended September 30, 2018.

1-Cent 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.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE B – REVENUES AND EXPENDITURES – CONTINUED

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 year, is as follows:

<u>Lease Revenue</u>	
<u>Year</u>	<u>Totals</u>
2019	\$ 72,712

Rental income for year-ending September 30, 2018 was \$218,137.

Expenditures

Expenditures are recognized when the related fund liability is incurred.

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

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

NOTE C – DEPOSITS AND INVESTMENTS – CONTINUED

Deposits – Continued

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, 2018, the carrying amount of the City’s deposits was \$11,949,619 and the bank balance was \$11,949,619. 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.

Investments

As of September 30, 2018, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	Investment Maturities (in Years)	
		<u>Less than 1</u>	<u>1-5</u>
Certificates of Deposit	\$ <u>177,560</u>	\$ <u>177,560</u>	\$ <u>-</u>

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE D – ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following account balances at September 30, 2018:

Paving receivable	\$ 75,000
House demolition and Weed Control Ordinance violations receivables	77,402
Miscellaneous receivables	<u>3,643</u>
 Total	 <u>\$ 156,045</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, 2018.

NOTE F – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018 is stated on the following page.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE F – CAPITAL ASSETS – CONTINUED

	Balance October 1, 2017	Additions	Dispositions/ Retirements/ Completions	Balance September 30, 2018
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 21,842,692	\$ -	\$ -	\$ 21,842,692
Construction in Progress	1,065,452	1,039,277	(243,574)	1,861,155
Total Capital Assets Not Being Depreciated	<u>22,908,144</u>	<u>1,039,277</u>	<u>(243,574)</u>	<u>23,703,847</u>
Capital Assets Being Depreciated:				
Land Improvements	875,278	-	-	875,278
Buildings and Improvements	20,608,175	36,556	-	20,644,731
Equipment	7,959,556	250,815	(390,657)	7,819,714
Infrastructure	9,854,407	245,639	-	10,100,046
Total Capital Assets Being Depreciated	<u>39,297,416</u>	<u>533,010</u>	<u>(390,657)</u>	<u>39,439,769</u>
Less Accumulated Depreciation for:				
Land Improvements	(988,903)	(66,627)	-	(1,055,530)
Buildings and Improvements	(5,129,031)	(579,815)	-	(5,708,846)
Equipment	(6,249,843)	(462,896)	378,938	(6,333,801)
Infrastructure	(7,155,221)	(526,008)	-	(7,681,229)
Total Accumulated Depreciation	<u>(19,522,998)</u>	<u>(1,635,346)</u>	<u>378,938</u>	<u>(20,779,406)</u>
Total Capital Assets Being Depreciated, Net	<u>19,774,418</u>	<u>(1,102,336)</u>	<u>(11,719)</u>	<u>18,660,363</u>
Governmental Activities Capital Assets, Net	<u>\$ 42,682,562</u>	<u>\$ (63,059)</u>	<u>\$ (255,293)</u>	<u>\$ 42,364,210</u>

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

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	\$ 509,062
Court	51,948
Police Department	285,853
Fire and Rescue	89,241
Public Works Department	249,140
Inspection Department	24,450
Civic Center	170,761
Senior Center	7,973
Parks and Recreation Department	183,229
Gardendale-Martha Moore Public Library	<u>63,689</u>
Total depreciation expense-	
Governmental activities	<u>\$ 1,635,346</u>

NOTE G – CONSTRUCTION-IN-PROGRESS

Storm Shelter

The City is currently building a tornado safe room behind Fire Station #1 located on Decatur Highway. The shelter project is currently in the engineering and designing phases with construction expected to begin during the fiscal year 2019. Once completed the shelter will be open to the public during bad weather events and have a capacity of approximately 100 people. Construction-in-progress at September 30, 2018 totaled \$13,919.

Fire Station #3

The City has purchased land for a future site of Fire Station #3 off of Tarrant Road. The project is currently in the designing and planning phases with an unknown construction start date. Construction-in-progress at September 30, 2018 totaled \$43,419.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE G – CONSTRUCTION-IN-PROGRESS – CONTINUED

Blue Building Renovations

The City is renovating an existing storage building located on the edge of Kenny Clemons Park for civic/public usage in the future. The City has historically used this building, including the surrounding area, for overflow storage for the Park and Recreation and Public Works Departments. The planned future use of this building will be a basic meeting area for recreational or civic type groups. Construction-in-progress at September 30, 2018 totaled \$4,005.

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, 2018 totaled \$437,692.

Public Safety Center Renovation

The City has unoccupied space in the building located at 1309 Decatur Highway. In 2018, the City undertook a buildout project for a portion of the unused space and leased it to an organization that teaches cheerleading. Other renovations are ongoing and are expected to continue into the 2018 year as the City builds out an additional section of the unused area for leasing opportunities. Construction-in-progress at September 30, 2018 totaled \$37,677.

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, 2018 totaled \$99,176.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE G – CONSTRUCTION-IN-PROGRESS – CONTINUED

Road / Surface Street Improvements

In conjunction with Alabama Department of Transportation (ALDOT), the City entered into grants for road and surface street improvements within the city. The City agreed to fund twenty percent (20%) of the total project cost. The following projects were approved under this arrangement and started in the year ending September 30, 2018:

Fieldstown Road Widening – Construction-in-progress at September 30, 2018 totaled \$10,101.

Intersection of Fieldstown Road / Shady Grove Road Project – This project is in the final construction phase with completion expected in fiscal year 2019. Construction-in-progress at September 30, 2018 totaled \$891,864.

Caufield Square Roadway / Roadway Lighting Project

The City is in the process of completing the installation of a roadway and relative lighting on a portion of vacant City property for the University of Alabama at Birmingham (UAB) Emergency Room and Medical Offices. Construction-in-progress at September 30, 2018 totaled \$323,301.

NOTE H – LETTER OF CREDIT

The City entered into a \$3,000,000 Letter of Credit on November 6, 2017 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, 2018.

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

NOTE I – LONG-TERM DEBT

Note Payable

The City entered into a \$300,000 note payable on August 22, 2016 with USAmeriBank for the purpose of replacing HVAC units at the Civic Center. Interest rate was 2.875% per annum. Monthly payment amounts are \$5,379.

Scheduled maturities of principal and interest are as follows:

Year Ended September 30	Governmental Activities		
	Total	Principal	Interest
2019	\$ 64,553	\$ 60,099	\$ 4,454
2020	64,553	61,867	2,686
2021	59,174	58,323	851
Totals	\$ 188,280	\$ 180,289	\$ 7,991

Total interest expense for the year-ended September 30, 2018 was \$6,146.

Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of a city vehicle and police vehicles, including additional equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases amount to \$633,935 and are recorded in governmental activities.

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

NOTE I – LONG-TERM DEBT – CONTINUED

Capital Leases – Continued

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2018, were as follows:

Year ending September 30	Present Value of Minimum Lease Payments	Interest Expense	Total Lease Payments
2019	\$ 126,604	\$ 1,482	\$ 128,086
2020	126,952	1,134	128,086
2021	127,314	772	128,086
2022	9,207	394	9,601
Total	<u>\$ 390,077</u>	<u>\$ 3,782</u>	<u>\$ 393,859</u>

Total interest expense for the year-ended September 30, 2018 was \$1,815.

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, 2018

NOTE I – LONG-TERM DEBT – CONTINUED

General Obligation Warrants and General Obligation Taxable Warrants – Continued

At September 30, 2018, warrants consisted of two (2) outstanding general obligation warrants and two (2) outstanding general obligation taxable warrants, as scheduled below:

	Governmental Activities				Amount Outstanding at September 30, 2018
	Interest Rates	Issue Date	Maturity Date	Original Issue	
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	\$ 175,000
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	365,000
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	6,590,000
General Obligation Taxable Warrants, Series 2017 – Acquisition of Property	2.00% to 4.00%	7/1/2017	7/1/2042	<u>10,305,000</u>	<u>10,305,000</u>
				<u>\$ 21,710,000</u>	<u>\$ 17,435,000</u>

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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		2017 General Obligation Taxable Warrants	
			Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 1,090,190	\$ 565,000	\$ 175,000	\$ 5,924	\$ 365,000	\$ 6,114	\$ 25,000	\$ 190,613	\$ -	\$ 322,539
2020	3,702,702	3,190,000	-	-	-	-	395,000	190,163	2,795,000	322,539
2021	1,094,494	645,000	-	-	-	-	405,000	182,855	240,000	266,639
2022	1,090,709	655,000	-	-	-	-	410,000	174,350	245,000	261,359
2023	1,095,154	675,000	-	-	-	-	420,000	164,920	255,000	255,234
2024	1,092,769	690,000	-	-	-	-	430,000	154,420	260,000	248,349
2025	1,094,309	710,000	-	-	-	-	445,000	143,240	265,000	241,069
2026	1,094,122	730,000	-	-	-	-	455,000	131,003	275,000	233,119
2027	1,097,904	755,000	-	-	-	-	470,000	118,035	285,000	224,869
2028	1,089,826	770,000	-	-	-	-	480,000	103,935	290,000	215,891
2029	1,090,521	795,000	-	-	-	-	495,000	89,055	300,000	206,466
2030	1,094,384	825,000	-	-	-	-	515,000	72,968	310,000	196,416
2031	1,096,796	855,000	-	-	-	-	530,000	56,230	325,000	185,566
2032	1,097,504	885,000	-	-	-	-	550,000	38,475	335,000	174,029
2033	1,091,576	910,000	-	-	-	-	565,000	19,775	345,000	161,801
2034-2042	4,569,911	3,780,000	-	-	-	-	-	-	3,780,000	789,911
Totals	\$ 23,582,871	\$ 17,435,000	\$ 175,000	\$ 5,924	\$ 365,000	\$ 6,114	\$ 6,590,000	\$ 1,830,037	\$ 10,305,000	\$ 4,305,796

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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, 2018:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Note payable	\$ 238,651	\$ -	\$ 58,408	\$ 180,243	\$ 60,099
Capital leases payable	516,348	-	126,271	390,077	126,604
Warrants payable:					
General obligation warrants	7,335,000	-	380,000	6,955,000	390,000
General obligation taxable warrants	10,645,000	-	165,000	10,480,000	175,000
Total note, capital leases and bonds payable	<u>18,734,999</u>	<u>-</u>	<u>729,679</u>	<u>18,005,320</u>	<u>751,703</u>
OPEB liability	1,761,072	154,767	196,366	1,719,473	-
Net pension liability	11,203,731	3,354,675	3,729,289	10,829,117	
Compensated absences:					
Vacation leave	880,002	518,583	479,931	918,654	-
Sick leave	2,617,037	455,710	403,059	2,669,688	-
Overtime leave	230,168	17,970	28,724	219,414	-
Governmental activity long-term liabilities	<u>\$ 35,427,009</u>	<u>\$ 4,501,705</u>	<u>\$ 5,567,048</u>	<u>\$ 34,361,666</u>	<u>\$ 751,703</u>

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE J – PENSION PLAN

Plan Description

The Employees' Retirement System of Alabama, an agent multiple-employer plan, was established October 1, 1945 under the provisions of Act 515 of the Legislature of 1945 for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

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

Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age)

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

NOTE J – PENSION PLAN – CONTINUED

Benefits Provided – Continued

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

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

The ERS serves approximately 909 local participating employers. The ERS membership includes approximately 88,517 participants. As of September 30, 2017, membership consisted of:

Retirees and beneficiaries currently receiving benefits	23,853
Terminated employees entitled to but not yet receiving benefits	1,401
Terminated employees not entitled to a benefit	7,154
Active members	55,941
Post-DROP participants who are still in active service	168
Total	<u>88,517</u>

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE J – PENSION PLAN – CONTINUED

Contributions

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the preretirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2018, the City's active employee contribution rate was 8.86 percent of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 4.67 percent of pensionable payroll.

City's contractually required contribution rate for the year ended September 30, 2018 was 10.02 percent of pensionable pay for Tier 1 employees, and 9.38 percent of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2015, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City were \$801,439 for the year ended September 30, 2018.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE J – PENSION PLAN – CONTINUED

Net Pension Liability

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

	<u>Expected</u>	<u>Actual</u>
(a) TPL as of September 30, 2016	\$29,921,469	\$30,282,402
(b) Discount rate	7.75%	7.75%
(c) Entry Age Normal Cost for the period October 1, 2016 – September 30, 2017	700,544	700,544
(d) Transfers Among Employers:	0	(118)
(e) Actual Benefit Payments and Refunds for the period October 1, 2016– September 30, 2017	<u>(1,385,514)</u>	<u>(1,385,514)</u>
(f) TPL as of September 30, 2017 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1+ 0.5*(b))]	<u>\$31,501,724</u>	<u>\$31,890,512</u>
(g) Difference between Expected and Actual:		\$388,788
(h) Less Liability Transferred for Immediate Recognition:		<u>(118)</u>
(i) Experience (Gain)/Loss = (g) – (h)		\$388,906

Actuarial Assumptions

The total pension liability as of September 30, 2017 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2016. The key actuarial assumptions are summarized below:

Inflation	2.75%
Projected Salary increases	3.25% - 5.00%
Investment rate of return*	7.75%
* Net of pension plan investment expense	

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE J – PENSION PLAN – CONTINUED

Actuarial Assumptions – Continued

Mortality rates were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females ages 78 and over. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the actuarial valuation as of September 30, 2016, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

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

	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Fixed Income	17.00%	4.40%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
Total	<u>100.00%</u>	

*Includes assumed rate of inflation of 2.50%

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE J – PENSION PLAN – CONTINUED

Discount Rate

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

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at September 30, 2016	\$ 29,921,469	\$ 18,717,738	\$ 11,203,731
Changes for the year:			
Service cost	700,544	-	700,544
Interest	2,265,225	-	2,265,225
Differences between expected and actual experience	388,906	-	388,906
Contributions – employer	-	730,024	(730,024)
Contributions – employee	-	605,820	(605,820)
Net investment income	-	2,393,445	(2,393,445)
Benefit payments, including refunds of employee contributions	(1,385,514)	(1,385,514)	-
Administrative expense	-	-	-
Transfers among employers	(118)	(118)	-
Net changes	<u>1,969,043</u>	<u>2,343,657</u>	<u>(374,614)</u>
Balances at September 30, 2017	<u>\$ 31,890,512</u>	<u>\$ 21,061,395</u>	<u>\$ 10,829,117</u>

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE J – PENSION PLAN – CONTINUED

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (6.75%)	Current Discount Rate 7.75%	1% Increase (8.75%)
City’s Net Pension Liability	\$ 14,817,228	\$ 10,829,117	\$ 7,484,698

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2018, the City recognized pension expense of \$341,018. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,177,338	\$ -
Changes of assumptions	721,093	-
Net difference between projected and actual earnings on pension plan investments	-	638,884
Employer contributions subsequent to the measurement date	801,439	-
Total	\$ 2,699,870	\$ 638,884

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE J – PENSION PLAN – CONTINUED

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions - Continued

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

Year ended September 30:	
2019	\$ 201,691
2020	323,916
2021	92,783
2022	164,476
2023	329,284
Thereafter	147,397

NOTE K – 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.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE L – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

The City provides certain continuing health care and life insurance benefits for its retired employees. The City's OPEB Plan (the OPEB Plan) is a single-employer defined benefit OPEB plan administered by the City. The authority to establish and/or amend the obligation of the employer, employees and retirees rests with the City. No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB) Codification Section P52 *Postemployment Benefits Other Than Pensions—Reporting For Benefits Not Provided Through Trusts That Meet Specified Criteria—Defined Benefit*.

Benefits Provided

Medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement. The earliest retirement eligibility provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service. Employees hired on and after January 1, 2013 (called "Tier II" members) and are eligible to retire only after attainment of age 62 or later completion of 10 years of service.

Employees Covered by Benefit Terms

At September 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>140</u>
	<u><u>143</u></u>

Total OPEB Liability

The City's total OPEB liability of \$1,719,473 was measured as of September 30, 2018 and was determined by an actuarial valuation as of that date.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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

Actuarial Assumptions and Other Inputs

The total OPEB liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	3.0%, including inflation
Prior Discount rate	3.63%
Discount rate	4.18%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Flat 5.5% annually

The discount rate was based on the average of the Bond Buyers' 20 Year General Obligation municipal bond index as of September 30, 2018, the end of the applicable measurement period.

Mortality rates were based on the RP-2000 Table without projection with 50%/50% unisex blend.

The actuarial assumptions used in the September 30, 2018 valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2009 to September 30, 2018.

Changes in the Total OPEB Liability

Balance at September 30, 2017	\$ <u>1,761,072</u>
Changes for the year:	
Service cost	87,658
Interest	67,109
Differences between expected and actual experience	(37,928)
Changes in assumptions	(141,449)
Benefit payments and net transfers	<u>(16,989)</u>
Net changes	<u>(41,599)</u>
Balance at September 30, 2018	\$ <u><u>1,719,473</u></u>

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.18%) or 1-percentage-point higher (5.18%) than the current discount rate:

	1.0% Decrease (3.18%)	Current Discount Rate (4.18%)	1.0% Increase (5.18%)
Total OPEB liability	\$ <u>2,002,746</u>	\$ <u>1,719,473</u>	\$ <u>1,484,023</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.5%) or 1-percentage-point higher (6.5%) than the current healthcare trend rates:

	1.0% Decrease (4.5%)	Current Trend (5.5%)	1.0% Increase (6.5%)
Total OPEB liability	\$ <u>1,467,653</u>	\$ <u>1,719,473</u>	\$ <u>2,025,719</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of \$139,819. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (34,767)
Changes in assumptions		(129,662)
Total	\$ <u>-</u>	\$ <u>(164,429)</u>

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
 Related to OPEB – Continued

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

Years ending September 30:	
2019	\$ (14,948)
2020	(14,948)
2021	(14,948)
2022	(14,948)
2023	(14,948)
Thereafter	(89,689)

NOTE M – RESTATEMENT OF BEGINNING NET POSITION

As a result of the implementation of GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB),” an adjustment has been made to record the City’s total OPEB liability as of October 1, 2017. As a result, beginning net position of the governmental activities has been decreased by \$1,266,152.

NOTE N – RISK MANAGEMENT

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

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.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE O – CONTINGENT LIABILITIES – CONTINUED

A class action lawsuit has been filed against the City for refund of ad valorem taxes collected, including attorney's fees and related costs. The lawsuit claims the City is unlawfully collecting up to 10 mills of ad valorem tax. The basis of the claim is that the City's tax levy for public school purposes is unconstitutional as applied due to a recent court decision not allowing a formation of a local board of education. The City is defending the lawsuit and there is no evaluation of potential outcome at the present time.

NOTE P – SUBSEQUENT EVENTS

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

On May 21, 2018, the City authorized the purchase of a new fire truck to be built to City specifications. Due to the special nature of the order, the vehicle will not be delivered until July or August 2019. Cost of the fire truck is \$487,475 and will be covered under a financing agreement.

The City currently has contracts pending on the sale of various real estate properties held by the City. These contracts are in various stages of closing and are contingent on the purchaser fulfilling certain due diligence requirements. Failure to meet closing dates, or to extend the closing date by amending the contract, will void the agreement. The properties are not surplused by the City until such time a closing date is set and reasonably expected.

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, 2018

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Taxes, licenses, and permits	\$ 16,898,300	\$ 16,906,300	\$ 17,844,749	\$ 938,449
Intergovernmental revenue	633,340	644,340	671,451	27,111
Charges for services	381,600	381,600	429,339	47,739
Fines and forfeitures	325,030	335,818	300,146	(35,672)
Interest income	5,600	5,600	13,411	7,811
Sale of capital assets	2,500	2,500	9,618	7,118
Other	453,888	453,888	500,550	46,662
TOTAL REVENUES	<u>18,700,258</u>	<u>18,730,046</u>	<u>19,769,264</u>	<u>1,039,218</u>
EXPENDITURES				
General and Administrative	4,709,148	5,045,410	3,562,201	1,483,209
Court	170,422	201,417	136,671	64,746
Police Department	3,876,482	3,760,180	3,798,900	(38,720)
Fire and Rescue	2,947,725	2,874,720	2,869,705	5,015
Public Works Department	2,078,655	2,016,296	1,822,457	193,839
Inspection Department	559,264	548,465	519,032	29,433
Civic Center	1,280,579	1,173,385	1,058,808	114,577
Senior Center	192,606	192,077	167,994	24,083
Parks and Recreation Department	1,245,412	1,205,345	1,163,146	42,199
Gardendale-Martha Moore Public Library	712,436	704,249	681,903	22,346
Debt service				
Principal payments	-	-	58,408	(58,408)
Interest charges	-	-	6,146	(6,146)
TOTAL EXPENDITURES	<u>17,772,729</u>	<u>17,721,544</u>	<u>15,845,371</u>	<u>1,876,173</u>
Excess (deficiency) of revenues over expenditures	927,529	1,008,502	3,923,893	2,915,391
Other financing sources (uses)				
Operating transfers in (out)	<u>(1,109,927)</u>	<u>(1,109,927)</u>	<u>(1,109,927)</u>	<u>-</u>
	(182,398)	(101,425)	2,813,966	2,915,391
Fund Balances - Beginning	<u>7,373,839</u>	<u>7,373,839</u>	<u>7,373,839</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 7,191,441</u>	<u>\$ 7,272,414</u>	<u>\$ 10,187,805</u>	<u>\$ 2,915,391</u>

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

CITY OF GARDENDALE, ALABAMA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2018

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 2, 2017 (Resolution Number 2017-107). The budget is revised by City Council approved budget amendments or through administrative reclassifications that do not change the surplus.

CITY OF GARDENDALE, ALABAMA
 SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	2018
Total OPEB liability	
Service costs	\$ 87,658
Interest	67,109
Changes of benefit terms	-
Differences between expected and actual experience	(37,928)
Changes of assumptions	(141,449)
Benefit payments	(16,989)
Net change in total OPEB liability	(41,599)
Total OPEB liability, beginning	1,761,072
Total OPEB liability, ending (a)	\$ 1,719,473
 Covered-employee payroll	8,237,228
 Net OPEB liability as a percentage of the covered-employee payroll	20.87%

Notes to Schedule:

Benefit Changes - There were no changes of benefit terms for the year ended September 30, 2018.

Changes of Assumptions - The discount rate as of 09/30/2017 was 3.63% and it changed to 4.18% as of 09/30/2018.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

CITY OF GARDENDALE, ALABAMA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service costs	\$ 700,544	\$ 625,258	\$ 595,057	\$ 567,596
Interest	2,265,225	2,081,569	1,973,367	1,885,956
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	388,906	1,016,261	185,086	-
Changes of assumptions	-	993,203	-	-
Benefit payments, including refunds of employee contributions	(1,385,514)	(1,387,041)	(1,414,932)	(1,306,895)
Transfers among employers	(118)	(120,917)	-	-
Net change in total pension liability	1,969,043	3,208,333	1,338,578	1,146,657
Total pension liability, beginning	29,921,469	26,713,136	25,374,558	24,227,901
Total pension liability, ending (a)	<u>\$ 31,890,512</u>	<u>\$ 29,921,469</u>	<u>\$ 26,713,136</u>	<u>\$ 25,374,558</u>
Plan fiduciary net position				
Contributions - employer	\$ 730,024	\$ 777,262	\$ 669,193	\$ 755,846
Contributions - employee	605,820	645,370	589,079	368,121
Net investment income	2,393,445	1,733,992	201,223	1,833,806
Benefit payments, including refunds of employee contributions	(1,385,514)	(1,387,041)	(1,414,932)	(1,306,895)
Transfers among employers	(118)	(120,917)	(29,972)	57,259
Net change in plan fiduciary net	2,343,657	1,648,666	14,591	1,708,137
Total net position, beginning	18,717,738	17,069,072	17,054,481	15,346,344
Total net position, ending (b)	<u>\$ 21,061,395</u>	<u>\$ 18,717,738</u>	<u>\$ 17,069,072</u>	<u>\$ 17,054,481</u>
Net pension liability (asset), ending (a) - (b)	10,829,117	11,203,731	9,644,064	8,320,077
Plan fiduciary net position as a percentage of the total pension liability	66.04%	62.56%	63.90%	67.21%
Covered-employee payroll ⁽¹⁾	7,803,646	7,703,051	8,381,330	7,947,852
Net pension liability (asset) as a percentage of the covered-employee payroll	138.77%	145.45%	115.07%	104.68%

⁽¹⁾ Covered payroll during the measurement period is the total payroll on which contributions to the pension plan are based. For fiscal year 2018, the measurement period is October 1, 2016 - September 30, 2017.

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

CITY OF GARDENDALE, ALABAMA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 801,439	\$ 759,536	\$ 782,933	\$ 669,193
Contributions in relation to the actuarially determined contribution	<u>801,439</u>	<u>759,536</u>	<u>782,933</u>	<u>669,193</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 7,793,695</u>	<u>\$ 7,803,646</u>	<u>\$ 7,703,051</u>	<u>\$ 8,381,330</u>
Contributions as a percentage of covered-employee payroll	<u>10.28%</u>	<u>9.73%</u>	<u>10.16%</u>	<u>7.98%</u>

Notes to Schedule

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

Methods and assumptions used to determine contribution rates for the period October 1, 2017 to September 30, 2018:

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

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

SUPPLEMENTARY INFORMATION

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, 2018

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Intergovernmental revenue	\$ 258,600	\$ 258,600	\$ 276,395	\$ 17,795
Charges for services	411,500	411,500	429,737	18,237
Fines and forfeitures	30,200	30,200	32,827	2,627
Interest income	290	290	2,863	2,573
Other	18,500	18,500	19,134	634
TOTAL REVENUES	<u>719,090</u>	<u>719,090</u>	<u>760,956</u>	<u>41,866</u>
EXPENDITURES				
Court	91,200	91,200	85,028	6,172
Police Department	308,060	309,878	301,628	8,250
Public Works Department	27,800	27,800	28,333	(533)
Parks and Recreation Department	65,100	65,100	44,403	20,697
TOTAL EXPENDITURES	<u>492,160</u>	<u>493,978</u>	<u>459,392</u>	<u>34,586</u>
Excess (deficiency) of revenues over expenditures	226,930	225,112	301,564	76,452
Other financing sources (uses) Operating transfers in (out)	<u>(709,782)</u>	<u>(709,782)</u>	<u>(709,782)</u>	<u>-</u>
	(482,852)	(484,670)	(408,218)	76,452
Fund Balances - Beginning	<u>850,945</u>	<u>850,945</u>	<u>850,945</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 368,093</u>	<u>\$ 366,275</u>	<u>\$ 442,727</u>	<u>\$ 76,452</u>

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

CITY OF GARDENDALE, ALABAMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2018

	Special Revenue Funds					Capital Projects Fund	Total Nonmajor Governmental Funds
	Corrections Fund	Drug Enforcement Fund	Court Ordered Fund	E-911 District Fund	Parks and Recreation Rental Fund		
ASSETS							
Cash and cash equivalents	\$ 176,084	\$ 80,752	\$ 130,561	\$ 5,811	\$ 81,581	\$ -	\$ 474,789
Short-term investments	71,356	-	-	95,974	-	-	167,330
Receivables-net and prepaids	55	-	-	978	-	-	1,033
TOTAL ASSETS	\$ 247,495	\$ 80,752	\$ 130,561	\$ 102,763	\$ 81,581	\$ -	\$ 643,152
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	1,818	-	-	271	-	2,089
TOTAL LIABILITIES	-	1,818	-	-	271	-	2,089
DEFERRED INFLOWS OF RESOURCES							
Unearned Revenue	-	62,650	-	-	-	-	62,650
FUND BALANCES							
Restricted	247,495	16,284	130,561	102,763	-	-	497,103
Assigned	-	-	-	-	81,310	-	81,310
TOTAL FUND BALANCES	247,495	16,284	130,561	102,763	81,310	-	578,413
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 247,495	\$ 80,752	\$ 130,561	\$ 102,763	\$ 81,581	\$ -	\$ 643,152

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, 2018

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Corrections Fund	Drug Enforcement Fund	Court Ordered Fund	E-911 District Fund	Parks and Recreation Rental Fund	Capital Projects Fund	
REVENUES							
Charges for services	\$ 91,439	\$ -	\$ -	\$ 299,843	\$ 38,455	\$ -	\$ 429,737
Fines and forfeitures	-	-	32,827	-	-	-	32,827
Interest income	907	62	243	1,457	-	-	2,669
Other	592	3,399	-	-	15,143	-	19,134
TOTAL REVENUES	92,938	3,461	33,070	301,300	53,598	-	484,367
EXPENDITURES							
Court	85,000	-	28	-	-	-	85,028
Police Department	-	2,328	-	297,482	-	-	299,810
Parks and Recreation Department	-	-	-	-	1,548	-	1,548
Capital Outlay	-	1,818	-	-	42,855	1,039,277	1,083,950
TOTAL EXPENDITURES	85,000	4,146	28	297,482	44,403	1,039,277	1,470,336
Excess (deficiency) of revenues over expenditures	7,938	(685)	33,042	3,818	9,195	(1,039,277)	(985,969)
Other financing sources (uses)							
Operating transfers in	92,493	-	33,107	-	330	1,629,360	1,755,290
Operating transfers out	(91,572)	-	(32,851)	-	(1,650)	(590,083)	(716,156)
	8,859	(685)	33,298	3,818	7,875	-	53,165
Fund Balances - Beginning	238,636	16,969	97,263	98,945	73,435	-	525,248
Fund Balances - Ending	<u>\$ 247,495</u>	<u>\$ 16,284</u>	<u>\$ 130,561</u>	<u>\$ 102,763</u>	<u>\$ 81,310</u>	<u>\$ -</u>	<u>\$ 578,413</u>

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

GARDENDALE-MARTHA MOORE PUBLIC LIBRARY
BALANCE SHEET
SEPTEMBER 30, 2018

	General Fund
ASSETS	
Cash and cash equivalents	\$ 16,047
Accounts receivable	-
TOTAL ASSETS	\$ 16,047
LIABILITIES	
Accounts payable	\$ -
TOTAL LIABILITIES	-
FUND BALANCE	
Unassigned	16,047
TOTAL LIABILITIES AND FUND BALANCE	\$ 16,047

GARDENDALE-MARTHA MOORE PUBLIC LIBRARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2018

REVENUES	
Book sales	\$ 4,640
Coffee and food sales	1,955
Copier income	963
Donations and memorials	859
E-rate	8,031
Fax charges	3,056
Fines	10,760
Grant income	15,000
Interest income	4
Laminator fees	350
Library card replacement	423
Lost or damaged material	2,085
Miscellaneous	86
Non-resident card fees	320
Printer income	8,350
Reimbursement	712
Rental of meeting room	2,015
Scans	364
State aid	8,734
Test proctor fee	1,745
Tickets	<u>2,035</u>
TOTAL REVENUES	<u>72,487</u>
EXPENDITURES	
Adult programs	5,310
Building expenses	717
Books	798
Cellular telephone expense	2,925
Cleaning supplies	173
Copier fee	951
Dues and subscriptions	888
Equipment	185
E-rate	1,000
Food and medical	2,937
Grant expense	18,321
Hotspot Checkout	6,247
Internet expense	300
Miscellaneous	5,146
Office supplies	1,471
Periodicals	671
Postage and shipping	194
Programs	8,598
Promotional	1,484
Refund / lost material	86
Repair and maintenance	851
Staff development	560
State aid expenditures	8,734
Video and DVDs	<u>1,626</u>
TOTAL EXPENDITURES	<u>70,173</u>
EXCESS OF REVENUES OVER EXPENDITURES	2,314
FUND BALANCE AT BEGINNING OF THE YEAR	<u>13,733</u>
FUND BALANCE AT END OF THE YEAR	<u>\$ 16,047</u>

GARDENDALE-MARTHA MOORE PUBLIC LIBRARY
SCHEDULE OF STATE AID (ALABAMA PUBLIC LIBRARY SERVICE)
YEAR ENDED SEPTEMBER 30, 2018

REVENUES	
State aid	<u>\$ 8,734</u>
TOTAL REVENUES - (Received and deposited)	<u>8,734</u>
EXPENDITURES	
Books/DVD's	<u>8,734</u>
TOTAL EXPENDITURES	<u>8,734</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u><u>\$ -</u></u>

The above schedule reflects cash basis method of accounting.