

CITY OF GARDENDALE, ALABAMA
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2019

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

CITY OF GARDENDALE, ALABAMA
CITY OFFICIALS

SEPTEMBER 30, 2019

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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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, 2019, 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, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 61-65) 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 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.

To the Honorable Mayor
and Members of the City Council
City of Gardendale, Alabama
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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 30, 2020



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, 2019

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, 2019. 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 \$25,205,707 (net position). Of this amount, \$24,378,563 is net investment in capital assets, \$1,062,142 is restricted net position and (\$234,998) is unrestricted net position.

Net position increased by \$3,814,671.

The City's governmental funds reported a combined ending fund balance of \$15,726,526, an increase of \$4,186,085 in comparison to the prior year. The general fund reported fund balance of \$13,912,739, of which \$3,170,168 is categorized as unassigned.

The City's total bonded debt decreased by \$1,115,000.

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).

In accordance with Governmental Accounting Standard Board 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 \$2,404,372. This amount is reported on the Statement of Net Position, Page 16, OPEB Liability.

The City states the Net Pension Liability in accordance with Governmental Accounting Standard Board Statement 68, Accounting and Financial Reporting for Pensions (GASB 68). This statement requires unfunded pension liabilities to be reported on the balance sheet (statement of net position) of governmental financial statements. 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 \$9,984,694 as of September 30, 2019.

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 nine 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, 2019 and 2018.

Table 1 – City of Gardendale
Condensed Statement of Net Position

	Governmental Activities	
	2019	2018
Current and other assets	\$ 16,303,667	\$ 12,310,333
Capital assets	42,042,594	42,364,210
Deferred outflows of resources	2,986,168	2,699,870
Total assets	\$ 61,332,429	\$ 57,374,413
Current liabilities	\$ 3,602,869	\$ 1,380,622
Long-term liabilities	30,743,882	33,609,963
Total liabilities	34,346,751	34,990,585
Deferred inflows of resources	1,779,971	944,286
Net investment in capital assets	24,378,563	24,358,890
Restricted	1,062,142	690,667
Unrestricted	(234,998)	(3,610,015)
	\$ 25,205,707	\$ 21,439,542

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 \$25,205,707 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, 2019 and 2018.

Table 2 - City of Gardendale
Changes in Net Assets

Revenues:	Governmental Activities	
	2019	2018
Program revenues:		
Charges for service	\$ 854,716	\$ 859,076
Operating grants and contributions	91,068	11,333
Capital grants and contributions	160,287	-
General revenues:		
Sales taxes	13,176,306	12,567,057
Ad valorem property taxes	1,609,688	1,628,394
Other taxes	1,370,238	1,344,359
Business licenses	2,743,360	2,641,012
Permits	334,932	611,774
Fines and forfeitures	291,933	332,973
Investment earnings	159,246	22,873
Gain on sale of capital assets	700,610	9,618
Other	554,768	510,721
Total revenues	<u>22,047,152</u>	<u>20,539,190</u>
Expenses:		
Primary government:		
Governmental activities:		
General and Administrative	3,802,674	4,229,107
Court	292,432	281,155
Police Department	4,355,733	4,444,627
Fire and Rescue	2,919,891	2,847,321
Public Works Department	2,033,275	2,108,931
Inspection Department	599,143	562,950
Civic Center	1,219,196	1,229,649
Senior Center	181,989	173,390
Parks and Recreation Department	1,409,273	1,386,114
Gardendale-Martha Moore Public Library	773,493	757,991
Interest on Long-Term Debt	645,382	550,138
Total expenses	<u>18,232,481</u>	<u>18,571,373</u>
Increase in net assets	<u>3,814,671</u>	<u>1,967,817</u>
Net Assets - Beginning, Restated	<u>21,391,036</u>	<u>19,471,725</u>
Net Assets - Ending	<u>\$ 25,205,707</u>	<u>\$ 21,439,542</u>

Governmental Activities

Governmental activities net position increased by \$3,814,671 for the current fiscal year. Key elements of this increase are as follows:

- Net investment in capital assets increased by \$19,973. 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 increased by \$371,475, primarily related to restricted financial resources being used in the General and Special Revenue Funds.
- Unrestricted net position increased by \$3,375,017, 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 \$15,726,526, with an increase of \$4,186,085 compared to the prior fiscal year. Of the total balance, \$107,457 is nonspendable, \$1,062,142 is restricted, \$10,223,467 is committed, \$1,163,292 is assigned, and \$3,170,168 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 \$13,912,739, of which \$107,457 is nonspendable, \$378,073 is restricted, \$10,223,467 is committed, \$33,574 is assigned, and \$3,170,168 is unassigned.

Fund balance of the general fund increased by \$3,724,934 due primarily to ad valorem tax received and increases in revenue from sales tax, business licenses, grant revenue and interest income.

Fund balance of the gasoline tax fund increased by \$269,821 due primarily to amounts to be reimbursed by the Alabama Department of Transportation for a road project.

Fund balance of the drug enforcement fund decreased by \$8,825 primarily due to an increase in capital outlay expenditures.

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 \$516,635 or 51 percent. A significant part of the increase was related to legal services and sales tax abatements. Other changes in appropriations were for miscellaneous items.

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

- Approximately \$120,000 less was spent for paving than budgeted.
- The amount budgeted for "other capital expenditures", \$150,000, was not spent.
- Approximately \$155,000 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 \$24,378,563 (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 spent approximately \$210,000 on HVAC equipment for the Police Department.
- The City spent approximately \$250,000 on new roadway, Caufield Square adjacent to UAB facility.

Table 3 presents the City's capital assets for the fiscal years ended September 30, 2019 and 2018.

Table 3 – City of Gardendale
Capital Assets

	2019	2018
Land	\$ 21,413,735	\$ 21,842,692
Land Improvements	939,620	875,278
Buildings and Improvements	20,774,817	20,644,731
Equipment	8,233,500	7,819,714
Infrastructure	11,648,436	10,100,046
Construction in Progress	785,836	1,861,155
	<u>63,795,944</u>	<u>63,143,616</u>
Accumulated Depreciation	<u>(21,753,350)</u>	<u>(20,779,406)</u>
Total	<u>\$ 42,042,594</u>	<u>\$ 42,364,210</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 \$17,664,031. Of this amount, \$16,902,526 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 – City of Gardendale
Notes Payable, Capital Leases Payable and Bonds Payable

	2019	2018
Note payable	\$ 120,140	\$ 180,243
Capital leases payable	641,365	390,077
General obligation warrants	6,597,526	6,955,000
General obligation taxable warrants	<u>10,305,000</u>	<u>10,480,000</u>
Total	<u>\$ 17,664,031</u>	<u>\$ 18,005,320</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, 2019

	Governmental Activities	Component Unit Gardendale - Martha Moore Public Library
ASSETS		
Cash and cash equivalents	\$ 13,665,829	\$ 16,161
Short-term investments	2,132,160	-
Receivables, net and prepaids	505,678	-
Capital assets, net		
Non-depreciable	22,199,571	90,263
Depreciable	19,843,023	50,117
TOTAL ASSETS	58,346,261	156,541
DEFERRED OUTFLOWS OF RESOURCES		
Pension related amount	2,480,716	
OPEB related amount	505,452	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,986,168	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 61,332,429	\$ 156,541
LIABILITIES		
Accounts payable	\$ 156,123	\$ 397
Accrued salaries and wages	225,806	-
Deposits from others	20,927	-
Noncurrent liabilities		
Due within one year		
Note payable	61,867	-
Capital leases payable	314,146	-
Bonds payable	3,085,000	-
Due in more than one year		
Note payable	58,273	-
Capital leases payable	327,219	-
Bonds payable	13,817,526	-
OPEB liability	2,404,372	-
Net pension liability	9,984,694	-
Compensated absences	3,680,906	-
Overtime leave	209,892	-
TOTAL LIABILITIES	34,346,751	397
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue	174,285	-
Pension related amount	1,456,205	-
OPEB related amount	149,481	-
TOTAL DEFERRED INFLOWS OF RESOURCES	1,779,971	-
NET POSITION		
Net investment in capital assets	24,378,563	140,380
Restricted	1,062,142	-
Unrestricted	(234,998)	15,764
TOTAL NET POSITION	\$ 25,205,707	\$ 156,144

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, 2019

Functions / Programs	Expenses	Program Revenues			Net (Expense)	Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position	
					Governmental Activities	Gardendale - Martha Moore Public Library
Primary government:						
Governmental activities:						
General and Administrative	\$ 3,802,674	\$ 4,170	\$ 2,500	\$ -	\$ (3,796,004)	\$ -
Court	292,432	-	-	-	(292,432)	-
Police Department	4,355,733	243,622	50,000	55,664	(4,006,447)	-
Fire and Rescue	2,919,891	172,448	12,300	-	(2,735,143)	-
Public Works Department	2,033,275	-	-	104,623	(1,928,652)	-
Inspection Department	599,143	-	-	-	(599,143)	-
Civic Center	1,219,196	355,902	10,908	-	(852,386)	-
Senior Center	181,989	-	12,360	-	(169,629)	-
Parks and Recreation Department	1,409,273	78,574	-	-	(1,330,699)	-
Gardendale-Martha Moore Public Library	773,493	-	3,000	-	(770,493)	(68,249)
Interest and Charges on Long-Term Debt	645,382	-	-	-	(645,382)	-
Total governmental activities	\$ 18,232,481	\$ 854,716	\$ 91,068	\$ 160,287	\$ (17,126,410)	\$ (68,249)
General revenues:						
Taxes:						
					\$ 13,176,306	\$ -
					1,609,688	-
					1,370,238	-
					2,743,360	-
					334,932	-
					291,933	-
					159,246	-
					700,610	-
					554,768	67,966
					<u>20,941,081</u>	<u>67,966</u>
					3,814,671	(283)
					<u>21,391,036</u>	<u>156,427</u>
					<u>\$ 25,205,707</u>	<u>\$ 156,144</u>

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

CITY OF GARDENDALE, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	Major Funds			Total Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Gasoline Tax Fund	Drug Enforcement Fund		
ASSETS					
Cash and cash equivalents	\$ 11,779,908	\$ 258,541	\$ 127,745	\$ 1,499,635	\$ 13,665,829
Short-term investments	1,960,384	-	-	171,776	2,132,160
Receivables, net and prepaids	400,902	104,623	-	153	505,678
Due from other funds	243,002	-	-	1,125	244,127
TOTAL ASSETS	\$ 14,384,196	\$ 363,164	\$ 127,745	\$ 1,672,689	\$ 16,547,794
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 147,480	\$ 2,750	\$ 5,893	\$ -	\$ 156,123
Accrued salaries and wages	225,806	-	-	-	225,806
Deposits from others	20,927	-	-	-	20,927
Due to other funds	1,125	226,279	16,227	496	244,127
TOTAL LIABILITIES	395,338	229,029	22,120	496	646,983
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue	76,119	-	98,166	-	174,285
FUND BALANCES					
Nonspendable - prepaid items	107,457	-	-	-	107,457
Restricted	378,073	134,135	7,459	542,475	1,062,142
Committed	10,223,467	-	-	-	10,223,467
Assigned	33,574	-	-	1,129,718	1,163,292
Unassigned	3,170,168	-	-	-	3,170,168
TOTAL FUND BALANCES	13,912,739	134,135	7,459	1,672,193	15,726,526
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 14,384,196	\$ 363,164	\$ 127,745	\$ 1,672,689	\$ 16,547,794

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, 2019

Fund Balances - Total Governmental Funds		\$ 15,726,526
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		
Governmental capital assets	63,795,944	
Less accumulated depreciation	<u>(21,753,350)</u>	42,042,594
Deferred outflows of resources not reported in the governmental funds balance sheet.		
Pension related amount		2,480,716
OPEB related amount		505,452
Net pension liability is not due and payable in the current period and therefore, not reported in the governmental funds balance sheet.		
		(9,984,694)
Net OBEB obligation is not due and payable in the current period and therefore, not reported in the governmental funds balance sheet.		
		(2,404,372)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.		
Note payable	(120,140)	
Capital leases payable	(641,365)	
Bonds payable	(16,320,000)	
Unamortized premiums	(582,526)	
Compensated absences	(3,680,906)	
Overtime leave	<u>(209,892)</u>	(21,554,829)
Deferred inflows of resources not reported in the governmental funds balance sheet.		
Pension related amount	(1,456,205)	
OPEB related amount	<u>(149,481)</u>	(1,605,686)
Net Position of Governmental Activities		<u>\$ 25,205,707</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, 2019

	Major Funds			Total Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Gasoline Tax Fund	Drug Enforcement Fund		
REVENUES					
Taxes, licenses, and permits	\$ 18,238,510	\$ -	\$ -	\$ -	\$ 18,238,510
Intergovernmental revenue	715,724	280,290	-	-	996,014
Charges for services	402,616	-	-	452,100	854,716
Fines and forfeitures	264,685	-	-	27,248	291,933
Interest income	143,415	72	110	15,649	159,246
Other	631,923	104,623	14,957	13,014	764,517
TOTAL REVENUES	20,396,873	384,985	15,067	508,011	21,304,936
EXPENDITURES					
General and Administrative	3,346,243	-	-	-	3,346,243
Court	153,067	-	-	85,975	239,042
Police Department	3,866,076	-	7,558	300,524	4,174,158
Fire and Rescue	2,752,841	-	-	-	2,752,841
Public Works Department	1,818,753	-	-	-	1,818,753
Inspection Department	546,073	-	-	-	546,073
Civic Center	1,033,232	-	-	-	1,033,232
Senior Center	169,142	-	-	-	169,142
Parks and Recreation Department	1,244,421	-	-	30	1,244,451
Gardendale-Martha Moore Public Library	699,291	-	-	-	699,291
Capital Outlay	1,084,944	113,760	16,334	201,591	1,416,629
Debt service					
Principal payments	60,103	-	-	565,000	625,103
Interest charges	4,450	-	-	525,189	529,639
Other charges	-	-	-	115,743	115,743
TOTAL EXPENDITURES	16,778,636	113,760	23,892	1,794,052	18,710,340
Excess (deficiency) of revenues over expenditures	3,618,237	271,225	(8,825)	(1,286,041)	2,594,596
Other financing sources (uses)					
Sale of capital assets	1,197,567	-	-	-	1,197,567
Capital lease	377,892	-	-	-	377,892
Refunding bonds issued	6,015,000	-	-	-	6,015,000
Bond issuance premium	624,135	-	-	-	624,135
Payment to bond refunding agent	-	-	-	(6,623,105)	(6,623,105)
Operating transfers in	1,400,175	904,849	-	9,495,087	11,800,111
Operating transfers out	(9,508,072)	(906,253)	-	(1,385,786)	(11,800,111)
	3,724,934	269,821	(8,825)	200,155	4,186,085
Fund Balances - Beginning	10,187,805	(135,686)	16,284	1,472,038	11,540,441
Fund Balances - Ending	<u>\$ 13,912,739</u>	<u>\$ 134,135</u>	<u>\$ 7,459</u>	<u>\$ 1,672,193</u>	<u>\$ 15,726,526</u>

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

CITY OF GARDENDALE, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Net change in fund balances - total governmental funds \$ 4,186,085

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	1,416,629	
Less current year depreciation	<u>(1,232,954)</u>	183,675

In the statement of activities, only the gain on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from a sale increase financial resources. Thus, the change in net assets will differ from the change in fund balance by the cost of the asset removed. (496,957)

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.

Capital lease proceeds	(377,892)	
Refunding bond proceeds	(6,015,000)	
Bond issuance premium	(624,135)	
Bond refunding payment	6,623,105	
Note payable payments	60,103	
Capital lease payments	126,594	
Principal bond payments	<u>565,000</u>	357,775

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.

Amortization of bond premium	41,609	
OPEB plan expense	(182,422)	
Pension expense	(192,052)	
Compensated absences and overtime leave	<u>(83,042)</u>	(415,907)

Change in net position of governmental activities \$ 3,814,671

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

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, 2019

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, 2019

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, 2019.

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, 2019

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.

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

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.

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.

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.

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, 2019

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, 2019.

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, 2019

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 1, 2018 by the City Council (Resolution Number 2018-146). 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, 2019.

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2019

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, 2019

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 \$925,432 at September 30, 2019.

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, 2019

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 \$2,755,474 at September 30, 2019.

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, 2019 is as follows:

Overtime Leave:	
General and Administrative	\$ 2,002
Court	2,844
Police Department	101,439
Fire and Rescue	43,673
Public Works Department	27,447
Inspection Department	5,246
Civic Center	11,767
Senior Center	307
Parks and Recreation Department	15,032
Gardendale-Martha Moore Public Library	<u>135</u>
Total Overtime Leave	<u>\$ 209,892</u>

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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'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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Long-Term Obligations – Continued

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether withheld from the actual debt proceeds received or not, are reported as debt service 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, 2019

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, 2019, the City had six (6) 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 – \$85,957.

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 – \$535,927.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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 – \$23,830.

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 – \$60,647.

Emma’s Gardendale, LLC – Sales taxes are abated for a period of 10 years with the amount not to exceed \$160,000. Abatement rebates began in June 2019. Sales tax abatement rebate terms are half of 3% of tax remitted for 10 years. Business ceased operation in August 2019. Abated amounts: sales tax – \$4,380.

Mitchell Grocery Corp – Sales taxes are abated for a period of 8 years with the amount not to exceed \$800,000. Abatement rebates began in January 2019. Sales tax abatement rebate terms are half of 3% of tax remitted for 8 years. Abated amounts: sales tax – \$23,660.

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 \$19.2 million or 90% of the total General and Special Revenue Fund revenues during the year ended September 30, 2019.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE B – REVENUES AND EXPENDITURES – CONTINUED

Lease Revenue

The City leased a commercial building to the United States Postal Service (USPS) serving the citizens of Gardendale, Alabama. The lease agreement has been satisfied with the City. Rental income for year-ending September 30, 2019 was \$218,138. A closing date has been set in April 2020 to convey the property and building to the USPS.

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 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

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2019

NOTE C – DEPOSITS AND INVESTMENTS – CONTINUED

Deposits – Continued

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, 2019, the carrying amount of the City’s deposits was \$ 15,797,989 and the bank balance was \$15,797,989. 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, 2019, the City had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less than 1	1-5
Certificates of Deposit	\$ <u>2,132,160</u>	\$ <u>2,132,160</u>	\$ <u>-</u>

NOTE D – ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following account balances at September 30, 2019:

Paving receivable	\$ 75,000
House demolition and Weed Control Ordinance violations receivables	87,026
Grant receivables	117,198
Miscellaneous receivables	<u>23,961</u>
 Total	 \$ <u>303,185</u>

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, 2019.

NOTE F – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019 is stated on the following page.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE F – CAPITAL ASSETS – CONTINUED

	Balance October 1, 2018	Additions	Dispositions/ Retirements/ Completions	Balance September 30, 2019
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 21,842,692	\$ 68,000	\$ (496,957)	\$ 21,413,735
Construction in Progress	1,861,155	139,847	(1,215,166)	785,836
Total Capital Assets Not Being Depreciated	<u>23,703,847</u>	<u>207,847</u>	<u>(1,712,123)</u>	<u>22,199,571</u>
Capital Assets Being Depreciated:				
Land Improvements	875,278	64,342	-	939,620
Buildings and Improvements	20,644,731	130,086	-	20,774,817
Equipment	7,819,714	681,128	(267,342)	8,233,500
Infrastructure	10,100,046	1,548,390	-	11,648,436
Total Capital Assets Being Depreciated	<u>39,439,769</u>	<u>2,423,946</u>	<u>(267,342)</u>	<u>41,596,373</u>
Less Accumulated Depreciation for:				
Land Improvements	(1,055,530)	(61,093)	-	(1,116,623)
Buildings and Improvements	(5,708,846)	(549,360)	-	(6,258,206)
Equipment	(6,333,801)	(361,879)	259,010	(6,436,670)
Infrastructure	(7,681,229)	(260,622)	-	(7,941,851)
Total Accumulated Depreciation	<u>(20,779,406)</u>	<u>(1,232,954)</u>	<u>259,010</u>	<u>(21,753,350)</u>
Total Capital Assets Being Depreciated, Net	<u>18,660,363</u>	<u>1,190,992</u>	<u>(8,332)</u>	<u>19,843,023</u>
Governmental Activities Capital Assets, Net	<u>\$ 42,364,210</u>	<u>\$ 1,398,839</u>	<u>\$ (1,720,455)</u>	<u>\$ 42,042,594</u>

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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	\$ 249,352
Court	51,817
Police Department	181,765
Fire and Rescue	114,176
Public Works Department	229,075
Inspection Department	21,482
Civic Center	174,470
Senior Center	8,316
Parks and Recreation Department	138,304
Gardendale-Martha Moore Public Library	<u>64,197</u>
Total depreciation expense-	
Governmental activities	<u>\$ 1,232,954</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 process. Land improvements have been made and shelter has been ordered. Completion is expected by Fall 2020. 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, 2019 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, 2019 totaled \$43,419.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, 2019 totaled \$5,357.

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, 2019 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, 2019 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, 2019 totaled \$99,176.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, 2019:

Fieldstown Road Widening – Construction-in-progress at September 30, 2019 totaled \$11,506.

Designated Outside Air System

The City is in the process of improvement to the Police Department’s air handling system and is replacing the heating and air unit. The project is expected to be completed by March 2020. Construction-in-progress at September 30, 2019 totaled \$137,090.

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, 2019. The Letter of Credit expired and was not renewed by the City.

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2019

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
2020	\$ 64,553	\$ 61,867	\$ 2,686
2021	59,174	58,323	851
Totals	\$ 123,727	\$ 120,190	\$ 3,537

Total interest expense for the year-ended September 30, 2019 was \$4,454.

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, 2019

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, 2019, were as follows:

Year ending September 30	Present Value of Minimum Lease Payments	Interest Expense	Total Lease Payments
2020	\$ 126,952	\$ 1,134	\$ 128,086
2021	127,314	772	128,086
2022	9,207	394	9,601
Total	<u>\$ 263,473</u>	<u>\$ 2,300</u>	<u>\$ 265,773</u>

Total interest expense for the year-ended September 30, 2019 was \$1,482.

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.

On August 22, 2019, the City issued the General Obligation Warrants, Series 2019, for \$6,015,000. The proceeds were used to refund the General Obligation Warrants, Series 2013. The refunded bonds are defeased and the liability has been removed. This current refunding produced a cash benefit of approximately \$16,030 and obtained an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of approximately \$831,778.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE I – LONG-TERM DEBT – CONTINUED

General Obligation Warrants and General Obligation Taxable Warrants – Continued

At September 30, 2019, warrants consisted of one (1) outstanding general obligation warrants and one (1) outstanding general obligation taxable warrants, as scheduled below:

	Governmental Activities				
	Interest Rates	Issue Date	Maturity Date	Original Issue	Amount Outstanding at September 30, 2019
General Obligation Taxable Warrants, Series 2017 – Acquisition of Property	2.00% to 4.00%	7/1/2017	7/1/2042	\$ 10,305,000	\$ 10,305,000
General Obligation Warrants, Series 2019 – Refunding of General Obligation Warrants, Series 2013	2.00% to 5.00%	8/22/2019	8/22/2033	6,015,000	6,015,000
				<u>\$ 16,320,000</u>	<u>\$ 16,320,000</u>

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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	2017 General Obligation Taxable Warrants		2019 General Obligation Warrants	
			Principal	Interest	Principal	Interest
2020	\$ 3,574,499	\$ 3,085,000	\$ 2,795,000	\$ 322,539	\$ 290,000	\$ 166,960
2021	1,058,372	585,000	240,000	266,639	345,000	206,733
2022	1,052,742	595,000	245,000	261,359	350,000	196,383
2023	1,057,617	620,000	255,000	255,234	365,000	182,383
2024	1,056,132	640,000	260,000	248,349	380,000	167,783
2025	1,054,852	665,000	265,000	241,069	400,000	148,783
2026	1,056,902	695,000	275,000	233,119	420,000	128,783
2027	1,062,652	730,000	285,000	224,869	445,000	107,783
2028	1,051,424	750,000	290,000	215,891	460,000	85,533
2029	1,053,599	780,000	300,000	206,466	480,000	67,133
2030	1,054,349	810,000	310,000	196,416	500,000	47,933
2031	1,058,499	840,000	325,000	185,566	515,000	32,933
2032	1,061,662	865,000	335,000	174,029	530,000	22,633
2033	1,053,304	880,000	345,000	161,801	535,000	11,503
2034-2042	4,569,911	3,780,000	3,780,000	789,911	-	-
Totals	<u>\$ 21,876,516</u>	<u>\$ 16,320,000</u>	<u>\$ 10,305,000</u>	<u>\$ 3,983,257</u>	<u>\$ 6,015,000</u>	<u>\$ 1,573,259</u>

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, 2019:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Note payable	\$ 180,243	\$ -	\$ 60,103	\$ 120,140	\$ 61,867
Capital leases payable	390,077	377,892	126,604	641,365	314,146
Warrants payable:					
General obligation warrants	6,955,000	6,015,000	6,955,000	6,015,000	290,000
Unamortized premium	-	624,135	41,609	582,526	-
General obligation taxable warrants	10,480,000	-	175,000	10,305,000	2,795,000
Total note, capital leases and bonds payable	<u>18,005,320</u>	<u>7,017,027</u>	<u>7,358,316</u>	<u>17,664,031</u>	<u>3,461,013</u>
OPEB liability	1,719,473	702,822	17,923	2,404,372	-
Net pension liability	10,829,117	3,303,150	4,147,573	9,984,694	-
Compensated absences:					
Vacation leave	918,654	506,672	499,894	925,432	-
Sick leave	2,669,688	420,019	334,233	2,755,474	-
Overtime leave	219,414	5,144	14,666	209,892	-
Governmental activity long-term liabilities	<u>\$ 34,361,666</u>	<u>\$11,954,834</u>	<u>\$12,372,605</u>	<u>\$ 33,943,895</u>	<u>\$3,461,013</u>

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, 2019

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, 2018, membership consisted of:

Retirees and beneficiaries currently receiving benefits	24,818
Terminated employees entitled to but not yet receiving benefits	1,426
Terminated employees not entitled to a benefit	7,854
Active members	56,760
Post-DROP participants who are still in active service	141
Total	<u>90,999</u>

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, 2019, the City's active employee contribution rate ranged between 10 and 11 percent (Tier 1) and 9 and 10 percent (Tier 2) of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 9.31 percent of pensionable payroll.

City's contractually required contribution rate for the year ended September 30, 2019 was 10.21 percent of pensionable pay for Tier 1 employees, and 9.15 percent of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2016, 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 \$780,026 for the year ended September 30, 2019.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE J – PENSION PLAN – CONTINUED

Net Pension Liability

The City’s net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2017 rolled forward to September 30, 2018 using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual</u>	<u>Actual</u>
(a) TPL as of September 30, 2017	\$31,890,512	\$31,112,525	\$31,291,791
(b) Discount rate	7.75%	7.75%	7.70%
(c) Entry Age Normal Cost for the period October 1, 2017 – September 30, 2018	704,552	704,552	710,998
(d) Transfers Among Employers:	0	(231,812)	(231,812)
(e) Actual Benefit Payments and Refunds for the period October 1, 2017– September 30, 2018	<u>(1,477,303)</u>	<u>(1,477,303)</u>	<u>(1,477,303)</u>
(f) TPL as of September 30, 2018 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1+ 0.5*(b))]	<u>\$33,532,030</u>	<u>\$32,461,937</u>	<u>\$32,646,266</u>
(g) Difference between Expected and Actual:		(\$1,070,093)	
(h) Less Liability Transferred for Immediate Recognition:		(231,812)	
(i) Experience (Gain)/Loss = (g) – (h)		(\$838,281)	
(j) Difference between Actual at 7.70% and Actual at 7.75% [Assumption Change (Gain)/Loss] =			\$184,329

Actuarial Assumptions

The total pension liability as of September 30, 2018 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2017. The key actuarial assumptions are summarized below:

Inflation	2.75%
Projected Salary increases	3.25% - 5.00%
Investment rate of return*	7.70%
* Net of pension plan investment expense	

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, 2017, 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	100.00%	

*Includes assumed rate of inflation of 2.50%

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE J – PENSION PLAN – CONTINUED

Discount Rate

The discount rate used to measure the total pension liability was the long term rate of return, 7.70%. 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, 2017	\$ 31,890,512	\$ 21,061,395	\$ 10,829,117
Changes for the year:			
Service cost	704,552	-	704,552
Interest	2,414,269	-	2,414,269
Differences between expected and actual experience	(838,281)	-	(838,281)
Contributions – employer	-	772,624	(772,624)
Contributions – employee	-	602,929	(602,929)
Net investment income	-	1,933,739	(1,933,739)
Benefit payments, including refunds of employee contributions	(1,477,303)	(1,477,303)	-
Administrative expense	-	-	-
Transfers among employers	(231,812)	(231,812)	-
Net changes	<u>755,754</u>	<u>1,600,177</u>	<u>(844,423)</u>
Balances at September 30, 2018	<u>\$ 32,646,266</u>	<u>\$ 22,661,572</u>	<u>\$ 9,984,694</u>

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2019

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 7.70%, 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 (6.70%) or 1- percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Discount Rate 7.70%	1% Increase (8.70%)
City’s Net Pension Liability	\$ 14,098,104	\$ 9,984,694	\$ 6,527,770

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, 2018. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2018. The auditor’s report dated August 17, 2019 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, 2019, the City recognized pension expense of \$192,052. At September 30, 2019, 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	\$ 957,285	\$ 720,213
Changes of assumptions	743,405	-
Net difference between projected and actual earnings on pension plan investments	-	735,992
Employer contributions subsequent to the measurement date	780,026	-
Total	\$ 2,480,716	\$ 1,456,205

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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:		
2020	\$	298,934
2021		67,800
2022		139,493
2023		304,300
2024		174,494
Thereafter		39,490

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, 2019

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, 2019, 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 \$2,404,372 was measured as of September 30, 2019 and was determined by an actuarial valuation as of that date.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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

Actuarial Assumptions and Other Inputs

The total OPEB liability in the September 30, 2019 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	4.18%
Discount rate	2.66%, 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, 2019, 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, 2019 valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2009 to September 30, 2019.

Changes in the Total OPEB Liability

Balance at September 30, 2018	\$ <u>1,719,473</u>
Changes for the year:	
Service cost	73,417
Interest	73,408
Differences between expected and actual experience	102,967
Changes in assumptions	453,030
Benefit payments and net transfers	<u>(17,923)</u>
Net changes	<u>684,899</u>
Balance at September 30, 2019	\$ <u><u>2,404,372</u></u>

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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 (1.66%) or 1-percentage-point higher (3.66%) than the current discount rate:

	1.0% Decrease (1.66%)	Current Discount Rate (2.66%)	1.0% Increase (3.66%)
Total OPEB liability	\$ <u>2,821,702</u>	\$ <u>2,404,372</u>	\$ <u>2,059,881</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>2,037,917</u>	\$ <u>2,404,372</u>	\$ <u>2,853,564</u>

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$182,422. At September 30, 2019, 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	\$ <u>93,606</u>	\$ <u>(31,607)</u>
Changes in assumptions	411,845	(117,874)
Total	\$ <u>505,452</u>	\$ <u>(149,481)</u>

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2019

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:		
2020	\$	35,597
2021		35,597
2022		35,597
2023		35,597
2024		35,597
Thereafter		177,986

NOTE M – RESTATEMENT OF BEGINNING NET POSITION

An adjustment has been made to a fixed asset infrastructure account relative to its construction-in-progress, applicable depreciation and grant reimbursements from prior periods. As a result, beginning net position of the governmental activities has been decreased by \$48,506.

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, 2019

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. The City has received a summary judgement in its favor. The Plaintiff has appealed to the Alabama Supreme Court. All appellate briefs of the parties have been filed. The City continues to vigorously defend the lawsuit on appeal.

NOTE P – SUBSEQUENT EVENTS

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

On October 10, 2019, the City authorized the issuance of its General Obligation Warrants, Series 2019-B for \$2,750,000. The proceeds were used to retire short-term debt, street paving and other capital expenditures.

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 was not delivered until October 2019. Cost of the fire truck is \$487,475 and was paid from proceeds received from the General Obligation Warrants, Series 2019-B, referenced above.

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.

As a result of the spread of the COVID-19 coronavirus pandemic, economic uncertainties have arisen which are likely to negatively impact the revenue stream and operating budget of the City. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. However, at the time of the audit report delivery, the related financial impact is unknown and the duration cannot be reasonably estimated.

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, 2019

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Taxes, licenses, and permits	\$ 16,686,000	\$ 17,471,000	\$ 18,238,510	\$ 767,510
Intergovernmental revenue	638,390	638,390	715,724	77,334
Charges for services	406,800	406,800	402,616	(4,184)
Fines and forfeitures	325,350	325,350	264,685	(60,665)
Interest income	6,200	6,200	143,415	137,215
Sale of capital assets	5,000	5,000	1,197,567	1,192,567
Other	461,088	461,088	631,923	170,835
TOTAL REVENUES	18,528,828	19,313,828	21,594,440	2,280,612
EXPENDITURES				
General and Administrative	4,549,661	4,627,182	4,033,121	594,061
Court	179,408	184,191	153,067	31,124
Police Department	3,862,724	3,931,099	3,938,300	(7,201)
Fire and Rescue	3,065,706	3,104,065	2,974,801	129,264
Public Works Department	1,959,577	1,992,312	1,818,753	173,559
Inspection Department	578,250	586,474	546,073	40,401
Civic Center	1,206,847	1,215,531	1,123,042	92,489
Senior Center	175,707	177,900	169,142	8,758
Parks and Recreation Department	1,201,493	1,217,814	1,258,493	(40,679)
Gardendale-Martha Moore Public Library	729,761	740,931	699,291	41,640
Debt service				
Principal payments	-	-	60,103	(60,103)
Interest charges	-	-	4,450	(4,450)
TOTAL EXPENDITURES	17,509,134	17,777,499	16,778,636	998,863
Excess (deficiency) of revenues over expenditures	1,019,694	1,536,329	4,815,804	3,279,475
Other financing sources (uses)				
Capital lease	-	-	377,892	377,892
Refunding bonds issued	-	-	6,015,000	6,015,000
Bond issuance premium	-	-	624,135	624,135
Operating transfers in (out)	-	-	(8,107,897)	(8,107,897)
	1,019,694	1,536,329	3,724,934	2,188,605
Fund Balances - Beginning	10,187,805	10,187,805	10,187,805	-
Fund Balances - Ending	<u>\$ 11,207,499</u>	<u>\$ 11,724,134</u>	<u>\$ 13,912,739</u>	<u>\$ 2,188,605</u>

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

CITY OF GARDENDALE, ALABAMA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2019

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 1, 2018 (Resolution Number 2018-146). 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, 2019

	2019	2018
Total OPEB liability		
Service costs	\$ 73,417	\$ 87,658
Interest	73,408	67,109
Changes of benefit terms	-	-
Differences between expected and actual experience	102,967	(37,928)
Changes of assumptions	453,030	(141,449)
Benefit payments	(17,923)	(16,989)
Net change in total OPEB liability	684,899	(41,599)
Total OPEB liability, beginning	1,719,473	1,761,072
Total OPEB liability, ending (a)	\$ 2,404,372	\$ 1,719,473
Covered-employee payroll	8,484,345	8,237,228
Net OPEB liability as a percentage of the covered-employee payroll	28.34%	20.87%
Notes to Schedule:		
Benefit Changes:	None	None
Changes of Assumptions:		
Discount Rate:	2.66%	4.18%

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, 2019

	2018	2017	2016	2015	2014
Total pension liability					
Service costs	\$ 704,552	\$ 700,544	\$ 625,258	\$ 595,057	\$ 567,596
Interest	2,414,269	2,265,225	2,081,569	1,973,367	1,885,956
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(838,281)	388,906	1,016,261	185,086	-
Changes of assumptions	184,329	-	993,203	-	-
Benefit payments, including refunds of employee contributions	(1,477,303)	(1,385,514)	(1,387,041)	(1,414,932)	(1,306,895)
Transfers among employers	(231,812)	(118)	(120,917)	-	-
Net change in total pension liability	<u>755,754</u>	<u>1,969,043</u>	<u>3,208,333</u>	<u>1,338,578</u>	<u>1,146,657</u>
Total pension liability, beginning	<u>31,890,512</u>	<u>29,921,469</u>	<u>26,713,136</u>	<u>25,374,558</u>	<u>24,227,901</u>
Total pension liability, ending (a)	<u>\$ 32,646,266</u>	<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	\$ 772,624	\$ 730,024	\$ 777,262	\$ 669,193	\$ 755,846
Contributions - employee	602,929	605,820	645,370	589,079	368,121
Net investment income	1,933,739	2,393,445	1,733,992	201,223	1,833,806
Benefit payments, including refunds of employee contributions	(1,477,303)	(1,385,514)	(1,387,041)	(1,414,932)	(1,306,895)
Transfers among employers	(231,812)	(118)	(120,917)	(29,972)	57,259
Net change in plan fiduciary net position	<u>1,600,177</u>	<u>2,343,657</u>	<u>1,648,666</u>	<u>14,591</u>	<u>1,708,137</u>
Total net position, beginning	<u>21,061,395</u>	<u>18,717,738</u>	<u>17,069,072</u>	<u>17,054,481</u>	<u>15,346,344</u>
Total net position, ending (b)	<u>\$ 22,661,572</u>	<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)	9,984,694	10,829,117	11,203,731	9,644,064	8,320,077
Plan fiduciary net position as a percentage of the total pension liability	69.42%	66.04%	62.56%	63.90%	67.21%
Covered-employee payroll ⁽¹⁾	7,793,695	7,803,646	7,703,051	8,381,330	7,947,852
Net pension liability (asset) as a percentage of the covered-employee payroll	128.11%	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 2019, the measurement period is October 1, 2017 - September 30, 2018.

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, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 780,026	\$ 801,439	\$ 759,536	\$ 782,933	\$ 669,193
Contributions in relation to the actuarially determined contribution	<u>780,026</u>	<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>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 7,786,616</u>	<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>10.02%</u>	<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 2019 were based on the September 30, 2016 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2018 to September 30, 2019:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	26.9 years
Asset valuation method	Five year smoothed market
Inflation	2.875%
Salary increases	3.375—5.125% including inflation
Investment rate of return (discount rate)	7.875%, 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, 2019

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Intergovernmental revenue	\$ 245,700	\$ 245,700	\$ 280,290	\$ 34,590
Charges for services	413,400	413,400	452,100	38,700
Fines and forfeitures	30,200	30,200	27,248	(2,952)
Interest income	975	975	4,075	3,100
Other	16,300	16,300	132,593	116,293
TOTAL REVENUES	<u>706,575</u>	<u>706,575</u>	<u>896,306</u>	<u>189,731</u>
EXPENDITURES				
Court	85,500	105,500	85,975	19,525
Police Department	315,760	315,760	324,416	(8,656)
Public Works Department	200,000	201,404	113,759	87,645
Parks and Recreation Department	10,100	70,100	61,774	8,326
TOTAL EXPENDITURES	<u>611,360</u>	<u>692,764</u>	<u>585,924</u>	<u>106,840</u>
Excess (deficiency) of revenues over expenditures	95,215	13,811	310,382	296,571
Other financing sources (uses)				
Operating transfers in (out)	(1,404)	(1,404)	(1,404)	-
	93,811	12,407	308,978	296,571
Fund Balances - Beginning	<u>442,727</u>	<u>442,727</u>	<u>442,727</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 536,538</u>	<u>\$ 455,134</u>	<u>\$ 751,705</u>	<u>\$ 296,571</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, 2019

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Corrections Fund	Court Ordered Fund	E-911 District Fund	Parks and Recreation Rental Fund	Debt Service Fund	Capital Projects Fund	
ASSETS							
Cash and cash equivalents	\$ 164,703	\$ 154,535	\$ 50,183	\$ 68,132	\$ 1,062,082	\$ -	\$ 1,499,635
Short-term investments	72,796	-	98,980	-	-	-	171,776
Receivables-net and prepaids	63	-	90	-	-	-	153
Due from other funds	-	1,125	-	-	-	-	1,125
TOTAL ASSETS	\$ 237,562	\$ 155,660	\$ 149,253	\$ 68,132	\$ 1,062,082	\$ -	\$ 1,672,689
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Due to other funds	\$ -	\$ -	\$ -	\$ 496	\$ -	\$ -	\$ 496
TOTAL LIABILITIES	-	-	-	496	-	-	496
FUND BALANCES							
Restricted	237,562	155,660	149,253	-	-	-	542,475
Assigned	-	-	-	67,636	1,062,082	-	1,129,718
TOTAL FUND BALANCES	237,562	155,660	149,253	67,636	1,062,082	-	1,672,193
TOTAL LIABILITIES AND FUND BALANCES	\$ 237,562	\$ 155,660	\$ 149,253	\$ 68,132	\$ 1,062,082	\$ -	\$ 1,672,689

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, 2019

	Special Revenue Funds					Capital Projects Fund	Total Nonmajor Governmental Funds
	Corrections Fund	Court Ordered Fund	E-911 District Fund	Parks and Recreation Rental Fund	Debt Service Fund		
REVENUES							
Charges for services	\$ 71,175	\$ -	\$ 344,895	\$ 36,030	\$ -	\$ -	\$ 452,100
Fines and forfeitures	-	27,248	-	-	-	-	27,248
Interest income	1,448	326	2,119	-	11,756	-	15,649
Other	944	-	-	12,070	-	-	13,014
TOTAL REVENUES	73,567	27,574	347,014	48,100	11,756	-	508,011
EXPENDITURES							
Court	83,500	2,475	-	-	-	-	85,975
Police Department	-	-	300,524	-	-	-	300,524
Parks and Recreation Department	-	-	-	30	-	-	30
Capital Outlay	-	-	-	61,744	-	139,847	201,591
Debt service							
Principal payments	-	-	-	-	565,000	-	565,000
Interest charges	-	-	-	-	525,189	-	525,189
Other charges	-	-	-	-	115,743	-	115,743
TOTAL EXPENDITURES	83,500	2,475	300,524	61,774	1,205,932	139,847	1,794,052
Excess (deficiency) of revenues over expenditures	(9,933)	25,099	46,490	(13,674)	(1,194,176)	(139,847)	(1,286,041)
Other financing sources (uses)							
Payment to bonding refunding agent	-	-	-	-	(6,623,105)	-	(6,623,105)
Operating transfers in	-	-	-	-	7,969,454	1,525,633	9,495,087
Operating transfers out	-	-	-	-	-	(1,385,786)	(1,385,786)
	(9,933)	25,099	46,490	(13,674)	152,173	-	200,155
Fund Balances - Beginning	247,495	130,561	102,763	81,310	909,909	-	1,472,038
Fund Balances - Ending	\$ 237,562	\$ 155,660	\$ 149,253	\$ 67,636	\$ 1,062,082	\$ -	\$ 1,672,193

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

GARDENDALE-MARTHA MOORE PUBLIC LIBRARY
BALANCE SHEET
SEPTEMBER 30, 2019

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 16,161</u>
TOTAL ASSETS	<u><u>\$ 16,161</u></u>
LIABILITIES	
Accounts payable	<u>\$ 397</u>
TOTAL LIABILITIES	<u>397</u>
FUND BALANCE	
Unassigned	<u>15,764</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 16,161</u></u>

GARDENDALE-MARTHA MOORE PUBLIC LIBRARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2019

REVENUES	
Book sales	\$ 2,010
Coffee and food sales	1,129
Copier income	1,175
Donations and memorials	710
E-rate	3,408
Fax charges	1,559
Fines	7,103
Grant income	21,000
Interest income	2
Laminator fees	57
Library card replacement	27
Lost or damaged material	2,188
Miscellaneous	734
Non-resident card fees	600
Printer income	6,116
Reimbursement	5,932
Rental of meeting room	1,315
Scans	507
State aid	9,029
Test proctor fee	525
Tickets	2,840
	2,840
TOTAL REVENUES	67,966
EXPENDITURES	
Adult programs	3,678
Arts Council expenses	7,428
Building expenses	132
Books	161
Cellular telephone expense	1,741
Cleaning supplies	150
Copier fee	1,219
Convention expense	1,024
Dues and subscriptions	1,491
Equipment	3,009
Food and medical	2,653
Grant expense	15,796
Hotspot Checkout	6,575
Internet expense	350
Miscellaneous	658
Office supplies	3,230
Periodicals	676
Postage and shipping	58
Programs	8,003
Promotional	171
Refund / lost material	90
Repair and maintenance	66
Staff development	227
State aid expenditures	9,643
Video and DVDs	20
	20
TOTAL EXPENDITURES	68,249
EXCESS OF EXPENDITURES OVER REVENUES	(283)
FUND BALANCE AT BEGINNING OF THE YEAR	16,047
FUND BALANCE AT END OF THE YEAR	\$ 15,764

GARDENDALE-MARTHA MOORE PUBLIC LIBRARY
SCHEDULE OF STATE AID (ALABAMA PUBLIC LIBRARY SERVICE)
YEAR ENDED SEPTEMBER 30, 2019

REVENUES	
State aid	<u>\$ 9,029</u>
TOTAL REVENUES - (Received and deposited)	<u>9,029</u>
EXPENDITURES	
Books / Digital Media	1,952
JCLC	6,741
Miscellaneous	<u>950</u>
TOTAL EXPENDITURES	<u>9,643</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u><u>\$ (614)</u></u>

The above schedule reflects cash basis method of accounting.