

THE CITY OF TRUSSVILLE, ALABAMA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

THE CITY OF TRUSSVILLE, ALABAMA
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SEPTEMBER 30, 2019

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Cork, Hill & Company, L.L.C

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Trussville, Alabama (the "City"), as of and for the year ended September 30, 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.

Auditors' Responsibility

Our responsibility is to express an opinion 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 judgement, 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 City'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 City'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.

Certified Public Accountants

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Suite 530
Birmingham, AL 35209

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Trussville, Alabama as of September 30, 2019 and the respective changes in net 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 management's discussion and analysis and the schedules listed in the table of contents as required supplemental information 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 State of America, which consisted of inquiries of management about the method of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Trussville's basic financial statements. The Schedule of Revenues – General Fund and Schedule of Expenditures – General Fund are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Cook, Hill & Company, L.L.C.

March 25, 2019

**THE CITY OF TRUSSVILLE, ALABAMA
MANAGEMENT'S DISCUSSION & ANALYSIS
SEPTEMBER 30, 2019**

The City of Trussville's Management Discussion and Analysis report provides an overview of the City's financial condition and activities for the year ended September 30, 2019. Please read this report in conjunction with the City's financial statements and notes to the financial statements that immediately follow this analysis.

FINANCIAL HIGHLIGHTS

- The City's net position improved by \$2.7 million in 2019.
- The City decreased its outstanding general obligation warrants, lines of credit and notes and leases payable by \$7.5 million.
- The liabilities of the City exceed its assets by \$19.3 million (net position).
- The City's total revenues increased by 4.2 million or 9.9%
- The total cost of the City's programs was \$43.9 million. The net cost was \$35.8 million after subtracting grants and charges for services.
- The general fund's unassigned fund balance was \$15.3 million or 47% of the total general fund operating expenses.
- Capital expenditures totaled \$11.6 million, including \$6.5 million for downtown revitalization and \$3.9 million for the Valley Road extension.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City of Trussville's general purpose financial statements include Management's Discussion and Analysis (MD&A), Basic Financial Statements and Other Required Supplemental Information (RSI). The MD&A, a component of RSI, introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The City's basic financial statements consist of the following elements:

Government-wide Financial Statements

Government-wide financial statements provide both long-term and short-term information about the City's overall financial condition. Changes in the City's financial position may be measured over time by increases and decreases in the Statement of Net Position. Information on how the City's net position changed during the fiscal year is presented in the Statement of Activities.

Fund Financial Statements

Fund financial statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide financial statements. The City of Trussville only has governmental-type funds, no proprietary or fiduciary-type funds.

**THE CITY OF TRUSSVILLE, ALABAMA
MANAGEMENT'S DISCUSSION & ANALYSIS
SEPTEMBER 30, 2019**

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information ("RSI") and Related Notes

RSI and the related notes provide various information regarding changes in the City's net pension liability and employer contributions as well as information regarding changes in the City's post employment benefit's liability. RSI also provides additional information regarding budgeted revenues and expenditures that further explains and supports information in the financial statements.

Supplementary Information

Supplementary information provides more detail regarding general fund revenues and expenditures to further explain and support the financial statements.

ANALYSIS OF THE CITY'S OVERALL FINANCIAL POSITION

Net assets are a useful indicator of a government's financial position. The following comparative summary of net position has been adjusted to reflect the prior period adjustment discussed more fully in Note 15, found on page 40 of the Notes to the Financial Statements.

Summary of Net Position
(All Numbers in Thousands)

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Assets:			
Current and other assets	\$ 51,716	\$ 61,813	(10,097)
Capital assets	<u>107,617</u>	<u>100,258</u>	<u>7,359</u>
Total assets	<u>159,333</u>	<u>162,071</u>	<u>(2,738)</u>
Deferred outflows	10,114	7,095	3,019
Liabilities:			
Current liabilities	10,865	14,971	(4,106)
Noncurrent liabilities	<u>176,667</u>	<u>175,086</u>	<u>1,581</u>
Total liabilities	<u>187,532</u>	<u>190,057</u>	<u>(2,525)</u>
Deferred inflows	1,181	1,061	120
Net position:			
Net investment in capital assets	51,146	38,429	12,717
Restricted	14,183	28,504	(14,321)
Unrestricted	<u>(84,595)</u>	<u>(88,885)</u>	<u>4,290</u>
Total net position	<u>\$ (19,266)</u>	<u>\$ (21,952)</u>	<u>2,686</u>

The City has a net position of \$(19.3) million at September 30, 2019. The net investment in capital assets of \$51.1 million reflects the City's investment in capital assets (land, buildings, infrastructure and equipment), less accumulated depreciation and debt used to acquire the asset. The increase of 12.7 million shown above is primarily related to downtown revitalization and the extension of Valley Road. The restricted net position of \$14.2 million is primarily made

**THE CITY OF TRUSSVILLE, ALABAMA
MANAGEMENT'S DISCUSSION & ANALYSIS
SEPTEMBER 30, 2019**

up of assets reserved for construction projects, infrastructure maintenance and public safety. Most of the decrease of \$14.3 million shown above, was the spending of assets reserved for construction in process. The remaining component of the City's net position is an \$84.6 million unrestricted deficit. This deficit does not mean that the City does not have the money to pay its bills next year, rather, it is the result of having long-term commitments that are greater than currently available resources. The City will budget for these future commitments as they become due.

ANALYSIS OF THE CITY'S OVERALL OPERATING RESULTS

The following comparative summary of the City's results from operations has been adjusted to reflect the prior period adjustment discussed more fully in Note 15, found on page 40 of the Notes to the Financial Statements. The summary shows total revenues of the City for the year, expenses for the year by program, as well as the impact that operations had on the change in net position.

Summary of Changes in Net Position

(All Numbers in Thousands)

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Revenues			
Program revenues			
Charges for services	\$ 7,655	\$ 7,238	417
Operating grants & contributions	451	437	14
Capital grants & contributions	-	37	(37)
Total program revenues	<u>8,106</u>	<u>7,712</u>	<u>394</u>
General revenues & payments			
Sales and use tax	29,700	27,341	2,359
Advalorem taxes	5,132	4,128	1,004
Other taxes	2,964	2,498	466
Investment earnings	561	485	76
Other revenues and payments	113	234	(121)
Total general revenues and payments	<u>38,470</u>	<u>34,686</u>	<u>3,784</u>
Total revenues	46,576	42,398	4,178
Program expenses			
Administrative services	3,285	3,224	61
Education	4,777	3,659	1,118
Redevelopment expenses	1,064	3,556	(2,492)
Public safety	14,658	14,134	524
Streets & sanitation	6,598	6,537	61
Parks & recreation	5,329	4,970	359
Library	1,387	1,484	(97)
Engineering & inspections	625	676	(51)
Interest on long-term debt	6,167	7,075	(908)
Transfers to Trussville City School sys	-	7,000	(7,000)
Total program expenses	<u>43,890</u>	<u>52,315</u>	<u>(8,425)</u>
Change in net position	2,686	(9,917)	12,603
Beginning net position, as restated	<u>(21,952)</u>	<u>(12,035)</u>	<u>(9,917)</u>
Ending net position	<u>\$ (19,266)</u>	<u>\$ (21,952)</u>	<u>\$ 2,686</u>

The City's revenues increased \$4.2 million or 9.9%. The increase was principally from taxes. The City's program expenses decreased \$8.4 million or 16%. The decrease is principally related to a one-time \$7.0 million transfer to the school system

**THE CITY OF TRUSSVILLE, ALABAMA
MANAGEMENT'S DISCUSSION & ANALYSIS
SEPTEMBER 30, 2019**

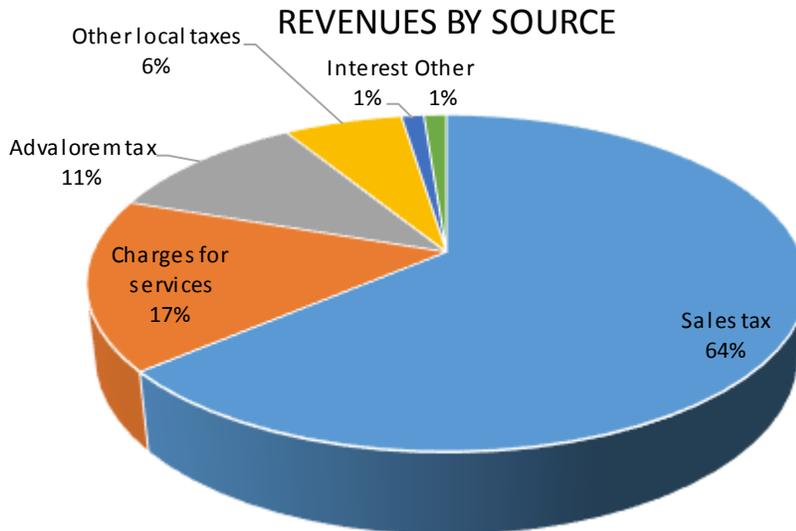
in 2018 for school construction and a year-over-year decrease of \$2.5 million in downtown redevelopment expenses. The decreases were offset by a \$1.1 million increase in education expenses.

The following presents the total and net costs of providing governmental services by program. The net cost of services is the remaining cost after subtracting grants and charges for services that the City used to offset the program's total cost. The net cost of each program allows the reader to consider the cost of each program in relation to the benefit provided.

**Net Cost of Government-Wide Activities
(In Thousands)**

<u>City Programs</u>	<u>Total Program Cost</u>	<u>Net Program Cost</u>
Administrative services	\$ 3,285	\$ (837)
Education	4,777	4,777
Redevelopment expenses	1,064	1,064
Public safety	14,658	13,323
Streets & sanitation	6,598	6,186
Parks & recreation	5,329	4,199
Library	1,387	1,387
Engineering & inspections	625	(482)
Interest on long-term debt	6,167	6,167
Totals	\$ 43,890	\$ 35,784

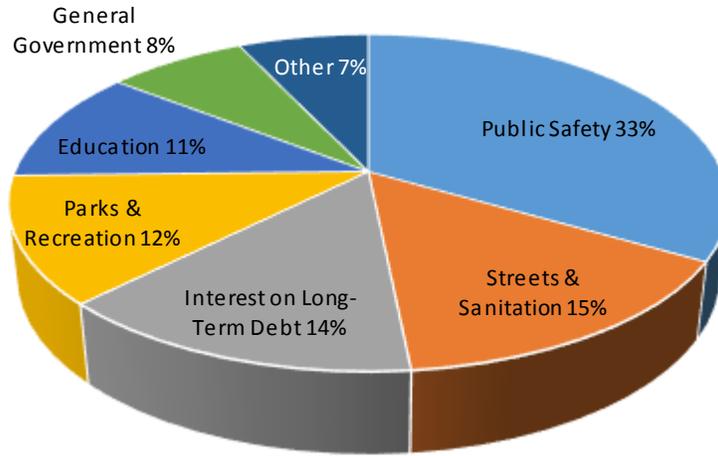
The following chart shows a breakdown of revenue by major source:



THE CITY OF TRUSSVILLE, ALABAMA
MANAGEMENT'S DISCUSSION & ANALYSIS
SEPTEMBER 30, 2019

The following chart shows a breakdown of expenditures by program:

EXPENDITURES BY PROGRAM



**THE CITY OF TRUSSVILLE, ALABAMA
MANAGEMENT'S DISCUSSION & ANALYSIS
SEPTEMBER 30, 2019**

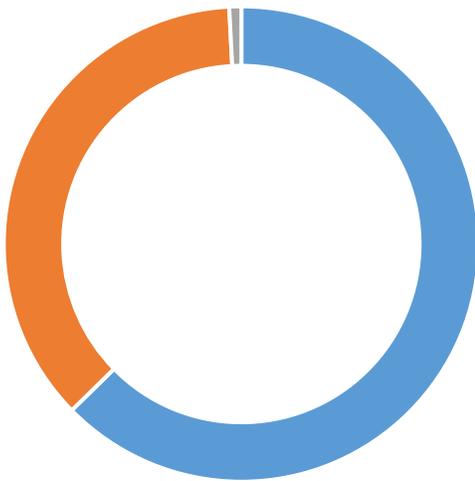
FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The City uses fund accounting to control and manage resources in order to ensure compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide useful information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financial requirements. In particular, unassigned fund balance represents a government's residual net resources (amount in excess of nonspendable, restricted, committed and assigned) and provides a useful measure of a government's net resources available for spending.

General Fund

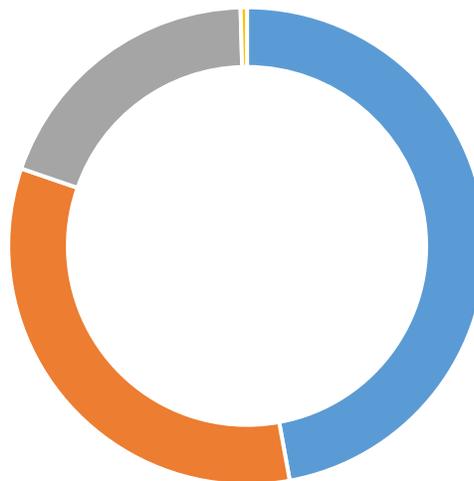
The General Fund, the chief operating fund of the City, closed with a fund balance of \$24.4 million, an increase of \$0.8 million from the previous year. The General Fund Balance essentially functions as the City's reserves. The General Fund Balance is divided into four categories in order to make the constraints placed on the City's reserves more transparent. Unassigned fund balance has no constraints on it and may be used for any purpose. The City's General Fund and Overall Fund Balance breakdown is shown below:

GENERAL FUND BALANCE
FY 2019 Total \$24,391,154



■ Unassigned ■ Committed ■ Nonspendable

TOTAL GOVERNMENTAL FUND BALANCE
FY 2019 Total \$46,136,107



■ Restricted ■ Unassigned ■ Committed ■ Nonspendable

GENERAL FUND BUDGETARY HIGHLIGHTS

Budgeted expenditures are based on the City's estimated revenue receipts. The original General Fund revenues budget of \$44.0 million was amended to \$45.0 million. Actual revenues exceeded the amended budget by \$0.7 million.

The original General Fund expenditure budget of \$36 million was amended to \$34 million. Actual expenditures were less than the amended budget by \$0.7 million.

Interfund transfers (primarily for debt service) were budgeted to be \$11.2 million and the actual amount was \$11.8 million.

**THE CITY OF TRUSSVILLE, ALABAMA
MANAGEMENT'S DISCUSSION & ANALYSIS
SEPTEMBER 30, 2019**

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

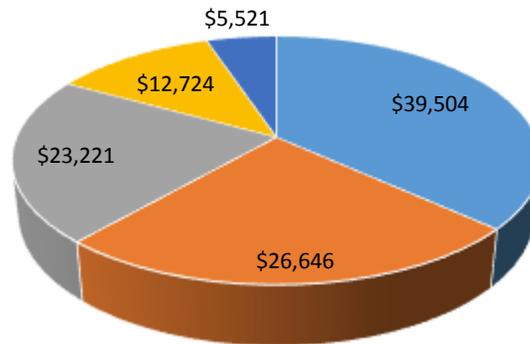
Capital Asset Activity

Capital assets, net of depreciation, totaled \$107.6 million for the year ended September 30, 2019. Major capital asset activity during the year included the following:

- Capital expenditures totaled \$12.7 million, including \$6.5 million for downtown revitalization and \$3.9 million for the Valley Road extension.

The following chart shows net capital assets by major type:

CAPITAL ASSETS BY MAJOR TYPE
In Thousands



- Buildings & improvements
- Land & Parks
- Infrastructure
- Construction in process
- Equipment & vehicles

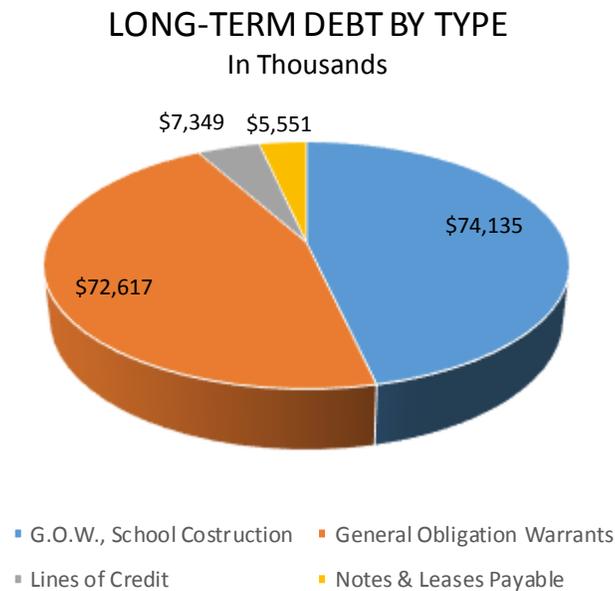
**THE CITY OF TRUSSVILLE, ALABAMA
MANAGEMENT'S DISCUSSION & ANALYSIS
SEPTEMBER 30, 2019**

Long-term Debt Activity

As of September 30, 2019, the City had \$160.0 million in long-term debt. Generally, the City takes on debt of the following types for the following purposes:

- General Obligation Warrants, School Construction – Used to finance Trussville School System (TSS) infrastructure. When construction is complete, the asset is transferred to the TSS, but the debt remains with the City.
- General Obligation Warrants – Used to finance major construction projects or to refinance existing debt at more favorable rates or terms.
- Lines of Credit – Used for shorter-term financing of major projects and capital equipment or as bridge financing for major projects that will eventually be financed by the use of general obligation warrants.
- Notes Payable & Leases Payable – Used to finance purchases of property and equipment.

The following chart breaks out the City's long-term debt by type:



A special Ad Valorem tax levy of 7 mills has been irrevocably pledged to pay debt service on school construction general obligation warrants in the amount of 24.2 million.

ECONOMIC CONDITIONS AND OUTLOOK

The City of Trussville is experiencing a growing local economy favorably located within the Birmingham – Hoover metropolitan statistical area (MSA). The City's property tax base has a 5-year annual growth rate of 6.2% and the City's market value has grown 10.9% over the past year to \$2.4 billion in 2019. Population is currently estimated at 24,000; a 20.4% increase over the last decade. Median family income is at 168% of the state median and 141% of the national median.

**THE CITY OF TRUSSVILLE, ALABAMA
MANAGEMENT'S DISCUSSION & ANALYSIS
SEPTEMBER 30, 2019**

This growth is expected to continue, with a projected annual growth rate of 4% for sales tax, ad valorem tax, and business license revenue, which represents approximately 83% of City revenues. New housing starts continue to meet expectations and commercial construction activity is anticipated to remain strong.

The City's recent downtown redevelopment has added new restaurants, retail space and an outdoor entertainment venue, with the opening of a new brewery / restaurant drawing over 13,000 customers during its first 45 days of operation. In addition, a new retail center recently opened with three new high-volume restaurants, a national fitness franchise, and multiple new retail businesses.

From a financial standpoint, the City presents a strong, ongoing position with recent bond ratings of AA+/Steady from Standard & Poor's and Aa2 from Moody's; unchanged from the prior year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact:

Mike Hinson, Finance Director
131 Main Street
P. O. Box 159
Trussville, AL 35173
(205) 655-7478

THE CITY OF TRUSSVILLE, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	Governmental Activities	Component Unit
ASSETS		
Cash and cash equivalents	\$ 22,675,715	\$ 427,310
Restricted cash and cash equivalents	8,523,678	-
Investments	14,251,532	-
Receivables, net	6,065,144	748,995
Property available for sale	-	1,053,267
Prepaid expenses	199,519	-
Capital assets:		
Land and construction in process, not being depreciated	37,564,282	-
Other capital assets, net of accumulated depreciation	70,052,710	837,389
 Total assets	 159,332,580	 3,066,961
 DEFERRED OUTFLOWS OF RESOURCES	 10,113,679	 -
LIABILITIES		
Accounts payable and accrued expenses	5,681,847	12,383
Long-term Liabilities:		
Due within one year	5,182,892	-
Due in more than one year	154,467,874	-
Unamortized bond premium	9,399,946	-
Compensated absences	2,372,271	-
Pension liability	5,193,853	-
Net other post employment benefit liability	5,233,100	-
 Total liabilities	 187,531,783	 12,383
 DEFERRED INFLOWS OF RESOURCES	 1,180,930	 -
NET POSITION		
Net investment in capital assets	51,145,898	837,389
Restricted for:		
Debt service	-	-
Capital projects	13,388,005	-
Infrastructure maintenance	528,460	-
Public safety	266,160	-
Unrestricted net (deficit) / position	(84,594,977)	2,217,189
 Total net (deficit) / position	 \$ (19,266,454)	 \$ 3,054,578

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

**THE CITY OF TRUSSVILLE, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Function / Program	Expenses	Program Revenues			Net	Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	(Expense)/ Revenue and Change in Net Position	
Governmental Activities:						
Administrative services	\$ 3,285,213	\$ 4,122,789	\$ -	\$ -	\$ 837,576	
Education	4,777,374	-	-	-	(4,777,374)	
Redevelopment expenses	1,063,663	-	-	-	(1,063,663)	
Public safety	14,657,964	1,298,186	36,545	-	(13,323,233)	
Streets and sanitation	6,597,734	13,084	398,625	-	(6,186,025)	
Parks and recreation	5,329,039	1,113,117	16,488	-	(4,199,434)	
Library	1,387,441	-	-	-	(1,387,441)	
Engineering and inspections	625,448	1,107,929	-	-	482,481	
Interest on long-term debt	6,166,654	-	-	-	(6,166,654)	
Total governmental activities	\$ 43,890,530	\$ 7,655,105	\$ 451,658	\$ -	\$ (35,783,767)	

Component Unit:

Redevelopment Authority \$ 403,092

General Revenues:

Taxes:

Sales taxes	29,699,786	-
Advalorem taxes	5,131,697	-
Other taxes	2,963,778	-
Interest and investment earnings	561,684	-
Miscellaneous	112,794	-
Total general revenues & transfers	38,469,739	-

Change in net position from activities 2,685,972 403,092

Net position - beginning - as restated (21,952,426) 2,651,486

Net position - ending \$ (19,266,454) \$ 3,054,578

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

**THE CITY OF TRUSSVILLE, ALABAMA
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

	2018		NONMAJOR GOVT. FUNDS	TOTALS - GOVT. FUNDS
	GENERAL	CAPITAL PROJECTS		
Assets:				
Cash and cash equivalents	\$ 22,675,715	\$ -	\$ -	\$ 22,675,715
Restricted cash and cash equivalents	-	236,459	5,529,314	8,523,678
Investments	-	13,477,222	774,310	14,251,532
Receivables, net	4,017,700	-	1,342	4,100,192
Prepaid expenses	199,519	-	-	199,519
Total assets	\$ 26,892,934	\$ 13,713,681	\$ 6,304,966	\$ 49,750,636
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,501,780	\$ 1,035,347	\$ -	\$ 3,614,529
Total liabilities	2,501,780	1,035,347	-	3,614,529
Fund balances:				
Nonspendable	\$ 199,519	\$ -	\$ -	\$ 199,519
Restricted	-	12,678,334	6,304,966	21,744,953
Committed	8,907,871	-	-	8,907,871
Unassigned	15,283,764	-	-	15,283,764
Total fund balance	24,391,154	12,678,334	6,304,966	46,136,107
Total liabilities and fund balances	\$ 26,892,934	\$ 13,713,681	\$ 6,304,966	\$ 49,750,636

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF

GOVERNMENTAL ACTIVITIES

Total governmental fund balance	\$ 46,136,107
Amounts reported for governmental activities in the statement of net assets are different because:	
Notes receivable are not receivable in the current period and are not reported in the funds	1,964,952
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	107,616,992
Bonds and other long-term liabilities are not due and payable in the current period and are not reported in the funds	(174,984,505)
Net deficit of government position	<u>\$ (19,266,454)</u>

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

THE CITY OF TRUSSVILLE, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	GENERAL FUND	2018 CAPITAL PROJECTS	DEBT SERVICE	NONMAJOR GOVT. FUNDS	TOTAL GOVT. FUNDS
Revenues:					
Taxes	\$ 25,973,432	\$ -	\$ -	\$ 398,625	\$ 26,372,057
Education	11,397,787	-	-	-	11,397,787
Licenses and permits	5,359,523	-	-	-	5,359,523
Intergovernmental	134,172	-	-	181,011	315,183
Charges for services	2,029,368	-	-	-	2,029,368
Fines and forfeitures	441,516	-	-	175,458	616,974
Interest	229,488	275,692	20,535	19,229	544,944
Other	158,411	-	-	265,127	423,538
Total Revenues	<u>45,723,697</u>	<u>275,692</u>	<u>20,535</u>	<u>1,039,450</u>	<u>47,059,374</u>
Expenditures:					
Current operations:					
General government	2,977,872	-	-	-	2,977,872
Public safety:					
Fire and rescue	5,036,762	-	-	-	5,036,762
Police and court	8,326,129	-	-	234,279	8,560,408
Streets and sanitation	4,056,961	-	-	236,494	4,293,455
Parks and recreation	4,449,435	-	-	-	4,449,435
Library	1,539,120	-	-	-	1,539,120
Historical	20,032	-	-	-	20,032
Engineering and inspection	585,288	-	-	-	585,288
Payments to the Trussville School Sys	4,777,374	-	-	-	4,777,374
Redevelopment expenses	692,519	-	-	-	692,519
Total current operations	<u>32,461,492</u>	<u>-</u>	<u>-</u>	<u>470,773</u>	<u>32,932,265</u>
Capital outlays	716,596	10,218,266	-	683,821	11,618,683
Debt service:					
Principal	-	-	7,533,620	-	7,533,620
Interest and fiscal charges	-	150	6,720,480	30	6,720,660
Total expenditures	<u>33,178,088</u>	<u>10,218,416</u>	<u>14,254,100</u>	<u>1,154,624</u>	<u>58,805,228</u>
Revenues over / (under) expenditures	12,545,609	(9,942,724)	(14,233,565)	(115,174)	(11,745,854)
Other financing sources / (uses):					
Interfund transfers in	296,288	-	15,147,971	523,522	15,967,781
Interfund transfers out	(12,143,285)	(2,750,000)	(294,218)	(780,278)	(15,967,781)
QECB subsidy	-	-	76,361	-	76,361
Proceeds of debt	74,328	-	-	-	74,328
Total other financing sources / (uses)	<u>(11,772,669)</u>	<u>(2,750,000)</u>	<u>14,930,114</u>	<u>(256,756)</u>	<u>150,689</u>
Net change in fund balance	772,940	(12,692,724)	696,549	(371,930)	(11,595,165)
Fund balances, beginning - as restated	23,618,214	25,371,058	5,608,417	3,133,583	57,731,272
Fund balances, ending	<u>\$ 24,391,154</u>	<u>\$ 12,678,334</u>	<u>\$ 6,304,966</u>	<u>\$ 2,761,653</u>	<u>\$ 46,136,107</u>

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

THE CITY OF TRUSSVILLE, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Net change in Fund Balances - Total Governmental Funds \$ (11,595,165)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which net capital outlays exceeded depreciation in the current period. 6,353,620

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 7,533,620

Issuing of bonds and other debt is an other financing source in the governmental funds, but the issuance increases long-term liabilities in the statement of net position. (74,328)

Lending money and the repayment of loans are classified as revenues and expenditures in governmental funds, but increases / decreases the liability account in the statement of net position. (103,260)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and, therefore; are not reported as expenditures in governmental funds. 571,485

Change in net position of governmental activities \$ 2,685,972

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

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The financial statements of the City of Trussville, Alabama (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies.

Reporting Entity

The City is a municipal corporation governed by an elected Mayor and City Council. As required by generally accepted accounting principles, these financial statements present the City and its component unit, The Trussville Redevelopment Authority (TRA), an entity for which the City is considered to be financial accountable. The TRA is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the City. The TRA is governed by a board which is appointed by the City of Trussville. The potential exists for this board to provide financial benefit to or impose financial burdens upon the City. The Trussville Redevelopment Authority has a September 30 year end and issues financial statements that can be obtained by contacting the TRA or the City.

Government-Wide Financial Statements

Financial reporting requirements include a management's discussion and analysis, basic financial statements consisting of government-wide and fund financial statements, required supplementary information, and other supplementary information.

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide statement of net position is presented on a consolidated basis on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide statement of activities reflects both the gross and net costs per functional category that are being supported by general revenues, primarily taxes. The statement of activities reduces gross expenses by directly related program revenues. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operations or capital requirements of a particular function or segment. Taxes and other items not included in program revenues are reported as general revenues. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are budgeted and presented on the *current financial resource measurement focus* and the *modified accrual* basis of accounting. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented which briefly explains the adjustments necessary to reconcile them.

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when the payment is due.

Property taxes, sales taxes, other miscellaneous taxes and interest associated with the current fiscal period are all considered susceptible to accrual and are recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by the government.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted resources as they are needed.

All of the City's funds fall under the broad classification of Governmental funds. Governmental funds focus on the determination of financial position and changes in financial position (sources, uses, and balances of financial resources) and not net income. The following is a description of the major governmental funds of the City:

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

Debt Service Fund - accounts for the accumulation of resources for and the payment of principal and interest on long-term general obligation debt of governmental funds.

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

Non-major funds are aggregated and presented in a single column. The City's non-major funds are comprised of special revenue funds and smaller capital projects funds. Special revenue funds account for the proceeds of specific revenue sources other than special assessments or major capital projects that are legally restricted to expenditures for specified purposes. Capital project funds account for financial resources designated to construct or acquire capital assets and major capital improvements.

Property Tax Calendar

Property values are assessed, and property taxes are collected by Jefferson County and St. Clair County. Property values are assessed, and property taxes attach as an enforceable lien on property as of October 1 of each fiscal year. The property taxes are due and payable on October 1 of the subsequent fiscal year and are delinquent after January 1.

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with a duration of one year or less from the date of acquisition. Restricted cash represents amounts that have been placed into escrow for payment of bond principal and interest as it becomes due and amounts in special revenue accounts that are restricted by the revenue source.

Receivables

Receivables are reported net of an allowance for uncollectibles, which is based upon collection experience. The allowance for uncollectible ambulance billings is \$905,868.

Prepaid Items

Payments to vendors for services that will benefit periods beyond September 30th are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Fund accounting reports capital outlays as expenditures and does not recognize capital assets and depreciation. Under the government-wide, accrual basis of reporting, general capital assets are long-lived assets of the City as a whole. When purchased, such assets are capitalized subject to a \$5,000 capitalization threshold. Infrastructure such as streets, traffic signals and signs are capitalized. The valuation basis for general capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings - 40 years; improvements/infrastructure - 5 to 40 years; equipment - 5 to 15 years.

Bond Premium

On government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are shown as additional long-term liabilities on the statement of net position.

On the governmental fund financial statements, bond premiums are recognized in the year the bonds are issued.

THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources, which represent a consumption of net position that applies to a future period and therefore, will not be recognized as an outflow of resources (expense) until then. The City currently has four types of items that qualify for reporting in this category, the deferred loss on refunding debt, differences between expected and actual pension service costs, differences in expected and actual OPEB benefit costs, and deferred pension expense. The deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the lesser of the life of the refunded or refunding debt. The differences between expected and actual pension service costs occur when actuarially projected amounts differ from actual results. These differences are amortized over seven years. Differences between expected and actual OPEB costs occur when actuarially projected amounts differ from actual results. These differences are amortized over the average remaining service life of all members. Deferred pension expense results from contributions made after the liability measurement date. These contributions will be incorporated in the actuarial calculations of the next measurement date.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources, which represent an acquisition of net position that applies to a future period and as such, will not be recognized as an inflow of resources (revenue) until that time. The City currently has deferred inflows for differences in expected and actual pension experience that are being amortized over seven years, differences in projected and actual pension investment earnings that are being amortized over 5 years, and changes in OPEB actuarial assumptions that are being amortized over the average remaining service life of all members.

Net Position and Fund Balance

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

Net investment in capital assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt associated with the acquisition, construction, or improvement of these assets reduces this category.

Restricted Net Position - This category presents the net position restricted by external parties (creditors, grantors, contributors or laws and regulations).

Unrestricted - This category represents the net position of the City that is not restricted for any project or other purpose by third parties.

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which a City is bound to honor constraints on the specific purposes for which amounts in those resources can be spent. Fund balances are classified as follows:

Non-spendable fund balance - Amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – Amounts that can be spent only for specific purposes because of the City Charter, City Code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed Fund Balance – Amounts that can be used only for the specific purposes determined by an Ordinance, the City's highest level of decision-making authority (the City Council). The City Council must adopt an ordinance to modify or rescind committed fund balances.

Assigned Fund Balance - Amounts that are constrained by the City's expressed intent to use resources for specific purposes but do not meet the criteria to be classified as restricted or committed. The City Council has the authority to assign amounts intended to be used for specific purposes.

Unassigned Fund Balance – All amounts not included in other spendable classifications. The general fund is the only fund that reports a positive unassigned fund balance amount. In all other funds, unassigned is limited to negative residual fund balance, if any.

Compensated Absences

The City accrues unused portions of vacation pay in the period the fund liability is incurred. The vesting method is used to accrue sick leave liability. The liability is based on the sick leave accumulated at year-end by those employees who are currently eligible to receive termination payments as well as other employees who are expected to become eligible to receive such payments.

Pension Plan

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

Use of Estimates

In preparing these financial statements, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “bonds and other long-term liabilities are not due and payable in the current period and are not reported in the funds.” The details of that difference are as follows:

Bonds and notes payable	\$ (159,650,766)
Unamortized loss on refunding	4,461,284
Unamortized bond premium	(9,399,946)
Accrued interest payable	(2,067,318)
Compensated absences	(2,372,271)
Pension liability	(3,429,829)
Other post employment benefits	<u>(2,525,659)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (174,984,505)</u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government - wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of that difference are as follows:

Net capital outlay	\$ 11,033,216
Depreciation	<u>(4,679,596)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 6,353,620</u>

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE 3 - CASH DEPOSITS AND INVESTMENTS

The City does not have a formal, written investment policy; however, state law limits the kinds of investments that Alabama municipalities can make to: (1) accounts and certificates of deposits with banks or savings associations that are qualified public depositories; (2) direct obligations of the U.S. Department of the Treasury and certain federal agencies (collectively referred in this note as "USTO"); (3) certain qualified obligations of any state and their agencies; and (4) common trust funds, collective investment funds maintained by qualified institutions, or any registered mutual funds, all of which must hold a prescribed amount of obligations meeting the requirements of 1-3 above.

Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

The City has elected to invest a portion of its excess funds, in the amount of \$14,251,532 in daily repurchase agreements (repos) through a local bank acting as agent. A repo is an arrangement by which a securities dealer sells an underlying security to an investor (The City) with an agreement to repurchase the security the next day at a slightly higher price. Although the transaction is collateralized by the underlying security, the risk of default exists on the part of the dealer if they were unable to fulfill their obligation to repurchase the underlying security. In that instance, the City can keep the underlying security and liquidate it to recover their investment. The City's repurchase agreement states that the securities collateralizing the transaction can include cash, government securities, debt securities, loan participations, money market instruments or other securities, including those that are rated below investment grade. At September 30, 2019 the underlying securities collateralizing the City's investment of \$14,251,532 were issued by Fannie Mae and had a market value of \$14,536,563.

Custodial Credit Risk - Deposits

The City has a policy that all of its deposits be insured by federal depository insurance or the Security for Alabama Funds Enhancement, or SAFE program, which was the case for all bank deposits as of September 30, 2019. The SAFE program is administered by the State Treasurer according to State of Alabama statute, and any bank or financial institution in the State of Alabama accepting deposits of public funds is required to insure those funds by pledging eligible collateral to the State Treasurer for the SAFE collateral pool. The entire pool stands behind each deposit. Eligible collateral are those securities currently designated as acceptable collateral for state deposits as defined by State law.

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE 4 - RECEIVABLES

Receivables consist of the following as of September 30, 2019:

	ENTITY WIDE	GENERAL FUND	DEBT SERVICE	NON MAJOR SPEC REV	COMP. UNIT
Taxes	\$ 3,609,601	\$ 3,534,530	\$ -	\$ 75,071	\$ -
Ambulance charges	1,307,223	1,307,223	-	-	-
Garbage and other charges for services	7,091	7,091	-	-	-
Interest	81,232	73,811	1,342	6,079	-
Other	913	913	-	-	2,800
Note receivable from the Industrial Development Board, repaid on demand as lots in the industrial park are sold*	1,543,366	-	-	-	-
Note receivable Trussville Utilities Board, repaid in monthly installments of \$10,000, including interest at 3.5%*	421,586	-	-	-	-
Note receivable associated with a redevelopment project, repaid in monthly installments of \$5,525, including interest at 3%. Final balloon payment due in 2023.*	-	-	-	-	746,195
	<u>6,971,012</u>	<u>4,923,568</u>	<u>1,342</u>	<u>81,150</u>	<u>748,995</u>
Less allowance for uncollectibles	<u>(905,868)</u>	<u>(905,868)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,065,144</u>	<u>\$ 4,017,700</u>	<u>\$ 1,342</u>	<u>\$ 81,150</u>	<u>\$ 748,995</u>

*not expected to be collected within one year

NOTE 5 - INTERFUND TRANSFERS

In general, transfers are used to (1) move revenues from the fund that collects the money to the fund that expends the money, (2) move receipts restricted or earmarked for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due. The composition of interfund balances as of September 30, 2019, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	
Debt Service Fund	General Fund	\$ 11,643,575
Debt Service Fund	2018 Capital Projects Fund	3,504,396
Capital Projects Fund	General Fund	294,555
General Fund	Debt Service Fund	294,218
LOC - TUB Fund	General Fund	205,155
Capital Projects Fund	LOC - TUB Fund	20,000
Confiscated Fund - Spendable	Confiscated Fund - Restricted	3,812
General Fund	Capital Projects Fund	2,070
		<u>\$ 15,967,781</u>

THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended September 30, 2019 was as follows:

	BEGINNING			ENDING
	BALANCE	ADDITIONS	RETIREMENTS	BALANCE
GOVERNMENTAL ACTIVITIES:				
Not being depreciated:				
Land	\$ 25,052,818	\$ 491,559	\$ (704,479)	\$ 24,839,898
Construction in process	2,406,614	10,323,245	(5,475)	12,724,384
	<u>27,459,432</u>	<u>10,814,804</u>	<u>(709,954)</u>	<u>37,564,282</u>
Other capital assets:				
Buildings and swimming pool	28,895,720	37,684	-	28,933,404
Improvements other than buildings	21,272,982	103,629	-	21,376,611
Tennis courts, park & field improvements	5,527,516	8,400	-	5,535,916
Equipment and furniture	14,974,001	1,641,946	(1,403,213)	15,212,734
Roads, sidewalks, bridges and drainage structures	90,049,116	-	-	90,049,116
Library collection	2,513,279	141,857	-	2,655,136
	<u>163,232,614</u>	<u>1,933,516</u>	<u>(1,403,213)</u>	<u>163,762,917</u>
Accumulated depreciation:				
Buildings and swimming pool	(7,731,896)	(724,699)	-	(8,456,595)
Improvements other than buildings	(1,806,989)	(542,141)	-	(2,349,130)
Tennis courts, park & field improvements	(3,482,285)	(247,154)	-	(3,729,439)
Equipment and furniture	(10,769,284)	(907,633)	1,403,213	(10,273,704)
Roads, sidewalks, bridges and drainage structures	(64,611,097)	(2,216,609)	-	(66,827,706)
Library collection	(2,032,273)	(41,360)	-	(2,073,633)
	<u>(90,433,824)</u>	<u>(4,679,596)</u>	<u>1,403,213</u>	<u>(93,710,207)</u>
Net other capital assets	<u>72,798,790</u>	<u>(2,746,080)</u>	<u>-</u>	<u>70,052,710</u>
Net capital assets	<u>\$ 100,258,222</u>	<u>\$ 8,068,724</u>	<u>\$ (709,954)</u>	<u>\$ 107,616,992</u>
COMPONENT UNIT:				
Buildings	\$ 868,135	\$ -	\$ -	\$ 868,135
Accumulated depreciation	(9,043)	(21,703)	-	(30,746)
Net capital assets	<u>\$ 859,092</u>	<u>\$ (21,703)</u>	<u>\$ -</u>	<u>\$ 837,389</u>

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION – Continued

It was determined that the following project would not be continued for the foreseeable future. The project was removed from construction in process:

Fire Station #4	\$ <u>5,475</u>
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Remaining construction in process is made up of the following:

	Expended to September 30, 2019
Downtown Revitalization	\$ 7,483,973
Valley Road Extension	4,841,423
North Chalkville Loop	297,487
Highway 11 widening	<u>101,501</u>
	<u>\$ 12,724,384</u>

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

Depreciation was charged to functions as follows:

Streets and sanitation	\$ 2,302,527
Parks and recreation	867,419
Administrative services	761,083
Public safety	667,824
Library	51,108
Engineering and inspections	<u>29,635</u>
	<u>\$ 4,679,596</u>
 Component unit	 <u>\$ 21,703</u>

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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

General Obligation Warrants

The City issues general obligation (“G.O.”) warrants, which are a direct obligation and pledge of the full faith and credit of the City, for the acquisition and construction of major capital facilities or to refund other G.O. warrants. The City utilizes lines of credit generally for the short-term financing of capital projects or major equipment acquisitions. The City enters into notes payable and capital leases generally for the acquisition of property and equipment.

Description	Interest Rate	Balance 9/30/2018	Issued	Retired	Balance 9/30/2019	Amounts Due Within One Year
General Obligation Warrants:						
2009 Series, matures 2022	2.0 - 5.0	\$ 3,660,000	\$ -	\$ 855,000	\$ 2,805,000	\$ 905,000
2014 Series A & B*	2.0 - 5.0	50,590,000	-	965,000	49,625,000	1,010,000
2014 QECB Series	4.68	2,485,000	-	-	2,485,000	-
2014 Series C & D	2.0 - 5.0	25,750,000	-	430,000	25,320,000	450,000
2015 Series*	3.0 - 5.0	24,920,000	-	705,000	24,215,000	740,000
2018 Series A & B**	3.0 - 5.0	31,265,000	-	110,000	31,155,000	155,000
Subtotal General Obligation Warrants		138,670,000	-	3,065,000	135,605,000	3,260,000
Direct Placement GO Warrants:						
2013 Series	2.43	2,607,164	-	505,500	2,101,664	517,960
2017 Series	3.28	9,115,000	-	70,000	9,045,000	70,000
Subtotal Direct Placement GO Warrants		11,722,164	-	575,500	11,146,664	587,960
Total General Obligation Warrants		<u>\$ 150,392,164</u>	<u>\$ -</u>	<u>\$ 3,640,500</u>	<u>\$ 146,751,664</u>	<u>\$ 3,847,960</u>
Lines of Credit:						
\$6,000,000 line of credit, interest payable monthly at 2.39%. Matures July 15, 2025.						
	2.39	\$ 4,746,492	\$ -	\$ 647,947	\$ 4,098,545	\$ 663,604
\$6,000,000 line of credit, interest payable monthly at LIBOR + 1.95% Matures December 28, 2020						
	2.21	6,000,000	-	2,750,000	3,250,000	-
Total Lines of Credit		<u>\$ 10,746,492</u>	<u>\$ -</u>	<u>\$ 3,397,947</u>	<u>\$ 7,348,545</u>	<u>\$ 663,604</u>

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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

Description	Interest Rate	Balance 9/30/2018	Issued	Retired	Balance 9/30/2019	Amounts Due Within One Year
Notes and capital leases payable:						
Land mortgage payable, due in monthly installments of \$15,019	3.5	\$ 1,724,222	\$ -	\$ 121,818	\$ 1,602,404	\$ 126,151
Mortgage payable, due in monthly installments of \$9,000	4.0	1,441,136	-	50,828	1,390,308	53,377
Mortgage payable, interest only balloon in 2021	3.0	719,930	-	-	719,930	-
Note payable, due in monthly installments of \$8,455	2.21	319,137	-	89,267	229,870	95,027
Note payable, due in monthly installments of \$3,485	2.21	137,221	-	36,547	100,674	38,818
Note payable, due in monthly installments of \$1,362	2.21	53,482	-	14,318	39,164	15,135
Note payable, due in monthly installments of \$11,517	2.21	579,403	-	115,161	464,242	122,615
Note payable, due in monthly installments of \$1,819	2.21	75,813	-	18,884	56,929	19,924
Note payable, due in monthly installments of \$3,371	2.21	140,026	-	37,888	102,138	36,891
Note payable, due in monthly installments of \$597	2.21	25,882	-	6,192	19,690	6,498
Note payable, due in monthly installments of \$1,692	2.21	-	74,328	4,270	70,058	17,610
Capital lease payable, due in annual installments of \$169,866	4.05	-	755,150	-	755,150	139,282
Total notes and capital leases payable		5,216,252	829,478	495,173	5,550,557	671,328
Compensated absences		2,296,357	75,914	-	2,372,271	-
Total long-term liabilities		<u>\$ 168,651,265</u>	<u>\$ 905,392</u>	<u>\$ 7,533,620</u>	<u>\$ 162,023,037</u>	<u>\$ 5,182,892</u>

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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

Source of Repayment of Long-Term Liabilities

The City's long-term debt is generally repaid from the Debt Service fund with resources provided by the General Fund. Compensated absences are generally paid with General Fund resources since most of the activities affecting the liability occur within General Fund departments.

Principal maturities of G.O. warrants and notes payable are as follows for the fiscal years ended:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2020	5,182,892	6,759,821
2021	9,352,801	6,484,050
2022	5,486,658	6,226,614
2023	5,755,181	6,014,609
2024	5,796,061	5,964,433
2025 - 2029	29,601,344	26,839,805
2030 - 2034	36,645,243	19,430,606
2035 - 2039	46,605,586	9,485,022
2040 - 2044	13,810,000	986,525
2045 - 2049	<u>1,415,000</u>	<u>130,320</u>
	<u>\$ 159,650,766</u>	<u>\$ 88,321,805</u>

NOTE 8 - LEASE OBLIGATIONS

The City was not obligated on any significant operating leases as of September 30, 2019.

NOTE 9 - RISK MANAGEMENT

The City maintains commercial insurance policies to mitigate risk of significant losses. Management believes the amount of insurance maintained to be adequate. There have been no significant reductions in insurance coverage. Insurance settlements have not exceeded insurance coverage for the current year or the three prior years.

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE 10 - FUND BALANCE

Amounts for specific purposes by fund and fund balance classifications for the year ended September 30, 2019 are as follows:

<u>Classification / Fund</u>	<u>Purpose</u>	<u>Amount</u>
Unassigned / General Fund		\$ 15,283,764
Restricted / Capital Projects Fund	Capital Projects	12,678,334
Committed / Education Fund	Education	8,907,871
Restricted / Debt Service Fund	Debt Payments	6,304,966
Restricted / Capital Projects Fund	Capital Projects	1,241,435
Restricted / Capital Projects Fund	Capital Projects	746,293
Restricted / Gas Tax Fund	Infrastructure Maintenance	307,859
Restricted / Corrections Fund	Public Safety	264,225
Restricted / Street Improvement Fund	Infrastructure Maintenance	214,522
Nonspendable / General Fund	Prepaid Expense	199,519
Restricted / Confiscated Fund	Public Safety	1,535
Restricted / Confiscated Fund	Public Safety	400
Restricted / Capital Projects Fund	Capital Projects	<u>(14,616)</u>
		<u>\$ 46,136,107</u>

NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES

The City is involved in various lawsuits at September 30, 2019, substantially all of which will be covered by insurance in the event of a settlement or judgement against the City.

The City, in order to foster economic growth, has entered into the following agreements:

The City has entered into tax abatement agreements with local businesses to promote economic development. The agreements rebate varying percentages of sales taxes, rental taxes and / or business license fees generated by the respective commercial development. The total amount rebated under these agreements for the year ended September 30, 2019 was \$686,086. The balances remaining to be paid under these agreements as of September 30, 2019 cannot be determined since the total to be paid is dependent upon future sales tax, rental tax and business license revenue from each development.

NOTE 12 - POST EMPLOYMENT BENEFITS

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

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE 12 - POST EMPLOYMENT BENEFITS - Continued

Benefits Provided. Medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement. The employees are covered by the Retirement System of Alabama and must meet the eligibility provisions adopted by resolution to receive retiree medical benefits. The earliest retirement eligibility provisions are as follows: 25 years of service or age 60 and 10 years of service (called Tier I members). Employees hired on or after January 1, 2013 (called Tier II members) are eligible to retire only after attainment of age 62 or later and completion of 10 years of service. Retiree healthcare requires 30 years of service or 25 years of consecutive service with the City of Trussville.

Employees Covered by Benefit Terms. At September 30, 2019, the following employees were covered by the benefit terms:

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

Total OPEB Liability. The City's total OPEB liability of \$5,233,100 was measured as of September 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the September 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary Increases	3.0%, including inflation
Prior Discount Rate	4.18%
Discount Rate	2.66%, net of OPEB plan investment expense, including inflation
Healthcare Cost Trend Rates	Flat 5.5% annually

The discount rate was based on the average of the Bond Buyers' 20 Year General Obligation municipal bond index as of September 30, 2019, the end of the applicable measurement period.

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

The actuarial assumptions used in the September 30, 2019 valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2009 to September 30, 2019.

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE 12 - POST EMPLOYMENT BENEFITS - continued

Changes in the Total OPEB Liability.

Balance at September 30, 2018	\$ 2,158,940
Changes for the year:	
Service cost	69,886
Interest	91,704
Differences between expected and actual experience	499,993
Changes in assumptions	2,448,817
Benefit payments and net transfers	<u>(36,240)</u>
Net changes	<u>3,074,160</u>
 Balance at September 30, 2019	 <u><u>\$ 5,233,100</u></u>

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

	1% Decrease (1.66%)	Current Discount Rate (2.66%)	1% Increase (3.66%)
Total OPEB liability	\$ 5,966,590	\$ 5,233,100	\$ 4,602,695

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

	1% Decrease (4.5%)	Current Trend Rate (5.5%)	1% Increase (6.5%)
Total OPEB liability	\$ 4,543,081	\$ 5,233,100	\$ 6,046,091

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE 12 - POST EMPLOYMENT BENEFITS - continued

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended September 30, 2019, the City recognized OPEB expense of \$158,705. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 535,400	\$ -
Changes of assumptions	2,319,932	(147,891)
Total	\$ 2,855,332	\$ (147,891)

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

Year ended September 30,			
2020	\$	150,413	
2021		150,413	
2022		150,413	
2023		150,413	
2024		150,413	
Thereafter		1,955,376	
	\$	2,707,441	

NOTE 13 - PENSION PLAN

Employee's Retirement System of Alabama (ERS)

Plan Description. The ERS, an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27 (Act 515 of the Legislature of 1945)*. The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, state police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. Assets of the ERS are pooled for investment purposes. However, separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of its employees only. The responsibility for the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan had approximately 90,999 participants from approximately 909 local participating employers as of September 30, 2018 and is administered by the Retirement Systems of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE 13 - PENSION PLAN – Continued

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

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

Benefits provided. State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. The Legislature of Alabama has authority to amend the plan and grants the City authority to accept or reject cost-of-living adjustments to retirees. During its 2012 Session, the legislature created a Tier 2 plan for all employees hired on or after January 1, 2013, with all employees hired before that date being referred to as Tier 1 members. Membership is mandatory for covered or eligible City employees and substantially all employees are members of ERS.

Tier 1 employees who retire after age 60 with 10 or more years of creditable service or with 25 years of service (regardless of age) 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 1 retirees are allowed 2.0125 percent of their average final compensation (highest 3 of the last 10 years) for each year of service.

Tier 2 employees are eligible for retirement after age 62 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 retirees are allowed 1.65 percent of their average final compensation (highest 5 of the last 10 years) for each year of service.

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

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE 13 - PENSION PLAN – Continued

As of September 30, 2018, membership consisted of:

Retirees and beneficiaries currently receiving benefits	43
Vested inactive members	3
Non-vested inactive members	10
Active members	218
Post-DROP participants who are still in active service	-
Total	274

Contributions. Tier 1 covered members of the ERS contribute 5 percent of earnable compensation with the exception of certified law enforcement, correctional officers and firefighters who contribute 6 percent. Tier 2 covered members contribute 6 percent of earnable compensation with the exception of law enforcement, correctional officers, and firefighters who contribute 7 percent of earnable compensation. The ERS establishes employer rates based on an actuarial determined rate recommended by an independent actuary. The actuarial determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2019, the City’s covered payroll was \$12,698,966. The City’s active employee contribution rate was 5.8 percent of covered payroll, and the City’s average contribution rate to fund the normal and accrued liability costs was 7.88 percent of covered payroll.

The City’s contractually required contribution rate for the year ended September 30, 2019 was 8.56% of pensionable pay for Tier 1 employees, and 5.71% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2016, a percent of annual pensionable payroll, and an actuarially determined amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$1,000,397 for the year ended September 30, 2019

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE 13 - PENSION PLAN - Continued

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 (7.75%)</u>	<u>Actual (7.70%)</u>
(a) Total Pension Liability as of September 30, 2017	\$ 33,056,413	\$ 33,574,523	\$ 33,783,982
(b) Discount rate	7.75%	7.75%	7.70%
(c) Entry Age Normal Cost for the period October, 2017 - September 30, 2018	1,003,571	1,003,571	1,012,900
(d) Transfers Among Employers:	-	75,083	75,083
(e) Actual Benefit Payments and Refunds for the period October 1, 2017 - September 30, 2018	<u>(1,022,225)</u>	<u>(1,022,225)</u>	<u>(1,022,225)</u>
(f) Total Pension Liability as of September 30, 2018 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	<u>\$ 35,560,020</u>	<u>\$ 36,193,366</u>	<u>\$ 36,411,751</u>
(g) Difference between Expected and Actual		\$ 633,346	
(h) Less Liability Transferred for Immediate Recognition		<u>75,083</u>	
(i) Experience (Gain)/Loss = (g) - (h)		<u>\$ 558,263</u>	
(j) Difference between Actual at 7.70% and Actual at 7.75% [Assumption Change (Gain)/Loss]			<u>\$ 218,385</u>

Actuarial assumptions. The total pension liability in the September 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

*Net of pension plan investment expense

Mortality rates for ERS were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females age 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 a Scale BB to 2020 with an adjustment of 130% at all ages for females.

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE 13 - PENSION PLAN - Continued

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

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

Discount rate. The discount rate used to measure the total pension liability at September 30, 2018 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 pan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability and a municipal bond rate was not used in determining the discount rate.

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE 13 - PENSION PLAN - Continued

Changes in Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at September 30, 2017	\$ 33,056,413	\$ 27,929,744	\$ 5,126,669
Changes for the year:			
Service cost	1,003,571	-	1,003,571
Interest	2,522,261	-	2,522,261
Changes of assumptions	218,385	-	218,385
Differences between expected and actual experience	558,263	-	558,263
Contributions - employer	-	865,528	(865,528)
Contributions - employee	-	753,840	(753,840)
Net investment income	-	2,615,928	(2,615,928)
Benefit payments, including refunds of employee contributions	(1,022,225)	(1,022,225)	-
Administrative expense	-	-	-
Transfers among employers	75,083	75,083	-
Net changes	3,355,338	3,288,154	67,184
Balances at September 30, 2018	<u>\$ 36,411,751</u>	<u>\$ 31,217,898</u>	<u>\$ 5,193,853</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 1-percentage point lower (6.7%) or 1-percentage-point higher (8.7%) than the current rate:

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Plan's Net Pension Liability (Asset)	\$ 10,037,915	\$ 5,193,853	\$ 1,127,344

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.

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE 13 - PENSION PLAN - Continued

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2019, the City recognized pension expense of \$822,699. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 655,089	\$ (45,075)
Changes of assumptions	1,141,577	-
Net difference between projected and actual earnings on plan investments	-	(987,964)
Employer contributions subsequent to the Measurement Date	1,000,397	-
Total	\$ 2,797,063	\$ (1,033,039)

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

Amortization of Deferred Inflows / Outflows:

Year ended September 30,

2020	\$ 1,171,167
2021	(117,226)
2022	(21,707)
2023	221,299
2024	316,329
Thereafter	194,162
	\$ 1,764,024

NOTE 14 - ECONOMIC DEPENDENCY

Sales and use tax revenue accounted for 64 percent of total governmental fund-type revenues for the year ended September 30, 2019.

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE 15 – RESTATEMENTS OF BEGINNING NET POSITION AND FUND BALANCE

In 2019, the City determined that a change was necessary in the manner by which sales tax and ad valorem tax measurability and availability is determined for accrual purposes. This change resulted in a reduction of prior period net position and General Fund fund balance of \$3,215,399.

NOTE 16 – FUTURE ACCOUNTING PRONOUNCEMENTS

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

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

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

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

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

**THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE 17 - SUBSEQUENT EVENTS

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. Multiple jurisdictions in the U.S., including the state of Alabama, have declared a state of emergency. It is anticipated that these impacts will continue for some time. While there have been no immediate, significant impacts to the City's operations and finances, the potential exists for future disruptions or restrictions on City services due to the outbreak. The financial impact of the outbreak, if any, cannot be estimated at this time.

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through March 25, 2020, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

THE CITY OF TRUSSVILLE, ALABAMA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY – RETIREMENT SYSTEMS OF ALABAMA
FOR THE YEAR ENDED SEPTEMBER 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability					
Service cost	\$ 1,003,571	\$ 976,468	\$ 893,261	\$ 866,177	\$ 842,773
Interest	2,522,261	2,338,719	2,138,421	1,963,550	1,815,949
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	558,263	89,323	(71,589)	203,360	-
Changes of assumptions	218,385	-	1,509,603	-	-
Benefit payments, including refunds of employee contributions	(1,022,225)	(938,632)	(844,892)	(849,514)	(777,902)
Transfers among employers	75,083	(55,802)	(131,171)	-	-
Net change in total pension liability	3,355,338	2,410,076	3,493,633	2,183,573	1,880,820
Total pension liability - beginning	33,056,413	30,646,337	27,152,704	24,969,131	23,088,311
Total pension liability - ending (a)	\$ 36,411,751	\$ 33,056,413	\$ 30,646,337	\$ 27,152,704	\$ 24,969,131
Plan fiduciary net position					
Contributions - employer	\$ 865,528	\$ 822,430	\$ 802,312	\$ 729,859	\$ 723,666
Contributions - member	753,840	629,893	641,861	560,562	541,561
Net investment income	2,615,928	3,144,242	2,226,928	250,728	2,209,510
Benefit payments, including refunds of employee contributions	(1,022,225)	(938,632)	(844,892)	(849,514)	(777,902)
Transfers among employers	75,083	(55,802)	(131,171)	54,926	26,247
Net change in plan fiduciary net position	3,288,154	3,602,131	2,695,038	746,561	2,723,082
Plan net position - beginning	27,929,744	24,327,613	21,632,575	20,886,014	18,162,932
Plan net position - ending (b)	\$ 31,217,898	\$ 27,929,744	\$ 24,327,613	\$ 21,632,575	\$ 20,886,014
Net pension liability (asset) - ending (a) - (b)	\$ 5,193,853	\$ 5,126,669	\$ 6,318,724	\$ 5,520,129	\$ 4,083,117
Plan fiduciary net position as a percentage of the total pension liability	85.74%	84.49%	79.38%	79.67%	83.65%
Covered-employee payroll	\$ 12,071,935	\$ 10,990,780	\$ 10,452,502	\$ 9,801,065	\$ 9,515,050
Net pension liability (asset) as a percentage of covered-employee payroll	43.02%	46.65%	60.45%	56.32%	42.91%

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

See notes to the required supplemental information.

THE CITY OF TRUSSVILLE, ALABAMA
SCHEDULE OF EMPLOYER CONTRIBUTIONS – RETIREMENT SYSTEMS OF ALABAMA
FOR THE YEAR ENDED SEPTEMBER 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 1,000,397	\$ 891,797	\$ 851,471	\$ 821,552	\$ 764,120
Contribution in relation to the actuarially determined contribution	<u>1,000,397</u>	<u>891,797</u>	<u>851,471</u>	<u>821,552</u>	<u>764,120</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 12,698,966	\$ 12,071,533	\$ 10,990,780	\$ 10,452,502	\$ 9,801,065
Contributions as a percentage of covered-employee payroll	7.88%	7.39%	7.75%	7.86%	7.80%

Actuarial cost method:	Entry Age
Amortization Method:	Level percent closed
Remaining amortization period:	17.1 years
Asset valuation method:	Five-year smoothed market
Inflation:	3.00%
Salary increases:	3.25 – 5.00%, including inflation
Investment rate of return:	7.70%, net of pension plan investment expense, including inflation

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

See notes to the required supplemental information.

THE CITY OF TRUSSVILLE, ALABAMA
SCHEDULE OF FUNDING PROGRESS – POST EMPLOYMENT HEALTH INSURANCE PLAN
FOR THE YEAR ENDED SEPTEMBER 30,

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 69,886	\$ 83,311
Interest	91,704	80,181
Changes of benefit terms	-	-
Differences between expected and actual experience	499,993	68,580
Changes of assumptions	2,448,817	(164,323)
Benefit payments	(36,240)	(34,351)
Net change in total OPEB liability	<u>3,074,160</u>	<u>33,398</u>
Total OPEB liability - beginning	<u>2,158,940</u>	<u>2,125,542</u>
Total OPEB liability - ending (a)	<u>\$ 5,233,100</u>	<u>\$ 2,158,940</u>
Covered-employee payroll	\$ 11,576,884	\$ 11,239,693
Net pension liability (asset) as a percentage of covered-employee payroll	45.20%	19.21%
Notes to Schedule:		
Benefit Changes	None	None
Discount Rate	2.66%	4.18%

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

See notes to the required supplemental information.

THE CITY OF TRUSSVILLE, ALABAMA
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
– GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:				
Taxes	\$ 26,295,012	\$ 26,565,312	\$ 25,973,432	\$ (591,880)
Education	10,119,333	10,675,333	11,397,787	722,454
Licenses and permits	5,245,000	5,408,000	5,359,523	(48,477)
Intergovernmental	120,000	120,000	134,172	14,172
Charges for services	1,955,900	1,880,300	2,029,368	149,068
Fines and forfeitures	240,500	293,500	441,516	148,016
Interest	55,000	70,000	229,488	159,488
Other	32,000	29,612	158,411	128,799
Total Revenues	44,062,744	45,042,057	45,723,697	681,640
Expenditures:				
Current operations:				
General government	3,230,423	3,908,675	2,977,872	930,803
Public safety:				
Fire and rescue	4,929,149	4,836,200	5,036,762	(200,562)
Police and court	7,613,296	7,765,743	8,326,129	(560,386)
Streets and sanitation	3,838,213	3,889,700	4,056,961	(167,261)
Parks and recreation	4,545,770	4,741,000	4,449,435	291,565
Library	1,525,304	1,482,300	1,539,120	(56,820)
Historical	17,000	24,000	20,032	3,968
Engineering and inspection	625,532	604,050	585,288	18,762
Payments to the Trussville School System	4,242,094	5,526,500	4,777,374	749,126
Redevelopmnt Expenses	789,317	708,000	692,519	15,481
Total current operations	31,356,098	33,486,168	32,461,492	1,024,676
Capital outlays	75,000	400,000	716,596	(316,596)
Total expenditures	31,431,098	33,886,168	33,178,088	708,080
Revenues over / (under) expenditures	12,631,647	11,155,889	12,545,609	1,389,720
Other financing sources / (uses):				
Interfund transfers in	-	297,000	296,288	(712)
Interfund transfers out	(12,631,647)	(11,489,056)	(12,143,285)	(654,229)
Proceeds of debt	-	-	74,328	74,328
Total other financing sources / (uses)	(12,631,647)	(11,192,056)	(11,772,669)	(580,613)
Net change in fund balance	\$ -	\$ (36,167)	772,940	\$ 809,107
Fund balances, beginning			23,618,214	
Fund balances, ending			\$ 24,391,154	

See notes to the required supplemental information.

THE CITY OF TRUSSVILLE, ALABAMA
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 1 - COMPLIANCE AND ACCOUNTABILITY

Budget Requirements, Accounting, and Reporting

Requirements:

A budget is adopted for the City's general fund. The budget is based on expected expenditures by program and estimated resources by source.

With the exception of construction in progress, appropriations lapse at the end of each fiscal year.

Appropriation control (City Council appropriated budget) is by department within a fund. The budget may be amended to transfer amounts between departments. Budgetary comparison schedules are presented in the Supplemental Section as Required Supplemental information. The budgetary basis is the modified accrual basis of accounting with encumbrances included as actual.

SUPPLEMENTARY INFORMATION

**SUPPLEMENTARY INFORMATION
THE CITY OF TRUSSVILLE, ALABAMA
SCHEDULE OF REVENUES – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

TAXES	
Sales Tax	\$ 21,603,382
Advalorem Tax	2,081,354
Lodging Tax	692,522
Simple Sell Tax	418,046
County Road Tax	390,190
County Gas Tax	228,639
Beer, Wine & Liquor Tax	203,498
Rental Lease Tax	165,090
Bank Excise Tax	101,704
Other Miscellaneous Tax	89,007
	<u>25,973,432</u>
EDUCATION	
Sales tax	8,096,404
Advalorem tax	3,050,343
Rental lease tax	113,058
Miscellaneous	137,982
	<u>11,397,787</u>
LICENSES & PERMITS	
Business Licenses	4,008,563
Building Permits	1,011,729
Franchise Fees	243,031
Storm Water Permits	96,200
	<u>5,359,523</u>
INTERGOVERNMENTAL PAYMENTS	134,172
CHARGES FOR SERVICES	
Civic center and park programs	1,119,642
Ambulance calls	580,927
Miscellaneous Charges For Services	328,799
	<u>2,029,368</u>
FINES & FORFEITURES	441,516
INTEREST	229,488
OTHER	<u>158,411</u>
TOTAL REVENUES	<u><u>\$ 45,723,697</u></u>

Changes in City accounting policies and financial statement classifications effect this statement's comparability with all previous years.

**SUPPLEMENTARY INFORMATION
THE CITY OF TRUSSVILLE, ALABAMA
SCHEDULE OF EXPENDITURES – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

GENERAL GOVERNMENT	
Payroll and related costs	1,092,610
Economic Incentive agreements	686,086
Professional fees	657,869
Other operating costs	515,994
Insurance	305,332
Collection Fees	222,547
Jefferson County Health Department & Mapping Department	189,953
	<u>3,670,391</u>
 FIRE AND RESCUE	
Payroll and related costs	4,367,891
Repairs & maintenance	138,132
Utilities	161,365
Other operating costs	369,374
	<u>5,036,762</u>
 POLICE AND COURT	
Police Department	
Payroll and related costs	6,835,726
Other operating costs	340,671
Utilities	188,221
Repairs & maintenance	183,621
Fuel	169,213
Municipal Court	
Other operating costs	311,026
Payroll and related costs	297,651
	<u>8,326,129</u>
 STREET	
Payroll and related costs	1,020,264
Garbage pickup	2,164,512
Paving, street lights and maintenance	646,804
Other operating costs	225,381
	<u>4,056,961</u>
 PARKS AND RECREATION	
Payroll and related costs	2,523,239
Parks Programs & Events	680,321
Utilities	633,468
Repairs & maintenance	387,155
Other operating costs	225,252
	<u>4,449,435</u>
 LIBRARY	
Payroll and related costs	1,086,122
Other operating costs	311,141
Library materials	141,857
	<u>1,539,120</u>
 HISTORICAL	
	20,032

**SUPPLEMENTARY INFORMATION
THE CITY OF TRUSSVILLE, ALABAMA
SCHEDULE OF EXPENDITURES – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

ENGINEERING AND INSPECTION	
Payroll and related costs	506,200
Other operating costs	79,088
	<u>585,288</u>
PAYMENTS TO THE TRUSSVILLE SCHOOL SYSTEM	4,777,374
CAPITAL OUTLAYS	716,596
	<u>716,596</u>
TOTAL EXPENDITURES	<u>\$ 33,178,088</u>

Changes in City accounting policies and financial statement classifications effect this statement's comparability with all previous years.