

THE CITY OF TRUSSVILLE, ALABAMA
GENERAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

TILL, HESTER, EYER, & BROWN, P.C.

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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, 2018, 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, 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, 2018, 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 37 through 41 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 Expenditures - 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 Expenditures - 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 Expenditures - General Fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Jill, Hester, Eyer & Brown, P. C.

September 24, 2019

**THE CITY OF TRUSSVILLE, ALABAMA
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**THE CITY OF TRUSSVILLE, ALABAMA
MANAGEMENT'S DISCUSSION & ANALYSIS
SEPTEMBER 30, 2018**

FINANCIAL HIGHLIGHTS

- At the close of fiscal year 2018, the liabilities of the City of Trussville exceeded assets by \$18,737,027. The net position decreased by \$6,701,693 as compared to the previous fiscal year.
- The City's assets increased by \$27,176,642 and its liabilities increased by \$36,134,077 compared to last fiscal year. The City also has \$7,094,823 in deferred outflows compared to \$7,647,057 last fiscal year and \$1,060,655 in deferred inflows compared to \$62,751 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, 2018**

Major Features of the Basic Financial Statements

	Government-wide Financial Statements	Fund Financial Statements	
		Government Funds	Proprietary Funds Fiduciary Funds
Scope	Entire City government	Activities of the City that are not proprietary or fiduciary	None None
Required financial statements	Statement of net position; Statement of activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	
Type of asset/liability information	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	
Type of inflow/outflow information	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, 2018**

Condensed Financial Information

Condensed Statement of Net Position

The City's net position decreased by \$6,701,693 or 55.7% between years 2017 and 2018. The City's net position is composed of several components. The City has a net position of 38.4 million invested in capital assets (buildings, roads and equipment). This component of the City's total net position increased 0.2% from the previous year. The City also has net position of 28.5 million that is restricted as to the purpose for which it may be used. This restricted net position increased 716.3% from last year. The remaining component of the City's total net position is an 86-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, 2018 and 2017, derived from the government-wide Statement of Net Position.

**Condensed Statement of Net Position
As of September 30, 2018**

(All Numbers in Thousands)	Governmental Activities		Total Primary Government		Total % Change 2017-2018
	2018	2017	2018	2017	
	Current and other assets	\$ 65,028	\$ 41,891	\$ 65,028	
Capital assets	100,258	96,218	100,258	96,218	4.2%
Total assets	165,286	138,109	165,286	138,109	19.7%
Deferred outflows	7,095	7,647	7,095	7,647	-7.2%
Current liabilities	14,971	7,835	14,971	7,835	91.1%
Noncurrent liabilities	175,086	146,088	175,086	146,088	19.8%
Total liabilities	190,057	153,923	190,057	153,923	23.5%
Deferred inflows	1,061	63	1,061	63	1584.1%
Net position:					
Net investment in capital assets	38,429	38,358	38,429	38,358	0.2%
Restricted	28,504	3,492	28,504	3,492	716.3%
Unrestricted	(85,670)	(53,885)	(85,670)	(53,885)	-59.0%
Total net position	<u>\$(18,737)</u>	<u>\$(12,035)</u>	<u>\$(18,737)</u>	<u>\$(12,035)</u>	55.7%

**THE CITY OF TRUSSVILLE, ALABAMA
MANAGEMENT'S DISCUSSION & ANALYSIS
SEPTEMBER 30, 2018**

Condensed Statement of Activities

The following presents the City's condensed statement of activities for the fiscal year ended September 30, 2018 and 2017, as derived from the government-wide Statement of Activities. The City's total revenues increased 3.9% to 46 million. Sixty-five percent of the City's revenue is from sales tax. Eighty-two 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
	2018	2017	2018	2017	2017-2018
Revenues					
Program revenues					
Charges for services	\$ 7,238	\$ 6,717	\$ 7,238	\$ 6,717	7.8%
Operating grants & contributions	437	522	437	522	-16.3%
Capital grants & contributions	37	162	37	162	-77.2%
Total program revenues	7,712	7,401	7,712	7,401	4.2%
General revenues & payments					
Sales and use tax	29,592	27,888	29,592	27,888	6.1%
Advalorem taxes	5,018	4,498	5,018	4,498	11.6%
Other taxes	2,572	2,524	2,572	2,524	1.9%
Investment earnings	485	91	485	91	433.0%
Other revenues and payments	234	1,503	234	1,503	-84.4%
Total general revenues and payments	37,901	36,504	37,901	36,504	3.8%
Total revenues	45,613	43,905	45,613	43,905	3.9%
Program expenses					
Administrative services	3,224	3,322	3,224	3,322	-3.0%
Education	3,659	3,451	3,659	3,451	6.0%
Redevelopment expenses	3,556	458	3,556	458	676.4%
Public safety	14,134	13,181	14,134	13,181	7.2%
Streets & sanitation	6,537	5,936	6,537	5,936	10.1%
Parks & recreation	4,970	4,434	4,970	4,434	12.1%
Library	1,484	1,305	1,484	1,305	13.7%
Engineering & inspections	676	654	676	654	3.4%
Interest on long-term debt	7,075	5,629	7,075	5,629	-25.7%
Transfers to Trussville City School sys	7,000	-	7,000	-	-
Total program expenses	52,315	38,370	52,315	38,370	36.3%
Change in net position	(6,702)	5,535	(6,702)	5,535	-221.1%
Beginning net position, as restated	(12,035)	(17,570)	(12,035)	(17,570)	-31.5%
Ending net position	\$ (18,737)	\$ (12,035)	\$ (18,737)	\$ (12,035)	55.7%

**THE CITY OF TRUSSVILLE, ALABAMA
MANAGEMENT'S DISCUSSION & ANALYSIS
SEPTEMBER 30, 2018**

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 every department except for administrative services & public safety from fiscal year 2017 to fiscal year 2018. The decreases are primarily due to rising costs.

**Net Costs of Governmental Activities
For the Fiscal Year Ended September 30, 2018
(In Thousands)**

City Programs	Program Expenses 2018	Less Program Revenues 2018	Net Program Costs (a)		Program Revenues as a Percentage of Program Expenses	
			2018	2017	2018	2017
Administrative services	\$ 3,224	\$ 3,844	\$ (620)	\$ (731)	119.2%	110.1%
Education	3,659	-	3,659	3,451	0.0%	0.0%
Redevelopment expenses	3,556	-	3,556	458	0.0%	0.0%
Public safety	14,134	1,145	12,989	12,115	8.1%	8.1%
Streets & sanitation	6,537	403	6,134	5,534	6.2%	6.8%
Parks & recreation	4,970	1,036	3,934	3,482	20.8%	21.5%
Library	1,484	34	1,450	1,247	2.3%	4.4%
Engineering & inspections	676	1,250	(574)	(611)	184.9%	193.4%
Other	7,075	-	7,075	5,629	0.0%	0.0%
Totals	<u>\$ 45,315</u>	<u>\$ 7,712</u>	<u>\$ 37,603</u>	<u>\$ 30,574</u>	17.0%	19.3%

(a) Net program costs are mainly supported by taxes

FUND ANALYSIS

Funds that experienced significant changes during the fiscal year ended September 30, 2018 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 61 million, with 19 million reported as unassigned and the remaining 42 million restricted or committed for specific purposes.

General Fund

Fund balance at September 30, 2018 totaled 26.8 million, an increase of .6 million over last year.

**THE CITY OF TRUSSVILLE, ALABAMA
MANAGEMENT'S DISCUSSION & ANALYSIS
SEPTEMBER 30, 2018**

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, 2018, the City reported 100.3 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 are 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 stable. 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:

Buddy Choat, Mayor
131 Main Street
P. O. Box 159
Trussville, AL 35173
(205) 655-7478

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

THE CITY OF TRUSSVILLE, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	<u>Governmental</u> <u>Activities</u>	<u>Component</u> <u>Unit</u>
ASSETS		
Cash and cash equivalents	\$ 55,876,689	\$ 735,628
Receivables:		
Taxes	6,230,375	-
Intergovernmental	2,068,212	-
Charges for services (net of allowance for uncollectibles)	434,488	-
Other	418,002	789,399
Property available for sale	-	426,950
Capital assets:		
Land and construction in process, not being depreciated	27,459,432	-
Other capital assets, net of accumulated depreciation	<u>72,798,790</u>	<u>859,092</u>
 Total assets	 165,285,988	 2,811,069
 DEFERRED OUTFLOWS OF RESOURCES	 7,094,823	 -
LIABILITIES		
Accounts payable and accrued expenses	4,257,136	159,583
Long-term Liabilities:		
Due within one year	10,714,116	-
Due in more than one year	155,640,792	-
Unamortized bond premium	9,863,173	-
Compensated absences	2,296,357	-
Pension liability	5,126,669	-
Net other post employment benefit liability	<u>2,158,940</u>	<u>-</u>
 Total liabilities	 190,057,183	 159,583
 DEFERRED INFLOWS OF RESOURCES	 1,060,655	 -
NET POSITION		
Net investment in capital assets	38,428,914	-
Restricted for:		
Debt service	-	-
Capital projects	27,730,540	-
Infrastructure maintenance	360,250	-
Public safety	413,851	-
Unrestricted net (deficit) / position	<u>(85,670,582)</u>	<u>2,651,486</u>
 Total net position	 <u>\$ (18,737,027)</u>	 <u>\$ 2,651,486</u>

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

**THE CITY OF TRUSSVILLE, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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	
Governmental Activities:						
Administrative services	\$ 3,224,243	\$ 3,844,085	\$ -	\$ -	\$ 619,842	
Education	3,658,664	-	-	-	(3,658,664)	
Redevelopment expenses	3,556,005	-	-	-	(3,556,005)	
Public safety	14,133,600	1,130,286	14,234	-	(12,989,080)	
Streets and sanitation	6,537,072	12,471	390,461	-	(6,134,140)	
Parks and recreation	4,969,710	986,875	11,926	37,465	(3,933,444)	
Library	1,483,986	15,091	20,418	-	(1,448,477)	
Engineering and inspections	676,624	1,249,572	-	-	572,948	
Interest on long-term debt	7,074,874	-	-	-	(7,074,874)	
Total governmental activities	\$ 45,314,778	\$ 7,238,380	\$ 437,039	\$ 37,465	\$ (37,601,894)	

Component Unit:

Redevelopment Authority \$ 2,619,613

General Revenues:

Taxes:

Sales taxes	29,591,728	-
Advalorem taxes	5,018,143	-
Other taxes	2,571,892	-
Interest and investment earnings	484,683	-
Miscellaneous	233,912	-
Transfers to Trussville City School System	(7,000,157)	-
Total general revenues & transfers	30,900,201	-

Change in net position from activities (6,701,693) 2,619,613

Net position - beginning - as restated (12,035,334) 31,873

Net position - ending \$ (18,737,027) \$ 2,651,486

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

**THE CITY OF TRUSSVILLE, ALABAMA
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

	MAJOR FUNDS			OTHER NONMAJOR	TOTALS -
	2018		DEBT	GOVT.	GOVT.
	GENERAL	PROJECTS	SERVICE	FUNDS	FUNDS
Assets:					
Cash and cash equivalents	\$ 2,154,915	\$ -	\$ -	\$ -	\$ 2,154,915
Restricted cash and cash equivalents	-	25,578,481	5,608,417	3,174,876	34,361,774
Receivables:					
Taxes	6,158,195	-	-	72,180	6,230,375
Charges for services (net of allowance for uncollectible)	434,488	-	-	-	434,488
Other	167,728	-	-	274	168,002
Prepaid expenses	-	-	-	-	-
Total assets	\$ 28,275,326	\$ 25,578,481	\$ 5,608,417	\$ 3,247,330	\$ 62,709,554
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,441,713	\$ 207,423	\$ -	\$ 113,747	\$ 1,762,883
Total liabilities	1,441,713	207,423	-	113,747	1,762,883
Fund balances:					
Nonspendable	-	-	-	-	-
Restricted	-	25,371,058	5,608,417	3,133,583	34,113,058
Committed	7,737,302	-	-	-	7,737,302
Unassigned	19,096,311	-	-	-	19,096,311
Total fund balance	26,833,613	25,371,058	5,608,417	3,133,583	60,946,671
Total liabilities and fund balances	\$ 28,275,326	\$ 25,578,481	\$ 5,608,417	\$ 3,247,330	\$ 62,709,554

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES

Total governmental fund balance	\$ 60,946,671
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	2,318,212
Capital assets used in governmental activities are not financial resources and, therefore not financial resources and, therefore, are not reported in the funds	100,258,222
Bonds and other long-term liabilities are not due and payable in the current period and are not reported in the funds	<u>(182,260,132)</u>
Net deficit of government position	<u>\$ (18,737,027)</u>

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

THE CITY OF TRUSSVILLE, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	MAJOR FUNDS			OTHER	TOTAL
	GENERAL	2018 CAPITAL	DEBT	NON MAJOR	TOTAL
	FUND	PROJECTS	SERVICE	GOVT. FUNDS	GOVT. FUNDS
Revenues:					
Taxes	\$ 26,647,013	\$ -	\$ -	\$ 390,461	\$ 27,037,474
Education	10,121,022	-	-	-	10,121,022
Licenses and permits	5,286,663	-	-	-	5,286,663
Intergovernmental	133,575	-	-	171,416	304,991
Charges for services	2,046,037	-	-	-	2,046,037
Fines and forfeitures	250,863	-	-	138,344	389,207
Interest	78,452	332	9,368	7,976	96,128
Other	377,087	-	-	248,819	625,906
Total Revenues	44,940,712	332	9,368	957,016	45,907,428
Expenditures:					
Current operations:					
General government	2,604,358	-	-	18	2,604,376
Public safety:					
Fire and rescue	4,848,201	-	-	-	4,848,201
Police and court	8,287,078	-	-	110,217	8,397,295
Streets and sanitation	3,730,551	-	-	395,461	4,126,012
Parks and recreation	4,055,242	-	-	-	4,055,242
Library	2,816,870	-	-	128,137	2,945,007
Historical	20,967	-	-	-	20,967
Engineering and inspection	657,578	-	-	-	657,578
Payments to the Trussville School Sys	3,656,422	-	-	-	3,656,422
Redevelopment Expenses	4,739,123	-	-	-	4,739,123
Total current operations	35,416,390	-	-	633,833	36,050,223
Capital outlays	3,720,949	636,338	-	2,575,104	6,932,391
Debt service:					
Principal	-	-	4,412,989	-	4,412,989
Interest and fiscal charges	-	-	6,601,504	80	6,601,584
Total expenditures	39,137,339	636,338	11,014,493	3,209,017	53,997,187
Revenues over / (under) expenditures	5,803,373	(636,006)	(11,005,125)	(2,252,001)	(8,089,759)
Other financing sources / (uses):					
Interfund transfers in	400,000	26,007,064	10,794,877	2,323,256	39,525,197
Interfund transfers out	(13,117,730)	-	(26,007,064)	(400,403)	(39,525,197)
Payments from refunding agent	-	-	368,284	-	368,284
QECB subsidy	-	-	76,036	-	76,036
Transfer to Trussville School Sys	-	-	(7,000,157)	-	(7,000,157)
General obligation warrants	7,476,168	-	33,362,871	-	40,839,039
Total other financing sources / (uses)	(5,241,562)	26,007,064	11,594,847	1,922,853	34,283,202
Net change in fund balance	561,811	25,371,058	589,722	(329,148)	26,193,443
Fund balances, beginning	26,271,802	-	5,018,695	3,462,731	34,753,228
Fund balances, ending	\$ 26,833,613	\$ 25,371,058	\$ 5,608,417	\$ 3,133,583	\$ 60,946,671

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, 2018

Net change in Fund Balances - Total Governmental Funds \$ 26,193,443

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. 4,289,402

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 4,412,989

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. (40,839,039)

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. (99,729)

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. (658,759)

Change in net position of governmental activities \$ (6,701,693)

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, 2018**

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 Trussville Redevelopment Authority (TRA), an entity for which the City is considered to be financial accountable. The TRA is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the City. The TRA 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 Trussville 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 – net investment in capital assets; 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, 2018**

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.

2018 Capital Projects Fund – accounts for the expenditure of funds related to ongoing capital projects.

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

Under the modified accrual basis of accounting, 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, certificates of deposit 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 an allowance for uncollectibles, which is based upon collection experience. The allowance for uncollectible ambulance billings is \$764,525.

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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 four items that qualify for reporting in this category, the deferred loss on refunding debt, differences between expected and actual pension service costs, differences in expected and actual earnings on pension investments, deferred pension expense and the differences between expected and actual OPEB benefit costs. The 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. The differences between expected and actual pension service costs and investment earnings occur when actuarially projected amounts differ from actual results. These differences are amortized over seven and four years respectively. 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. Differences between expected and actual OPEB costs occur when actuarially projected amounts differ from actual results. These differences are amortized over seven years.

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 currently has deferred inflows for differences in expected and actual pension experience and changes in OPEB actuarial assumptions. This amount is being amortized over the average remaining service life of the pension plan's membership as of the measurement date.

Net Position and Fund Balance

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

Net Investment in Capital Assets - 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 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.

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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	\$ (166,354,908)
Unamortized loss on refunding	4,797,440
Unamortized bond premium	(9,863,173)
Accrued interest payable	(2,494,253)
Compensated absences	(2,296,357)
Pension liability	(3,798,985)
Other post employment benefits	(2,249,896)
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (182,260,132)</u>

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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	\$ 8,757,369
Depreciation	<u>(4,467,967)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ 4,289,402</u></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 aside from certificates of deposit, which the City considers to be a cash equivalent.

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, 2018. 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 ensure 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, 2018**

NOTE 4 - RECEIVABLES

Receivables consist of the following as of September 30, 2018:

	<u>ENTITY-WIDE</u>	<u>GENERAL FUND</u>	<u>NON-MAJOR SPECIAL REV</u>	<u>COMPONENT UNIT</u>
Taxes	\$ 6,230,375	\$ 6,158,195	\$ 72,180	\$ -
Ambulance charges	1,181,261	1,181,261	-	-
Garbage and other charges for services	17,752	17,752	-	-
Interest	18,002	17,728	274	-
Short-term advance to redevelopment authority	150,000	150,000	-	-
Short-term receivable from sale of land	250,000	-	-	-
Note receivable from the Industrial Development Board, repaid on demand as lots in the industrial park are sold*	1,543,366	-	-	-
Note receivable Trussville Utilities Board, repaid in monthly installments of \$10,000, including interest at 3.5%*	524,846	-	-	-
Note receivable associated with a redevelopment project, repaid in monthly installments of \$5,525, including interest at 3%. Final balloon payment due in 2023.*	-	-	-	789,399
	<u>9,915,602</u>	<u>7,524,936</u>	<u>72,454</u>	<u>789,399</u>
Less allowance for uncollectibles	<u>(764,525)</u>	<u>(764,525)</u>	<u>-</u>	<u>-</u>
	<u>\$ 9,151,077</u>	<u>\$ 6,760,411</u>	<u>\$ 72,454</u>	<u>\$ 789,399</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, 2018, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	
2018 Capital Projects	Debt Service	\$ 26,007,064
Debt Service	General Fund	10,794,877
Capital Projects Fund #68	General Fund	1,481,627
LOC - TUB Fund	General Fund	841,226
General Fund	LOC - TUB Fund	400,000
Drug Confiscation	Confiscated	403
		<u>\$ 39,525,197</u>

THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended September 30, 2018 was as follows:

	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Not being depreciated:				
Land	\$ 22,576,307	\$ 3,435,937	\$ (959,426)	\$ 25,052,818
Construction in process	6,796,069	4,268,769	(8,658,224)	2,406,614
	<u>29,372,376</u>	<u>7,704,706</u>	<u>(9,617,650)</u>	<u>27,459,432</u>
Other capital assets:				
Buildings and swimming pool	23,131,071	5,764,649	-	28,895,720
Improvements other than buildings	18,364,407	2,908,575	-	21,272,982
Tennis courts, park & field improvements	5,527,516	-	-	5,527,516
Equipment and furniture	13,407,805	1,684,094	(117,898)	14,974,001
Roads, sidewalks, bridges and drainage structures	90,049,116	-	-	90,049,116
Library collection	2,431,020	82,259	-	2,513,279
	<u>152,910,935</u>	<u>10,439,577</u>	<u>(117,898)</u>	<u>163,232,614</u>
Accumulated depreciation:				
Buildings and swimming pool	(7,151,314)	(580,582)	-	(7,731,896)
Improvements other than buildings	(1,340,725)	(466,264)	-	(1,806,989)
Tennis courts, park & field improvements	(3,235,318)	(246,967)	-	(3,482,285)
Equipment and furniture	(10,122,364)	(745,554)	98,634	(10,769,284)
Roads, sidewalks, bridges and drainage structures	(62,344,565)	(2,266,532)	-	(64,611,097)
Library collection	(1,870,205)	(162,068)	-	(2,032,273)
	<u>(86,064,491)</u>	<u>(4,467,967)</u>	<u>98,634</u>	<u>(90,433,824)</u>
Net other capital assets	<u>66,846,444</u>	<u>5,971,610</u>	<u>(19,264)</u>	<u>72,798,790</u>
Net capital assets	<u>\$ 96,218,820</u>	<u>\$ 13,676,316</u>	<u>\$ (9,636,914)</u>	<u>\$ 100,258,222</u>
COMPONENT UNIT:				
Buildings	\$ -	\$ 868,135	\$ -	\$ 868,135
Accumulated depreciation	-	(9,043)	-	(9,043)
Net capital assets	<u>\$ -</u>	<u>\$ 859,092</u>	<u>\$ -</u>	<u>\$ 859,092</u>

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION – Continued

Construction in process retirements consist of the following projects completed and put in service:

Library Expansion	\$ 5,764,649
Greenways Phase II	<u>2,893,575</u>
	<u>\$ 8,658,224</u>

Remaining construction in process is made up of the following:

	<u>Expended to September 30, 2018</u>
Downtown Revitalization	\$ 1,456,825
Valley Road Extension	891,863
Highway 11 widening	52,451
Fire Station #4	<u>5,475</u>
	<u>\$ 2,406,614</u>

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

Depreciation was charged to functions as follows:

Streets and sanitation	\$ 2,355,048
Parks and recreation	791,951
Public safety	516,585
Administrative services	610,767
Library	166,319
Engineering and inspections	<u>27,297</u>
	<u>\$ 4,467,967</u>
 Component unit	 <u>\$ 9,043</u>

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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. The City utilizes lines of credit generally for the short-term financing of capital projects or major equipment acquisitions. The City enters into notes payable generally for the acquisition of property and equipment.

Description	Interest Rate	Balance 9/30/2017	Issued	Retired	Balance 9/30/2018	Amounts Due Within One Year
General Obligation Warrants:						
2009 Series, matures 2022	2.0 - 5.0	\$ 4,480,000	\$ -	\$ 820,000	\$ 3,660,000	\$ 855,000
2013 Series	2.43	3,100,374	-	493,210	2,607,164	505,499
2014 Series A & B*	2.0 - 5.0	50,820,000	-	230,000	50,590,000	965,000
2014 QECB Series	4.68	2,485,000	-	-	2,485,000	-
2014 Series C & D	2.0 - 5.0	26,855,000	-	1,105,000	25,750,000	430,000
2015 Series*	3.0 - 5.0	25,595,000	-	675,000	24,920,000	705,000
2017 Series	3.28	9,260,000	-	145,000	9,115,000	-
2018 Series A & B**	3.0 - 5.0	-	31,265,000	-	31,265,000	110,000
Total general obligation warrants		<u>\$ 122,595,374</u>	<u>\$ 31,265,000</u>	<u>\$ 3,468,210</u>	<u>\$ 150,392,164</u>	<u>\$ 3,570,499</u>
Lines of Credit:						
\$6,000,000 line of credit, interest payable monthly at 2.39%.						
Matures July 15, 2025.	2.39	\$ 5,379,152	\$ -	\$ 632,660	\$ 4,746,492	\$ 647,947
\$6,000,000 line of credit, interest payable monthly at LIBOR + 1.95%						
Matures December 28, 2020	2.21	-	6,000,000	-	6,000,000	6,000,000
Total Lines of Credit		<u>\$ 5,379,152</u>	<u>\$ 6,000,000</u>	<u>\$ 632,660</u>	<u>\$ 10,746,492</u>	<u>\$ 6,647,947</u>

*General Obligation Warrants, Series 2014 A & B and Series 2015, were used to fund the construction of a new school and stadium for the Trussville City School System.

**\$ 6,875,000 of the General Obligation Warrants, Series 2018 B, was used to fund various capital projects for the Trussville City School System.

THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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

Description	Interest Rate	Balance 9/30/2017	Issued	Retired	Balance 9/30/2018	Amounts Due Within One Year
Notes payable:						
Land mortgage payable, due in monthly installments of \$15,019	3.5	\$ 1,841,857	\$ -	\$ 117,635	\$ 1,724,222	\$ 121,818
Mortgage payable, due in monthly installments of \$9,000	4.0	1,490,416	-	49,280	1,441,136	51,288
Mortgage payable, interest only balloon in 2021	3.0	719,930	-	-	719,930	-
Note payable, due in monthly installments of \$8,455	2.21	-	377,780	58,643	319,137	91,756
Note payable, due in monthly installments of \$3,485	2.21	-	155,193	17,972	137,221	37,422
Note payable, due in monthly installments of \$1,362	2.21	-	60,509	7,027	53,482	14,573
Note payable, due in monthly installments of \$11,517	2.21	-	626,807	47,404	579,403	117,995
Note payable, due in monthly installments of \$1,819	2.21	-	80,461	4,648	75,813	19,145
Note payable, due in monthly installments of \$3,371	2.21	-	149,000	8,974	140,026	35,431
Note payable, due in monthly installments of \$597	2.21	-	26,418	536	25,882	6,242
Total notes payable		4,052,203	1,476,168	312,119	5,216,252	495,670
Compensated absences		2,166,293	130,064	-	2,296,357	-
Total long-term liabilities		\$ 134,193,022	\$ 38,871,232	\$ 4,412,989	\$ 168,651,265	\$ 10,714,116

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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>
2019	10,714,116	6,577,141
2020	5,026,000	6,629,046
2021	5,939,486	6,432,819
2022	5,315,188	6,206,442
2023	5,580,592	6,001,375
2024	5,632,808	5,957,821
2025	5,896,666	5,887,644
2026	5,538,412	5,618,991
2027	5,796,709	5,368,369
2028	6,045,315	5,120,241
2029	6,324,243	4,844,560
2030	6,563,168	4,539,627
2031	6,772,819	4,216,792
2032	7,096,193	3,892,807
2033	7,424,705	3,559,702
2034	8,788,360	3,221,678
2035	9,812,163	2,755,805
2036	7,156,122	2,378,613
2037	7,455,242	1,976,032
2038	7,616,601	1,454,196
2039	14,635,000	920,375
2040	8,315,000	499,275
2041	4,550,000	265,300
2042	305,000	84,775
2043	315,000	74,100
2044	325,000	63,075
2045	335,000	51,294
2046	350,000	39,150
2047	360,000	26,463
2048	370,000	13,413
	<u>\$ 166,354,908</u>	<u>\$ 94,676,921</u>

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

NOTE 8 - LEASE OBLIGATIONS

The City was not obligated on any significant operating leases as of September 30, 2018.

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, 2018.

Amounts for specific purposes by fund and fund balance classifications for the year ended September 30, 2018 are as follows:

<u>Classification / Fund</u>	<u>Purpose</u>	<u>Amount</u>
Restricted / Capital Projects Fund	Capital Projects	\$ 25,371,058
Restricted / Debt Service Fund	Debt Payments	5,608,417
Restricted / Capital Projects Fund	Capital Projects	1,798,237
Restricted / Street Improvement Fund	Infrastructure Maintenance	104,284
Restricted / Gas Tax Fund	Infrastructure Maintenance	255,966
Restricted / Confiscated Fund	Public Safety	3,858
Restricted / Corrections Fund	Public Safety	409,993
Restricted / Capital Projects Fund	Capital Projects	559,145
Restricted / Series 2017 Warrants	Capital Projects	2,100
Committed / Education Fund	Education	7,737,302
Unassigned / General Fund		<u>19,096,311</u>
		<u><u>\$ 60,946,671</u></u>

NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES

The City is involved in various lawsuits at September 30, 2018, 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 has entered into tax abatement agreements with local businesses to promote economic development. The agreements rebate varying percentages of sales taxes, rental taxes and / or business license fees generated by the respective commercial development. The total amount rebated under these agreements for the year ended September 30, 2018 was \$1,357,833. The balances remaining to be paid under these agreements as of September 30, 2018 cannot be determined since the total to be paid is dependent upon future sales tax, rental tax and business license revenue from each development.

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

NOTE 12 - POST EMPLOYMENT BENEFITS

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

Benefits Provided. Medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement. The employees are covered by the Retirement System of Alabama and 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 or later and completion of 10 years of service. Retiree healthcare requires 30 years of service or 25 years of consecutive service with the City of Trussville

Employees Covered by Benefit Terms. At September 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	212
Total	215

Total OPEB Liability. The City's total OPEB liability of \$2,158,940 was measured as of September 31, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the September 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary Increases	3.0%, including inflation
Prior Discount Rate	3.63%
Discount Rate	4.18%, net of OPEB plan investment expense, including inflation
Healthcare Cost Trend Rates	Flat 5.5% annually

The discount rate was based on the average of the Bond Buyers' 20 Year General Obligation municipal bond index as of September 31, 2018, the end of the applicable measurement period.

Mortality rates were based on the RP-2000 Table without projection with 50%/50% unisex blend.

The actuarial assumptions used in the September 30, 2018 valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2009 to September 30, 2018.

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

NOTE 12 - POST EMPLOYMENT BENEFITS - continued

Changes in the Total OPEB Liability.

Balance at September 30, 2017	\$ 2,125,542
Changes for the year:	
Service cost	83,311
Interest	80,181
Differences between expected and actual experience	68,580
Changes in assumptions	(164,323)
Benefit payments and net transfers	(34,351)
Net changes	<u>33,398</u>
 Balance at September 30, 2018	 <u>\$ 2,158,940</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The Following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percent lower (3.18%) or one percent higher (5.18%) than the current discount rate:

	<u>1% Decrease (3.18%)</u>	<u>Current Discount Rate (4.18%)</u>	<u>1% Increase (5.18%)</u>
Total OPEB liability	<u>\$ 2,500,714</u>	<u>\$ 2,158,940</u>	<u>\$ 1,869,994</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower (4.5%) or one percent higher (6.5%) than the current healthcare cost trend rates:

	<u>1% Decrease (4.5%)</u>	<u>Current Trend Rate (5.5%)</u>	<u>1% Increase (6.5%)</u>
Total OPEB liability	<u>\$ 1,843,298</u>	<u>\$ 2,158,940</u>	<u>\$ 2,537,844</u>

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

NOTE 12 - POST EMPLOYMENT BENEFITS - continued

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended September 30, 2018, the City recognized OPEB expense of \$158,705. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 65,151	\$ -
Changes of assumptions	-	(156,107)
Total	\$ 65,151	\$ (156,107)

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

Year ended September 30,			
2019	\$	(4,787)	
2020		(4,787)	
2021		(4,787)	
2022		(4,787)	
2023		(4,787)	
Thereafter		(67,021)	
	\$	(90,956)	

NOTE 13 - PENSION PLAN

Employee's Retirement System of Alabama (ERS)

Plan Description. The ERS, an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27 (Act 515 of the Legislature of 1945)*. The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

NOTE 13 - PENSION PLAN – Continued

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.

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

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

NOTE 13 - PENSION PLAN – Continued

The ERS serves approximately 909 local participating employers. The ERS membership includes approximately 88,517 participants. As of September 30, 2017, membership consisted of:

Retirees and beneficiaries currently receiving benefits	23,853
Terminated employees entitled to but not yet receiving benefits	1,401
Terminated employees not entitled to a benefit	7,154
Active members	55,941
Post-DROP participants who are still in active service	168
Total	88,517

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, 2018, the City’s active employee contribution rate was 5.4 percent of covered employee payroll, and the City’s average contribution rate to fund the normal and accrued liability costs was 6.98 percent of covered employee payroll.

The City’s contractually required contribution rate for the year ended September 30, 2018 was 7.85% of pensionable pay for Tier 1 employees, and 5.29% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2015, a percent of annual pensionable payroll, and an actuarially determined 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 \$891,797 for the year ended September 30, 2018

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

NOTE 13 - PENSION PLAN - Continued

Net Pension Liability

The City's net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2016 rolled forward to September 30, 2017 using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual</u>
(a) Total Pension Liability as of September 30, 2016	\$ 30,646,337	\$ 30,729,235
(b) Discount rate	7.75%	7.75%
(c) Entry Age Normal Cost for the period October, 2016 - September 30, 2017	976,468	976,468
(d) Transfers Among Employers:	-	(55,802)
(e) Actual Benefit Payments and Refunds for the period October 1, 2016 - September 30, 2017	<u>(938,632)</u>	<u>(938,632)</u>
(f) Total Pension Liability as of September 30, 2017 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	<u>\$ 33,022,892</u>	<u>\$ 33,056,413</u>
(g) Difference between Expected and Actual		\$ 33,521
(h) Less Liability Transferred for Immediate Recognition		<u>(55,802)</u>
(i) Experience (Gain)/Loss = (g) - (h)		<u>\$ 89,323</u>

Actuarial assumptions. The total pension liability as of September 30, 2016 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2015. The key actuarial assumptions are summarized below:

Inflation	2.75%
Salary increases	3.25% - 5.00%
Investment rate of return*	7.75%

*Net of pension plan investment expense

Mortality rates for ERS were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females at ages on and after age 78. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with a Scale BB to 2020 with an adjustment of 130% at all ages for females.

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

NOTE 13 - PENSION PLAN - Continued

The actuarial assumptions used in the September 30, 2016 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, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Fixed Income	17%	4.4%
US Large Stocks	32%	8.0%
US Mid Stocks	9%	10.0%
US Small Stocks	4%	11.0%
Int'l Developed Market Stocks	12%	9.5%
Int'l Emerging Market Stocks	3%	11.0%
Alternatives	10%	10.1%
Real Estate	10%	7.5%
Cash Equivalents	3%	1.5%
Total	100%	

Discount rate. The discount rate used to measure the total pension liability was the long-term rate of return, 7.75%. 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, 2018**

NOTE 13 - PENSION PLAN - Continued

Changes in Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at September 30, 2016	\$ 30,646,337	\$ 24,327,613	\$ 6,318,724
Changes for the year:			
Service cost	976,468	-	976,468
Interest	2,338,719	-	2,338,719
Changes of assumptions	-	-	-
Differences between expected and actual experience	89,323	-	89,323
Contributions - employer	-	822,430	(822,430)
Contributions - employee	-	629,893	(629,893)
Net investment income	-	3,144,242	(3,144,242)
Benefit payments, including refunds of employee contributions	(938,632)	(938,632)	-
Administrative expense	-	-	-
Transfers among employers	(55,802)	(55,802)	-
Net changes	<u>2,410,076</u>	<u>3,602,131</u>	<u>(1,192,055)</u>
Balances at September 30, 2017	<u>\$ 33,056,413</u>	<u>\$ 27,929,744</u>	<u>\$ 5,126,669</u>

Sensitivity of the net pension liability to changes in the discount rate. The following table presents the City's net pension liability calculated using the discount rate of 7.75%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Plan's Net Pension Liability (Asset)	\$ 9,639,303	\$ 5,126,669	\$ 1,339,520

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, 2017. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2017. The auditor's report dated August 31, 2018 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.

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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, 2018, the City recognized pension expense of \$822,699. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 203,574	\$ 53,913
Changes of assumptions	1,136,861	-
Net difference between projected and actual earnings on plan investments	-	850,635
Employer contributions subsequent to the Measurement Date	891,797	-
Total	\$ 2,232,232	\$ 904,548

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,

2019	\$ 11,568
2020	158,754
2021	(129,242)
2022	(33,723)
2023	209,282
Thereafter	219,248
	\$ 435,887

NOTE 14 - ECONOMIC DEPENDENCY

The City is economically dependent on a small number of principal taxpayers. Sales and use tax revenue accounted for 64 percent of total governmental fund-type revenues for the year ended September 30, 2018. Sales and use tax revenues received from three (3) major taxpayers accounted for 25 percent of the total sales and use tax collected city-wide. In addition, one (1) major taxpayer accounted for 12 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, 2018

NOTE 15 – RESTATEMENTS OF BEGINNING NET POSITION

The City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the year ended September 30, 2018. This implementation required a prior period reduction in net position of \$1,144,044 to record the beginning balance of the OPEB liability.

The City determined that it did not have an enforceable note receivable from its component unit, the Trussville Redevelopment Authority in the amount of \$5,675,031. This correction required a prior period reduction in net position of \$2,661,836 for the City and a corresponding prior period increase in net position for the City's component unit, the Trussville Redevelopment Authority.

Note 16 – FUTURE ACCOUNTING PRONOUNCEMENTS

The GASB issued Statement No. 83, *Certain Asset Retirement Obligations* to establish criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of GASB 83 are effective for fiscal years beginning after June 15, 2018. The City is currently evaluating the impact GASB 83 may have on its financial statements.

The GASB issued Statement No. 84, *Fiduciary Activities* to establish criteria for identifying fiduciary activities of all state and local governments. The requirements of GASB 84 are effective for fiscal years beginning after December 15, 2018. The City is currently evaluating the impact GASB 84 may have on its financial statements.

The GASB issued Statement No. 87, *Leases* to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of GASB 87 are effective for fiscal years beginning after December 15, 2019. The City is currently evaluating the impact GASB 87 may have on its financial statements.

The GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of GASB 88 are effective for fiscal years beginning after June 15, 2018. The City is currently evaluating the impact GASB 88 may have on its financial statements.

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) simplify accounting for interest cost incurred before the end of a construction period. The requirements of GASB 89 are effective for fiscal years beginning after December 15, 2019. The City is currently evaluating the impact GASB 89 may have on its financial statements.

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Note 16 – FUTURE ACCOUNTING PRONOUNCEMENTS - continued

The GASB issued Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61* to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of GASB 90 are effective for fiscal years beginning after December 15, 2018. The City is currently evaluating the impact GASB 90 may have on its financial statements.

The GASB issued Statement No. 91, *Conduit Debt Obligations* to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of GASB 91 are effective for fiscal years beginning after December 15, 2020. The City is currently evaluating the impact GASB 89 may have on its financial statements

NOTE 17 - SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through September 24, 2019, 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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability				
Service cost	\$ 976,468	\$ 893,261	\$ 866,177	\$ 842,773
Interest	2,338,719	2,138,421	1,963,550	1,815,949
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	89,323	(71,589)	203,360	-
Changes of assumptions	-	1,509,603	-	-
Benefit payments, including refunds of employee contributions	(938,632)	(844,892)	(849,514)	(777,902)
Transfers among employers	(55,802)	(131,171)	-	-
Net change in total pension liability	<u>2,410,076</u>	<u>3,493,633</u>	<u>2,183,573</u>	<u>1,880,820</u>
Total pension liability - beginning	<u>30,646,337</u>	<u>27,152,704</u>	<u>24,969,131</u>	<u>23,088,311</u>
Total pension liability - ending (a)	<u>\$ 33,056,413</u>	<u>\$ 30,646,337</u>	<u>\$ 27,152,704</u>	<u>\$ 24,969,131</u>
Plan fiduciary net position				
Contributions - employer	\$ 822,430	\$ 802,312	\$ 729,859	\$ 723,666
Contributions - member	629,893	641,861	560,562	541,561
Net investment income	3,144,242	2,226,928	250,728	2,209,510
Benefit payments, including refunds of employee contributions	(938,632)	(844,892)	(849,514)	(777,902)
Transfers among employers	(55,802)	(131,171)	54,926	26,247
Net change in plan fiduciary net position	<u>3,602,131</u>	<u>2,695,038</u>	<u>746,561</u>	<u>2,723,082</u>
Plan net position - beginning	<u>24,327,613</u>	<u>21,632,575</u>	<u>20,886,014</u>	<u>18,162,932</u>
Plan net position - ending (b)	<u>\$ 27,929,744</u>	<u>\$ 24,327,613</u>	<u>\$ 21,632,575</u>	<u>\$ 20,886,014</u>
Net pension liability (asset) - ending (a) - (b)	\$ 5,126,669	\$ 6,318,724	\$ 5,520,129	\$ 4,083,117
Plan fiduciary net position as a percentage of the total pension liability	84.49%	79.38%	79.67%	83.65%
Covered-employee payroll	\$ 12,768,995	\$ 11,645,201	\$ 10,771,307	\$ 9,515,050
Net pension liability (asset) as a percentage of covered-employee payroll	40.15%	54.26%	51.25%	42.91%

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, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 891,797	\$ 851,471	\$ 821,552	\$ 764,120
Contribution in relation to the actuarially determined contribution	<u>891,797</u>	<u>851,471</u>	<u>821,552</u>	<u>764,120</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 12,768,995	\$ 11,645,201	\$ 10,771,307	\$ 10,067,567
Contributions as a percentage of covered-employee payroll	6.98%	7.31%	7.63%	7.59%

Actuarial cost method:	Entry Age
Amortization Method:	Level percent closed
Remaining amortization period:	15.4 years
Asset valuation method:	Five-year smoothed market
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 HEALTH INSURANCE PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	2018
Total OPEB Liability	
Service cost	\$ 83,311
Interest	80,181
Changes of benefit terms	-
Differences between expected and actual experience	68,580
Changes of assumptions	(164,323)
Benefit payments	(34,351)
Net change in total OPEB liability	33,398
Total OPEB liability - beginning	2,125,542
Total OPEB liability - ending (a)	\$ 2,158,940
Covered-employee payroll	\$ 12,768,995
Net pension liability (asset) as a percentage of covered-employee payroll	16.91%

Notes to Schedule:

Benefit Changes: There were no changes in benefit terms for the year ended September 30, 2018.

Changes of Assumptions: The discount rate as of September 30, 2017 was 3.63% and it changed to 4.18% as of September 30, 2018.

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 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
– GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:				
Taxes	\$ 24,224,200	\$ 24,224,200	\$ 26,647,013	\$ 2,422,813
Education	9,596,000	9,596,000	10,121,022	525,022
Licenses and permits	5,211,000	5,211,000	5,286,663	75,663
Intergovernmental	120,000	120,000	133,575	13,575
Charges for services	1,340,550	1,340,550	2,046,037	705,487
Fines and forfeitures	202,250	202,250	250,863	48,613
Interest	55,000	55,000	78,452	23,452
Other	12,000	12,000	377,087	365,087
Total Revenues	<u>40,761,000</u>	<u>40,761,000</u>	<u>44,940,712</u>	<u>4,179,712</u>
Expenditures:				
Current operations:				
General government	3,068,586	3,068,586	2,604,358	464,228
Public safety:				
Fire and rescue	4,729,528	4,729,528	4,848,201	(118,673)
Police and court	7,995,349	7,995,349	8,287,078	(291,729)
Streets and sanitation	3,751,160	3,751,160	3,730,551	20,609
Parks and recreation	4,014,382	4,014,382	4,055,242	(40,860)
Library	1,287,438	1,287,438	2,816,870	(1,529,432)
Historical	17,000	17,000	20,967	(3,967)
Engineering and inspection	685,390	685,390	657,578	27,812
Payments to the Trussville School System	4,051,071	4,051,071	3,656,422	394,649
Redevelopment expenses	200,000	200,000	4,739,123	(4,539,123)
Total current operations	<u>29,799,904</u>	<u>29,799,904</u>	<u>35,416,390</u>	<u>(5,616,486)</u>
Capital outlays	334,215	334,215	3,720,949	(3,386,734)
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>30,134,119</u>	<u>30,134,119</u>	<u>39,137,339</u>	<u>(9,003,220)</u>
Revenues over / (under) expenditures	10,626,881	10,626,881	5,803,373	(4,823,508)
Other financing sources / (uses):				
Interfund transfers in	-	-	400,000	400,000
Interfund transfers out	(10,626,881)	(10,626,881)	(13,117,730)	(2,490,849)
General obligation warrants	-	-	7,476,168	7,476,168
Total other financing sources / (uses)	<u>(10,626,881)</u>	<u>(10,626,881)</u>	<u>(5,241,562)</u>	<u>5,385,319</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	561,811	<u>\$ 561,811</u>
Fund balances, beginning			<u>26,271,802</u>	
Fund balances, ending			<u>\$ 26,833,613</u>	

See notes to the required supplemental information.

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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. Several minor amendments were made to the budget during the year ended September 30, 2018. 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, 2018, expenditures exceeded appropriations in all departments except general government, streets and sanitation and engineering and inspections. Payments to the Trussville School System were also less than the amounts budgeted.

SUPPLEMENTAL INFORMATION

**SUPPLEMENTAL INFORMATION
THE CITY OF TRUSSVILLE, ALABAMA
SCHEDULE OF REVENUES – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
LICENSES AND PERMITS		
Zoning adjustment	\$ 2,050	\$ 1,850
Cable TV Franchise	242,312	235,612
City licenses	3,792,729	3,634,544
Building permits	<u>1,249,572</u>	<u>1,265,479</u>
	5,286,663	5,137,485
CITY SALES, LODGING, AND LEASE TAX	23,037,903	21,535,673
EDUCATION		
Sales tax	7,206,290	6,926,074
Advalorem tax	2,732,855	2,698,202
Rental lease tax	81,705	87,914
Miscellaneous	<u>100,172</u>	<u>186,888</u>
	10,121,022	9,899,078
INTERGOVERNMENTAL		
Trussville Utilities Board	120,000	120,000
Auto tax	306,472	247,579
Shares from state and county:		
Gasoline tax	588,907	595,200
Advalorem tax	2,029,670	1,552,657
Beer and wine tax	135,625	154,701
Sales tax - auto and boat	186,449	162,411
Auto licenses	60,978	65,915
Tobacco tax	14,622	14,771
Bank excise tax	64,709	85,164
Miscellaneous	131,346	102,159
Library state aid	13,575	12,956
Motor vehicle licenses and registration	10,799	10,326
Liquor taxes	<u>79,533</u>	<u>77,224</u>
	3,742,685	3,201,063
FINES AND FORFEITURES	250,863	256,202
CHARGES FOR SERVICES		
Garbage collection fees	12,471	11,855
Court costs and fees	108,870	85,235
Swimming pool receipts	60,572	48,569
Ambulance and fire calls	609,594	481,230
Civic center and park programs	935,582	716,006
Library receipts	12,718	28,619
City assessments and fees	275,017	23,612
Police programs and fees	<u>31,213</u>	<u>77,200</u>
	2,046,037	1,472,326
INTEREST	78,452	62,080
OTHER	<u>377,087</u>	<u>807,011</u>
TOTAL REVENUES	<u>\$ 44,940,712</u>	<u>\$ 42,370,918</u>

SUPPLEMENTAL INFORMATION
THE CITY OF TRUSSVILLE, ALABAMA
SCHEDULE OF EXPENDITURES – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
POLICE AND COURT		
Police Department		
Payroll and related costs	\$ 6,816,506	\$ 6,170,954
Utilities	174,991	174,245
Other operating costs	903,105	1,059,103
Municipal Court		
Payroll and related costs	311,392	277,365
Other operating costs	81,084	126,868
	<u>8,287,078</u>	<u>7,808,535</u>
FIRE AND RESCUE		
Payroll and related costs	4,054,556	3,803,985
Utilities	178,639	180,503
Other operating costs	615,006	630,841
	<u>4,848,201</u>	<u>4,615,329</u>
STREET		
Payroll and related costs	958,826	937,949
Garbage pickup	2,041,153	1,783,505
Paving, street lights and maintenance	524,909	439,898
Other operating costs	205,663	194,747
	<u>3,730,551</u>	<u>3,356,099</u>
ENGINEERING AND INSPECTION		
Payroll and related costs	509,053	529,505
Other operating costs	148,525	95,920
	<u>657,578</u>	<u>625,425</u>
PARKS AND RECREATION		
Payroll and related costs	2,307,834	2,032,125
Utilities	695,848	745,075
Other operating costs	1,051,560	839,679
	<u>4,055,242</u>	<u>3,616,879</u>
LIBRARY		
Payroll and related costs	1,018,565	904,954
Utilities	67,947	59,085
Other operating costs	1,730,358	2,403,158
	<u>2,816,870</u>	<u>3,367,197</u>
HISTORICAL		
Utilities	17,396	13,759
Other operating costs	3,571	1,225
	<u>20,967</u>	<u>14,984</u>
GENERAL GOVERNMENT		
Payroll and related costs	751,380	661,035
Other operating costs	1,852,978	2,003,838
	<u>2,604,358</u>	<u>2,664,873</u>
CAPITAL OUTLAYS	3,720,949	1,496,607
PAYMENTS TO THE TRUSSVILLE SCHOOL SYSTEM	3,656,422	3,450,518
REDEVELOPMENT EXPENSES	4,739,123	458,076
TOTAL EXPENDITURES	<u>\$ 39,137,339</u>	<u>\$ 31,474,522</u>