

**THE CITY OF TRUSSVILLE, ALABAMA**  
**GENERAL PURPOSE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**THE CITY OF TRUSSVILLE, ALABAMA  
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SEPTEMBER 30, 2015**

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## INDEPENDENT AUDITOR'S REPORT

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

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Trussville, Alabama, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of changes in the net pension liability and employer contributions for the Employees' Retirement System of Alabama and schedule of funding progress for Other Post-Employment Benefits on pages 3 through 8 and 36 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Trussville, Alabama's basic financial statements. The schedule of revenues - General Fund and schedule of expenses - General Fund are presented for purposes of additional analysis and are not a required part of the financial statements.

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

*Till, Hester, Eyer & Brown, P.C.*

June 22, 2016

**THE CITY OF TRUSSVILLE, ALABAMA  
MANAGEMENT'S DISCUSSION & ANALYSIS  
SEPTEMBER 30, 2015**

**FINANCIAL HIGHLIGHTS**

- At the close of fiscal year 2015, the liabilities of the City of Trussville exceeded assets by \$19,313,090. The net position decreased by \$31,336,142 as compared to the previous fiscal year.
- The City's assets increased by \$2,950,083 and its liabilities increased by \$34,192,010 compared to last fiscal year. The City also has \$5,100,006 in deferred outflows compared to \$4,605,475 last fiscal year and \$588,746 in deferred inflows compared to zero last year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The City of Trussville (the City)'s general purpose financial statements include Management's Discussion and Analysis (MD&A), Basic Financial Statements and Other Required Supplemental Information (RSI). The MD&A, a component of RSI, introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The City's basic financial statements consist of the following elements:

**Government-wide Financial Statements**

Government-wide financial statements provide both long-term and short-term information about the City's overall financial condition. Changes in the City's financial position may be measured over time by increases and decreases in the Statement of Net Position. Information on how the City's net position changed during the fiscal year is presented in the Statement of Activities.

**Fund Financial Statements**

Fund financial statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide financial statements. Fund financial statements include the statements for governmental, proprietary and fiduciary funds.

**Notes to the Financial Statements**

Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

**Required Supplemental Information ("RSI") and Related Notes**

RSI and the related notes provide additional information regarding budgeted revenue and expenditures that further explains and supports information in the financial statements.

**Supplemental Information**

Supplemental information provides more detail regarding general fund revenues and expenditures to further explain and support the financial statements.

**THE CITY OF TRUSSVILLE, ALABAMA  
MANAGEMENT'S DISCUSSION & ANALYSIS  
SEPTEMBER 30, 2015**

**Major Features of the Basic Financial Statements**

	Government-wide Financial Statements	Fund Financial Statements		
		Government Funds	Proprietary Funds	Fiduciary Funds
<b>Scope</b>	Entire City government	Activities of the City that are not proprietary or fiduciary	None	None
<b>Required financial statements</b>	Statement of net position;  Statement of activities	Balance Sheet  Statement of Revenues, Expenditures, and Changes in Fund Balances		
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus		
<b>Type of asset/liability information</b>	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included		
<b>Type of inflow/outflow information</b>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year  Expenditures when goods or services have been received and payment is due during the year or soon thereafter		

**THE CITY OF TRUSSVILLE, ALABAMA  
MANAGEMENT'S DISCUSSION & ANALYSIS  
SEPTEMBER 30, 2015**

**Condensed Financial Information**

**Condensed Statement of Net Position**

The City's net position decreased by \$31,346,568 or (261)% between years 2014 and 2015. The City's net position is composed of several components. The City has a net position of 32 million invested in capital assets (buildings, roads and equipment). This component of the City's total net position increased 47% from the previous year. The City also has net position of 5 million that is restricted as to the purpose for which it may be used. This restricted net position decreased 58% from last year. The remaining component of the City's total net position is a 56 million dollar unrestricted deficit. This deficit does not mean the City does not have the money to pay its bills next year, rather, it is the result of having long-term commitments that are greater than currently available resources. The City will budget for these future commitments as they become due.

The following presents the City's condensed statement of net position as of September 30, 2015 and 2014, derived from the government-wide Statement of Net Position.

**Condensed Statement of Net Position  
As of September 30, 2015**

(All Numbers in Thousands)	Governmental Activities		Total Primary Government		Total % Change
	2015	2014	2015	2014	2014 - 2015
Current and other assets	\$ 42,211	\$ 47,383	\$ 42,211	\$ 47,383	-10.9%
Capital assets	92,624	84,503	92,624	84,503	9.6%
Total assets	134,835	131,886	134,835	131,886	2.2%
Deferred outflows	5,100	4,605	5,100	4,605	10.7%
Current liabilities	6,348	3,132	6,348	3,132	102.7%
Noncurrent liabilities	152,322	121,336	152,322	121,336	25.5%
Total liabilities	158,670	124,468	158,670	124,468	27.5%
Deferred inflows	589	-	589	-	
Net position:					
Net investment in capital assets	31,970	21,757	31,970	21,757	46.9%
Restricted	5,138	11,970	5,138	11,970	-57.1%
Unrestricted	(56,432)	(21,704)	(56,432)	(21,704)	-160.0%
Total net position	<u>\$(19,324)</u>	<u>\$ 12,023</u>	<u>\$(19,324)</u>	<u>\$ 12,023</u>	-260.7%

**THE CITY OF TRUSSVILLE, ALABAMA**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**SEPTEMBER 30, 2015**

Condensed Statement of Activities

The following presents the City's condensed statement of activities for the fiscal year ended September 30, 2015 and 2014, as derived from the government-wide Statement of Activities. The City's total revenues increased by 15 percent to 42.2 million. Sixty-nine percent of the City's revenue is from sales tax. Seventy-eight percent of the City's total revenue is derived from all taxes combined. The remainder is from charges for services and federal and state programs.

(All Numbers in Thousands)	Governmental		Total Primary		Total %
	Activities		Government		Change
	2015	2014	2015	2014	2014 - 2015
Revenues					
Program revenues					
Charges for services	\$ 5,972	\$ 5,625	\$ 5,972	\$ 5,625	6.2%
Operating grants & contributions	427	735	427	735	-41.9%
Capital grants & contributions	127	18	127	18	605.6%
Total program revenues	<u>6,526</u>	<u>6,378</u>	<u>6,526</u>	<u>6,378</u>	2.3%
General revenues & payments					
Sales and use tax	26,406	25,411	26,406	25,411	3.9%
Advalorem taxes	4,373	1,998	4,373	1,998	118.9%
Other taxes	1,921	1,782	1,921	1,782	7.8%
Investment earnings	88	1,012	88	1,012	-91.3%
Other revenues and payments	<u>2,875</u>	<u>69</u>	<u>2,875</u>	<u>69</u>	4066.7%
Total general revenues and payments	<u>35,663</u>	<u>30,272</u>	<u>35,663</u>	<u>30,272</u>	17.8%
Total revenues	<u>42,189</u>	<u>36,650</u>	<u>42,189</u>	<u>36,650</u>	15.1%
Program expenses					
Administrative services	2,736	2,465	2,736	2,465	11.0%
Education	34,882	1,861	34,882	1,861	1774.4%
Public safety	11,777	11,523	11,777	11,523	2.2%
Streets & sanitation	5,802	5,938	5,802	5,938	-2.3%
Parks & recreation	3,662	3,256	3,662	3,256	12.5%
Library	1,248	1,346	1,248	1,346	-7.3%
Engineering & inspections	543	475	543	475	14.3%
Interest on long-term debt	<u>8,684</u>	<u>5,806</u>	<u>8,684</u>	<u>5,806</u>	-49.6%
Total program expenses	<u>69,334</u>	<u>32,670</u>	<u>69,334</u>	<u>32,670</u>	112.2%
Change in net position	(27,145)	3,980	(27,145)	3,980	-782.0%
Beginning net position	12,023	8,043	12,023	8,043	49.5%
Prior period adjustment - see note 15	(4,202)	-	(4,202)	-	
Ending net position	<u>\$ (19,324)</u>	<u>\$ 12,023</u>	<u>\$ (19,324)</u>	<u>\$ 12,023</u>	-260.7%



**THE CITY OF TRUSSVILLE, ALABAMA  
MANAGEMENT'S DISCUSSION & ANALYSIS  
SEPTEMBER 30, 2015**

**Program Expenses and Revenues for Governmental Activities**

The following presents the net costs of governmental activities. Overall, program revenues were not sufficient to cover program expenses for governmental activities. General revenues, mainly taxes, supported the net costs of governmental activities. Program revenues, as a percentage of program expenses, decreased in the administrative and public safety departments from fiscal year 2013-14 to fiscal year 2014-15. The decreases are primarily due to rising costs.

**Net Costs of Governmental Activities  
For the Fiscal Year Ended September 30, 2015  
(In Thousands)**

City Programs	Program Expenses 2015	Less Program Revenues 2015	Net Program Costs (a)		Program Revenues as a Percentage of Program Expenses	
			2015	2014	2015	2014
Administrative services	\$ 2,736	\$ 3,380	\$ (644)	\$ (840)	123.5%	134.1%
Education	34,882	-	34,882	1,861	-	-
Public safety	11,777	1,224	10,553	9,932	10.4%	13.8%
Streets & sanitation	5,802	389	5,413	5,564	6.7%	6.3%
Parks & recreation	3,662	757	2,905	2,663	20.7%	18.2%
Library	1,248	74	1,174	1,270	5.9%	5.6%
Engineering & inspections	543	703	(160)	36	129.5%	92.4%
Other	8,684	-	8,684	5,806	-	-
<b>Totals</b>	<b>\$ 69,334</b>	<b>\$ 6,527</b>	<b>\$ 62,807</b>	<b>\$ 26,292</b>	<b>9.4%</b>	<b>19.5%</b>

(a) Net program costs are mainly supported by taxes

**FUND ANALYSIS**

Funds that experienced significant changes during the fiscal year ended September 30, 2015 are as follows:

**Governmental Funds**

As of the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of 35 million, with 17 million reported as unassigned and the remaining 18 million restricted or committed for specific purposes. Combined ending fund balance is 7 million less than the previous year's balance.

**General Fund**

Fund balance at September 30, 2015 totaled 24 million, a decrease of 1 million.

**THE CITY OF TRUSSVILLE, ALABAMA  
MANAGEMENT'S DISCUSSION & ANALYSIS  
SEPTEMBER 30, 2015**

**BUDGET VARIANCES IN THE GENERAL FUND**

Budgeted expenditures are based on the City's estimated revenue receipts. Original expenditures are budgeted for less than total expected resources available. No variances between the original and final budget or between final budget and actual are expected to significantly affect future services or liquidity. For additional information on the budget variances, refer to the budgetary comparison schedule for the General Fund in the RSI section.

**CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY**

Capital Asset Activity

At September 30, 2015, the City reported 92.6 million in capital assets. Refer to Note 6 to the financial statements for additional information on capital assets.

Long-term Debt Activity

General obligation warrants are secured by the full faith and credit of the City and payable from the proceeds of various taxes. The City continues to maintain a high bond rating from Moody's Investors Service (Aa2) and Standard and Poor's (AA+) on all City bonds. Refer to Note 7 to the financial statements for additional information on long-term debt.

**ECONOMIC CONDITIONS AND OUTLOOK**

The City of Trussville, is experiencing a strong economic environment. Commercial and residential construction, along with associated building permit revenue, is increasing. Advalorem taxes are recovering. The City is also continuing to see increases in business license revenues and sales tax revenue.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact:

Eugene A. Melton, Mayor  
131 Main Street  
P. O. Box 159  
Trussville, AL 35173  
(205) 655-7478

Lynn B. Porter, City Clerk/Treasurer  
131 Main Street  
P. O. Box 159  
Trussville, AL 35173  
(205) 655-7478

**THE CITY OF TRUSSVILLE, ALABAMA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2015**

	<b>Governmental Activities</b>	<b>Component Unit</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 32,407,878	\$ 48,680
Receivables:		
Taxes	4,960,696	-
Intergovernmental	4,586,891	-
Charges for services (net of allowance for uncollectibles)	235,723	-
Other	19,870	-
Capital assets:		
Land and construction in process, not being depreciated	23,336,092	-
Other capital assets, net of accumulated depreciation	69,288,362	-
 Total assets	 134,835,512	 48,680
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	 5,100,006	 -
 <b>LIABILITIES</b>		
Accounts payable and accrued expenses	6,348,253	9,583
Long-term Liabilities:		
Due within one year	4,144,446	-
Due in more than one year	132,400,970	2,231,035
Unamortized bond premium	8,951,023	-
Compensated absences	2,036,373	-
Pension liability	4,083,117	-
Net other post employment benefit liability	706,106	-
 Total liabilities	 158,670,288	 2,240,618
 <b>DEFERRED INFLOWS OF RESOURCES</b>	 588,746	 -
 <b>NET POSITION</b>		
Net investment in capital assets	31,969,637	-
Restricted for:		
Debt service	-	-
Capital projects	4,202,940	-
Infrastructure maintenance	441,403	-
Public safety	494,124	-
Unrestricted net deficit	(56,431,620)	(2,191,938)
 Total net position	 \$ (19,323,516)	 \$ (2,191,938)

See Independent Auditors' Report and Notes to the Financial Statements.

**THE CITY OF TRUSSVILLE, ALABAMA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Function / Program	Expenses	Program Revenues			Net	Component
		Charges for	Operating	Capital	(Expense)/	
		Services	Grants and	Grants and	Revenue and	Unit
			Contributions	Contributions	Change in	
					Net Position	
<b>Governmental Activities:</b>						
Administrative services	\$ 2,736,116	\$ 3,380,070	\$ -	\$ -	\$ 643,954	
Education	34,881,439	-	-	-	(34,881,439)	
Public safety	11,776,565	1,208,570	15,108	-	(10,552,887)	
Streets and sanitation	5,802,017	15,159	374,020	-	(5,412,838)	
Parks and recreation	3,662,475	618,534	11,038	126,872	(2,906,031)	
Library	1,248,389	47,005	27,415	-	(1,173,969)	
Engineering and inspections	543,310	702,781	-	-	159,471	
Interest on long-term debt	8,684,290	-	-	-	(8,684,290)	
Total governmental activities	\$ 69,334,601	\$ 5,972,119	\$ 427,581	\$ 126,872	\$ (62,808,029)	
<b>Component Unit:</b>						
Redevelopment Authority						\$ (68,048)
<b>General Revenues:</b>						
<b>Taxes:</b>						
Sales taxes					26,405,766	-
Advalorem taxes					4,373,251	-
Other taxes					1,921,182	-
Interest and investment earnings					88,090	-
Payments from refunding agent					2,726,881	
Miscellaneous					148,004	-
Total general revenues					35,663,174	-
Change in net position from activities					(27,144,855)	(68,048)
Net position - beginning					7,821,339	(2,123,890)
Net position - ending					\$ (19,323,516)	\$ (2,191,938)

See Independent Auditors' Report and Notes to the Financial Statements.

**THE CITY OF TRUSSVILLE, ALABAMA**  
**BALANCE SHEET – GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS**  
**SEPTEMBER 30, 2015**

	MAJOR FUNDS					OTHER NONMAJOR	TOTALS -	COMPO-
	DEBT	SPEC. REV.	CAPITAL	CAPITAL	GOVT.	GOVT.	-	NENT
	GENERAL	SERVICE	GAS TAX	PROJECT 94	PROJECT 95	FUNDS	FUNDS	UNIT
<b>Assets:</b>								
Cash and cash equivalents	\$20,329,803	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,329,803	\$ 48,680
Restricted cash and cash equivalents	-	5,302,884	750,202	1,359,576	3,000,154	1,665,259	12,078,075	-
<b>Receivables:</b>								
Taxes	4,889,738	-	33,033	-	-	37,925	4,960,696	-
Charges for services (net of allowance for uncollectible)	235,723	-	-	-	-	-	235,723	-
Other	19,597	-	-	-	-	273	19,870	-
<b>Total assets</b>	<b>\$ 25,474,861</b>	<b>\$ 5,302,884</b>	<b>\$ 783,235</b>	<b>\$ 1,359,576</b>	<b>\$ 3,000,154</b>	<b>\$ 1,703,457</b>	<b>\$ 37,624,167</b>	<b>\$ 48,680</b>
<b>Liabilities:</b>								
Accounts payable and accrued liabilities	1,053,422	-	495,481	225,248	909,223	78,004	2,761,378	9,583
<b>Total liabilities</b>	<b>1,053,422</b>	<b>-</b>	<b>495,481</b>	<b>225,248</b>	<b>909,223</b>	<b>78,004</b>	<b>2,761,378</b>	<b>9,583</b>
<b>Fund balances:</b>								
Restricted	-	5,302,884	287,754	1,134,328	2,090,931	1,625,453	10,441,350	-
Committed	7,261,828	-	-	-	-	-	7,261,828	-
Unassigned	17,159,611	-	-	-	-	-	17,159,611	39,097
<b>Total fund balance</b>	<b>24,421,439</b>	<b>5,302,884</b>	<b>287,754</b>	<b>1,134,328</b>	<b>2,090,931</b>	<b>1,625,453</b>	<b>34,862,789</b>	<b>39,097</b>
<b>Total liabilities and fund balances</b>	<b>\$ 25,474,861</b>	<b>\$ 5,302,884</b>	<b>\$ 783,235</b>	<b>\$ 1,359,576</b>	<b>\$ 3,000,154</b>	<b>\$ 1,703,457</b>	<b>\$ 37,624,167</b>	<b>\$ 48,680</b>

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**SEPTEMBER 30, 2015**

Total governmental fund balance	\$ 34,862,789
Amounts reported for governmental activities in the statement of net assets are different because:	
Notes receivable are not receivable in the current period and are not reported in the funds	4,586,891
Capital assets used in governmental activities are not financial resources and, therefore not financial resources and, therefore, are not reported in the funds	92,624,454
Bonds and other long-term liabilities are not due and payable in the current period and are not reported in the funds	(151,397,650)
<b>Net deficit of government position</b>	<b>\$ (19,323,516)</b>

See Independent Auditors' Report and Notes to the Financial Statements.

**THE CITY OF TRUSSVILLE, ALABAMA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS AND**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	MAJOR FUNDS					OTHER	TOTAL	COMP-
	GENERAL	DEBT	SPEC REV	CAPITAL	CAPITAL	NONMAJOR		
	FUND	SERVICE	GAS TAX	PROJECTS 94	PROJECTS 95	GOVT. FUNDS	GOVT. FUNDS	-NENT UNIT
<b>Revenues:</b>								
Taxes	\$ 23,134,647	\$ -	\$ 177,988	\$ -	\$ -	\$ 196,032	\$ 23,508,667	\$ -
Education	9,173,788	-	-	-	-	-	9,173,788	-
Licenses and permits	4,299,144	-	-	-	-	-	4,299,144	-
Intergovernmental	131,143	-	-	-	-	171,006	302,149	-
Charges for services	1,201,722	-	-	-	-	-	1,201,722	-
Fines and forfeitures	479,125	-	-	-	-	173,788	652,913	-
Interest	55,300	1,493	-	-	154	945	57,892	-
Other	281,757	-	-	-	-	-	281,757	334,772
<b>Total Revenues</b>	<b>38,756,626</b>	<b>1,493</b>	<b>177,988</b>	<b>-</b>	<b>154</b>	<b>541,771</b>	<b>39,478,032</b>	<b>334,772</b>
<b>Expenditures:</b>								
<b>Current operations:</b>								
General government	3,976,803	-	-	-	-	-	3,976,803	302,820
<b>Public safety:</b>								
Fire and rescue	4,311,522	-	-	-	-	-	4,311,522	-
Police and court	6,533,383	-	-	-	-	100,781	6,634,164	-
Streets and sanitation	2,783,968	-	495,481	-	-	128,468	3,407,917	-
Parks and recreation	3,462,002	-	-	-	-	-	3,462,002	-
Library	1210,088	-	-	-	-	-	1210,088	-
Historical	22,388	-	-	-	-	-	22,388	-
Engineering and inspection	524,424	-	-	-	-	-	524,424	-
Payments to the Trussville School Sys	4,543,381	-	-	-	-	-	4,543,381	-
<b>Total current operations</b>	<b>27,367,959</b>	<b>-</b>	<b>495,481</b>	<b>-</b>	<b>-</b>	<b>229,249</b>	<b>28,092,689</b>	<b>302,820</b>
Capital outlays	2,197,333	-	-	6,984,298	909,223	1,636,914	\$ 11,727,768	-
<b>Debt service:</b>								
Principal	-	5,306,187	-	-	-	-	5,306,187	-
Interest and fiscal charges	-	7,233,446	-	-	-	103,227	7,336,673	-
<b>Total expenditures</b>	<b>29,565,292</b>	<b>12,539,633</b>	<b>495,481</b>	<b>6,984,298</b>	<b>909,223</b>	<b>1,969,390</b>	<b>52,463,317</b>	<b>302,820</b>
<b>Revenues over / (under) expenditures</b>	<b>9,191,334</b>	<b>(12,538,140)</b>	<b>(317,493)</b>	<b>(6,984,298)</b>	<b>(909,069)</b>	<b>(1,427,619)</b>	<b>(12,985,285)</b>	<b>31,952</b>
<b>Other financing sources / (uses):</b>								
Interfund transfers in	-	9,961,482	-	-	-	-	9,961,482	-
Interfund transfers out	(9,901,482)	-	-	-	-	(60,000)	(9,961,482)	-
Payments from refunding agent	-	2,726,881	-	-	-	-	2,726,881	-
QECB subsidy	-	75,466	-	-	-	-	75,466	-
Line of credit proceeds	-	-	-	-	3,000,000	-	3,000,000	-
<b>Total other financing sources / (uses)</b>	<b>(9,901,482)</b>	<b>12,763,829</b>	<b>-</b>	<b>-</b>	<b>3,000,000</b>	<b>(60,000)</b>	<b>5,802,347</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>(710,148)</b>	<b>225,689</b>	<b>(317,493)</b>	<b>(6,984,298)</b>	<b>2,090,931</b>	<b>(1,487,619)</b>	<b>(7,182,938)</b>	<b>31,952</b>
<b>Fund balances, beginning</b>	<b>25,131,587</b>	<b>5,077,195</b>	<b>605,247</b>	<b>8,118,626</b>	<b>-</b>	<b>3,113,072</b>	<b>42,045,727</b>	<b>7,145</b>
<b>Fund balances, ending</b>	<b>\$ 24,421,439</b>	<b>\$ 5,302,884</b>	<b>\$ 287,754</b>	<b>\$ 1,134,328</b>	<b>\$ 2,090,931</b>	<b>\$ 1,625,453</b>	<b>\$ 34,862,789</b>	<b>\$ 39,097</b>

See Independent Auditors' Report and Notes to the Financial Statements.

**THE CITY OF TRUSSVILLE, ALABAMA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Net change in Fund Balances - Total Governmental Funds	\$ (7,182,938)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	8,121,025
--	-----------

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	5,306,187
--	-----------

Issuing of bonds and other debt is an other financing source in the governmental funds, but the issuance increases long-term liabilities in the statement of net position.	(31,977,637)
--	--------------

Lending money and the repayment of loans are classified as revenues and expenditures in governmental funds, but increases / decreases the liability account in the statement of net position.	11,657
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Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and, therefore; are not reported as expenditures in governmental funds.	<u>(1,423,149)</u>
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Change in net position of governmental activities	<u><u>\$ (27,144,855)</u></u>
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See Independent Auditors' Report and Notes to the Financial Statements.

**THE CITY OF TRUSSVILLE, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Introduction**

The financial statements of the City of Trussville, Alabama (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**Reporting Entity**

The City is a municipal corporation governed by an elected Mayor and City Council. As required by generally accepted accounting principles, these financial statements present the City and its component unit, The Redevelopment Authority, an entity for which the City is considered to be financial accountable. The Redevelopment Authority is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the City. The Redevelopment Authority is governed by a board which is appointed by the City of Trussville. The potential exists for this board to provide financial benefit to or impose financial burdens upon the City. The Redevelopment Authority has a September 30 year end and does not prepare separate, complete financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

**Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the City as a whole. The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues and how much is offset by the general revenues of the City. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues.

The City's net position is reported in three parts - invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The City first uses restricted resources to finance qualifying activities.

**Fund Financial Statements**

Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Each major fund is presented in a separate column.



**THE CITY OF TRUSSVILLE, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund - accounts for the accumulation of resources for and the payment of principal and interest on long-term general obligation debt of governmental funds.

Gas Tax Fund – accounts for special revenue gas tax amounts received and expended.

Capital Project Fund - accounts for the purchase and construction of capital assets.

Non-major funds are aggregated and presented in a single column. The City's non-major funds are comprised of special revenue funds and capital projects funds.

**Revenue Recognition**

In applying the susceptible to accrual concept under the modified accrual basis, taxes and investment earnings are deemed both measurable and available if collected within the current year or within 60 days after year-end. Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made. When received in advance, these revenues are deferred until expenditures are made.

Other revenues, including licenses and permits, certain charges for services, and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

**Expenditure Recognition**

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

**Cash and Cash Equivalents**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Restricted cash represents amounts that have been placed into escrow for payment of bond principal and interest as it becomes due and amounts in special revenue accounts that are restricted by the revenue source.

**Receivables**

Receivables are reported net of allowance for uncollectibles, which is based upon collection experience. The allowance for uncollectible ambulance billings is \$ 473,914.

**THE CITY OF TRUSSVILLE, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Property Tax Calendar**

Property values are assessed and property taxes are collected by Jefferson County. Property values are assessed and property taxes attach as an enforceable lien on property as of October 1 of each fiscal year. The property taxes are due and payable on October 1 of the subsequent fiscal year and are delinquent after January 1.

**Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Fund accounting reports capital outlays as expenditures and does not recognize capital assets and depreciation. Under the government-wide, accrual basis of reporting, general capital assets are long-lived assets of the City as a whole. When purchased, such assets are capitalized subject to a \$5,000 capitalization threshold. Infrastructure such as streets, traffic signals and signs are capitalized. The valuation basis for general capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost.

Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings - 40 years; improvements/infrastructure - 5 to 40 years; equipment - 5 to 15 years.

**Bond Premium**

On government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are shown as additional long-term liabilities on the statement of net position.

On the governmental fund financial statements, bond premiums were recognized in the year the bonds were issued.

**Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources, which represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The City currently has two items that qualify for reporting in this category, the deferred loss on refunding debt and deferred pension expense. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the lesser of the life of the refunded or refunding debt. Deferred pension expense results from contributions made after the liability measurement date. These contributions will be incorporated in the actuarial calculations of the next measurement date.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources, which represent an acquisition of net position that applies to a future period and as such will not be recognized as an inflow of resources (revenue) until that time. The City has only one item that qualifies for reporting in this category, pension earnings in excess of actuarially projected amounts. These earnings are recognized over a four year amortization period.

**THE CITY OF TRUSSVILLE, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Net Position and Fund Balance**

In the government-wide financial statements, net position is classified in the following categories:

Invested in Capital Assets, Net of Related Debt - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt associated with the acquisition, construction, or improvement of these assets reduces this category.

Restricted Net Position - This category presents the net position restricted by external parties (creditors, grantors, contributors or laws and regulations).

Unrestricted - This category represents the net position of the City that is not restricted for any project or other purpose by third parties.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories; or (b) legally or contractually required to be maintained intact. The City does not have any nonspendable fund balance.

The spendable portion of fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted Fund Balance - Reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the city council - the government's highest level of decision making authority. Those committed resources cannot be used for any other purpose unless the city council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Fund Balance - This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The city council and mayor have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned Fund Balance - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

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

**THE CITY OF TRUSSVILLE, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Compensated Absences**

The City accrues unused portions of vacation pay in the period the fund liability is incurred. The vesting method is used to accrue sick leave liability. The liability is based on the sick leave accumulated at year-end by those employees who are currently eligible to receive termination payments as well as other employees who are expected to become eligible to receive such payments.

**Pension Plan**

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.

**Use of Estimates**

In preparing these financial statements, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "bonds and other long-term liabilities are not due and payable in the current period and are not reported in the funds." The details of that difference are as follows:

Bonds and notes payable	\$ (136,545,416)
Unamortized loss on refunding	4,335,886
Unamortized bond premium	(8,951,023)
Accrued interest payable	(3,586,875)
Compensated absences	(2,036,373)
Pension liability	(3,907,743)
Other post employment benefits	<u>(706,106)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (151,397,650)</u>

THE CITY OF TRUSSVILLE, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - continued**

**Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government - wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of that difference are as follows:

Capital outlay	\$ 11,972,203
Depreciation	(3,850,837)
Loss on disposal of capital assets	<u>(341)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 8,121,025</u>

**NOTE 3 - CASH DEPOSITS AND INVESTMENTS**

The City does not have a formal, written investment policy; however, state law limits the kinds of investments that Alabama municipalities can make to: (1) accounts and certificates of deposits with banks or savings associations that are qualified public depositories; (2) direct obligations of the U.S. Department of the Treasury and certain federal agencies (collectively referred in this note as "USTO"; (3) certain qualified obligations of any state and their agencies; and (4) common trust funds, collective investment funds maintained by qualified institutions, or any registered mutual funds, all of which must hold a prescribed amount of obligations meeting the requirements of 1-3 above. At year-end, the government did not have any investment balances.

**Custodial Credit Risk - Deposits**

The City has a policy that all of its deposits be insured by federal depository insurance or the Security for Alabama Funds Enhancement, or SAFE program, which was the case for all bank deposits as of September 30, 2015. The SAFE program is administered by the State Treasurer according to State of Alabama statute, and any bank or financial institution in the State of Alabama accepting deposits of public funds is required to insure those funds by pledging eligible collateral to the State Treasurer for the SAFE collateral pool. The entire pool stands behind each deposit. Eligible collateral are those securities currently designated as acceptable collateral for state deposits as defined by State law.

**THE CITY OF TRUSSVILLE, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 4 - RECEIVABLES**

Receivables consist of the following as of September 30, 2015:

	<u>ENTITY-WIDE</u>	<u>GENERAL FUND</u>	<u>SPECIAL REV GAS TAX</u>	<u>NON-MAJOR SPECIAL REV</u>
Taxes	\$ 4,960,696	\$ 4,889,738	\$ 33,033	\$ 37,925
Ambulance charges	691,885	691,885	-	-
Garbage and other charges for services	17,752	17,752	-	-
Interest	19,870	19,597	-	273
Note receivable from the Industrial Development Board, repaid on demand as lots in the industrial park are sold*	1,541,981	-	-	-
Note receivable from the Redevelopment Authority, repaid on demand*	2,231,035	-	-	-
Note receivable Trussville Utilities Board, repaid in monthly installments of \$10,000, including interest at 3.5%*	813,875	-	-	-
	<u>10,277,094</u>	<u>5,618,972</u>	<u>33,033</u>	<u>38,198</u>
Less allowance for uncollectibles	<u>(473,914)</u>	<u>(473,914)</u>	<u>-</u>	<u>-</u>
	<u>\$ 9,803,180</u>	<u>\$ 5,145,058</u>	<u>\$ 33,033</u>	<u>\$ 38,198</u>

\*not expected to be collected within one year

**NOTE 5 - INTERFUND TRANSFERS**

In general, transfers are used to (1) move revenues from the fund that collects the money to the fund that expends the money, (2) move receipts restricted or earmarked for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due. The composition of interfund balances as of September 30, 2015, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	
Debt Service	General Fund	\$ 9,901,482
Debt Service	Street Improvement Fund	<u>60,000</u>
		<u>\$ 9,961,482</u>

**THE CITY OF TRUSSVILLE, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 6 - CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended September 30, 2015 was as follows:

	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
Governmental activities:				
Not being depreciated:				
Land	\$ 17,223,368	\$ 955,885	\$ -	\$ 18,179,253
Construction in process	17,028,691	9,546,009	(21,417,861)	5,156,839
	34,252,059	10,501,894	(21,417,861)	23,336,092
Other capital assets:				
Buildings and swimming pool	22,977,372	153,699	-	23,131,071
Improvements other than buildings	1,206,002	17,158,405	-	18,364,407
Tennis courts, park & field improvements	5,359,943	158,103	-	5,518,046
Equipment and furniture	11,149,371	966,323	-	12,115,694
Roads, sidewalks, bridges and drainage structures	80,845,374	4,333,847	-	85,179,221
Library collection	2,164,720	117,452	-	2,282,172
	123,702,782	22,887,829	-	146,590,611
Accumulated depreciation:				
Buildings and swimming pool	(5,414,179)	(575,971)	-	(5,990,150)
Improvements other than buildings	(371,786)	(36,911)	-	(408,697)
Tennis courts, park & field improvements	(2,464,812)	(250,479)	-	(2,715,291)
Equipment and furniture	(7,822,550)	(794,519)	-	(8,617,069)
Roads, sidewalks, bridges and drainage structures	(55,962,580)	(2,048,642)	-	(58,011,222)
Library collection	(1,415,505)	(144,315)	-	(1,559,820)
	(73,451,412)	(3,850,837)	-	(77,302,249)
Net other capital assets	50,251,370	19,036,992	-	69,288,362
Net capital assets	\$ 84,503,429	\$ 29,538,886	\$ (21,417,861)	\$ 92,624,454

**THE CITY OF TRUSSVILLE, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 6 - CAPITAL ASSETS AND DEPRECIATION – Continued**

Construction in process retirements consist of the following:

High School Stadium	\$ 16,187,253
Bethune Parkway	3,297,378
Cahaba River Enhancements	864,661
I-59 Lighting	443,823
Husky Parkway	334,857
Middle School Drainage / Parking	190,764
Veteran's Memorial	83,585
Poplar Street Sidewalks	15,200
Engineering on cancelled project	340
	<hr/>
	<u><u>\$ 21,417,861</u></u>

Construction in process is made up of the following:

	<b>Expended to September 30, 2015</b>
	<hr/>
Greenways Phase II	\$ 2,574,766
Chalkville Road widening	1,948,536
Valley Road Extension	304,986
Library Expansion	207,326
Highway 11 widening	49,704
Atrips Trussville - Clay Road	46,038
Cedar Street and Railroad Avenue	20,008
Fire Station #4	5,475
	<hr/>
	<u><u>\$ 5,156,839</u></u>

No additional financing is expected to be necessary to complete these projects.

Depreciation was charged to functions as follows:

Administrative services	\$ 596,132
Public safety	613,758
Streets and sanitation	2,110,514
Parks and recreation	374,397
Library	146,739
Engineering and inspections	9,297
	<hr/>
	<u><u>\$ 3,850,837</u></u>



**THE CITY OF TRUSSVILLE, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 7 - BONDS, NOTES AND OTHER LONG-TERM LIABILITIES**

**General Obligation Warrants**

The City issues general obligation ("G.O.") warrants, which are a direct obligation and pledge of the full faith and credit of the City, for the acquisition and construction of major capital facilities or to refund other G.O. warrants.

Long-term liability activity for the year ended September 30, 2015 is as follows:

Description	Interest Rate	Balance 9/30/2014	Issued	Retired	Balance 9/30/2015	Amounts Due Within One Year
<b>General Obligation Warrants:</b>						
2006 Series, matures 2037	4.0 - 5.0	1,955,000	-	955,000	1,000,000	1,000,000
2009 Series, matures 2022	2.0 - 5.0	9,040,000	-	1,480,000	7,560,000	1,510,000
2011 Series, matures 2016	Variable	2,501,039	-	1,304,892	1,196,147	-
2013 Series	2.43	4,567,513	-	516,653	4,050,860	469,256
2014 Series A & B	2.0 - 5.0	58,845,000	-	215,000	58,630,000	220,000
2014 QECB Series	4.68	2,485,000	-	-	2,485,000	-
2014 Series C & D	2.0 - 5.0	28,605,000	-	595,000	28,010,000	70,000
2015 Series	3.0 - 5.0	-	26,875,000	-	26,875,000	630,000
<b>Total general obligation warrants</b>		<b>107,998,552</b>	<b>26,875,000</b>	<b>5,066,545</b>	<b>129,807,007</b>	<b>3,899,256</b>
<b>Line of Credit:</b>						
\$6,000,000 line of credit, interest payable monthly at 2.39%.						
Matures July 15, 2025.	2.39	-	3,000,000	-	3,000,000	-
<b>Notes payable:</b>						
Land mortgage payable, due in monthly installments of \$15,019						
	3.5	2,171,070	-	105,926	2,065,144	109,692
Mortgage payable, due in annual installments of \$30,000						
	0.0	60,000	-	30,000	30,000	30,000
Note payable, due in monthly payments of \$5,000						
	0.0	120,000	-	60,000	60,000	60,000
Mortgage payable, due in monthly installments of \$9,000						
	4.0	1,626,981	-	43,716	1,583,265	45,498
<b>Total notes payable</b>		<b>3,978,051</b>	<b>-</b>	<b>239,642</b>	<b>3,738,409</b>	<b>245,190</b>
<b>Compensated absences</b>		<b>1,611,930</b>	<b>424,443</b>	<b>-</b>	<b>2,036,373</b>	<b>-</b>
<b>Total long-term liabilities</b>		<b>\$ 113,588,533</b>	<b>\$ 30,299,443</b>	<b>\$ 5,306,187</b>	<b>\$ 138,581,789</b>	<b>\$ 4,144,446</b>

**THE CITY OF TRUSSVILLE, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 7 - BONDS, NOTES AND OTHER LONG-TERM LIABILITIES - Continued**

Source of Repayment of Long-Term Liabilities

The City's long-term debt is generally repaid from the Debt Service fund with resources provided by the General Fund. Compensated absences are generally paid with General Fund resources since most of the activities affecting the liability occur within General Fund departments.

Principal maturities of G.O. warrants and notes payable are as follows for the fiscal years ended:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2016	4,144,446	8,485,365
2017	5,368,311	5,554,275
2018	3,490,125	5,431,584
2019	3,633,606	5,287,777
2020	3,802,488	5,132,111
2021	3,957,192	4,971,684
2022	4,127,333	4,802,973
2023	4,303,749	4,628,522
2024	3,972,701	4,442,111
2025	7,165,413	4,247,324
2026	4,363,412	4,043,025
2027	4,561,709	3,849,691
2028	4,755,315	3,661,933
2029	4,969,243	3,449,204
2030	5,203,168	3,208,705
2031	5,437,819	2,950,418
2032	5,731,193	2,679,113
2033	6,039,705	2,399,970
2034	7,348,360	2,116,672
2035	8,072,163	1,823,905
2036	5,346,122	1,515,603
2037	5,585,242	1,210,096
2038	5,826,601	882,573
2039	12,860,000	513,475
2040	6,480,000	162,000
	<u>\$ 136,545,416</u>	<u>\$ 87,450,109</u>

**NOTE 8 - LEASE OBLIGATIONS**

The City was not obligated on any significant operating leases as of September 30, 2015.

**THE CITY OF TRUSSVILLE, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 9 - RISK MANAGEMENT**

The City maintains commercial insurance policies to mitigate risk of significant losses. Management believes the amount of insurance maintained to be adequate. There have been no significant reductions in insurance coverage. Insurance settlements have not exceeded insurance coverage for the current year or the three prior years.

**NOTE 10 - FUND BALANCE**

None of the City's funds had a deficit fund balance for the year ended September 30, 2015.

Amounts for specific purposes by fund and fund balance classifications for the year ended September 30, 2015 are as follows:

<u>Classification / Fund</u>	<u>Purpose</u>	<u>Amount</u>
Restricted / Debt Service Fund	Debt Payments	\$ 5,302,884
Restricted / Capital Projects Fund	Capital Projects	2,090,931
Restricted / Capital Projects Fund	Capital Projects	1,134,328
Restricted / Street Improvement Fund	Infrastructure Maintenance	153,648
Restricted / Gas Tax Fund	Infrastructure Maintenance	287,754
Restricted / Confiscated Fund	Public Safety	57,648
Restricted / Corrections Fund	Public Safety	436,476
Restricted / Capital Projects Fund	Capital Projects	977,681
Committed / Education Fund	Education	7,261,828
Unassigned / General Fund		<u>17,159,611</u>
		<u>\$ 34,862,789</u>

**NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES**

The City is involved in various lawsuits at September 30, 2015, substantially all of which will be covered by insurance in the event of a settlement or judgement against the City.

The City, in order to foster economic growth, has entered into the following agreements:

The City will buy certain public infrastructure in exchange for one third of the sales tax collected from a commercial development and a business license fee cap for a period of 25 years. The balance remaining to be paid under this agreement as of September 30, 2015 cannot be determined since the total to be paid is dependent upon future sales tax and business license revenue from the development.

**NOTE 12 - POST EMPLOYMENT BENEFITS**

**Plan Description.** The City of Trussville's medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement. The employees must meet the eligibility provisions adopted by resolution to receive retiree medical benefits. The earliest retirement eligibility provisions are as follows: 25 consecutive years of service or 30 cumulative years of service at any age; or, age 60 and 10 years of service (called Tier I members). Employees hired on or after January 1, 2013 (called Tier II members) are eligible to retire only after attainment of age 62

**THE CITY OF TRUSSVILLE, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 12 - POST-EMPLOYMENT BENEFITS - continued**

and completion of 10 years of service. The plan and its provisions were established, and may be changed, by action of the City Council.

Plan membership consisted of the following at October 1, 2014 (the date of the latest actuarial valuation):

Active enrollees	194
Retired enrollees	<u>2</u>
Total	<u><u>196</u></u>

**Funding Policy.** Effective with the fiscal year ended September 30, 2010, the City implemented Governmental Accounting Standards Board Codification Section P50, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions* (GASB Codification Section P50).

The City has no obligation to make contributions in advance of when the insurance premiums are due for payment; in other words, the plan may be financed on the pay-as-you-go basis. Any administrative costs are paid by the City's General Fund. Plan participants are not required to contribute to the plan. For the year ended September 30, 2015, the City did not make any contributions to advance-fund the plan.

**Annual Required Contribution.** The City of Trussville's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB Codification Section P50. The ARC is the sum of the Normal Cost plus the contribution to amortize the Unfunded Actuarially Accrued Liability (UAAL). A level dollar, open amortization period of 30 years has been used for the post-employment benefits. The actuarially computed ARC is as follows:

Normal cost	\$ 94,242
30-year UAL amortization amount	<u>73,197</u>
Annual required contribution (ARC)	<u><u>\$ 167,439</u></u>

**Net Post-employment Benefit Obligation.** For the year ended September 30, 2015, the components of the City's Net Other Post-employment Benefit (OPEB) Obligation are as follows:

Annual required contribution	\$ 167,439
Interest on net OPEB obligation	22,736
ARC adjustment	(32,871)
Payment of current costs	<u>(19,608)</u>
Increase in net OPEB obligation	137,696
Net OPEB obligation, beginning of year	<u>568,410</u>
Net OPEB obligation, end of year	<u><u>\$ 706,106</u></u>

**THE CITY OF TRUSSVILLE, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 12 - POST EMPLOYMENT BENEFITS - continued**

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

<b>Year Ended</b>	<b>Annual Required Contribution</b>	<b>Actual Contribution</b>	<b>Percentage of ARC Contributed</b>	<b>Net OPEB Obligation</b>
9/30/2013	149,293	18,696	12.81%	441,140
9/30/2014	149,293	18,696	12.81%	568,410
9/30/2015	157,304	19,608	12.47%	706,106

**Funded Status.** The City made no contributions to its post-employment benefits plan. The plan is not funded, has no assets, and hence has a funded ratio of zero. Based on the October 1, 2014 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year was \$1,316,386 which is defined as that portion, as determined by the Projected Unit Credit Cost Method, of the actuarial present value of post-employment plan benefits and expenses which is not provided by normal cost.

Actuarial accrued liabilities (AAL)	\$ 1,316,386
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,316,386</u>
Funded ratio	0.00%
Covered payroll (active plan members)	\$ 9,837,592
UAAL as a percentage of covered payroll	13.38%

**Actuarial Methods and Assumptions.** Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The actuarial valuation for post-employment benefits includes estimates and assumptions regarding turnover rate, retirement rate, health care cost trend rate, mortality rate, investment returns, and the period to which the costs apply. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates are made about the future. The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the City and its employee plan members) at the time of the valuation and on the pattern of cost sharing between the City and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the City and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

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

**THE CITY OF TRUSSVILLE, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 12 - POST EMPLOYMENT BENEFITS - continued**

**Actuarial Value of Plan Assets.** There are no plan assets. It is anticipated that in future valuations, should funding occur, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Codification Section P50 would be used.

**Turnover Rate.** An age-related turnover scale based on actual experience has been used. The rates, when applied to the active employee census, produce a composite average annual turnover of approximately 10%

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

**Mortality Rate.** The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rates and 50% of the unloaded female mortality rates, is used. This is a recently published mortality table which has been used in determining the value of accrued benefits in defined benefit pension plans.

**Method of Determining Value of Benefits.** The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer pays 100% of the cost of the medical insurance for retirees, but does not pay for dependents of retirees. Retiree coverage ceases at age 65. The rates provided are "unblended" rates which are required by GASB Codification Section P50 for valuation purposes.

**Inflation Rate.** Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2.5% annually.

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

Below is a summary of OPEB cost and contributions for the last three fiscal years ended September 30,

	<u>2015</u>	<u>2014</u>	<u>2013</u>
OPEB cost	\$ 157,304	\$ 145,966	\$ 149,293
Contribution	-	-	-
Retiree premium	<u>19,608</u>	<u>18,696</u>	<u>18,696</u>
Total contribution and premium	<u>19,608</u>	<u>18,696</u>	<u>18,696</u>
Change in net OPEB obligation	<u>\$ 137,696</u>	<u>\$ 127,270</u>	<u>\$ 130,597</u>
% of contribution to cost	0.00%	0.00%	0.00%
% of contribution plus premium to cost	12.47%	12.81%	12.52%

**THE CITY OF TRUSSVILLE, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 13 - PENSION PLAN**

*Employee's Retirement System of Alabama (RSA)*

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

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

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

**Benefits provided.** State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method. Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

**THE CITY OF TRUSSVILLE, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 13 - PENSION PLAN – Continued**

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

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

Retirees and beneficiaries currently receiving benefits	21,691
Terminated employees entitled to but not yet receiving benefits	1,252
Terminated employees not entitled to a benefit	5,048
Active members	<u>55,883</u>
Total	<u><u>83,874</u></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. ERS local participating employers are not required by statute to increase contribution rates for their members.

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2015, the City's active employee contribution rate was 5.56 percent of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 7.59 percent of covered employee payroll.

The City's contractually required contribution rate for the year ended September 30, 2015 was 7.92 % of pensionable pay for Tier 1 employees, and 5.62% of pensionable pay for Tier 2 employees,. These required contribution rates are based



**THE CITY OF TRUSSVILLE, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 13 - PENSION PLAN - Continued**

upon the actuarial valuation dated September 30, 2012, 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 System were \$764,120 for the year ended September 30, 2015. At September 30, 2015, the City reported a payable of \$131,621 for outstanding contributions not yet remitted.

**Net Pension Liability**

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

(a) Total Pension Liability as of September 30, 2013	\$ 23,088,311
(b) Entry Age Normal Cost for the period October, 2013 - September 30, 2014	842,773
(c) Actual Benefit Payments and Refunds for the period October 1, 2013 - September 30, 2014	(777,902)
(d) Total Pension Liability as of September 30, 2014 = [(a) x (1.08)] + (b) - [(c) x (1.04)]	\$ 24,969,131

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

Inflation	3.00%
Salary increases	3.75% - 7.25%
Investment rate of return*	8.00%

\*Net of pension plan investment expense

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

The actuarial assumptions used in the September 30, 2013 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

**THE CITY OF TRUSSVILLE, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 13 - PENSION PLAN - Continued**

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:

	<b>Target Allocation</b>	<b>Long-Term Expected Rate of Return*</b>
Fixed Income	25.00%	5.00%
U.S. Large Stocks	34.00%	9.00%
U.S. Mid Stocks	8.00%	12.00%
U.S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
<b>Total</b>	<b><u>100.00%</u></b>	

\*Includes assumed rate of inflation of 2.50%.

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

**THE CITY OF TRUSSVILLE, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 13 - PENSION PLAN - Continued**

**Changes in Net Pension Liability**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) - (b)</b>
<b>Balances at September 30, 2013</b>	\$ 23,088,311	\$ 18,162,932	\$ 4,925,379
Changes for the year:			
Service cost	842,773	-	842,773
Interest	1,815,949	-	1,815,949
Differences between expected and actual experience	-	-	-
Contributions - employer	-	723,666	(723,666)
Contributions - employee	-	541,561	(541,561)
Net investment income	-	2,209,510	(2,209,510)
Benefit payments, including refunds of employee contributions	(777,902)	(777,902)	-
Administrative expense	-	-	-
Transfers among employers	-	26,247	(26,247)
Net changes	1,880,820	2,723,082	(842,262)
<b>Balances at September 30, 2014</b>	<u>\$ 24,969,131</u>	<u>\$ 20,886,014</u>	<u>\$ 4,083,117</u>

**Sensitivity of the net pension liability to changes in the discount rate.** The following table presents the City's net pension liability calculated using the discount rate of 8%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	<b>1% Decrease (7.00%)</b>	<b>Current Discount Rate (8.00%)</b>	<b>1% Increase (9.00%)</b>
Plan's Net Pension Liability (Asset)	\$ 7,561,785	\$ 4,083,117	\$ 1,182,452

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2014. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2014. The auditor's report dated June 3, 2015 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

**THE CITY OF TRUSSVILLE, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 13 - PENSION PLAN - Continued**

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

For the year ended September 30, 2015, the City recognized pension expense of \$485,664. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on plan investments	-	588,746
Employer contributions subsequent to the Measurement Date	<u>764,120</u>	<u>-</u>
Total	<u>\$ 764,120</u>	<u>\$ 588,746</u>

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

**Amortization of Deferred Inflows / Outflows:**

Year ended September 30,

2016	147,187
2017	147,187
2018	147,187
2019	147,185
2020	-

**NOTE 14 - ECONOMIC DEPENDENCY**

The City is economically dependent on a small number of principal taxpayers. Sales and use tax revenue accounted for 68 percent of total governmental fund-type revenues for the year ended September 30, 2015. Sales and use tax revenues received from three (3) major taxpayers accounted for 26 percent of the total sales and use tax collected city-wide. In addition, one (1) major taxpayer accounted for 13 percent of the total sales and use tax collected city-wide.

**THE CITY OF TRUSSVILLE, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 15 - IMPLEMENTATION OF GASB STATEMENT NOS. 63, 65, 68 AND 71**

The City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and early implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during the fiscal year ended September 30, 2014. The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, during the fiscal year ended September 30, 2015. Implementation of GASB No. 68 and No. 71 required a prior period reduction in beginning net assets of \$4,201,713 to record the beginning balance in pension liability and beginning balance of deferred outflows.

**NOTE 16 - SUBSEQUENT EVENTS**

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through June 22, 2016, the date the financial statements were available to be issued.

## **REQUIRED SUPPLEMENTAL INFORMATION**

**THE CITY OF TRUSSVILLE, ALABAMA**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY – RETIREMENT SYSTEMS OF ALABAMA**  
**FOR THE YEAR ENDED SEPTEMBER 30,**

	<u>2014</u>
<b>TOTAL PENSION LIABILITY</b>	
Service cost	\$ 842,773
Interest	1,815,949
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	(777,902)
<b>Net change in total pension liability</b>	<b>1,880,820</b>
<b>Total pension liability - beginning</b>	<b>23,088,311</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 24,969,131</b>
 <b>Plan fiduciary net position</b>	
Contributions - employer	\$ 723,666
Contributions - member	541,561
Net investment income	2,209,510
Benefit payments, including refunds of employee contributions	(777,902)
Transfers among employers	26,247
<b>Net change in plan fiduciary net position</b>	<b>2,723,082</b>
<b>Plan net position - beginning</b>	<b>18,162,932</b>
<b>Plan net position - ending (b)</b>	<b>\$ 20,886,014</b>
 <b>Net pension liability (asset) - ending (a) - (b)</b>	<b>\$ 4,083,117</b>
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	 <b>83.65%</b>
 <b>Covered-employee payroll</b>	 <b>\$ 9,515,050</b>
 <b>Net pension liability (asset) as a percentage of covered-employee payroll</b>	 <b>42.91%</b>

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

See notes to the required supplemental information.

**THE CITY OF TRUSSVILLE, ALABAMA**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS – RETIREMENT SYSTEMS OF ALABAMA**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Actuarially determined contribution	\$ 764,120
Contribution in relation to the actuarially determined contribution	<u>764,120</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 10,067,567
Contributions as a percentage of covered-employee payroll	7.59%

Actuarial cost method:	Entry Age
Amortization Method:	Level percent closed
Remaining amortization period:	30 years
Asset valuation method:	Market Value
Inflation:	3.00%
Salary increases:	3.75 – 7.25%, including inflation
Investment rate of return:	8.00%, net of pension plan investment expense, including inflation

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

See notes to the required supplemental information.



**THE CITY OF TRUSSVILLE, ALABAMA**  
**SCHEDULE OF FUNDING PROGRESS – POST EMPLOYMENT BENEFIT HEALTH INSURANCE PLAN**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a) / c)</b>
10/1/2010	\$ -	\$ 862,553	\$ 862,553	0.00%	704,232	122.50%
10/1/2011	\$ -	\$ 1,172,446	\$ 1,172,446	0.00%	1,098,396	106.70%
10/1/2014	\$ -	\$ 1,265,756	\$ 1,265,756	0.00%	9,747,954	12.98%

For information regarding assumptions and amortization methods, see Note 12.

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

See notes to the required supplemental information.

**THE CITY OF TRUSSVILLE, ALABAMA**  
**COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>Revenues:</b>				
Taxes	\$ 21,413,500	\$ 21,413,500	\$ 23,134,647	\$ 1,721,147
Education	8,509,691	8,509,691	9,173,788	664,097
Licenses and permits	3,870,000	3,870,000	4,299,144	429,144
Intergovernmental	120,000	120,000	131,143	11,143
Charges for services	1,061,550	1,061,550	1,201,722	140,172
Fines and forfeitures	403,500	403,500	479,125	75,625
Interest	27,000	27,000	55,300	28,300
Other	97,450	97,450	281,757	184,307
Total Revenues	35,502,691	35,502,691	38,756,626	3,253,935
<b>Expenditures:</b>				
Current operations:				
General government	2,668,167	2,668,167	3,976,803	(1,308,636)
Public safety:				
Fire and rescue	4,319,054	4,319,054	4,311,522	7,532
Police and court	6,216,261	6,216,261	6,533,383	(317,122)
Streets and sanitation	2,939,481	2,939,481	2,783,968	155,513
Parks and recreation	3,134,864	3,134,864	3,462,002	(327,138)
Library	1,207,334	1,207,334	1,210,088	(2,754)
Historical	20,000	20,000	22,388	(2,388)
Engineering and inspection	519,749	519,749	524,424	(4,675)
Payments to the Trussville School System	3,815,890	3,815,890	4,543,381	(727,491)
Total current operations	24,840,800	24,840,800	27,367,959	(2,527,159)
Capital outlays	7,500	7,500	2,197,333	(2,189,833)
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	24,848,300	24,848,300	29,565,292	(4,716,992)
Revenues over / (under) expenditures	10,654,391	10,654,391	9,191,334	(1,463,057)
<b>Other financing sources / (uses):</b>				
Interfund transfers in	-	-	-	-
Interfund transfers out	(10,654,391)	(10,654,391)	(9,901,482)	752,909
Total other financing sources / (uses)	(10,654,391)	(10,654,391)	(9,901,482)	752,909
Net change in fund balance	\$ -	\$ -	(710,148)	\$ (710,148)
Fund balances, beginning			25,131,587	
Fund balances, ending			\$ 24,421,439	

See notes to the required supplemental information.

**THE CITY OF TRUSSVILLE, ALABAMA  
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1 - COMPLIANCE AND ACCOUNTABILITY**

**Budget Requirements, Accounting, and Reporting**

**Requirements:**

A budget is adopted for the City's general fund. The budget is based on expected expenditures by program and estimated resources by source.

Encumbrances outstanding at year end represent the estimated amount of the expenditures ultimately to result if unperformed contracts (i.e., purchase orders, other commitments) in process are completed. Encumbrances are reported as reservations of fund balances in the (GAAP) governmental funds statements since they do not constitute expenditures or liabilities but do commit appropriations. Encumbrances are added to expenditures in the budgetary statements. Encumbrances are carried forward and added to the subsequent year's appropriation. The unencumbered balance of each appropriation lapses at year-end and reverts to the respective fund from which it was appropriated and becomes available for future appropriation.

Appropriation control (City Council appropriated budget) is by department and line item within a fund. The budget may be amended to transfer amounts among line items or departments. No amendments were made to the budget during the year ended September 30, 2015. Budgetary comparison schedules are presented in the Supplemental Section as Required Supplemental information. The budgetary basis is the modified accrual basis of accounting with encumbrances included as actual.

**Excess of Expenditures Over Appropriations**

For the year ended September 30, 2015, expenditures exceeded appropriations in all departments except fire and rescue and streets and sanitation.

## **SUPPLEMENTAL INFORMATION**

**SUPPLEMENTAL INFORMATION  
THE CITY OF TRUSSVILLE, ALABAMA  
SCHEDULE OF REVENUES – GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2015 AND 2014**

	2015	2014
<b>LICENSES AND PERMITS</b>		
Zoning adjustment	\$ 775	\$ 700
Cable TV Franchise	230,216	224,995
City licenses	3,366,147	3,290,750
Building permits	702,781	439,219
	<u>4,299,919</u>	<u>3,955,664</u>
<b>CITY SALES, LODGING, AND LEASE TAX</b>	20,221,272	19,349,998
<b>EDUCATION</b>		
Sales tax	6,604,362	6,357,711
Advalorem tax	2,507,872	-
Rental lease tax	52,096	63,558
Miscellaneous	9,458	13,000
	<u>9,173,788</u>	<u>6,434,269.00</u>
<b>INTERGOVERNMENTAL</b>		
Trussville Utilities Board	120,000	120,001
Auto tax	354,150	193,069
Shares from state and county:		
Gasoline tax	621,580	556,852
Advalorem tax	1,511,229	1,804,736
Beer and wine tax	125,164	143,955
Sales tax - auto and boat	97,579	145,098
Auto licenses	61,849	58,219
Tobacco tax	17,762	17,157
Bank excise tax	22,277	29,374
Miscellaneous	5,320	5,770
Library state aid	11,143	13,553
Motor vehicle licenses and registration	9,133	8,717
Liquor taxes	87,332	59,966
	<u>3,044,518</u>	<u>3,156,467</u>
<b>FINES AND FORFEITURES</b>	479,125	388,649
<b>CHARGES FOR SERVICES</b>		
Garbage collection fees	15,159	13,572
Court costs and fees	(3,045)	180,732
Swimming pool receipts	52,176	54,696
Ambulance and fire calls	467,966	436,344
Civic center and park programs	566,486	449,246
Library receipts	39,008	41,690
City assessments and fees	13,148	13,353
Police programs and fees	50,049	61,677
	<u>1,200,947</u>	<u>1,251,310</u>
<b>INTEREST</b>	55,300	40,316
<b>OTHER</b>	281,757	329,948
<b>TOTAL REVENUES</b>	<u>\$ 38,756,626</u>	<u>\$ 34,906,621</u>

**SUPPLEMENTAL INFORMATION  
THE CITY OF TRUSSVILLE, ALABAMA  
SCHEDULE OF EXPENDITURES – GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>POLICE AND COURT</b>		
Police Department		
Payroll and related costs	\$ 5,533,720	\$ 5,305,221
Utilities	150,798	137,058
Other operating costs	584,894	676,539
Municipal Court		
Payroll and related costs	234,298	208,423
Other operating costs	29,673	34,830
	<u>6,533,383</u>	<u>6,362,071</u>
<b>FIRE AND RESCUE</b>		
Payroll and related costs	3,380,052	3,206,736
Utilities	196,019	182,376
Other operating costs	735,451	833,780
	<u>4,311,522</u>	<u>4,222,892</u>
<b>STREET</b>		
Payroll and related costs	931,689	903,913
Garbage pickup	1,335,829	1,303,553
Paving, street lights and maintenance	352,481	1,116,186
Other operating costs	163,969	170,344
	<u>2,783,968</u>	<u>3,493,996</u>
<b>ENGINEERING AND INSPECTION</b>		
Payroll and related costs	463,247	419,098
Other operating costs	61,177	54,542
	<u>524,424</u>	<u>473,640</u>
<b>PARKS AND RECREATION</b>		
Payroll and related costs	1,828,873	1,718,757
Utilities	741,507	631,240
Other operating costs	891,622	732,644
	<u>3,462,002</u>	<u>3,082,641</u>
<b>LIBRARY</b>		
Payroll and related costs	850,902	821,891
Utilities	63,073	53,479
Other operating costs	296,113	306,804
	<u>1,210,088</u>	<u>1,182,174</u>
<b>HISTORICAL</b>		
Utilities	12,914	11,214
Other operating costs	9,474	10,543
	<u>22,388</u>	<u>21,757</u>
<b>GENERAL GOVERNMENT</b>		
Payroll and related costs	594,411	592,321
Other operating costs	3,382,392	2,507,352
	<u>3,976,803</u>	<u>3,099,673</u>
<b>CAPITAL OUTLAYS</b>	2,197,333	3,021,513
<b>PAYMENTS TO THE TRUSSVILLE SCHOOL SYSTEM</b>	<u>4,543,381</u>	<u>1,861,364</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 29,565,292</u>	<u>\$ 26,821,721</u>