

CITY OF GARDENDALE, ALABAMA
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2021

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

CITY OF GARDENDALE, ALABAMA
CITY OFFICIALS

SEPTEMBER 30, 2021

MAYOR

Honorable Stan Hogeland

CITY COUNCIL

District 1	Mr. Bryan Knox
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	Mr. Scott Banks
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

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

CERTIFIED PUBLIC ACCOUNTANT

1957 HOOVER COURT, SUITE 110

BIRMINGHAM, ALABAMA 35226-3600

TELEPHONE (205) 980-9696
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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial

To the Honorable Mayor
and Members of the City Council
City of Gardendale, Alabama
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statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gardendale, Alabama, as of September 30, 2021, 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 60-64) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gardendale, Alabama basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and 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
March 22, 2022



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, 2021

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, 2021. 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 \$24,730,856 (net position). Of this amount, \$3,350,382 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors.

Net position increased by \$5,875,156.

The City's governmental funds reported a combined ending fund balance of \$64,202,502, an increase of \$43,528,870 in comparison to the prior year. The general fund reported fund balance of \$20,370,320, of which \$7,675,297 is categorized as unassigned.

The City's total bonded debt increased by \$35,811,710.

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 \$1,529,851. 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 \$11,668,605 as of September 30, 2021.

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

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

Fund Financial Statements

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may be able to better understand the long-term impact of near-term financing decisions. Reconciliations from the governmental fund statements to the government-wide statements are provided to aid in the comparison.

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

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

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

Notes to the Financial Statements

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

Condensed Statement of Net Position

Table 1 presents condensed information on net assets for fiscal years ended September 30, 2021 and 2020.

Table 1 – City of Gardendale
Condensed Statement of Net Position

	Governmental Activities	
	2021	2020
Current and other assets	\$ 66,591,713	\$ 21,642,954
Capital assets	<u>38,787,682</u>	<u>33,431,566</u>
Deferred outflows of resources	<u>2,927,475</u>	<u>2,856,143</u>
Total assets	<u>\$ 108,306,870</u>	<u>\$ 57,930,663</u>
Current liabilities	\$ 3,515,078	\$ 1,920,806
Long-term liabilities	<u>71,057,529</u>	<u>35,983,493</u>
Total liabilities	<u>74,572,607</u>	<u>37,904,299</u>
Deferred inflows of resources	<u>9,003,407</u>	<u>1,170,664</u>
Net investment in capital assets	(17,113,241)	13,824,355
Restricted	38,493,715	4,328,372
Unrestricted	<u>3,350,382</u>	<u>702,973</u>
	<u>\$ 24,730,856</u>	<u>\$ 18,855,700</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 \$24,730,856 at the close of the current fiscal year.

The largest portion of the City's current net position is Current and other assets invested in short-term debt and certificate of deposits where prior years largest portion of net position was capital assets (e.g. land, buildings, infrastructure and equipment); less any related debt used to acquire those assets that is still outstanding. The City's increase of short-term debt and CD's are proceeds from General Obligation Warrants, Series 2021-B that will be used over the next 18 months to demolish and rebuild William G. Noble Park as a premier multi-sports complex and event facility and provide quality of life benefits to citizens who live, work, pass through, or benefit in other ways from the City as well as creating a new revenue stream by hosting tournaments.

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, 2021 and 2020.

Table 2 - City of Gardendale
Changes in Net Assets

	Governmental Activities	
Revenues:	2021	2020
Program revenues:		
Charges for service	\$ 731,843	\$ 713,987
Operating grants and contributions	2,338,278	266,935
Capital grants and contributions	41,270	28,361
General revenues:		
Sales taxes	14,891,181	13,557,225
Ad valorem property taxes	1,911,025	1,827,215
Other taxes	1,903,282	1,549,394
Business licenses	2,524,429	2,629,726
Permits	272,334	498,020
Fines and forfeitures	303,482	318,797
Investment earnings	116,033	152,668
Gain on sale of capital assets	-	61,538
Other	591,684	457,198
Total revenues	<u>25,624,841</u>	<u>22,061,064</u>
Expenses:		
Primary government:		
Governmental activities:		
General and Administrative	4,470,431	4,008,597
Court	411,371	364,620
Police Department	4,149,459	4,392,212
Fire and Rescue	3,210,904	3,228,478
Public Works Department	2,115,743	2,178,649
Inspection Department	534,624	607,015
Civic Center	1,174,660	1,160,385
Senior Center	179,986	175,059
Parks and Recreation Department	1,521,315	1,447,947
Gardendale-Martha Moore Public Library	746,008	751,528
Loss on sale of capital assets	7,955	9,487,137
Interest on Long-Term Debt	1,227,229	609,444
Total expenses	<u>19,749,685</u>	<u>28,411,071</u>
Increase (decrease) in net assets	<u>5,875,156</u>	<u>(6,350,007)</u>
Net Assets - Beginning	<u>18,855,700</u>	<u>25,205,707</u>
Net Assets - Ending	<u>\$ 24,730,856</u>	<u>\$ 18,855,700</u>

Governmental Activities

Governmental activities net position increased by \$5,875,156 for the current fiscal year. Key elements of this increase are as follows:

- Net investment in capital assets decreased by approximately \$31,000,000. This decrease is composed of new outstanding debt issued.
- Restricted net position increased by approximately \$34,000,000, primarily related to restricted financial resources being used in the General, Special Revenue and Capital Project Funds.
- Unrestricted net position increased by approximately \$2,600,000, 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 \$64,202,502, with an increase of \$43,528,870 compared to the prior fiscal year. Of the total balance, \$132,020 is nonspendable, \$38,493,715 is restricted, \$9,904,554 is committed, \$7,996,916 is assigned, and \$7,675,297 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 \$20,370,320, of which \$132,020 is

nonspendable, \$2,619,464 is restricted, \$9,904,554 is committed, \$38,985 is assigned, and \$7,675,297 is unassigned.

Fund balance of the general fund increased by \$1,836,839 due primarily to an increase in sales tax revenue and grant revenue.

Fund balance of the gasoline tax fund increased by \$356,486 due to no expenses being paid from this fund.

Fund balance of the debt service fund increased by \$6,967,791 due to the establishment of the Bond Series 2017 Escrow Fund bank account with funds received from the issuance of General Obligation Taxable Warrants, Series 2021.

General Fund Budgetary Highlights

Differences between the general fund's original budget and the final amended budget amounted to a total decrease in appropriations of \$2,801 or less than one percent. A significant part of the increase was related to school appropriation. Other changes in appropriations were for miscellaneous items.

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

- The amount budgeted for "other capital expenditures," about \$1,825,000, was not spent.
- About \$1,585,000 more was spent for land than budgeted.
- About \$690,000 less was spent for salaries and benefits than budgeted.
- About \$410,000 less was spent for school appropriation than budgeted.
- About \$325,000 more was spent for building than budgeted.
- About \$280,000 more was spent for vehicles than budgeted.

Capital Asset and Debt Administration

The City's investment in capital assets for its governmental activities amounts to \$(17,113,241) (net of related debt). This investment in capital assets includes land, buildings, infrastructure, and equipment.

Table 3 presents the City’s capital assets for the fiscal years ended September 30, 2021 and 2020.

Table 3 – City of Gardendale
Capital Assets

	2021	2020
Land	\$ 13,473,046	\$ 11,888,737
Land Improvements	1,642,316	1,642,316
Buildings and Improvements	21,750,026	21,414,007
Equipment	9,651,552	9,382,031
Infrastructure	11,733,624	11,733,624
Construction in Progress	4,746,013	375,907
	<u>62,996,577</u>	<u>56,436,622</u>
Accumulated Depreciation	<u>(24,208,895)</u>	<u>(23,005,056)</u>
Total	<u>\$ 38,787,682</u>	<u>\$ 33,431,566</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 payable of \$55,900,923. Of this amount, \$52,614,182 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 leases for the fiscal years ended September 30, 2021 and 2020.

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

	2021	2020
Notes payable	\$ 433,677	\$ 58,279
Capital leases payable	2,853,064	2,746,460
General obligation warrants	44,754,182	9,292,472
General obligation taxable warrants	7,860,000	7,510,000
Total	<u>\$ 55,900,923</u>	<u>\$ 19,607,211</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, 2021

	Governmental Activities	Component Unit
		Gardendale - Martha Moore Public Library
ASSETS		
Cash and cash equivalents	\$ 24,548,646	\$ 27,049
Short-term investments	41,063,002	-
Receivables, net and prepaids	980,065	-
Capital assets, net		
Non-depreciable	18,219,059	90,263
Depreciable	20,568,623	50,117
TOTAL ASSETS	105,379,395	167,429
DEFERRED OUTFLOWS OF RESOURCES		
Pension related amount	2,504,282	
OPEB related amount	423,193	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,927,475	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 108,306,870	\$ 167,429
LIABILITIES		
Accounts payable	\$ 1,305,579	\$ 26
Accrued salaries and wages	342,714	-
Deposits from others	20,895	-
Other payables	7,623	
Noncurrent liabilities		
Due within one year		
Note payable	57,684	-
Capital leases payable	40,583	-
Bonds payable	1,740,000	-
Due in more than one year		
Note payable	375,993	-
Capital leases payable	2,812,481	-
Bonds payable	50,874,182	-
OPEB liability	1,529,851	-
Net pension liability	11,668,605	-
Compensated absences	3,570,965	-
Overtime leave	225,452	-
TOTAL LIABILITIES	74,572,607	26
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue	712,400	-
Deferred amount on refunding	6,235,072	
Pension related amount	843,965	-
OPEB related amount	1,211,970	-
TOTAL DEFERRED INFLOWS OF RESOURCES	9,003,407	-
NET POSITION		
Net investment in capital assets	(17,113,241)	140,380
Restricted	38,493,715	-
Unrestricted	3,350,382	27,023
TOTAL NET POSITION	\$ 24,730,856	\$ 167,403

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, 2021

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	\$ 4,470,431	\$ 6,858	\$ 2,318,285	\$ -	\$ (2,145,288)	\$ -
Court	411,371	-	-	-	(411,371)	-
Police Department	4,149,459	244,118	19,993	41,270	(3,844,078)	-
Fire and Rescue	3,210,904	168,880	-	-	(3,042,024)	-
Public Works Department	2,115,743	-	-	-	(2,115,743)	-
Inspection Department	534,624	-	-	-	(534,624)	-
Civic Center	1,174,660	237,704	-	-	(936,956)	-
Senior Center	179,986	-	-	-	(179,986)	-
Parks and Recreation Department	1,521,315	74,283	-	-	(1,447,032)	-
Gardendale-Martha Moore Public Library	746,008	-	-	-	(746,008)	(36,985)
Loss on sale of capital assets	7,955	-	-	-	(7,955)	-
Interest and Charges on Long-Term Debt	1,227,229	-	-	-	(1,227,229)	-
Total governmental activities	\$ 19,749,685	\$ 731,843	\$ 2,338,278	\$ 41,270	\$ (16,638,294)	\$ (36,985)
General revenues:						
Taxes:						
					\$ 14,891,181	\$ -
					1,911,025	-
					1,903,282	-
					2,524,429	-
					272,334	-
					303,482	-
					116,033	-
					591,684	40,693
					<u>22,513,450</u>	<u>40,693</u>
					5,875,156	3,708
					<u>18,855,700</u>	<u>163,695</u>
					<u>\$ 24,730,856</u>	<u>\$ 167,403</u>

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

CITY OF GARDENDALE, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	Major Funds			Total Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Capital Projects Fund	Debt Service Fund		
ASSETS					
Cash and cash equivalents	\$ 20,151,425	\$ 1,754,905	\$ 909,429	\$ 1,732,887	\$ 24,548,646
Short-term investments	10,748	34,000,000	6,977,319	74,935	41,063,002
Receivables, net and prepaids	928,922	15,649	-	35,494	980,065
Due from other funds	914,791	-	-	5,250	920,041
TOTAL ASSETS	\$ 22,005,886	\$ 35,770,554	\$ 7,886,748	\$ 1,848,566	\$ 67,511,754
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 673,377	\$ 608,137	\$ -	\$ 24,065	\$ 1,305,579
Accrued salaries and wages	342,714	-	-	-	342,714
Deposits from others	20,895	-	-	-	20,895
Other payables	7,623	-	-	-	7,623
Due to other funds	5,250	-	-	914,791	920,041
TOTAL LIABILITIES	1,049,859	608,137	-	938,856	2,596,852
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue	585,707	-	-	126,693	712,400
FUND BALANCES					
Nonspendable - prepaid items	132,020	-	-	-	132,020
Restricted	2,619,464	35,162,417	-	711,834	38,493,715
Committed	9,904,554	-	-	-	9,904,554
Assigned	38,985	-	7,886,748	71,183	7,996,916
Unassigned	7,675,297	-	-	-	7,675,297
TOTAL FUND BALANCES	20,370,320	35,162,417	7,886,748	783,017	64,202,502
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 22,005,886	\$ 35,770,554	\$ 7,886,748	\$ 1,848,566	\$ 67,511,754

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, 2021

Fund Balances - Total Governmental Funds		\$	64,202,502
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	62,996,577		
Less accumulated depreciation	<u>(24,208,895)</u>		38,787,682
Deferred outflows of resources not reported in the governmental funds balance sheet.			
Pension related amount			2,504,282
OPEB related amount			423,193
Net pension liability is not due and payable in the current period and therefore, not reported in the governmental funds balance sheet.			
			(11,668,605)
Net OPEB obligation is not due and payable in the current period and therefore, not reported in the governmental funds balance sheet.			
			(1,529,851)
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	(433,677)		
Capital leases payable	(2,853,064)		
Bonds payable	(46,200,000)		
Unamortized premiums	(6,414,182)		
Compensated absences	(3,570,965)		
Overtime leave	<u>(225,452)</u>		(59,697,340)
Deferred inflows of resources not reported in the governmental funds balance sheet.			
Deferred amount on refunding	(6,235,072)		
Pension related amount	(843,965)		
OPEB related amount	<u>(1,211,970)</u>		(8,291,007)
Net Position of Governmental Activities		\$	<u>24,730,856</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, 2021

	Major Funds			Total Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Capital Projects Fund	Debt Service Fund		
REVENUES					
Taxes, licenses, and permits	\$ 20,246,294	\$ -	\$ -	\$ -	\$ 20,246,294
Intergovernmental revenue	904,026	-	-	351,930	1,255,956
Charges for services	282,814	-	-	449,029	731,843
Fines and forfeitures	251,630	-	-	51,852	303,482
Grant revenue	2,318,285	-	-	61,263	2,379,548
Interest income	63,459	15,649	35,503	1,422	116,033
Other	308,742	-	-	4,936	313,678
TOTAL REVENUES	24,375,250	15,649	35,503	920,432	25,346,834
EXPENDITURES					
General and Administrative	3,907,651	-	-	-	3,907,651
Court	254,471	-	-	89,680	344,151
Police Department	3,627,824	-	-	315,221	3,943,045
Fire and Rescue	2,896,943	-	-	-	2,896,943
Public Works Department	1,814,345	-	-	-	1,814,345
Inspection Department	512,977	-	-	-	512,977
Civic Center	971,061	-	-	-	971,061
Senior Center	166,750	-	-	-	166,750
Parks and Recreation Department	1,294,897	-	-	-	1,294,897
Gardendale-Martha Moore Public Library	659,883	-	-	-	659,883
Capital Outlay	2,813,566	4,038,889	-	185,951	7,038,406
Debt service					
Principal payments	81,040	-	965,000	-	1,046,040
Interest charges	61,399	-	648,585	-	709,984
Other charges	950	-	516,295	-	517,245
TOTAL EXPENDITURES	19,063,757	4,038,889	2,129,880	590,852	25,823,378
Excess (deficiency) of revenues over expenditures	5,311,493	(4,023,240)	(2,094,377)	329,580	(476,544)
Other financing sources (uses)					
Sale of capital assets	7,019	-	-	-	7,019
Loan proceeds	433,677	-	-	-	433,677
Bond proceeds	37,690,000	-	-	-	37,690,000
Bond issuance premium	5,874,718	-	-	-	5,874,718
Operating transfers in	-	38,417,900	9,062,168	-	47,480,068
Operating transfers out	(47,480,068)	-	-	-	(47,480,068)
	1,836,839	34,394,660	6,967,791	329,580	43,528,870
Fund Balances - Beginning	18,533,481	767,757	918,957	453,437	20,673,632
Fund Balances - Ending	\$ 20,370,320	\$ 35,162,417	\$ 7,886,748	\$ 783,017	\$ 64,202,502

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, 2021

Net change in fund balances - total governmental funds		\$ 43,528,870
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	7,038,406	
Less current year depreciation	<u>(1,512,516)</u>	5,525,890
Proceeds reported from the sale of assets are reported as revenue in the governmental funds. However, only the difference between proceeds and the carrying value of the assets is reported as gain or loss in the statement of activities.		
		(14,974)
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	(433,677)	
Bond proceeds	(37,690,000)	
Bond issuance premium	(5,874,718)	
Note payable payments	58,279	
Capital lease payments	22,760	
Principal bond payments	<u>965,000</u>	(42,952,356)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.		
Amortization of bond premium	278,008	
OPEB plan expense	(92,576)	
Pension expense	(634,117)	
Compensated absences and overtime leave	<u>236,411</u>	(212,274)
Change in net position of governmental activities		<u>\$ 5,875,156</u>

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

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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, 2021

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, 2021.

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 is presented on a consolidated basis, and 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 charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given program, and 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, 2021

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, 2021.

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, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basic Financial Statements – Fund Financial Statements - Continued

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

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:

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.

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.

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, 2021

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, 2021.

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, 2021

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.

Budget information presented in the financial statements is based on the budget as adopted by the City Council. 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, 2021.

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2021

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, 2021

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 \$900,881 at September 30, 2021.

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, 2021

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 \$2,670,084 at September 30, 2021.

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, 2021 is as follows:

Overtime Leave:	
General and Administrative	\$ 6,095
Court	1,945
Police Department	113,361
Fire and Rescue	38,910
Public Works Department	30,900
Inspection Department	5,213
Civic Center	13,690
Senior Center	124
Parks and Recreation Department	15,214
Gardendale-Martha Moore Public Library	-
Total Overtime Leave	\$ <u>225,452</u>

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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, 2021

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, 2021

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, 2021, the City had seven (7) 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 – \$73,202.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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 – \$698,750.

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 – \$31,606.

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 – \$19,247.

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 – \$40,851.

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 – \$39,893.

Mansa – GDL, LLC – Lodging taxes are abated for a period of 10 years with the amount not to exceed \$1,000,000. Abatement rebates began in first month after completion date. Lodging tax abatement rebate terms are 75% of the rebatable lodging tax rate for 2 years then half of the rebatable lodging tax rate remitted for 10 years. Abated amounts: lodging tax – \$76,734.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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 \$21.2 million or 84% of the total General and Special Revenue Fund revenues during the year ended September 30, 2021.

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 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 bank balances of the City's funds are either covered by federal depository insurance or secured by collateral through the Alabama State Treasury's Security for Alabama Funds Enhancement (SAFE) Program. Under the SAFE program, the City's funds are protected through a collateral pool administered by the Alabama State Treasury. Certain banks holding deposits belonging to the state, counties, cities, or agencies of any of these entities must pledge securities as collateral against these deposits. In the event of the failure of a bank, securities pledged by that bank would be liquidated by the State Treasurer to replace the public deposits. If the securities pledged failed to produce adequate funds for that purpose, every bank participating in the pool would share the liability for the remaining balance. As of September 30, 2021, all of the City's depositories were participating in the SAFE program.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE C – DEPOSITS AND INVESTMENTS – CONTINUED

Deposits – Continued

At September 30, 2021, the carrying amount of the City’s deposits was \$24,548,646 and the bank balance was \$24,548,646. 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, 2021, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less than 1</u>	<u>1-5</u>
Certificates of Deposit	\$ 34,085,683	\$ 34,085,683	\$ -
U.S. Government Agencies			
U.S. Treasury	<u>6,977,319</u>	<u>149,555</u>	<u>6,827,764</u>
Total	<u>\$ 41,063,002</u>	<u>\$ 34,235,238</u>	<u>\$ 6,827,764</u>

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

The City’s credit risk policy follows investment statues of Alabama, which allows the City to invest in obligations of the U.S. Treasury.

The City has elected to fund \$34,085,683 in a number of certificates of deposit at multiple financial institutions. These investments are stated at cost plus accrued interest.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE D – ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following account balances at September 30, 2021:

Sidewalk Improvement Project – ALDOT	\$ 507,384
Paving receivable	75,000
House demolition and Weed Control Ordinance violations receivables	107,155
Miscellaneous receivables	<u>47,547</u>
Total	<u>\$ 737,086</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, 2021.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE F – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021 is stated below.

	Balance October 1, 2020	Additions	Dispositions/ Retirements/ Completions	Balance September 30, 2021
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 11,888,737	\$ 1,584,309	\$ -	\$ 13,473,046
Construction in Progress	375,907	4,675,637	(305,531)	4,746,013
Total Capital Assets Not Being Depreciated	<u>12,264,644</u>	<u>6,259,946</u>	<u>(305,531)</u>	<u>18,219,059</u>
Capital Assets Being Depreciated:				
Land Improvements	1,642,316	-	-	1,642,316
Buildings and Improvements	21,414,007	336,019	-	21,750,026
Equipment	9,382,031	593,172	(323,651)	9,651,552
Infrastructure	11,733,624	-	-	11,733,624
Total Capital Assets Being Depreciated	<u>44,171,978</u>	<u>929,191</u>	<u>(323,651)</u>	<u>44,777,518</u>
Less Accumulated Depreciation for:				
Land Improvements	(1,189,096)	(101,019)	-	(1,290,115)
Buildings and Improvements	(6,784,469)	(597,196)	-	(7,381,665)
Equipment	(6,805,144)	(513,445)	308,677	(7,009,912)
Infrastructure	(8,226,347)	(300,856)	-	(8,527,203)
Total Accumulated Depreciation	<u>(23,005,056)</u>	<u>(1,512,516)</u>	<u>308,677</u>	<u>(24,208,895)</u>
Total Capital Assets Being Depreciated, Net	<u>21,166,922</u>	<u>(583,325)</u>	<u>(14,974)</u>	<u>20,568,623</u>
Governmental Activities Capital Assets, Net	<u>\$ 33,431,566</u>	<u>\$ 5,676,621</u>	<u>\$ (320,505)</u>	<u>\$ 38,787,682</u>

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2021

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	\$ 420,047
Court	52,977
Police Department	190,308
Fire and Rescue	168,957
Public Works Department	236,518
Inspection Department	30,839
Civic Center	188,314
Senior Center	11,123
Parks and Recreation Department	149,773
Gardendale-Martha Moore Public Library	<u>63,660</u>
Total depreciation expense- Governmental activities	<u>\$ 1,512,516</u>

NOTE G – CONSTRUCTION-IN-PROGRESS

Civic Center Roof Replacement

The City is currently repairing and replacing the roof on the Civic Center. The project is expected to be completed in 2022. Construction-in-progress at September 30, 2021 totaled \$602,035.

Public Safety Center Roof Replacement

The City is currently repairing, replacing and installing access walkways on the roof at the Public Safety Center. The project is expected to be completed in 2022. Construction-in-progress at September 30, 2021 totaled \$106,241.

Johnson Controls Energy Savings Fixtures

The City is currently replacing certain fixtures (electrical and plumbing) to energy saving models for utility reduction. HVAC systems and controls are being repaired and installed at all City buildings. The project is expected to be completed in 2022. Construction-in-progress at September 30, 2021 totaled \$2,321,581.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE G – CONSTRUCTION-IN-PROGRESS – CONTINUED

Mount Olive Sidewalk Project

The City is installing a sidewalk at Mount Olive and Fieldstown Road. The project was completed in November 2021. Construction-in-progress at September 30, 2021 totaled \$18,778.

Magnolia Crossings Center (Odum Road)

The City is performing roadwork in conjunction with a private development along Odum Road. The project has no known completion date. Construction-in-progress at September 30, 2021 totaled \$650.

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 began construction in October 2020 and is expected to be complete in 2022. Construction-in-progress at September 30, 2021 totaled \$614,662.

Document Management System

The City is purchasing and installing a document management system for use in the Administrative department. Installation is expected to be completed in 2022. Construction-in-progress at September 30, 2021 totaled \$38,483

NOTE H – LONG-TERM DEBT

Notes 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 were \$5,379. The note was paid-in-full in August 2021.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE H – LONG-TERM DEBT – CONTINUED

Notes Payable – Continued

The City entered into a \$435,000 note payable on February 25, 2021 with Pinnacle Bank for the purpose of purchasing capital items for the Public Works Department. Interest rate was 2.200% per annum. Annual payment amounts are \$67,525.

Scheduled maturities of principal and interest are as follows:

<u>Year Ended September 30</u>	<u>Governmental Activities</u>		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 67,525	\$ 57,984	\$ 9,541
2023	67,525	59,260	8,265
2024	67,525	60,548	6,977
2025	67,525	61,908	5,617
2026-2028	202,577	193,977	8,600
Totals	<u>\$ 472,677</u>	<u>\$ 433,677</u>	<u>\$ 39,000</u>

Total interest expense for the year-ended September 30, 2021 was \$862.

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.

The City has entered into a lease agreement as lessee for financing the acquisition of automated external defibrillator (AED) machines and associated accessories. 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 May 18, 2021.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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, 2021, were as follows:

Year ending September 30	Present Value of Minimum Lease Payments	Interest Expense	Total Lease Payments
2022	\$ 40,583	\$ 65,329	\$ 105,912
2023	58,531	65,553	124,084
2024	122,710	65,374	188,084
2025	125,460	63,624	189,084
2026	132,310	61,774	194,084
2027 - 2040	2,373,470	470,255	2,843,725
Total	<u>\$ 2,853,064</u>	<u>\$ 791,909</u>	<u>\$ 3,644,973</u>

Total interest expense for the year-ended September 30, 2021 was \$60,537.

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 February 11, 2021, the City issued the General Obligation Taxable Warrants, Series 2021, for \$7,135,000. The proceeds were used for advance refunding of the General Obligation Taxable Warrants, Series 2017. In accordance with its Refunding Trust Agreement, the City deposited \$7,094,927 of proceeds from the warrants into an escrow fund. The amount deposited into the escrow fund was used to purchase U.S. Government securities. These securities will be sufficient to pay the remaining debt service payments related to the Refunded Warrants, assuming that the Refunded Warrants will be optionally redeemed at 100 percent of par on July 1, 2023. The General Obligation Taxable Warrants, Series 2017 that mature during 2022-2024 were not refunded and the remaining balance

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE H – LONG-TERM DEBT – CONTINUED

General Obligation Warrants and General Obligation Taxable Warrants – Continued

was \$760,000 as of September 30, 2021. As a result of this refunding transaction, the refunded General Obligation Taxable Warrants, Series 2017 are considered defeased, and the City has reduced the liability from its accounts.

The advance refunding of the General Obligation Taxable Warrants, Series 2017 resulted in a decrease in debt service of \$9,813,744. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$1,383,000. The total economic gain is approximately \$8,430,000.

On June 29, 2021, the City issued the General Obligation Warrants, Series 2021-B, for \$30,555,000. The proceeds were used for the acquisition, construction and equipping a municipal sports complex.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE H – LONG-TERM DEBT – CONTINUED

General Obligation Warrants and General Obligation Taxable Warrants – Continued

At September 30, 2021, warrants consisted of three (3) outstanding general obligation warrants and two (2) outstanding general obligation taxable warrants, as scheduled below:

	Governmental Activities				
	Interest Rates	Issue Date	Maturity Date	Original Issue	Amount Outstanding at September 30, 2021
General Obligation Taxable Warrants, Series 2017 – Acquisition of Property	2.00% to 4.00%	7/12/2017	7/1/2024	\$ 10,305,000	\$ 760,000
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	5,380,000
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	2,750,000	2,405,000
General Obligation Taxable Warrants, Series 2021 – Advance Refunding of General Obligation Taxable Warrants, Series 2017	2.00% to 2.60%	2/11/2021	7/1/2042	7,135,000	7,100,000
General Obligation Warrants, Series 2021-B – Acquisition, Construction and Equipping a Municipal Sports Complex	3.00% to 4.00%	6/29/2021	5/1/2051	<u>30,555,000</u>	<u>30,555,000</u>
				<u>\$ 56,760,000</u>	<u>\$ 46,200,000</u>

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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:

Annual Requirement Principal	2017 General Obligation Taxable Warrants		2019 General Obligation Warrants		2019-B General Obligation Warrants		2021 General Obligation Taxable Warrants		2021-B General Obligation Warrants	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	\$ 1,740,000	\$ 245,000	\$ 36,490	\$ 350,000	\$ 196,383	\$ 360,000	\$ 103,900	\$ 55,000	\$ 155,485	\$ 730,000
1,615,000	255,000	30,365	365,000	182,383	375,000	91,000	55,000	154,385	565,000	1,193,000
1,670,000	260,000	23,480	380,000	167,783	390,000	73,750	55,000	153,285	585,000	1,170,400
1,735,000	-	-	400,000	148,783	405,000	53,875	320,000	152,185	610,000	1,147,000
1,810,000	-	-	420,000	128,783	425,000	33,125	330,000	145,785	635,000	1,122,600
1,895,000	-	-	445,000	107,783	450,000	11,250	340,000	139,185	660,000	1,097,200
1,485,000	-	-	460,000	85,533	-	-	340,000	132,385	685,000	1,070,800
1,540,000	-	-	480,000	67,133	-	-	350,000	125,585	710,000	1,043,400
1,595,000	-	-	500,000	47,933	-	-	355,000	118,585	740,000	1,015,000
1,650,000	-	-	515,000	32,933	-	-	365,000	111,485	770,000	985,400
1,700,000	-	-	530,000	22,633	-	-	370,000	104,185	800,000	954,600
1,745,000	-	-	535,000	11,503	-	-	375,000	96,785	835,000	922,600
1,250,000	-	-	-	-	-	-	385,000	89,285	865,000	889,200
1,295,000	-	-	-	-	-	-	395,000	81,585	900,000	854,600
1,335,000	-	-	-	-	-	-	400,000	73,290	935,000	818,600
1,385,000	-	-	-	-	-	-	410,000	64,490	975,000	781,200
20,755,000	-	-	-	-	-	-	2,200,000	170,380	18,555,000	6,037,800
<u>\$ 46,200,000</u>	<u>\$ 760,000</u>	<u>\$ 90,335</u>	<u>\$ 5,380,000</u>	<u>\$ 1,199,566</u>	<u>\$ 2,405,000</u>	<u>\$ 366,900</u>	<u>\$ 7,100,000</u>	<u>\$ 2,068,350</u>	<u>\$ 30,555,000</u>	<u>\$ 22,122,566</u>

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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, 2021:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Notes payable	\$ 58,279	\$ 433,677	\$ 58,279	\$ 433,677	\$ 57,684
Capital leases payable	2,746,460	129,364	22,760	2,853,064	40,583
Warrants payable:					
General obligation warrants	8,475,000	30,555,000	690,000	38,340,000	1,440,000
Unamortized premium	817,472	5,874,718	278,008	6,414,182	-
General obligation taxable warrants	7,510,000	7,135,000	6,785,000	7,860,000	300,000
Total notes, capital leases and bonds payable	19,607,211	44,127,759	7,834,047	55,900,923	1,838,267
OPEB liability	2,407,616	158,519	1,036,284	1,529,851	-
Net pension liability	11,007,117	3,626,025	2,964,537	11,668,605	-
Compensated absences:					
Vacation leave	969,741	503,631	572,491	900,881	-
Sick leave	2,806,641	381,406	517,963	2,670,084	-
Overtime leave	256,446	9,413	40,407	225,452	-
Governmental activity long-term liabilities	\$ 37,054,772	\$ 48,806,753	\$ 12,965,729	\$ 72,895,796	\$ 1,838,267

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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. Effective October 1, 2021 Act 390 of the Legislature of 2021 will create two additional representatives and change the composition of representatives within the ERS Board of Control. 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 the Code of Alabama 1975, Section 36-27-6.

Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE I – PENSION PLAN – CONTINUED

Benefits Provided – Continued

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

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

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to Code of Alabama 1975, Section 36-27-6 to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 590 employers adopted Act 2019-132.

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2021

NOTE I – PENSION PLAN – CONTINUED

Benefits Provided – Continued

The ERS serves approximately 853 local participating employers. The ERS membership includes approximately 101,245 participants. As of September 30, 2020, membership consisted of:

Retirees and beneficiaries currently receiving benefits	28,672
Terminated employees entitled to but not yet receiving benefits	1,974
Terminated employees not entitled to a benefit	14,133
Active members	56,369
Post-DROP participants who are still in active service	97
Total	101,245

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.

Employers participating in the ERS pursuant to Code of Alabama 1975, Section 36-27-6 were not required by statute to increase covered member contribution rates but were provided the opportunity to do so through Act 2011-676. By adopting Act 2011-676 Tier 1 regular members contribution rates increased from 5% to 7.5% of earnable compensation and Tier 1 firefighters and law enforcement officers increased from 6% to 8.5% of earnable compensation.

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

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2021

NOTE I – PENSION PLAN – CONTINUED

Benefits Provided – Continued

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 10 and 11 percent (Tier 2) of covered employee payroll, and the City’s average contribution rate to fund the normal and accrued liability costs was 10.41 percent of pensionable payroll.

City’s contractually required contribution rate for the year ended September 30, 2021 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 \$822,163 for the year ended September 30, 2021.

Net Pension Liability

The City’s net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2019 rolled forward to September 30, 2020 using standard roll-forward techniques as shown in the following table:

	Expected	Actual Before Act 2019-132	Actual After Act 2019-132
(a) TPL as of September 30, 2019	34,061,161	\$33,814,538	\$34,093,420
(b) Discount rate	7.70%	7.70%	7.70%
(c) Entry Age Normal Cost for the period October 1, 2019 – September 30, 2020	714,835	714,835	770,461
(d) Transfers Among Employers:	0	256,372	256,372
(e) Actual Benefit Payments and Refunds for the period October 1, 2019– September 30, 2020	(1,753,249)	(1,753,249)	(1,753,249)
(f) TPL as of September 30, 2020 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1+ 0.5*(b))]	<u>\$35,577,956</u>	<u>\$35,568,716</u>	<u>\$35,924,697</u>
(g) Difference between Expected and Actual:		(\$9,240)	
(h) Less Liability Transferred for Immediate Recognition:		256,372	
(i) Difference between Expected and Actual - Experience (Gain)/Loss		(\$265,612)	
(j) Difference between Actual TPL Before and After Act 2019-132 - Benefit Change (Gain)/Loss			355,981

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE I – PENSION PLAN – CONTINUED

Actuarial Assumptions

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

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, 2018, 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:

	Target Allocation	Long-Term Expected Rate of Return*
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, 2021

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, 2019	\$ 34,061,161	\$ 23,054,044	\$ 11,007,117
Changes for the year:			
Service cost	714,835	-	714,835
Interest	2,555,209	-	2,555,209
Changes of benefit terms	355,981	-	355,981
Changes of assumptions	-	-	-
Differences between expected and actual experience	(265,612)	-	(265,612)
Contributions – employer	-	765,788	(765,788)
Contributions – employee	-	618,966	(618,966)
Net investment income	-	1,314,171	(1,314,171)
Benefit payments, including refunds of employee contributions	(1,753,249)	(1,753,249)	-
Administrative expense	-	-	-
Transfers among employers	256,372	256,372	-
Net changes	<u>1,863,536</u>	<u>1,202,048</u>	<u>661,488</u>
Balances at September 30, 2020	<u>\$ 35,924,697</u>	<u>\$ 24,256,092</u>	<u>\$ 11,668,605</u>

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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	\$ 16,003,080	\$ 11,668,605	\$ 8,018,201

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, 2020. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2020. The auditor’s report dated April 30, 2021 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 <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

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

For the year ended September 30, 2021, the City recognized pension expense of \$634,117. At September 30, 2021, 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	\$ 517,179	\$ 843,965
Changes of assumptions	419,371	-
Net difference between projected and actual earnings on pension plan investments	745,569	-
Employer contributions subsequent to the measurement date	822,163	-
Total	\$ 2,504,282	\$ 843,965

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE I – PENSION PLAN – CONTINUED

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

\$822,163 reported as deferred outflows of resources related to pensions resulting from System contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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:	
2022	\$ 260,802
2023	425,609
2024	295,805
2025	(61,640)
2026	(78,068)
Thereafter	(4,354)

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, 2021

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) are eligible to retire only after attainment of age 62 or later and 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, 2021, 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	139
	140

Total OPEB Liability

The City’s total OPEB liability of \$1,529,851 was measured as of September 30, 2021 and was determined by an actuarial valuation as of that date.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

Actuarial Assumptions and Other Inputs

The total OPEB liability in the September 30, 2021 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	2.21%
Discount rate	2.15%, 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, 2021, the end of the applicable measurement period.

The actuarial assumptions used in the September 30, 2021 valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2009 to September 30, 2021.

Changes in the Total OPEB Liability

Balance at September 30, 2020	\$ <u>2,407,616</u>
Changes for the year:	
Service cost	84,292
Interest	54,140
Differences between expected and actual experience	(1,026,848)
Changes in assumptions	20,087
Benefit payments and net transfers	<u>(9,436)</u>
Net changes	<u>(877,765)</u>
Balance at September 30, 2021	\$ <u><u>1,529,851</u></u>

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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 (1.15%) or 1-percentage-point higher (3.15%) than the current discount rate:

	1.0% Decrease (1.15%)	Current Discount Rate (2.15%)	1.0% Increase (3.15%)
Total OPEB liability	\$ <u>1,693,408</u>	\$ <u>1,529,851</u>	\$ <u>1,381,335</u>

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

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

	1.0% Decrease (4.5%)	Current Trend (5.5%)	1.0% Increase (6.5%)
Total OPEB liability	\$ <u>1,336,355</u>	\$ <u>1,529,851</u>	\$ <u>1,762,807</u>

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$92,576. At September 30, 2021, 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>74,885</u>	\$ <u>(1,091,191)</u>
Changes in assumptions	<u>348,308</u>	<u>(120,779)</u>
Total	\$ <u>423,193</u>	\$ <u>(1,211,970)</u>

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2021

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:	
2022	\$ (45,856)
2023	(45,856)
2024	(45,856)
2025	(45,856)
2026	(45,856)
Thereafter	(559,496)

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.

NOTE N – SUBSEQUENT EVENTS

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

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, 2021

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Taxes, licenses, and permits	\$ 18,314,250	\$ 18,914,250	\$ 20,246,294	\$ 1,332,044
Intergovernmental revenue	647,535	647,535	904,026	256,491
Charges for services	378,500	378,500	282,814	(95,686)
Fines and forfeitures	210,125	210,125	251,630	41,505
Grant Revenue	61,000	61,000	2,318,285	2,257,285
Interest income	100,000	100,000	63,459	(36,541)
Sale of capital assets	8,000	8,000	7,019	(981)
Other	576,200	586,200	308,742	(277,458)
TOTAL REVENUES	20,295,610	20,905,610	24,382,269	3,476,659
EXPENDITURES				
General and Administrative	6,124,923	6,669,169	3,930,837	2,738,332
Court	269,270	272,308	254,471	17,837
Police Department	3,998,439	3,998,439	3,838,424	160,015
Fire and Rescue	2,907,185	2,930,185	2,896,943	33,242
Public Works Department	1,994,208	1,994,208	2,215,246	(221,038)
Inspection Department	607,972	607,972	541,123	66,849
Civic Center	1,146,022	1,144,022	971,061	172,961
Senior Center	185,532	188,332	166,750	21,582
Parks and Recreation Department	1,487,596	1,525,312	2,938,743	(1,413,431)
Gardendale-Martha Moore Public Library	742,055	746,056	659,683	86,373
Debt service				
Principal payments	59,174	59,174	80,745	(21,571)
Interest and other charges	5,000	5,000	62,347	(57,347)
TOTAL EXPENDITURES	19,527,376	20,140,177	18,556,373	1,583,804
Excess (deficiency) of revenues over expenditures	768,234	765,433	5,825,896	5,060,463
Other financing sources (uses)				
Loan proceeds	-	-	433,677	433,677
Bond proceeds	-	-	37,690,000	37,690,000
Bond issuance premium	-	-	5,874,718	5,874,718
Operating transfers in (out)	-	-	(47,987,452)	(47,987,452)
	768,234	765,433	1,836,839	1,071,406
Fund Balances - Beginning	18,533,481	18,533,481	18,533,481	-
Fund Balances - Ending	<u>\$ 19,301,715</u>	<u>\$ 19,298,914</u>	<u>\$ 20,370,320</u>	<u>\$ 1,071,406</u>

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

CITY OF GARDENDALE, ALABAMA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2021

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. 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, 2021

	2021	2020	2019	2018
Total OPEB liability				
Service costs	\$ 84,292	\$ 113,499	\$ 73,417	\$ 87,658
Interest	54,140	65,466	73,408	67,109
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(1,026,848)	(132,732)	102,967	(37,928)
Changes of assumptions	20,087	(34,045)	453,030	(141,449)
Benefit payments	(9,436)	(8,944)	(17,923)	(16,989)
Net change in total OPEB liability	<u>(877,765)</u>	<u>3,244</u>	<u>684,899</u>	<u>(41,599)</u>
Total OPEB liability, beginning	2,407,616	2,404,372	1,719,473	1,761,072
Total OPEB liability, ending (a)	<u>\$ 1,529,851</u>	<u>\$ 2,407,616</u>	<u>\$ 2,404,372</u>	<u>\$ 1,719,473</u>
 Covered-employee payroll	 6,776,668	 6,579,289	 8,484,345	 8,237,228
 Net OPEB liability as a percentage of the covered-employee payroll	 22.58%	 36.59%	 28.34%	 20.87%
Notes to Schedule:				
Benefit Changes:	None	None	None	None
Changes of Assumptions:				
Discount Rate:	2.15%	2.21%	2.66%	4.18%
Mortality:	RP-2014	RP-2014	RP-2000	RP-2000
Discount Rate:	Variable	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, 2021

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service costs	\$ 714,835	\$ 691,715	\$ 704,552	\$ 700,544	\$ 625,258	\$ 595,057	\$ 567,596
Interest	2,555,209	2,454,587	2,414,269	2,265,225	2,081,569	1,973,367	1,885,956
Changes of benefit terms	355,681	-	-	-	-	-	-
Differences between expected and actual experience	(265,612)	(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	(1,753,249)	(1,537,020)	(1,477,303)	(1,385,514)	(1,387,041)	(1,414,932)	(1,306,895)
Transfers among employers	256,372	(316)	(231,812)	(118)	(120,917)	-	-
Net change in total pension liability	<u>1,863,236</u>	<u>1,414,895</u>	<u>755,754</u>	<u>1,969,043</u>	<u>3,208,333</u>	<u>1,338,578</u>	<u>1,146,657</u>
Total pension liability, beginning	34,061,161	32,646,266	31,890,512	29,921,469	26,713,136	25,374,558	24,227,901
Total pension liability, ending (a)	<u>\$ 35,924,397</u>	<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	\$ 765,788	\$ 750,004	\$ 772,624	\$ 730,024	\$ 777,262	\$ 669,193	\$ 755,846
Contributions - employee	618,966	600,301	602,929	605,820	645,370	589,079	368,121
Net investment income	1,314,171	579,503	1,933,739	2,393,445	1,733,992	201,223	1,833,806
Benefit payments, including refunds of employee contributions	(1,753,249)	(1,537,020)	(1,477,303)	(1,385,514)	(1,387,041)	(1,414,932)	(1,306,895)
Transfers among employers	256,372	(316)	(231,812)	(118)	(120,917)	(29,972)	57,259
Net change in plan fiduciary net position	<u>1,202,048</u>	<u>392,472</u>	<u>1,600,177</u>	<u>2,343,657</u>	<u>1,648,666</u>	<u>14,591</u>	<u>1,708,137</u>
Total net position, beginning	23,054,044	22,661,572	21,061,395	18,717,738	17,069,072	17,054,481	15,346,344
Total net position, ending (b)	<u>\$ 24,256,092</u>	<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)	11,668,305	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	67.52%	67.68%	69.42%	66.04%	62.56%	63.90%	67.21%
Covered-employee payroll ⁽¹⁾	7,808,193	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	149.44%	141.24%	127.95%	140.58%	133.67%	121.34%	104.68%

⁽¹⁾ Employer's covered payroll during the measurement period is the total covered payroll. For fiscal year 2021, the measurement period is October 1, 2019 - September 30, 2020.

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, 2021**

	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 765,788	\$ 750,004	\$ 780,026	\$ 801,439	\$ 759,536	\$ 782,933	\$ 669,193
Contributions in relation to the actuarially determined contribution [*]	822,163	796,945	780,026	801,439	759,536	782,933	669,193
Contributions deficiency (excess)	\$ (56,375)	\$ (46,941)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll ^{**}	\$ 7,808,193	\$ 8,109,710	\$ 7,786,616	\$ 7,793,695	\$ 7,803,646	\$ 7,703,051	\$ 8,381,330
Contributions as a percentage of covered-employee payroll	9.81%	9.25%	10.02%	10.28%	9.73%	10.16%	7.98%

^{*} The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer Contributions is based on the 12 month period of the underlying financial statement.

^{**} Employer's covered payroll for fiscal year 2021 is the total covered payroll for the 12 month period of the underlying financial statement.

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 2021 were based on the September 30, 2018 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2020 to September 30, 2021^{*}:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	25.5 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)	7.70%, net of pension plan investment expense, including inflation

^{*} If the employer's financial reporting period end is other than September 30, 2021, additional assumptions should be reported for the basis of determining the portion of the contribution prior to or subsequent to this period.

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, 2021

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Intergovernmental revenue	\$ 315,000	\$ 315,000	\$ 351,930	\$ 36,930
Charges for services	376,500	376,500	449,029	72,529
Fines and forfeitures	66,000	66,000	51,852	(14,148)
Grant revenue	-	-	61,263	61,263
Interest income	13,150	13,150	36,925	23,775
Other	8,400	8,400	4,936	(3,464)
TOTAL REVENUES	779,050	779,050	955,935	176,885
EXPENDITURES				
Court	86,500	86,500	89,680	(3,180)
Police Department	435,000	435,000	459,293	(24,293)
Parks and Recreation Department	45,000	45,000	41,879	3,121
Debt service				
Principal payments	-	-	965,000	(965,000)
Interest charges	577,901	577,901	648,585	(70,684)
Other charges	947,917	947,917	516,295	431,622
TOTAL EXPENDITURES	2,092,318	2,092,318	2,720,732	(628,414)
Excess (deficiency) of revenues over expenditures	(1,313,268)	(1,313,268)	(1,764,797)	(451,529)
Other financing sources (uses)				
Operating transfers in (out)	-	-	9,062,168	9,062,168
	(1,313,268)	(1,313,268)	7,297,371	8,610,639
Fund Balances - Beginning	1,372,394	1,372,394	1,372,394	-
Fund Balances - Ending	<u>\$ 59,126</u>	<u>\$ 59,126</u>	<u>\$ 8,669,765</u>	<u>\$ 8,610,639</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, 2021

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Gasoline Tax Fund	Corrections Fund	Court Ordered Fund	E-911 District Fund	Parks and Recreation Rental Fund	Drug Enforcement Fund	
ASSETS							
Cash and cash equivalents	\$ 1,039,182	\$ 163,275	\$ 174,924	\$ 139,468	\$ 36,232	\$ 179,806	\$ 1,732,887
Short-term investments	-	74,935	-	-	-	-	74,935
Receivables-net and prepaids	-	47	-	-	35,447	-	35,494
Due from other funds	-	-	5,250	-	-	-	5,250
TOTAL ASSETS	\$ 1,039,182	\$ 238,257	\$ 180,174	\$ 139,468	\$ 71,679	\$ 179,806	\$ 1,848,566
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ 15,980	\$ 1,540	\$ -	\$ 6,545	\$ 24,065
Due to other funds	898,068	-	-	-	496	16,227	914,791
TOTAL LIABILITIES	898,068	-	15,980	1,540	496	22,772	938,856
DEFERRED INFLOWS OF RESOURCES							
Unearned Revenue	-	-	-	-	-	126,693	126,693
FUND BALANCES							
Restricted	141,114	238,257	164,194	137,928	-	30,341	711,834
Assigned	-	-	-	-	71,183	-	71,183
TOTAL FUND BALANCES	141,114	238,257	164,194	137,928	71,183	30,341	783,017
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,039,182	\$ 238,257	\$ 180,174	\$ 139,468	\$ 71,679	\$ 179,806	\$ 1,848,566

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, 2021

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Gasoline Tax Fund	Corrections Fund	Court Ordered Fund	E-911 District Fund	Parks and Recreation Rental Fund	Drug Enforcement Fund	
REVENUES							
Intergovernmental revenue	\$ 351,930	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 351,930
Charges for services	-	75,238	-	337,761	36,030	-	449,029
Fines and forfeitures	-	-	28,774	-	-	23,078	51,852
Grant revenue	-	-	-	41,270	-	19,993	61,263
Interest income	294	693	382	-	-	53	1,422
Other	4,262	674	-	-	-	-	4,936
TOTAL REVENUES	356,486	76,605	29,156	379,031	36,030	43,124	920,432
EXPENDITURES							
Court	-	60,500	29,180	-	-	-	89,680
Police Department	-	-	-	303,043	-	12,178	315,221
Parks and Recreation Department	-	-	-	-	-	-	-
Capital Outlay	-	-	-	133,412	41,879	10,660	185,951
TOTAL EXPENDITURES	-	60,500	29,180	436,455	41,879	22,838	590,852
Excess (deficiency) of revenues over expenditures	356,486	16,105	(24)	(57,424)	(5,849)	20,286	329,580
Fund Balances - Beginning	(215,372)	222,152	164,218	195,352	77,032	10,055	453,437
Fund Balances - Ending	<u>\$ 141,114</u>	<u>\$ 238,257</u>	<u>\$ 164,194</u>	<u>\$ 137,928</u>	<u>\$ 71,183</u>	<u>\$ 30,341</u>	<u>\$ 783,017</u>

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

GARDENDALE-MARTHA MOORE PUBLIC LIBRARY
BALANCE SHEET
SEPTEMBER 30, 2021

	General Fund
ASSETS	
Cash and cash equivalents	\$ 27,049
TOTAL ASSETS	\$ 27,049
LIABILITIES	
Accounts payable	\$ 26
TOTAL LIABILITIES	26
FUND BALANCE	
Unassigned	27,023
TOTAL LIABILITIES AND FUND BALANCE	\$ 27,049

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, 2021

REVENUES	
Book sales	\$ 1,248
Coffee and food sales	554
Copier income	1,408
Donations and memorials	751
E-rate	3,046
Fax charges	1,762
Fines	2,969
Grant income	3,500
Interest income	1
Laminator fees	151
Lost or damaged material	2,622
Miscellaneous	1,380
Non-resident card fees	500
Printer income	5,539
Reimbursement	1,289
Rental of meeting room	1,315
Scans	721
State aid	11,187
Test proctor fee	750
	40,693
TOTAL REVENUES	
EXPENDITURES	
Arts Council expenses	1,689
Bank service charges	1
Building expenses	71
Books	52
Cellular telephone expense	1,761
Cleaning supplies	414
Copier fee	1,402
Dues and subscriptions	1,079
Food and medical	1,349
Hotspot Checkout	3,286
Internet expense	150
Office supplies	2,164
Out of County Fee	150
Postage and shipping	70
Programs	8,744
Promotional	352
Refund / lost material	386
Repair and maintenance	2,299
State aid expenditures	11,187
Video and DVDs	379
	36,985
TOTAL EXPENDITURES	
EXCESS OF REVENUES OVER EXPENDITURES	3,708
FUND BALANCE AT BEGINNING OF THE YEAR	23,315
FUND BALANCE AT END OF THE YEAR	\$ 27,023

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, 2021

REVENUES	
State aid	<u>\$ 11,187</u>
TOTAL REVENUES - (Received and deposited)	<u>11,187</u>
EXPENDITURES	
Books / Digital Media	3,886
Jefferson County Library Cooperative	1,466
Miscellaneous	766
Office expense	3,493
Programs	1,095
Supplies	<u>481</u>
TOTAL EXPENDITURES	<u>11,187</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u><u>\$ -</u></u>

The above schedule reflects cash basis method of accounting.