

Certified Public Accountants  
& Consultants



**City of Monroeville, Alabama**  
**For the Fiscal Year Ended September 30, 2019**  
**Annual Financial Report**

## **Introductory Section**

**City of Monroeville, Alabama  
Annual Financial Report  
For the Year Ended September 30, 2019**

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**City of Monroeville, Alabama  
List of Principal Officials  
September 30, 2019**

**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  
Fire Chief  
Public Works Director

Mary Jackson  
Mandee Armstrong  
Billy Black  
Michael Lassiter

## **Financial Section**

## **Independent Auditor's Report**

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

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, 2019, 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 of Monroeville, Alabama, as of September 30, 2019, 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 budgetary comparison schedule - general fund, schedule of changes in net pension liability, and the schedule of employer contributions on pages 27 through 31 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.

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.

**Other 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 statements. The introductory section and combining 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 nonmajor fund financial statements 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 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 it.

*Jackson Thornton & Co. PC*

Montgomery, Alabama  
July 24, 2020

## **Basic Financial Statements**



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**City of Monroeville, Alabama**  
**Statement of Net Position**  
**September 30, 2019**

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,925,398
Certificates of deposit	1,011,778
Accounts receivable	98,255
Taxes receivable	397,684
Intergovernmental receivables	250,587
Prepaid items	105,240
Capital assets, not depreciated	2,264,354
Capital assets, net of accumulated depreciation	9,795,990
Other assets - economic development	3,658,678
Total assets	<u>20,507,964</u>
<b>Deferred Outflows of Resources</b>	
Pension related items	<u>425,231</u>
<b>Liabilities</b>	
Accounts payable	252,719
Accrued liabilities	114,130
Portion due or payable in one year	
Direct borrowings and direct placements	494,592
Capital leases	58,717
Portion due or payable after one year	
Direct borrowings and direct placements	3,658,711
Capital leases	110,650
Compensated absences	84,279
Net pension liability	1,824,771
Total liabilities	<u>6,598,569</u>
<b>Deferred Inflows of Resources</b>	
Pension related items	<u>259,728</u>
<b>Net Position</b>	
Net investment in capital assets	9,369,810
Restricted	
Highway and streets	180,152
Fire department	228,564
Economic development	2,026,542
Unrestricted	2,269,830
Total net position	<u><u>\$ 14,074,898</u></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, 2019**

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
General government	\$ 1,658,995	\$ 1,292,174	\$ 36,149	\$ 60,855	\$ (269,817)
Public safety	2,885,038		76,154		(2,808,884)
Public works	2,832,649	834,565	79,123	213,748	(1,705,213)
Culture and recreation	582,198	41,987	10,500	38,800	(490,911)
Economic development	132,465	126,654		98,013	92,202
Interest on long-term debt	98,655				(98,655)
Total governmental activities	<u>8,190,000</u>	<u>2,295,380</u>	<u>201,926</u>	<u>411,416</u>	<u>(5,281,278)</u>
General revenues					
Sales and use taxes					4,137,461
Real and personal property taxes					649,760
Local gasoline taxes					269,905
Alcoholic beverage taxes					207,372
Tobacco taxes					32,469
Lodging taxes					95,586
Unrestricted shared revenues					932,510
Investment earnings					5,630
Miscellaneous revenues					<u>68,003</u>
Total general revenues					<u>6,398,696</u>
Change in Net Position					1,117,418
Net Position - Beginning					<u>12,957,480</u>
Net Position - Ending					<u>\$ 14,074,898</u>

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

**City of Monroeville, Alabama**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2019**

	<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	\$ 2,083,977	\$ 427,526	\$ 413,895	\$ 2,925,398
Certificates of deposit	1,011,778			1,011,778
Accounts receivable	94,505		3,750	98,255
Taxes receivable	397,684			397,684
Intergovernmental receivables	112,454	125,413	12,720	250,587
Other assets - economic development	3,658,678			3,658,678
Prepaid items	105,240			105,240
Due from other funds	78,351			78,351
Total assets	<u>\$ 7,542,667</u>	<u>\$ 552,939</u>	<u>\$ 430,365</u>	<u>\$ 8,525,971</u>
<b>Liabilities</b>				
Accounts payable	\$ 184,002	\$ 62,537	\$ 6,180	\$ 252,719
Accrued liabilities	114,130			114,130
Due to other funds		46,222	32,129	78,351
Total liabilities	<u>298,132</u>	<u>108,759</u>	<u>38,309</u>	<u>445,200</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue	<u>61,265</u>			<u>61,265</u>
<b>Fund Balances</b>				
Nonspendable				
Prepaid items	105,240			105,240
Restricted				
Highway and streets			180,152	180,152
Fire department			228,564	228,564
Economic development	3,658,678			3,658,678
Assigned				
Community appropriations	426,077			426,077
Capital improvements		444,180		444,180
Unassigned	2,993,275		(16,660)	2,976,615
Total fund balances	<u>7,183,270</u>	<u>444,180</u>	<u>392,056</u>	<u>8,019,506</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,542,667</u>	<u>\$ 552,939</u>	<u>\$ 430,365</u>	<u>\$ 8,525,971</u>

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

**City of Monroeville, Alabama**  
**Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Position**  
**September 30, 2019**

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

Total fund balances - governmental funds	\$ 8,019,506
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	12,060,344
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Revenues that are not available to pay for current period expenditures and, therefore, are reported as deferred outflows of resources in the governmental funds.	61,265
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Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the governmental funds.

Pension related deferred outflows	\$ 425,231	
Pension related deferred inflows	<u>(259,728)</u>	
Total deferred outflows and inflows of resources		165,503

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

Direct borrowings and direct placements	(4,153,303)	
Capital leases	(169,367)	
Compensated absences	(84,279)	
Net pension liability	<u>(1,824,771)</u>	
Total long-term liabilities		<u>(6,231,720)</u>
Net position of governmental activities		<u><u>\$ 14,074,898</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 Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2019**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Taxes	\$ 4,595,042	\$ 797,511		\$ 5,392,553
Licenses and permits	963,949			963,949
Charges for services	1,058,911			1,058,911
Fines and forfeitures	272,520			272,520
Intergovernmental grants	52,381	125,413	\$ 32,828	210,622
Intergovernmental shared revenues	737,059	282,401	186,805	1,206,265
Contributions and donations	15,500	36,300	15,900	67,700
Investment earnings	4,729	572	329	5,630
Miscellaneous revenues	46,592			46,592
Total revenues	<u>7,746,683</u>	<u>1,242,197</u>	<u>235,862</u>	<u>9,224,742</u>
<b>Expenditures</b>				
General government	1,611,158			1,611,158
Public safety	2,534,979		31,364	2,566,343
Public works	2,073,309	279,558	203,719	2,556,586
Culture and recreation	470,001	13,969		483,970
Economic development	95,795			95,795
Capital outlay	101,493	445,531		547,024
Debt service				
Principal payments	701,367		28,779	730,146
Interest and fiscal charges	98,187		468	98,655
Total expenditures	<u>7,686,289</u>	<u>739,058</u>	<u>264,330</u>	<u>8,689,677</u>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<u>60,394</u>	<u>503,139</u>	<u>(28,468)</u>	<u>535,065</u>
<b>Other Financing Sources (Uses)</b>				
Loan proceeds	1,000,000			1,000,000
Transfers in	342,746	1,500	76,000	420,246
Transfers out		(385,918)	(34,328)	(420,246)
Sale of capital assets	54,553			54,553
Total other financing sources (uses)	<u>1,397,299</u>	<u>(384,418)</u>	<u>41,672</u>	<u>1,054,553</u>
<b>Net Change in Fund Balance</b>	1,457,693	118,721	13,204	1,589,618
<b>Fund Balance - Beginning</b>	<u>5,725,577</u>	<u>325,459</u>	<u>378,852</u>	<u>6,429,888</u>
<b>Fund Balance - Ending</b>	<u>\$ 7,183,270</u>	<u>\$ 444,180</u>	<u>\$ 392,056</u>	<u>\$ 8,019,506</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 -**  
**Governmental Funds to Statement of Activities**  
**For the Year Ended September 30, 2019**

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

Net change in fund balances - total governmental funds		\$ 1,589,618
Capital outlay, reported as expenditures in governmental funds shown as capital assets in the statement of net position.		547,024
Depreciation expense on governmental capital assets included in the governmental activities in the statement of activities.		(841,807)
The net effect of transactions involving the disposal of capital assets is to decrease net position in the statement of net position.		(33,142)
Debt proceeds provide current fiscal 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 position.		(1,000,000)
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.		730,146
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.		
Change in compensated absences	\$ 2,204	
Change in net pension liability and related deferred amounts	<u>62,110</u>	
		64,314
Revenues are reported in the funds where there is an established claim to resources and the resources are available to finance current expenditures. Revenues are reported in the statement of activities when there is an established claim with no availability criterion.		61,265
Change in net position of governmental activities		<u><u>\$ 1,117,418</u></u>

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

**City of Monroeville, Alabama**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note 1- Summary of Significant Accounting Policies**

Reporting entity - The City of Monroeville, Alabama (the City) 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 generally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

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 position 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 Fund* - The Capital Projects Fund is 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, as well as other specific revenues, 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, 2019**

**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, tax, and intergovernmental receivables are shown net of any applicable allowance for uncollectibles. Accounts receivable in governmental funds consist of fees for public services rendered. Intergovernmental receivables in governmental funds consist of 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:

**City of Monroeville, Alabama**  
**Notes to Financial Statements**  
**September 30, 2019**

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>	<u>Capitalization Threshold</u>
Buildings and improvements	15 - 40 years	\$ 25,000
Furniture, equipment, and vehicles	5 - 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 deferred outflows 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 deferred inflows related to the City's pension plan.

In addition, the City's governmental funds report unavailable revenue from receivables collected outside of the period of availability. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In the fund financial statements, governmental funds recognize bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources.

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.

Net position - In the government-wide financial statements, equity is classified as net position and displayed in three components:

*Net investment in capital assets* - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any mortgages, notes, or other borrowings that are attributable to the acquisitions, construction, or improvement of those assets.

**City of Monroeville, Alabama**  
**Notes to Financial Statements**  
**September 30, 2019**

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

*Restricted* - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

*Unrestricted* - All other net positions that do not meet the definition of restricted or net investment in capital assets.

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, 2019**

Management estimates and assumptions - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from estimates used.

Recently implemented accounting pronouncement - As of September 30, 2019, the City adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which seeks to improve the information that is disclosed in the notes to financial statements related to debt. The adoption of GASB Statement No. 88 resulted in the reclassification of certain items related to long-term debt; however, there was no effect on beginning net position.

**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 non-GAAP budgetary basis are shown in the budgetary comparison schedule.

Excess of expenditures over appropriations - For the year ended September 30, 2019, three General Fund functional expenditure categories (the legal budgetary control) exceeded appropriations. The City exceeded budgeted appropriations for economic development expenditures by 301% (\$288,747) due to the unbudgeted repayment of a CDBG grant received in a prior year. The City exceeded budgeted appropriations for debt service expenditures by 44% (\$243,301) due to the unbudgeted principal payments on certain debts and not budgeting for interest and fiscal charges. The City did not budget for appropriations of \$149,130 of capital outlay used to purchase various capital assets.

**Note 3 - Credit Risk**

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**  
**September 30, 2019**

**Note 4 - Capital Assets**

Capital asset activity for the City's governmental activities for the year ended September 30, 2019 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	\$ 2,045,588			\$ 2,045,588
Construction in progress		\$ 218,766		218,766
Total capital assets, not being depreciated	<u>2,045,588</u>	<u>218,766</u>		<u>2,264,354</u>
Capital assets, being depreciated				
Buildings and improvements	7,632,053	157,106		7,789,159
Furniture, equipment, and vehicles	5,410,077	165,648	\$ 163,144	5,412,581
Improvements other than buildings	5,466,096	5,504		5,471,600
Total capital assets, being depreciated	<u>18,508,226</u>	<u>328,258</u>	<u>163,144</u>	<u>18,673,340</u>
Less accumulated depreciation				
Buildings and improvements	2,727,508	208,399		2,935,907
Furniture, equipment, and vehicles	3,716,493	382,851	130,002	3,969,342
Improvements other than buildings	1,721,544	250,557		1,972,101
Total accumulated depreciation	<u>8,165,545</u>	<u>841,807</u>	<u>130,002</u>	<u>8,877,350</u>
Total capital assets, being depreciated, net	<u>10,342,681</u>	<u>(513,549)</u>	<u>33,142</u>	<u>9,795,990</u>
Governmental activities capital assets, net	<u>\$ 12,388,269</u>	<u>\$ (294,783)</u>	<u>\$ 33,142</u>	<u>\$ 12,060,344</u>

Depreciation expense was charged to functions as follows:

<b>Governmental Activities</b>	
General government	\$ 58,405
Public safety	363,250
Public works	285,236
Culture and recreation	98,246
Economic development	36,670
Total depreciation expense - governmental activities	<u>\$ 841,807</u>

**City of Monroeville, Alabama**  
**Notes to Financial Statements**  
**September 30, 2019**

**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, 2019 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 46,222
General Fund	Nonmajor Governmental Funds	32,129
Total		<u>\$ 78,351</u>

The following is a schedule of interfund transfers for the year ended September 30, 2019:

<u>Transfers Out</u>	<u>Transfers In</u>			
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Capital Projects Fund	\$ 309,918		\$ 76,000	\$ 385,918
Nonmajor Governmental Funds	32,828	\$ 1,500		34,328
Totals	<u>\$ 342,746</u>	<u>\$ 1,500</u>	<u>\$ 76,000</u>	<u>\$ 420,246</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, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Direct borrowings and direct placements	\$ 3,761,591	\$ 1,000,000	\$ 608,288	\$ 4,153,303	\$ 494,592
Capital leases	291,225		121,858	169,367	58,717
Compensated absences	86,483		2,204	84,279	
Net pension liability	<u>1,645,766</u>	<u>1,130,161</u>	<u>951,156</u>	<u>1,824,771</u>	
Governmental activities long-term liabilities	<u>\$ 5,785,065</u>	<u>\$ 2,130,161</u>	<u>\$ 1,683,506</u>	<u>\$ 6,231,720</u>	<u>\$ 553,309</u>

**City of Monroeville, Alabama**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note 6 - Long-Term Debt (continued)**

Direct borrowings and direct placements - Direct borrowings and direct placements at September 30, 2019 consisted of the following:

**Governmental Activities**

General Obligation Refunding Warrant, Series 2013A with Trustmark National Bank; principal amount \$666,000; principal and interest payments due monthly beginning April 3, 2013; interest rate 2.25%; final payment is due February 3, 2021. Proceeds were used for police station.	\$ 127,641
General Obligation Warrant, Series 2013 with United Bank; 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 were used to purchase fire truck.	357,943
General Obligation Warrant, Series 2016; principal amount \$450,000 with Trustmark National Bank; principal and interest payments due monthly beginning December 1, 2016; interest rate 1.51%; final payment is due November 1, 2019. Proceeds were used for storm drainage project.	25,538
General Obligation Economic Development Warrant, Series 2017 with Trustmark National Bank; principal amount \$1,750,000; principal and interest payments due monthly beginning May 1, 2017; interest rate 2.49%; final payment is due April 1, 2024. Proceeds were used for economic development building improvements.	1,632,136
General Obligation Economic Development Warrant, Series 2017B with Trustmark National Bank; principal amount \$820,000; principal and interest payments due monthly beginning October 1, 2017; interest rate 2.45%; final payment is due September 1, 2027. Proceeds were used for economic development building improvements.	671,980
Loan with Alabama-Tombigbee Regional Commission; principal amount \$350,000; secured by real estate; principal and interest payments due monthly beginning September 21, 2017; interest rate 1.31%; final payment is due August 21, 2027. Proceeds were used for economic development building improvements.	280,813
Loan with Alabama-Tombigbee Regional Commission; principal amount \$150,000; secured by real estate; principal and interest payments due monthly beginning September 21, 2017; interest rate 4.13%; final payment is due August 21, 2027. Proceeds were used for economic development building improvements.	123,635
Commercial loan with United Bank; principal amount \$85,880; secured by jaws of life; principal and interest payments due monthly beginning May 15, 2017; interest rate 1.438%; final payment is due April 15, 2020. Proceeds were used to purchase jaws of life.	16,950

**City of Monroeville, Alabama**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note 6 - Long-Term Debt (continued)**

Rural Development Loan with Southern Pine Electric Cooperative, Inc.; principal amount \$1,000,000; principal payments due monthly beginning December 31, 2018; loan is interest-free; final payment is due November 30, 2028. Proceeds were used to refinance existing loans that were used to finance economic development building improvements.

	\$ 916,667
Total direct borrowings and direct placements - governmental activities	<u>\$ 4,153,303</u>

The general obligation warrants and rural development loan constitute general obligations of the City for the payments of which the full faith and credit of the City are irrevocably pledged. Annual debt service requirements for direct borrowings and direct placements at September 30, 2019 are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 494,592	\$ 72,884	\$ 567,476
2021	405,694	64,993	470,687
2022	374,158	58,683	432,841
2023	380,403	52,439	432,842
2024	1,657,070	32,205	1,689,275
2025 - 2029	841,386	15,513	856,899
Totals	<u>\$ 4,153,303</u>	<u>\$ 296,717</u>	<u>\$ 4,450,020</u>

Each of the City's outstanding loans with Alabama-Tombigbee Regional Commission, United Bank, and Southern Pine Electric Cooperative, Inc. contain a provision that in an event of default, the outstanding balance becomes immediately due and payable. The outstanding balance subject to this provision was \$1,338,065 at September 30, 2019. Each of the City's outstanding loans with Alabama-Tombigbee Regional Commission contain a subjective acceleration clause that allow the lender to accelerate payment of the entire principal balance to become immediately due if the lender determines that the circumstances of the City's failure to comply with job creation clauses is not reasonable. The outstanding balance subject to this provision was \$404,448 at September 30, 2019.

Capital leases - The City has entered into lease agreements as lessee for financing the acquisition of equipment and vehicles 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:

	<u>Amount</u>
Equipment	\$ 216,054
Vehicles	321,668
Less accumulated depreciation	204,306
Total	<u>\$ 333,416</u>



**City of Monroeville, Alabama**  
**Notes to Financial Statements**  
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The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2019 were as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2020	\$ 61,483
2021	61,483
2022	51,237
Total minimum lease payments	174,203
Less amount representing interest	4,836
Present value of minimum lease payments	<u>\$ 169,367</u>

**Note 7 - 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 or lease as the Monroeville Industrial Park Building. These improvements are classified as other assets on the statement of net position and the governmental funds balance sheet. As of September 30, 2019, building improvements made on these contracts were as follows:

	<u>Amount</u>
Sterling Packaging	\$ 1,482,768
Monroeville Industrial Park Building	2,175,910
Total other assets - economic development	<u>\$ 3,658,678</u>

**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, 2019:

	<u>Amount</u>
Incubator building	\$ 1,370,901
Incubator building - electrical system improvements	76,265
Less accumulated depreciation	58,744
Total	<u>\$ 1,388,422</u>

The future minimum payments on the noncancelable operating lease as of September 30, 2019 were:

<u>Year Ending September 30</u>	<u>Amount</u>
2020	\$ 44,000
2021	56,000
2022	68,000
2023	72,000
2024	72,000
2025 - 2028	294,000
Total	<u>\$ 606,000</u>

**City of Monroeville, Alabama**  
**Notes to Financial Statements**  
**September 30, 2019**

**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*.

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.

**City of Monroeville, Alabama**  
**Notes to Financial Statements**  
**September 30, 2019**

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

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits 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 90,999 participants and the City's membership includes 113 participants. As of September 30, 2018, membership consisted of:

	<u>ERS</u>	<u>City</u>
Retirees and beneficiaries currently receiving benefits	24,818	38
Terminated employees entitled to but not yet receiving benefits	1,426	
Terminated employees not entitled to a benefit	7,854	5
Active members	56,760	70
Post-DROP participants who are still in active service	141	
Totals	<u>90,999</u>	<u>113</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.

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, 2019, the City's active employee contribution rate was 5.82% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 9.43% of pensionable payroll.

**City of Monroeville, Alabama**  
**Notes to Financial Statements**  
**September 30, 2019**

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

The City's contractually required contribution rate for the year ended September 30, 2019 was 10.27% of pensionable pay for Tier 1 employees, and 6.97% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2016, 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 \$204,753 for the year ended September 30, 2019.

Net pension liability - The City's net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2017 rolled forward to September 30, 2018 using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual 2017 Valuation Assumptions</u>	<u>Actual 2018 Valuation Assumptions</u>
Total pension liability as of September 30, 2017 (a)	\$ 8,618,627	\$ 8,843,490	\$ 8,886,934
Discount rate (b)	7.75%	7.75%	7.70%
Entry age normal cost for the period October 1, 2017 - September 30, 2018 (c)	201,118	201,118	202,916
Transfers among employers (d)		(6,652)	(6,652)
Actual benefit payments and refunds for the period October 1, 2017 - September 30, 2018 (e)	(658,635)	(658,635)	(658,635)
Total pension liability as of September 30, 2018 [(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	\$ 8,803,531	\$ 9,039,169	\$ 9,083,501
Difference between expected and actual (f)		\$ 235,638	
Less liability transferred for immediate recognition (g)		<u>(6,652)</u>	
Experience (gain)/loss = (f) - (g)		\$ 242,290	
Difference between actual 2017 assumptions and actual 2018 assumptions			\$ 44,332

Actuarial assumptions - The total pension liability as of September 30, 2018 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2017. The key actuarial assumptions are summarized below:

Inflation	2.75%
Projected salary increases	3.25% - 5.00%
Investment rate of return *	7.70%

\* Net of pension plan investment expense, including inflation

**City of Monroeville, Alabama**  
**Notes to Financial Statements**  
**September 30, 2019**

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

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, 2017 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 of 2.75%

Discount rate - The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. 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.

**City of Monroeville, Alabama**  
**Notes to Financial Statements**  
**September 30, 2019**

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

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a)-(b)</b>
Balances at September 30, 2017	\$ 8,618,627	\$ 6,972,861	\$ 1,645,766
Changes for the year			
Service cost	201,118		201,118
Interest	642,421		642,421
Changes of assumptions	44,332		44,332
Difference between expected and actual experience	242,290		242,290
Contributions - employer		200,605	(200,605)
Contributions - employee		121,129	(121,129)
Net investment income		629,422	(629,422)
Benefit payments, including refunds of employee contributions	(658,635)	(658,635)	
Transfers among employers	(6,652)	(6,652)	
Net changes	464,874	285,869	179,005
Balances at September 30, 2018	<u>\$ 9,083,501</u>	<u>\$ 7,258,730</u>	<u>\$ 1,824,771</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 7.70%, 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 (6.70%) or one percentage point higher (8.70%) than the current rate:

	<b>1.00% Decrease (6.70%)</b>	<b>Current Discount Rate (7.70%)</b>	<b>1.00% Increase (8.70%)</b>
City's net pension liability	\$ 2,813,387	\$ 1,824,771	\$ 990,890

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, 2018. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2018. The auditor's report dated September 17, 2019 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).

Pension expense and deferred outflows and inflow of resources related to pensions - For the year ended September 30, 2019, the City recognized pension expense of \$142,643. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

**City of Monroeville, Alabama**  
**Notes to Financial Statements**  
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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		\$ 17,500
Changes of assumptions	\$ 220,478	
Net differences between projected and actual earnings on plan investments		242,228
Employer contributions subsequent to the measurement date	204,753	
Totals	<u>\$ 425,231</u>	<u>\$ 259,728</u>

The \$204,753 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as an addition in the net pension liability in the year ending September 30, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense (income) as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2020	\$ 3,329
2021	(77,246)
2022	(3,676)
2023	1,682
2024	27,413
Thereafter	9,248

**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. It is the opinion of the City that such disallowances, if any, would not be material.

**Note 11 - Risk Management**

The City is exposed to various risks of losses related to torts; 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, 2019 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 Board). The City utilizes the Board as the collection agent for sanitation fees and charges. The City recognizes revenue for services when billed by the Board. The receivable from the Board for sanitation fees and charges at September 30, 2019 was \$61,804. Total sanitation fees and charges collected by the Board and remitted to the City for were \$834,565 for the year ended September 30, 2019.

**City of Monroeville, Alabama**  
**Notes to Financial Statements**  
**September 30, 2019**

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 \$23,919 for the year ended September 30, 2019.

**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 \$450,000 during the fiscal year ended September 30, 2019. This amount is classified as a public works expenditure.

The City was committed under certain construction contracts for various capital projects. As of September 30, 2019, commitments to contractors on capital projects were as follows:

	<u>Amount</u>
Commitments	\$ 681,170
Spent to date	<u>156,766</u>
Remaining commitments	<u>\$ 524,404</u>

**Note 14 - 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, 2019.

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, 2019**

**Note 15 - 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 fiscal years beginning after June 15, 2021.

**Note 16 - Subsequent Events**

The City has evaluated subsequent events through July 24, 2020, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of September 30, 2019 have been incorporated into these financial statements.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. On March 19, 2020, the City passed a resolution to declare the existence of local emergency conditions for the City due to the coronavirus. Actions taken to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets in the City's geographical area. Management is actively monitoring the global situation and its effect on the financial condition, liquidity, operations, suppliers, industry, and workforce. The City is dependent on its employees to deliver its services. Social distancing and shelter-in-place directives have impacted the City's ability to deploy its employees. While expected to be temporary, prolonged public disruptions may negatively impact revenues in fiscal year 2020. Specific revenues, such as lodging taxes and fuel consumption taxes, will be uniquely affected. Given the daily evolution of the coronavirus outbreak and the global responses to curb its spread, the City is not able to estimate the effects of the coronavirus outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

### **Required Supplementary Information**

**City of Monroeville, Alabama**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended September 30, 2019**

	<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	\$ 2,980,000	\$ 2,980,000	\$ 3,304,007	\$ 324,007
Real and personal property	620,000	620,000	649,760	29,760
Local gasoline	225,000	225,000	266,468	41,468
Alcoholic beverages	195,500	195,500	205,654	10,154
Tobacco	31,000	31,000	33,018	2,018
Lodging	80,000	80,000	95,405	15,405
Total taxes	<u>4,131,500</u>	<u>4,131,500</u>	<u>4,554,312</u>	<u>422,812</u>
Licenses and permits				
Business licenses	738,000	738,000	783,613	45,613
Franchise fees	132,100	132,100	155,890	23,790
Building permits and other	10,150	10,150	24,446	14,296
Total licenses and permits	<u>880,250</u>	<u>880,250</u>	<u>963,949</u>	<u>83,699</u>
Charges for services				
Sanitation fees	960,000	960,000	838,869	(121,131)
Culture and recreation fees	42,500	42,500	41,987	(513)
Lease and rental revenues	114,319	114,289	182,359	68,070
Total charges for services	<u>1,116,819</u>	<u>1,116,789</u>	<u>1,063,215</u>	<u>(53,604)</u>
Fines and forfeitures				
Municipal court	217,000	217,000	272,520	55,520
Intergovernmental grants	46,649	46,649	93,245	46,596
Intergovernmental shared revenues	616,000	616,000	734,748	118,748
Contributions and donations	20,500	20,500	15,500	(5,000)
Investment earnings	4,397	4,397	4,729	332
Miscellaneous revenues	10,500	10,500	46,592	36,092
Total revenues	<u>7,043,615</u>	<u>7,043,585</u>	<u>7,748,810</u>	<u>705,195</u>

**City of Monroeville, Alabama**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended September 30, 2019**

	<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	\$ 908,411	\$ 915,046	\$ 823,172	\$ 91,874
Mayor and council	105,641	105,641	104,449	1,192
Administration	263,995	264,070	260,250	3,820
Municipal court	207,040	207,065	229,806	(22,741)
Nutrition/meals	91,258	91,308	84,461	6,847
Compliance	84,388	85,448	72,166	13,282
Custodian	28,572	28,597	28,173	424
Total general government	<u>1,689,305</u>	<u>1,697,175</u>	<u>1,602,477</u>	<u>94,698</u>
Public safety				
Police	1,951,195	1,951,770	1,810,178	141,592
Fire	628,963	629,063	593,120	35,943
Animal control	80,098	80,123	77,379	2,744
Total public safety	<u>2,660,256</u>	<u>2,660,956</u>	<u>2,480,677</u>	<u>180,279</u>
Public works				
Administration	555,866	555,866	548,772	7,094
Sanitation	960,000	960,000	897,579	62,421
Street	608,555	608,780	595,900	12,880
Yard waste collection	21,400	21,400	16,196	5,204
Shop	3,500	3,500	2,975	525
Total public works	<u>2,149,321</u>	<u>2,149,546</u>	<u>2,061,422</u>	<u>88,124</u>
Culture and recreation				
Parks and recreation	309,060	321,172	299,101	22,071
Community House	96,499	96,549	100,882	(4,333)
Events	75,188	75,188	66,653	8,535
Total culture and recreation	<u>480,747</u>	<u>492,909</u>	<u>466,636</u>	<u>26,273</u>
Economic development	<u>95,950</u>	<u>95,950</u>	<u>384,697</u>	<u>(288,747)</u>
Capital outlay			<u>149,130</u>	<u>(149,130)</u>
Debt service				
Principal payments	556,283	556,253	701,367	(145,114)
Interest and fiscal charges			98,187	(98,187)
Total debt service	<u>556,283</u>	<u>556,253</u>	<u>799,554</u>	<u>(243,301)</u>
Total expenditures	<u>7,631,862</u>	<u>7,652,789</u>	<u>7,944,593</u>	<u>(291,804)</u>
Excess of revenues over (under) expenditures	<u>(588,247)</u>	<u>(609,204)</u>	<u>(195,783)</u>	<u>413,391</u>

**City of Monroeville, Alabama**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended September 30, 2019**

	<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>Other Financing Sources</b>				
Loan proceeds			\$ 1,000,000	\$ 1,000,000
Transfers in			342,746	342,746
Sale of capital assets	\$ 5,000	\$ 5,000	54,553	49,553
Total other financing sources	5,000	5,000	1,397,299	1,392,299
<b>Net Change in Fund Balance, Budgetary Basis</b>	<u>\$ (583,247)</u>	<u>\$ (604,204)</u>	1,201,516	<u>\$ 1,805,690</u>
<b>Adjustments for Reconciling Items to Adjust from Budgetary Basis to Modified Accrual Basis</b>				
Decrease in receivables			(2,127)	
Decrease in payables and accrued liabilities			258,304	
Total adjustments			<u>256,177</u>	
<b>Net Change in Fund Balance, Modified Accrual Basis</b>			1,457,693	
<b>Fund Balance - Beginning</b>			<u>5,725,577</u>	
<b>Fund Balance - Ending</b>			<u>\$ 7,183,270</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 Ended September 30**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Total Pension Liability</b>					
Service cost	\$ 201,118	\$ 201,892	\$ 210,927	\$ 185,490	\$ 198,421
Interest	642,421	648,370	602,777	603,562	580,319
Changes of assumptions	44,332		345,026		
Differences between expected and actual experience	242,290	(395,136)	273,159	(288,391)	
Benefit payments, including refunds of employee contributions	(658,635)	(630,452)	(502,597)	(518,346)	(458,059)
Transfers among employers	(6,652)	112,662	(34,016)		
Net change in total pension liability	464,874	(62,664)	895,276	(17,685)	320,681
Total pension liability - beginning	8,618,627	8,681,291	7,786,015	7,803,700	7,483,019
Total pension liability - ending (a)	<u>\$9,083,501</u>	<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	\$ 200,605	\$ 205,644	\$ 244,944	\$ 236,380	\$ 213,172
Contributions - employee	121,129	128,033	134,286	128,545	111,730
Net investment income	629,422	801,918	594,660	70,151	648,954
Benefit payments, including refunds of employee contributions	(658,635)	(630,452)	(502,597)	(518,346)	(458,059)
Transfers among employers	(6,652)	112,662	(34,016)	22,699	(25,235)
Net change in plan fiduciary net position	285,869	617,805	437,277	(60,571)	490,562
Plan net position - beginning	6,972,861	6,355,056	5,917,779	5,978,350	5,487,788
Plan net position - ending (b)	<u>\$7,258,730</u>	<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>\$1,824,771</u>	 <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	 79.91%	 80.90%	 73.20%	 76.01%	 76.61%
Covered payroll	\$2,100,140	\$2,225,367	\$2,356,845	\$2,179,312	\$ 2,117,917
Net pension liability as a percentage of covered payroll	86.89%	73.95%	98.70%	85.73%	86.19%

This schedule is presented 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 Ended September 30**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 204,753	\$ 187,846	\$ 213,881	\$ 229,868	\$ 212,576
Contributions in relation to the actuarially determined contribution	<u>204,753</u>	<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>	<u>\$ -</u>
Covered payroll	\$2,170,568	\$2,100,140	\$2,225,367	\$2,356,845	\$2,179,312
Contributions as a percentage of covered payroll	9.43%	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 2019 were based on the September 30, 2016 actuarial valuation.

Methods and assumptions used to determine the contribution rates for the period October 1, 2018 to September 30, 2019

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	20.3 years
Asset valuation method	Five year smoothed market
Inflation	2.875%
Salary increases	3.375 - 5.125%, including inflation
Investment rate of return	7.875%, 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, 2019**

	<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	\$ 8,381	\$ 175,825	\$ 55,545	\$ 174,144		\$ 413,895
Accounts receivable			3,750			3,750
Intergovernmental receivables	7,121	5,599				12,720
Total assets	<u>\$ 15,502</u>	<u>\$ 181,424</u>	<u>\$ 59,295</u>	<u>\$ 174,144</u>	<u>\$ -</u>	<u>\$ 430,365</u>
<b>Liabilities</b>						
Accounts payable	\$ 6,180					\$ 6,180
Due to other funds	25,982	\$ 1,272	\$ 4,875			32,129
Total liabilities	<u>32,162</u>	<u>1,272</u>	<u>4,875</u>			<u>38,309</u>
<b>Fund Balances</b>						
Restricted						
Highways and streets		180,152				180,152
Fire department			54,420	\$ 174,144		228,564
Unassigned	(16,660)					(16,660)
Total fund balances	<u>(16,660)</u>	<u>180,152</u>	<u>54,420</u>	<u>174,144</u>		<u>392,056</u>
Total liabilities and fund balances	<u>\$ 15,502</u>	<u>\$ 181,424</u>	<u>\$ 59,295</u>	<u>\$ 174,144</u>	<u>\$ -</u>	<u>\$ 430,365</u>

**City of Monroeville, Alabama**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended September 30, 2019**

	<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>						
Intergovernmental grants					\$ 32,828	\$ 32,828
Intergovernmental shared revenues	\$ 79,123	\$ 62,240		\$ 45,442		186,805
Contributions and donations			\$ 15,000	900		15,900
Investment earnings	32	177	36	84		329
Total revenues	<u>79,155</u>	<u>62,417</u>	<u>15,036</u>	<u>46,426</u>	<u>32,828</u>	<u>235,862</u>
<b>Expenditures</b>						
Public safety			22,059	9,305		31,364
Public works	163,905	39,814				203,719
Debt service						
Principal payments			28,779			28,779
Interest and fiscal charges			468			468
Total expenditures	<u>163,905</u>	<u>39,814</u>	<u>51,306</u>	<u>9,305</u>		<u>264,330</u>
<b>Excess of Revenues Over (Under)</b>						
<b>Expenditures</b>	<u>(84,750)</u>	<u>22,603</u>	<u>(36,270)</u>	<u>37,121</u>	<u>32,828</u>	<u>(28,468)</u>
<b>Other Financing Sources (Uses)</b>						
Transfers in	76,000					76,000
Transfers out				(1,500)	(32,828)	(34,328)
Total other financing sources (uses)	<u>76,000</u>			<u>(1,500)</u>	<u>(32,828)</u>	<u>41,672</u>
<b>Net Change in Fund Balance</b>	(8,750)	22,603	(36,270)	35,621		13,204
<b>Fund Balance - Beginning</b>	<u>(7,910)</u>	<u>157,549</u>	<u>90,690</u>	<u>138,523</u>		<u>378,852</u>
<b>Fund Balance - Ending</b>	<u>\$ (16,660)</u>	<u>\$ 180,152</u>	<u>\$ 54,420</u>	<u>\$ 174,144</u>	<u>\$ -</u>	<u>\$ 392,056</u>