

CITY OF GARDENDALE, ALABAMA
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2015

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

CITY OF GARDENDALE, ALABAMA
CITY OFFICIALS

SEPTEMBER 30, 2015

MAYOR

Honorable Stan Hogeland

CITY COUNCIL

District 1 Mr. Allen Jerkins
District 2 Mr. Blake Guinn
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
Police Department Police Chief Mike Walker
Fire and Rescue Department Fire Chief Clint Doss
Public Works Department Mr. Jeff Holliyan
Inspections Department Mr. Robert Ryant
Civic Center Mr. Keith Mosley
Parks and Recreation Department Mr. Dale Hyche
Gardendale-Martha Moore Public Library Ms. Connie L. Smith

CITY OF GARDENDALE, ALABAMA

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gardendale, Alabama, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Gardendale, Alabama management.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Emphasis of Matter

As discussed in Note J to the basic financial statements, during 2015 the City adopted Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions and Governmental Accounting Standards Board Statements No. 71, Pension Transactions for Contributions Subsequent to the Measurement Date. As a result of the adoption, the City has restated its net position as of October 1, 2014 to comply with the pronouncements. Our opinion is not modified with respect to this matter.

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, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on Pages 7-15 and 59-61 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.



MAYOR
STAN HOGELAND

CITY COUNCIL
ALVIN CURRINGTON
CITY COUNCIL PRESIDENT
GREG COLVERT
BLAKE GUINN
WILL HARDMAN
ALLEN JERKINS

City of Gardendale Management's Discussion & Analysis (MD&A) September 30, 2015

As management of the City of Gardendale, Alabama (the City) we offer readers of the City's financial statements this narrative overview of the City's financial activities for the fiscal year ended September 30, 2015. Management Discussion and Analysis (MD&A) is intended to provide an analysis of the City's current year financial performance during the fiscal year. We encourage readers to consider the information presented here as a part of the whole. Readers should also review and evaluate all sections of this report, including the note disclosures and supplemental information that is provided in addition to this MD&A.

Financial Highlights

The City's assets exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2015 by \$18,636,676 (net position). Total net position increased by \$1,784,571 in fiscal year 2015.

At September 30, 2015, the City's governmental funds reported combined ending fund balances of \$5,216,355. Of this amount, \$603,590 is available for spending at the City's discretion (unassigned fund balance).

General Fund, Gasoline Tax Fund, Correction Fund and Court Fund resources available for appropriation showed a favorable budget variance of \$778,120. This was primarily due to sales tax collections (favorable variance of approximately \$237,000), license collections (favorable variance of approximately \$111,000), building permits collected (favorable variance of approximately \$117,000), court fines collected (favorable variance of approximately \$41,000), rental income (favorable variance of approximately \$56,000) and gasoline tax collected (favorable variance of approximately \$45,000) being higher than projected. Total annual expenditures were less than budget projections by \$1,646,046 due primarily to expenditures for economic development (favorable variance of approximately \$814,000) and wages (favorable variance of approximately \$827,000) being less than projected.

To the Honorable Mayor
and Members of the City Council
City of Gardendale, Alabama
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We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gardendale, Alabama basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Birmingham, Alabama
February 23, 2016

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Gardendale's basic financial statements. The City of Gardendale's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. The report also includes other supplementary information in addition to the basic financial statements themselves.

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

The Statement of Net Position: This statement reports all assets and liabilities of the City as of September 30, 2015. The difference between total assets and total liabilities is reported as "net position." It provides an overall summary of the City's financial condition on a single page. Assets and liabilities are reflected based on the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when incurred. The Change in Net Position is important because it indicates if the City's financial condition has improved or declined. Many other items should be taken into account including the City's current economic situation as a whole.

The Statement of Activities: This statement serves the purpose of the traditional income statement. It provides consolidated reporting of the results of all activities of the City for the year ended September 30, 2015. Changes in net position are recorded in the period which the underlying event takes place, which may differ from the period in which cash is received or disbursed. The Statement of Revenues, Expenditures, and Changes in Fund Balance displays the expense of the City's various programs net of the related revenues, as well as a separate presentation of revenues available for general purposes.

Effective October 1, 2008, the City implemented Government Accounting Standard Statement 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions (GASB 45). The City's Annual Required Contribution (ARC) was actuarially determined to be \$75,136. The liability of the net OPEB obligation at year end was \$328,360. This amount is reported on the Statement of Net Position, Page 16, Net OPEB Obligation.

Effective October 1, 2014, the City implemented Government Accounting Standard Statement 68, Accounting and Financial Reporting for Pensions, which requires unfunded pension liabilities to be reported on the balance sheet (statement of net position) of governmental financial statements as Net Pension Liability. That liability equals the difference between the total pension liability and the value of assets set aside in a pension plan to pay benefits and was \$8,320,077 as of September 30, 2014.

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

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

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

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-side and fund

financial statements. The notes to the financial statements can be found beginning on Page 22 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At September 30, 2015, the City's assets exceed liabilities by \$18,636,676. By far, the largest portion of the City's net assets reflects its investment in capital assets (e.g. land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to its citizens. These assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to pay for or liquidate these liabilities. The City has restricted net position of \$1,005,921 subject to restrictions on these resources. In accordance with GASB Statement No. 68, beginning unrestricted net position was reduced by \$8,612,508. The recognition of the pension liability resulted in unrestricted net position reporting a deficit balance of \$7,504,471.

Condensed Statement of Net Position

Table 1 below presents condensed information on net assets for fiscal years ended September 30, 2015 and 2014.

Table 1 – City of Gardendale
Condensed Statement of Net Position

	Governmental Activities	
	2015	2014
Current and other assets	\$ 6,796,284	\$ 8,591,341
Capital assets	34,506,400	31,187,535
Deferred outflows of resources	666,174	-
Total assets	<u>\$ 41,968,858</u>	<u>\$ 39,778,876</u>
Current liabilities	\$ 1,355,490	\$ 857,952
Long-term liabilities	20,597,179	12,628,882
Total liabilities	<u>21,952,669</u>	<u>13,486,834</u>
Deferred inflows of resources	713,339	161,255
Net investment in capital assets	25,801,400	21,997,535
Restricted	1,005,921	1,172,437
Unrestricted	(7,504,471)	2,960,815
	<u>\$ 19,302,850</u>	<u>\$ 26,130,787</u>

Condensed Statement of Activities

Table 2 presents the City's changes in net assets for the fiscal years ended September 30, 2015 and 2014.

Table 2 - City of Gardendale
Changes in Net Assets

	Governmental Activities	
	2015	2014
Revenues:		
Program revenues:		
Charges for service	\$ 712,368	\$ 626,281
Operating grants and contributions	23,510	13,400
Capital grants and contributions	56,272	-
General revenues:		
Sales taxes	11,306,536	10,173,322
Ad valorem property taxes	1,595,500	144,580
Other taxes	1,277,681	1,315,542
Business licenses	2,290,758	2,071,337
Permits	358,161	188,684
Fines and forfeitures	250,528	222,826
Investment earnings	6,226	7,827
Other	509,438	827,467
Total revenues	<u>18,386,978</u>	<u>15,591,266</u>
Expenses:		
Primary government:		
Governmental activities:		
General and Administrative	4,030,975	3,742,219
Police Department	3,702,190	3,715,857
Fire and Rescue	2,630,265	2,678,327
Public Works Department	2,293,192	2,104,185
Inspection Department	520,707	489,870
Civic Center	1,230,066	1,352,803
Senior Center	35,603	-
Parks and Recreation Department	1,205,041	1,125,435
Gardendale-Martha Moore Public Library	667,601	650,367
Interest on Long-Term Debt	286,767	296,840
Total expenses	<u>16,602,407</u>	<u>16,155,903</u>
Increase in net assets	<u>1,784,571</u>	<u>(564,637)</u>
Net Assets - Beginning, Restated	26,130,787	26,707,613
Prior Period Adjustment	<u>(8,612,508)</u>	<u>(12,189)</u>
Net Assets - Ending	<u>\$ 19,302,850</u>	<u>\$ 26,130,787</u>

The City fared well with major revenues; sales and use tax collections increased by 11% in fiscal year 2015 as compared to fiscal year 2014, while collections for licenses increased by 11%. An additional 1% sales tax was approved and became effective January 1, 2011, this additional tax, by ordinance, expired December 31, 2014. Upon its expiration, an additional 1% sales tax was once again approved, this time effective January 1, 2015 through December 31, 2018. The additional 1% sales tax approved effective January 1, 2011 has been utilized for the expansion of the Gardendale-Martha Moore Public Library and for debt retirement and economic development initiatives. The additional 1% sales tax effective January 1, 2015 has been/will be utilized for debt retirement and community and economic development. This 1% sales tax generated \$2,810,131 in additional (committed) sales tax revenue in fiscal year 2015 as compared to \$2,536,149 in fiscal year 2014. Due to the uncertainty of revenue projections, the Mayor and Council made a concentrated effort to work with City departments to reduce and contain expenditures in order to keep department expenses within their budgets.

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

Fund Financial Analysis

The City uses fund accounting to demonstrate compliance with finance-related legal requirements. The General, Special Revenue, Debt Service and Capital Projects Funds are considered governmental funds and are accounted for on the modified accrual method of accounting. As of the end of the current fiscal year, the City of Gardendale's governmental funds reported combined ending fund balances of \$5,216,355 of this total fund balance, \$603,590 constitutes the *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is to indicate that which is not available for new spending because of prior funding commitments.

The General Fund is the chief operating fund of the City of Gardendale. At the end of the current fiscal year unassigned fund balance of the general fund was \$603,590. The remainder of the fund balance which totaled \$3,132,982 is broken down into nonspendable, restricted, committed and assigned designation of funds.

In other governmental funds, fund balances are as follows: the Special Revenue Funds are comprised of funds which are received from special revenues and are limited as to how they are to be spent. The combined *restricted and assigned* fund balances of the Special Revenue Funds were \$764,220 at the end of the current year.

The Debt Service Fund, which reports debt payment activity, has a total *assigned* fund balance of \$427,265; this amount is assigned for payment of debt service.

The total *committed* fund balance of the Capital Projects Fund is \$288,298 at current year end.

Capital Asset and Long-Term Debt Activity

Capital Asset Activity

As of September 30, 2015, the City of Gardendale's investment in capital assets (net of accumulated depreciation and related debt) for its governmental activities totals \$25,801,400. This investment in capital assets includes land, buildings, machinery and equipment, and park facilities. Major capital asset expenditures during the current fiscal year included the construction of a new structure for the purpose of housing City Administrative offices and Inspections Services.

Long-Term Debt Activity

The outstanding debt for the City of Gardendale as of September 30, 2015, was \$20,597,179. The City had three bond issues outstanding. These issues included \$8,065,000 of general obligation warrants and \$640,000 of general obligation taxable warrants.

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

General and Special Revenue Funds Budgetary Highlights

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

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

The City Council has complete control over the appropriation of funds; however, the Mayor is responsible for making an annual budget recommendation to the Council. The budget process begins in July when the departments submit their budget requests for the following year to the Mayor and the Finance Committee. After these requests and revenue projections have been compiled, the Mayor and Finance Committee begin adjusting the request in order to present a balanced General and Special Revenue Funds budget to the City Council by the end of September. The entire Council reviews the Mayor's recommendation and makes adjustments before the final budget is adopted the first Council meeting of October (adopted on October 6, 2014 for the current audit year).

Refer to the budgetary comparison schedule for the General Fund in the Required Supplementary Information (RSI) section of the financial statements beginning on Page 60 and for the Special Revenue Funds in the Supplementary Information section of the financial statements beginning on Page 65. There were three budget amendments approved during the fiscal year-ending September 30, 2015.

CURRENT FINANCIAL ISSUES

Economic Factors and Outlook

Revenue sources, such as sales and use taxes and licenses, are the most significant sources of revenue each fiscal year. In fiscal year end 2015, city sales and use tax collections accounted for 62% of annual City revenues. Licenses accounted for another 12% of revenues. These revenues (sales and use taxes and licenses) accounted for 74% of all fiscal year end 2015 revenues. These statistics validate the direct correlation between the economy and revenues generated annually by the City. Previously, the City had not received property (ad valorem) tax assessments on property located within the city limits. This changed in September 2013 when the City Council enacted a 5 mills ad valorem tax to support the proposed new school system. An additional 5 mills ad valorem was passed by public referendum in November 2013 to fund the to-be-formed City school system.

Management is optimistic that economic development efforts with various new commercial projects within the City will compensate for any negative impacts the economy may have on local revenues. The remainder of the City Center property development is under a real estate purchase agreement with a closing date extended until June 30, 2016. The developer is looking to lease the property for retail, restaurants, offices and entertainment.

Several new businesses have opened in the City during 2015, including Starbucks, Burger King, Tractor Supply Company and Jack's Family Restaurant. The new City Hall at 925 Main Street was completed in September 2015 and now houses the Administration Department and Inspection Services.

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

Request for information

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

CITY OF GARDENDALE, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

	Governmental Activities	Component Unit Gardendale - Martha Moore Public Library
ASSETS		
Cash and cash equivalents	\$ 6,218,928	\$ 25,426
Short-term investments	180,557	-
Receivables, net and prepaids	396,799	727
Capital assets, net		
Non-depreciable	13,809,729	90,263
Depreciable	20,696,671	50,117
TOTAL ASSETS	41,302,684	166,533
DEFERRED OUTFLOWS OF RESOURCES		
Employer contributions subsequent to the measurement date	666,174	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	666,174	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 41,968,858	\$ 166,533
LIABILITIES		
Accounts payable	\$ 1,167,919	\$ 188
Accrued salaries and wages	102,601	-
Deposits from others	84,970	-
Noncurrent liabilities		
Due within one year		
Bonds payable	505,000	-
Due in more than one year		
Bonds payable	8,200,000	-
Net OPEB obligation	328,360	-
Net pension liability	8,320,077	-
Compensated absences	3,044,608	-
Overtime leave	199,134	-
TOTAL LIABILITIES	21,952,669	188
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue	224,439	-
Net difference between projected and actual earnings on pension plan investments	488,900	-
TOTAL DEFERRED INFLOWS OF RESOURCES	713,339	-
NET POSITION		
Net investment in capital assets	25,801,400	140,380
Restricted	1,005,921	-
Unrestricted	(7,504,471)	25,965
TOTAL NET POSITION	\$ 19,302,850	\$ 166,345

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, 2015

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Primary government:						
Governmental activities:						
General and Administrative	\$ 4,030,975	\$ 2,840	\$ 23,510	\$ -	\$ (4,004,625)	Gardendale -
Police Department	3,702,190	453,723	-	-	(3,248,467)	Martha Moore
Fire and Rescue	2,630,265	-	-	-	(2,630,265)	Public Library
Public Works Department	2,293,192	-	-	-	(2,293,192)	
Inspection Department	520,707	-	-	-	(520,707)	
Civic Center	1,230,066	213,611	-	-	(1,016,455)	
Senior Center	35,603	-	-	-	(35,603)	
Parks and Recreation Department	1,205,041	42,194	-	56,272	(1,106,575)	
Gardendale-Martha Moore Public Library	667,601	-	-	-	(667,601)	(51,089)
Interest and Charges on Long-Term Debt	286,767	-	-	-	(286,767)	
Total governmental activities	\$ 16,602,407	\$ 712,368	\$ 23,510	\$ 56,272	\$ (15,810,257)	\$ (51,089)
General revenues:						
Taxes:						
Sales taxes					\$ 11,306,536	\$ -
Ad valorem property taxes					1,595,500	-
Other taxes					1,277,681	-
Business licenses					2,290,758	-
Permits					358,161	-
Fines and forfeitures					250,528	-
Investment earnings					6,226	-
Other					509,438	59,014
Total general revenues					17,594,828	59,014
Change in net position					1,784,571	7,925
Net Position - Beginning (previously reported)					26,130,787	158,420
Prior Period Adjustment					(8,612,508)	-
Net Position - Beginning (restated)					17,518,279	158,420
Net Position - Ending					\$ 19,302,850	\$ 166,345

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

CITY OF GARDENDALE, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	General	Gasoline Tax Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,112,359	\$ 493,235	\$ 797,379	\$ 815,955	\$ 6,218,928
Short-term investments	18,414	-	-	162,143	180,557
Receivables, net and prepaids	392,591	800	-	3,408	396,799
TOTAL ASSETS	\$ 4,523,364	\$ 494,035	\$ 797,379	\$ 981,506	\$ 6,796,284
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 398,711	\$ 239,072	\$ 509,081	\$ 21,055	\$ 1,167,919
Accrued salaries and wages	102,601	-	-	-	102,601
Deposits from others	84,970	-	-	-	84,970
TOTAL LIABILITIES	586,282	239,072	509,081	21,055	1,355,490
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue	200,510	-	-	23,929	224,439
FUND BALANCES					
Nonspendable - prepaid items	94,524	-	-	-	94,524
Restricted	308,755	254,963	-	442,203	1,005,921
Committed	2,489,155	-	288,298	-	2,777,453
Assigned	240,548	-	-	494,319	734,867
Unassigned	603,590	-	-	-	603,590
TOTAL FUND BALANCES	3,736,572	254,963	288,298	936,522	5,216,355
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,523,364	\$ 494,035	\$ 797,379	\$ 981,506	\$ 6,796,284

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, 2015

Fund Balances - Total Governmental Funds	\$	5,216,355
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Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.

Governmental capital assets		52,511,222
Less accumulated depreciation		(18,004,822)

Deferred outflows of resources		
Employer contributions subsequent to the measurement date		666,174

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

Bonds payable		(8,705,000)
Net OPEB obligation		(328,360)
Net pension liability		(8,320,077)
Compensated absences		(3,044,608)
Overtime leave		(199,134)

Deferred inflows of resources		
Net difference between projected and actual earnings on pension plan investments		(488,900)

Net Position of Governmental Activities	\$	<u>19,302,850</u>
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See accompanying independent auditor's report and notes to basic financial statements.

CITY OF GARDENDALE, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	General	Gasoline Tax Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes, licenses, and permits	\$ 15,813,602	\$ -	\$ -	\$ -	\$ 15,813,602
Intergovernmental revenue	752,736	262,298	-	-	1,015,034
Charges for services	216,776	-	-	495,592	712,368
Fines and forfeitures	250,528	-	-	-	250,528
Interest income	3,452	184	1,537	1,053	6,226
Other	572,307	-	-	16,913	589,220
TOTAL REVENUES	17,609,401	262,482	1,537	513,558	18,386,978
EXPENDITURES					
General and Administrative	4,089,538	-	3,583,780	30,482	7,703,800
Police Department	3,356,026	-	37,677	394,082	3,787,785
Fire and Rescue	2,708,988	-	2,942	-	2,711,930
Public Works Department	1,928,268	374,687	175,220	-	2,478,175
Inspection Department	494,374	-	-	-	494,374
Civic Center	995,637	-	-	-	995,637
Senior Center	44,119	-	-	-	44,119
Parks and Recreation Department	1,089,217	-	5,268	22,180	1,116,665
Gardendale-Martha Moore Public Library	638,505	-	-	-	638,505
Debt service	-	-	-	-	-
Principal payments	-	-	-	485,000	485,000
Interest charges	-	-	-	282,855	282,855
Other charges	-	-	-	3,912	3,912
TOTAL EXPENDITURES	15,344,672	374,687	3,804,887	1,218,511	20,742,757
Excess (deficiency) of revenues over expenditures	2,264,729	(112,205)	(3,803,350)	(704,953)	(2,355,779)
Other financing sources (uses)					
Operating transfers in	722,810	337,361	1,774,887	1,212,379	4,047,437
Operating transfers out	(3,228,306)	(430,462)	(10,697)	(377,972)	(4,047,437)
Fund Balances - Beginning	(240,767)	(205,306)	(2,039,160)	129,454	(2,355,779)
Fund Balances - Ending	3,977,339	460,269	2,327,458	807,068	7,572,134
Fund Balances - Ending	\$ 3,736,572	\$ 254,963	\$ 288,298	\$ 936,522	\$ 5,216,355

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, 2015

Net change in fund balances - total governmental funds \$ (2,355,779)

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

Expenditures for capital assets	5,223,069
Less current year depreciation	(1,417,407)

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

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

Change in net OPEB obligation	(49,478)
Change in pension liability	(17,092)
Change in compensated absences	(59,709)
Change in overtime leave	(24,033)

Change in net position of governmental activities	<u>\$ 1,784,571</u>
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See accompanying independent auditor's report and notes to basic financial statements.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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 and General and Administrative services.

Accounting

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

Financial Reporting Entity

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

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

Basic Financial Statements – Government-Wide Statements

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

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

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. As of September 30, 2015, the City had no restricted net position.

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

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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, 2015.

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, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basic Financial Statements – Fund Financial Statements - Continued

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

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

The City has presented the following nonmajor governmental funds:

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

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

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

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

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

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

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basic Financial Statements – Fund Financial Statements - Continued

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

Basis of Accounting/Measurement Focus

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

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

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

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

Encumbrances

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

Budgetary Accounting

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

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Budgetary Accounting – Continued

Annually, the Finance Committee submits to the City Council a proposed budget for the upcoming fiscal year. The budget includes proposed expenditures and the means of financing those expenditures. The budget is legally enacted through passage of a resolution. The City Clerk is authorized to transfer budgeted amounts between line items and departments within any fund; however, appropriations that amend the total expenditures of any fund require City Council resolution. Formal budgetary integration is employed as a management control device during the year for the general, special revenue, capital projects and debt service funds. At the end of the year, unencumbered appropriations automatically lapse.

Budgeted amounts are as originally adopted on October 7, 2014 by the City Council (Resolution Number 2014-85). There were three budget amendments (Resolution Numbers 2014-113, 2014-122 and 2014-124) approved during fiscal year-ending September 30, 2015.

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, 2015.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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, 2015

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 \$792,092 at September 30, 2015.

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, 2015

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 \$2,252,516 at September 30, 2015.

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, 2015 is as follows:

Overtime Leave:	
General and Administrative	\$ 6,032
Police Department	59,153
Fire and Rescue	38,228
Public Works Department	37,302
Inspection Department	4,440
Civic Center	11,824
Senior Center	-
Parks and Recreation Department	42,155
Gardendale-Martha Moore Public Library	-
Total Overtime Leave	<u>\$ 199,134</u>

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Interfund Receivables and Payables

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

Ad Valorem Property Taxes

In September 2014, the City Council enacted a 5 mills ad valorem tax to support a proposed new school system. An additional 5 mills ad valorem was passed by public referendum in November 2014 to fund the establishment of the City school system.

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

Long-Term Obligations

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

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

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Equity Classifications

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

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

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

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

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

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Equity Classifications – Continued

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

New GASB Pronouncements and Prior Period Adjustments

For the fiscal year ended September 30, 2015, the City adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68. The objective of Statement 68 is to improve accounting and financial reporting by state and local governments for pensions and requires entities to report any unfunded pension liabilities on their balance sheet. The objective of Statement 71 is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined pension plan after the measurement date of the government’s beginning net pension liability. In accordance with the adoption of the new accounting standards, a prior period adjustment has been made to beginning net position to record the prior year balance of the deferred outflows of resources of \$666,174, deferred inflows of resources of \$ 488,900 and the net pension liability of \$8,320,077.

NOTE B – REVENUES AND EXPENDITURES

Revenues

Substantially all governmental fund revenues are accrued.

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

NOTE B – REVENUES AND EXPENDITURES – CONTINUED

Major Revenue Sources

The City’s primary sources of revenue include sales and use taxes, ad valorem property taxes, business licenses and permits. Collectively, these taxes and licenses totaled approximately \$15.8 million or 86% of the total General and Special Revenue Fund revenues during the year ended September 30, 2015.

1-Cent Temporary Sales and Use Tax Increase

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

Lease Revenue

The City leases a commercial building to the United States Postal Service serving the citizens of Gardendale, Alabama. The lease, commencing February 19, 1999, is a non-cancelable operating lease for 20 years. Minimum lease revenue, for the next 4 years, is as follows:

Lease Revenue		
Year		Totals
2016	\$	218,137
2017		218,137
2018		218,137
2019		72,712

Rental income for year-ending September 30, 2015 was \$218,137.

Expenditures

Expenditures are recognized when the related fund liability is incurred.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE B – REVENUES AND EXPENDITURES – CONTINUED

Management Estimates

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

NOTE C – DEPOSITS AND INVESTMENTS

Deposits

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

At September 30, 2015, the carrying amount of the City's deposits was \$6,424,911 and the bank balance was \$6,424,911. The total bank balance at year-end was covered by federal depository insurance or collateral held by the fiscal agent in the City's name under the SAFE program.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE C – DEPOSITS AND INVESTMENTS – CONTINUED

Investments

As of September 30, 2015, the City had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less than 1	1-5
Certificates of Deposit	\$ 180,557	\$ 180,557	\$ -

NOTE D – ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following account balances at September 30, 2015:

Paving receivable	\$ 75,000
House demolition receivables	37,550
Weed Control Ordinance violations	27,027
School projects	20,470
Grant receivables	9,800
Miscellaneous receivables	<u>22,426</u>
Total	<u>\$ 192,273</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, 2015.

NOTE F – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015 is stated on the following page.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE F – CAPITAL ASSETS – CONTINUED

	Balance October 1, 2014	Additions/ Completions	Retirements/ Dispositions	Balance September 30, 2015
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 12,159,051	\$ 195,695	-	\$ 12,354,746
Construction in Progress	1,939,659	3,754,787	(4,239,463)	1,454,983
Total Capital Assets Not Being Depreciated	14,098,710	3,950,482	(4,239,463)	13,809,729
Capital Assets Being Depreciated:				
Buildings and Improvements	23,601,824	4,060,858	-	27,662,682
Equipment	7,015,034	560,216	(33,338)	7,541,912
Infrastructure	3,092,720	404,179	-	3,496,899
Total Capital Assets Being Depreciated	33,709,578	5,025,253	(33,338)	38,701,493
Less Accumulated Depreciation for:				
Buildings and Improvements	(9,417,575)	(939,508)	-	(10,357,083)
Equipment	(6,309,383)	(288,676)	33,338	(6,564,721)
Infrastructure	(893,795)	(189,223)	-	(1,083,018)
Total Accumulated Depreciation	(16,620,753)	(1,417,407)	33,338	(18,004,822)
Total Capital Assets Being Depreciated, Net	17,088,825	3,607,846	-	20,696,671
Governmental Activities Capital Assets, Net	\$ 31,187,535	\$ 7,558,328	\$ (4,239,463)	\$ 34,506,400

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

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	\$ 484,057
Police Department	148,967
Fire and Rescue	130,707
Public Works Department	247,383
Inspection Department	4,094
Civic Center	251,694
Senior Center	438
Parks and Recreation Department	99,859
Gardendale-Martha Moore Public Library	<u>50,208</u>
Total depreciation expense-	
Governmental activities	<u>\$ 1,417,407</u>

NOTE G – CONSTRUCTION-IN-PROGRESS

Construction and Development of New City Center

Construction-in-progress on the new City Center project, including sewer expansion and other relevant costs at September 30, 2015, totaled \$783,379.

Clemons Complex Field

The City has long-term future plans to develop this vacant site into a public park. The project is currently in the planning stages with no known completion date. Construction-in-progress at September 30, 2015 totaled \$2,194.

Lighthouse and Civil House Properties

The City purchased the Lighthouse and Civil House properties for renovation of both the interior and exterior of the existing buildings. The City's long-range plan for these properties is to host city events as well as to rent them to the public for weddings, reunions, etc. The work on the projects is ongoing. No projected completion date is set for these projects. Construction-in-progress at September 30, 2015 totaled \$437,692.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE G – CONSTRUCTION-IN-PROGRESS – CONTINUED

Public Safety Center Renovation

The City has unoccupied space in the building located at 1309 Decatur Highway. The City's long range plan for this space includes creation of on-site storage for city departments, as well as future leaseholds to retail or service industry. No projected completion date is set for these projects. Construction-in-progress at September 30, 2015 totaled \$37,677.

Moncreif Kiddie Park Renovation

The City is currently building new restrooms and demolishing existing restrooms at the Moncreif Kiddie Parks to allow better access to facilities for families. This project is expected to be completed by April 2016. Construction-in-progress at September 30, 2015 totaled \$3,074.

Pedestrian Improvements / Sidewalk Projects

In conjunction with Alabama Department of Transportation (ALDOT), a resolution approved pedestrian and sidewalk improvements along Main Street, Bell Street, and the new City Hall complex. The project entered the design phase during October 2013. The project continues to be ongoing as ALDOT has not announced an expected completion date. Construction-in-progress at September 30, 2015 totaled \$65,855.

Road / Surface Street Improvements

In conjunction with Alabama Department of Transportation (ALDOT), the City entered into grants for road and surface street improvements within the city. The city agreed to fund twenty percent (20%) of the total project cost. The following projects were approved under this arrangement and started in the year ending September 30, 2015:

Fieldstown Road Project: Construction-in-progress at September 30, 2015 totaled \$1,863.

Mount Olive Road Project: Construction-in-progress at September 30, 2015 totaled \$8,828.

Shady Grove Road Project: Construction-in-progress at September 30, 2015 totaled \$3,306.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE G – CONSTRUCTION-IN-PROGRESS – CONTINUED

Road / Surface Street Improvements – Continued

Fieldstown Road Widening: Construction-in-progress at September 30, 2015 totaled \$9,671.

Intersection of Fieldstown Road / Shady Grove Road Project: This project is in the planning and survey phase, ALDOT expects to let the bids for the project by Spring 2016. Construction-in-progress at September 30, 2015 totaled \$18,005.

Flippo Road / Odum Road Intersection: Project is expected to be completed early 2016. Construction-in-progress at September 30, 2015 totaled \$68,483.

Highway 31 Turn Lane Project: Project is expected to be completed early 2016. Construction-in-progress at September 30, 2015 totaled \$62,113.

NOTE H – LETTER OF CREDIT

The City entered into a \$3,000,000 Letter of Credit on August 28, 2015 with Regions Bank. Interest rate was 1.585% per annum. The Letter of Credit is collateralized by the good faith and credit of the City. There was no outstanding liability balance at September 30, 2015.

NOTE I – LONG-TERM DEBT

Note Payable and Capital Leases

At September 30, 2015, there were no note payable balances or capital leases outstanding.

General Obligation Warrants and General Obligation Taxable Warrants

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

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

NOTE I – LONG-TERM DEBT - CONTINUED

General Obligation Warrants and General Obligation Taxable Warrants - Continued

At September 30, 2015, warrants consisted of two (2) outstanding general obligation warrants and one (1) outstanding general obligation taxable warrant, as scheduled below:

	Governmental Activities					Amount Outstanding at September 30, 2015
	Interest Rates	Issue Date	Maturity Date	Original Issue		
General Obligation Taxable Warrants, Series 1999 – United States Postal Service Building	5.74% to 6.77%	1/1/1999	1/1/2019	\$ 2,050,000	\$	640,000
General Obligation Warrants, Series 2011 – Defeasance of General Obligation Warrants, Series 1998	1.10% to 3.35%	2/1/2011	10/1/2018	2,640,000		1,400,000
General Obligation Warrants, Series 2013 – Public Safety Center, New City Hall and Second Fire Station	1.80% to 3.35%	6/1/2013	6/1/2033	6,715,000		6,665,000
				<u>\$ 11,405,000</u>	\$	<u>8,705,000</u>

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

NOTE I – LONG-TERM DEBT – CONTINUED

General Obligation Warrants and General Obligation Taxable Warrants - Continued

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

Year Ended September 30	Governmental Activities									
	Total	Annual Requirement		1999 General Obligation Taxable Warrants		2011 General Obligation Warrants		2013 General Obligation Warrants		Interest
		Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2016	771,073	505,000	38,420	145,000	335,000	35,690	25,000	191,963		
2017	771,968	525,000	28,265	155,000	345,000	27,190	25,000	191,513		
2018	771,049	545,000	17,433	165,000	355,000	17,553	25,000	191,063		
2019	767,651	565,000	5,924	175,000	365,000	6,114	25,000	190,613		
2020	585,163	395,000	-	-	-	-	395,000	190,163		
2021	587,855	405,000	-	-	-	-	405,000	182,855		
2022	584,350	410,000	-	-	-	-	410,000	174,350		
2023	584,920	420,000	-	-	-	-	420,000	164,920		
2024	584,420	430,000	-	-	-	-	430,000	154,420		
2025	588,240	445,000	-	-	-	-	445,000	143,240		
2026	586,003	455,000	-	-	-	-	455,000	131,003		
2027	588,035	470,000	-	-	-	-	470,000	118,035		
2028	583,935	480,000	-	-	-	-	480,000	103,935		
2029	584,055	495,000	-	-	-	-	495,000	89,055		
2030	587,968	515,000	-	-	-	-	515,000	72,968		
2031	586,230	530,000	-	-	-	-	530,000	56,230		
2032	588,475	550,000	-	-	-	-	550,000	38,475		
2033	584,775	565,000	-	-	-	-	565,000	19,775		
Totals	\$ 11,286,165	\$ 8,705,000	\$ 90,042	\$ 640,000	\$ 1,400,000	\$ 86,547	\$ 6,665,000	\$ 2,404,576		

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

NOTE I – LONG-TERM DEBT – CONTINUED

The following is a summary of long-term debt transactions of the City for the year-ended September 30, 2015:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Warrants payable:					
General obligation warrants	\$ 8,415,000	-	\$ 350,000	\$ 8,065,000	\$ 360,000
General obligation taxable warrants	775,000	-	135,000	640,000	145,000
Total bonds payable	<u>9,190,000</u>	<u>-</u>	<u>485,000</u>	<u>8,705,000</u>	<u>505,000</u>
Net OPEB obligation	278,882	75,136	25,658	328,360	-
Net pension liability	8,881,557	-	561,480	8,320,077	-
Compensated absences:					
Vacation leave	777,519	405,842	391,269	792,092	-
Sick leave	2,207,380	400,451	355,315	2,252,516	-
Overtime leave	175,101	24,591	558	199,134	-
Governmental activity long-term liabilities	<u>\$ 21,510,439</u>	<u>\$ 906,020</u>	<u>\$ 1,232,142</u>	<u>\$ 20,597,179</u>	<u>\$ 505,000</u>

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE J – PENSION PLAN

Plan Description

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

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

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

Benefits Provided

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

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

NOTE J – PENSION PLAN – CONTINUED

Benefits Provided – Continued

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

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

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary on the member’s age, service credit, employment status and eligibility for retirement.

The ERS serves approximately 846 local participating employers. These participating employers include 287 cities, 65 counties, and 494 other public entities. The ERS membership includes approximately 83,874 participants. As of September 30, 2014, membership consisted of:

Retirees and beneficiaries currently receiving benefits	21,691
Terminated employees entitled to but not yet receiving benefits	1,252
Terminated employees not entitled to a benefit	5,048
Active members	55,883
Total	<u>83,874</u>

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE J – PENSION PLAN – CONTINUED

Contributions

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

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions 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 pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2015, the City's active employee contribution rate was 8.40 percent of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 3.19 percent of covered employee payroll.

City's contractually required contribution rate for the year ended September 30, 2015 was 11.96 percent of pensionable pay for Tier 1 employees, and 9.14 percent of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2014, 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 \$666,174 for the year ended September 30, 2015.

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

NOTE J – PENSION PLAN – CONTINUED

Net Pension Liability

The City’s net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2013 rolled forward to September 30, 2014 using standard roll-forward techniques as shown in the following table:

Total Pension Liability as of September 30, 2013 (a)	\$	24,227,901
Entry Age Normal Cost for the period October 1, 2013 – September 30, 2014 (b)		567,596
Actual Benefit Payments and Refunds for the period October 1, 2013 – September 30, 2014 (c)		(1,306,895)
Total Pension Liability as of September 30, 2014 [(a) x (1.08)] + (b) – [(c) x (1.04)]	\$	25,374,558

Actuarial Assumptions

The total pension liability in the September 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75% - 7.25%
Investment rate of return*	8.00%
* Net of pension plan investment expense, including inflation	

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

The actuarial assumptions used in the September 30, 2013 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE J – PENSION PLAN – CONTINUED

Actuarial Assumptions – Continued

upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

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	25.00%	5.00%
U.S. Large Stocks	34.00%	9.00%
U.S. Mid Stocks	8.00%	12.00%
U.S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	100.00%	

*Includes assumed rate of inflation of 2.50%

Discount Rate

The discount rate used to measure the total pension liability was the long term rate of return, 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contributions 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.

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE J – PENSION PLAN – CONTINUED

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, 2013	\$ 24,227,901	\$ 15,346,344	\$ 8,881,557
Changes for the year:			
Service cost	567,596	-	567,596
Interest	1,885,956	-	1,885,956
Changes in assumptions	-	-	-
Difference between expected and actual experience	-	-	-
Contributions – employer	-	755,846	(755,846)
Contributions – employee	-	368,121	(368,121)
Net investment income	-	1,833,806	(1,833,806)
Benefit payments, including refunds of employee contributions	(1,306,895)	(1,306,895)	-
Administrative expense	-	-	-
Transfers among employers	-	57,259	(57,259)
Net changes	<u>1,146,657</u>	<u>1,708,137</u>	<u>(561,480)</u>
Balances at September 30, 2014	<u>\$ 25,374,558</u>	<u>\$ 17,054,481</u>	<u>\$ 8,320,077</u>

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 8%, 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 (7%) or 1-percentage point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Rate 8.00%	1% Increase (9.00%)
City’s Net Pension Liability	\$ 11,408,002	\$ 8,320,077	\$ 5,721,254

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

NOTE J – PENSION PLAN – CONTINUED

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, 2014. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2014. The auditor’s report dated June 3, 2015 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

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

For the year ended September 30, 2015, the City recognized pension expense of \$17,092. At September 30, 2015, 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	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on plan investments	-	488,900
Employer contributions subsequent to the measurement date	666,174	-
Total	\$ 666,174	\$ 488,900

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

Year ended September 30:		
2016	\$	122,225
2017		122,225
2018		122,225
2019		122,225
2020		-
Thereafter		-

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE K – DEFERRED COMPENSATION PLAN

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

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

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

NOTE L – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

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

Contribution Rates

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

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

Fund Policy

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

In Fiscal Year Ending September 30, 2015, the City’s portion of health care funding cost for retired employees totaled \$25,658. These amounts were applied toward the Net OPEB Benefit Obligation as shown in the table on the following page.

Annual Required Contribution

The City’s Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB No. 45. The ARC is the sum of the Normal Cost plus the contribution to amortize the Underfunded Actuarial Accrued Liability (UAAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The actuarially computed ARC as follows:

Normal Cost	\$	45,628
30-year UAL amortization amount		34,480
Annual required contribution (ARC)	\$	<u>80,108</u>

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

Net Post-employment Benefit Obligation (Asset)

The table below shows the City's Net Other Post-employment Benefit (OPEB) Obligation (Asset) for fiscal year ending September 30, 2015:

Beginning Net OPEB Obligation (Asset) 10/1/2014	\$ 278,882
Annual required contribution	80,108
Interest on Net OPEB Obligation (Asset)	11,155
ARC Adjustment	<u>(16,128)</u>
OPEB Cost	75,136
Contribution	-
Current year retiree premium	<u>(25,658)</u>
Change in Net OPEB Obligation	49,478
Ending Net OPEB Obligation (Asset) 9/30/2015	<u>\$ 328,360</u>

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

Annual Fiscal Year Ended September 30, 2015 Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation (Asset)
\$75,136	34.15%	\$328,360

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

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

Funded Status and Funding Progress

In the fiscal year ending September 30, 2015, the City made no contributions to its post employment benefits plan. The plan was not funded at all, has no assets, and hence has a funded ratio of zero. Based on the October 1, 2012 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at fiscal year end September 30, 2015 was \$620,064, which is defined as that portion, as determined by a particular actuarial cost method (the City uses the Projected Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost.

Actuarial Accrued Liability (AAL)	\$	620,064
Actuarial Value of Plan Assets		-
Unfunded Act. Accrued Liability (UAAL)		620,064
Funded Ratio (Act. Val. Assets/AAL)		0.00%
Covered Payroll (active plan members)		6,858,973
UAAL as a percentage of covered payroll		9.04%

Actuarial Methods and Assumptions

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

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

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

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

Actuarial Cost Method

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

Actuarial Value of Plan Assets

There are not any plan assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB No. 45 will be used.

Turnover Rate

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

Post Employment Benefit Plan Eligibility Requirements

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

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

Investment Return Assumption (Discount Rate)

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

Health Care Cost Trend Rate

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

Mortality Rate

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

Method of Determining Value of Benefits

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

Inflation Rate

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

CITY OF GARDENDALE, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

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

Projected Salary Increases

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

Post-retirement Benefit Increases

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

OPEB Costs and Contributions

	September 30, 2013	September 30, 2014	September 30, 2015
OPEB Cost	\$ 72,931	\$ 72,931	\$ 75,136
Contribution	-	-	-
Retiree premium	<u>23,757</u>	<u>23,757</u>	<u>25,658</u>
Total contribution and premium	<u>23,757</u>	<u>23,757</u>	<u>25,658</u>
Change in net OPEB obligation	<u>\$ 49,174</u>	<u>\$ 49,174</u>	<u>\$ 49,478</u>
Percent of contribution to cost	0.00%	0.00%	0.00%
Percent of contribution plus premium to cost	32.57%	32.57%	34.15%

NOTE M – RISK MANAGEMENT

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

CITY OF GARDENDALE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE N – 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 O – 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, 2015

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Taxes, licenses, and permits	\$ 13,656,443	\$ 13,656,443	\$ 15,813,602	\$ 2,157,159
Intergovernmental revenue	730,365	730,365	752,736	22,371
Charges for services	157,638	157,638	216,776	59,138
Fines and forfeitures	203,075	203,075	250,528	47,453
Interest income	-	-	3,452	3,452
Other	543,351	543,351	572,307	28,956
TOTAL REVENUES	15,290,872	15,290,872	17,609,401	2,318,529
EXPENDITURES				
General and Administrative	4,860,028	4,863,778	4,089,538	774,240
Police Department	3,909,585	3,916,615	3,356,026	560,589
Fire and Rescue	2,611,598	2,611,598	2,708,988	(97,390)
Public Works Department	2,029,932	2,029,932	1,928,268	101,664
Inspection Department	483,134	498,397	494,374	4,023
Civic Center	1,027,556	1,027,556	995,637	31,919
Senior Center	32,675	32,675	44,119	(11,444)
Parks and Recreation Department	1,159,835	1,159,835	1,089,217	70,618
Gardendale-Martha Moore Public Library	703,773	703,773	638,505	65,268
TOTAL EXPENDITURES	16,818,116	16,844,159	15,344,672	1,499,487
Excess (deficiency) of revenues over expenditures	(1,527,244)	(1,553,287)	2,264,729	3,818,016
Other financing sources (uses) Operating transfers in (out)	(2,505,496)	(2,505,496)	(2,505,496)	-
	(4,032,740)	(4,058,783)	(240,767)	3,818,016
Fund Balances - Beginning, adjusted	3,977,339	3,977,339	3,977,339	-
Fund Balances - Ending	\$ (55,401)	\$ (81,444)	\$ 3,736,572	\$ 3,818,016

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

CITY OF GARDENDALE, ALABAMA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Budgets and Budgetary Accounting

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

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

Budget information presented in the financial statements is based on the budget as adopted by the City Council on October 6, 2014 (Resolution Number 2014-100). There were three budget amendments (Resolution Numbers 2014-113, 2014-122 and 2014-124) approved during the fiscal year.

SUPPLEMENTARY INFORMATION

CITY OF GARDENDALE, ALABAMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2015

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Debt Service Fund	Corrections Fund	Drug Enforcement Fund	Court Ordered Fund	E-911 District Fund	Parks and Recreation Rental Fund	
ASSETS							
Cash and cash equivalents	\$ 427,265	\$ 136,740	\$ 68,257	\$ 69,620	\$ 47,019	\$ 67,054	\$ 815,955
Short-term investments	-	69,557	-	-	92,586	-	162,143
Receivables-net and prepaids	-	11	-	-	3,397	-	3,408
TOTAL ASSETS	\$ 427,265	\$ 206,308	\$ 68,257	\$ 69,620	\$ 143,002	\$ 67,054	\$ 981,506
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
LIABILITIES							
Accounts Payable	\$ -	\$ -	\$ 3,379	\$ 2,631	\$ 15,045	\$ -	\$ 21,055
TOTAL LIABILITIES	-	-	3,379	2,631	15,045	-	21,055
DEFERRED INFLOWS OF RESOURCES							
Unearned Revenue	-	-	23,929	-	-	-	23,929
FUND BALANCES							
Restricted	-	206,308	40,949	66,989	127,957	-	442,203
Assigned	427,265	-	-	-	-	67,054	494,319
TOTAL FUND BALANCES	427,265	206,308	40,949	66,989	127,957	67,054	936,522
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 427,265	\$ 206,308	\$ 68,257	\$ 69,620	\$ 143,002	\$ 67,054	\$ 981,506

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, 2015

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Debt Service Fund	Corrections Fund	Drug Enforcement Fund	Court Ordered Fund	E-911 District Fund	Parks and Recreation Rental Fund	
REVENUES							
Charges for services	\$ -	\$ 87,345	\$ -	\$ 34,342	\$ 332,036	\$ 41,869	\$ 495,592
Interest income	-	208	63	111	590	81	1,053
Other	-	663	16,220	-	-	30	16,913
TOTAL REVENUES	-	88,216	16,283	34,453	332,626	41,980	513,558
EXPENDITURES							
General and Administrative	-	310	-	30,172	-	-	30,482
Police Department	-	-	7,574	-	386,508	-	394,082
Parks and Recreation Department	-	-	-	-	-	22,180	22,180
Debt service							
Principal payments	485,000	-	-	-	-	-	485,000
Interest charges	282,855	-	-	-	-	-	282,855
Other charges	3,912	-	-	-	-	-	3,912
TOTAL EXPENDITURES	771,767	310	7,574	30,172	386,508	22,180	1,218,511
Excess (deficiency) of revenues over expenditures	(771,767)	87,906	8,709	4,281	(53,882)	19,800	(704,953)
Other financing sources (uses)							
Operating transfers in	770,583	87,654	-	49,256	304,886	-	1,212,379
Operating transfers out	-	(87,344)	(1,635)	(35,296)	(250,000)	(3,697)	(377,972)
Fund Balances - Beginning	(1,184)	88,216	7,074	18,241	1,004	16,103	129,454
Fund Balances - Ending	428,449	118,092	33,875	48,748	126,953	50,951	807,068
Fund Balances - Ending	\$ 427,265	\$ 206,308	\$ 40,949	\$ 66,989	\$ 127,957	\$ 67,054	\$ 936,522

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

CITY OF GARDENDALE, ALABAMA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Orginal Budget	Final Budget	Actual	Variance
REVENUES				
Intergovernmental revenue	\$ 216,000	\$ 216,000	\$ 262,298	\$ 46,298
Charges for services	436,917	436,917	495,592	58,675
Interest income	-	-	1,237	1,237
Other	-	-	16,913	16,913
TOTAL REVENUES	<u>652,917</u>	<u>652,917</u>	<u>776,040</u>	<u>123,123</u>
EXPENDITURES				
General and Administrative	18,285	18,285	30,482	(12,197)
Police Department	126,630	126,630	394,082	(267,452)
Public Works Department	92,351	92,351	374,687	(282,336)
Parks and Recreation Department	-	-	22,180	(22,180)
TOTAL EXPENDITURES	<u>237,266</u>	<u>237,266</u>	<u>821,431</u>	<u>(584,165)</u>
Excess (deficiency) of revenues over expenditures	415,651	415,651	(45,391)	(461,042)
Other financing sources (uses) Operating transfers in (out)	<u>(29,277)</u>	<u>(29,277)</u>	<u>(29,277)</u>	<u>-</u>
	386,374	386,374	(74,668)	(461,042)
Fund Balances - Beginning	<u>838,888</u>	<u>838,888</u>	<u>838,888</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 1,225,262</u>	<u>\$ 1,225,262</u>	<u>\$ 764,220</u>	<u>\$ (461,042)</u>

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

GARDENDALE-MARTHA MOORE PUBLIC LIBRARY
BALANCE SHEET
SEPTEMBER 30, 2015

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 25,426
Accounts receivable	<u>727</u>
TOTAL ASSETS	<u>\$ 26,153</u>
LIABILITIES	
Accounts payable	<u>\$ 188</u>
TOTAL LIABILITIES	<u>188</u>
FUND BALANCE	
Unassigned	<u>25,965</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 26,153</u>

GARDENDALE-MARTHA MOORE PUBLIC LIBRARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2015

REVENUES	
Book sales	\$ 3,031
Coffee sales	604
Copier income	1,783
Donations and memorials	625
E-rate	7,840
Fax charges	3,055
Fines	12,561
Grant	5,300
Laminator fees	332
Library card replacement	599
Lost or damaged material	1,904
Miscellaneous	1,375
Non-resident card fees	965
Printer income	6,608
Reimbursment	3,592
Rental of meeting room	250
Scans	37
State aid	7,514
Test proctor fee	1,039
	<hr/>
TOTAL REVENUES	59,014
EXPENDITURES	
Adult programs	3,520
Audio books and CD's	968
Books	1,110
Cellular telephone expense	1,457
Cleaning supplies	55
Convention	975
Copier fee	1,847
Dues and subscriptions	815
Equipment	323
Grants	5,169
Office supplies	1,696
Periodicals	1,004
E-rate	500
Food and medical	2,084
Internet expense	300
Miscellaneous	408
Postage and shipping	174
Programs	9,717
Promotional	98
Refund / lost material	60
Reimbursed expenses	102
Repair and maintenance	747
Security	3,169
Staff development	295
State aid expenditures	12,060
Video and DVDs	2,436
	<hr/>
TOTAL EXPENDITURES	51,089
EXCESS OF EXPENDITURES OVER REVENUES	7,925
FUND BALANCE AT BEGINNING OF THE YEAR	<hr/> 18,040
FUND BALANCE AT END OF THE YEAR	<hr/> <u>\$ 25,965</u>

GARDENDALE-MARTHA MOORE PUBLIC LIBRARY
 SCHEDULE OF STATE AID (ALABAMA PUBLIC LIBRARY SERVICE)
 YEAR ENDED SEPTEMBER 30, 2015

REVENUES	
State aid	<u>\$ 7,514</u>
TOTAL REVENUES - (Received and deposited)	<u>7,514</u>
EXPENDITURES	
Books/DVD's	1,664
Computer expense	3,791
Equipment	1,607
Paid labor	3,018
Subscriptions	550
Supplies	<u>1,430</u>
TOTAL EXPENDITURES	<u>12,060</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u><u>\$ (4,546)</u></u>

The above schedule reflects cash basis method of accounting.