

Certified Public Accountants  
& Consultants



**City of Monroeville, Alabama**  
**For the Fiscal Year Ended September 30, 2018**  
**Annual Financial Report**

## **Introductory Section**

**City of Monroeville, Alabama**  
**Annual Financial Report**  
**For the Year Ended September 30, 2018**

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**City of Monroeville, Alabama  
List of Principal Officials  
As of September 30, 2018**

**Mayor - Sandy Smith**

**City Council**

Al Brewton  
Thelma McDaniel  
Brenda Dean

Anthony Thomas  
Larry Hines  
Melvin Foukal

**Heads of Departments**

City Clerk/Treasurer  
Police Chief  
Public Works Director  
Fire Chief

Mary Jackson  
Mandee Armstrong  
Michael Lassiter  
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, 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, 2018 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters****Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the schedule of revenues, expenditures, and changes in fund balance - budget and actual - nonGAAP budgetary basis - general fund, the schedule of changes in net pension liability, and the schedule of employer contributions on pages 27 through 31, 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's basic financial statement. The introductory section and 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 32 through 33 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.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Information**

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require 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.

A handwritten signature in black ink that reads "Jackson Thornton & Co. PC". The signature is written in a cursive, flowing style.

Montgomery, Alabama  
June 26, 2019

## **Basic Financial Statements**



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**City of Monroeville, Alabama**  
**Statement of Net Position**  
**September 30, 2018**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,865,963
Certificates of deposit	1,009,222
Taxes receivable	357,664
Accounts receivable	151,058
Intergovernmental receivables	53,584
Prepaid items	105,240
Capital assets, not depreciated	2,045,588
Capital assets, net of accumulated depreciation	10,342,681
Other assets - economic development	3,621,930
Total assets	<u>20,552,930</u>
<b>Deferred Outflows of Resources</b>	
Pension related items	<u>425,052</u>
<b>Liabilities</b>	
Accounts payable	192,585
Accrued liabilities	129,821
Intergovernmental liabilities	286,457
Short-term borrowings	1,125,910
Long-term liabilities	
Portion due or payable in one year	
Warrants, notes, and capital leases payable	646,810
Portion due or payable after one year	
Warrants, notes, and capital leases payable	3,406,006
Compensated absences	86,483
Net pension liability	1,645,766
Total liabilities	<u>7,519,838</u>
<b>Deferred Inflows of Resources</b>	
Pension related items	<u>500,664</u>
<b>Net Position</b>	
Investment in capital assets, net	6,653,634
Restricted	
Highway and streets	157,549
Fire department	229,213
Economic development	1,940,111
Unrestricted	3,976,972
Total net position	<u>\$ 12,957,480</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, 2018**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net Revenue (Expense) and Change in Net Position</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>
Governmental activities					
General government	\$ 1,649,824	\$ 910,849	\$ 30,845	\$ 45,000	\$ (663,130)
Public safety	2,777,116	266,661	12,489	5,600	(2,492,366)
Public works	2,532,559	772,971		219,005	(1,540,583)
Culture and recreation	521,394	40,289			(481,105)
Economic development	449,744			450,357	613
Interest on long-term debt	98,020				(98,020)
Total governmental activities	<u>8,028,657</u>	<u>1,990,770</u>	<u>43,334</u>	<u>719,962</u>	<u>(5,274,591)</u>
General revenues					
Sales and use taxes					4,432,130
Real and personal property taxes					731,984
Local gasoline taxes					271,462
Alcoholic beverage taxes					227,965
Tobacco taxes					36,343
Lodging taxes					88,446
Excise taxes					32,916
Investment earnings					9,518
Miscellaneous revenue					<u>452,991</u>
Total general revenues					<u>6,283,755</u>
<b>Change in Net Position</b>					1,009,164
<b>Net Position - Beginning</b>					<u>11,948,316</u>
<b>Net Position - Ending</b>					<u><u>\$ 12,957,480</u></u>

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

**City of Monroeville, Alabama**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2018**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,954,901	\$ 360,475	\$ 550,587	\$ 2,865,963
Certificates of deposit	1,009,222			1,009,222
Taxes receivable	357,142		522	357,664
Accounts receivable	147,308		3,750	151,058
Intergovernmental receivables	40,864		12,720	53,584
Due from other funds	210,833			210,833
Prepaid items	105,240			105,240
Other assets - economic development	3,621,930			3,621,930
Total assets	<u>\$ 7,447,440</u>	<u>\$ 360,475</u>	<u>\$ 567,579</u>	<u>\$ 8,375,494</u>
<b>Liabilities</b>				
Accounts payable	\$ 179,675	\$ 8,150	\$ 4,760	\$ 192,585
Accrued liabilities	129,821			129,821
Intergovernmental liabilities	286,457			286,457
Short-term borrowings	1,125,910			1,125,910
Due to other funds	<u>26,866</u>	<u>183,967</u>	<u>210,833</u>	
Total liabilities	<u>1,721,863</u>	<u>35,016</u>	<u>188,727</u>	<u>1,945,606</u>
<b>Fund Balances</b>				
Nonspendable				
Prepaid items	105,240			105,240
Restricted				
Highway and streets			157,549	157,549
Fire department			229,213	229,213
Economic development	3,621,930			3,621,930
Assigned				
Community appropriations	428,047			428,047
Capital improvements		325,459		325,459
Unassigned	<u>1,570,360</u>	<u>325,459</u>	<u>(7,910)</u>	<u>1,562,450</u>
Total fund balances	<u>5,725,577</u>	<u>325,459</u>	<u>378,852</u>	<u>6,429,888</u>
Total liabilities and fund balances	<u>\$ 7,447,440</u>	<u>\$ 360,475</u>	<u>\$ 567,579</u>	<u>\$ 8,375,494</u>

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

**City of Monroeville, Alabama**  
**Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position**  
**September 30, 2018**

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

Total fund balances - governmental funds	\$ 6,429,888
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Land	\$ 2,045,588	
Buildings, net of \$2,680,069 accumulated depreciation	4,530,552	
Furniture and equipment, net of \$3,751,985 accumulated depreciation	1,727,869	
Improvements, net of \$1,733,491 accumulated depreciation	4,084,260	
Total capital assets		12,388,269

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

Pension related deferred outflows of resources	425,052	
Pension related deferred inflows of resources	(500,664)	
Total deferred outflows and inflows of resources		(75,612)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Warrants and notes payable	3,761,591	
Capital lease payable	291,225	
Compensated absences	86,483	
Net pension liability	1,645,766	
Total long-term liabilities		(5,785,065)
Net position of governmental activities		\$ 12,957,480

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

**City of Monroeville, Alabama**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2018**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Taxes	\$ 5,025,552	\$ 748,684	\$ 47,010	\$ 5,821,246
Licenses and permits	910,849			910,849
Charges for services	813,260			813,260
Fines and forfeitures	266,661			266,661
Intergovernmental revenues	270,968	57,719	389,609	718,296
Investment earnings	8,678	510	330	9,518
Miscellaneous revenues	238,747	199,244	15,000	452,991
Total revenues	<u>7,534,715</u>	<u>1,006,157</u>	<u>451,949</u>	<u>8,992,821</u>
<b>Expenditures</b>				
General government	1,586,589	8,485		1,595,074
Public safety	2,369,591	10,753	15,488	2,395,832
Public works	2,033,578	17,930	197,051	2,248,559
Culture and recreation	430,927	1,003		431,930
Economic development	426,196			426,196
Capital outlay	75,011	430,817	56,784	562,612
Debt service				
Principal payments	785,869		28,368	814,237
Interest and fiscal charges	101,140		646	101,786
Total expenditures	<u>7,808,901</u>	<u>468,988</u>	<u>298,337</u>	<u>8,576,226</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(274,186)</u>	<u>537,169</u>	<u>153,612</u>	<u>416,595</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds	598,341		73,000	671,341
Transfers to other funds	<u>(3,000)</u>	<u>(417,707)</u>	<u>(250,634)</u>	<u>(671,341)</u>
Total other financing sources (uses)	<u>595,341</u>	<u>(417,707)</u>	<u>(177,634)</u>	
<b>Net Change in Fund Balance</b>	321,155	119,462	(24,022)	416,595
<b>Fund Balance - Beginning</b>	<u>5,404,422</u>	<u>205,997</u>	<u>402,874</u>	<u>6,013,293</u>
<b>Fund Balance - Ending</b>	<u>\$ 5,725,577</u>	<u>\$ 325,459</u>	<u>\$ 378,852</u>	<u>\$ 6,429,888</u>

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

**City of Monroeville, Alabama**  
**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended September 30, 2018**

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

Net change in fund balances - total governmental funds	\$ 416,595
Capital outlay, reported as expenditures in governmental funds shown as capital assets in the statement of net position.	562,612
Donations of capital assets increase net position in the statement of net position but do not appear in the governmental fund because they are not financial resources.	45,000
Depreciation expense on governmental capital assets included in the governmental activities in the statement of activities.	(847,950)
Repayment of long-term debt is reported as an expenditure in the governmental funds, but a reduction of long-term liabilities in the statement of net position.	814,237
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	\$ 4,006
Compensated absences	6,219
Change in net pension liability and related deferred amounts	<u>8,445</u>
	18,670
Change in net position of governmental activities	<u><u>\$ 1,009,164</u></u>

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

**City of Monroeville, Alabama**  
**Notes to Financial Statements**  
**September 30, 2018**

**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, and general administrative 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 restricted, committed, or assigned for the acquisition and construction of major capital facilities. The City assigns one half cent of City sales tax to be used for capital improvements.

Measurement focus, basis of accounting, and financial statement presentation - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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.



**City of Monroeville, Alabama**  
**Notes to Financial Statements**  
**September 30, 2018**

**Note 1- Summary of Significant Accounting Policies (continued)**

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.

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.

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.

**City of Monroeville, Alabama**  
**Notes to Financial Statements**  
**September 30, 2018**

**Note 1- Summary of Significant Accounting Policies (continued)**

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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>	<u>Capitalization Threshold</u>
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 - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category, which is the deferred outflow related to the City's pension plan.

Deferred inflows of resources - In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category, which is the deferred inflow related to the City's pension plan.

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 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.

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 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.

**City of Monroeville, Alabama**  
**Notes to Financial Statements**  
**September 30, 2018**

**Note 1- Summary of Significant Accounting Policies (continued)**

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.
- **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.

**City of Monroeville, Alabama**  
**Notes to Financial Statements**  
**September 30, 2018**

**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, 2018, there were two General Fund functional expenditure categories (the legal level of budgetary control) that exceeded appropriations.

The City exceeded budgeted appropriations in public works expenditures by 2.81% due to an increase in sanitation fee rates in June 2018. The City exceeded budgeted appropriations in economic development expenditures by 52.67% due to unbudgeted utilities expenses for the MillenniumBlok spec building and the Incubator.

**Note 3 - Cash and Cash Equivalents**

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.

**City of Monroeville, Alabama**  
**Notes to Financial Statements**  
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**Note 4 - Capital Assets**

Capital asset activity for the City's governmental activities for the year ended September 30, 2018 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital assets, not being depreciated				
Land	\$ 2,000,588	\$ 45,000		\$ 2,045,588
Construction in progress	1,400,075		\$ 1,400,075	
Total capital assets, not being depreciated	<u>3,400,663</u>	<u>45,000</u>	<u>1,400,075</u>	<u>2,045,588</u>
Capital assets, being depreciated				
Buildings	5,839,720	1,370,901		7,210,621
Furniture and equipment	5,368,167	151,067	39,380	5,479,854
Improvements	5,377,034	440,717		5,817,751
Total capital assets, being depreciated	<u>16,584,921</u>	<u>1,962,685</u>	<u>39,380</u>	<u>18,508,226</u>
Less accumulated depreciation				
Buildings	2,491,459	188,610		2,680,069
Furniture and equipment	3,362,472	428,893	39,380	3,751,985
Improvements	1,503,044	230,447		1,733,491
Total accumulated depreciation	<u>7,356,975</u>	<u>847,950</u>	<u>39,380</u>	<u>8,165,545</u>
Total capital assets, being depreciated, net	<u>9,227,946</u>	<u>1,114,735</u>		<u>10,342,681</u>
Governmental activities capital assets, net	<u>\$ 12,628,609</u>	<u>\$ 1,159,735</u>	<u>\$ 1,400,075</u>	<u>\$ 12,388,269</u>

Depreciation expense was charged to functions as follows:

<b>Governmental Activities</b>	
General government	\$ 57,327
Public works	284,373
Public safety	390,247
Economic development	23,548
Cultural and recreational	92,455
Total depreciation expense - governmental activities	<u>\$ 847,950</u>

**City of Monroeville, Alabama**  
**Notes to Financial Statements**  
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**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 government-wide governmental activities column of the statement of net position.

The composition of interfund receivables and payables as of September 30, 2018 consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 26,866
General Fund	Seven Cent Gas Fund	111,305
General Fund	Nonmajor Governmental Funds	72,662
Total		<u>\$ 210,833</u>

The following is a schedule of interfund transfers for the year ended September 30, 2018:

<u>Transfers Out</u>	<u>Transfers In</u>		
	<u>General</u>	<u>Nonmajor</u>	
	<u>Fund</u>	<u>Governmental</u>	<u>Total</u>
		<u>Funds</u>	
General Fund		\$ 3,000	\$ 3,000
Capital Projects Fund	\$ 347,707	70,000	417,707
Federal Grant Fund	250,634		250,634
Totals	<u>\$ 598,341</u>	<u>\$ 73,000</u>	<u>\$ 671,341</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.

**Note 6 - Long-Term Debt**

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

	<u>Beginning</u>		<u>Endings</u>	<u>Due Within</u>
	<u>Balance</u>	<u>Additions</u>	<u>Balance</u>	<u>One Year</u>
<b>Governmental Activities</b>				
Warrants and notes payable	\$ 4,423,321		\$ 3,761,591	\$ 524,953
Capital lease payable	443,733		291,225	121,857
Compensated absences	92,702		86,483	
Net pension liability	2,326,235	\$ 850,262	1,645,766	
Governmental activities				
long-term liabilities	<u>\$ 7,285,991</u>	<u>\$ 850,262</u>	<u>\$ 5,785,065</u>	<u>\$ 646,810</u>

**City of Monroeville, Alabama**  
**Notes to Financial Statements**  
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**Note 6 - Long-Term Debt (continued)**

Warrants and notes payable at September 30, 2018 consists of the following:

	<u><b>Total</b></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.	\$ 215,631
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.	443,063
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.	177,425
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.	1,681,819
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.	747,093
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.	314,258
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.	136,573
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.	45,729
Total warrants and notes payable	<u><u>\$ 3,761,591</u></u>

**City of Monroeville, Alabama**  
**Notes to Financial Statements**  
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Debt service requirements on warrants and notes payable at September 30, 2018 are as follows:

<b>Year Ending September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 524,953	\$ 82,641	\$ 607,594
2020	394,592	72,884	467,476
2021	305,695	64,993	370,688
2022	274,158	58,683	332,841
2023	280,403	52,439	332,842
2024 - 2027	1,981,790	47,718	2,029,508
Totals	<u>\$ 3,761,591</u>	<u>\$ 379,358</u>	<u>\$ 4,140,949</u>

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:

<b>Asset</b>	<b>Amount</b>
Machinery and equipment	\$ 216,054
Vehicles	347,313
Less accumulated depreciation	136,915
Total	<u>\$ 426,452</u>

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

<b>Year Ending September 30</b>	<b>Amount</b>
2019	\$ 126,255
2020	61,483
2021	61,483
2022	51,237
Total minimum lease payments	300,458
Less amount representing interest	9,233
Present value of minimum lease payments	<u>\$ 291,225</u>

**Note 7 - Notes Payable**

On August 25, 2017, 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. During the year, the City increased the line of credit to \$1,150,000 and extended the maturity date to November 1, 2018. The line of credit bears an interest rate of 2.83%, with interest due monthly. At September 30, 2018, the balance of the loan was \$1,125,910.

The aforementioned note was paid off in November 2018 with the proceeds from a \$1,000,000 rural development loan promissory note with Southern Pine Electric Cooperative, Inc., which has a maturity date of December 31, 2028.



**City of Monroeville, Alabama**  
**Notes to Financial Statements**  
**September 30, 2018**

**Note 8 - Operating Leases**

The City is the lessor of real estate under an operating lease expiring in 2028. Following is a summary of property held for lease as of September 30, 2018:

Incubator building	\$ 1,370,901
Less accumulated depreciation	<u>23,434</u>
Total	<u><u>\$ 1,347,467</u></u>

The future minimum payments on the noncancelable operating lease as of September 30, 2018 are:

<u>Year Ending September 30</u>	<u>Amount</u>
2019	\$ 32,000
2020	44,000
2021	56,000
2022	68,000
2023	72,000
2024 - 2028	<u>366,000</u>
Totals	<u><u>\$ 638,000</u></u>

**Note 9 - Pension Plan**

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

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

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
  - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
  - b. Two vested active state employees.
  - c. Two vested active employees of an employer participating in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

**City of Monroeville, Alabama**  
**Notes to Financial Statements**  
**September 30, 2018**

**Note 9 - Pension Plan (continued)**

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

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

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

The ERS serves approximately 909 local participating employers. The ERS membership includes approximately 88,517 participants and the City's membership includes 105 participants. As of September 30, 2017, membership consisted of:

	<u>ERS</u>	<u>City</u>
Retirees and beneficiaries currently receiving benefits	23,853	37
Terminated employees entitled to but not yet receiving benefits	1,401	
Terminated employees not entitled to a benefit	7,154	5
Active members	55,941	63
Post-DROP participants who are still in active service	<u>168</u>	
Totals	<u><u>88,517</u></u>	<u><u>105</u></u>

Contributions - Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.5% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation.

**City of Monroeville, Alabama**  
**Notes to Financial Statements**  
**September 30, 2018**

**Note 9 - Pension Plan (continued)**

Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.5% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with additional amounts to finance any unfunded accrued liability, the preretirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2018, the City's active employee contribution rate was 5.80% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 8.94% of pensionable payroll.

The City's contractually required contribution rate for the year ended September 30, 2018 was 5.00% of pensionable pay for Tier 1 employees, and 6.00% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2015, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City were \$187,846 for the year ended September 30, 2018.

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

	<u>Expected</u>	<u>Actual</u>
Total pension liability as of September 30, 2016 (a)	\$ 8,681,291	\$ 8,314,575
Discount rate (b)	7.75%	7.75%
Entry age normal cost for October 1, 2016 - September 30, 2017 (c)	201,892	201,892
Transfers among employers (d)		112,662
Actual benefit payments and refunds for the period October 1, 2016 - September 30, 2017 (e)	(630,452)	(630,452)
Total pension liability as of September 30, 2017 [(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	8,901,101	8,618,627
Difference between expected and actual (f)		(282,474)
Less liability transferred for immediate recognition (g)		<u>112,662</u>
Experience (gain)/loss = (f) - (g)		(395,136)

**City of Monroeville, Alabama**  
**Notes to Financial Statements**  
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**Note 9 - Pension Plan (continued)**

Actuarial assumptions - The total pension liability as of September 30, 2017 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2016. The key actuarial assumptions are summarized below:

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

\* Net of pension plan investment expense, including inflation

Mortality rates were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females ages 78 and older. 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 actuarial valuation as of September 30, 2016 were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Rate of Return*</b>
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 market stocks	3.0%	11.0%
Alternatives	10.0%	10.1%
Real estate	10.0%	7.5%
Cash equivalents	3.0%	1.5%
Total	100.0%	

\* Includes assumed rate of inflation at 2.50%

**City of Monroeville, Alabama**  
**Notes to Financial Statements**  
**September 30, 2018**

**Note 9 - Pension Plan (continued)**

Discount rate - The discount rate used to measure the total pension liability was the long-term rate of return, 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current 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.

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at September 30, 2016	\$ 8,681,291	\$ 6,355,056	\$ 2,326,235
Changes for the year			
Service cost	201,892		201,892
Interest	648,370		648,370
Difference between expected and actual experience	(395,136)		(395,136)
Contributions - employer		205,644	(205,644)
Contributions - employee		128,033	(128,033)
Net investment income		801,918	(801,918)
Benefit payments, including refunds of employee contributions	(630,452)	(630,452)	
Transfer among employers	112,662	112,662	
Net changes	(62,664)	617,805	(680,469)
Balances at September 30, 2017	<u>\$ 8,618,627</u>	<u>\$ 6,972,861</u>	<u>\$ 1,645,766</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 one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

	<b>1.00% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1.00% Increase (8.75%)</b>
City's net pension liability	\$ 2,607,235	\$ 1,645,766	\$ 832,882

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2017. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2017. The auditor's report dated August 31, 2018 on the schedule of changes in fiduciary net position by employer and accompanying notes is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

**City of Monroeville, Alabama**  
**Notes to Financial Statements**  
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Pension expense and deferred outflows and inflow of resources related to pensions - For the year ended September 30, 2018, the City recognized pension expense of \$179,400. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		\$ 288,815
Changes of assumptions	\$ 237,206	
Net differences between projected and actual earnings on plan investments		211,849
Employer contributions subsequent to the measurement date	187,846	
Totals	<u>\$ 425,052</u>	<u>\$ 500,664</u>

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

<u>Year Ended September 30</u>	<u>Amount</u>
2019	\$ (65,685)
2020	(22,432)
2021	(103,007)
2022	(29,437)
2023	(24,081)
Thereafter	(18,816)

Deferred outflows of resources related to 2018 contributions to pension plans subsequent to the measurement date (September 30, 2017) will be recognized as a reduction of the net pension liability for the year ended September 30, 2019.

**Note 10 - 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.

In January 2017, the City entered into an agreement with the Alabama Department of Economic and Community Affairs (ADECA) to receive CDBG funds to be used for site prep, base work, and road and drainage improvements for MillenniumBlok International's spec building manufacturing facility. During 2017 and 2018, the City received \$286,457 in CDBG funds related to this project. The grant agreement contained certain requirements related to the creation of a minimum number of full-time jobs.

Due to certain circumstances not controlled by the City, MillenniumBlok will no longer begin manufacturing in the City, thus the job requirements in the grant agreement count will not be met. In March 2019, the City repaid the \$286,457 CDBG funds to ADECA and the project was terminated. This amount was accrued by the City as of September 30, 2018.

**City of Monroeville, Alabama**  
**Notes to Financial Statements**  
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**Note 11 - 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, 2018, 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 12 - Related Party Transactions**

The City Council appoints members of the Water Works and Sewer Board of the City of Monroeville, Alabama. The City utilizes the Water Works and Sewer Board of the City of Monroeville, Alabama (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, 2018 was \$66,108. Total collections retained by the Board for garbage fees and charges were \$772,971 for the year ended September 30, 2018.

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 were \$23,163 for the year ended September 30, 2018.

**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, Alabama 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 the annual appropriation of \$500,000 during the fiscal year ended September 30, 2018. This amount is classified as a public works expenditure.

As of September 30, 2018, commitments to contractors on capital projects are as follows:

Commitments	\$ 105,705
Spent to date	8,150
Remaining commitments	<u>\$ 97,555</u>

**City of Monroeville, Alabama**  
**Notes to Financial Statements**  
**September 30, 2018**

**Note 14 - Other Assets - Economic Development**

In 2017, the City entered into economic development incentive agreements with Sterling Packaging and MillenniumBlok International in which the City agreed to provide buildings and/or improvements on the properties leased to these companies by the City. These agreements include options to purchase the properties and the City expects Sterling Packaging to exercise its option. The City terminated their agreement with MillenniumBlok International in March 2019 and the building is now listed for sale. These improvements are classified as other assets on the statement of net position and the governmental funds balance sheet. As of September 30, 2018, building improvements made on these contracts are as follows:

Sterling Packaging	\$ 1,446,020
MillenniumBlok International	<u>2,175,910</u>
Total other assets - economic development	<u><u>\$ 3,621,930</u></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, 2018.

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.



**City of Monroeville, Alabama**  
**Notes to Financial Statements**  
**September 30, 2018**

**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. 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.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* seeks to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, while providing financial statement users with additional essential information concerning debt. This Statement clarifies which liabilities governments should include when disclosing information related to debt and requires additional information related to debt be disclosed in the notes to the financial statements, including unused lines of credit, assets pledged as collateral for the debt, and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement also requires additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus, and, thus, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

**Note 17 - Subsequent Events**

The City has evaluated subsequent events through June 26, 2019, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of September 30, 2018 have been incorporated into these financial statements.

### **Required Supplementary Information**

**City of Monroeville, Alabama**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - NonGAAP Budgetary Basis - General Fund**  
**For the Year Ended September 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Budgetary Basis</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes				
Sales and use	\$ 3,524,500	\$ 3,524,500	\$ 3,623,845	\$ 99,345
Real and personal property	635,500	635,500	684,974	49,474
Local gasoline	225,000	225,000	270,964	45,964
Alcoholic beverages	273,178	241,000	226,163	(14,837)
Tobacco	31,000	31,000	37,432	6,432
Lodging	90,000	90,000	90,407	407
Excise			32,916	32,916
Total taxes	<u>4,779,178</u>	<u>4,747,000</u>	<u>4,966,701</u>	<u>219,701</u>
Licenses and permits				
Business licenses	748,000	748,000	751,452	3,452
Franchise fees	128,100	128,100	147,371	19,271
Building permits and other	19,600	19,600	12,026	(7,574)
Total licenses and permits	<u>895,700</u>	<u>895,700</u>	<u>910,849</u>	<u>15,149</u>
Charges for services				
Sanitation fees	715,000	715,000	770,015	55,015
Culture and recreation fees	47,500	47,500	40,289	(7,211)
Total charges for services	<u>762,500</u>	<u>762,500</u>	<u>810,304</u>	<u>47,804</u>
Fines and forfeitures				
Municipal court	<u>208,000</u>	<u>208,000</u>	<u>266,661</u>	<u>58,661</u>
Intergovernmental revenues				
Grant revenues	<u>68,749</u>	<u>68,749</u>	<u>527,073</u>	<u>458,324</u>
Investment income	<u>3,397</u>	<u>3,397</u>	<u>8,678</u>	<u>5,281</u>
Miscellaneous revenues				
Donations and contributions	38,500	38,500	59,785	21,285
Lease and rental revenues	122,261	122,261	78,980	(43,281)
Other revenues	207,000	207,000	99,982	(107,018)
Total miscellaneous revenues	<u>367,761</u>	<u>367,761</u>	<u>238,747</u>	<u>(129,014)</u>
Total revenues	<u>7,085,285</u>	<u>7,053,107</u>	<u>7,729,013</u>	<u>675,906</u>

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

**City of Monroeville, Alabama**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - NonGAAP Budgetary Basis - General Fund**  
**For the Year Ended September 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget</u>
<b>Expenditures</b>				
General government				
General	\$ 948,873	\$ 946,667	\$ 878,515	\$ 68,152
Mayor and council	106,626	106,626	99,266	7,360
Administration	331,739	332,693	289,320	43,373
Municipal court	139,326	139,326	247,705	(108,379)
Nutrition/meals	90,641	90,641	79,037	11,604
Compliance	57,692	57,692	57,284	408
Custodian	27,250	27,250	27,208	42
Total general government	<u>1,702,147</u>	<u>1,700,895</u>	<u>1,678,335</u>	<u>22,560</u>
Public safety				
Police	1,822,886	1,834,386	1,716,710	117,676
Fire	563,582	563,582	567,442	(3,860)
Animal control	77,516	77,516	80,108	(2,592)
Total public safety	<u>2,463,984</u>	<u>2,475,484</u>	<u>2,364,260</u>	<u>111,224</u>
Public works				
Administration	1,400,434	1,400,434	1,439,768	(39,334)
Street	604,257	604,257	568,320	35,937
Yard waste collection	18,400	18,400	16,845	1,555
Shop	3,000	3,000	3,000	
Total public works	<u>2,026,091</u>	<u>2,026,091</u>	<u>2,027,933</u>	<u>(1,842)</u>
Culture and recreation				
Parks and recreation	301,284	301,284	285,346	15,938
Community House	94,531	94,531	90,308	4,223
Events	60,350	60,350	57,062	3,288
Total culture and recreation	<u>456,165</u>	<u>456,165</u>	<u>432,716</u>	<u>23,449</u>
Economic development	<u>94,950</u>	<u>94,950</u>	<u>144,957</u>	<u>(50,007)</u>
Capital outlay			<u>393,436</u>	<u>(393,436)</u>
Debt service				
Principal	584,424	584,424	785,869	(201,445)
Interest			101,140	(101,140)
Total debt service	<u>584,424</u>	<u>584,424</u>	<u>887,009</u>	<u>(302,585)</u>
Total expenditures	<u>7,327,761</u>	<u>7,338,009</u>	<u>7,928,646</u>	<u>(590,637)</u>
Excess of revenues over expenditures	<u>(242,476)</u>	<u>(284,902)</u>	<u>(199,633)</u>	<u>85,269</u>

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

**City of Monroeville, Alabama**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - NonGAAP Budgetary Basis - General Fund**  
**For the Year Ended September 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds			\$ 598,341	\$ 598,341
Transfers to other funds	\$ (50,000)	\$ (50,000)	(3,000)	47,000
Total other financing sources (uses)	(50,000)	(50,000)	595,341	645,341
<b>Net Change in Fund Balance, Budgetary Basis</b>	<u>\$ (292,476)</u>	<u>\$ (334,902)</u>	395,708	<u>\$ 730,610</u>
<b>Adjustments for Reconciling Items to Adjust from Budgetary Basis to Modified Accrual Basis</b>				
Decrease in taxes, accounts, and intergovernmental receivables			(194,300)	
Increase in prepaid items			105,240	
Decrease in accounts payable and accrued liabilities			14,507	
Total adjustments			<u>(74,553)</u>	
<b>Net Change in Fund Balance, Modified Accrual Basis</b>			321,155	
<b>Fund Balance - Beginning</b>			<u>5,404,422</u>	
<b>Fund Balance - Ending</b>			<u>\$ 5,725,577</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**  
**Last 10 Fiscal Years Ending September 30**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>				
Service cost	\$ 201,892	\$ 210,927	\$ 185,490	\$ 198,421
Interest	648,370	602,777	603,562	580,319
Changes of assumptions		345,026		
Difference between expected and actual experience	(395,136)	273,159	(288,391)	
Benefit payments, including refunds of employee contributions	(630,452)	(502,597)	(518,346)	(458,059)
Transfers among employers	112,662	(34,016)		
Net change in total pension liability	(62,664)	895,276	(17,685)	320,681
Total pension liability - beginning	8,681,291	7,786,015	7,803,700	7,483,019
Total pension liability - ending (a)	<u>\$ 8,618,627</u>	<u>\$ 8,681,291</u>	<u>\$ 7,786,015</u>	<u>\$ 7,803,700</u>
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	\$ 205,644	\$ 244,944	\$ 236,380	\$ 213,172
Contributions - employee	128,033	134,286	128,545	111,730
Net investment income	801,918	594,660	70,151	648,954
Benefit payments, including refunds of employee contributions	(630,452)	(502,597)	(518,346)	(458,059)
Transfers among employers	112,662	(34,016)	22,699	(25,235)
Net change in plan fiduciary net position	617,805	437,277	(60,571)	490,562
Plan net position - beginning	6,355,056	5,917,779	5,978,350	5,487,788
Plan net position - ending (b)	<u>\$ 6,972,861</u>	<u>\$ 6,355,056</u>	<u>\$ 5,917,779</u>	<u>\$ 5,978,350</u>
Net pension liability - ending (a) - (b)	<u>\$ 1,645,766</u>	<u>\$ 2,326,235</u>	<u>\$ 1,868,236</u>	<u>\$ 1,825,350</u>
Plan fiduciary net position as a percentage of the total pension liability	80.90%	73.20%	76.01%	76.61%
Covered employee payroll	\$ 2,225,367	\$ 2,356,845	\$ 2,179,312	\$ 2,117,917
Net pension liability as a percentage of covered employee payroll	73.95%	98.70%	85.73%	86.19%

This schedule is prepared to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the City will present information for those years for which information is available.

**City of Monroeville, Alabama**  
**Required Supplementary Information**  
**Schedule of Employer Contributions**  
**Last 10 Fiscal Years Ending September 30**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 187,846	\$ 213,881	\$ 229,868	\$ 212,576
Contributions in relation to the actuarially determined contribution	<u>187,846</u>	<u>213,881</u>	<u>229,868</u>	<u>212,576</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered employee payroll	 \$ 2,100,140	 \$ 2,225,367	 \$ 2,356,845	 \$ 2,179,312
 Contributions as a percentage of covered employee payroll	 8.94%	 9.61%	 9.75%	 9.75%

**Note to Schedule**

Actuarial determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2018 were based on the September 30, 2015 actuarial valuation.

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

Actuarial cost method	Entry age
Amortization method	Level percent closed
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.75 - 7.25%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

This schedule is prepared to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the City will present information for those years for which information is available.

## **Supplementary Information**



**City of Monroeville, Alabama**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**September 30, 2018**

	<b>Seven Cent Gas Fund</b>	<b>Four Cent Gas Fund</b>	<b>Fire Rescue Fund</b>	<b>Fire Special Fund</b>	<b>Federal Grant Fund</b>	<b>Total</b>
<b>Assets</b>						
Cash and cash equivalents	\$ 101,034	\$ 185,712	\$ 91,815	\$ 172,026		\$ 550,587
Taxes receivable				522		522
Accounts receivable			3,750			3,750
Due from other governments	7,121	5,599				12,720
Total assets	<u>\$ 108,155</u>	<u>\$ 191,311</u>	<u>\$ 95,565</u>	<u>\$ 172,548</u>	<u>\$ -</u>	<u>\$ 567,579</u>
<b>Liabilities</b>						
Accounts payable	\$ 4,760					\$ 4,760
Due to other funds	111,305	\$ 33,762	\$ 4,875	\$ 34,025		183,967
Total liabilities	<u>116,065</u>	<u>33,762</u>	<u>4,875</u>	<u>34,025</u>		<u>188,727</u>
<b>Fund Balances</b>						
Restricted						
Highways and streets		157,549				157,549
Fire department			90,690	138,523		229,213
Unassigned	(7,910)					(7,910)
Total fund balance	<u>(7,910)</u>	<u>157,549</u>	<u>90,690</u>	<u>138,523</u>		<u>378,852</u>
Total liabilities and fund balance	<u>\$ 108,155</u>	<u>\$ 191,311</u>	<u>\$ 95,565</u>	<u>\$ 172,548</u>	<u>\$ -</u>	<u>\$ 567,579</u>

**City of Monroeville, Alabama**  
**Combining Statement of Revenue, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**September 30, 2018**

	<b>Seven Cent Gas Fund</b>	<b>Four Cent Gas Fund</b>	<b>Fire Rescue Fund</b>	<b>Fire Special Fund</b>	<b>Federal Grant Fund</b>	<b>Total</b>
<b>Revenues</b>						
Taxes				\$ 47,010		\$ 47,010
Intergovernmental revenues	\$ 77,888	\$ 61,087			\$ 250,634	389,609
Investment earnings	31	161	\$ 52	86		330
Miscellaneous revenues			15,000			15,000
Total revenues	<u>77,919</u>	<u>61,248</u>	<u>15,052</u>	<u>47,096</u>	<u>250,634</u>	<u>451,949</u>
<b>Expenditures</b>						
Public safety				15,488		15,488
Public works	155,981	41,070				197,051
Capital outlay			2,000	54,784		56,784
Debt service						
Principal payments			28,368			28,368
Interest and fiscal charges			646			646
Total expenditures	<u>155,981</u>	<u>41,070</u>	<u>31,014</u>	<u>70,272</u>		<u>298,337</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(78,062)</u>	<u>20,178</u>	<u>(15,962)</u>	<u>(23,176)</u>	<u>250,634</u>	<u>153,612</u>
<b>Other Financing Sources (Uses)</b>						
Transfers from other funds	70,000			3,000		73,000
Transfers to other funds					(250,634)	(250,634)
Total other financing sources (uses)	<u>70,000</u>			<u>3,000</u>	<u>(250,634)</u>	<u>(177,634)</u>
<b>Net Change in Fund Balance</b>	(8,062)	20,178	(15,962)	(20,176)		(24,022)
<b>Fund Balance - Beginning</b>	152	137,371	106,652	158,699		402,874
<b>Fund Balance - Ending</b>	<u>\$ (7,910)</u>	<u>\$ 157,549</u>	<u>\$ 90,690</u>	<u>\$ 138,523</u>	<u>\$ -</u>	<u>\$ 378,852</u>