

City of Gardendale, Alabama

Financial Report September 30, 2023

Including Report of
Independent Auditors

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DENTMOSES

INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities, blended component unit, each major fund, and the aggregate remaining fund information of the City of Gardendale, Alabama, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, blended component unit, each major fund, and the aggregate remaining fund information of the City of Gardendale, Alabama, as of September 30, 2023, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Gardendale, Alabama, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Gardendale, Alabama's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Gardendale, Alabama's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Gardendale, Alabama's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, general fund budgetary comparison information, schedule of changes in net OPEB liability and related ratios, schedule of changes in the net pension liability and related ratios, and schedule of employer contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gardendale, Alabama's basic financial statements. The special revenue fund and debt service fund budgetary comparison schedules and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 special revenue fund and debt service fund budgetary comparison schedules and combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the City Officials section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Dent Moses LLP

Birmingham, Alabama

February 19, 2024

City of Gardendale, Alabama
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2023

The City of Gardendale, Alabama's management presents to the readers of its financial statements this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2023. We encourage readers to consider the information presented here as a part of the whole. Readers should also review and evaluate all sections of this report, including the note disclosures and supplemental information that is provided in addition to this MD&A.

Financial Highlights

The assets and deferred outflows of resources of the City of Gardendale, Alabama (the City) exceeded liabilities and deferred inflows of resources at the close of the current fiscal year by \$34,824,242 (net position). Of this amount, \$3,781,350 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors.

Net position increased by \$3,069,694.

The City's governmental funds reported a combined ending fund balance of \$27,151,633 a decrease of \$11,638,611 in comparison to the prior year. The general fund reported fund balance of \$21,925,687, of which \$16,465,536 is categorized as unassigned.

The City's total bonds outstanding decreased by \$1,893,008.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

In accordance with Governmental Accounting Standard Board Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75), the City's total OPEB liability was actuarially determined to be \$1,201,657. This amount is reported on the Statement of Net Position, Page 10, OPEB Liability.

The City states the Net Pension Liability in accordance with Governmental Accounting Standard Board Statement 68, Accounting and Financial Reporting for Pensions (GASB 68). This statement requires unfunded pension liabilities to be reported on the balance sheet (statement of net position) of governmental financial statements. That liability equals the difference between the total pension liability and the value of assets set aside in a pension plan to pay benefits and was \$14,909,489 as of September 30, 2023.

City of Gardendale, Alabama
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2023

Government-wide Financial Statements – Continued

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

The government-wide financial statements can be found on Pages 11 and 12 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

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

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

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

Notes to the Financial Statements

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

City of Gardendale, Alabama
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2023

Table 1 - City of Gardendale
Condensed Statement of Net Position

	Governmental Activities	
	2023	2022
Current and other assets	\$ 31,713,527	\$ 46,412,069
Capital assets	74,945,539	60,585,564
Total assets	106,659,066	106,997,633
Deferred outflows of resources	5,448,932	3,088,077
Current liabilities	3,515,834	7,201,878
Long-term liabilities	68,198,127	64,270,720
Total liabilities	71,713,961	71,472,598
Deferred inflows of resources	5,569,795	6,858,564
Net investment in capital assets	23,067,230	6,681,631
Restricted	7,975,662	22,139,363
Unrestricted	3,781,350	2,933,554
Total net position	\$ 34,824,242	\$ 31,754,548

- Net investment in capital assets increased by \$16,385,599. This increase is composed of new capital purchases and construction in progress, the largest being purchases related to the completion of Bill Noble Park.
- Restricted net position decreased by \$14,163,701, primarily related to restricted financial resources being used in the General, Special Revenue and Capital Project Funds.
- Unrestricted net position increased by \$847,796 due to a conservative approach to budgeting and spending.

As noted earlier, net position assets may serve over time as a useful indicator of a government's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$34,824,242 at the close of the current fiscal year.

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

City of Gardendale, Alabama
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2023

Table 2 - City of Gardendale
Changes in Net Assets

	Governmental Activities	
	2023	2022
Revenues:		
Program revenues:		
Charges for service	\$ 1,362,492	\$ 694,895
Operating grants and contributions	747,555	2,219,341
Capital grants and contributions	516,947	685,115
General revenues:		
Sales taxes	17,101,061	16,018,223
Ad valorem property taxes	2,291,385	1,890,006
Other taxes	1,578,163	1,415,332
Business licenses and permits	3,425,600	3,135,279
Fines and forfeitures	243,184	274,841
Interest	1,224,040	319,698
Gain on sale of capital assets	58,520	827,696
Other	603,071	537,283
Total revenues	<u>29,152,018</u>	<u>28,017,709</u>
Expenses:		
Primary government:		
Governmental activities:		
General and Administrative	8,233,114	6,510,737
Court	320,361	383,501
Police Department	4,616,389	4,513,993
Fire and Rescue	3,370,353	3,312,655
Public Works Department	2,126,710	2,336,991
Inspection Department	574,880	574,475
Civic Center	1,201,653	1,199,509
Senior Center	230,629	200,162
Parks and Recreation Department	3,179,722	1,528,897
Gardendale-Martha Moore Public Library	796,735	793,669
Interest on Long-Term Debt	1,431,778	1,300,978
Total expenses	<u>26,082,324</u>	<u>22,655,567</u>
Increase (decrease) in net assets	<u>3,069,694</u>	<u>5,362,142</u>
Net Assets - Beginning	<u>31,754,548</u>	<u>24,898,259</u>
Prior period adjustment	-	1,494,147
Net Assets - Ending	<u>\$ 34,824,242</u>	<u>\$ 31,754,548</u>

- Revenues for the City's governmental activities increased by \$1,134,309, while total expenses increased by \$3,426,757. The increase in net assets for 2023 was \$3,069,694, compared to an increase of \$5,362,142 in 2022.
- Operating grants and contributions decreased by \$1,471,786 during the year, most of this decrease is due to the City receiving \$1,686,875 in American Rescue Plan Act monies in 2022.
- Interest income increased by \$904,342 due to the City moving monies to bank accounts with higher interest rates.

City of Gardendale, Alabama
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2023

Financial Analysis of the City of Gardendale's Funds

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

Governmental Funds

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

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

Committed fund balance includes amounts that can only be used for specific purposes as a result of constraints imposed by formal action by the City Council. Assigned fund balance includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance includes all remaining amounts.

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$27,151,633, with a decrease of \$11,638,611 compared to the prior fiscal year. Of the total balance, \$2,650,752 is nonspendable, \$7,962,383 is restricted, \$72,962 is assigned and \$16,465,536 is unassigned.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the general fund reported a fund balance of \$21,925,687, of which \$2,650,752 is nonspendable, \$2,736,437 is restricted, \$72,962 is assigned and \$16,465,536 is unassigned.

Fund balance of the general fund decreased by \$975,261 due primarily to capital outlay expenditures related to the Bill Noble Park project.

Fund balance of the capital projects fund decreased by \$11,359,222 due to certificates of deposit maturing and funds being transferred to the general fund for capital improvements.

Fund balance of the debt service fund increased by \$22,592 as interest income grew related to the increase in rates.

General Fund Budgetary Highlights

Differences between the general fund's original budget and the final amended budget amounted to a total increase in revenues of approximately \$84,000 or 0.37% and an increase in expenditures of approximately \$400,000 or 0.87%. A significant part of the increase was due to certain capital outlay expenditures not being included in the original budget.

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

- About \$2 Million more was earned from sales taxes than budgeted.
- About \$8.4 Million less was spent for capital outlay than budgeted.

City of Gardendale, Alabama
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2023

Capital Asset and Debt Administration

The City's investment in capital assets for its governmental activities amounts to \$23,067,230 (net of related debt). This investment in capital assets includes land, buildings, infrastructure, and equipment.

Table 3 presents the City's capital assets for the fiscal years ended September 30, 2023 and 2022.

Table 3 - City of Gardendale Capital Assets

	2023	2022
Land	\$ 25,713,012	\$ 13,343,903
Land Improvements	3,158,323	1,735,172
Buildings and Improvements	40,359,970	24,971,069
Equipment	16,668,954	10,061,216
Infrastructure	13,615,273	12,525,453
Construction in Progress	2,548,943	22,974,650
	<u>102,064,475</u>	<u>85,611,463</u>
Accumulated Depreciation	(27,118,936)	(25,025,899)
Total	<u>\$ 74,945,539</u>	<u>\$ 60,585,564</u>

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

At the end of the current fiscal year, the City had principal outstanding on notes, financed purchases, and bonds payable of \$51,878,309. Of this amount, \$48,714,754 comprises debt backed by the full faith and credit of the City and the remainder represents debt secured by other revenue sources (e.g. sales tax, lessor income, etc.).

Table 4 presents the City's bonds, notes and leases for the fiscal years ended September 30, 2023 and 2022.

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

	2023	2022
Notes payable	\$ 409,550	\$ 490,156
Financed purchases	2,754,005	2,806,015
General obligation warrants	41,464,754	43,047,762
General obligation taxable warrants	7,250,000	7,560,000
Total	<u>\$ 51,878,309</u>	<u>\$ 53,903,933</u>

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

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

Economic Factors and Next Year's Budgets and Rates

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

City of Gardendale, Alabama
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2023

Requests for information

This financial report is designed to provide a general overview of the City of Gardendale's finances. Questions regarding any of the information contained in this report or requests for additional information should be addressed to the Mayor's office at Post Office Box 889, Gardendale, Alabama 35071.

City of Gardendale, Alabama
STATEMENT OF NET POSITION
September 30, 2023

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 19,979,510
Receivables, net	2,756,659
Lease receivables	230,297
Prepaid expenses	372,149
Right of use equipment	326,036
Restricted assets:	
Cash and cash equivalents	8,037,060
Accounts receivable	11,816
Capital assets, net	
Non-depreciable	28,261,955
Depreciable	46,683,584
TOTAL ASSETS	106,659,066
DEFERRED OUTFLOWS OF RESOURCES	
Pension related amount	5,119,401
OPEB related amount	329,531
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,448,932
LIABILITIES	
Accounts payable	\$ 741,050
Accrued salaries and wages	389,302
Deposits from others	137,711
Other payables	12,054
Noncurrent liabilities	
Due within one year	
Notes payable	82,641
Financed purchases	118,072
Operating lease liabilities	86,996
Due within one year - payable from restricted assets	1,948,008
Due in more than one year	
Notes payable	326,909
Financed purchases	2,635,933
Operating lease liabilities	239,040
Bonds payable	46,766,746
OPEB liability	1,201,657
Net pension liability	14,909,489
Compensated absences	2,118,353
TOTAL LIABILITIES	71,713,961
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - leases	230,297
Deferred property taxes	2,652,230
Restricted - Unearned revenue	73,214
Pension related amount	1,128,877
OPEB related amount	1,485,177
TOTAL DEFERRED INFLOWS OF RESOURCES	5,569,795
NET POSITION	
Net investment in capital assets	23,067,230
Restricted for:	
Public safety	770,244
Street improvements	1,791,796
Capital projects	1,585,299
Debt service	1,675,108
Education	1,926,840
Municipal court	123,244
Library	11,805
Parks and recreation	91,326
Unrestricted	3,781,350
TOTAL NET POSITION	\$ 34,824,242

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

City of Gardendale, Alabama
STATEMENT OF ACTIVITIES
September 30, 2023

<u>Functions / Programs</u>	<u>Program Revenues</u>				Net (Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Governmental activities:					
General Government	\$ 9,128,355	\$ 3,436,293	\$ -	\$ 516,947	\$ (5,175,115)
Public Safety	7,986,742	565,780	264,208	-	(7,156,754)
Public Works	2,126,710	-	464,918	-	(1,661,792)
Parks and Recreation	4,612,004	1,005,140	-	-	(3,606,864)
Gardendale-Martha Moore Public Library	796,735	24,063	18,429	-	(754,243)
Interest and Fiscal Charges	1,431,778	-	-	-	(1,431,778)
Total governmental activities	\$ 26,082,324	\$ 5,031,276	\$ 747,555	\$ 516,947	\$ (19,786,546)

General revenues:

Taxes:

Sales taxes	\$ 17,101,061
Ad valorem property taxes	2,291,385
Other taxes	1,578,163
Interest	1,224,040
Other	603,071
Gain on disposal of capital assets	58,520
Total general revenues	22,856,240
Change in net position	3,069,694
Net Position - Beginning	31,754,548
Net Position - Ending	\$ 34,824,242

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

City of Gardendale, Alabama
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2023

	Major Funds			Total Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Capital Projects Fund	Debt Service Fund		
ASSETS					
Cash and cash equivalents	\$ 19,979,510	\$ -	\$ -	\$ -	\$ 19,979,510
Receivables, net	2,756,659	-	-	-	2,756,659
Lease receivables	230,297	-	-	-	230,297
Prepaid expenses	372,149	-	-	-	372,149
Due from other funds	20,393	-	-	-	20,393
Restricted assets:					
Cash	2,736,437	1,585,299	1,675,106	2,040,218	8,037,060
Accounts receivable	-	-	-	11,816	11,816
TOTAL ASSETS	\$ 26,095,445	\$ 1,585,299	\$ 1,675,106	\$ 2,052,034	\$ 31,407,884
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 741,050	\$ -	\$ -	\$ -	\$ 741,050
Accrued salaries and wages	389,302	-	-	-	389,302
Deposits from others	137,711	-	-	-	137,711
Other payables	12,054	-	-	-	12,054
Due to other funds	-	-	-	20,393	20,393
TOTAL LIABILITIES	1,280,117	-	-	20,393	1,300,510
DEFERRED INFLOWS OF RESOURCES					
Deferred inflow - leases	230,297	-	-	-	230,297
Deferred property taxes	2,652,230	-	-	-	2,652,230
Unearned revenue, restricted	7,114	-	-	66,100	73,214
TOTAL DEFERRED INFLOWS OF RESOURCES	2,889,641	-	-	66,100	2,955,741
FUND BALANCES					
Nonspendable	2,650,752	-	-	-	2,650,752
Restricted	2,736,437	1,585,299	1,675,106	1,965,541	7,962,383
Assigned	72,962	-	-	-	72,962
Unassigned	16,465,536	-	-	-	16,465,536
TOTAL FUND BALANCES	21,925,687	1,585,299	1,675,106	1,965,541	27,151,633
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 26,095,445	\$ 1,585,299	\$ 1,675,106	\$ 2,052,034	\$ 31,407,884

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
September 30, 2023

Fund Balances - Total Governmental Funds \$ 27,151,633

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.

Governmental capital assets	\$ 102,064,475	
Less: accumulated depreciation	<u>(27,118,936)</u>	74,945,539

Net pension liability is not due and payable in the current period, and therefore, the liability and related deferred outflows and inflows are not reported in the governmental funds balance sheet.

Employer contributions subsequent to measurement date	913,677
Net difference between projected and actual earnings on investments	2,923,296
Differences between expected and actual experience	(1,022,298)
Changes of assumptions	1,175,849
Net pension liability	(14,909,489)

Net other post employment benefit obligation is not due and payable in the current period, and therefore, the liability and related deferred outflows and inflows are not reported in the governmental funds balance sheet.

Differences between expected and actual experience	(1,120,246)
Changes of assumptions	(35,400)
Net OPEB liability	(1,201,657)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet but are reported in the Statement of Net Position:

General Obligation Warrants	\$ (42,845,000)	
Notes payable	(409,550)	
Financed purchases	(2,754,005)	
Unamortized premiums	(5,869,754)	
Compensated Absences	<u>(2,118,353)</u>	<u>(53,996,662)</u>

Net Position of Governmental Activities \$ 34,824,242

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, 2023

	Major Funds			Total Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Capital Projects Fund	Debt Service Fund		
REVENUES					
Taxes:					
Sales	\$ 17,101,061	\$ -	\$ -	\$ -	\$ 17,101,061
Property	2,291,385	-	-	-	2,291,385
Motor vehicle / gas	290,727	-	-	-	290,727
Other	1,341,455	-	-	-	1,341,455
Licenses and permits	3,425,600	-	-	-	3,425,600
Gas tax	-	-	-	410,899	410,899
Charges for services	847,468	-	-	425,892	1,273,360
Fines and forfeitures	152,820	-	-	90,364	243,184
Grant revenue	367,447	-	-	207,426	574,873
Interest income	923,377	229,775	50,626	20,262	1,224,040
Other	904,335	-	-	12,579	916,914
TOTAL REVENUES	27,645,675	229,775	50,626	1,167,422	29,093,498
EXPENDITURES					
General and Administrative	5,860,537	-	-	-	5,860,537
Court	184,128	-	-	77,330	261,458
Police Department	4,124,390	-	-	295,411	4,419,801
Fire and Rescue	3,238,899	-	-	-	3,238,899
Public Works Department	1,822,281	-	-	29,035	1,851,316
Inspection Department	550,597	-	-	-	550,597
Civic Center	991,304	-	-	-	991,304
Senior Center	222,516	-	-	-	222,516
Parks and Recreation Department	2,533,333	-	-	5,500	2,538,833
Gardendale-Martha Moore Public Library	672,667	-	-	55,015	727,682
Capital Outlay	16,642,399	-	-	31,851	16,674,250
Debt service					
Principal payments	116,311	-	1,615,000	-	1,731,311
Interest charges	84,345	-	1,634,933	-	1,719,278
Other charges	-	-	6,813	-	6,813
TOTAL EXPENDITURES	37,043,707	-	3,256,746	494,142	40,794,595
Excess (deficiency) of revenues over expenditures	(9,398,032)	229,775	(3,206,120)	673,280	(11,701,097)
Other financing sources (uses)					
Sale of capital assets	62,486	-	-	-	62,486
Operating transfers	8,360,285	(11,588,997)	3,228,712	-	-
Total other financing sources (uses)	8,422,771	(11,588,997)	3,228,712	-	62,486
Net change in fund balances	(975,261)	(11,359,222)	22,592	673,280	(11,638,611)
Fund Balances, Beginning	22,900,948	12,944,521	1,652,514	1,292,261	38,790,244
Fund Balances, Ending	\$ 21,925,687	\$ 1,585,299	\$ 1,675,106	\$ 1,965,541	\$ 27,151,633

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, 2023

Net change in fund balances - total governmental funds \$ (11,638,611)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense

Expenditures for capital assets	16,674,250	
Less current year depreciation	<u>(2,310,309)</u>	14,363,941

Proceeds reported from the sale of assets are reported as revenue in the governmental funds. However, only the difference between proceeds and the carrying value of the assets is reported as gain or loss in the statement of activities. (3,966)

The effect of the net increase (decrease) in deferred outflows/inflows of resources related to pension:

Differences between expected and actual experience	(507,297)	
Changes of assumptions	(407,588)	
Net difference between projected and actual earnings on plan investments	5,023,076	
Employer contributions subsequent to the measurement date	<u>80,237</u>	4,188,428

The effect of the net increase (decrease) in deferred outflows/inflows of resources related to OPEB:

Differences between expected and actual experience	102,614	
Changes of assumptions	<u>(119,660)</u>	(17,046)

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.

Repayment of debt	<u>1,731,311</u>	1,731,311
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Some expenses reported in the statement of activities do not require the use current financial resources and, therefore, are not reported as expenditures in the funds.

OPEB plan expense	5,444	
Decrease in net pension liability	(5,125,015)	
Compensated absences	(729,105)	
Change in accrued interest expense	<u>294,313</u>	<u>(5,554,363)</u>

Change in net position of governmental activities \$ 3,069,694

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

City of Gardendale, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The City of Gardendale, Alabama ("City"), an Alabama Municipal Corporation, was incorporated in June 1955 under the laws of the State of Alabama. The City operates under a Mayor-Council form of government which is governed by a mayor, elected at large, and five council members, elected from defined districts. The City Council President presides over the City Council meetings. The City provides the following services to its community: Public Safety - Police, Fire and Rescue, Public Works and Inspection; Culture - Parks and Recreation, Civic Center and Senior Center; Gardendale-Martha Moore Public Library, Court and General and Administrative services.

Accounting

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

Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Based on the aforementioned, the following are included as component units in the City's reporting entity:

Gardendale-Martha Moore Public Library - Presentation of the component unit's financial statements are blended 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.

Gardendale Downtown Redevelopment Authority - Presentation of the component unit's financial statements are blended in the City's basic financial statements. Although legally separate, the Gardendale Downtown Redevelopment Authority is blended as a governmental fund component unit because the structure meets the GASB Statement 61 criteria. A separate financial report is not prepared. There is no activity during the year-ended September 30, 2023.

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.

City of Gardendale, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basic Financial Statements - Government-Wide Statements - Continued

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis, and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position are reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position.

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

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 the year ended September 30, 2023.

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.

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

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

City of Gardendale, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basic Financial Statements – Fund Financial Statements - Continued

The City has presented the following nonmajor governmental funds:

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

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

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

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

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

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

City of Gardendale, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Encumbrances

In the fund financial statements, the City utilizes encumbrance accounting techniques in which fund balances are reserved upon the issuance of purchase orders. No encumbrances were outstanding at September 30, 2023.

Budgetary Accounting

The City Charter established the fiscal year as the twelve-month period beginning October. 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.

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

Budget information presented in the financial statements is based on the budget as adopted by the City Council. The budget is revised by City Council approved budget amendments or through administrative reclassifications that do not change the surplus.

Cash and Deposits

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, 2023.

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.

Restricted Assets

The use of restricted assets is limited by legal requirements or restrictions imposed externally by creditors or contributors. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted, as they are needed.

City of Gardendale, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Allowance for Uncollectible Accounts

An allowance for uncollectible accounts, presented in Note D, is provided based on historical evidence.

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:

<u>Capital Asset Class</u>	<u>Years</u>
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.

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 of Gardendale, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Compensated Absences – Continued

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 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.

Overtime Leave

Employees may accumulate overtime leave for overtime hours worked, but not compensated for, during a specific pay period. Overtime leave accrued but not used may be accumulated during the calendar year with a maximum amount of 40 hours. This amount will carry over and is a liability of the City until the employee is paid in future periods. Amounts earned in excess of 40 hours are paid out to the employee when earned.

Pension

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

Interfund Operating Transfers, Receivables, and Payables

During the normal course of operations, the City has numerous transactions between funds to provide services, construct assets, and service debt. These receivables and payables are classified as "Due to/from other funds," as they are all short-term in nature. These amounts have been eliminated on the government-wide financial statements.

Routine transfers of resources between City funds that are not intended to be repaid are classified separately from revenues and expenditures. Such interfund operating transfers are identified as "Interfund operating transfers in/(out)" in the accompanying financial statements.

Ad Valorem Property Taxes

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

City of Gardendale, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Long-Term Obligations

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

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

Equity Classifications

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

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

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

City of Gardendale, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

Revenues and Major Revenue Sources

Substantially all governmental fund revenues are accrued. The City's primary sources of revenue include sales and use taxes, ad valorem property taxes, business licenses and permits. Collectively, these taxes and licenses totaled approximately \$21 million or 84% of the total General and Special Revenue Fund revenues during the year ended September 30, 2023.

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.

Recently Adopted Accounting Standards

Governmental Accounting Standards Board Statement No. 87 - As of October 1, 2022, the City adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use and underlying asset. The standard requires recognition of certain right-to-use leases assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. As a result of implementing this standard the City recognized a lease receivable and deferred inflow of resources in the amount of \$117,260 and \$117,260 as of October 1, 2022, respectively. The City also recognized a right-to-use leased asset and lease liability in the amount of \$367,751 and \$367,751 as of October 1, 2022, respectively. There was no restatement of net position. The additional disclosures required by this standard are included in Notes M and N.

Governmental Accounting Standards Board Statement No. 96 - The City implemented Governmental Accounting Standards Board Statement No. 96, Subscription-Based Information Technology Arrangements, in fiscal year 2023. The City currently has no software arrangements that require recognition under GASBS No. 96.

City of Gardendale, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE B – TAX ABATEMENTS

Tax Abatements

The City extends abatement agreements in accordance with Alabama Constitutional Amendment 772. Applicants must show their development or redevelopment benefits the citizens of the City by increasing the economic tax base, increasing jobs to the areas or otherwise improving the City. In the fiscal year ending September 30, 2023, the City had eight (8) active tax abatements for retail developments:

Gardendale Retail, LLC - Sales taxes are abated for a period of 10 years. Abatement rebates began in January 2015. Sales tax abatement rebate terms are half of 3% of tax remitted for 10 years. Abated amounts: sales tax - \$73,188.

PGP Gardendale, LLC - Sales taxes are abated for a period of 10 years. Abatement rebates began in March 2015. Sales tax abatement rebate terms are half of 3% of tax remitted for 10 years. Abated amounts: sales tax - \$800,057.

Mitchell Grocery Corp - Sales taxes are abated for a period of 8 years with the amount not to exceed \$800,000. Abatement rebates began in January 2019. Sales tax abatement rebate terms are half of 3% of tax remitted for 8 years. Abated amounts: sales tax - \$52,645.

Britt's Ace of the South - Sales taxes are abated for a period of 10 years with the amount not to exceed \$430,470. Abatement rebates began in April 2020. Sales tax abatement rebate terms are half of 3% of tax remitted for 10 years. Abated amounts: sales tax - \$44,464.

Field's Corner, LLC - Sales taxes are abated for a period of 7 years with the amount not to exceed \$300,000. Abatement rebates began in December 2021. Sales tax abatement rebate terms are half of 3% of tax remitted for 7 years. Abated amounts: sales tax - \$44,334.

Mansa - GDL, LLC - Lodging taxes are abated for a period of 10 years with the amount not to exceed \$1,000,000. Abatement rebates began in first month after completion date. Lodging tax abatement rebate terms are 75% of the rebatable lodging tax rate for 2 years then half of the rebatable lodging tax rate remitted for 10 years. Abated amounts: lodging tax - \$155,374.

KAS, Inc. - Sales taxes are abated for a period of 7 years with the amount not to exceed \$500,000. Abatement rebates began in August 2022. Sales tax abatement rebate terms are three-fourths of incremental increase in municipal sales taxes. Abated amounts: sales tax - \$44,334.

RaceTrac Petroleum, Inc. - Sales taxes are abated for a period of 7 years with the amount not to exceed \$200,000. Abatement rebates began in June 2023. Sales tax abatement rebate terms are half of 3% of tax remitted for 7 years. Abated amounts: sales tax - \$97,416.

NOTE C - DEPOSITS

Deposits

The City manages custodial credit risk, which is the risk that in the event of a bank failure the City's deposits may not be returned. The bank balances of the City's funds are either covered by federal depository insurance or secured by collateral through the Alabama State Treasury's Security for Alabama Funds Enhancement (SAFE) Program. Under the SAFE program, the City's funds are protected through a collateral pool administered by the Alabama State Treasury. Certain banks holding deposits belonging to the state, counties, cities, or agencies of any of these entities must pledge securities as collateral against these deposits.

In the event of the failure of a bank, securities pledged by that bank would be liquidated by the State Treasurer to replace the public deposits. If the securities pledged failed to produce adequate funds for that purpose, every bank participating in the pool would share the liability for the remaining balance. As of September 30, 2023, all of the City's depositories were participating in the SAFE program.

City of Gardendale, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE D – ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following account balances at September 30, 2023:

	Governmental Activities
Taxes:	
Property	\$ 2,682,742
Motor vehicle / gas	39,634
Other	229,031
Gross Receivables	2,951,407
Less: Allowance for uncollectibles	(194,748)
Net receivables	\$ 2,756,659

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023 is stated below.

	Balance October 1, 2022	Additions	Dispositions/ Retirements/ Completions	Balance September 30, 2023
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 13,343,903	\$ 12,369,109	\$ -	\$ 25,713,012
Construction in Progress	22,974,650	2,463,599	(22,889,306)	2,548,943
Total Capital Assets Not Being Depreciated	36,318,553	14,832,708	(22,889,306)	28,261,955
Capital Assets Being Depreciated:				
Land Improvements	1,735,172	1,423,151	-	3,158,323
Buildings and Improvements	24,971,069	15,388,901	-	40,359,970
Equipment	10,061,216	6,828,976	(221,238)	16,668,954
Infrastructure	12,525,453	1,089,820	-	13,615,273
Total Capital Assets Being Depreciated	49,292,910	24,730,848	(221,238)	73,802,520
Less Accumulated Depreciation for:				
Land Improvements	(1,315,688)	(186,740)	-	(1,502,428)
Buildings and Improvements	(7,610,969)	(765,473)	-	(8,376,442)
Equipment	(7,273,322)	(951,548)	217,272	(8,007,598)
Infrastructure	(8,825,920)	(406,548)	-	(9,232,468)
Total Accumulated Depreciation	(25,025,899)	(2,310,309)	217,272	(27,118,936)
Total Capital Assets Being Depreciated, Net	24,267,011	22,420,539	(3,966)	46,683,584
Governmental Activities Capital Assets, Net	\$ 60,585,564	\$ 37,253,247	\$ (22,893,272)	\$ 74,945,539

City of Gardendale, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE E - CAPITAL ASSETS – CONTINUED

Depreciation expense was charged as direct expense to programs of the primary government as follows:

<u>Governmental Activities:</u>	
General and Administrative	\$ 619,388
Court	52,977
Police Department	232,626
Fire and Rescue	164,219
Public Works Department	280,316
Inspection Department	25,500
Civic Center	210,171
Senior Center	8,575
Parks and Recreation Department	645,745
Gardendale-Martha Moore Public Library	70,792
Total	<u>\$ 2,310,309</u>

NOTE F - LONG-TERM DEBT

Notes Payable

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

The City entered into a \$114,464 note payable on May 23, 2022 with Pinnacle Bank for the purpose of purchasing capital items for the Public Works Department. Interest rate was 3.5% per annum. Annual payment amounts are \$25,352.

Scheduled maturities of principal and interest are as follows:

<u>Year Ended September 30</u>	<u>Governmental Activities</u>		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 92,877	\$ 82,641	10,236
2025	92,877	84,774	8,103
2026	92,877	86,924	5,953
2027	92,877	89,142	3,735
2028	67,526	66,069	1,457
Totals	<u>\$ 439,034</u>	<u>\$ 409,550</u>	<u>\$ 29,484</u>

Total interest expense for the year-ended September 30, 2023 was \$12,271.

Financed Purchases

The City has entered into an agreement as lessee for financing the acquisition of energy efficient equipment in multiple City facilities. The agreement qualifies as a financed purchase for accounting purposes. The agreement closing was September 29, 2020 with the project starting in November 2020.

The City has entered into an agreement as lessee for financing the acquisition of automated external defibrillator (AED) machines and associated accessories. The agreement qualifies as a financed purchase for accounting purposes. The agreement closing was May 18, 2021.

City of Gardendale, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE F - LONG-TERM DEBT - CONTINUED

Financed Purchases - Continued

Scheduled payments are as follows:

Year ending September 30	Principal
2024	\$ 118,072
2025	122,774
2026	131,652
2027	139,814
2028	146,238
Thereafter	2,095,455
Total	\$ 2,754,005

Total interest expense for the year-ended September 30, 2023 was \$72,074.

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.

City of Gardendale, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE F - LONG-TERM DEBT - CONTINUED

General Obligation Warrants and General Obligation Taxable Warrants - Continued

At September 30, 2022, warrants consisted of three (3) outstanding general obligation warrants and two (2) outstanding general obligation taxable warrants, as scheduled below:

	Governmental Activities				Amount Outstanding at September 30, 2023
	Interest Rates	Issue Date	Maturity Date	Original Issue	
General Obligation Taxable Warrants, Series 2017 - Acquisition of Property	2.00% to 4.00%	7/12/2017	7/1/2024	\$ 10,305,000	\$ 260,000
General Obligation Warrants, Series 2019 - Refunding of General Obligation Warrants, Series 2013	2.00% to 5.00%	8/22/2019	8/22/2033	6,015,000	4,665,000
General Obligation Warrants, Series 2019-B - Refunding of Short-Term Obligations and Capital Improvements	3.00% to 5.00%	10/10/2019	10/10/2027	2,750,000	1,670,000
General Obligation Taxable Warrants, Series 2021 - Advance Refunding of General Obligation Taxable Warrants, Series 2017	2.00% to 2.60%	2/11/2021	7/1/2042	7,135,000	6,990,000
General Obligation Warrants, Series 2021-B- Acquisition, Construction and Equipping a Muncipal Sports Complex	3.00% to 4.00%	6/29/2021	5/1/2051	30,555,000	29,260,000
				<u>\$ 56,760,000</u>	<u>\$ 42,845,000</u>

City of Gardendale, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE F - LONG-TERM DEBT - CONTINUED

General Obligation Warrants and General Obligation Taxable Warrants - Continued

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

	Annual Requirement	2017 General Obligation Taxable Warrants		2019 General Obligation Warrants		2019-B General Obligation Warrants		2021 General Obligation Taxable Warrants		2021-B General Obligation Warrants	
	Principal	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	1,670,000	260,000	23,480	380,000	167,783	390,000	73,750	55,000	153,285	585,000	1,170,400
2025	1,735,000	-	-	400,000	148,783	405,000	53,875	320,000	152,185	610,000	1,147,000
2026	1,810,000	-	-	420,000	128,783	425,000	33,125	330,000	145,785	635,000	1,122,600
2027	1,895,000	-	-	445,000	107,783	450,000	11,250	340,000	139,185	660,000	1,097,200
2028	1,485,000	-	-	460,000	85,533	-	-	340,000	132,385	685,000	1,070,800
2029	1,540,000	-	-	480,000	67,133	-	-	350,000	125,585	710,000	1,043,400
2030	1,595,000	-	-	500,000	47,933	-	-	355,000	118,585	740,000	1,015,000
2031	1,650,000	-	-	515,000	32,933	-	-	365,000	111,485	770,000	985,400
2032	1,700,000	-	-	530,000	22,633	-	-	370,000	104,185	800,000	954,600
2033	1,745,000	-	-	535,000	11,503	-	-	375,000	96,785	835,000	922,600
2034	1,250,000	-	-	-	-	-	-	385,000	89,285	865,000	889,200
2035	1,295,000	-	-	-	-	-	-	395,000	81,585	900,000	854,600
2036	1,335,000	-	-	-	-	-	-	400,000	73,290	935,000	818,600
2037	1,385,000	-	-	-	-	-	-	410,000	64,490	975,000	781,200
2038	1,430,000	-	-	-	-	-	-	415,000	55,060	1,015,000	742,200
2039	1,485,000	-	-	-	-	-	-	430,000	45,100	1,055,000	701,600
2040	1,535,000	-	-	-	-	-	-	440,000	34,565	1,095,000	659,400
2041	1,590,000	-	-	-	-	-	-	450,000	23,565	1,140,000	615,600
2042	1,650,000	-	-	-	-	-	-	465,000	12,090	1,185,000	570,000
2043	1,235,000	-	-	-	-	-	-	-	-	1,235,000	522,600
2044	1,285,000	-	-	-	-	-	-	-	-	1,285,000	473,200
2045	1,335,000	-	-	-	-	-	-	-	-	1,335,000	421,800
2046	1,390,000	-	-	-	-	-	-	-	-	1,390,000	368,400
2047	1,445,000	-	-	-	-	-	-	-	-	1,445,000	312,800
2048	1,500,000	-	-	-	-	-	-	-	-	1,500,000	255,000
2049	1,560,000	-	-	-	-	-	-	-	-	1,560,000	195,000
2050	1,625,000	-	-	-	-	-	-	-	-	1,625,000	132,600
2051	1,690,000	-	-	-	-	-	-	-	-	1,690,000	67,600
	<u>42,845,000</u>	<u>260,000</u>	<u>23,480</u>	<u>4,665,000</u>	<u>820,800</u>	<u>1,670,000</u>	<u>172,000</u>	<u>6,990,000</u>	<u>1,758,480</u>	<u>29,260,000</u>	<u>19,910,400</u>

City of Gardendale, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE F - LONG-TERM DEBT - CONTINUED

The following is a summary of long-term debt transactions of the City for the year-ended September 30, 2023:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Notes Payable	\$ 490,156	\$ -	\$ 80,606	\$ 409,550	\$ 82,641
Financed purchases	2,806,015	-	52,010	2,754,005	118,072
Warrants payable:					
General obligation warrants	36,900,000	-	1,305,000	35,595,000	1,355,000
Unamortized premium	6,147,762	-	278,008	5,869,754	278,008
General obligation taxable warrants	7,560,000	-	310,000	7,250,000	315,000
Total notes, financed purchases and bonds payable	53,903,933	-	2,025,624	51,878,309	2,148,721
OPEB liability	1,207,101	106,894	112,338	1,201,657	-
Net pension liability	9,784,474	7,277,437	2,152,422	14,909,489	-
Compensated absences:					
Overtime leave	-	81,650	-	81,650	-
Vacation leave	799,090	914,515	549,775	1,163,830	-
Sick Leave	590,158	576,015	293,300	872,873	-
Governmental activity long-term liabilities	\$ 66,284,756	\$ 8,956,511	\$ 5,133,459	\$ 70,107,808	\$ 2,148,721

City of Gardendale, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE G - PENSION PLAN

Plan Description

The ERS, an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the Code of Alabama 1975, Title 36, Chapter 27 (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide 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 which consists of 15 trustees. Act 390 of the Legislature of 2021 created two additional representatives to the ERS Board of Control Effective October 1, 2021. The Plan is administered by the Retirement Systems of Alabama (RSA). The Code of Alabama 1975, Title 36, Chapter 27 grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 15 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) Eight 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. One vested active employee of a participating municipality or city in ERS pursuant to the Code of Alabama 1975, Section 36-27-6.
 - d. One vested active employee of a participating county in ERS pursuant to the Code of Alabama 1975, Section 36-27-6.
 - e. One vested active employee or retiree of a participating employer in ERS pursuant to the Code of Alabama 1975, Section 36-27-6.
 - f. One vested active employee of a participating employer other than a municipality, city or county in ERS pursuant to the Code of Alabama 1975, Section 36-27-6.

Benefits Provided

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

City of Gardendale, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE G - PENSION PLAN - CONTINUED

Benefits Provided - Continued

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 formula method. 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 up to 80% of their average final compensation. State Police are allowed 2.375% for each year of state police service in computing the formula method.

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

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to Code of Alabama 1975, Section 36-27-6 to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 608 employers adopted Act 2019-132 as of September 30, 2022.

Act 316 of the Legislature of 2019 allows employees at the time of retirement to receive a partial lump sum (PLOP) distribution as a single payment not to exceed the sum of 24 months of the maximum monthly retirement allowance the member could receive. This option may be selected in addition to the election of another retirement allowance option at a reduced amount based upon the amount of partial lump sum distribution selected.

The ERS serves approximately 886 local participating employers. The ERS membership includes approximately 108,890 participants. As of September 30, 2022, membership consisted of:

Retirees and beneficiaries currently receiving benefits	30,598
Terminated employees entitled to but not yet receiving benefits	2,286
Terminated employees not entitled to a benefit	18,689
Active members	57,278
Post-DROP participants who are still in active service	39
Total	<u>108,890</u>

Contributions

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation.

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

City of Gardendale, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE G - PENSION PLAN - CONTINUED

Benefits Provided – Continued

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 preretirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2023, the City's active employee contribution rate ranged between 10 and 11 percent (Tier 1) and 10 and 11 percent (Tier 2) of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 10.74 percent of pensionable payroll.

The City's contractually required contribution rate for the year ended September 30, 2023 was 10.54 percent of pensionable pay for Tier 1 employees, and 10.89 percent of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2020, 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 \$ 913,677 for the year ended September 30, 2023.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2021 rolled forward to September 30, 2022 using standard roll- forward techniques as shown in the following table:

Total Pension Liability as of September 30, 2021 (a)	38,080,060
Discount rate (b)	7.45%
Entry Age Normal Cost for October 1, 2021 - September 30, 2022 (c)	818,676
Transfers Among Employers (d)	(629,167)
Actual Benefit Payments and Refunds for October 1, 2021 - September 30, 2022 (e)	(1,919,448)
Total Pension Liability as of September 30, 2022 (f) [(a) x (1 + (b))] + (c) + (d) + [(e) x (1 + .5*(b))]	\$ 39,115,586

Actuarial Assumptions

The total pension liability as of September 30, 2022 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2021. The key actuarial assumptions are summarized below:

Inflation 2.50%
Salary increases 3.25% - 6.0%
Investment rate of return* 7.45%

*Net of pension plan investment expense.

City of Gardendale, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE G - PENSION PLAN – CONTINUED

Actuarial Assumptions – Continued

Mortality rates were based on the Pub-2010 Below-Median Tables, projected generationally using the MP-2020 scale, which is adjusted by 66-2/3% beginning with year 2019:

<u>Group</u>	<u>Membership Table</u>	<u>Set Forward (+)/ Setback (-)</u>	<u>Adjustment to Rates</u>
Non-FLC Service Retirees	General Healthy Below Median	Male: +2, Female: +2	Male: 90% ages < 65, 96% ages >= 65 Female: 96% all ages
FLC/State Police Service Retirees	Public Safety Healthy Below Median	Male: +1, Female: none	None
Beneficiaries	Contingent Survivor Below Median	Male: +2, Female: +2	None
Non- FLC Disabled Retirees	General Disability	Male: +7, Female: +3	None
FLC/State Police Disabled Retirees	Public Safety Disability	Male: +7, Female: none	None

The actuarial assumptions used in the September 30, 2021 valuation were based on the results of an actuarial experience study for the period October 1, 2015 – September 30, 2020.

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

	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Fixed Income	15.0%	2.8%
U.S. Large Stocks	32.0%	8.0%
U.S. Mid Stocks	9.0%	10.0%
U.S. Small Stocks	4.0%	11.0%
International Developed Market Stocks	12.0%	9.5%
International Emerging Market Stocks	3.0%	11.0%
Alternatives	10.0%	9.0%
Real Estate	10.0%	6.5%
Cash Equivalents	5.0%	1.5%
Total	100.00%	

*Includes assumed rate of inflation at 2.00%.

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.45%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Gardendale, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE G - PENSION PLAN – CONTINUED

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances at September 30, 2021	\$ 38,646,192	\$ 28,861,718	\$ 9,784,474
Changes for the year:			
Service cost	818,055	-	818,055
Interest	2,807,642	-	2,807,642
Changes of benefit terms	26,522	-	26,522
Differences between expected and actual experience	(634,210)	-	(634,210)
Contributions - employer	-	844,153	(844,153)
Contributions - employee	-	674,059	(674,059)
Net investment income	-	(3,625,218)	3,625,218
Benefit payments, including refunds of employee contributions	(1,919,448)	(1,919,448)	-
Transfers among employers	(629,167)	(629,167)	-
Net changes	<u>469,394</u>	<u>(4,655,621)</u>	<u>5,125,015</u>
Balances at September 30, 2022	<u>\$ 39,115,586</u>	<u>\$ 24,206,097</u>	<u>\$ 14,909,489</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 7.45%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.45%) or 1-percentage point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
City's Net Pension Liability	\$ 19,829,764	\$ 14,909,489	\$ 10,785,723

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, 2022. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2022. The auditor's report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

City of Gardendale, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE G - PENSION PLAN – CONTINUED

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

For the year ended September 30, 2023, the City recognized pension expense of \$908,092. At September 30, 2023, 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	\$ 106,579	\$ 1,128,877
Changes of assumptions	1,175,849	-
Net difference between projected and actual earnings on pension plan investments	2,923,296	-
Employer contributions subsequent to the measurement date	913,677	-
Total	\$ 5,119,401	\$ 1,128,877

\$913,677 reported as deferred outflows of resources related to pensions resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year Ended September 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2024	\$ 2,098,647	\$ 320,142
2025	827,525	320,142
2026	702,025	211,068
2027	1,392,976	134,759
2028	98,228	112,564
Thereafter	-	30,202
Total	\$ 5,119,401	\$ 1,128,877

NOTE H - 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 - \$22,500; 50 years of age and over \$30,000. If an employee is within three years of retirement, the deferred limit may be higher. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

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

City of Gardendale, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE I - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

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

Benefits Provided

Medical and dental insurance benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement. To qualify for retiree medical benefits, retirees must be eligible to retire under the provisions of the Retirement Systems of Alabama (RSA). The earliest retirement eligibility provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service (called "Tier I" members). Employees hired on and after January 1, 2013 (called "Tier II" members) are eligible to retire only after attainment of age 62 or later and completion of 10 years of service. There is an additional minimum requirement of attainment of age 62 in order to receive benefits.

Employees Covered by Benefit Terms

At September 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	4
Inactive employees entitled to but not yet receiving benefit payments	-
Active Employees	118
	<hr/>
	122
	<hr/> <hr/>

Total OPEB Liability

The City's total OPEB liability of \$1,201,657 was measured as of September 30, 2023 and was determined by an actuarial valuation.

City of Gardendale, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE I - OTHER POST EMPLOYMENT BENEFITS (OPEB) - CONTINUED

Actuarial Assumptions and Other Inputs

The total OPEB liability in the September 30, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0%
Salary increases	3.0%, including inflation
Prior Discount rate	4.02%
Discount rate	4.09%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	5.5% annually until year 2032, then 4.5%
Mortality	SOA RP-2014 Table

The discount rate was based on the Bond Buyers' 20 Year General Obligation municipal bond index as of September 30, 2023, the end of the applicable measurement period.

The actuarial assumptions used in the September 30, 2023 valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2009 to September 30, 2023.

Changes in the Total OPEB Liability

Balance at September 30, 2022	\$ 1,207,101
Changes for the year:	
Service cost	46,393
Interest	49,458
Differences between expected and actual experience	11,043
Changes in assumptions	(112,338)
Benefit payments and net transfers	-
Net changes	<u>(5,444)</u>
Balance at September 30, 2023	<u>\$ 1,201,657</u>

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.09%) or 1-percentage-point higher (5.09%) than the current discount rate:

	1.0% Decrease (3.09%)	Current Discount Rate (4.09%)	1.0% Increase (5.09%)
Total OPEB liability	\$ <u>1,329,382</u>	\$ <u>1,201,657</u>	\$ <u>1,088,477</u>

City of Gardendale, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE I - OTHER POST EMPLOYMENT BENEFITS (OPEB) – CONTINUED

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

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

	1.0% Decrease (4.5%)	Current Trend (5.5%)	1.0% Increase (6.5%)
Total OPEB liability	\$ 1,072,795	\$ 1,201,657	\$ 1,354,118

For the year ended September 30, 2023, the City recognized OPEB expense of \$11,602. At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 66,103	\$ (1,186,349)
Changes in assumptions	263,428	(298,828)
Total	\$ 329,531	\$ (1,485,177)

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

Years ending September 30:	
2024	\$ (84,249)
2025	(84,249)
2026	(84,249)
2027	(84,249)
2028	(84,249)
Thereafter	(734,401)
Total	(1,155,646)

NOTE J - RISK MANAGEMENT

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

NOTE K - CONTINGENT LIABILITIES

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

The City is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City.

City of Gardendale, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE L – INTERFUND TRANSFERS

Interfund payables and receivables at September 30, 2023, were as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 20,393	\$ -
Nonmajor Governmental Funds	5,250	25,643
	\$ 25,643	\$ 25,643

Interfund transfers during the year ended September 30, 2023, were as follows:

Transfers out	Transfers In		Total
	General Fund	Debt Service Fund	
General Fund	\$ -	3,228,712	\$ 3,228,712
Capital Projects Fund	11,588,997	-	11,588,997
Total	\$ 11,588,997	3,228,712	\$ 14,817,709

Transfers from the general fund to the debt service fund resulted from the accumulation of resources for future principal and interest payments on general long-term debt. Transfers from the capital projects fund to the general fund resulted for the payment of capital outlay.

NOTE M - LEASES

Lease agreements are summarized as follows:

Description	Date	Payment Terms	Payment Amount	Interest Rate	Total Lease Liability	Balance 30-Sep-23
Flock Cameras	10/1/2022	3 years	\$30,660	4.61%	\$ 60,792	\$ 34,760
Enterprise Vehicles	Various	5 years	67,618	3.57-4.25%	306,959	291,276
Total Lease Agreements						\$ 326,036

The Flock Cameras were leased for the City. The lease expires in three years and may be renewed on terms agreed to at that time. The City will not purchase the cameras at the end of the lease.

The Enterprise vehicles were leased for various departments, beginning in the current year for terms of five years. The leases cannot be renewed and the City will not purchases the vehicles at the end of the lease.

City of Gardendale, Alabama
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE M – LEASES - CONTINUED

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending September 30	Principal	Interest
2024	\$ 86,996	\$ 11,282
2025	64,654	8,074
2026	61,919	5,699
2027	64,359	3,260
2028	48,108	825
	<u>\$ 326,036</u>	<u>\$ 29,140</u>

The underlying assets in the leases are recognized as right-to-use leased assets. Details for the assets are as follows:

Right-of-use equipment	Governmental 367,751
Less accumulated amortization	41,715
Net Right-of-use equipment	<u>326,036</u>

NOTE N – LESSOR INCOME

The City leases property in it's Public Safety Center to two separate organizations. The first lease runs from June 1, 2023 through June 1, 2028 and is for \$2,500 per month. The second lease runs from November 5, 2018 through November 5, 2028 and is for \$1,750 per month. Expected lease income is as follows:

Year Ending September 30	Principal	Interest
2024	\$ 43,643	\$ 7,357
2025	45,198	5,802
2026	46,809	4,191
2027	48,478	2,522
2028	42,683	817
2029	3,486	14
	<u>\$ 230,297</u>	<u>\$ 20,703</u>

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
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET
AND ACTUAL – GENERAL FUND
September 30, 2023

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Taxes, licenses and permits				
Sales	\$ 14,900,000	\$ 14,900,001	\$ 17,101,061	\$ 2,201,060
Property	2,000,000	2,010,883	2,291,385	280,502
Motor Vehicle / Gas	276,000	276,000	290,727	14,727
Other	1,069,075	1,069,075	1,341,455	272,380
Licenses and permits	2,963,150	2,963,150	3,425,600	462,450
Charges for Services	880,751	880,751	847,468	(33,283)
Fines and forfeitures	210,000	210,000	152,820	(57,180)
Grant revenue	30,500	40,500	367,447	326,947
Interest income	64,500	64,500	923,377	858,877
Other	610,400	673,675	904,335	230,660
TOTAL REVENUES	23,004,376	23,088,535	27,645,675	4,557,140
EXPENDITURES				
General and Administrative	6,454,656	6,214,435	5,860,537	353,898
Court	274,930	274,931	184,128	90,803
Police Department	4,403,085	4,438,894	4,124,390	314,504
Fire and Rescue	3,580,043	3,581,313	3,238,899	342,414
Public Works Department	1,835,029	1,830,326	1,822,281	8,045
Inspection Department	665,481	659,772	550,597	109,175
Civic Center	1,148,694	1,130,677	991,304	139,373
Senior Center	219,949	235,819	222,516	13,303
Parks and Recreation Department	2,606,338	2,530,599	2,533,333	(2,734)
Gardendale-Martha Moore Public Library	722,051	722,051	672,667	49,384
Capital Outlay	24,350,000	25,032,649	16,642,399	8,390,250
Debt service				
Principal payments	164,741	176,833	116,311	60,522
Interest and other charges	65,000	64,300	84,345	(20,045)
TOTAL EXPENDITURES	46,489,997	46,892,599	37,043,707	9,848,892
Excess (deficiency) of revenues over expenditures	(23,485,621)	(23,804,064)	(9,398,032)	14,406,032
Other financing sources (uses):				
Sale of capital assets	150,000	150,000	62,486	(87,514)
Operating transfers in (out)	-	-	8,360,285	8,360,285
	(23,335,621)	(23,654,064)	(975,261)	22,678,803
Fund Balances - Beginning	22,900,948	(14,535,506)	22,900,948	(37,436,454)
Fund Balances - Ending	\$ (434,673)	\$ (38,189,570)	\$ 21,925,687	\$ (14,757,651)

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

City of Gardendale, Alabama
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY COMPARISONS
September 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Budgets and Budgetary Accounting

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

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

Budget information presented in the financial statements is based on the budget as adopted by the City Council. The budget is revised by City Council approved budget amendments or through administrative reclassifications that do not change the surplus.

City of Gardendale, Alabama
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED September 30, 2023

	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service costs	\$ 46,393	\$ 67,574	\$ 84,292	\$ 113,499	\$ 73,417	\$ 87,658
Interest	49,458	33,618	54,140	65,466	73,408	67,109
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	11,043	(299,228)	(1,026,848)	(132,732)	102,967	(37,928)
Changes of assumptions	(112,338)	(124,714)	20,087	(34,045)	453,030	(141,449)
Benefit payments	-	-	(9,436)	(8,944)	(17,923)	(16,989)
Net change in total OPEB liability	(5,444)	(322,750)	(877,765)	3,244	684,899	(41,599)
Total OPEB liability, beginning	1,207,101	1,529,851	2,407,616	2,404,372	1,719,473	1,761,072
Total OPEB liability, ending (a)	1,201,657	1,207,101	\$ 1,529,851	\$ 2,407,616	\$ 2,404,372	\$ 1,719,473
Covered-employee payroll	\$ 6,986,502	\$ 6,783,012	6,776,668	6,579,289	8,484,345	8,237,228
Net OPEB liability as a percentage of the covered-employee payroll	17.20	17.80	22.58	36.59	28.34	20.87
Notes to Schedule						
Benefit Changes:	None	None	None	None	None	None
Changes of Assumptions:						
Discount Rate:	4.09%	4.02%	2.15%	2.21%	2.66%	4.18%
Mortality:	RP - 2014	RP - 2014	RP - 2014	RP - 2014	RP - 2000	RP - 2000
Trend:	4.5% to 5.5%	4.5% to 5.5%	4.5% to 5.5%	4.5% to 5.5%	5.50%	5.50%

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

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

City of Gardendale, Alabama
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED September 30, 2023

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service costs	\$ 818,055	\$ 767,114	\$ 714,835	\$ 691,715	\$ 704,552	\$ 700,544	\$ 625,258	\$ 595,057	\$ 567,596
Interest	2,807,642	2,694,578	2,555,209	2,454,587	2,414,269	2,265,225	2,081,569	1,973,367	1,885,956
Changes of benefit terms	26,522	-	355,981	-	-	-	-	-	-
Differences between expected and actual experience	(634,210)	(190,318)	(265,612)	(194,071)	(838,281)	388,906	1,016,261	185,086	-
Changes of assumptions	-	1,571,654	-	-	184,329	-	993,203	-	-
Benefit payments, including refunds of employee contributions	(1,919,448)	(1,860,363)	(1,753,249)	(1,537,020)	(1,477,303)	(1,385,514)	(1,387,041)	(1,414,932)	(1,306,895)
Transfers among employers	(629,167)	(261,170)	256,372	(316)	(231,812)	(118)	(120,917)	-	-
Net change in total pension liability	\$ 469,394	\$ 2,721,495	\$ 1,863,536	\$ 1,414,895	\$ 755,754	\$ 1,969,043	\$ 3,208,333	\$ 1,338,578	\$ 1,146,657
Total pension liability, beginning	38,646,192	35,924,697	34,061,161	32,646,266	31,890,512	29,921,469	26,713,136	25,374,558	24,227,901
Total pension liability, ending (a)	\$ 39,115,586	\$ 38,646,192	\$ 35,924,697	\$ 34,061,161	\$ 32,646,266	\$ 31,890,512	\$ 29,921,469	\$ 26,713,136	\$ 25,374,558
Plan fiduciary net position									
Contributions - employer	\$ 844,153	\$ 795,331	\$ 765,788	\$ 750,004	\$ 772,624	\$ 730,024	\$ 777,262	\$ 669,193	\$ 755,846
Contributions - employee	674,059	623,418	618,966	600,301	602,929	605,820	645,370	589,079	368,121
Net investment income	(3,625,218)	5,308,410	1,314,171	579,503	1,933,739	2,393,445	1,733,992	201,223	1,833,806
Benefit payments, including refunds of employee contributions	(1,919,448)	(1,860,363)	(1,753,249)	(1,537,020)	(1,477,303)	(1,385,514)	(1,387,041)	(1,414,932)	(1,306,895)
Transfers among employers	(629,167)	(261,170)	256,372	(316)	(231,812)	(118)	(120,917)	(29,972)	57,259
Net change in plan fiduciary net	\$ (4,655,621)	\$ 4,605,626	\$ 1,202,048	\$ 392,472	\$ 1,600,177	\$ 2,343,657	\$ 1,648,666	\$ 14,591	\$ 1,708,137
Total net position, beginning	28,861,718	24,256,092	23,054,044	22,661,572	21,061,395	18,717,738	17,069,072	17,054,481	15,346,344
Total net position, ending (b)	\$ 24,206,097	\$ 28,861,718	\$ 24,256,092	\$ 23,054,044	\$ 22,661,572	\$ 21,061,395	\$ 18,717,738	\$ 17,069,072	\$ 17,054,481
Net pension liability (asset), ending (a) - (b)	\$ 14,909,489	\$ 9,784,474	\$ 11,668,605	\$ 11,007,117	\$ 9,984,694	\$ 10,829,117	\$ 11,203,731	\$ 9,644,064	\$ 8,320,077
Plan fiduciary net position as a percentage of the total pension liability	61.88%	74.68%	67.52%	67.68%	69.42%	66.04%	62.56%	63.90%	67.21%
Covered-employee payroll *	\$ 7,886,089	\$ 7,808,193	\$ 8,109,710	\$ 7,786,616	\$ 7,793,695	\$ 7,803,646	\$ 7,703,051	\$ 8,381,330	\$ 7,947,852
Net pension liability (asset) as a percentage of the covered-employee payroll	189.06%	125.31%	143.88%	141.36%	128.11%	138.77%	145.45%	115.07%	104.68%

*Employer's covered payroll during the measurement period is the total covered payroll. For FY2023 the measurement period is October 1, 2021 – September 30, 2022. GASB issued a statement "Pension Issues" in March, 2016 to redefine covered payroll beginning with FY2017.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

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

City of Gardendale, Alabama
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED September 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 913,677	\$ 833,440	\$ 765,788	\$ 750,004	\$ 780,026	\$ 801,439	\$ 759,536	\$ 782,933	\$ 669,193
Contributions in relation to the actuarially determined contribution*	913,677	833,440	822,163	796,945	780,026	801,439	759,536	782,933	669,193
Contributions deficiency (excess)	\$ -	\$ -	\$ (56,375)	\$ (46,941)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll**	\$ 8,826,343	\$ 7,886,089	\$ 7,808,193	\$ 8,109,710	\$ 7,786,616	\$ 7,793,695	\$ 7,803,646	\$ 7,703,051	\$ 8,381,330
Contributions as a percentage of covered-employee payroll	10.35%	10.57%	9.81%	9.25%	10.02%	10.28%	9.73%	10.16%	7.98%

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

**Employer's covered payroll for FY2023 is the total covered payroll for the 12 month period of the underlying financial statement.

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2023 were based on the September 30, 2020 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2022 to September 30, 2023:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	23.6 years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25 - 5.00%, including inflation
Investment rate of return	7.70%, net of pension plan investment expense, including inflation

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

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

SUPPLEMENTARY INFORMATION

City of Gardendale, Alabama
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – SPECIAL REVENUE AND DEBT SERVICE FUNDS
FOR THE YEAR ENDED September 30, 2023

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Gax tax	\$ 350,973	\$ 350,973	\$ 410,899	\$ 59,926
Charges for services	439,410	439,410	425,892	(13,518)
Fines and forfeitures	74,566	74,566	90,364	15,798
Grant revenue	13,694	13,694	207,426	193,732
Interest income	53,320	53,320	70,888	17,568
Other	8,847	8,847	12,579	3,732
TOTAL REVENUES	940,810	940,810	1,218,048	277,238
EXPENDITURES				
Court	84,410	84,410	77,330	7,080
Police Department	366,277	366,277	295,411	70,866
Parks and Recreation Department	8,500	8,500	5,500	3,000
Public Works Department	50,000	50,000	29,035	20,965
Capital outlay	66,909	66,909	31,851	35,058
Gardendale Martha Moore Public Library	-	-	55,015	(55,015)
Debt service				
Principal payments	1,645,016	1,645,016	1,615,000	30,016
Interest charges	1,610,579	1,610,579	1,634,933	(24,354)
Other charges	5,000	5,000	6,813	(1,813)
TOTAL EXPENDITURES	3,836,691	3,836,691	3,750,888	85,803
Excess (deficiency) of revenues over expenditures	(2,895,881)	(2,895,881)	(2,532,840)	363,041
Other financing sources (uses) Operating transfers in (out)	-	-	3,228,712	3,228,712
	(2,895,881)	(2,895,881)	695,872	3,591,753
Fund Balances Beginning	487,821	487,821	2,944,775	2,456,954
Fund Balances Ending	\$ (2,408,060)	\$ (2,408,060)	\$ 3,640,647	\$ 6,048,707

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

City of Gardendale, Alabama
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2023

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Gasoline Tax Fund	Corrections Fund	Court Ordered Fund	E-911 District Fund	Parks and Recreation Rental Fund	Drug Enforcement Fund	Martha Moore Public Library	
ASSETS								
Cash and Cash Equivalents	\$ 1,105,443	\$ 222,296	\$ 172,386	\$ 221,084	\$ 84,422	\$ 222,782	\$ 11,805	\$ 2,040,218
Receivables-net and prepaids	-	-	-	-	11,816	-	-	11,816
Due from other funds	-	-	5,250	-	-	-	-	5,250
TOTAL ASSETS	\$ 1,105,443	\$ 222,296	\$ 177,636	\$ 221,084	\$ 96,238	\$ 222,782	\$ 11,805	\$ 2,057,284
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 10,166	\$ 15,477	\$ -	\$ 25,643
TOTAL LIABILITIES	-	-	-	-	10,166	15,477	-	25,643
DEFERRED INFLOWS OF RESOURCES								
Unearned Revenue	-	-	-	-	-	66,100	-	66,100
FUND BALANCES								
Restricted	1,105,443	222,296	177,636	221,084	86,072	141,205	11,805	1,965,541
Assigned	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	1,105,443	222,296	177,636	221,084	86,072	141,205	11,805	1,965,541
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,105,443	\$ 222,296	\$ 177,636	\$ 221,084	\$ 96,238	\$ 222,782	\$ 11,805	\$ 2,057,284

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, 2023

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Gasoline Tax Fund	Corrections Fund	Court Ordered Fund	E-911 District Fund	Parks and Recreation Rental Fund	Drug Enforcement Fund	Martha Moore Public Library	
REVENUES								
Intergovernmental revenue	\$ 410,899	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 410,899
Charges for services	-	46,936	-	337,073	24,430	-	17,453	425,892
Fines and forfeitures	-	-	15,153	-	-	75,211	-	90,364
Grants	188,997	-	-	-	-	-	20,149	209,146
Interest income	8,854	2,753	2,585	1,726	760	3,584	-	20,262
Other	4,690	10	-	1,269	-	-	4,890	10,859
TOTAL REVENUES	613,440	49,699	17,738	340,068	25,190	78,795	42,492	1,167,422
EXPENDITURES								
Court	-	64,410	12,920	-	-	-	-	77,330
Police Department	-	10	-	291,517	-	3,884	-	295,411
Parks and Recreation Department	-	-	-	-	5,500	-	-	5,500
Public Works Department	29,035	-	-	-	-	-	-	29,035
Library	-	-	-	-	-	-	55,015	55,015
Capital Outlay	-	-	-	-	31,851	-	-	31,851
TOTAL EXPENDITURES	29,035	64,420	12,920	291,517	37,351	3,884	55,015	494,142
Excess (deficiency) of revenues over expenditures	584,405	(14,721)	4,818	48,551	(12,161)	74,911	(12,523)	673,280
Fund Balances - Beginning	521,038	237,017	172,818	172,533	98,233	66,294	24,328	1,292,261
Fund Balances - Ending	\$ 1,105,443	\$ 222,296	\$ 177,636	221,084	\$ 86,072	\$ 141,205	\$ 11,805	\$ 1,965,541

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

OTHER INFORMATION (UNAUDITED)

**City of Gardendale, Alabama
CITY OFFICIALS - UNAUDITED
September 30, 2023**

MAYOR

Honorable Stan Hogeland

CITY COUNCIL

District 1 Bryan Knox
District 2 Adam Berendt
District 3 and Council President Alvin Currington
District 4 Greg Colvert
District 5 Will Hardman

CITY CLERK | TREASURER

Melissa Honeycutt

DEPARTMENT HEADS

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

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