

City of Monroeville, Alabama
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017
ANNUAL FINANCIAL REPORT

INTRODUCTORY SECTION

CITY OF MONROEVILLE, ALABAMA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

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CITY OF MONROEVILLE , ALABAMA

**LIST OF PRINCIPAL OFFICIALS
AS OF SEPTEMBER 30, 2017**

Mayor

Joseph Oglesby

CITY COUNCIL

Al Brewton

Anthony Thomas

Thelma McDaniel

Larry Hines

Brenda Dean

Melvin Foukal

HEADS OF DEPARTMENTS

City Clerk/Treasurer

Mary Jackson

Police Chief

Mandee Armstrong

Public Works Director

Michael Lassiter

Fire Chief

Billy Black

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the City Council
City of Monroeville, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Monroeville, Alabama (the City) as of and for the year ended September 30, 2017 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 18, the beginning net position and fund balances have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule - general fund, the schedule of changes in net pension liability and related ratios, and the schedule of employer contributions on pages 36 through 40, respectively, 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 Supplementary Information

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

The combining and individual nonmajor fund financial statements on pages 41 through 42 are the responsibility of management and were derived from and relate directly to the underlying accounting records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2018, on our consideration of the City of Monroeville, Alabama's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Monroeville, Alabama's internal control over financial reporting and compliance.

Jackson Thornton & Co. PC

Montgomery, Alabama
July 31, 2018

BASIC FINANCIAL STATEMENTS

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CITY OF MONROEVILLE, ALABAMA

STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	PRIMARY GOVERNMENT		
	GOVERNMENTAL		TOTAL
	ACTIVITIES	TOTAL	
ASSETS:			
Cash and cash equivalents	\$ 3,256,739	\$ 3,256,739	
Investment in certificates of deposit	802,930	802,930	
Taxes receivable	346,982	346,982	
Accounts receivable	145,952	145,952	
Intergovernmental receivables	316,949	316,949	
Capital assets, not depreciated	3,400,663	3,400,663	
Capital assets, net of accumulated depreciation	9,227,946	9,227,946	
Other assets - economic development	1,983,534	1,983,534	
Total assets	<u>19,481,695</u>	<u>19,481,695</u>	
DEFERRED OUTFLOWS:			
Pension related items	<u>596,412</u>	<u>596,412</u>	
Total deferred outflows	<u>596,412</u>	<u>596,412</u>	
LIABILITIES:			
Accounts payable	617,713	617,713	
Accrued liabilities	125,282	125,282	
Short-term borrowings	100,805	100,805	
Long-term liabilities:			
Portion due or payable in one year:			
Warrants, notes, and capital lease payable	814,293	814,293	
Portion due or payable after one year:			
Warrants, notes, and capital lease payable	4,052,761	4,052,761	
Compensated absences	92,702	92,702	
Net pension liability	<u>2,326,235</u>	<u>2,326,235</u>	
Total liabilities	<u>8,129,791</u>	<u>8,129,791</u>	
NET POSITION:			
Investment in capital assets, net	7,761,555	7,761,555	
Restricted for:			
Highway and streets	137,371	137,371	
Capital improvements	205,997	205,997	
Fire department	265,351	265,351	
Economic development	1,983,534	1,983,534	
Unrestricted	<u>1,594,508</u>	<u>1,594,508</u>	
Total net position	<u>\$ 11,948,316</u>	<u>\$ 11,948,316</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF MONROEVILLE, ALABAMA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		FINES, FEES, AND CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
FUNCTIONS/PROGRAMS	EXPENSES	FINES, FEES, AND CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
PRIMARY GOVERNMENT:							
Governmental activities:							
General government	\$ 1,500,696	\$ 950,543	\$ 39,162	\$ (510,991)			\$ (510,991)
Public safety	2,852,175	274,261	11,334	\$ 55,000	(2,511,580)		(2,511,580)
Public works	2,780,212	744,448		383,197	(1,652,567)		(1,652,567)
Cultural and recreation	588,943	56,220	24,100	15,250	(493,373)		(493,373)
Economic development	184,581			331,679	147,098		147,098
Interest on long-term debt	48,848				(48,848)		(48,848)
Total governmental activities	<u>7,955,455</u>	<u>2,025,472</u>	<u>74,596</u>	<u>785,126</u>	<u>(5,070,261)</u>		<u>(5,070,261)</u>
Business-type activities:							
Sewer	162,124	39,808			\$ (122,316)		(122,316)
Total business-type activities	<u>162,124</u>	<u>39,808</u>				<u>(122,316)</u>	<u>(122,316)</u>
Total primary government	\$ 8,117,579	\$ 2,065,280	\$ 74,596	\$ 785,126	\$ (5,070,261)	\$ (122,316)	\$ (5,192,577)
General revenues:							
Taxes:							
Sales taxes				\$ 4,401,689			\$ 4,401,689
Real and personal property taxes				662,911			662,911
Gasoline taxes				266,593			266,593
Alcoholic beverage				229,772			229,772
Tobacco				36,727			36,727
Motor vehicle				33,501			33,501
Lodging				89,448			89,448
Investment earnings				6,070	\$ 24		6,094
Miscellaneous revenue				352,714			352,714
Loss on disposal of capital assets				(56,774)			(56,774)
Transfers				(305,681)		305,681	
Special item - transfer to Monroeville Water Works and Sewer Board						(4,704,738)	(4,704,738)
Total general revenues, transfers, and special items					<u>5,716,970</u>	<u>(4,399,033)</u>	<u>1,317,937</u>
CHANGE IN NET POSITION					646,709	(4,521,349)	(3,874,640)
NET POSITION - BEGINNING, AS RESTATED					<u>11,301,607</u>	<u>4,521,349</u>	<u>15,822,956</u>
NET POSITION - ENDING					<u>\$ 11,948,316</u>	<u>\$ -</u>	<u>\$ 11,948,316</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MONROEVILLE, ALABAMA

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	GENERAL FUND	CAPITAL PROJECTS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	
ASSETS:					
Cash and cash equivalents	\$ 2,428,930	\$ 343,909	\$ 483,900	\$ 3,256,739	
Investments in certificates of deposit	802,930				802,930
Taxes receivable	346,982				346,982
Accounts receivable	141,952		4,000		145,952
Due from other funds	171,420				171,420
Intergovernmental receivables	296,969	7,260	12,720		316,949
Other assets - economic development	1,983,534				1,983,534
 Total assets	 <u>\$ 6,172,717</u>	 <u>\$ 351,169</u>	 <u>\$ 500,620</u>	 <u>\$</u>	 <u>7,024,506</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ 546,215	\$ 65,600	\$ 5,898	\$ 617,713	
Accrued liabilities	121,275				121,275
Short-term borrowings	100,805				100,805
Due to other funds		79,572	91,848		171,420
 Total liabilities	 <u>768,295</u>	 <u>145,172</u>	 <u>97,746</u>	 <u>\$</u>	 <u>1,011,213</u>
Fund balances:					
Nonspendable:					
Economic development	1,983,534				1,983,534
Restricted for:					
Highway and streets			137,371		137,371
Capital improvements		205,997			205,997
Fire department			265,351		265,351
Assigned to:					
Community appropriations	416,203				416,203
Unassigned	3,004,685		152		3,004,837
 Total fund balance	 <u>5,404,422</u>	 <u>205,997</u>	 <u>402,874</u>	 <u>\$</u>	 <u>6,013,293</u>
 Total liabilities and fund balance	 <u>\$ 6,172,717</u>	 <u>\$ 351,169</u>	 <u>\$ 500,620</u>	 <u>\$</u>	 <u>7,024,506</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MONROEVILLE, ALABAMA

**RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2017**

Differences in amounts reported for governmental activities in the statement of net position:

Total fund balances - governmental funds	\$ 6,013,293
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. Those assets consist of:

Land	\$ 2,000,588
Construction in progress	1,400,075
Buildings, net of \$2,491,459 accumulated depreciation	3,348,261
Furniture and equipment, net of \$3,362,472 accumulated depreciation	2,005,695
Improvements, net of \$1,503,044 accumulated depreciation	<u>3,873,990</u>
Total capital assets	12,628,609

Deferred outflows of resources are applicable to future periods and, therefore, are not reported in the governmental funds.

Pension related items	596,412
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. Balances at September 30, 2017 were:

Warrants and notes payable	4,423,321
Capital lease payable	443,732
Accrued interest payable	4,008
Compensated absences	92,702
Net pension obligation	<u>2,326,235</u>
Total long-term liabilities	<u>(7,289,998)</u>
Total net position of governmental activities	<u>\$11,948,316</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MONROEVILLE, ALABAMA
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	GENERAL FUND	CAPITAL PROJECTS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Taxes	\$ 5,671,507		\$ 49,134	\$ 5,720,641
Licenses and permits	950,543			950,543
Charges and fees for services	800,668			800,668
Fines and forfeitures	274,261			274,261
Intergovernmental revenues	421,871	\$ 242,343	155,158	819,372
Miscellaneous	71,606	281,105	10,350	363,061
Interest income	5,032	753	285	6,070
Total revenues	8,195,488	524,201	214,927	8,934,616
EXPENDITURES:				
Current:				
General government	1,445,675			1,445,675
Public safety	2,463,187		36,443	2,499,630
Public works	1,918,542	407,402	192,284	2,518,228
Cultural and recreation	474,741	18,826		493,567
Economic development	174,231		10,350	184,581
Capital outlay	1,398,402	885,104	85,768	2,369,274
Debt service:				
Principal payments	27,083	582,619	11,783	621,485
Interest and fiscal charges	19,452	33,691	404	53,547
Total expenditures	7,921,313	1,927,642	337,032	10,185,987
Excess (deficiency) of revenue over (under) expenditures	274,175	(1,403,441)	(122,105)	(1,251,371)
OTHER FINANCING SOURCES (USES):				
Transfer from other funds	179,426	705,765	68,000	953,191
Transfers to other funds	(821,253)	(309,273)		(1,130,526)
Issuance of long-term debt	3,070,000	450,000	85,880	3,605,880
Capital lease	292,687			292,687
Total other financing sources (uses)	2,428,173	1,139,179	153,880	3,721,232
Net change in fund balance	2,702,348	(264,262)	31,775	2,469,861
FUND BALANCE - BEGINNING, AS RESTATED	2,702,074	470,259	371,099	3,543,432
FUND BALANCE - ENDING	\$ 5,404,422	\$ 205,997	\$ 402,874	\$ 6,013,293

The accompanying notes are an integral part of these financial statements.

CITY OF MONROEVILLE, ALABAMA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Differences in amounts reported for governmental activities in the statement of activities:

Net change in fund balance - total governmental funds	\$ 2,469,861
Capital outlay, reported as expenditures in governmental funds shown as capital assets in the statement of net position.	2,369,274
Donations of capital assets increase net position in the statement of net position but do not appear in the governmental funds because they are	30,000
Depreciation expense on governmental capital assets included in the governmental activities in the statement of activities.	(773,577)
The net effect of transactions involving the sale of capital assets is to decrease net assets in the statement of net position.	(56,774)
Loan proceeds provide current financial resources to the governmental funds and thus contribute to the change in fund balance. However, issuing debt increases long-term liabilities in the statement of net	
Warrant and loan proceeds	(3,605,880)
Capital lease financing	<u>(292,687)</u>
	(3,898,567)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds but has no effect on net	
Warrants and loans payable	469,060
Capital leases payable	<u>152,425</u>
	621,485
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Accrued interest payable	4,698
Compensated absences	51,690
Change in net pension obligation and related deferred amount	<u>(171,381)</u>
	(114,993)
Change in net position of governmental activities	<u><u>\$ 646,709</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF MONROEVILLE, ALABAMA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND - SEWER SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2017

OPERATING REVENUES:

Sewer charges	\$ 39,808
Total operating revenues	<u>39,808</u>

OPERATING EXPENSES:

Salaries and benefits	43,777
Utilities	23,077
Repairs and maintenance	29,182
Auto and truck	2,472
Supplies	8,403
Lab fees	457
Other	5,878
Professional fees	2,433
Depreciation	<u>43,697</u>
Total operating expenses	<u>159,376</u>

OPERATING LOSS	<u>(119,568)</u>
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NONOPERATING REVENUES (EXPENSES):

Interest income	24
Interest expense	(2,748)
Transfer from other funds	177,335
Transfer of net pension liability	128,346
Transfer to Monroeville Water Works and Sewer Board	<u>(4,704,738)</u>
Total nonoperating revenues	<u>(4,401,781)</u>

CHANGE IN NET POSITION	<u>(4,521,349)</u>
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NET POSITION - BEGINNING, AS RESTATED	<u>4,521,349</u>
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TOTAL NET POSITION - ENDING	<u>\$ -</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF MONROEVILLE, ALABAMA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND - SEWER SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2017

CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:

Receipts from customers	\$ 70,074
Payments to suppliers	(113,848)
Payments to employees	(46,633)
Net cash from (used for) operating activities	<u>(90,407)</u>

CASH FLOWS FROM (USED FOR) NONCAPITAL FINANCING ACTIVITIES:

Net cash payments to other funds	(43,514)
Net cash from (used for) noncapital financing activities	<u>(43,514)</u>

CASH FLOWS FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition and construction of capital assets	(3,084)
Principal paid on long-term debt	(32,085)
Interest paid on long-term debt	(2,748)
Net cash from (used for) capital and related financing activities	<u>(37,917)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received	24
Net cash from (used for) investing activities	<u>24</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (171,814)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 171,814

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ -

RECONCILIATION OF OPERATING INCOME TO NET CASH FROM (USED FOR) OPERATING ACTIVITIES:

Operating loss	\$ (119,568)
Adjustments to reconcile operating income to net cash provided by operations:	
Depreciation expense	43,697
Decrease in accounts receivables and payables	<u>(14,536)</u>
Net cash from (used for) operating activities	<u>\$ (90,407)</u>

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS:

The City transferred all assets and property associated with the City's sewer system to the Water Works and Sewer Board of the City of Monroeville. In addition to a transfer of cash of \$87,846, the following assets and liabilities were transferred:

Sewer system plant, net book value	\$ 5,329,163
Warrants and capital leases payable	711,669

The accompanying notes are an integral part of these financial statements.

CITY OF MONROEVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting entity - The City of Monroeville, Alabama, was incorporated under the provisions of the State of Alabama. The City operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and social services, culture, recreation, public improvements, planning, zoning, general administrative services, and water services.

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. These organizations would not be considered component units of the City; therefore, their financial information is not reflected in the City's financial statements.

Government-wide and fund financial statements - The basic financial statements consist of the government-wide financial statements and fund financial statements. Both sets of statements distinguish between governmental and business-type activities. Government-wide financial statements are comprised of the statement of net position and the statement of changes in net position and reports information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues are classified into three categories: charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to direct recovery from customers for services rendered. Grants and contributions refer to revenues restricted for specific programs whose use may be restricted further to operational or capital items. The general revenues section displays revenue collected that help support all functions of government and contribute to the change in the net assets for the fiscal year.

The fund financial statements follow and report additional and detailed information about operations for major funds individually and nonmajor funds in the aggregate for governmental funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentations.

The City reports the following major governmental funds:

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

Capital projects funds - Capital projects funds are used to account for financial resources to be used for the acquisition and construction of major capital facilities.

The City reports the following major proprietary fund:

Sewer fund - Accounts for the operations of the City of Monroeville, Alabama's Sewer System.

CITY OF MONROEVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Measurement focus, basis of accounting, and financial statement presentation

Government-wide financial statements - 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. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Property taxes are recognized as revenues in the year received or when an enforceable legal claim exists, whichever comes first. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements - The 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, considered to be 60 days for property taxes and 90 days for all other revenue. Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues 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. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When both restricted and unrestricted resources exist, the City would typically use restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

Proprietary fund financial statements - Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

CITY OF MONROEVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Receivables and payables - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either due to/from other funds (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the noncurrent portion of interfund loans).

All trade and tax receivables are shown net of any applicable allowance for uncollectibles. Accounts receivable in governmental funds consist of fees for public services rendered, reimbursable payments paid for the benefit of other governmental entities that are collected on a periodic basis, and grants receivable from other governments.

City property taxes are levied by the County Commission at its first regular meeting in February of each year based on the property on record as of the preceding October 1. The taxes are due the following October 1 and delinquent after December 31. In accordance with the nonexchange transactions provision of GASB Statement No. 33, a receivable for taxes is recorded when an enforceable legal claim has arisen or when resources are received, whichever is first. That date for the City is October 1.

Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value on the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

ASSET CLASS	ESTIMATED USEFUL LIVES	CAPITALIZATION THRESHOLD
Buildings	40 years	\$ 25,000
Furniture and equipment	3 - 20 years	1,000
Improvements other than buildings	10 - 40 years	25,000

Deferred outflows of resources - Decreases in net position that relate to future periods are reported as deferred outflows of resources in a separate section of the government-wide statement of net position and/or governmental funds' balance sheet. The City has one deferred outflow related to the City's pension plan. See Note 8.

Compensated absences - The City allows employees to accumulate vacation and sick leave up to certain limits for use in subsequent periods. Upon termination of employment, employees receive payment of accumulated vacation hours. All leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

CITY OF MONROEVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Long-term obligations - In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Lease obligations - Capital lease obligations are stated at the original fair market value of leased assets capitalized, less payments since the inception of the lease discounted at the implicit rate of interest in the lease. Also, in the year an asset is acquired by capital lease, the expenditure for the asset and the offsetting amount of the financing source are reflected in the fund financial statements in the statement of revenues, expenditures, and changes in fund balances. Capital lease obligations of governmental activities in the government-wide financial statements and the cost of assets so acquired are reflected in the accounts of those statements.

Fund balance - In accordance with Governmental Accounting Standards Board Statement 54, *Fund Balance Reporting, and Governmental Fund Type Definitions*, the City classifies government fund balances as follows:

Nonspendable - Includes fund balance amounts that cannot be spent either because it is not in spendable form, or for legal or contractual requirements. This would include inventories, deposits, prepaid items, and assets held for resale.

Restricted - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.

Committed - Includes fund balance amounts that can be used only for the specific purposes that are internally established by formal action of the government's highest level of decision making authority. Commitments may be modified or rescinded by the government taking the same formal action that imposed the constraint initially. Committed balances are only created by formal action of the City Council by passage of an ordinance, which is the action that constitutes the most binding constraint.

Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. This indicates that resources in these funds are, at a minimum, intended to be used for the purposes of that fund. The City Council, Mayor, or the City Clerk is authorized to assign amounts to a specific purpose. The authorization, which is established by the City Council, is pursuant to the policy of City Council to delegate such authority.

CITY OF MONROEVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The City considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The City considers committed, then assigned amounts to have been spent when an expenditure is incurred for purposes for which amounts of unrestricted fund balance is available.

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgets and budgetary accounting - The budget is adopted annually at the beginning of each fiscal year for the general fund. The Mayor and members of the City Council are responsible for the adoption and amendments to the budget. The Council must approve transfers of appropriations between and among government function categories and revisions that increase total fund appropriations. Appropriations lapse at the end of the fiscal year.

The budget for the general fund is adopted on the cash basis that differs from accounting principles generally accepted in the United States of America (GAAP). Reconciliation of revenues and expenditures reported in accordance with GAAP and those presented in accordance with the nonGAAP budgetary basis are shown in the budgetary comparison schedule.

Excess of expenditures over appropriations - For the year ended September 30, 2017, there were five general fund functional expenditure categories (the legal level of budgetary control) that exceeded appropriations.

The City exceeded budgeted appropriations in nutrition expenditures by 0.66% due to an increase in rural transportation costs. The City exceeded budgeted appropriations in court expenditures by 63.39% due to increased enforcement of outstanding failures to appear, thus increasing the number of cases. The City exceeded budgeted appropriations in compliance expenditures by 1.69% due to costs related to professional services. The City exceeded budgeted appropriations in sanitation and wastewater expenditures by 1.12% due to an increase in the garbage collection rates of the City's outsourced provider. The City exceeded budgeted appropriations in community house expenditures by 1.30% due to the unanticipated replacement of an air conditioning unit.

CITY OF MONROEVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY: (continued)

Deficit fund equity - The City did not maintain a deficit fund balance as of September 30, 2017.

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS:

Deposits - *Custodial credit risk* - The City's investment policy requires that bank deposits be fully insured by the Federal Deposit Insurance Corporation or be covered under the Security for Alabama Funds Enhancement (SAFE) Program. The SAFE program is a multiple financial collateral pool administered by the State Treasurer according to State of Alabama statute.

NOTE 4 - CAPITAL ASSETS:

Capital asset activity for the City's governmental activities for the year ended September 30, 2017 was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,000,588			\$ 2,000,588
Construction in progress	110,900	\$ 1,400,075	\$ 110,900	1,400,075
Total capital assets, not being depreciated	<u>2,111,488</u>	<u>1,400,075</u>	<u>110,900</u>	<u>3,400,663</u>
Capital assets, being depreciated:				
Buildings	5,840,920		1,200	5,839,720
Furniture and equipment	5,982,038	442,112	1,055,983	5,368,167
Improvements	4,709,046	667,988		5,377,034
Total capital assets, being depreciated	<u>16,532,004</u>	<u>1,110,100</u>	<u>1,057,183</u>	<u>16,584,921</u>
Less accumulated depreciation for:				
Buildings	2,327,484	165,175	1,200	2,491,459
Furniture and equipment	3,924,987	436,694	999,209	3,362,472
Improvements	1,331,336	171,708		1,503,044
Total accumulated depreciation	<u>7,583,807</u>	<u>773,577</u>	<u>1,000,409</u>	<u>7,356,975</u>
Total capital assets, being depreciated, net	<u>8,948,197</u>	<u>336,523</u>	<u>56,774</u>	<u>9,227,946</u>
Governmental activities capital assets, net	<u>\$ 11,059,685</u>	<u>\$ 1,736,598</u>	<u>\$ 167,674</u>	<u>\$ 12,628,609</u>

CITY OF MONROEVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 4 - CAPITAL ASSETS: (continued)

Capital asset activity for the City's business-type activities for the year ended September 30, 2017 was as follows:

	<u>BEGINNING BALANCES</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCES</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 48,032			\$ 48,032
Total capital assets, not being depreciated	<u>48,032</u>			<u>48,032</u>
Capital assets, being depreciated:				
Buildings and improvements	214,072			214,072
Furniture and equipment	940,679	\$ 3,084		943,763
Plant and distribution system	<u>9,287,937</u>			<u>9,287,937</u>
Total capital assets being depreciated	<u>10,442,688</u>	<u>3,084</u>		<u>10,445,772</u>
Less accumulated depreciation for:				
Buildings and improvements	141,874	560		142,434
Furniture and equipment	639,056	7,973		647,029
Plant and distribution system	<u>4,340,013</u>	<u>35,164</u>		<u>4,375,177</u>
Total accumulated depreciation	<u>5,120,943</u>	<u>43,697</u>		<u>5,164,640</u>
Total capital assets, being depreciated, net	<u>5,321,745</u>	<u>(40,613)</u>		<u>5,281,132</u>
Business-type activities capital assets, net	<u>\$ 5,369,777</u>	<u>\$ (40,613)</u>	<u>\$ 5,329,164</u>	<u>\$ -</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 48,236
Public works	255,588
Public safety	377,799
Cultural and recreational	<u>91,954</u>
Total depreciation expense - governmental activities	<u>\$ 773,577</u>

CITY OF MONROEVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 4 - CAPITAL ASSETS: (continued)

Business-type activities:

Sewer fund	<u>\$ 43,697</u>
Total depreciation expense - business-type activities	<u><u>\$ 43,697</u></u>

NOTE 5 - INTERFUND BALANCES:

Interfund transactions are generally used to meet cash demands necessary to pay operating expenditures. These amounts should be repaid during the next fiscal year. Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the entity-wide governmental activities columns of the statement of net position.

The composition of interfund receivables and payables as of September 30, 2017 consist of the following:

RECEIVABLE FUND	PAYABLE FUND	AMOUNT
General fund	Fire special fund	\$ 533
General fund	Fire rescue fund	2,437
General fund	Four cent	12
General fund	Seven cent	88,866
General fund	Capital projects fund	<u>79,572</u>
Total		<u><u>\$ 171,420</u></u>

The following is a schedule of interfund transfers for the year ended September 30, 2017:

TRANSFER TO	TRANSFER FROM				
	GENERAL FUND	CAPITAL PROJECTS FUND	SEWER FUND	SEVEN CENT GAS FUND	TOTAL
General fund		\$ 705,765	\$ 115,488		\$ 821,253
Capital projects fund	<u>\$ 179,426</u>		<u>61,847</u>	<u>\$ 68,000</u>	<u>309,273</u>
Totals	<u><u>\$ 179,426</u></u>	<u><u>\$ 705,765</u></u>	<u><u>\$ 177,335</u></u>	<u><u>\$ 68,000</u></u>	<u><u>\$ 1,130,526</u></u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

CITY OF MONROEVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 6 - LONG-TERM DEBT:

Long-term liability activity for the year ended September 30, 2017 was as follows:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Governmental activities:					
Warrants and notes payable	\$ 1,286,502	\$ 3,605,880	\$ 469,061	\$ 4,423,321	\$ 661,786
Capital lease payable	303,469	292,687	152,423	443,733	152,507
Total warrants, notes, and lease payable	1,589,971	3,898,567	621,484	4,867,054	814,293
Compensated absences	144,392	2,750	54,440	92,702	
Net pension liability	1,726,909	1,573,216	973,890	2,326,235	
Governmental activities long-term liabilities	3,461,272	5,474,533	1,649,814	7,285,991	814,293
Business-type activities:					
Warrants and notes payable	662,338			662,338	
Capital lease payable	83,354			83,354	
Total warrants, notes, and lease payable	745,692			745,692	
Compensated absences	10,408			10,408	
Net pension liability	141,327			141,327	
Business-type activities long-term liabilities	897,427			897,427	
Total long-term debt	<u>\$ 4,358,699</u>	<u>\$ 5,474,533</u>	<u>\$ 2,547,241</u>	<u>\$ 7,285,991</u>	<u>\$ 814,293</u>

CITY OF MONROEVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 6 - LONG-TERM DEBT: (continued)

Warrants and notes payable at September 30, 2017 consists of the following:

	<u>TOTAL</u>	<u>CURRENT</u>
General Obligation Refunding Warrant Series 2013A; principal amount \$666,000; principal and interest payments due monthly beginning April 3, 2013; interest rate 2.25%; final payment is due March 3, 2021. Proceeds to be used for police station.	\$ 301,636	\$ 86,005
General Obligation Warrant Series 2013; secured by fire truck; principal amount \$846,350; principal and interest payments due semiannually beginning November 1, 2013; interest rate 1.975%; final payment is due May 1, 2023. Proceeds to be used for fire truck.	526,505	83,441
General Obligation Warrant Series 2015; principal amount \$435,000; principal and interest payments due semiannually beginning October 10, 2015; interest rate 1.74%; final payment is due April 10, 2018. Proceeds to be used for street paving.	147,508	147,508
General Obligation Warrant Series 2016; principal amount \$450,000; principal and interest payments due monthly beginning December 1, 2016; interest rate 1.51%; final payment is due November 1, 2019. Proceeds to be used for storm drainage project.	327,037	149,612
General Obligation Economic Development Warrant Series 2017; principal amount \$1,750,000; principal and interest payments due monthly beginning May 1, 2017; interest rate 3.45%; final payment is due April 1, 2024. Proceeds to be used for economic development building improvements.	1,730,281	48,463
General Obligation Economic Development Warrant Series 2017B; principal amount \$820,000; principal and interest payments due monthly beginning October 1, 2017; interest rate 2.45%; final payment is due October 1, 2027. Proceeds to be used for economic development building improvements.	820,000	72,963

CITY OF MONROEVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 6 - LONG-TERM DEBT: (continued)

	<u>TOTAL</u>	<u>CURRENT</u>
Revolving Loan Fund loan with Alabama-Tombigbee Regional Commission; principal amount \$350,000; principal and interest payments due monthly beginning September 21, 2017; interest rate 1.31%; final payment is due September 21, 2027. Proceeds to be used for economic development building improvements.	\$ 347,269	\$ 33,010
Revolving Loan Fund loan with Alabama-Tombigbee Regional Commission; principal amount \$150,000; principal and interest payments due monthly beginning September 21, 2017; interest rate 4.13%; final payment is due September 21, 2027. Proceeds to be used for economic development building improvements.	148,988	12,416
Commercial loan with United Bank; principal amount \$85,880; principal and interest payments due monthly beginning May 15, 2017; interest rate 1.438%; final payment is due April 15, 2020. Proceeds to be used to purchase jaws of life.	<u>74,097</u>	<u>28,368</u>
Total warrants and notes payable	<u>\$ 4,423,321</u>	<u>\$ 661,786</u>

Debt service requirements on warrants and notes payable at September 30, 2017 are as follows:

<u>YEAR ENDING SEPTEMBER 30:</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2018	\$ 661,786	\$ 95,251
2019	524,953	82,641
2020	394,592	72,884
2021	305,695	64,993
2022	274,158	58,683
2023 - 2027	<u>2,262,137</u>	<u>100,157</u>
Totals	<u>\$ 4,423,321</u>	<u>\$ 474,609</u>

CITY OF MONROEVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 6 - LONG-TERM DEBT: (continued)

Capital leases - The City has entered into lease agreements as lessee for financing the acquisition of property and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

ASSET	AMOUNT
Machinery and equipment	\$ 216,054
Vehicles	<u>347,313</u>
	<u>563,367</u>
Less: Accumulated depreciation	<u>57,987</u>
	<u><u>505,380</u></u>
Total	<u><u>505,380</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017, were as follows:

YEAR ENDING SEPTEMBER 30:	AMOUNT
2018	\$ 159,249
2019	126,258
2020	61,483
2021	61,483
2022	<u>51,235</u>
Total minimum lease payments	459,708
Less amount representing interest	<u>15,975</u>
Present value of minimum lease payments	<u><u>443,733</u></u>

NOTE 7 - NOTES PAYABLE:

The City entered into a business loan agreement with Trustmark Bank in the amount of \$1,000,000. The proceeds of the loan were used as a line of credit to pay for building improvements to the Sterling Packaging manufacturing facility as part of an economic development agreement between the City, Monroeville Industrial Development Board, Monroeville/Monroe County Economic Development Authority, Monroe County Commission, and Sterling Packaging. The City entered into the agreement on August 25, 2017. The maturity date is September 1, 2018 and the line of credit bears interest at 2.83%. At September 30, 2017, the balance of the loan was \$100,805.

CITY OF MONROEVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 8 - 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 Board to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

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

Benefits provided - State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) 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 three of the last 10 years) for each year of service. State Police are allowed 2.8750% for each year of State Police service in computing the formula method.

CITY OF MONROEVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 8 - PENSION PLAN: (continued)

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a 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 2.0125% of their average final compensation (highest five of the last 10 years) for each year of service. State Police are allowed 2.8750% for each year of State Police service in computing the formula method.

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

The ERS membership includes approximately 85,874 participants, and the City membership includes 100 participants. As of September 30, 2016, membership consisted of:

	ERS	CITY
Retired members or their beneficiaries currently receiving benefits	23,007	31
Vested inactive employees	1,155	
Nonvested inactive members	6,654	5
Active members	54,823	64
Post DROP retired members still in active service	235	
Total	<u>85,874</u>	<u>100</u>

Contributions - Covered members of the ERS contributed 5.00% 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 6.00% 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 10.00% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

CITY OF MONROEVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 8 - PENSION PLAN: (continued)

Tier 2 covered members of the ERS contribute 6.00% 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 7.00% of earnable compensation. Tier 2 State Police members of the ERS contribute 10.00% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the preretirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2017, the City's active employee contribution rate was 5.75% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 9.61% of covered employee payroll.

The City's contractually required contribution rate for the year ended September 30, 2017 was 10.17% of pensionable pay for Tier 1 employees, and 7.23% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2014, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City were \$213,881 for the year ended September 30, 2017.

The City's net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2015 rolled forward to September 30, 2016 using standard roll-forward techniques as shown in the following table:

CITY OF MONROEVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 8 - PENSION PLAN: (continued)

	<u>EXPECTED</u>	<u>ACTUAL 2015 VALUATION ASSUMPTIONS</u>	<u>ACTUAL 2016 VALUATION ASSUMPTIONS</u>
Total pension liability as of September 30, 2015 (a)	\$ 7,786,015	\$ 8,038,940	\$ 8,373,757
Discount rate (b)	8.00%	8.00%	7.75%
Entry age normal cost for October 1, 2015 - September 30, 2016 (c)	210,927	210,927	214,656
Transfers among employers (d)		(34,016)	(34,016)
Actual benefit payments and refunds for October 1, 2015 - September 30, 2016 (e)	<u>(502,597)</u>	<u>(502,597)</u>	<u>(502,597)</u>
Total pension liability as of September 30, 2016 [(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	<u>\$ 8,097,122</u>	<u>\$ 8,336,265</u>	<u>\$ 8,681,291</u>
Difference between expected and actual (g)		\$ 239,143	
Less liability transferred for immediate recognition (h)		<u>(34,016)</u>	
Experience (gain)/loss = (g) - (h)		\$ 273,159	
Difference between actual (2015 assumptions) and actual (2016 assumptions)			
Assumption change (gain)/loss			\$ 345,026

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

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

* Net of pension plan investment expense

CITY OF MONROEVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 8 - PENSION PLAN: (continued)

Mortality rates for ERS were based on the sex distinct RP-2000 Combined Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females at all 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 assumptions used in the September 30, 2015 valuation were based on the results of an actuarial experience study for the period October 1, 2010 through 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	17.0%	4.4%
U. S. large stocks	32.0%	8.0%
U. S. mid stocks	9.0%	10.0%
U. S. small stocks	4.0%	11.0%
International developed market stocks	12.0%	9.5%
International emerging stocks	3.0%	11.0%
Alternatives	10.0%	10.1%
Real estate	10.0%	7.5%
Cash equivalents	3.0%	1.5%
 Total	 <u>100.0%</u>	

* Includes assumed rate of inflation at 2.50%

Discount rate - The discount rate used to measure the total pension liability was the long-term rate of return, 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control.

CITY OF MONROEVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 8 - PENSION PLAN: (continued)

Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	INCREASE (DECREASE)		
	TOTAL PENSION LIABILITY (a)	PLAN FIDUCIARY NET POSITION (b)	NET PENSION LIABILITY (a)-(b)
Balances at September 30, 2015	\$ 7,786,015	\$ 5,917,779	\$ 1,868,236
Changes for the year:			
Service cost	210,927		210,927
Interest	602,777		602,777
Changes of assumptions	345,026		345,026
Difference between expected and actual experience	273,159		273,159
Contributions - employer		244,944	(244,944)
Contributions - employee		134,286	(134,286)
Net investment income		594,660	(594,660)
Benefit payments, including refunds of employee contributions	(502,597)	(502,597)	
Transfer among employers	(34,016)	(34,016)	
Net changes	<u>895,276</u>	<u>437,277</u>	<u>457,999</u>
Balances at September 30, 2016	<u><u>\$ 8,681,291</u></u>	<u><u>\$ 6,355,056</u></u>	<u><u>\$ 2,326,235</u></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:

	1.00% DECREASE (6.75%)	CURRENT RATE (7.75%)	1.00% INCREASE (8.75%)
City's net pension liability	\$ 3,294,499	\$ 2,326,235	\$ 1,507,422

CITY OF MONROEVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 8 - PENSION PLAN: (continued)

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2016. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2016. The auditor's report dated September 18, 2017 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.

For the year ended September 30, 2017, the City recognized pension expense of \$257,559. At September 30, 2017, the City reported deferred outflows of resources related to pensions of the following sources:

	<u>DEFERRED OUTFLOWS OF RESOURCES</u>
Differences between expected and actual experience	\$ 38,217
Changes of assumptions	291,116
Net differences between projected and actual earnings on pension plan investments	53,198
Employer contributions subsequent to the measurement date	<u>213,881</u>
 Total	 <u>\$ 596,412</u>

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

YEAR ENDED SEPTEMBER 30:

2018	\$ 60,344
2019	60,342
2020	103,595
2021	23,020
2022	96,591
Thereafter	38,639

NOTE 9 - CONTINGENT LIABILITIES:

The City has received federal and state grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could produce requests for reimbursements to the grantor agencies due to the disallowance of expenditures pursuant to the terms of the grant. It is the opinion of the City that such disallowances, if any, would not be material.

CITY OF MONROEVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 10 - RISK MANAGEMENT:

The City is exposed to various risks of losses related to tort; theft of, damage to, and destruction of assets, errors, and omissions; injuries to employees; and natural disaster. The City purchases commercial insurance for property, general liability claims, and title insurance and has effectively managed risk through various employee education and prevention programs. All risk management activities are accounted for in the general fund.

The City has estimated that the amount of actual or potential claims against the City as of September 30, 2017, will not materially affect the financial condition of the City. Settlement amounts have not exceeded insurance coverage for the current year or the past three years.

NOTE 11 - RELATED PARTY TRANSACTIONS:

The City Council appoints members of the Water Works and Sewer Board of the City of Monroeville. The City utilizes the Water Works and Sewer Board of the City of Monroeville (the Board) as the collection agent for garbage fees and charges. The City recognizes revenue for services when billed by the Board. The receivable from the Board for garbage fees and charges at September 30, 2017 was \$63,153.

The City imposes a 3% franchise fee on gross sewer fees and charges collected within the City limits and a 1.5% franchise fee on gross sewer fees and charges collected within the police jurisdiction of the City. Total franchise fees collected from the Board of the City of Monroeville were \$13,582 for the year ended September 30, 2017.

The City transferred its sewer system to the Board on December 1, 2016. See Note 12.

NOTE 12 - DISPOSAL OF OPERATIONS

On December 1, 2016, the City transferred the assets and liabilities of its sewer system to the Water Works and Sewer Board of the City of Monroeville (the Board) for the purpose of the Board assuming the operation and maintenance of the system. As a result of the transfer, the City recognized a loss of \$4,704,738 on the disposal of its sewer system as a special item. The City's expenses/expenditures and revenues related to the sewer system operations totaled \$159,376 and \$39,808, respectively, for the year ended September 30, 2017.

NOTE 13 - COMMITMENTS:

On December 1, 2016, the City entered into a contractual commitment with the Water Works and Sewer Board of the City of Monroeville to appropriate funds to be used as operating and capital subsidies. The contract provides for annual payments of \$500,000 for the first two years of the contract, then reduced by \$50,000 for each subsequent year thereafter until the appropriation amount is \$200,000, after which the annual appropriation by the City shall remain fixed in this amount, subject to the right of the City to terminate the appropriation after it has been reduced to \$200,000. Monthly payments on the commitment commenced in December 2016. The City paid a total of \$416,667 during the fiscal year ended September 30, 2017, which is the \$500,000 annual appropriation prorated for the ten months after the agreement date. This amount is classified as a public works expenditure.

CITY OF MONROEVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 13 - COMMITMENTS: (continued)

As of September 30, 2017, commitments to contractors on capital projects are as follows:

Commitments	\$ 6,772,493
Spent-to-date	4,743,509
Remaining commitments	<u>\$ 2,028,984</u>

NOTE 14 - OTHER ASSETS - ECONOMIC DEVELOPMENT

The City entered into economic development incentive agreements with Sterling Packaging and MillenniumBlok International in which the City agreed to provide building improvements on the properties leased to these companies. The entities have options to purchase the properties and the City expects these purchases to occur. The City will receive lease revenue from these tenants. These improvements are classified as other assets on the statement of net position and the governmental funds balance sheet. As of September 30, 2017, building improvements made on these contracts are as follows:

Sterling Packaging building improvements	\$ 94,204
MillenniumBlok International building improvements	1,889,330
	<u>\$ 1,983,534</u>

NOTE 15 - ECONOMIC DEVELOPMENT INCENTIVE OBLIGATIONS - TAX ABATEMENTS:

The City, in conjunction with the Monroeville Industrial Development Board, the Monroeville/Monroe County Economic Development Authority, and the Monroe County Commission, enters into economic development incentive agreements with entities that propose to locate businesses within the City, or expand businesses within the City, which are expected to provide stimulus to the City's economy. These agreements provide for full or partial abatement of sales, use, and/or property taxes, as well as other financial commitments. Property taxes are abated through reductions of assessed values. Sales and use taxes are abated either through exemptions granted on purchases for specific construction or equipment purchase purposes or through tax rebate arrangements. The agreements have limited terms of duration and/or maximum abatement thresholds.

As a result of these agreements, the City expects to receive economic benefits including, but not limited to, increased revenue, job creation, and job retention. These incentive agreements require approval by the Mayor and City Council and are pursuant to Chapter 54A of Title 11 of the Code of Alabama 1975, as amended and Chapter 9B of Title 40 of the Code of Alabama 1975, as amended.

The City does not collect property taxes. The Revenue Commissioner of Monroe County is responsible for such collections for the City. There were no property tax abatements during the year ended September 30, 2017.

CITY OF MONROEVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 15 - ECONOMIC DEVELOPMENT INCENTIVE OBLIGATIONS - TAX ABATEMENTS:
(continued)

In the case of sales and use tax abatements on construction materials, the taxes abated are not received by the City, nor is there currently a reporting mechanism for the City to receive such information. The State Department of Revenue provides a Purchasing Agent appointment letter to subject entities so that they can purchase material tax exempt. The City will take action to require this reporting in all future abatement agreements.

NOTE 16 - EFFECT OF NEW PRONOUNCEMENTS:

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City:

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which seeks to improve consistency in accounting and financial reporting for certain debt extinguishments and enhance the decision usefulness of such information. The requirements of Statement No. 86 are effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Additionally, under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of Statement No. 87 are effective for reporting periods beginning after December 15, 2019.

NOTE 17 - SUBSEQUENT EVENTS:

The City has evaluated subsequent events through July 31, 2018, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of September 30, 2017 have been incorporated into these financial statements.

The City entered into a lease agreement with Sterling Packaging, with the term of the lease beginning in March 2018 and ending after 10 years. Lease payments are due to the City each month, beginning in March 2019. The City will also receive \$2,000 per month beginning in March 2018 and ending after 10 years from the Monroe County Commission for its share of building improvements.

The City entered into a lease agreement with MillenniumBlok International, with the term of the lease beginning in December 2017 and ending after 10 years. Lease payments are due to the City each month, beginning March 2018. The City will be paid \$100,000 within seven years from the Monroe County Commission for its share of building improvements.

CITY OF MONROEVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 18 - RESTATEMENT:

The beginning net position and fund balances have been restated to correct errors in the recording of certain balances as of September 30, 2016. The impact of restatement on the beginning 2017 balances is shown below.

	<u>AMOUNT</u>
Governmental activities net position:	
Beginning net position, as originally stated	\$ 11,285,733
To record police and fire cash activity	3,157
To record prior year receivables	72,661
To remove unsubstantiated receivables	<u>(59,944)</u>
	<u><u>\$ 11,301,607</u></u>
Business-type activities net position:	
Beginning net position, as originally stated	\$ 4,570,840
To reclassify sewer system receivable	<u>(49,491)</u>
	<u><u>\$ 4,521,349</u></u>
General fund balance:	
Beginning fund balance, as originally stated	\$ 2,309,956
To record police and fire cash activity	3,157
To record prior year receivables	56,607
To remove unsubstantiated receivables	<u>(59,944)</u>
To reclassify beer and wine tax fund improperly presented as a special revenue fund in the prior year	<u>392,298</u>
	<u><u>\$ 2,702,074</u></u>
Beer and wine tax fund balance:	
Beginning fund balance, as originally stated	\$ 392,298
To reclassify beer and wine tax fund improperly presented as a special revenue fund in the prior year	<u>(392,298)</u>
	<u><u>\$ -</u></u>
Seven cent gas fund balance:	
Beginning fund balance, as originally stated	\$ 473
To record prior year receivables	<u>6,802</u>
	<u><u>\$ 7,275</u></u>

CITY OF MONROEVILLE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 18 - RESTATEMENT: (continued)

	<u>AMOUNT</u>
Four cent gas fund balance:	
Beginning fund balance, as originally stated	\$ 109,730
To record prior year receivables	<u>5,502</u>
	<u><u>\$ 115,232</u></u>
Fire rescue fund balance:	
Beginning fund balance, as originally stated	\$ 101,538
To record prior year receivables	<u>3,750</u>
	<u><u>\$ 105,288</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MONROEVILLE, ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	BUDGETED AMOUNTS		ACTUAL AMOUNTS BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Taxes:				
Sales	\$3,500,000	\$3,500,000	\$4,391,895	\$891,895
Real and personal property	636,000	636,000	634,529	(1,471)
Gasoline	210,000	210,000	269,245	59,245
Alcoholic beverages	241,100	241,100	251,496	10,396
Tobacco	30,000	30,000	34,908	4,908
Motor vehicle	11,000	11,000	12,755	1,755
Lodging	92,000	92,000	86,851	(5,149)
Total taxes	<u>4,720,100</u>	<u>4,720,100</u>	<u>5,681,679</u>	<u>961,579</u>
Licenses and permits:				
Privilege and franchise fees	860,755	860,755	929,751	68,996
Building permits	18,850	18,850	20,792	1,942
Total licenses and permits	<u>879,605</u>	<u>879,605</u>	<u>950,543</u>	<u>70,938</u>
Intergovernmental revenue:				
Oil production and privilege tax	30,000	30,000	14,946	(15,054)
Grant revenue	56,149	56,149	109,955	53,806
Total intergovernmental revenue	<u>86,149</u>	<u>86,149</u>	<u>124,901</u>	<u>38,752</u>
Charges and fees for services:				
Garbage	715,000	715,000	740,613	25,613
Cultural and recreation fees	48,500	48,500	56,220	7,720
Total charges and fees for services	<u>763,500</u>	<u>763,500</u>	<u>796,833</u>	<u>33,333</u>
Fines and forfeitures:				
Municipal court	153,767	153,767	273,191	119,424
Abatements			575	575
Police accident reports	600	600	495	(105)
Total fines and forfeitures	<u>154,367</u>	<u>154,367</u>	<u>274,261</u>	<u>119,894</u>
Miscellaneous:				
Rental	25,122	25,122	22,897	(2,225)
Other	4,000	4,000	48,709	44,709
Total miscellaneous	<u>29,122</u>	<u>29,122</u>	<u>71,606</u>	<u>42,484</u>
Interest income:				
Interest income	3,393	3,393	5,032	1,639
Total interest income	<u>3,393</u>	<u>3,393</u>	<u>5,032</u>	<u>1,639</u>
Total revenues	<u>6,636,236</u>	<u>6,636,236</u>	<u>7,904,855</u>	<u>1,268,619</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MONROEVILLE, ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	BUDGETED AMOUNTS		ACTUAL AMOUNT BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
EXPENDITURES:				
General government:				
Executive	\$ 841,337	\$ 830,462	\$ 795,722	\$ 34,740
Clerk's office	232,013	232,013	230,949	1,064
Nutrition	82,420	82,420	82,967	(547)
Court	152,376	152,376	248,966	(96,590)
Compliance	56,797	56,797	57,756	(959)
Custodian	25,129	28,591	26,027	2,564
Total general government	<u>1,390,072</u>	<u>1,382,659</u>	<u>1,442,387</u>	<u>(59,728)</u>
Public safety:				
Police	1,987,823	1,987,823	1,837,451	150,372
Fire	550,064	550,064	512,046	38,018
Animal control	77,447	77,447	70,215	7,232
Total public safety	<u>2,615,334</u>	<u>2,615,334</u>	<u>2,419,712</u>	<u>195,622</u>
Public works:				
Street	678,037	678,913	644,439	34,474
Sanitation and wastewater	813,900	1,230,567	1,244,383	(13,816)
Shop	30,558	30,558	15,281	15,277
Total public works	<u>1,522,495</u>	<u>1,940,038</u>	<u>1,904,103</u>	<u>35,935</u>
Cultural and recreation:				
Events coordinator	83,855	83,855	81,905	1,950
Community house	92,709	92,709	93,915	(1,206)
Parks and recreation	317,890	321,934	295,319	26,615
Total cultural and recreation	<u>494,454</u>	<u>498,498</u>	<u>471,139</u>	<u>27,359</u>
Economic development	150,450	150,450	(194,277)	344,727
Total economic development	<u>150,450</u>	<u>150,450</u>	<u>(194,277)</u>	<u>344,727</u>
Capital outlay	39,793	36,000	1,395,002	(1,359,002)
Total capital outlay	<u>39,793</u>	<u>36,000</u>	<u>1,395,002</u>	<u>(1,359,002)</u>
Debt service:				
Principal			27,083	(27,083)
Interest			19,452	(19,452)
Total debt service			<u>46,535</u>	<u>(46,535)</u>
Total expenditures	<u>6,212,598</u>	<u>6,622,979</u>	<u>7,484,601</u>	<u>(861,622)</u>
Excess of revenues over expenditures	<u>423,638</u>	<u>13,257</u>	<u>420,254</u>	<u>2,130,241</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MONROEVILLE, ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	BUDGETED AMOUNTS	ACTUAL AMOUNT	VARIANCE WITH FINAL BUDGET -
	ORIGINAL	FINAL	BUDGETARY BASIS POSITIVE (NEGATIVE)
OTHER FINANCING SOURCES (USES):			
Operating transfer in (out)		\$ 179,426	\$ 179,426
Operating transfer in (out)		(821,253)	(821,253)
Proceeds from issuance of debt		3,070,000	3,070,000
Total other financing sources (uses)		2,428,173	2,428,173
NET CHANGE IN FUND BALANCE, BUDGETARY BASIS	<u>\$ 423,638</u>	<u>\$ 13,257</u>	<u>2,848,427</u> <u>\$ 4,558,414</u>
ADD (DEDUCT) OTHER RECONCILING ITEMS TO ADJUST FROM BUDGETARY BASIS TO MODIFIED ACCRUAL BASIS:			
Change in accounts receivable		286,632	
Change in accounts payable and accrued liabilities		(432,711)	
NET CHANGE IN FUND BALANCE, MODIFIED ACCRUAL BASIS		2,702,348	
FUND BALANCE - BEGINNING, AS RESTATED		<u>2,702,074</u>	
FUND BALANCE - ENDING		<u>\$ 5,404,422</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF MONROEVILLE, ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
LAST 10 FISCAL YEARS ENDING SEPTEMBER 30

	2016	2015	2014
TOTAL PENSION LIABILITY:			
Service cost	\$ 210,927	\$ 185,490	\$ 198,421
Interest	602,777	603,562	580,319
Changes of assumptions	345,026		
Difference between expected and actual experience	273,159	(288,391)	
Benefit payments, including refunds of employee contributions	(502,597)	(518,346)	(458,059)
Transfers among employees	(34,016)		
Net change in total pension liability	895,276	(17,685)	320,681
Total pension liability - beginning	<u>7,786,015</u>	<u>7,803,700</u>	<u>7,483,019</u>
Total pension liability - end (a)	<u><u>\$ 8,681,291</u></u>	<u><u>\$ 7,786,015</u></u>	<u><u>\$ 7,803,700</u></u>
PLAN FIDUCIARY NET POSITION:			
Contributions - employer	\$ 244,944	\$ 236,380	\$ 213,172
Contributions - employee	134,286	128,545	111,730
Net investment income	594,660	70,151	648,954
Benefit payments, including refunds of employee contributions	(502,597)	(518,346)	(458,059)
Transfers among employers	(34,016)	22,699	(25,235)
Net change in plan fiduciary net position	437,277	(60,571)	490,562
Plan net position - beginning	<u>5,917,779</u>	<u>5,978,350</u>	<u>5,487,788</u>
Plan net position - end (b)	<u><u>\$ 6,355,056</u></u>	<u><u>\$ 5,917,779</u></u>	<u><u>\$ 5,978,350</u></u>
Net pension liability - ending (a) - (b)	<u><u>\$ 2,326,235</u></u>	<u><u>\$ 1,868,236</u></u>	<u><u>\$ 1,825,350</u></u>
Plan fiduciary net position as a percentage of the total pension liability	73.20%	76.01%	76.61%
Covered employee payroll	\$ 2,356,845	\$ 2,179,312	\$ 2,117,917
Net pension liability as a percentage of covered employee payroll	98.70%	85.73%	86.19%

Notes to schedule:

1. This schedule is to be built prospectively until it contains 10 years of data.
2. The measurement date for the City's net pension liability is September 30, one year prior to the City's fiscal year.
3. Covered employee payroll is the total payroll paid to covered employees during the measurement period.

CITY OF MONROEVILLE, ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS TO THE PENSION PLAN
LAST 10 FISCAL YEARS

	2017	2016	2015
Actuarially determined contribution	\$ 213,881	\$ 229,868	\$ 212,576
Contributions in relation to the actuarially determined contribution	<u>213,881</u>	<u>229,868</u>	<u>212,576</u>
Contribution deficit (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered employee payroll	\$ 2,225,367	\$ 2,356,845	\$ 2,179,312
Contributions as a percentage of covered employee payroll	9.61%	9.75%	9.75%

Notes to schedule:

1. This schedule is to be built prospectively until it contains 10 years of data.
2. Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported.
3. Contributions for fiscal year 2017 were based on the September 30, 2014 actuarial valuation.
4. Methods and assumptions used to determine the contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization method	24 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.75 - 7.25%, including inflation
Investment rate of return	8.00%, net of pension plan investment
5. Covered employee payroll represents total payroll paid to covered employees for the City's fiscal year ended September 30.

SUPPLEMENTARY INFORMATION

CITY OF MONROEVILLE, ALABAMA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	SEVEN CENT GAS FUND	FOUR CENT GAS FUND	FIRE RESCUE FUND	FIRE SPECIAL FUND	FEDERAL GRANT FUND	TOTAL
ASSETS:						
Cash and cash equivalents	\$ 87,795	\$ 131,784	\$ 105,089	\$ 159,232		\$ 483,900
Accounts receivable			4,000			4,000
Due from other governments	<u>7,121</u>	<u>5,599</u>				<u>12,720</u>
Total assets	<u><u>\$ 94,916</u></u>	<u><u>\$ 137,383</u></u>	<u><u>\$ 109,089</u></u>	<u><u>\$ 159,232</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 500,620</u></u>
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts payable	\$ 5,898					\$ 5,898
Due to other funds	<u>88,866</u>	<u>\$ 12</u>	<u>\$ 2,437</u>	<u>\$ 533</u>		<u>91,848</u>
Total liabilities	<u><u>94,764</u></u>	<u><u>12</u></u>	<u><u>2,437</u></u>	<u><u>533</u></u>		<u><u>97,746</u></u>
Fund balances:						
Restricted for:						
Highways and streets		137,371				137,371
Fire department			106,652	158,699		265,351
Unassigned	<u>152</u>					<u>152</u>
Total fund balance	<u><u>152</u></u>	<u><u>137,371</u></u>	<u><u>106,652</u></u>	<u><u>158,699</u></u>		<u><u>402,874</u></u>
Total liabilities and fund balance	<u><u>\$ 94,916</u></u>	<u><u>\$ 137,383</u></u>	<u><u>\$ 109,089</u></u>	<u><u>\$ 159,232</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 500,620</u></u>

CITY OF MONROEVILLE, ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	SEVEN CENT GAS FUND	FOUR CENT GAS FUND	FIRE RESCUE FUND	FIRE SPECIAL FUND	FEDERAL GRANT FUND	TOTAL
REVENUES:						
Taxes						
Intergovernmental revenues	\$ 78,077	\$ 61,081	\$ 16,000	\$ 49,134		\$ 49,134
Miscellaneous						155,158
Interest income	20	122	61	82	\$ 10,350	10,350
Total revenues	<u>78,097</u>	<u>61,203</u>	<u>16,061</u>	<u>49,216</u>	<u>10,350</u>	<u>214,927</u>
EXPENDITURES:						
Current:						
Public safety				2,622		36,443
Public works		153,220	39,064			192,284
Economic development					10,350	10,350
Capital outlay				85,768		85,768
Debt service:						
Principal payments				11,783		11,783
Interest and fiscal charges				404		404
Total expenditures	<u>153,220</u>	<u>39,064</u>	<u>100,577</u>	<u>33,821</u>	<u>10,350</u>	<u>337,032</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(75,123)</u>	<u>22,139</u>	<u>(84,516)</u>	<u>15,395</u>		<u>(122,105)</u>
OTHER FINANCING SOURCES:						
Transfers from other funds		68,000				68,000
Issuance of long-term debt			85,880			85,880
Total other financing sources	<u>68,000</u>		<u>85,880</u>			<u>153,880</u>
Net change in fund balance	<u>(7,123)</u>	<u>22,139</u>	<u>1,364</u>	<u>15,395</u>		<u>31,775</u>
FUND BALANCE - BEGINNING, AS RESTATED	<u>7,275</u>	<u>115,232</u>	<u>105,288</u>	<u>143,304</u>		<u>371,099</u>
FUND BALANCE - ENDING	<u>\$ 152</u>	<u>\$ 137,371</u>	<u>\$ 106,652</u>	<u>\$ 158,699</u>	<u>\$ -</u>	<u>\$ 402,874</u>



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT*
AUDITING STANDARDS

The Honorable Mayor and Members of the City Council
City of Monroeville, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Monroeville, Alabama (the City) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 31, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. 2017-001, 2017-002, 2017-003, and 2017-004.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. 2017-005 and 2017-006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jackson Thornton & Co. PC

Montgomery, Alabama
July 31, 2018

CITY OF MONROEVILLE, ALABAMA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

2017-001 MATERIAL WEAKNESS:

Criteria or specific requirement:

A segregation of duties is the means by which no one person has sole control over the initiation, recording, and authorization functions of a transaction or process.

Condition:

There is inadequate segregation of duties over the accounting processes.

Context:

The City Clerk/Treasurer has the ability to access the accounting systems to make revisions and adjustments to the financial records. Although the administrative staff duties provide a level of segregation of duties, additional review and oversight is mandatory.

Effect:

A lack of segregation of duties increases the susceptibility of assets to misappropriation and the susceptibility of the financial statements to error.

Cause:

The City administrative office has a limited number of employees with the training and expertise to perform these functions.

Recommendation:

Compensating controls should be implemented to offset the risks related to the lack of segregation of duties.

Views of responsible officials and planned corrective actions:

The City agrees with the finding. The City currently has a limited number of employees in the Administrative Department with adequate training or expertise to perform these functions. The City implements compensating controls available to mitigate the risks, which are inherent with limited staffing.

CITY OF MONROEVILLE, ALABAMA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

2017-002 MATERIAL WEAKNESS:

Criteria or specific requirement:

The processing of cash receipts through the receipts journal and the account distribution to the general ledger provides documentation to support the City's financial transactions.

Condition:

The City does not receipt interfund transactions through the receipts journal, which reduces controls over the accounting for revenue and receivables.

Context:

Transactions that are receivable/payable between City funds are recorded as a journal entry to the cash account and included as bank reconciliation adjustments on the monthly bank reconciliation. The collection of the receivable or the remittance of the payable between departments is not recorded through the general ledger.

Effect:

The City's method of processing interfund cash receipts as bank reconciling items, such as deposit in transit and outstanding disbursements, increases the susceptibility of assets to misappropriation, and the susceptibility of the financial statements to error due to the lack of transparency.

Cause:

The City has not implemented the use of interfund balance accounts in their accounting software package.

Recommendation:

All cash receipts should be documented through the receipts journal and internal balance accounts should be used for the recording of receivables/payables between City funds.

Views of responsible officials and planned corrective actions:

The City agrees with the finding. The City will implement new processes for accounting for interfund transactions.

CITY OF MONROEVILLE, ALABAMA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

2017-003 MATERIAL WEAKNESS:

Criteria or specific requirement:

Written policies and procedures provide controls over the municipal court department operations and a segregation of duties in the municipal court department over cash is necessary to insure that misappropriation of assets does not occur.

Condition:

There are no written policies and procedures for the municipal court operations and there is a lack of segregation of duties in the municipal court department over cash. The same individual collects receipt, processes the transaction, and prepares the deposit for posting to the general ledger.

Context:

Policies and procedures are not documented, which was critical to operations during a period of departmental employee turnover. The limited amount of oversight and untimely reporting to the governing body compounds any issues and delays corrective action. Due to budgetary constraints, increasing the size of the municipal court staff is considered economically unfeasible.

Effect:

The lack of written policies and procedures coupled with limited oversight and the lack of segregation of duties increases the susceptibility of assets to misappropriation and the susceptibility of the financial statements to error.

Cause:

The City's municipal court office has a limited number of employees with the training and expertise to perform the required functions and the City has not developed written operating procedures for the municipal court.

Recommendation:

The City should conduct an internal control review of the Municipal Court department to assist in the development of policies and procedures.

Views of responsible officials and planned corrective actions:

The City agrees with the finding. The City is developing policies and procedures over the municipal court and implementing processes to segregate duties to provide an increased level of internal controls.

CITY OF MONROEVILLE, ALABAMA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

2017-004 MATERIAL WEAKNESS:

Criteria or specific requirement:

Management is responsible for the preparation and fair presentation of the annual financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition:

Management provides an accounting of the trade accounts receivable and accounts payable that were paid within a one month period following the end of the fiscal year for inclusion in the annual financial statements. This cutoff period results in the omission of material accounts receivable and accounts payable transactions from the management's annual financial statements.

Context:

Management maintains the books and records on the cash basis of accounting, which is not in accordance with accounting principles generally accepted in the United States of America. Management compiles conversion journal entries from the cash basis to the accrual basis that are posted for preparation of the annual financial statements.

Effect:

The inadequate procedures result in the omission of material year end accounts receivable and accounts payable transactions from the City's annual financial statements, which results in material audit adjustments.

Cause:

The City reviews all transactions subsequent to year end through a specific cutoff date to determine which transactions should be accrued. The application of these procedures was inconsistent and did not consider all significant transactions.

Recommendation:

The City should modify the process of identifying material accounts receivable and accounts payable transactions as of the end of the fiscal year for inclusion in the annual financial statement.

Views of responsible officials and planned corrective actions:

The City agrees with the finding. The City will implement new processes for identifying the material accounts receivable and accounts payable as of the end of the fiscal year.

CITY OF MONROEVILLE, ALABAMA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

2017-005 SIGNIFICANT DEFICIENCY:

Criteria or specific requirement:

All bank accounts in the City's name should be controlled and recorded by City Hall.

Condition:

Bank statements and related activity for the police and fire departments are not received, monitored, or recorded by City Hall, resulting in the omission of potentially material revenues and expenditures.

Context:

The City does not monitor or receive statements for the police and fire department bank accounts, and activity for these accounts is not posted in the general ledger. The statements are mailed and kept at the respective departments.

Effect:

The inadequate procedures cause the omission of cash balances and related revenues and expenditures from the City's annual financial statements and resulted in material audit adjustments.

Cause:

The bank statements for the police and fire departments are not mailed to the City, thus activity related to these accounts is not recorded in the general ledger.

Recommendation:

The City should begin receiving statements and recording activity in the general ledger related to these cash accounts for inclusion in the annual financial statement.

Views of responsible officials and planned corrective actions:

The City agrees with the finding. The City will begin receiving statements at City Hall and recording activity in the general ledger.

CITY OF MONROEVILLE, ALABAMA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

2017-006 SIGNIFICANT DEFICIENCY:

Criteria or specific requirement:

Revenues and related expenditures posted in capital projects and special revenue funds should meet the requirements of GASB Statement No. 54.

Condition:

The City posts certain revenues and related expenditures in capital projects and special revenue funds that do not meet the requirements of GASB Statement No. 54, resulting in improper financial reporting.

Context:

The City posts certain revenues and related expenditures to capital projects and special revenue funds that should be posted to the general fund. These items should subsequently be posted as interfund transfers.

Effect:

The posting of these revenues and related expenditures to capital projects and special revenue funds cause improper presentation of the City's annual financial statements and resulted in material audit adjustments.

Cause:

The City budgets a portion of General Fund sales tax to be used for capital projects and budgets projects that are not capital in nature to the Capital Projects Fund. The City also budgets beer and wine tax to be used for community appropriations in a separate special revenue fund. The application of these budgetary procedures resulted in the improper recording of these items based on the requirements of GASB Statement No. 54.

Recommendation:

The City should budget these transactions consistently with the proper financial reporting of fund presentation.

Views of responsible officials and planned corrective actions:

The City agrees with the finding. The City will adjust their annual budget to reflect the above recommendation.