

CITY OF GARDENDALE, ALABAMA
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2020

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

CITY OF GARDENDALE, ALABAMA
CITY OFFICIALS

SEPTEMBER 30, 2020

MAYOR

Honorable Stan Hogeland

CITY COUNCIL

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

CITY CLERK / TREASURER

Ms. Melissa Honeycutt

DEPARTMENT HEADS

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

CITY OF GARDENDALE, ALABAMA

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	4-6
Management's Discussion and Analysis (MD&A) - Unaudited	7-15
Basic Financial Statements:	
Government-Wide Financial Statements	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements	
Balance Sheet - Governmental Funds	18
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Notes to Financial Statements	22-56
Required Supplementary Information (RSI)	58-62
Supplementary Information	64-69

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

CERTIFIED PUBLIC ACCOUNTANT

1957 HOOVER COURT, SUITE 110

BIRMINGHAM, ALABAMA 35226-3600

TELEPHONE (205) 980-9696
EMAIL mrw@mrwcpapc.com

FACSIMILE (205) 978-8780
WEBSITE mrwcpapc.com

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gardendale, Alabama, as of and for the year ended September 30, 2020, 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
Page Two

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, 2020, and the respective changes in financial position 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 58-62) 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
Page Three

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 component unit financial statements, including schedule of state aid, 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
February 19, 2021



Mayor:
STAN HOGELAND

City Council:
GREG COLVERT
ALVIN CURRINGTON
ADAM BERENDT
WILL HARDMAN
BRYAN KNOX

City of Gardendale Management's Discussion & Analysis (MD&A) For the Year Ended September 30, 2020

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, 2020. 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 \$18,855,700 (net position). Of this amount, \$702,973 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors.

Net position decreased by \$6,350,007.

The City's governmental funds reported a combined ending fund balance of \$20,673,632, an increase of \$4,947,106 in comparison to the prior year. The general fund reported fund balance of \$18,533,481, of which \$5,944,994 is categorized as unassigned.

The City's total bonded debt decreased by \$335,000.

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.

925 Main Street (PO Box 889), Gardendale, AL 35071
205.631.8789 (office) 205.631.1700 (fax)

www.cityofgardendale.com

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 \$2,407,616. 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 \$11,007,117 as of September 30, 2020.

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, 2020 and 2019.

Table 1 – City of Gardendale
Condensed Statement of Net Position

	Governmental Activities	
	2020	2019
Current and other assets	\$ 21,642,954	\$ 16,303,667
Capital assets	33,431,566	42,042,594
Deferred outflows of resources	2,856,143	2,986,168
Total assets	<u>\$ 57,930,663</u>	<u>\$ 61,332,429</u>
Current liabilities	\$ 1,920,806	\$ 3,863,869
Long-term liabilities	35,983,493	30,482,882
Total liabilities	<u>37,904,299</u>	<u>34,346,751</u>
Deferred inflows of resources	1,170,664	1,779,971
Net investment in capital assets	13,824,355	24,378,563
Restricted	4,328,372	1,062,142
Unrestricted	702,973	(234,998)
	<u>\$ 18,855,700</u>	<u>\$ 25,205,707</u>

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 \$18,855,700 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, 2020 and 2019.

Table 2 - City of Gardendale
Changes in Net Assets

	Governmental Activities	
	2020	2019
Revenues:		
Program revenues:		
Charges for service	\$ 713,987	\$ 854,716
Operating grants and contributions	266,935	91,068
Capital grants and contributions	28,361	160,287
General revenues:		
Sales taxes	13,557,225	13,176,306
Ad valorem property taxes	1,827,215	1,609,688
Other taxes	1,549,394	1,370,238
Business licenses	2,629,726	2,743,360
Permits	498,020	334,932
Fines and forfeitures	318,797	291,933
Investment earnings	152,668	159,246
Gain on sale of capital assets	61,538	700,610
Other	457,198	554,768
Total revenues	<u>22,061,064</u>	<u>22,047,152</u>
Expenses:		
Primary government:		
Governmental activities:		
General and Administrative	4,008,597	3,802,674
Court	364,620	292,432
Police Department	4,392,212	4,355,733
Fire and Rescue	3,228,478	2,919,891
Public Works Department	2,178,649	2,033,275
Inspection Department	607,015	599,143
Civic Center	1,160,385	1,219,196
Senior Center	175,059	181,989
Parks and Recreation Department	1,447,947	1,409,273
Gardendale-Martha Moore Public Library	751,528	773,493
Loss on sale of capital assets	9,487,137	-
Interest on Long-Term Debt	609,444	645,382
Total expenses	<u>28,411,071</u>	<u>18,232,481</u>
Increase (decrease) in net assets	<u>(6,350,007)</u>	<u>3,814,671</u>
Net Assets - Beginning	<u>25,205,707</u>	<u>21,391,036</u>
Net Assets - Ending	<u>\$ 18,855,700</u>	<u>\$ 25,205,707</u>

Governmental Activities

Governmental activities net position decreased by \$6,350,007 for the current fiscal year. Key elements of this decrease are as follows:

- Net investment in capital assets decreased by \$10,554,208. This decrease is composed of disposal of capital assets as well as the retirement of outstanding debt on existing assets, net of depreciation.
- Restricted net position increased by \$3,266,230, primarily related to restricted financial resources being used in the General and Special Revenue Funds.
- Unrestricted net position increased by approximately \$937,971, 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 \$20,673,632, with an increase of \$4,947,106 compared to the prior fiscal year. Of the total balance, \$109,680 is nonspendable, \$4,328,372 is restricted, \$9,261,880 is committed, \$1,028,706 is assigned, and \$5,944,994 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 \$18,533,481, of which \$109,680 is

nonspendable, \$3,184,210 is restricted, \$9,261,880 is committed, \$32,717 is assigned, and \$5,944,994 is unassigned.

Fund balance of the general fund increased by \$4,620,742 due primarily to loan proceeds and bond proceeds.

Fund balance of the gasoline tax fund decreased by \$349,507 due primarily to amounts paid for paving projects.

Fund balance of the debt service fund decreased by \$143,125 due to a decrease in the cash balances in the debt service fund as of September 30, 2020.

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 \$1,133,408 or approximately 6 percent. A significant part of the increase was related to equipment and vehicles. Other changes in appropriations were for miscellaneous items.

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

- Approximately \$415,000 more was spent for building than budgeted.
- The amount budgeted for "other capital expenditures", approximately \$110,000, was not spent.
- Approximately \$105,000 less was spent for election supplies than budgeted.

Capital Asset and Debt Administration

The City's investment in capital assets for its governmental activities amounts to \$13,824,355 (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 \$205,000 on new vehicles for use in the Police Department.
- The City spent approximately \$645,000 on a fire truck for the Fire Department.
- The City spent approximately \$702,000 on various paving projects in the City.

Table 3 presents the City's capital assets for the fiscal years ended September 30, 2020 and 2019.

Table 3 – City of Gardendale
Capital Assets

	2020	2019
Land	\$ 11,888,737	\$ 21,413,735
Land Improvements	1,642,316	939,620
Buildings and Improvements	21,414,007	20,774,817
Equipment	9,382,031	8,233,500
Infrastructure	11,733,624	11,648,436
Construction in Progress	375,907	785,836
	<u>56,436,622</u>	<u>63,795,944</u>
Accumulated Depreciation	<u>(23,005,056)</u>	<u>(21,753,350)</u>
Total	<u>\$ 33,431,566</u>	<u>\$ 42,042,594</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 \$19,607,211. Of this amount, \$16,802,472 comprises debt backed by the full faith and credit of the City and the remainder represents debt secured by other revenue sources (e.g., sales tax, rental income, etc.).

Table 4 presents the City's bonds, notes, and capital leases for the fiscal years ended September 30, 2020 and 2019.

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

	2020	2019
Note payable	\$ 58,279	\$ 120,140
Capital leases payable	2,746,460	641,365
General obligation warrants	9,292,472	6,597,526
General obligation taxable warrants	7,510,000	10,305,000
	<u>19,607,211</u>	<u>17,664,031</u>
Total	<u>\$ 19,607,211</u>	<u>\$ 17,664,031</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, 2020

	Governmental Activities	Component Unit Gardendale - Martha Moore Public Library
ASSETS		
Cash and cash equivalents	\$ 20,907,343	\$ 23,748
Short-term investments	84,839	47
Receivables, net and prepaids	650,772	-
Capital assets, net		
Non-depreciable	12,264,644	90,263
Depreciable	21,166,922	50,117
TOTAL ASSETS	55,074,520	164,175
DEFERRED OUTFLOWS OF RESOURCES		
Pension related amount	2,401,236	
OPEB related amount	454,907	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,856,143	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 57,930,663	\$ 164,175
LIABILITIES		
Accounts payable	\$ 531,614	\$ 480
Accrued salaries and wages	298,088	-
Deposits from others	19,825	-
Noncurrent liabilities		
Due within one year		
Note payable	58,279	-
Capital leases payable	83,000	-
Bonds payable	930,000	-
Due in more than one year		
Capital leases payable	2,663,460	-
Bonds payable	15,872,472	-
OPEB liability	2,407,616	-
Net pension liability	11,007,117	-
Compensated absences	3,776,382	-
Overtime leave	256,446	-
TOTAL LIABILITIES	37,904,299	480
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue	119,795	-
Pension related amount	768,090	-
OPEB related amount	282,779	-
TOTAL DEFERRED INFLOWS OF RESOURCES	1,170,664	-
NET POSITION		
Net investment in capital assets	13,824,355	140,380
Restricted	4,328,372	-
Unrestricted	702,973	23,315
TOTAL NET POSITION	\$ 18,855,700	\$ 163,695

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, 2020

Functions / Programs	Program Revenues				Net (Expense)	Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position	
					Governmental Activities	Gardendale - Martha Moore Public Library
Primary government:						
Governmental activities:						
General and Administrative	\$ 4,008,597	\$ 4,350	\$ 252,935	\$ -	\$ (3,751,312)	\$ -
Court	364,620	-	-	-	(364,620)	-
Police Department	4,392,212	241,234	-	-	(4,150,978)	-
Fire and Rescue	3,228,478	178,611	-	18,361	(3,031,506)	-
Public Works Department	2,178,649	-	-	-	(2,178,649)	-
Inspection Department	607,015	-	-	-	(607,015)	-
Civic Center	1,160,385	237,694	-	-	(922,691)	-
Senior Center	175,059	-	-	10,000	(165,059)	-
Parks and Recreation Department	1,447,947	52,098	14,000	-	(1,381,849)	-
Gardendale-Martha Moore Public Library	751,528	-	-	-	(751,528)	(41,395)
Loss on sale of capital assets	9,487,137	-	-	-	(9,487,137)	-
Interest and Charges on Long-Term Debt	609,444	-	-	-	(609,444)	-
Total governmental activities	\$ 28,411,071	\$ 713,987	\$ 266,935	\$ 28,361	\$ (27,401,788)	\$ (41,395)
General revenues:						
Taxes:						
					\$ 13,557,225	\$ -
					1,827,215	-
					1,549,394	-
					2,629,726	-
					498,020	-
					318,797	-
					152,668	-
					61,538	-
					457,198	48,946
					<u>21,051,781</u>	<u>48,946</u>
					(6,350,007)	7,551
					<u>25,205,707</u>	<u>156,144</u>
					<u>\$ 18,855,700</u>	<u>\$ 163,695</u>

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

CITY OF GARDENDALE, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	Major Funds			Total Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Gasoline Tax Fund	Debt Service Fund		
ASSETS					
Cash and cash equivalents	\$ 17,879,088	\$ 682,592	\$ 918,957	\$ 1,426,706	\$ 20,907,343
Short-term investments	10,643	-	-	74,196	84,839
Receivables, net and prepaids	615,128	104	-	35,540	650,772
Due from other funds	950,238	-	-	5,250	955,488
TOTAL ASSETS	\$ 19,455,097	\$ 682,696	\$ 918,957	\$ 1,541,692	\$ 22,598,442
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 522,334	\$ -	\$ -	\$ 9,280	\$ 531,614
Accrued salaries and wages	298,088	-	-	-	298,088
Deposits from others	19,825	-	-	-	19,825
Due to other funds	5,250	898,068	-	52,170	955,488
TOTAL LIABILITIES	845,497	898,068	-	61,450	1,805,015
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue	76,119	-	-	43,676	119,795
FUND BALANCES					
Nonspendable - prepaid items	109,680	-	-	-	109,680
Restricted	3,184,210	(215,372)	-	1,359,534	4,328,372
Committed	9,261,880	-	-	-	9,261,880
Assigned	32,717	-	918,957	77,032	1,028,706
Unassigned	5,944,994	-	-	-	5,944,994
TOTAL FUND BALANCES	18,533,481	(215,372)	918,957	1,436,566	20,673,632
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 19,455,097	\$ 682,696	\$ 918,957	\$ 1,541,692	\$ 22,598,442

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, 2020

Fund Balances - Total Governmental Funds	\$	20,673,632
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	56,436,622	
Less accumulated depreciation	<u>(23,005,056)</u>	33,431,566
Deferred outflows of resources not reported in the governmental funds balance sheet.		
Pension related amount		2,401,236
OPEB related amount		454,907
Net pension liability is not due and payable in the current period and therefore, not reported in the governmental funds balance sheet.		
		(11,007,117)
Net OPEB obligation is not due and payable in the current period and therefore, not reported in the governmental funds balance sheet.		
		(2,407,616)
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	(58,279)	
Capital leases payable	(2,746,460)	
Bonds payable	(15,985,000)	
Unamortized premiums	(817,472)	
Compensated absences	(3,776,382)	
Overtime leave	<u>(256,446)</u>	(23,640,039)
Deferred inflows of resources not reported in the governmental funds balance sheet.		
Pension related amount	(768,090)	
OPEB related amount	<u>(282,779)</u>	(1,050,869)
Net Position of Governmental Activities	\$	<u>18,855,700</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, 2020

	Major Funds			Total Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Gasoline Tax Fund	Debt Service Fund		
REVENUES					
Taxes, licenses, and permits	\$ 19,013,300	\$ -	\$ -	\$ -	\$ 19,013,300
Intergovernmental revenue	728,694	319,586	-	-	1,048,280
Charges for services	273,687	-	-	440,300	713,987
Fines and forfeitures	241,616	-	-	77,179	318,795
Interest income	116,068	277	18,238	18,087	152,670
Other	741,740	4,104	-	6,650	752,494
TOTAL REVENUES	21,115,105	323,967	18,238	542,216	21,999,526
EXPENDITURES					
General and Administrative	3,509,081	-	-	-	3,509,081
Court	200,948	-	-	94,252	295,200
Police Department	3,941,501	-	-	336,810	4,278,311
Fire and Rescue	2,914,318	-	-	-	2,914,318
Public Works Department	1,819,910	-	-	-	1,819,910
Inspection Department	551,418	-	-	-	551,418
Civic Center	947,136	-	-	-	947,136
Senior Center	159,231	-	-	-	159,231
Parks and Recreation Department	1,257,985	-	-	80	1,258,065
Gardendale-Martha Moore Public Library	662,159	-	-	-	662,159
Capital Outlay	1,893,862	680,289	-	307,931	2,882,082
Debt service					
Principal payments	61,861	-	3,085,000	-	3,146,861
Interest charges	2,693	-	546,333	-	549,026
Other charges	-	-	62,706	-	62,706
TOTAL EXPENDITURES	17,922,103	680,289	3,694,039	739,073	23,035,504
Excess (deficiency) of revenues over expenditures	3,193,002	(356,322)	(3,675,801)	(196,857)	(1,035,978)
Other financing sources (uses)					
Sale of capital assets	170,561	-	-	-	170,561
Capital lease proceeds	2,746,460	-	-	-	2,746,460
Bond proceeds	2,750,000	-	-	-	2,750,000
Bond issuance premium	316,063	-	-	-	316,063
Operating transfers in	672,022	18,321	3,532,676	1,687,875	5,910,894
Operating transfers out	(5,227,366)	(11,506)	-	(672,022)	(5,910,894)
	4,620,742	(349,507)	(143,125)	818,996	4,947,106
Fund Balances - Beginning	13,912,739	134,135	1,062,082	617,570	15,726,526
Fund Balances - Ending	\$ 18,533,481	\$ (215,372)	\$ 918,957	\$ 1,436,566	\$ 20,673,632

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, 2020

Net change in fund balances - total governmental funds \$ 4,947,106

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	2,882,082	
Less current year depreciation	<u>(1,384,383)</u>	1,497,699

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.

(9,639,578)

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	(2,746,460)	
Bond proceeds	(2,750,000)	
Bond issuance premium	(316,063)	
Note payable payments	61,861	
Capital lease payments	262,277	
Principal bond payments	<u>3,085,000</u>	(2,403,385)

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

OPEB plan expense	(196,031)	
Pension expense	(413,788)	
Compensated absences and overtime leave	<u>(142,030)</u>	(751,849)

Change in net position of governmental activities		<u>\$ (6,350,007)</u>
---	--	-----------------------

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

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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.

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 dependent on the City because its operational and capital budgets are

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Financial Reporting Entity – Continued

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. There is no activity during the year-ended September 30, 2020.

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, the governmental activities column (a) is presented on a consolidated basis, and (b) is 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, 2020

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, 2020.

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, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basic Financial Statements – Fund Financial Statements - Continued

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

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

The City has presented the following nonmajor governmental funds:

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

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

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.

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

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, 2020

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, 2020.

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, 2020

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 September 3, 2019 by the City Council (Resolution Number 2019-119). 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, 2020.

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2020

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, 2020

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 \$969,741 at September 30, 2020.

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, 2020

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 \$2,806,641 at September 30, 2020.

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, 2020 is as follows:

Overtime Leave:	
General and Administrative	\$ 4,198
Court	2,636
Police Department	144,414
Fire and Rescue	44,553
Public Works Department	32,511
Inspection Department	6,615
Civic Center	10,764
Senior Center	130
Parks and Recreation Department	10,625
Gardendale-Martha Moore Public Library	-
Total Overtime Leave	\$ <u>256,446</u>

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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, 2020

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, 2020

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.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then committed, assigned, and unassigned – in order as needed.

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, 2020, 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 – \$51,210.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Tax Abatements – Continued

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 – \$578,816.

Gauldin Investment Company, Inc. – Sales taxes are abated for a period of 5 years. Abatement rebates began in February 2018. Sales tax abatement rebate terms are half of 3% of tax remitted for 5 years. Abated amounts: sales tax – \$25,902.

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 – \$29,816.

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 – \$45,093.

Britt’s Ace of the South – Sales taxes are abated for a period of 10 years with the amount not to exceed \$430,470. Abatement rebates began in April 2020. Sales tax abatement rebate terms are half of 3% of tax remitted for 10 years. Abated amounts: sales tax – \$18,058.

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 million or 86% of the total General and Special Revenue Fund revenues during the year ended September 30, 2020.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE B – REVENUES AND EXPENDITURES – CONTINUED

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 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.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE C – DEPOSITS AND INVESTMENTS – CONTINUED

Deposits – Continued

At September 30, 2020, the carrying amount of the City’s deposits was \$20,907,343 and the bank balance was \$20,907,343. 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, 2020, the City had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less than 1	1-5
Certificates of Deposit	\$ <u>84,839</u>	\$ <u>84,839</u>	\$ <u>-</u>

NOTE D – ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following account balances at September 30, 2020:

Paving receivable	\$ 75,000
House demolition and Weed Control Ordinance violations receivables	90,723
Grant receivables	237,886
Miscellaneous receivables	<u>42,099</u>
 Total	 \$ <u>445,708</u>

NOTE E – SEWER ASSESSMENTS RECEIVABLE

Sewer construction is partially financed by assessments levied on property owners benefiting from the construction. There was no sewer construction in progress at September 30, 2020.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE F – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020 is stated below.

	Balance October 1, 2019	Additions	Dispositions/ Retirements/ Completions	Balance September 30, 2020
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 21,413,735	\$ 12,139	\$ (9,537,137)	\$ 11,888,737
Construction in Progress	785,836	262,812	(672,741)	375,907
Total Capital Assets Not Being Depreciated	<u>22,199,571</u>	<u>274,951</u>	<u>(10,209,878)</u>	<u>12,264,644</u>
Capital Assets Being Depreciated:				
Land Improvements	939,620	702,696	-	1,642,316
Buildings and Improvements	20,774,817	741,373	(102,183)	21,414,007
Equipment	8,233,500	1,238,049	(89,518)	9,382,031
Infrastructure	11,648,436	189,810	(104,622)	11,733,624
Total Capital Assets Being Depreciated	<u>41,596,373</u>	<u>2,871,928</u>	<u>(296,323)</u>	<u>44,171,978</u>
Less Accumulated Depreciation for:				
Land Improvements	(1,116,623)	(72,473)	-	(1,189,096)
Buildings and Improvements	(6,258,206)	(569,422)	43,159	(6,784,469)
Equipment	(6,436,670)	(457,992)	89,518	(6,805,144)
Infrastructure	(7,941,851)	(284,496)	-	(8,226,347)
Total Accumulated Depreciation	<u>(21,753,350)</u>	<u>(1,384,383)</u>	<u>132,677</u>	<u>(23,005,056)</u>
Total Capital Assets Being Depreciated, Net	<u>19,843,023</u>	<u>1,487,545</u>	<u>(163,646)</u>	<u>21,166,922</u>
Governmental Activities Capital Assets, Net	<u>\$ 42,042,594</u>	<u>\$ 1,762,496</u>	<u>\$ (10,373,524)</u>	<u>\$ 33,431,566</u>

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2020

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	\$ 289,654
Court	51,939
Police Department	198,873
Fire and Rescue	177,505
Public Works Department	238,865
Inspection Department	24,925
Civic Center	181,891
Senior Center	10,557
Parks and Recreation Department	145,728
Gardendale-Martha Moore Public Library	<u>64,446</u>
Total depreciation expense-	
Governmental activities	<u>\$ 1,384,383</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 project is expected to be completed by January 2021. Project will be reviewed by FEMA and AEMA for grant verification. 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, 2020 totaled \$268,629.

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, 2020 totaled \$107,277.

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2020

NOTE H – LONG-TERM DEBT

Note Payable

The City entered into a \$300,000 note payable on August 22, 2016 with Valley National Bank 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
2021	\$ 59,174	\$ 58,279	\$ 895
Totals	\$ 59,174	\$ 58,279	\$ 895

Total interest expense for the year-ended September 30, 2020 was \$2,693.

Capital Leases

The City has entered into a lease agreement as lessee for financing the acquisition of energy efficient equipment in multiple City facilities. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The agreement closing was September 29, 2020 with the project starting in November 2020.

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2020

NOTE H – 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, 2020, were as follows:

Year ending September 30	Present Value of Minimum Lease Payments	Interest Expense	Total Lease Payments
2021	\$ 22,395	\$ 60,605	\$ 83,000
2022	33,895	65,105	99,000
2023	35,705	64,295	100,000
2024	100,558	63,442	164,000
2025	103,962	61,038	165,000
2026 - 2040	2,449,945	521,703	2,971,648
Total	<u>\$ 2,746,460</u>	<u>\$ 836,188</u>	<u>\$ 3,582,648</u>

No interest expense for the year-ended September 30, 2020.

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 October 10, 2019, the City issued the General Obligation Warrants, Series 2019-B, for \$2,750,000. The proceeds were used to refund short-term obligations of the City and for capital improvements.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE H – LONG-TERM DEBT – CONTINUED

General Obligation Warrants and General Obligation Taxable Warrants – Continued

At September 30, 2020, warrants consisted of two (2) 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, 2020
General Obligation Taxable Warrants, Series 2017 – Acquisition of Property	2.00% to 4.00%	7/1/2017	7/1/2042	\$ 10,305,000	\$ 7,510,000
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	5,725,000
General Obligation Warrants, Series 2019-B – Refunding of Short-Term Obligations and Capital Improvements	3.00% to 5.00%	10/10/2019	10/10/2027	<u>2,750,000</u>	<u>2,750,000</u>
				<u>\$ 19,070,000</u>	<u>\$ 15,985,000</u>

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE H – 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		2019-B General Obligation Warrants	
			Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 1,517,847	\$ 930,000	\$ 240,000	\$ 266,639	\$ 345,000	\$ 206,733	\$ 345,000	\$ 114,475
2022	1,516,642	955,000	245,000	261,359	350,000	196,383	360,000	103,900
2023	1,523,617	995,000	255,000	255,234	365,000	182,383	375,000	91,000
2024	1,519,882	1,030,000	260,000	248,349	380,000	167,783	390,000	73,750
2025	1,513,727	1,070,000	265,000	241,069	400,000	148,783	405,000	53,875
2026	1,515,027	1,120,000	275,000	233,119	420,000	128,783	425,000	33,125
2027	1,523,902	1,180,000	285,000	224,869	445,000	107,783	450,000	11,250
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>\$ 21,533,392</u>	<u>\$ 15,985,000</u>	<u>\$ 7,510,000</u>	<u>\$ 3,660,718</u>	<u>\$ 5,725,000</u>	<u>\$ 1,406,299</u>	<u>\$ 2,750,000</u>	<u>\$ 481,375</u>

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE H – LONG-TERM DEBT – CONTINUED

The following is a summary of long-term debt transactions of the City for the year-ended September 30, 2020:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Note payable	\$ 120,140	\$ -	\$ 61,861	\$ 58,279	\$ 58,279
Capital leases payable	641,365	2,746,460	641,365	2,746,460	83,000
Warrants payable:					
General obligation warrants	6,015,000	2,750,000	290,000	8,475,000	690,000
Unamortized premium	582,526	316,063	81,117	817,472	-
General obligation taxable warrants	10,305,000	-	2,795,000	7,510,000	240,000
Total note, capital leases and bonds payable	<u>17,664,031</u>	<u>5,812,523</u>	<u>3,869,343</u>	<u>19,607,211</u>	<u>1,071,279</u>
OPEB liability	2,404,372	178,965	175,721	2,407,616	-
Net pension liability	9,984,694	3,146,302	2,123,879	11,007,117	-
Compensated absences:					
Vacation leave	925,432	496,443	452,134	969,741	-
Sick leave	2,755,474	385,374	334,207	2,806,641	-
Overtime leave	209,892	52,484	5,930	256,446	-
Governmental activity long-term liabilities	<u>\$ 33,943,895</u>	<u>\$10,072,091</u>	<u>\$ 6,961,214</u>	<u>\$ 37,054,772</u>	<u>\$1,071,279</u>

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE I – 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). The Code of Alabama 1975, Title 36, Chapter 27 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, 2020

NOTE I – 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 907 local participating employers. The ERS membership includes approximately 93,986 participants. As of September 30, 2019, membership consisted of:

Retirees and beneficiaries currently receiving benefits	25,871
Terminated employees entitled to but not yet receiving benefits	1,794
Terminated employees not entitled to a benefit	11,001
Active members	55,222
Post-DROP participants who are still in active service	98
Total	<u>93,986</u>

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE I – 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, 2020, 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, 2020 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, 2017, 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 \$ 796,945 for the year ended September 30, 2020.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE I – PENSION PLAN – CONTINUED

Net Pension Liability

The City’s net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2018 rolled forward to September 30, 2019 using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual</u>
(a) TPL as of September 30, 2018	\$32,646,266	\$32,466,070
(b) Discount rate	7.70%	7.70%
(c) Entry Age Normal Cost for the period October 1, 2018 – September 30, 2019	691,715	691,715
(d) Transfers Among Employers:	0	(316)
(e) Actual Benefit Payments and Refunds for the period October 1, 2018– September 30, 2019	<u>(1,537,020)</u>	<u>(1,537,020)</u>
(f) TPL as of September 30, 2019 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1+ 0.5*(b))]	<u>\$34,255,548</u>	<u>\$34,061,161</u>
(g) Difference between Expected and Actual:		(\$194,387)
(h) Less Liability Transferred for Immediate Recognition:		(316)
(i) Experience (Gain)/Loss = (g) – (h)		(\$194,071)

Actuarial Assumptions

The total pension liability as of September 30, 2019 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2018. 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, 2020

NOTE I – 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, 2020

NOTE I – 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, 2018	\$ 32,646,266	\$ 22,661,572	\$ 9,984,694
Changes for the year:			
Service cost	691,715	-	691,715
Interest	2,454,587	-	2,454,587
Differences between expected and actual experience	(194,071)	-	(194,071)
Contributions – employer	-	750,004	(750,004)
Contributions – employee	-	600,301	(600,301)
Net investment income	-	579,503	(579,503)
Benefit payments, including refunds of employee contributions	(1,537,020)	(1,537,020)	-
Administrative expense	-	-	-
Transfers among employers	(316)	(316)	-
Net changes	<u>1,414,895</u>	<u>392,472</u>	<u>1,022,423</u>
Balances at September 30, 2019	<u>\$ 34,061,161</u>	<u>\$ 23,054,044</u>	<u>\$ 11,007,117</u>

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE I – 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	\$ 15,158,779	\$ 11,007,117	\$ 7,509,900

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, 2019. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2019. The auditor’s report 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, 2020, the City recognized pension expense of \$413,787. At September 30, 2020, 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	\$ 737,232	\$ 768,090
Changes of assumptions	581,388	-
Net difference between projected and actual earnings on pension plan investments	285,671	-
Employer contributions subsequent to the measurement date	796,945	-
Total	\$ 2,401,236	\$ 768,090

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE I – 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:	
2021	\$ 141,317
2022	213,010
2023	377,817
2024	248,013
2025	(109,431)
Thereafter	(34,525)

NOTE J – 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, 2020

NOTE K – 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 and dental insurance benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement. To qualify for retiree medical benefits, retirees must be eligible to retire under the provisions of the Retirement Systems of Alabama (RSA). The earliest retirement eligibility provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service (called “Tier I” members). 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. There is an additional minimum requirement of attainment of age 62 in order to receive benefits.

Employees Covered by Benefit Terms

At September 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>139</u>
	<u>140</u>

Total OPEB Liability

The City’s total OPEB liability of \$2,407,616 was measured as of September 30, 2020 and was determined by an actuarial valuation as of that date.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

Actuarial Assumptions and Other Inputs

The total OPEB liability in the September 30, 2020 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	2.66%
Discount rate	2.21%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	5.5% annually until year 2030, then 4.5%
Mortality	SOA RP-2014 Table

The discount rate was based on the Bond Buyers' 20 Year General Obligation municipal bond index as of September 30, 2020, the end of the applicable measurement period.

The actuarial assumptions used in the September 30, 2020 valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2009 to September 30, 2020.

Changes in the Total OPEB Liability

Balance at September 30, 2019	\$ <u>2,404,372</u>
Changes for the year:	
Service cost	113,499
Interest	65,466
Differences between expected and actual experience	(132,732)
Changes in assumptions	(34,045)
Benefit payments and net transfers	<u>(8,944)</u>
Net changes	<u>3,244</u>
Balance at September 30, 2020	\$ <u><u>2,407,616</u></u>

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE K – 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 (1.21%) or 1-percentage-point higher (3.21%) than the current discount rate:

	1.0% Decrease (1.21%)	Current Discount Rate (2.21%)	1.0% Increase (3.21%)
Total OPEB liability	\$ <u>2,771,058</u>	\$ <u>2,407,616</u>	\$ <u>2,101,422</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>2,076,686</u>	\$ <u>2,407,616</u>	\$ <u>2,807,492</u>

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$196,031. At September 30, 2020, 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>84,246</u>	\$ <u>(146,430)</u>
Changes in assumptions	<u>370,661</u>	<u>(136,349)</u>
Total	\$ <u>454,907</u>	\$ <u>(282,779)</u>

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2020

NOTE K – 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:		\$	
2021		\$	17,066
2022			17,066
2023			17,066
2024			17,066
2025			17,066
Thereafter			86,796

NOTE L – RISK MANAGEMENT

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

NOTE M – 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, 2020

NOTE N – SUBSEQUENT EVENTS

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

In March 2020, the World Health Organization declared the novel coronavirus (“COVID-19”) a global pandemic and recommended containment and mitigation measures worldwide. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected public education, workforces, economies, and financial markets globally, potentially leading to economic downturn. It has also disrupted the normal operations of many businesses and organizations. It is not possible for management to predict the duration or magnitude of the adverse results of the outbreak and its disruptive effects on the City’s ongoing operations and financial results at this time.

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, 2020

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Taxes, licenses, and permits	\$ 17,275,900	\$ 17,275,900	\$ 19,013,300	\$ 1,737,400
Intergovernmental revenue	648,390	648,390	728,694	80,304
Charges for services	392,300	392,300	273,687	(118,613)
Fines and forfeitures	300,050	300,050	241,616	(58,434)
Interest income	6,200	6,200	116,068	109,868
Sale of capital assets	4,000	4,000	170,561	166,561
Other	468,550	468,550	741,740	273,190
TOTAL REVENUES	19,095,390	19,095,390	21,285,666	2,190,276
EXPENDITURES				
General and Administrative	4,222,795	4,670,938	4,115,006	555,932
Court	230,595	230,595	215,948	14,647
Police Department	4,221,353	4,426,925	4,231,205	195,720
Fire and Rescue	3,257,582	3,738,608	3,599,880	138,728
Public Works Department	2,066,743	2,070,356	1,903,451	166,905
Inspection Department	606,031	606,031	577,243	28,788
Civic Center	1,158,123	1,159,282	1,015,216	144,066
Senior Center	187,697	189,721	166,255	23,466
Parks and Recreation Department	1,336,622	1,328,493	1,337,643	(9,150)
Gardendale-Martha Moore Public Library	775,071	775,071	695,702	79,369
Debt service				
Principal payments	65,000	65,000	61,861	3,139
Interest charges	7,000	7,000	2,693	4,307
TOTAL EXPENDITURES	18,134,612	19,268,020	17,922,103	1,345,917
Excess (deficiency) of revenues over expenditures	960,778	(172,630)	3,363,563	3,536,193
Other financing sources (uses)				
Capital lease proceeds	-	-	2,746,460	2,746,460
Bond proceeds	-	-	2,750,000	2,750,000
Bond issuance premium	-	-	316,063	316,063
Operating transfers in (out)	-	-	(4,555,344)	(4,555,344)
	960,778	(172,630)	4,620,742	4,793,372
Fund Balances - Beginning	13,912,739	13,912,739	13,912,739	-
Fund Balances - Ending	<u>\$ 14,873,517</u>	<u>\$ 13,740,109</u>	<u>\$ 18,533,481</u>	<u>\$ 4,793,372</u>

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

CITY OF GARDENDALE, ALABAMA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2020

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 September 3, 2019 (Resolution Number 2019-119). 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, 2020

	2020	2019	2018
Total OPEB liability			
Service costs	\$ 113,499	\$ 73,417	\$ 87,658
Interest	65,466	73,408	67,109
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(132,732)	102,967	(37,928)
Changes of assumptions	(34,045)	453,030	(141,449)
Benefit payments	(8,944)	(17,923)	(16,989)
Net change in total OPEB liability	<u>3,244</u>	<u>684,899</u>	<u>(41,599)</u>
Total OPEB liability, beginning	2,404,372	1,719,473	1,761,072
Total OPEB liability, ending (a)	<u>\$ 2,407,616</u>	<u>\$ 2,404,372</u>	<u>\$ 1,719,473</u>

Covered-employee payroll	6,579,289	8,484,345	8,237,228
Net OPEB liability as a percentage of the covered-employee payroll	36.59%	28.34%	20.87%

Notes to Schedule:

Benefit Changes:	None	None	None
------------------	------	------	------

Changes of Assumptions:

Discount Rate:	2.21%	2.66%	4.18%
Mortality:	RP-2014	RP-2000	RP-2000
Discount Rate:	Variable	5.50%	5.50%

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, 2020

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service costs	\$ 691,715	\$ 704,552	\$ 700,544	\$ 625,258	\$ 595,057	\$ 567,596
Interest	2,454,587	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	(194,071)	(838,281)	388,906	1,016,261	185,086	-
Changes of assumptions	-	184,329	-	993,203	-	-
Benefit payments, including refunds of employee contributions	(1,537,020)	(1,477,303)	(1,385,514)	(1,387,041)	(1,414,932)	(1,306,895)
Transfers among employers	(316)	(231,812)	(118)	(120,917)	-	-
Net change in total pension liability	1,414,895	755,754	1,969,043	3,208,333	1,338,578	1,146,657
Total pension liability, beginning	32,646,266	31,890,512	29,921,469	26,713,136	25,374,558	24,227,901
Total pension liability, ending (a)	<u>\$ 34,061,161</u>	<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	\$ 750,004	\$ 772,624	\$ 730,024	\$ 777,262	\$ 669,193	\$ 755,846
Contributions - employee	600,301	602,929	605,820	645,370	589,079	368,121
Net investment income	579,503	1,933,739	2,393,445	1,733,992	201,223	1,833,806
Benefit payments, including refunds of employee contributions	(1,537,020)	(1,477,303)	(1,385,514)	(1,387,041)	(1,414,932)	(1,306,895)
Transfers among employers	(316)	(231,812)	(118)	(120,917)	(29,972)	57,259
Net change in plan fiduciary net	392,472	1,600,177	2,343,657	1,648,666	14,591	1,708,137
Total net position, beginning	22,661,572	21,061,395	18,717,738	17,069,072	17,054,481	15,346,344
Total net position, ending (b)	<u>\$ 23,054,044</u>	<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)	11,007,117	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	67.68%	69.42%	66.04%	62.56%	63.90%	67.21%
Covered-employee payroll ⁽¹⁾	7,793,395	7,803,646	7,703,051	8,381,330	7,947,852	7,947,852
Net pension liability (asset) as a percentage of the covered-employee payroll	141.24%	127.95%	140.58%	133.67%	121.34%	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 2020, the measurement period is October 1, 2018 - September 30, 2019.

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, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 750,004	\$ 780,026	\$ 801,439	\$ 759,536	\$ 782,933
Contributions in relation to the actuarially determined contribution	<u>796,945</u>	<u>780,026</u>	<u>801,439</u>	<u>759,536</u>	<u>782,933</u>
Contributions deficiency (excess)	<u>\$ (46,941)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 8,109,710</u>	<u>\$ 7,786,616</u>	<u>\$ 7,793,695</u>	<u>\$ 7,803,646</u>	<u>\$ 7,703,051</u>
Contributions as a percentage of covered-employee payroll	<u>9.25%</u>	<u>10.02%</u>	<u>10.28%</u>	<u>9.73%</u>	<u>10.16%</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 2020 were based on the September 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2019 to September 30, 2020:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	26.2 years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25—5.00% including inflation
Investment rate of return (discount rate)	7.75%, 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 AND DEBT SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Intergovernmental revenue	\$ 342,000	\$ 342,000	\$ 319,586	\$ (22,414)
Charges for services	407,800	407,800	440,300	32,500
Fines and forfeitures	30,200	30,200	77,179	46,979
Interest income	225	225	21,886	21,661
Other	9,250	9,250	10,754	1,504
TOTAL REVENUES	789,475	789,475	869,705	80,230
EXPENDITURES				
Court	95,850	95,850	94,252	1,598
Police Department	300,000	350,793	370,950	(20,157)
Public Works Department	345,700	1,345,700	680,289	665,411
Parks and Recreation Department	59,000	59,000	11,059	47,941
Debt service				
Principal payments	3,190,000	3,190,000	3,085,000	105,000
Interest charges	516,000	516,000	546,333	(30,333)
Other charges	8,000	8,000	62,706	(54,706)
TOTAL EXPENDITURES	4,514,550	5,565,343	4,850,589	714,754
Excess (deficiency) of revenues over expenditures	(3,725,075)	(4,775,868)	(3,980,884)	794,984
Other financing sources (uses)				
Operating transfers in (out)	-	-	3,539,491	3,539,491
	(3,725,075)	(4,775,868)	(441,393)	4,334,475
Fund Balances - Beginning	1,813,787	1,813,787	1,813,787	-
Fund Balances - Ending	<u>\$ (1,911,288)</u>	<u>\$ (2,962,081)</u>	<u>\$ 1,372,394</u>	<u>\$ 4,334,475</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, 2020

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Corrections Fund	Court Ordered Fund	E-911 District Fund	Parks and Recreation Rental Fund	Drug Enforcement Fund	Capital Projects Fund	
ASSETS							
Cash and cash equivalents	\$ 147,863	\$ 158,968	\$ 195,352	\$ 77,528	\$ 69,958	\$ 777,037	\$ 1,426,706
Short-term investments	74,196	-	-	-	-	-	74,196
Receivables-net and prepaids	93	-	-	35,447	-	-	35,540
Due from other funds	-	5,250	-	-	-	-	5,250
TOTAL ASSETS	\$ 222,152	\$ 164,218	\$ 195,352	\$ 112,975	\$ 69,958	\$ 777,037	\$ 1,541,692
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,280	\$ 9,280
Due to other funds	-	-	-	35,943	16,227	-	52,170
TOTAL LIABILITIES	-	-	-	35,943	16,227	9,280	61,450
DEFERRED INFLOWS OF RESOURCES							
Unearned Revenue	-	-	-	-	43,676	-	43,676
FUND BALANCES							
Restricted	222,152	164,218	195,352	-	10,055	767,757	1,359,534
Assigned	-	-	-	77,032	-	-	77,032
TOTAL FUND BALANCES	222,152	164,218	195,352	77,032	10,055	767,757	1,436,566
TOTAL LIABILITIES AND FUND BALANCES	\$ 222,152	\$ 164,218	\$ 195,352	\$ 112,975	\$ 69,958	\$ 777,037	\$ 1,541,692

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, 2020

	Special Revenue Funds					Capital Projects Fund	Total Nonmajor Governmental Funds
	Corrections Fund	Court Ordered Fund	E-911 District Fund	Parks and Recreation Rental Fund	Drug Enforcement Fund		
REVENUES							
Charges for services	\$ 62,622	\$ -	\$ 357,223	\$ 20,455	\$ -	\$ -	\$ 440,300
Fines and forfeitures	-	22,088	-	-	55,091	-	77,179
Interest income	1,431	372	1,425	-	143	14,716	18,087
Other	887	-	-	-	5,763	-	6,650
TOTAL REVENUES	64,940	22,460	358,648	20,455	60,997	14,716	542,216
EXPENDITURES							
Court	80,350	13,902	-	-	-	-	94,252
Police Department	-	-	309,276	-	27,534	-	336,810
Parks and Recreation Department	-	-	-	80	-	-	80
Capital Outlay	-	-	3,273	10,979	30,867	262,812	307,931
TOTAL EXPENDITURES	80,350	13,902	312,549	11,059	58,401	262,812	739,073
Excess (deficiency) of revenues over expenditures	(15,410)	8,558	46,099	9,396	2,596	(248,096)	(196,857)
Other financing sources (uses)							
Operating transfers in	-	-	-	-	-	1,687,875	1,687,875
Operating transfers out	-	-	-	-	-	(672,022)	(672,022)
	(15,410)	8,558	46,099	9,396	2,596	767,757	818,996
Fund Balances - Beginning	237,562	155,660	149,253	67,636	7,459	-	617,570
Fund Balances - Ending	<u>\$ 222,152</u>	<u>\$ 164,218</u>	<u>\$ 195,352</u>	<u>\$ 77,032</u>	<u>\$ 10,055</u>	<u>\$ 767,757</u>	<u>\$ 1,436,566</u>

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

GARDENDALE-MARTHA MOORE PUBLIC LIBRARY
BALANCE SHEET
SEPTEMBER 30, 2020

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 23,748
Accounts Receivable	<u>47</u>
 TOTAL ASSETS	 <u><u>\$ 23,795</u></u>
 LIABILITIES	
Accounts payable	<u>\$ 480</u>
 TOTAL LIABILITIES	 <u>480</u>
 FUND BALANCE	
Unassigned	<u>23,315</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 23,795</u></u>

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

GARDENDALE-MARTHA MOORE PUBLIC LIBRARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2020

REVENUES	
Book sales	\$ 1,483
Coffee and food sales	805
Copier income	1,103
Donations and memorials	1,869
Fax charges	1,477
Fines	2,776
Grant income	13,000
Interest income	2
Laminator fees	52
Lost or damaged material	1,256
Miscellaneous	1,205
Non-resident card fees	350
Printer income	5,687
Reimbursement	4,102
Rental of meeting room	950
Scans	549
State aid	10,900
Test proctor fee	450
Tickets	930
	<hr/>
TOTAL REVENUES	48,946
EXPENDITURES	
Arts Council expenses	1,564
Building expenses	314
Cellular telephone expense	1,746
Cleaning supplies	2,493
Copier fee	1,113
Dues and subscriptions	1,152
Food and medical	2,151
Grant expense	10,057
Hotspot Checkout	4,537
Internet expense	360
Miscellaneous	667
Office supplies	1,578
Out of County Fee	135
Promotional	15
Refund / lost material	160
Repair and maintenance	1,894
Staff development	527
State aid expenditures	10,504
Video and DVDs	428
	<hr/>
TOTAL EXPENDITURES	41,395
EXCESS OF REVENUES OVER EXPENDITURES	7,551
FUND BALANCE AT BEGINNING OF THE YEAR	15,764
	<hr/>
FUND BALANCE AT END OF THE YEAR	\$ 23,315
	<hr/>

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

GARDENDALE-MARTHA MOORE PUBLIC LIBRARY
SCHEDULE OF STATE AID (ALABAMA PUBLIC LIBRARY SERVICE)
YEAR ENDED SEPTEMBER 30, 2020

REVENUES	
State aid	<u>\$ 10,900</u>
TOTAL REVENUES - (Received and deposited)	<u>10,900</u>
EXPENDITURES	
Books / Digital Media	3,066
Contract labor	1,094
Jefferson County Library Cooperative	945
Miscellaneous	54
Office supplies	1,748
Programs	806
Supplies	<u>3,187</u>
TOTAL EXPENDITURES	<u>10,900</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u><u>\$ -</u></u>

The above schedule reflects cash basis method of accounting.