



## ***FINANCIAL STATEMENTS***

***Year Ended September 30, 2018***

REPORT FROM  
**TILL, HESTER, EYER & BROWN, P.C.**  
*Certified Public Accountants*  
BIRMINGHAM, ALABAMA

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**CITY OF HUEYTOWN, ALABAMA  
ELECTED OFFICIALS  
September 30, 2018**

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MAYOR

Honorable Steve Ware

TERM OF OFFICE

October 2016 - 2020

CITY COUNCIL MEMBERS

Fran Zinnerman - District 1

October 2016 - 2020

Michael S. Pickens - District 2

October 2016 - 2020

Phifer Crane - District 3

October 2016 - 2020

Phillip Contorno - District 4

October 2016 - 2020

Jay Jacks - District 5

October 2016 - 2020

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

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ALABAMA SOCIETY  
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PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Hueytown, 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 business-type activity, each major fund, and the aggregate remaining fund information of the City of Hueytown, 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 conformity 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 and schedules for changes in the net pension liability and employer contributions for the Employees' Retirement System of Alabama and Other Post-Employment Benefits on pages 4 through 12 and 42 through 52 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 Hueytown, Alabama's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

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

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

March 20, 2019

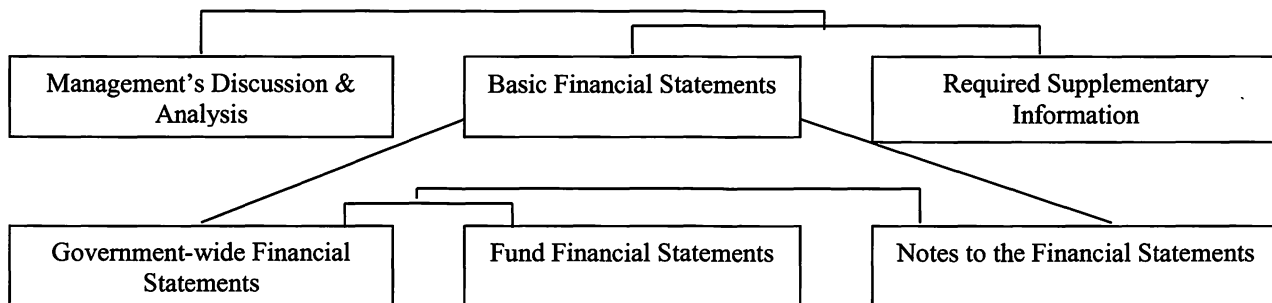
**Management's Discussion and Analysis**

As management of the City of Hueytown, Alabama, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Hueytown for the fiscal year ended September 30, 2018. We encourage readers to read the information presented here in conjunction with the City's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- The unassigned fund balance of the governmental activities is \$4.5 million and may be used to meet the ongoing obligations of the governmental activities.
- The governmental funds fund balance decreased \$1 million during the year, bringing the total fund balance of governmental funds to \$8.6 million. Of this amount, \$3.6 million is restricted under laws external to the City for specific purposes, \$124 thousand is nonspendable, \$349 thousand is assigned by management for specific purposes, and \$4.5 million is unreserved and available to finance the activities of the governmental funds.
- The General Fund reported a fund balance of \$5.2 million. The fund balance increased by \$956 thousand during the year.

**REQUIRED COMPONENTS OF  
THE ANNUAL FINANCIAL REPORT**



**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused annual leave).

# ***Management's Discussion and Analysis (unaudited)***

## ***September 30, 2018***

***City of Hueytown, Alabama***

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover a significant portion of their costs through user fees or charges (*business-type activity*). The governmental activities of the City include general government, public protection, public ways and facilities, and intergovernmental functions. The intergovernmental functions of the City are those activities whereby the City provides financial resources to other governmental entities.

The business-type activity of the City is the sanitation operations. This activity is referred to in the financial statements as part of the *primary government*.

The government-wide financial statements can be found on pages 13 and 14 of this report.

### **Fund Financial Statements**

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City can be divided into two categories: governmental funds and proprietary funds.

### **Governmental Funds**

Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City maintains nine individual governmental funds:

- The General Fund, the 2014 GOW Capital Projects Fund and the Four Cent Gas Tax Fund are considered *major* funds, and information is presented separately in the *governmental funds balance sheet* and in the *governmental funds statement of revenues, expenditures, and changes in fund balances* for these funds.
- The six other governmental funds are considered *nonmajor* governmental funds and they are combined into a single, aggregated presentation in the basic financial statements. Individual fund data for each of these funds is provided in the form of combining statements found on pages 53 and 54 of this report.

The basic governmental fund financial statements can be found on pages 15 through 18 of this report.

### **Proprietary Fund**

The City maintains one type of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its sanitation activities.

Proprietary funds provide the same type of information as the government-wide financial statements, but in more detail. The basic proprietary fund financial statements provide information as follows:

- The Garbage Fund is considered a major proprietary fund of the City, and information is presented separately in the *proprietary fund statement of net position* and in the *proprietary fund statement of revenues, expenses, and changes in net position*.

The basic proprietary fund financial statements can be found on pages 19 through 21 of this report.

***Management's Discussion and Analysis (unaudited)***  
***September 30, 2018***

***City of Hueytown, Alabama***

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 22 through 41 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. The City of Hueytown adopts an annual budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. Required supplementary information can be found on pages 42 through 51 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining fund statements can be found on pages 53 and 54 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve as a useful indicator of a government's financial position. Overall, the City's liabilities exceed assets by \$160 thousand at the close of the recent fiscal year. Of this figure, \$4.9 million represents the City's total investment in capital assets (i.e. land, buildings, improvements, infrastructure and other), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$2.4 million, represents resources that are subject to restrictions as to how they may be used. These are restrictions that are being imposed by legal requirements other than those imposed by the City Council (i.e. state or federal law).



**Management's Discussion and Analysis (unaudited)**  
**September 30, 2018**

**City of Hueytown, Alabama**

City of Hueytown's Net Position (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 9,335	\$ 10,316	\$ 392	\$ 35	\$ 9,727	\$ 10,351
Capital assets	11,415	9,630	-	-	11,415	9,630
Total assets	20,750	19,946	392	35	21,142	19,981
Deferred outflows of resources	2,355	2,894	-	-	2,355	2,894
Long-term liabilities outstanding	21,455	23,433	-	-	21,455	23,433
Other liabilities	778	639	109	134	887	773
Total liabilities	22,233	24,072	109	134	22,342	24,206
Deferred outflows of resources	1,053	-	261	-	1,314	-
Net position:						
Net investment in capital assets	4,896	4,861	-	-	4,896	4,861
Restricted	2,409	2,257	-	-	2,409	2,257
Unrestricted	(7,486)	(8,350)	22	(99)	(7,464)	(8,449)
Total net position	\$ (181)	\$ (1,232)	\$ 22	\$ (99)	\$ (159)	\$ (1,331)

**Management's Discussion and Analysis (unaudited)**  
**September 30, 2018**

**City of Hueytown, Alabama**

**City of Hueytown's Changes in Net Position (in thousands)**

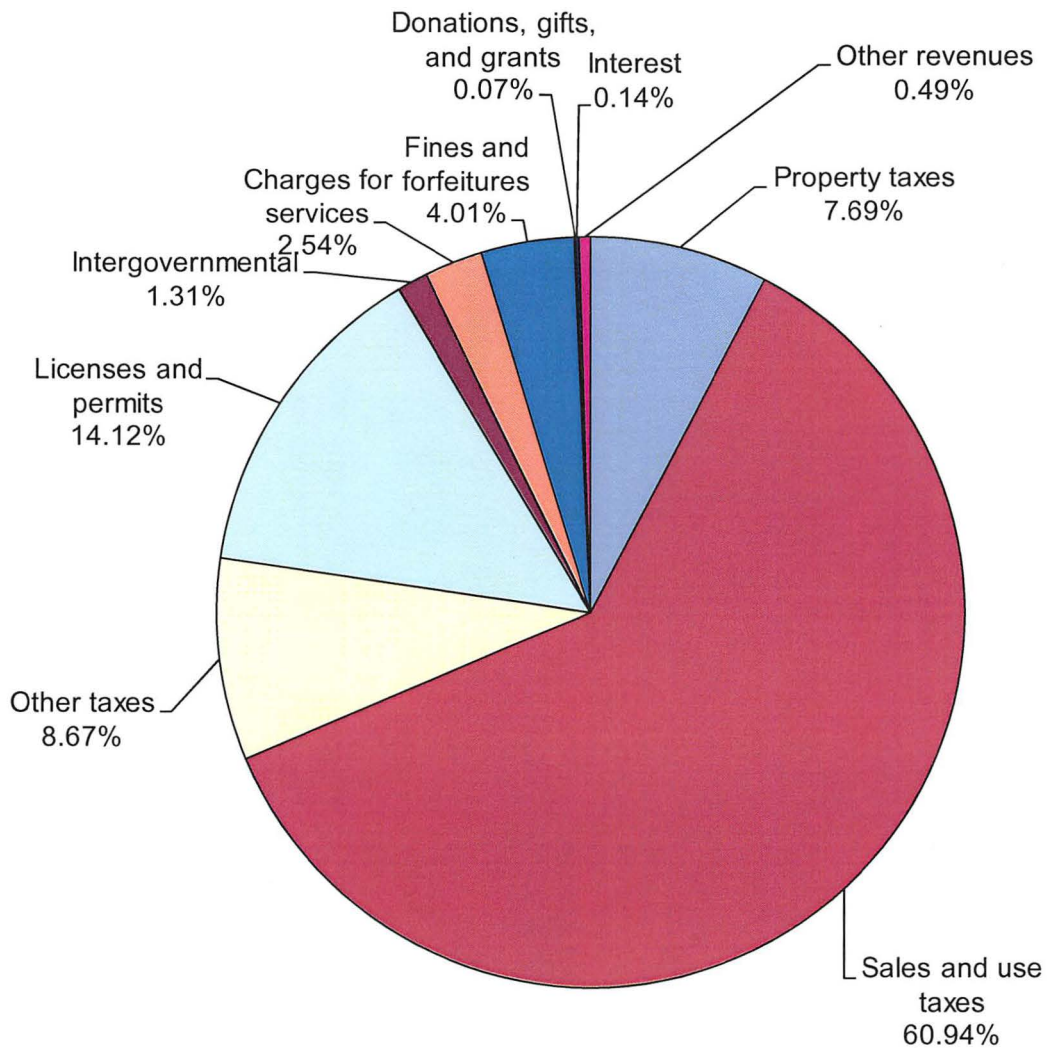
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Fees, fines and charges for services	\$ 2,709	\$ 2,947	\$ 1,072	\$ 916	\$ 3,781	\$ 3,863
Operating grants and contributions	322	335	-	-	322	335
Capital grants and contributions	183	179	-	-	183	179
General revenues:						
Property taxes	1,046	1,022	-	-	1,046	1,022
Sales and use taxes	8,287	7,754	-	-	8,287	7,754
Other taxes	861	865	-	-	861	865
Interest	19	7	-	-	19	7
Gain on sale of assets	13	41	-	-	13	41
Total revenues	<u>13,440</u>	<u>13,150</u>	<u>1,072</u>	<u>916</u>	<u>14,512</u>	<u>14,066</u>
Expenses:						
General government	2,247	3,229	-	-	2,247	3,229
Public protection	8,313	8,263	-	-	8,313	8,263
Public ways and facilities	2,300	2,044	-	-	2,300	2,044
Interest and fiscal agent fees	213	218	-	-	213	218
Garbage Fund	-	-	656	643	656	643
Total expenses	<u>13,073</u>	<u>13,754</u>	<u>656</u>	<u>643</u>	<u>13,729</u>	<u>14,397</u>
Increase (decrease) in net assets before transfers and capital contributions	367	(604)	416	273	783	(331)
Transfers	<u>295</u>	<u>308</u>	<u>(295)</u>	<u>(308)</u>	<u>-</u>	<u>-</u>
Change in net position	662	(296)	121	(35)	783	(331)
Net position - beginning of year, as restated (Note N)	<u>(843)</u>	<u>(936)</u>	<u>(99)</u>	<u>(64)</u>	<u>(942)</u>	<u>(1,000)</u>
Net position - end of year	<u>\$ (181)</u>	<u>\$ (1,232)</u>	<u>\$ 22</u>	<u>\$ (99)</u>	<u>\$ (159)</u>	<u>\$ (1,331)</u>

**Governmental Activities**

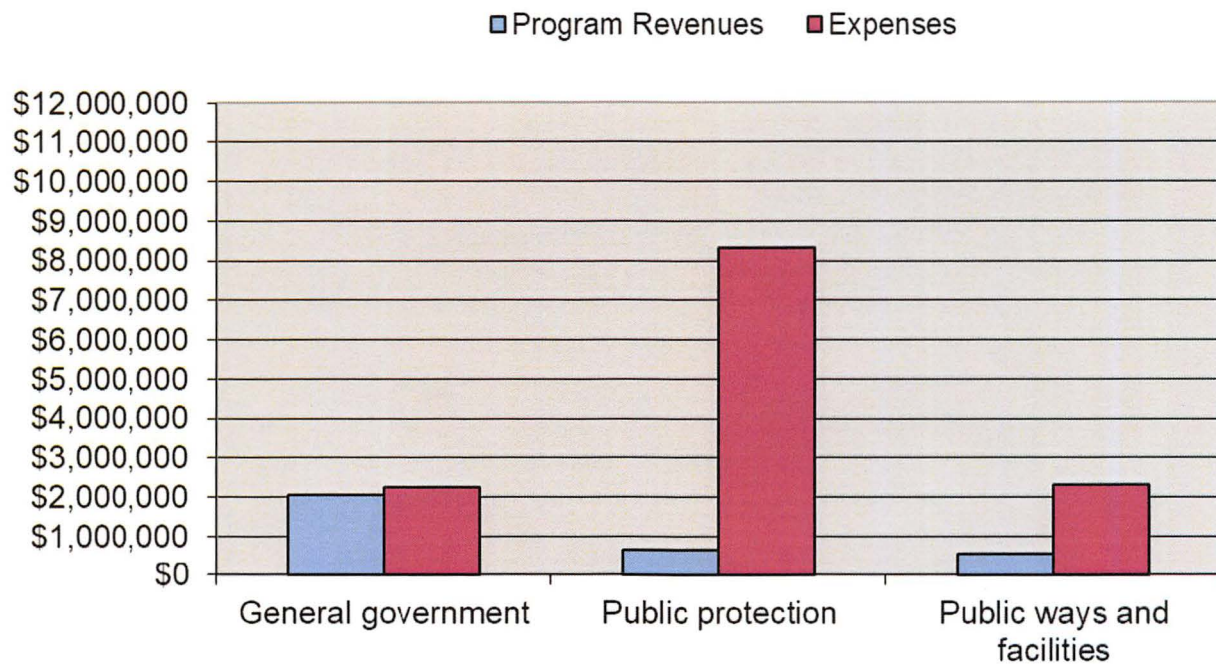
The City's governmental activities rely heavily on property taxes and sales taxes to support governmental operations. Property taxes provided 7.78% and sales taxes provided 61.66% of the City's total governmental revenues. Sales tax revenue increased by 6.87%. It should be noted that program revenues covered 24.59% of governmental operating expenses and the government's taxpayers and the City's other general revenues covered 75.41% of the governmental activities. As a result, the general economy and the local businesses have a major impact on the City's revenue streams.

The most significant governmental expense for the City is providing public protection services such as fire and police protection. This comprised 63.59% of the total governmental expenses. Public protection expenses remained consistent with 2017 and increased by \$50 thousand, or 0.61%. The second largest cost incurred by the City for governmental activities is public ways and facilities, which is 17.59% of total governmental expenses. Public ways and facilities primarily includes library and public works. Expenses for public ways and facilities are offset by charges for services, operating grants and contributions and capital grants and contributions, which totaled \$33 thousand, \$319 thousand and \$183 thousand, respectively. The charges for services include registration and program fees. The total cost of all governmental activities decreased by \$681 thousand while revenues increased by \$290 thousand.

Revenue by Source - Governmental Activities



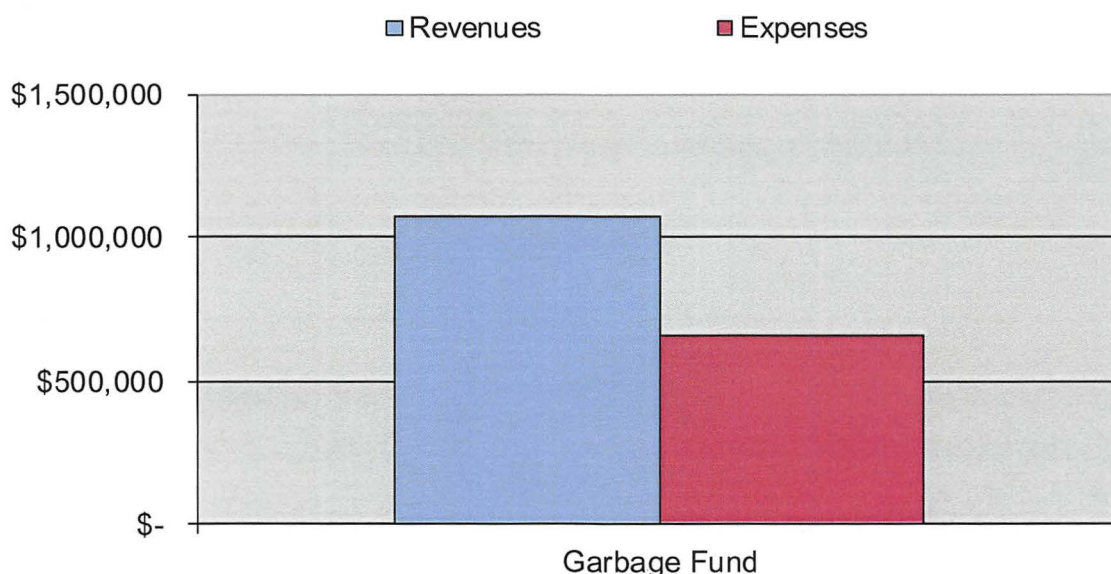
**Program Revenues and Expenses - Governmental Activities**



Business-Type Activities

The cost of the proprietary (business-type) activity was \$656 thousand, which is a 1.87 % increase from 2017. The amount paid by users of the garbage services was \$1.07 million, which is an increase of 17.03% from 2017. The proprietary (business-type) activity reported an operating income of \$416 thousand, which is an increase of 52.78% from 2017.

### Revenues and Expenses before Transfers and Capital Contributions



### FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

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

The combined fund balance of the City's governmental funds decreased \$1 million in 2018 and the total balance as of September 30, 2018, was \$8.6 million. Of this amount, \$4.5 million consists of unassigned fund balance, which is generally available for spending at the City's discretion. Nonspendable fund balance was \$124 thousand and fund balance that is designated for particular purposes, generally specified in council ordinances, totaled \$349 thousand. The remainder of the total fund balance is \$3.6 million, which is reserved to indicate that it is not available for new spending because it has already been committed to pay debt service and other purposes, or must be spent for specific purposes in the future as required by legal constraints.

Total revenues were \$13.6 million, an increase of 3.67% from 2017. Sales tax revenue increased by \$533 thousand.

**Proprietary fund.** The focus of the City's proprietary fund (enterprise) is to provide the same type of information as found in the government-wide financial statements, but in greater detail.

Unrestricted net position of the Garbage Fund was \$21 thousand. The total increase in net position for the Garbage fund was \$121 thousand. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Hueytown's business-type activities.

***Management's Discussion and Analysis (unaudited)***  
***September 30, 2018***

***City of Hueytown, Alabama***

**GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS**

The Mayor and City Council approve a formal budget for the General Fund on the modified accrual basis of accounting. The other governmental funds do not have a formal budget. See required supplementary information on pages 42 through 47 for budget to actual comparisons for the General Fund.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets

The City's investment in capital assets for governmental activities as of September 30, 2018, totals \$11.4 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements, machinery and equipment, infrastructure, sewer plant and equipment. For further information on capital assets see Note D in the notes to the financial statements.

City of Hueytown's Capital Assets			
(in thousands)			
		Governmental Activities	
		2018	2017
Land	\$	2,887	\$ 2,887
Machinery and equipment		6,543	6,353
Buildings, infrastructure and improvements		6,292	5,636
Construction in progress		2,917	1,612
		18,639	16,488
Accumulated depreciation		(7,224)	(6,858)
Total	\$	11,415	\$ 9,630

Long-Term Debt

General obligation warrants are secured by the full faith and credit of the City and payable from the proceeds of various taxes. Refer to Note F to the financial statements for additional information on long-term debt.

**ECONOMIC CONDITIONS AFFECTING THE CITY**

The City relies primarily on sales and ad valorem taxes along with business licenses and permits for their governmental activities. The primary source of revenue is sales taxes.

The level of taxes, fees, and charges for services have a direct bearing on the City's ability to (a) annex additional land into its corporate limits and (b) encourage development (office, retail, residential and industrial) to choose to be located in the jurisdiction. The City places significant emphasis on encouraging both annexation and economic development. The revenue from the above mentioned sources have also allowed the City to continue advanced training in public safety (police and fire).

**CONTACTING THE CITY**

This financial report is designed with a general overview of the City's finances and to demonstrate accountability for the money it receives from taxpayers, customers, and creditors. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Hueytown City Hall, 1318 Hueytown Road, Hueytown, Alabama 35023, by calling (205) 491-7010, or by sending an email to [info@hueytownal.org](mailto:info@hueytownal.org).



CITY OF HUEYTOWN, ALABAMA  
STATEMENT OF NET POSITION  
September 30, 2018

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,226,018	\$ 200,208	\$ 5,426,226
Receivables (net of allowance)	4,729	191,437	196,166
Prepaid expenditures	123,695	-	123,695
Restricted cash and cash equivalents	3,980,145	-	3,980,145
Capital assets:			
Land and construction in progress	5,805,171	-	5,805,171
Other assets, net of accumulated depreciation	5,610,439	-	5,610,439
Total assets	<u>20,750,197</u>	<u>391,645</u>	<u>21,141,842</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pension	2,354,512	-	2,354,512
<b>LIABILITIES</b>			
Accounts payable	457,380	54,458	511,838
Accrued payroll and related liabilities	284,140	-	284,140
Deposits	-	54,555	54,555
Accrued interest	23,543	-	23,543
Other liabilities	12,940	-	12,940
Noncurrent liabilities:			
Due within 1 year	669,981	-	669,981
Due in more than 1 year	9,833,645	-	9,833,645
Net pension liability	10,489,328	-	10,489,328
Net other post employment benefit liability	462,443	-	462,443
Total liabilities	<u>22,233,400</u>	<u>109,013</u>	<u>22,342,413</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pension	1,052,868	-	1,052,868
Revenue applicable to future year	-	261,426	261,426
	<u>1,052,868</u>	<u>261,426</u>	<u>1,314,294</u>
<b>NET POSITION</b>			
Net investment in capital assets	4,895,508	-	4,895,508
Restricted for:			
Debt service	252,691	-	252,691
Capital projects	160,654	-	160,654
Public protection	468,854	-	468,854
Infrastructure maintenance	1,520,865	-	1,520,865
Library	6,124	-	6,124
Unrestricted	(7,486,255)	21,206	(7,465,049)
Total net position	<u>\$ (181,559)</u>	<u>\$ 21,206</u>	<u>\$ (160,353)</u>

The accompanying notes are an integral part of these statements.

CITY OF HUEYTOWN, ALABAMA  
STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2018

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 2,247,419	\$ 2,035,836	\$ -	\$ -	\$ (211,583)	\$ -	\$ (211,583)
Public protection	8,312,581	639,915	3,016	-	(7,669,650)	-	(7,669,650)
Public ways and facilities	2,300,436	33,410	318,859	183,485	(1,764,682)	-	(1,764,682)
Interest and fiscal agent fees	213,441	-	-	-	(213,441)	-	(213,441)
Total governmental activities	<u>13,073,877</u>	<u>2,709,161</u>	<u>321,875</u>	<u>183,485</u>	<u>(9,859,356)</u>	<u>-</u>	<u>(9,859,356)</u>
Business-Type Activities							
Solid waste	655,754	1,071,842	-	-	-	416,088	416,088
Total Primary Government	<u>\$ 13,729,631</u>	<u>\$ 3,781,003</u>	<u>\$ 321,875</u>	<u>\$ 183,485</u>	<u>\$ (9,859,356)</u>	<u>\$ 416,088</u>	<u>\$ (9,443,268)</u>
General revenues:							
Taxes:							
Property taxes					\$ 1,045,956	\$ -	\$ 1,045,956
Sales and use taxes					8,287,148	-	8,287,148
Other taxes					860,746	-	860,746
Interest					19,270	-	19,270
Gain on sale of assets					12,655	-	12,655
Transfers					295,000	(295,000)	-
Total general revenues and transfers					<u>10,520,775</u>	<u>(295,000)</u>	<u>10,225,775</u>
Change in net position					661,419	121,088	782,507
Net position, beginning, as restated					(842,978)	(99,882)	(942,860)
Net position, ending					<u>\$ (181,559)</u>	<u>\$ 21,206</u>	<u>\$ (160,353)</u>

The accompanying notes are an integral part of these statements.



CITY OF HUEYTOWN, ALABAMA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
September 30, 2018

	General Fund	2014 GOW Capital Projects Fund	Gas Tax Fund (4 Cent)	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 5,226,018	\$ -	\$ -	\$ -	\$ 5,226,018
Receivables	4,726	-	-	3	4,729
Prepaid expenses	123,695	-	-	-	123,695
Restricted cash and cash equivalents	282,970	1,215,414	915,066	1,566,695	3,980,145
Total assets	<u>\$ 5,637,409</u>	<u>\$ 1,215,414</u>	<u>\$ 915,066</u>	<u>\$ 1,566,698</u>	<u>\$ 9,334,587</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 125,377	\$ 116,192	\$ 214,511	\$ 1,300	\$ 457,380
Accrued payroll and related liabilities	284,140	-	-	-	284,140
Other liabilities	12,940	-	-	-	12,940
Total liabilities	<u>422,457</u>	<u>116,192</u>	<u>214,511</u>	<u>1,300</u>	<u>754,460</u>
<b>FUND BALANCE</b>					
Nonspendable	123,695	-	-	-	123,695
Restricted for:					
Debt service	-	-	-	276,234	276,234
Capital projects	276,846	1,099,222	-	-	1,376,068
Public protection	-	-	-	468,854	468,854
Infrastructure maintenance	-	-	700,555	820,310	1,520,865
Library	6,124	-	-	-	6,124
Assigned for:					
Library	144,797	-	-	-	144,797
Public protection	203,994	-	-	-	203,994
Unassigned	4,459,496	-	-	-	4,459,496
Total fund balance	<u>5,214,952</u>	<u>1,099,222</u>	<u>700,555</u>	<u>1,565,398</u>	<u>8,580,127</u>
Total liabilities and fund balance	<u>\$ 5,637,409</u>	<u>\$ 1,215,414</u>	<u>\$ 915,066</u>	<u>\$ 1,566,698</u>	<u>\$ 9,334,587</u>

The accompanying notes are an integral part of these statements.

CITY OF HUEYTOWN, ALABAMA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
September 30, 2018

Total fund balance - governmental funds	\$ 8,580,127
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities that are not financial resources and are not reported in the funds (Note D).	11,415,610
Deferred outflows of resources are contributions to the pension plan subsequent to the measurement date of the collective net pension liability and before the end of the employer's reported period are not financial resources and are not reported in the funds (Note H).	2,354,512
Long-term liabilities of governmental funds, including warrants payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds (Note B).	(21,478,940)
Deferred inflows of resources is the net difference between projected and actual earnings on pension plan investments that are not financial resources and are not reported in the funds (Note H).	<u>(1,052,868)</u>
Net position of governmental activities	\$ <u><u>(181,559)</u></u>

The accompanying notes are an integral part of these statements.

CITY OF HUEYTOWN, ALABAMA  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
Year Ended September 30, 2018

	General Fund	2014 GOW Capital Projects Fund	Gas Tax Fund (4 Cent)	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 1,045,956	\$ -	\$ -	\$ -	\$ 1,045,956
Sales and use taxes	8,287,148	-	-	-	8,287,148
Other taxes	860,746	-	151,537	167,322	1,179,605
Licenses and permits	1,919,990	-	-	-	1,919,990
Intergovernmental	143,572	-	-	34,710	178,282
Charges for services	103,526	-	-	241,795	345,321
Fines and forfeitures	444,478	-	-	101,502	545,980
Donations, gifts and grants	9,861	-	-	-	9,861
Interest	7,654	5,274	1,656	4,686	19,270
Other revenues	67,229	-	-	-	67,229
Total revenues	<u>12,890,160</u>	<u>5,274</u>	<u>153,193</u>	<u>550,015</u>	<u>13,598,642</u>
<b>EXPENDITURES</b>					
General government	1,504,724	-	-	-	1,504,724
Public protection	8,632,277	1,961,496	-	8,863	10,602,636
Public ways and facilities	2,037,316	-	224,823	226,355	2,488,494
Debt service:					
Principal	-	-	-	582,606	582,606
Interest and fees	-	-	-	214,342	214,342
Total expenditures	<u>12,174,317</u>	<u>1,961,496</u>	<u>224,823</u>	<u>1,032,166</u>	<u>15,392,802</u>
Excess (deficiency) of revenues over expenditures	715,843	(1,956,222)	(71,630)	(482,151)	(1,794,160)
<b>OTHER FINANCING SOURCES (USES)</b>					
Capital leases issued	456,144	-	-	-	456,144
Sale of capital assets	30,429	-	-	-	30,429
Transfers in	551,244	-	-	797,561	1,348,805
Transfers (out)	(797,561)	-	-	(256,244)	(1,053,805)
Total other financing sources (uses)	<u>240,256</u>	<u>-</u>	<u>-</u>	<u>541,317</u>	<u>781,573</u>
Net change in fund balance	956,099	(1,956,222)	(71,630)	59,166	(1,012,587)
Fund balance, beginning, as restated	<u>4,258,853</u>	<u>3,055,444</u>	<u>772,185</u>	<u>1,506,232</u>	<u>9,592,714</u>
Fund balance, ending	<u>\$ 5,214,952</u>	<u>\$ 1,099,222</u>	<u>\$ 700,555</u>	<u>\$ 1,565,398</u>	<u>\$ 8,580,127</u>

The accompanying notes are an integral part of these statements.

CITY OF HUEYTOWN, 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	\$	(1,012,587)
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Amounts reported for governmental activities in the  
Statement of Activities are different because:

CAPITAL ASSET TRANSACTIONS

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.		2,286,194
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Depreciation expense on capital assets is reported in the government-wide statement of activities, but do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds (Note D).		(500,269)
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LONG-TERM DEBT

For governmental funds, the issuance of long-term debt provides current financial resources and the repayment of long-term debt consumes current financial resources. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued whereas, these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt, accrued interest and related items (Note B).		121,440
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ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Compensated absences		148,384
Other post employment benefit expense		(29,566)
Pension expense		(352,177)

Net change in net assets of governmental activities	\$	<u>661,419</u>
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The accompanying notes are an integral part of these statements.

CITY OF HUEYTOWN, ALABAMA  
STATEMENT OF NET POSITION -  
PROPRIETARY FUND  
September 30, 2018

	Business-type Activity - Enterprise Fund <u>Garbage Fund</u>
ASSETS	
Current assets:	
Cash	\$ 200,208
Receivables (net of allowance, \$16,511)	<u>191,437</u>
Total current assets	<u>391,645</u>
LIABILITIES	
Current liabilities:	
Accounts payable	54,458
Deposits	<u>54,555</u>
Total current liabilities	<u>109,013</u>
DEFERRED INFLOWS OF RESOURCES	
Revenue applicable to future year	<u>261,426</u>
Total unrestricted net position	\$ <u><u>21,206</u></u>

The accompanying notes are an integral part of these statements.

CITY OF HUEYTOWN, ALABAMA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -  
PROPRIETARY FUND  
For the Year Ended September 30, 2018

	Business-type Activity - Enterprise Fund <u>Garbage Fund</u>
OPERATING REVENUE	
Charges for services	\$ 1,071,842
OPERATING EXPENSES	
Administration, operations, and maintenance	<u>655,754</u>
Operating income	416,088
TRANSFERS (OUT)	<u>(295,000)</u>
Changes in net position	121,088
Total net position, beginning	<u>(99,882)</u>
Total net position, ending	\$ <u><u>21,206</u></u>

The accompanying notes are an integral part of these statements.

CITY OF HUEYTOWN, ALABAMA  
STATEMENT OF CASH FLOWS -  
PROPRIETARY FUND  
For the Year Ended September 30, 2018

	Business-type Activity - Enterprise Fund <u>Garbage Fund</u>
OPERATING ACTIVITIES	
Receipts from customers	\$ 1,149,761
Payments to suppliers for services	<u>(654,553)</u>
Net cash provided by operating activities	495,208
NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	<u>(295,000)</u>
Net cash (used) by noncapital financing activities	<u>(295,000)</u>
Net increase in cash and cash equivalents	200,208
Cash and cash equivalents, beginning of year	<u>-</u>
Cash and cash equivalents, end of year	\$ <u><u>200,208</u></u>
Operating income	\$ 416,088
Change in assets and liabilities:	
(Increase) in accounts receivable	(156,832)
Increase in accounts payable	1,201
(Decrease) in deposits	(26,675)
Increase in deferred inflows of resources	261,426
Net cash provided by operating activities	\$ <u><u>495,208</u></u>

The accompanying notes are an integral part of these statements.

CITY OF HUEYTOWN, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America. GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant accounting policies of the City are described below.

The Reporting Entity

The City of Hueytown, Alabama (the City) is a municipal organization incorporated under the Constitution and the laws of the State of Alabama. The City operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), sanitation, recreation, library, public improvements, planning and zoning, and general administrative services.

Government-wide and Fund Financial Statements

Financial information of the City is presented as follows:

- *Basic Financial Statements:* Government-wide financial statements consist of a statement of net position and a statement of activities.

These statements report the activities of the City. Governmental activities are reported separately from business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues, whereas business-type activities are normally supported by fees and charges from services and are usually intended by management to be financially self-sustaining.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the City and for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific program or function. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Revenues that are not classified as program revenues, including all taxes and other items, are presented as general revenues.

- *Fund financial statements* consist of a series of statements focusing on information about the City's major governmental and enterprise funds. Separate financial statements are presented for the governmental and proprietary funds.

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.



CITY OF HUEYTOWN, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2018

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Property taxes (if levied), other city-levied taxes, licenses, fines and forfeitures, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The 2014 GOW Capital Projects Fund is a capital projects fund of the City that accounts for the cost of constructing a variety of public works projects and related debt service, and the cost of various City departments' capital spending activities. Financing is provided by general obligation debt and interest revenue.

The Four Cent Gas Tax Fund is used to account for revenue, derived on the sale of high way gasoline, which can be used for the construction of highways, bridges and streets.

The City reports the following major enterprise fund:

The Garbage Fund accounts for the operation of the City's solid waste and sanitation program, a self-supporting activity, which provides for the collection and disposal of solid waste on a user charge basis to residents and businesses located in the City.

Nonmajor funds are aggregated and presented in a single column. The City's nonmajor funds are comprised of special revenue funds and the debt service fund.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Garbage Fund are charges to customers for services. Operating expenses for the enterprise fund includes the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### Deposits

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

CITY OF HUEYTOWN, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2018

Receivables and Payables

All outstanding balances between funds are reported as “internal balances.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

Property taxes are assessed on October 1 and levied on the subsequent October 1 for the fiscal year beginning on the levy date, at which time a lien is attached. These taxes are due and payable on October 1 (levy date) and delinquent after December 31 in each year (except with respect to motor vehicles, which have varying due dates), after which a penalty and interest are required to be charged. If real property taxes are not paid by June 15 following the due date, a tax sale is required to be held. Revenue is recognized in the year when the taxes are levied and collected. The taxes are collected by the Jefferson County, Alabama tax collector and remitted to the City.

Prepaid Expenditures

Certain prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Restricted Assets

The use of certain assets is restricted pursuant to debt covenants or other externally-imposed restrictions. The amount of these assets is reported as restricted net assets in the basic financial statements. Restricted assets generally consist of the following: (1) resources set aside for the repayment of long-term debt pursuant to debt covenants and state law are “restricted for debt service,” (2) the unexpended portion of debt proceeds that are restricted for use in construction are “restricted for capital projects,” and (3) resources restricted for specific purposes pursuant to state and federal law are “restricted for other.”

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, sidewalks, street lights, and similar items) are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the City as assets tangible in nature, with an initial cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value or capacity of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects when they are constructed. Interest incurred during the construction phase of business-type activities is reflected in the capitalized value of the asset constructed.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position. Capital assets are depreciated using the straight line method over the following estimated useful lives:

Buildings	40 years
Sidewalks and streets	50 years
Improvements	10-15 years
Furniture and equipment	5-16 years
Drainage systems	50 years

CITY OF HUEYTOWN, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2018

Compensated Absences

It is the City's policy to permit eligible employees to accumulate earned but unused vacation, overtime, holiday and sick pay benefits. A maximum of 320 vacation hours (424 for firefighters) and a maximum of 240 overtime hours (480 for firefighters and police) may be carried forward each year and holiday and sick leave are accumulated with no year-end forfeiture. An unlimited amount of sick time may be carried forward, but all accumulated sick leave shall be foreited upon separation from service. Compensated absences are not recorded as a liability in the governmental funds because expenditures related to compensated absences are recorded only when payment is due.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

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

Lease Obligations

The City leases various assets under both operating and capital lease agreements. In the government-wide financial statements, capital leases and the related lease obligations are reported as liabilities in the governmental activities statement of net position.

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/expenditures) until then. The City currently only has one item that qualifies for reporting in this category and it is the contributions made by the City to the pension plan subsequent to the measurement date of the collective net pension liability.

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 so will not be recognized as an inflow of resources (revenue) until that time. The City currently has two items that qualify for reporting in this category. The City has recorded the net difference between the projected and actual earnings on pension plan investments. The proprietary fund shows billed garbage services currently reported as a receivable relating to future services as a deferred inflow.

Fund Balances - Governmental Funds

In the fund financial statements, governmental funds report the following classifications of fund balance:

- Nonspendable fund balance - amounts that are not in a spendable form (such as prepaid expenses) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

CITY OF HUEYTOWN, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2018

- Committed fund balance - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 15). Restricted funds are used first as appropriate. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council or the finance committee has provided otherwise in its commitment or assignment actions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - 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 - governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities of governmental funds, including warrants payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds." The detail of this \$21,478,940 difference is as follows:

Bonds payable	\$ 7,035,000
Less bond discounts	(92,828)
Accrued interest payable	23,543
Capital leases payable	793,344
Compensated absences	2,768,110
Net pension liability	10,489,328
Net other post employment benefit liability	462,443
Net adjustment to reduce fund balance-total governmental funds	
to arrive at net position-governmental funds	<u>\$ 21,478,940</u>

CITY OF HUEYTOWN, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2018

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 net change in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation states that "the issuance of long-term debt provides current financial resources and the repayment of long-term debt consumes current financial resources. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued whereas, these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt, accrued interest and related items." The detail of this \$121,440 difference is as follows:

Capital lease obligations issued	\$ 456,145
Principal repayments:	
General obligation debt	(360,000)
Capital lease	(222,611)
Amortization of bond discounts and premiums	5,926
Accrued interest	(900)
Net adjustments to increase net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (121,440)</u>

**NOTE C - 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; (3) certain qualified obligations of any state and their agencies; and (4) common trust funds, collective investment funds maintained by qualified institutions, or any registered mutual funds, all of which must hold a prescribed amount of obligations meeting the requirements of 1-3 above.

At year-end, the government did not have any investment balances.

Custodial Credit Risk - Deposits

In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. 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. The SAFE program is administered by the State Treasurer according to State of Alabama statute, and any bank or financial institution in the State of Alabama accepting deposits of public funds is required to insure those funds by pledging eligible collateral to the State Treasurer for the SAFE collateral pool. The entire pool stands behind each deposit. Eligible collateral are those securities currently designated as acceptable collateral for state deposits as defined by State law.

CITY OF HUEYTOWN, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2018

NOTE D - CAPITAL ASSETS

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

	Balance September 30, 2017	Additions/ Transfers-in	Deletions/ Transfers-out	Balance September 30, 2018
<b><u>Governmental activities:</u></b>				
Capital assets, not being depreciated:				
Land	\$ 2,887,471	\$ -	\$ -	\$ 2,887,471
Construction in progress	1,611,664	1,961,505	(655,469)	2,917,700
Total capital assets, not being depreciated	4,499,135	1,961,505	(655,469)	5,805,171
Capital assets, being depreciated:				
Buildings and building improvements	4,841,843	-	-	4,841,843
Infrastructure	794,606	655,469	-	1,450,075
Machinery and equipment	6,352,597	342,463	(152,404)	6,542,656
Total capital assets, being depreciated	11,989,046	997,932	(152,404)	12,834,574
Less accumulated depreciation for:				
Buildings and building improvements	2,284,608	136,133	-	2,420,741
Infrastructure	134,877	28,988	-	163,865
Machinery and equipment	4,439,011	335,148	(134,630)	4,639,529
Total accumulated depreciation	6,858,496	500,269	(134,630)	7,224,135
Total capital assets, being depreciated, net	5,130,550	497,663	(17,774)	5,610,439
Governmental activities capital assets, net	\$ 9,629,685	\$ 2,459,168	\$ (673,243)	\$ 11,415,610

Depreciation expense for all depreciable assets is charged to functions/programs of the Government as follows:

**Governmental activities:**

*General government:*

Administrative	\$	54,561	
General		11,805	
Community improvement		13,821	
Building and inspection		369	\$ 80,556

*Public protection:*

Court		3,753	
Fire		151,456	
Police		113,515	268,724

*Public ways and facilities:*

Park and recreation		72,243	
Street		78,746	150,989
			\$ 500,269

CITY OF HUEYTOWN, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2018

NOTE E - INTERFUND TRANSFERS

The composition of interfund balances as of September 30, 2018, is as follows:

Transfers In/Out:

Transfers Out:

From General Fund to nonmajor funds	\$ 797,561
From Nonmajor fund to General Fund	<u>256,244</u>
Subtotal	1,053,805
From Garbage Fund (an enterprise fund) to General Fund	<u>295,000</u>
	\$ <u><u>1,348,805</u></u>

Transfers in:

To Nonmajor funds from General Fund	\$ 797,561
To General Fund from Nonmajor Fund	<u>256,244</u>
Subtotal	1,053,805
To General Fund from Garbage Fund (an enterprise fund)	<u>295,000</u>
	\$ <u><u>1,348,805</u></u>

In the fund financial statements, total transfers in of \$1,348,805 are greater than total transfers out of \$1,053,805 because during the year the Garbage Fund, an enterprise fund, transferred \$295,000 to the General Fund. These transfers are shown in the Proprietary Funds, but not shown in the Governmental Funds Fund Financial Statements.

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, and (3) use unrestricted revenues collected in a fund to provide operating advances to other funds in accordance with budgetary authorizations.

NOTE F - LONG-TERM DEBT

General Obligation Warrants

The City issues general obligation ("G.O.") Warrants, which is a direct obligation and pledge of the full faith and credit of the City, for the following purposes:

- a. For the acquisition and construction of major capital facilities.
- b. To refund other G.O. Warrants.

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Source of Repayment of Long-Term Debt

Repayment of the City's long-term debt is generally provided for as follows:

Type of Debt	Paid From	Resources Provided By
<u>Governmental Activities:</u>		
G.O. Warrants	Debt Service Fund	General Fund
Capital Lease	Debt Service Fund	General Fund
Capital Lease	Debt Service Fund	Nonmajor Fund

Outstanding Debt

The amount of debt outstanding at September 30, 2018, and information related to it was as follows:

Series	Original Amount	Final Maturity	Interest Rates (%)	Ending Balance	Amount Due Within One Year
<u>PRIMARY GOVERNMENT</u>					
<u>Governmental Activities:</u>					
<i>G.O. Warrants</i>					
2014	\$ 8,365,000	2/15/2034	1.7% - 3.4%	\$ 7,035,000	\$ 365,000
Total government	\$ 8,365,000			\$ 7,035,000	\$ 365,000

Future Debt Service

The City's future debt service requirements on its outstanding warrants, notes and bonds as of September 30, 2018, are shown below. There is \$276,234 available in the Debt Service Fund to service general obligation debt.

PRIMARY GOVERNMENT

Governmental Activities:	G.O. Warrants	
	Principal	Interest
2019	\$ 365,000	\$ 184,690
2020	375,000	177,853
2021	380,000	171,245
2022	390,000	163,925
2023	400,000	155,525
2024-2028	2,125,000	623,535
2029-2033	2,460,000	292,415
2034	540,000	9,180
	\$ 7,035,000	\$ 1,778,368



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Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2018, was as follows:

PRIMARY GOVERNMENT	Beginning Balance	Additions	(Reductions)	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation warrants	\$ 7,395,000	\$ -	\$ (360,000)	\$ 7,035,000	\$ 365,000
Less amounts deferred for:					
Issue discounts and premiums, net	98,754	-	(5,926)	92,828	-
Total general obligation warrants	7,296,246	-	(354,074)	6,942,172	365,000
Capitalized leases	559,810	456,145	(222,611)	793,344	282,509
Compensated absences	2,916,494	1,128,438	(1,276,822)	2,768,110	22,472
Total long-term liabilities	\$ 10,772,550	\$ 1,584,583	\$ (1,853,507)	\$ 10,503,626	\$ 669,981

The City's General Fund is generally responsible for liquidating the liability for compensated absences since most of the activities affecting that liability occur within General Fund departments.

Arbitrage Compliance

As an issuer of tax-exempt obligations, the City must comply with Section 148 of the Internal Revenue Code whereby arbitrage on tax-exempt warrants, if any, is rebated to the IRS. The City is in compliance with Section 148 requirements.

NOTE G - LEASE OBLIGATIONS

Operating Leases

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

Capital Leases

The City has entered into various lease agreements as lessee for financing the acquisition of equipment. These lease agreements are treated as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date in the basic financial statements. Amortization of assets under capital leases is included in depreciation expense.

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The assets acquired through capital leases are as follows:

	Cost Basis	Accumulated Depreciation	Total
Heavy trucks	\$ 1,210,364	\$ 255,270	\$ 955,094
Motor vehicles	152,823	16,532	136,291
Machinery & equipment	237,151	147,601	89,550
Total	<u>\$ 1,600,338</u>	<u>\$ 419,403</u>	<u>\$ 1,180,935</u>

The future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2018, are as follows:

	Governmental Activities
Year Ending September 30:	
2019	\$ 300,306
2020	277,648
2021	183,540
2022	65,868
2023	-
Thereafter	-
Total minimum lease payments	<u>827,362</u>
Less amount representing interest	<u>(34,018)</u>
Present value of minimum lease payments	<u>\$ 793,344</u>

The future debt service requirements of the governmental activities leases at September 30, 2018, will be provided by the General Fund and a nonmajor fund.

#### NOTE H - DEFINED BENEFIT PENSION PLAN

##### General Information about the Pension Plan

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

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

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

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*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 are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement.

As of September 30, 2017, membership consisted of:

	<u>Hueytown</u>
Retirees and beneficiaries currently receiving benefits	47
Non-vested inactive members	1
Active members	<u>115</u>
Total	<u><u>163</u></u>

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

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

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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 6% percent of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 12.37% percent of covered employee payroll.

The City's contractually required contribution rate for the year ended September 30, 2018 was 12.96% of pensionable pay for Tier 1 employees, and 10.85% 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 actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$886,413 for the year ended September 30, 2018.

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	\$ 32,003,263	\$ 31,613,618
(b) Discount rate	7.75%	7.75%
(c) Entry Age Normal Cost for the period October 1, 2016 - September 30, 2017	645,066	645,066
(d) Transfers among employers	-	190,572
(e) Actual Benefit Payments and refunds for the period October 1, 2016 - September 30, 2017	(1,614,140)	(1,614,140)
(f) Total Pension Liability as of September 30, 2017 = [(a) x (1+(b))] + ( c ) + (d) + [( e ) x (1+0.5*(b))]	<u>\$ 33,451,894</u>	<u>\$ 33,222,623</u>
(g) Difference between Expected and Actual		\$ (229,271)
(h) Less liability transferred for immediate recognition		<u>190,572</u>
(i) Experience (gain)/loss = (g) - (h)		<u>\$ (419,843)</u>

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*Actuarial assumptions.* The total pension liability in the September 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25% - 5.00% for state and local employees and 4.5% for state police, including inflation
Investment rate of return	7.75%, net of pension plan investment expense including inflation

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 Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumption used in the September 30, 2016 valuation were based on the results of the actuarial experience study for the period October 1, 2010 - September 30, 2015.

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

	Target Allocation	Long- Term Expected Rate of Return*
Fixed Income	17.00%	4.40%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash equivalents	3.00%	1.50%
<b>Total</b>	<b><u>100.00%</u></b>	

\*Includes assumed rate of inflation of 2.50%.

*Discount rate.* The discount rate used to measure the total pension liability was the long term rate of return of 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at rates currently in effect and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Projected future benefit payments for all current plan members were projected for all years.

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 and a municipal bond rate was not used in determining the discount rate.

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	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2016	\$ 32,003,263	\$ 20,273,788	\$ 11,729,475
Changes for the year:			
Service cost	645,066	-	645,066
Interest	2,417,705	-	2,417,705
Changes of assumptions	-	-	-
Difference between expected and actual experience	(419,843)	-	(419,843)
Contributions - employer	-	881,505	(881,505)
Contributions - employee	-	413,904	(413,904)
Net investment income	-	2,587,666	(2,587,666)
Benefit payments, including refunds of employee contributions	(1,614,140)	(1,614,140)	-
Administrative expense	-	-	-
Transfers amount employers	190,572	190,572	-
Net changes	<u>1,219,360</u>	<u>2,459,507</u>	<u>(1,240,147)</u>
Balances at September 30, 2017	<u>\$ 33,222,623</u>	<u>\$ 22,733,295</u>	<u>\$ 10,489,328</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	\$ <u>14,475,953</u>	\$ <u>10,489,328</u>	\$ <u>7,127,609</u>

*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](http://www.rsa-al.gov).

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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 \$1,140,858. 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	\$ 237,215	\$ 361,531
Changes of assumptions	1,230,884	-
Net difference between projected and actual earnings on plan investments	-	691,337
Employer contributions subsequent to the measurement date	<u>886,413</u>	<u>-</u>
Total	\$ <u>2,354,512</u>	\$ <u>1,052,868</u>

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

Year Ended September 30:		
2019	\$	58,244
2020		188,210
2021		(60,270)
2022		20,131
2023		187,109
Thereafter		21,806

NOTE I - POST-EMPLOYMENT BENEFITS

Plan Description

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

The employees are covered by the Retirement System of Alabama whose eligibility provisions are as follows: 10 years of service and attainment of age 60; or, 25 years of service at any age. However, in order to be eligible for employer provided retiree medical benefits, the retiree must have at least 15 years of service and have attained age 60. The employer pays for 30% of the medical benefits at age 60 and 15 years of service; 50% at age 60 with 20 years of service; and, 75% at age 55 with 25 years of service. Employer benefits of the retiree coverage ceases at age 65. Complete plan provisions are included in the official plan documents.

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*Employees covered by benefit terms* – At September 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	108
Total	<u>109</u>

Total OPEB Liability

The City's total OPEB liability of \$462,443 was measured as of September 30, 2018 and was determined by an actuarial valuation as of that date.

*Actuarial Assumptions and other inputs* – The total OPEB liability in the September 30, 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	3.00%
Salary scale	3.50%
Prior discount rate	4.00%
Discount rate	4.06% (1.06% real rate of return plus 3.00% inflation)
Healthcare cost trend rates	5.00% level

The discount rate was selected by reviewing the recent published Bond Buyer GO-20 bond index. This index is published weekly and is trending toward 4.00% in recent months. A discount rate of 4.06% was selected.

Mortality rates were based on the RPH-2014 Total Table with Projection MP-2018.

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.

Changes in Total OPEB Liability

Balance at October 1, 2017	\$ 432,877
Service cost	19,009
Interest	18,192
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments and net transfers	(7,635)
Net changes	<u>29,566</u>
Balance at September 30, 2018	<u>\$ 462,443</u>



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*Sensitivity of the total OPEB liability to changes in the discount rate* – The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.06%) or 1-percentage-point higher (5.06%) than the current discount rate:

	1% Decrease (3.06%)	Current Discount Rate (4.06%)	1% Increase (5.06%)
Total OPEB liability	\$ 516,679	\$ 462,443	\$ 414,572

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates* – The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.00%) or 1-percentage-point higher (6.00%) than the current healthcare trend rates:

	1% Decrease (4.00%)	Current Trend (5.00%)	1% Increase (6.00%)
Total OPEB liability	\$ 403,072	\$ 462,443	\$ 534,301

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 \$37,201. 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	\$ -	\$ -
Changes of assumptions	-	-
Total	\$ -	\$ -

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

Year Ending September 30:	
2019	\$ -
2020	-
2021	-
2022	-
2023	-
Thereafter	-

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NOTE J - RISK MANAGEMENT

The City is a defendant in numerous lawsuits and has been notified of numerous claims against it arising from alleged negligence related to motor vehicles and other matters related to the normal operations of a municipality. The City believes that any liability resulting from such lawsuits and claims will be covered adequately by the liability insurance and funds of the City, which will be available to discharge such liability without impairing its ability to perform any of its other obligations.

NOTE K - TAX ABATEMENTS

The City extends abatement agreements in accordance with Alabama Constitutional Amendment 772. Applicants must show their development or redevelopment benefits the citizens of the City by increasing the economic tax base, increase jobs to the area or otherwise improving the City. In the year ending September 30, 2018, the City had two active tax abatements for retail developments:

Hueytown CGP, LLC - According to the terms of the agreement, the City will return 35% of the City's 4% sales tax proceeds received from the retailer for ten years after the retailer opens to the public or until a maximum of \$750,000 has been paid to the developer, whichever comes first. The abatement amounted to \$79,404 during the fiscal year ended September 30, 2018.

Buy-Lo Quality Food Stores, Inc. - According to the terms of the agreement, the City will return 25% of the City's 4% sales tax proceeds received from the retailer for ten years after the retailer opens to the public or until a maximum of \$1,000,000 has been paid to the developer, whichever comes first. The abatement amounted to \$83,581 during the fiscal year ended September 30, 2018.

NOTE L - COMMITMENTS

The City has contracted with Lathan & Associates in the amount of \$2,035,000 for the expansion of the jail. As of September 30, 2018, the City had incurred costs of \$1,866,663, leaving a remaining commitment of \$168,337.

NOTE M - ECONOMIC DEPENDENCY

The City is economically dependent on a small number of principal taxpayers. Sales and use tax revenue accounted for 61% of total governmental fund-type revenues for the year ended September 30, 2018. Sales and use tax revenues received from one (1) major taxpayer accounted for 32% of the total sales and use tax collected city-wide. In addition, business license revenues received from one (1) major company accounted for 36% of the total business license revenues collected city-wide.

NOTE N - CHANGE IN FUND BALANCE

Cumulative Effect of Change in Accounting Principle

The City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense related to certain postemployment benefits. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments to their actuarial present value, and attribute that present value to periods of employee service. According, beginning net position and other postemployment benefits on the Statement of Net Position were adjusted as noted in the following table:

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	<u>Statement of Net Position</u>	
	Other	
	Postemployment	
	Benefits	Net Position
Balance at September 30, 2017, as previously reported	\$ 930,638	\$ (1,232,036)
Restatement of beginning balance -		
Adoption of GASB Statement No. 75		
Decrease liability	(497,761)	497,761
Balance at September 30, 2017, as restated	<u>\$ 432,877</u>	<u>\$ (734,275)</u>

Prior Period Adjustment

*General Fund:*

The beginning fund balance of the General Fund has been restated on the fund basis financial statements to record a prior period adjustment to adjust activity that related to a separate entity that should not have been recorded on the City's books. A reconciliation of the prior period ending fund balance to the current year beginning fund balance for the General Fund is as follows:

Beginning fund balance	\$ 4,367,558
Adjust to correct accounts payable	(108,705)
Beginning fund balance, as restated	<u>\$ 4,258,853</u>

The above adjustment decreased the prior year change in fund balance by \$108,705 and had no impact on the current year change in fund balance.

Governmental Activities

The beginning net position of the Governmental Activities in the government-wide Statement of Net Position has also been restated due to the above adjustment. A reconciliation of the prior period ending net position to the current year beginning net position for the Governmental Activities is as follows:

Beginning net position	\$ (1,232,034)
Adjust for prior period adjustment in	
General Fund	(108,705)
Adoption of GASB Statement No 75	497,761
Beginning net position, as restated	<u>\$ (842,978)</u>

The above adjustments had no impact on the current year change in net position.

NOTE O - SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through March 20, 2019, the date the financial statements were available to be issued.

## REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HUEYTOWN, ALABAMA  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
GENERAL FUND  
For the Year Ended September 30, 2018

	General Fund			
	Original Budget	Amended Budget	Actual	Variance- Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 1,021,867	\$ 1,021,867	\$ 1,045,956	\$ 24,089
Sales and use taxes	7,937,523	7,937,523	8,287,148	349,625
Other taxes	866,263	866,263	860,746	(5,517)
Licenses and permits	1,959,212	1,959,212	1,919,990	(39,222)
Intergovernmental	151,212	151,212	143,572	(7,640)
Charges for services	70,467	70,467	103,526	33,059
Fines and forfeitures	457,595	457,595	444,478	(13,117)
Donations, gifts and grants	-	-	9,861	9,861
Interest	1,972	1,972	7,654	5,682
Other revenues	18,453	18,453	67,229	48,776
Total revenues	<u>12,484,564</u>	<u>12,484,564</u>	<u>12,890,160</u>	<u>405,596</u>
EXPENDITURES				
General government	1,633,899	1,632,499	1,504,724	127,775
Public protection	8,636,270	8,681,420	8,632,277	49,143
Public ways and facilities	2,156,811	2,113,061	2,037,316	75,745
Total expenditures	<u>12,426,980</u>	<u>12,426,980</u>	<u>12,174,317</u>	<u>252,663</u>
Excess (deficiency) of revenues over expenditures	57,584	57,584	715,843	658,259
OTHER FINANCING SOURCES (USES)				
Capital lease issued	-	-	456,144	456,144
Sale of capital assets	-	-	30,429	30,429
Transfers in	787,689	787,689	551,244	(236,445)
Transfers (out)	<u>(640,644)</u>	<u>(640,644)</u>	<u>(797,561)</u>	<u>(156,917)</u>
Total other financing sources (uses)	<u>147,045</u>	<u>147,045</u>	<u>240,256</u>	<u>93,211</u>
Net change in fund balance	\$ <u>204,629</u>	\$ <u>204,629</u>	956,099	\$ <u>751,470</u>
Fund balance, beginning, as restated			<u>4,258,853</u>	
Fund balance, ending			\$ <u>5,214,952</u>	

The accompanying notes are an integral part of these statements.

CITY OF HUEYTOWN, ALABAMA  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL -  
GENERAL FUND  
For the Year Ended September 30, 2018

	Original Budget	Amended Budget	Actual	Variance- Favorable (Unfavorable)
<b>GENERAL GOVERNMENT</b>				
<b>ADMINISTRATIVE</b>				
Salaries	\$ 531,724	\$ 531,724	\$ 513,409	\$ 18,315
Legal advertising and publications	1,200	1,200	1,809	(609)
Convention	8,300	8,300	2,153	6,147
Dues and subscriptions	27,271	27,271	20,058	7,213
Equipment rental and maintenance	10,300	11,340	5,525	5,815
Insurance - Hospital and accident	53,136	53,136	49,959	3,177
- Equipment and liability	8,075	8,075	7,559	516
- Workman's compensation	2,466	2,466	2,369	97
Miscellaneous	100	100	(8,966)	9,066
Office supplies	7,300	5,060	3,872	1,188
Payroll taxes and unemployment	39,492	39,492	40,411	(919)
State retirement	59,914	59,914	61,618	(1,704)
Telephone	1,316	1,316	1,040	276
Training	4,300	4,100	3,302	798
Total administrative	754,894	753,494	704,118	49,376
<b>GENERAL</b>				
Capital outlay	5,364	5,364	49,144	(43,780)
Add. comp. app.	-	-	6,910	(6,910)
Animal control	14,750	14,750	16,649	(1,899)
Auditing (financial statement and outside tax auditors)	42,000	42,000	60,677	(18,677)
Bank service charges	14,100	14,100	14,791	(691)
Claims against the City	250	250	790	(540)
Data processing	49,308	49,308	30,654	18,654
Drug testing	4,490	4,490	4,842	(352)
Engineering services	27,000	27,000	6,638	20,362
Insurance - Equipment and liability	62,100	62,100	57,230	4,870
Maintenance and repairs	52,750	52,750	18,347	34,403
Mayor and council expenses	3,000	3,000	2,863	137
Miscellaneous - General	3,300	3,300	1,315	1,985
Legal services	30,200	30,200	43,907	(13,707)
Other professional services/fees	2,900	2,900	6,712	(3,812)
Overtime - all departments	75,000	75,000	-	75,000
Payroll taxes	6,212	6,212	6,212	-
Postage	16,246	16,246	15,204	1,042
Professional payroll services	7,450	7,450	12,058	(4,608)
Salaries - Mayor/Council	81,200	81,200	81,200	-
Special projects emergency allocation	3,250	3,250	618	2,632
Community Projects/ Outreach	7,500	7,500	9,897	(2,397)
Telephone - cellular	2,061	2,061	2,443	(382)
Utilities - Library building	23,549	23,549	21,664	1,885
Total general	533,980	533,980	470,765	63,215
<b>BUILDING AND INSPECTION</b>				
Building demolition	7,000	7,000	355	6,645
Salaries	223,645	223,645	215,613	8,032
Dues and subscriptions	3,525	3,525	3,631	(106)
Equipment maintenance and operations	6,000	6,000	5,156	844
Insurance - Hospital and accident	20,892	20,892	21,345	(453)
- Equipment and liability	14,750	14,750	15,118	(368)
- Workman's compensation	4,750	4,750	4,739	11
Maps and blue prints	1,000	1,000	271	729
Miscellaneous	375	375	-	375
Payroll taxes and unemployment	16,611	16,611	16,056	555

The accompanying notes are an integral part of these statements.

CITY OF HUEYTOWN, ALABAMA  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL -  
GENERAL FUND  
For the Year Ended September 30, 2018

	Original Budget	Amended Budget	Actual	Variance- Favorable (Unfavorable)
Publications	\$ 700	\$ 700	\$ 135	\$ 565
State retirement	28,140	28,140	28,140	-
Supplies	1,300	1,300	956	344
Telephone	1,291	1,291	1,044	247
Training	4,000	4,000	837	3,163
Uniforms	200	200	-	200
Zoning board expenditures	300	300	-	300
Total building and inspection	334,479	334,479	313,396	21,083
RETIREES HEALTH INSURANCE	10,546	10,546	16,445	(5,899)
<b>TOTAL GENERAL GOVERNMENT</b>	<b>1,633,899</b>	<b>1,632,499</b>	<b>1,504,724</b>	<b>127,775</b>
<b>PUBLIC PROTECTION</b>				
COURT DEPARTMENT				
Salaries	232,922	232,922	229,753	3,169
Reimbursement from Corrections Fund	(10,712)	(10,712)	-	(10,712)
Data processing and software	2,400	2,400	3,100	(700)
Defensive driving school	13,500	13,500	2,871	10,629
Dues and subscriptions	3,925	3,925	3,816	109
Equipment rental and maintenance	1,800	1,800	638	1,162
Insurance - Hospital and accident	29,976	29,976	18,705	11,271
- Equipment and liability	6,300	6,300	6,299	1
- Workman's compensation	692	692	592	100
Miscellaneous	10,862	10,862	595	10,267
Payroll taxes and unemployment	16,035	16,035	11,994	4,041
State retirement	27,166	27,166	20,306	6,860
Supplies	3,100	3,100	2,163	937
Telephone	621	621	571	50
Training	2,500	2,500	2,326	174
Total court department	341,087	341,087	303,729	37,358
POLICE DEPARTMENT - GENERAL OPERATIONS				
Capital outlay	-	-	115,697	(115,697)
Salaries	2,218,208	2,218,208	2,239,728	(21,520)
Data processing and software	17,207	17,207	10,621	6,586
Dues and subscriptions	47,031	47,031	48,187	(1,156)
Equipment maintenance and operations	8,100	8,100	9,562	(1,462)
Insurance - Hospital and accident	272,244	272,244	273,652	(1,408)
- Equipment and liability	80,200	80,200	80,631	(431)
- Workman's compensation	142,517	142,517	71,321	71,196
L.E.A.D.S. Online	1,908	1,908	1,908	-
Miscellaneous	750	750	2,443	(1,693)
NCIC terminal	11,280	11,280	14,100	(2,820)
Payroll taxes and unemployment	172,509	172,509	179,923	(7,414)
Pak/CAD	4,007	4,007	14,103	(10,096)
Publications	100	100	411	(311)
State retirement	279,497	279,497	363,825	(84,328)
Supplies	22,300	21,100	14,118	6,982
Telephone	25,661	25,661	24,367	1,294
Training	16,025	16,025	7,888	8,137
Uniforms	17,925	17,925	14,428	3,497
Utilities	4,561	4,561	8,523	(3,962)
Vehicle operations and maintenance	109,000	109,000	126,460	(17,460)
Total police department	3,451,030	3,449,830	3,621,896	(172,066)

The accompanying notes are an integral part of these statements.

CITY OF HUEYTOWN, ALABAMA  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL -  
GENERAL FUND  
For the Year Ended September 30, 2018

	Original Budget	Amended Budget	Actual	Variance- Favorable (Unfavorable)
MUNICIPAL JAIL.				
Capital expenditures	\$ -	\$ -	\$ 3,614	\$ (3,614)
Salaries	184,127	184,127	188,447	(4,320)
Dues and subscriptions	3,525	3,525	3,631	(106)
Insurance - Hospital and accident	24,072	24,072	11,754	12,318
- Workman's compensation	11,298	11,298	5,924	5,374
Miscellaneous	2,000	2,000	1,152	848
Payroll taxes and unemployment	13,675	13,675	12,637	1,038
Prisoner Expense	19,600	19,600	11,075	8,525
State retirement	23,168	23,168	-	23,168
Supplies	-	1,200	1,722	(522)
Total municipal jail	281,465	282,665	239,956	42,709
PUBLIC SAFETY DISPATCH				
Salaries	458,029	458,029	499,736	(41,707)
Data processing and software	8,037	8,037	2,650	5,387
Dues and subscriptions	10,576	10,576	11,168	(592)
Insurance - Hospital and accident	75,396	75,396	49,270	26,126
- Workman's compensation	1,467	1,467	1,185	282
Miscellaneous	1,323	1,323	1,380	(57)
Payroll taxes and unemployment	34,019	34,019	29,113	4,906
State retirement	56,844	56,844	-	56,844
Supplies	-	-	786	(786)
Telephone	267	267	23,760	(23,493)
Total public safety dispatch	645,958	645,958	619,048	26,910
FIRE DEPARTMENT				
Capital outlay	-	-	17,995	(17,995)
Salaries	2,571,119	2,571,119	2,593,794	(22,675)
Data processing and software	3,170	3,170	1,744	1,426
Dues and subscriptions	42,425	42,425	42,620	(195)
Equipment maintenance and operations	24,750	24,750	26,268	(1,518)
Hydrant maintenance	1,750	46,900	44,319	2,581
Insurance - Hospital and accident	301,620	301,620	280,113	21,507
- Equipment and liability	80,200	80,200	80,631	(431)
- Workman's compensation	151,771	151,771	73,809	77,962
Lifepak contract	2,000	2,000	1,378	622
Miscellaneous	8,950	8,950	9,814	(864)
Payroll taxes and unemployment	190,962	190,962	192,670	(1,708)
Supplies	31,300	31,300	25,314	5,986
Telephone	9,170	9,170	9,654	(484)
Training	9,500	9,500	7,213	2,287
Turnout gear	12,000	12,000	7,214	4,786
State retirement	322,384	322,384	331,973	(9,589)
Uniforms	19,075	19,075	7,741	11,334
Vehicle operations and maintenance	72,500	72,500	58,483	14,017
Total fire department	3,854,646	3,899,796	3,812,747	87,049
FIRE STATION #1				
Facility maintenance and repairs	5,620	5,620	1,213	4,407
Miscellaneous	100	100	294	(194)
Telephone	5,100	5,100	951	4,149
Utilities	17,560	17,560	326	17,234
Total fire station #1	28,380	28,380	2,784	25,596

The accompanying notes are an integral part of these statements.



CITY OF HUEYTOWN, ALABAMA  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL -  
GENERAL FUND  
For the Year Ended September 30, 2018

	Original Budget	Amended Budget	Actual	Variance- Favorable (Unfavorable)
<b>FIRE STATION #2</b>				
Facility maintenance and repairs	\$ 2,652	\$ 2,652	\$ 1,543	\$ 1,109
Miscellaneous	100	100	-	100
Telephone	2,900	2,900	3,205	(305)
Utilities	12,950	12,950	12,406	544
Total fire station #2	18,602	18,602	17,154	1,448
<b>FIRE STATION #3</b>				
Facility maintenance and repairs	2,652	2,652	3,181	(529)
Miscellaneous	100	100	300	(200)
Telephone	3,550	3,550	3,180	370
Utilities	8,800	8,800	8,302	498
Total fire station #3	15,102	15,102	14,963	139
<b>TOTAL PUBLIC PROTECTION</b>	<b>8,636,270</b>	<b>8,681,420</b>	<b>8,632,277</b>	<b>49,143</b>
<b>PUBLIC WAYS AND FACILITIES</b>				
<b>COMMUNITY IMPROVEMENT</b>				
Capital outlay	200	200	-	200
Beautification board	2,000	2,000	2,000	-
Birmingham Regional Planning Commission	9,744	9,744	9,779	(35)
BREMS	2,786	2,786	-	2,786
Chamber of Commerce	41,656	41,656	42,368	(712)
Clas Tran	6,600	6,600	6,600	-
Economic development	61,375	61,375	22,559	38,816
EMA	21,420	21,420	21,420	-
Jefferson County mayor's association	3,221	3,221	3,221	-
Maintenance	22,546	22,546	11,531	11,015
Mapping	1,345	1,345	-	1,345
Meals on Wheels	500	500	-	500
Mental Health Board	1,500	1,500	1,500	-
Metropolitan Development Board	1,000	1,000	-	1,000
Neighborhood watch	500	500	741	(241)
Salary - Senior citizens director	17,117	17,117	12,488	4,629
Senior citizens director expenses	500	500	366	134
Storm water fees	425	425	-	425
Street lighting - Christmas	3,900	3,900	12,359	(8,459)
Utilities - Senior Citizens Center	12,015	12,015	7,012	5,003
Website	4,000	4,000	3,308	692
Total community improvement	214,350	214,350	157,252	57,098
<b>LIBRARY</b>	<b>137,040</b>	<b>137,040</b>	<b>153,819</b>	<b>(16,779)</b>
<b>PARK AND RECREATION</b>				
Salaries	136,808	136,808	117,945	18,863
Dues and subscriptions	1,175	1,175	1,210	(35)
Equipment maintenance and operations	11,000	11,000	8,805	2,195
Insurance - Hospital and accident	35,796	35,796	27,363	8,433
- Equipment and liability	25,025	25,025	25,197	(172)
- Workman's compensation	8,441	8,441	8,293	148
Maintenance - Supply building, grounds	10,000	10,000	6,173	3,827
Miscellaneous	700	700	2,538	(1,838)
Payroll taxes and unemployment	12,889	12,889	8,372	4,517
State retirement	21,294	21,294	13,357	7,937

The accompanying notes are an integral part of these statements.

CITY OF HUEYTOWN, ALABAMA  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL -  
GENERAL FUND  
For the Year Ended September 30, 2018

	Original Budget	Amended Budget	Actual	Variance- Favorable (Unfavorable)
Supplies	\$ 2,500	\$ 2,500	\$ 1,479	\$ 1,021
Uniforms	1,000	1,000	1,000	-
Utilities	3,192	3,192	10,512	(7,320)
Total park and recreation	269,820	269,820	232,244	37,576
 BUD NEWELL PARK UTILITIES	 2,312	 2,312	 14,014	 (11,702)
 BROOKLANE COMMUNITY CENTER UTILITIES	 16,379	 16,379	 305	 16,074
 MARTIN LUTHER KING PARK UTILITIES	 4,811	 4,811	 5,078	 (267)
 MARTIN LUTHER KING COMMUNITY CENTER UTILITIES	 3,284	 3,284	 3,122	 162
 GIRLS BALLFIELD UTILITIES	 24,435	 24,435	 14,061	 10,374
 STREET DEPARTMENT				
Capital outlay	-	-	90,124	(90,124)
Salaries	617,582	617,582	580,300	37,282
Dues and subscriptions	9,401	9,401	9,681	(280)
Equipment maintenance and operations	20,900	20,900	27,028	(6,128)
Insurance - Hospital and accident	132,624	132,624	96,911	35,713
- Equipment and liability	25,750	25,750	25,197	553
- Workman's compensation	74,992	74,992	68,715	6,277
Miscellaneous	2,650	3,000	11,649	(8,649)
Payroll taxes and unemployment	48,577	48,577	43,639	4,938
State retirement	80,688	80,688	67,193	13,495
Supplies	11,500	11,500	7,566	3,934
Telephone	7,979	7,979	8,625	(646)
Uniforms	2,500	2,350	2,031	319
Utilities	14,704	14,704	7,465	7,239
Vehicle operations and maintenance	62,600	62,600	48,146	14,454
Total street department	1,112,447	1,112,647	1,094,270	18,377
 PUBLIC UTILITY EXPENSES				
Capital expenditures	33,700	33,700	69,452	(35,752)
Data processing and software	140,143	140,143	148,772	(8,629)
Facility maintenance and repairs	47,227	2,077	9,523	(7,446)
Fuel inventory	28,000	28,000	28,230	(230)
Miscellaneous	-	1,200	1,270	(70)
Supplies	-	-	2,696	(2,696)
Telephone	24,003	24,003	24,448	(445)
Utilities	98,860	98,860	78,760	20,100
Total public utility expenses	371,933	327,983	363,151	(35,168)
 TOTAL PUBLIC WAYS AND FACILITIES	 2,156,811	 2,113,061	 2,037,316	 75,745
 TOTAL EXPENDITURES	 \$ 12,426,980	 \$ 12,426,980	 \$ 12,174,317	 \$ 252,663

The accompanying notes are an integral part of these statements.

CITY OF HUEYTOWN, ALABAMA  
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY -  
EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA  
Last 10 Fiscal Years Ending September 30,

	2017	2016	2015	2014
<b><u>Total pension liability</u></b>				
Service Cost	\$ 645,066	\$ 616,625	\$ 617,191	\$ 585,150
Interest	2,417,705	2,244,212	2,107,896	2,005,995
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(419,843)	11,028	389,048	-
Changes of assumptions	-	1,686,766	-	-
Benefit payments, including refunds of employee contributions	(1,614,140)	(1,400,979)	(1,419,390)	(1,215,373)
Transfers among employers	190,572	92,476	-	-
Net change in total pension liability	1,219,360	3,250,128	1,694,745	1,375,772
Total pension liability - beginning	32,003,263	28,753,135	27,058,390	25,682,618
Total pension liability - ending (a)	<u>\$ 33,222,623</u>	<u>\$ 32,003,263</u>	<u>\$ 28,753,135</u>	<u>\$ 27,058,390</u>
<b><u>Plan fiduciary net position</u></b>				
Contributions - employer	\$ 881,505	\$ 902,173	\$ 899,042	\$ 888,372
Contributions - employee	413,904	394,123	394,111	387,324
Net investment income	2,587,666	1,874,436	216,325	1,949,954
Benefit payments, including refunds of employee contributions	(1,614,140)	(1,400,979)	(1,419,390)	(1,215,373)
Transfers amount employers	190,572	92,476	48,569	82,574
Net change in plan fiduciary net position	2,459,507	1,862,229	138,657	2,092,851
Plan net position - beginning	20,273,788	18,411,559	18,272,902	16,180,051
Plan net position - ending (b)	<u>\$ 22,733,295</u>	<u>\$ 20,273,788</u>	<u>\$ 18,411,559</u>	<u>\$ 18,272,902</u>
Net pension liability - ending (a) - (b)	\$ 10,489,328	\$ 11,729,475	\$ 10,341,576	\$ 8,785,488
Plan fiduciary net position as a percentage of total pension liability	68.43%	63.35%	64.03%	67.53%
Covered-employee payroll	\$ 7,212,567	\$ 6,924,388	\$ 6,934,443	\$ 6,504,192
Net pension liability as a percentage of covered-employee payroll	145.43%	169.39%	149.13%	135.07%

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

The accompanying notes are an integral part of these statements.

CITY OF HUEYTOWN, ALABAMA  
SCHEDULE OF EMPLOYER CONTRIBUTIONS -  
EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA  
Last 10 Fiscal Years Ending September 30, 2018

	2018	2017	2016	2015
Actuarially determined contribution*	\$ 886,413	\$ 979,236	\$ 926,879	\$ 922,934
Contributions in relation to the actuarially determined contribution	<u>886,413</u>	<u>979,236</u>	<u>926,879</u>	<u>922,934</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered-employee payroll**	\$ 7,166,807	\$ 7,212,567	\$ 6,924,388	\$ 6,934,443
Contributions as a percentage of covered-employee payroll	12.37%	13.58%	13.39%	13.31%

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

\*\* Employer's covered payroll for FY 2018 is the total covered payroll for the 12 month period of the underlying financial statement.

Actuarial Information

Methods and assumptions used to determine contribution rates for the period October 1, 2017 to September 30, 2018:

Valuation date	9/30/15
Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	24 years
Asset valuation method	5-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

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

The accompanying notes are an integral part of these statements.

CITY OF HUEYTOWN, ALABAMA  
SCHEDULE OF CHANGES IN NET OPEB LIABILITY  
AND RELATED RATIOS  
For the Year Ended September 30,

	2018
Total OPEB Liability	
Service cost	\$ 19,009
Interest	18,192
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions or other inputs	-
Benefit payments	<u>(7,635)</u>
Total OPEB expense as of September 30, 2018	29,566
Total OPEB Liability - beginning	<u>432,877</u>
Total OPEB Liability - ending	<u>\$ 462,443</u>
Covered-employee payroll	\$ 6,583,113
Net OPEB liability as a percentage of covered-employee payroll	7.02%

Notes to Schedule:

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

Changes of Assumptions: The discount rate as of 9/30/2017 was 4.00 % and it changed to 4.06% as of 9/30/2018.

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

CITY OF HUEYTOWN, ALABAMA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
September 30, 2018

NOTE A - BUDGETARY INFORMATION

Under GASBS No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The City adopts an annual operating budget for the general fund. The City is not legally required to adopt a budget for special revenue funds.

The annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. The following describes the budgeted and non-budgeted funds:

Annually-Budgeted Governmental Funds

General Fund

Governmental Funds Not Annually-Budgeted

Capital Projects Funds

Debt Service Fund

Special Revenue Funds:

Four Cent Gas Tax Fund

Seven Cent Gas Tax Fund

Emergency Communications

Corrections Fund

U.N.I.T. Task Force Fund

Municipal Judicial Fund

The City follows these procedures in establishing the budgetary data reflected in the required supplementary information:

1. Instructions and budget work papers are distributed to departments and a revenue estimate for the following fiscal year is prepared.
2. Departments return copies of completed budget request forms to the budget staff.
3. The Mayor and budget staff begins individual departmental reviews and prepare recommended changes to the departmental budgets.
4. The Mayor submits recommended departmental changes to individual departments affected with a copy to the City Council Finance Committee.
5. Departments incorporate recommended budget changes and update budget schedules.
6. The Mayor's recommended budget is finalized for submission to the City Council.
7. The Mayor presents the proposed budget to the City Council.
8. The City Council takes final action for approval of the operating budget by the beginning date of the fiscal year.

The annual budget is prepared on the account level within each department. Transfers of appropriations between accounts and departments or between funds require approval of the City Council. The legal level of budgetary control is by account and there were no budget amendments for the year ended September 30, 2018. The original and final/amended budget amounts are reflected in the required supplementary information.

CITY OF HUEYTOWN, ALABAMA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
September 30, 2018

The following represents expenditures in excess of appropriations of the following amounts by department for the fiscal year ended September 30, 2018:

<b>ADMINISTRATIVE</b>		<b>FIRE DEPARTMENT</b>	
Legal advertising and publications	\$ (609)	Capital outlay	\$ (17,995)
Payroll taxes and unemployment	(919)	Salaries	(22,675)
State retirement	(1,704)	Dues and subscriptions	(195)
		Equipment maintenance and operations	(1,518)
<b>GENERAL</b>		Insurance - Equipment and liability	(431)
Capital outlay	(43,780)	Miscellaneous	(864)
Add. comp. app.	(6,910)	Payroll taxes and unemployment	(1,708)
Animal control	(1,899)	Telephone	(484)
Auditing	(18,677)	State retirement	(9,589)
Bank service charges	(691)		
Claims against the City	(540)	<b>FIRE STATION #1</b>	
Drug testing	(352)	Miscellaneous	(194)
Legal services	(13,707)		
Other professional services/fees	(3,812)	<b>FIRE STATION #2</b>	
Professional payroll services	(4,608)	Telephone	(305)
Community Projects/Outreach	(2,397)		
Telephone - Cellular	(382)	<b>FIRE STATION #3</b>	
		Facility maintenance and repairs	(529)
<b>BUILDING AND INSPECTION</b>		Miscellaneous	(200)
Dues and subscriptions	(106)		
Insurance - Hospital and accident	(453)	<b>COMMUNITY IMPROVEMENT</b>	
- Equipment and liability	(368)	Birmingham Regional Planning Commission	(35)
		Chamber of Commerce	(712)
<b>RETIREES HEALTH INSURANCE</b>	(5,899)	Neighborhood watch	(241)
		Street lighting - Christmas	(8,459)
<b>COURT DEPARTMENT</b>			
Reimbursement from Corrections Fund	(10,712)	<b>LIBRARY</b>	(16,779)
Data processing and software	(700)		
		<b>PARK AND RECREATION</b>	
<b>POLICE DEPARTMENT - GENERAL OPERATIONS</b>		Dues and subscriptions	(35)
Capital outlay	(115,697)	Insurance - Equipment and liability	(172)
Salaries	(21,520)	Miscellaneous	(1,838)
Dues and subscriptions	(1,156)	Utilities	(7,320)
Equipment maintenance and operations	(1,462)		
Insurance - Hospital and accident	(1,408)	<b>BUD NEWELL PARK UTILITIES</b>	(11,702)
- Equipment and liability	(431)		
Miscellaneous	(1,693)	<b>MARTIN LUTHER KING PARK UTILITIES</b>	(267)
NCIC terminal	(2,820)		
Payroll taxes and unemployment	(7,414)	<b>STREET DEPARTMENT</b>	
Pack/CAD	(10,096)	Capital outlay	(90,124)
Publications	(311)	Dues and subscriptions	(280)
State retirement	(84,328)	Equipment maintenance and operations	(6,128)
Utilities	(3,962)	Miscellaneous	(8,649)
Vehicle operations and maintenance	(17,460)	Telephone	(646)
<b>MUNICIPAL JAIL</b>		<b>PUBLIC UTILITY EXPENSES</b>	
Salaries	(4,320)	Capital expenditures	(35,752)
Dues and subscriptions	(106)	Data processing and software	(8,629)
Supplies	(522)	Facility maintenance and repairs	(7,446)
		Fuel inventory	(230)
<b>PUBLIC SAFETY DISPATCH</b>		Miscellaneous	(70)
Salaries	(41,707)	Supplies	(2,696)
Dues and subscriptions	(592)	Telephone	(445)
Miscellaneous	(57)		
Supplies	(786)		
Telephone	(23,493)		

The excess expenditures were provided by available fund balance in the General Fund

## SUPPLEMENTARY INFORMATION



CITY OF HUEYTOWN, ALABAMA  
COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS  
September 30, 2018

	Debt Service Fund	Gas Tax Fund (7 Cent)	Emergency Communication Fund	Corrections Fund	U.N.I.T. Task Force Fund	Municipal Judicial Fund	Total
<b>ASSETS</b>							
Accounts receivable	\$ -	\$ -	\$ -	\$ -	\$ 3	\$ -	\$ 3
Restricted cash and cash equivalents	276,234	821,610	247,135	86,532	20,706	114,478	1,566,695
Total assets	<u>\$ 276,234</u>	<u>\$ 821,610</u>	<u>\$ 247,135</u>	<u>\$ 86,532</u>	<u>\$ 20,709</u>	<u>\$ 114,478</u>	<u>\$ 1,566,698</u>
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ 1,300	\$ -	\$ -	\$ -	\$ -	\$ 1,300
Total liabilities	<u>-</u>	<u>1,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,300</u>
<b>FUND BALANCE</b>							
Restricted for:							
Debt service	276,234	-	-	-	-	-	276,234
Public protection	-	-	247,135	86,532	20,709	114,478	468,854
Infrastructure maintenance	-	820,310	-	-	-	-	820,310
Total fund balance	<u>276,234</u>	<u>820,310</u>	<u>247,135</u>	<u>86,532</u>	<u>20,709</u>	<u>114,478</u>	<u>1,565,398</u>
Total liabilities and fund balance	<u>\$ 276,234</u>	<u>\$ 821,610</u>	<u>\$ 247,135</u>	<u>\$ 86,532</u>	<u>\$ 20,709</u>	<u>\$ 114,478</u>	<u>\$ 1,566,698</u>

CITY OF HUEYTOWN, ALABAMA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended September 30, 2018

	Debt Service Fund	Gas Tax Fund (7 Cent)	Emergency Communication Fund	Corrections Fund	U.N.I.T. Task Force Fund	Municipal Judicial Fund	Total
REVENUES							
Other taxes	\$ -	\$ 167,322	\$ -	\$ -	\$ -	\$ -	\$ 167,322
Intergovernmental	-	34,710	-	-	-	-	34,710
Charges for services	-	-	241,795	-	-	-	241,795
Fines and forfeitures	-	-	-	72,944	8,736	19,822	101,502
Interest	2,603	1,447	541	73	-	22	4,686
Total revenues	<u>2,603</u>	<u>203,479</u>	<u>242,336</u>	<u>73,017</u>	<u>8,736</u>	<u>19,844</u>	<u>550,015</u>
EXPENDITURES							
Public protection	-	-	2,188	1,410	5,263	2	8,863
Public ways and facilities	-	226,355	-	-	-	-	226,355
Debt service:							
Principal	582,606	-	-	-	-	-	582,606
Interest and fees	214,342	-	-	-	-	-	214,342
Total expenditures	<u>796,948</u>	<u>226,355</u>	<u>2,188</u>	<u>1,410</u>	<u>5,263</u>	<u>2</u>	<u>1,032,166</u>
Excess (deficiency) of revenues over expenditures	(794,345)	(22,876)	240,148	71,607	3,473	19,842	(482,151)
OTHER FINANCING SOURCES (USES)							
Transfers in	797,561	-	-	-	-	-	797,561
Transfers (out)	-	-	(256,244)	-	-	-	(256,244)
Total other financing (uses)	<u>797,561</u>	<u>-</u>	<u>(256,244)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>541,317</u>
Net change in fund balance	3,216	(22,876)	(16,096)	71,607	3,473	19,842	59,166
Fund balance, beginning	<u>273,018</u>	<u>843,186</u>	<u>263,231</u>	<u>14,925</u>	<u>17,236</u>	<u>94,636</u>	<u>1,506,232</u>
Fund balance, ending	<u>\$ 276,234</u>	<u>\$ 820,310</u>	<u>\$ 247,135</u>	<u>\$ 86,532</u>	<u>\$ 20,709</u>	<u>\$ 114,478</u>	<u>\$ 1,565,398</u>