

CITY OF PELHAM, ALABAMA

PELHAM, ALABAMA

Financial Statements

September 30, 2018

**CITY OF PELHAM, ALABAMA
PELHAM, ALABAMA**

MAYOR

Gary Waters

CITY COUNCIL

Rick Hayes
Mildred Lanier
Beth McMillan
Maurice Mercer
Ron Scott

CITY MANAGER

Gretchen DiFante

CITY CLERK & TREASURER

Tom Seale

CITY ATTORNEYS

Ellis, Head, Owens & Justice

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LOCAL FIRM
NATIONAL KNOWLEDGE
GLOBAL REACH

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pelham, Alabama (the City), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pelham, Alabama as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principle

As discussed in Note 16 to the financial statements, in 2018, the City adopted new accounting guidance, *GASBS No. 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in the net pension liability and related ratios, the schedule of employer contributions - pension, the schedule of changes in total OPEB liability and budgetary comparison information on pages 6-12 and 62-68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pelham, Alabama's basic financial statements. The introductory section and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

BMSS, LLC

Birmingham, Alabama
May 13, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF PELHAM, ALABAMA

The City of Pelham's Management Discussion and Analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position, identify any material deviations from the financial plan, and identify individual fund issues or concerns.

Since the Management's Discussion and Analysis is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the City's financial statements.

HIGHLIGHTS

Financial Highlights

- The City's net position for governmental activities increased by \$5,611,662.
- The total cost of the City's programs was \$56,240,971.
- During the year, the City had expenses of \$38,138,551 for governmental activities and transfers of \$7,324,453 to business-type activities, which was \$5,611,662 less than the \$51,074,666 generated in general and program revenues.
- The City's combined assets exceeded its combined liabilities by \$95,616,962, which will allow the City to continue to meet ongoing obligations to citizens and creditors.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 13 and 15) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements begin on page 16. For governmental activities, these statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail by providing information about the City's most significant funds.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 7. One of the most important questions asked about the City's finances is, "Is the City, as a whole, better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used in most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net position* and changes in them. You can think of the City's net position – the difference between assets and liabilities – as one way to measure the City's financial health or *financial position*. Over time, *increases* or *decreases* in the City's net position, are indicators of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental Activities - Most of the City's basic services are reported here, including general administration, police, fire, public works, parks and recreation, and library. Property taxes, sales taxes, program revenues, and grants finance most of these activities.
- Business-type Activities - The City's Water and Sewer System, Civic Complex and Ice Arena, Ballantrae Golf Club, Racquet Club, and Garbage Fund are reported here. The City charges a fee to customers to help cover costs of these services.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 16. The fund financial statements provide detailed information about the most significant funds and not the City as a whole. Some funds are required to be established by State law and bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

- Governmental Funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations after the fund financial statements.
- Proprietary Funds - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

THE CITY AS A WHOLE

Financial Analysis of the City as a Whole

Net Position

The City's combined net position as of September 30, 2018 was \$95,616,962. The governmental activities net position was \$42,905,498 and the business-type activities net position was \$52,711,464.

GOVERNMENT-WIDE STATEMENTS

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business-type Activities		Totals	
	For the year ended September 30,		For the year ended September 30,		For the year ended September 30,	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$71,309,543	\$79,177,677	\$ 6,854,712	\$ 6,485,768	\$78,164,255	\$85,663,445
Capital assets	63,974,922	52,553,700	66,043,900	62,185,916	130,018,822	114,739,616
Total assets	<u>135,284,465</u>	<u>131,731,377</u>	<u>72,898,612</u>	<u>68,671,684</u>	<u>208,183,077</u>	<u>200,403,061</u>
Deferred outflows of resources						
Deferred outflows related to pensions	4,948,004	5,967,929	1,155,487	1,427,476	6,103,491	7,395,405
Deferred outflows related to OPEB	323,973	-	-	-	323,973	-
Deferred charge on refunding	346,156	409,630	201,101	323,293	547,257	732,923
Total deferred outflows of resources	<u>5,618,133</u>	<u>6,377,559</u>	<u>1,356,588</u>	<u>1,750,769</u>	<u>6,974,721</u>	<u>8,128,328</u>
Liabilities						
Long-term liabilities	87,653,207	80,088,792	18,775,137	23,858,262	106,428,344	103,947,054
Other liabilities	1,434,955	2,638,239	2,311,145	1,349,205	3,746,100	3,987,444
Total liabilities	<u>89,088,162</u>	<u>82,727,031</u>	<u>21,086,282</u>	<u>25,207,467</u>	<u>110,174,444</u>	<u>107,934,498</u>
Deferred inflows of resources						
Pension deferrals	1,883,391	-	457,454	-	2,340,845	-
Deferred inflows related to OPEB	850,658	-	-	-	850,658	-
Property taxes levied for subsequent year	6,174,889	5,977,329	-	-	6,174,889	5,977,329
Total deferred inflows of resources	<u>8,908,938</u>	<u>5,977,329</u>	<u>457,454</u>	<u>-</u>	<u>9,366,392</u>	<u>5,977,329</u>
Net Position						
Net investment in capital assets	53,966,598	42,766,214	52,410,282	44,239,968	106,376,880	87,006,182
Restricted	2,627,880	2,544,384	-	-	2,627,880	2,544,384
Unrestricted	(13,688,980)	4,093,978	301,182	975,018	(13,387,798)	5,068,996
Total net position	<u>\$42,905,498</u>	<u>\$49,404,576</u>	<u>\$52,711,464</u>	<u>\$45,214,986</u>	<u>\$95,616,962</u>	<u>\$94,619,562</u>

For more detailed information, see the Statement of Net Position on page 13.

The City's unrestricted net position for governmental activities that can be used to finance day-to-day operations was \$(13,688,980).

Changes in Net Position

The City's Change in Net Position of the governmental activities was \$5,611,662 and the change in net position of business-type activities was \$7,496,478.

The following table reflects the revenue and expenses of the total primary government:

	Governmental Activities		Business-type Activities		Totals	
	For the year ended September 30,		For the year ended September 30,		For the year ended September 30,	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues						
Fees, fines and charges for service	\$ 7,181,661	\$ 7,080,340	\$17,786,208	\$17,176,337	\$24,967,869	\$24,256,677
Operating grants and contributions	1,521,911	1,337,121	-	14,000	1,521,911	1,351,121
Capital grants and contributions	5,235,104	5,204,865	489,870	1,256,908	5,724,974	6,461,773
General revenues						
Sales taxes	27,597,246	26,187,468	-	-	27,597,246	26,187,468
Property taxes	6,221,887	6,069,162	-	-	6,221,887	6,069,162
Other taxes	254,636	235,681	-	-	254,636	235,681
Interest earnings	2,006,028	2,181,676	7,653	14,822	2,013,681	2,196,498
Gain (loss) on disposal of capital assets	1,056,193	348,593	(9,286)	3,306	1,046,907	351,899
Total revenues	<u>51,074,666</u>	<u>48,644,906</u>	<u>18,274,445</u>	<u>18,465,373</u>	<u>69,349,111</u>	<u>67,110,279</u>
Expenses						
General administration	11,437,677	10,773,721	-	-	11,437,677	10,773,721
Police	9,116,107	8,990,390	-	-	9,116,107	8,990,390
Fire	8,898,391	8,929,096	-	-	8,898,391	8,929,096
Public works	3,350,359	3,428,568	-	-	3,350,359	3,428,568
Parks and recreation	1,852,782	1,270,088	-	-	1,852,782	1,270,088
Library	1,690,768	1,259,856	-	-	1,690,768	1,259,856
Interest on long-term debt	1,792,467	1,759,454	-	-	1,792,467	1,759,454
Water and Sewer	-	-	8,933,340	9,170,244	8,933,340	9,170,244
Civic Complex and Ice Arena	-	-	4,348,556	3,378,901	4,348,556	3,378,901
Ballantrae Golf Club	-	-	2,372,356	2,501,909	2,372,356	2,501,909
Racquet Club	-	-	1,196,560	1,202,805	1,196,560	1,202,805
Garbage Fund	-	-	1,251,608	1,134,170	1,251,608	1,134,170
Total expenses	<u>38,138,551</u>	<u>36,411,173</u>	<u>18,102,420</u>	<u>17,388,029</u>	<u>56,240,971</u>	<u>53,799,202</u>
Excess (deficiency) before transfers	12,936,115	12,233,733	172,025	1,077,344	13,108,140	13,311,077
Transfers	<u>(7,324,453)</u>	<u>(3,566,811)</u>	<u>7,324,453</u>	<u>3,566,811</u>	-	-
Change in net position	5,611,662	8,666,922	7,496,478	4,644,155	13,108,140	13,311,077
Beginning net position	49,404,576	40,737,654	45,214,986	40,570,831	94,619,562	81,308,485
Prior period adjustment	<u>(12,110,740)</u>	-	-	-	<u>(12,110,740)</u>	-
Total net position	<u>\$42,905,498</u>	<u>\$49,404,576</u>	<u>\$52,711,464</u>	<u>\$45,214,986</u>	<u>\$95,616,962</u>	<u>\$94,619,562</u>

For more detailed information, see the Statement of Activities on page 15.

The governmental activities total revenues increased by 4.99% to \$51,074,666 due primarily to an increase in gain on disposal of capital assets and sales tax revenue. Sales and property taxes account for 66.22% of all governmental activities revenues. The remaining revenues are comprised of charges for services and various other sources. The business-type activities total revenue decreased by 1.03%.

The total cost of all programs and services increased by \$2,441,769. The cost of governmental activities increased by \$1,727,378 and the cost of business-type activities increased by \$714,391.

Governmental Activities

The change in net position of governmental activities was \$5,611,662, resulting primarily from an increase in sales tax revenue.

Business-type Activities

The change in net position of business-type activities was \$7,496,478, resulting primarily from transfers from the general fund.

THE CITY'S FUNDS

Governmental Funds

As of September 30, 2018, the governmental funds reported a combined fund balance of \$64,089,421, which is 9.65% less than the beginning of the year. The General Fund experienced a net decrease of \$6,946,945 resulting primarily from transfers to business-type activities.

Business-type Funds

As of September 30, 2018, business-type funds reported a combined net position of \$52,711,464. The business-type funds Change in Net Position totaled \$7,496,478, resulting primarily from transfers from the governmental activities.

General Fund Budgetary Highlights

General Fund revenues exceeded budget by \$4,840,665, largely due to greater than anticipated sales tax revenue and capital grant contributions that are not budgeted. The revenue budget is based on prior year budgeted revenues and does not factor in any growth. General fund revenues do not include proceeds from debt.

General Fund expenditures were less than budgeted amounts by \$7,261,894, largely due to a decrease in spending on operations to provide funding for capital outlay.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the City had \$130,018,822, net of accumulated depreciation, invested in a broad range of capital assets, including the Water and Sewer System, Civic Complex and Ice Arena, Racquet Club, Ballantrae Golf Club, fire and police equipment, vehicles, buildings, a library, a senior citizen center, park facilities, streets, and roads. This amount represents a net increase (including additions, disposals and depreciation) of \$15,279,206 or 13.32% more than last year. The increase can be attributed to capital asset additions offset by depreciation expense and the sale of surplus capital assets.

The following is a schedule of capital assets as of September 30:

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	\$ 14,072,019	\$ 9,060,722	\$ 8,801,321	\$ 8,801,321	\$ 22,873,340	\$ 17,862,043
Construction in progress	3,304,011	13,675,438	3,006,443	4,489,264	6,310,454	18,164,702
Infrastructure, net	18,247,107	14,869,082	-	-	18,247,107	14,869,082
System and facilities, net	-	-	52,539,525	47,659,911	52,539,525	47,659,911
Buildings and improvements, net	20,376,656	9,083,230	569,127	609,506	20,945,783	9,692,736
Equipment, net	7,975,129	5,865,228	1,127,484	625,914	9,102,613	6,491,142
Total capital assets, net	<u>\$ 63,974,922</u>	<u>\$52,553,700</u>	<u>\$66,043,900</u>	<u>\$62,185,916</u>	<u>\$ 130,018,822</u>	<u>\$ 114,739,616</u>

Commitments

The General Fund had contractual commitments as of September 30, 2018 of \$457,842 for various capital improvements within the City.

The Pelham Civic Complex had contractual commitments as of September 30, 2018 of \$103,314 for renovations to the civic complex.

Long-Term Debt

At September 30, 2018, the City had \$67,687,219 in warrants and capital leases payable outstanding versus \$73,329,995 at September 30, 2017, a decrease of 7.70%. This decrease resulted primarily from payment on debt principal.

The following is a schedule of long-term debt as of September 30:

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
General Obligation						
Warrants	\$ 52,610,436	\$ 54,881,946	\$ 13,834,719	\$ 18,269,241	\$ 66,445,155	\$ 73,151,187
Notes payable	-	84,092	-	-	-	84,092
Capital lease payable	1,235,283	85,140	6,781	9,576	1,242,064	94,716
Totals	<u>\$ 53,845,719</u>	<u>\$ 55,051,178</u>	<u>\$ 13,841,500</u>	<u>\$ 18,278,817</u>	<u>\$ 67,687,219</u>	<u>\$ 73,329,995</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City Manager, after consulting with the Mayor and City Clerk/Treasurer, department heads and supervisors, considered many factors when submitting the proposed budget for the fiscal year ending September 30, 2019. The City Council took the Mayor's proposed budget under consideration and, after further review and evaluation, adopted the fiscal year 2019 budget. Tax rates, anticipated sales tax collections, anticipated expenditures/expenses, prior year actual revenues/expenses and the overall economy were some of these factors.

Pelham's local economy consists of commercial, retail, and light industrial business. Some of Pelham's largest businesses are the Walmart Supercenter, Publix, Home Depot, Holiday Inn, Hampton Inn, and numerous restaurants and auto dealerships.

The City continued to see an increase in commercial development in the area in 2018, and the population continues to grow. The City of Pelham's population increased from 14,369 in the 2000 census to 21,352 in the 2010 census.

These indicators were taken into account when adopting the General Fund budget for the fiscal year ended September 30, 2019. Amounts available for expenditure in the General Fund budget are \$43,764,874 for the fiscal year 2019. The City took into consideration the current year increase in revenue and its effect on the City when budgeting expenditures for the fiscal year 2019.

If these estimates are realized, the City's budgetary fund balance is expected to increase by the close of fiscal year 2019.

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 questions about this report or need additional information, contact the City Clerk/Treasurer at The City of Pelham, P.O. Box 1419, Pelham, Alabama 35124.

CITY OF PELHAM, ALABAMA
Statement of Net Position
September 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 9,511,816	\$ 4,358,704	\$ 13,870,520
Deposit and investments	3,705,609	-	3,705,609
Accounts receivable	8,335,226	1,675,764	10,010,990
Inventory	-	327,131	327,131
Prepaid expenses	1,725,808	104,188	1,829,996
Current maturity of long-term notes receivable	1,401,209	-	1,401,209
Restricted cash and cash equivalents	2,564,875	-	2,564,875
Restricted deposit	150,000	-	150,000
Total current assets	<u>27,394,543</u>	<u>6,465,787</u>	<u>33,860,330</u>
Noncurrent assets			
Restricted cash	-	388,925	388,925
Notes receivable	43,915,000	-	43,915,000
Nondepreciable capital assets	17,376,030	11,807,764	29,183,794
Depreciable capital assets, net	46,598,892	54,236,136	100,835,028
Total noncurrent assets	<u>107,889,922</u>	<u>66,432,825</u>	<u>174,322,747</u>
Total assets	<u>135,284,465</u>	<u>72,898,612</u>	<u>208,183,077</u>
Deferred outflows of resources			
Deferred outflows related to pensions	4,948,004	1,155,487	6,103,491
Deferred outflows related to OPEB	323,973	-	323,973
Deferred charge on refunding	346,156	201,101	547,257
Total deferred outflows of resources	<u>5,618,133</u>	<u>1,356,588</u>	<u>6,974,721</u>
Liabilities			
Current liabilities			
Accounts payable	376,834	1,395,082	1,771,916
Unearned revenue	-	325,495	325,495
Accrued liabilities	489,675	143,653	633,328
Accrued interest payable	389,722	57,990	447,712
Payable from restricted assets - customer deposits	178,724	388,925	567,649
Current maturities of long-term liabilities			
Warrants payable, net	2,279,330	4,528,619	6,807,949
Capital lease payable	309,330	2,927	312,257
Compensated absences	916,003	160,162	1,076,165
Total current liabilities	<u>4,939,618</u>	<u>7,002,853</u>	<u>11,942,471</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PELHAM, ALABAMA
Statement of Net Position
September 30, 2018
(Continued)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Noncurrent liabilities			
Warrants payable, net	\$ 50,331,106	\$ 9,306,100	\$ 59,637,206
Capital lease payable	925,953	3,854	929,807
Compensated absences	916,004	160,159	1,076,163
Total OPEB liability	12,981,936	-	12,981,936
Net pension liability	18,993,545	4,613,316	23,606,861
Total noncurrent liabilities	<u>84,148,544</u>	<u>14,083,429</u>	<u>98,231,973</u>
Total liabilities	<u>89,088,162</u>	<u>21,086,282</u>	<u>110,174,444</u>
Deferred inflows of resources			
Deferred inflows related to pension	1,883,391	457,454	2,340,845
Deferred inflows related to OPEB	850,658	-	850,658
Property taxes levied for subsequent year	6,174,889	-	6,174,889
Total deferred inflows of resources	<u>8,908,938</u>	<u>457,454</u>	<u>9,366,392</u>
Net position			
Net investment in capital assets	53,966,598	52,410,282	106,376,880
Restricted for			
Street improvements	322,196	-	322,196
Court	787,844	-	787,844
Police/municipal corrections	391,656	-	391,656
Library	71,852	-	71,852
Capital projects	1,054,332	-	1,054,332
Unrestricted	<u>(13,688,980)</u>	<u>301,182</u>	<u>(13,387,798)</u>
Total net position	<u>\$ 42,905,498</u>	<u>\$ 52,711,464</u>	<u>\$ 95,616,962</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PELHAM, ALABAMA
Statement of Activities
For the Year Ended September 30, 2018

Program Activities:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Governmental activities							
General administration	\$ 11,437,677	\$ 6,815,056	\$ 206,093	\$ -	\$ (4,416,528)	\$ -	\$ (4,416,528)
Police	9,116,107	99,262	254,004	1,590,309	(7,172,532)	-	(7,172,532)
Fire	8,898,391	-	31,862	20,000	(8,846,529)	-	(8,846,529)
Public works	3,350,359	1,500	843,334	2,716,368	210,843	-	210,843
Parks and recreation	1,852,782	245,580	-	801,427	(805,775)	-	(805,775)
Library	1,690,768	20,263	186,618	107,000	(1,376,887)	-	(1,376,887)
Interest on long-term debt	1,792,467	-	-	-	(1,792,467)	-	(1,792,467)
Total governmental activities	38,138,551	7,181,661	1,521,911	5,235,104	(24,199,875)	-	(24,199,875)
Business-type activities							
Water and Sewer	8,933,340	10,695,582	-	489,870	-	2,252,112	2,252,112
Civic Complex and Ice Arena	4,348,556	2,920,367	-	-	-	(1,428,189)	(1,428,189)
Ballantrae Golf	2,372,356	2,067,957	-	-	-	(304,399)	(304,399)
Racquet Club	1,196,560	709,007	-	-	-	(487,553)	(487,553)
Garbage Fund	1,251,608	1,393,295	-	-	-	141,687	141,687
Total business-type activities	18,102,420	17,786,208	-	489,870	-	173,658	173,658
Total primary government	\$ 56,240,971	\$ 24,967,869	\$ 1,521,911	\$ 5,724,974	(24,199,875)	173,658	(24,026,217)
General revenues and other items:							
Taxes:							
Sales					27,597,246	-	27,597,246
Property					6,221,887	-	6,221,887
Other					254,636	-	254,636
Interest earnings					2,006,028	7,653	2,013,681
Gain on disposal of capital assets					1,056,193	(9,286)	1,046,907
Transfers (out) in					(7,324,453)	7,324,453	-
Total general revenues and other items					29,811,537	7,322,820	37,134,357
Change in net position					5,611,662	7,496,478	13,108,140
Net position - beginning of year, as originally reported					49,404,576	45,214,986	94,619,562
Prior period adjustment, see Note 16					(12,110,740)	-	(12,110,740)
Net position - beginning of year, as restated					37,293,836	45,214,986	82,508,822
Net position - end of year					\$ 42,905,498	\$ 52,711,464	\$ 95,616,962

The notes to the financial statements are an integral part of this statement.

CITY OF PELHAM, ALABAMA

Balance Sheet

Governmental Funds

September 30, 2018

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 9,511,816	\$ -	\$ 9,511,816
Deposit and investments	3,705,609	-	3,705,609
Accounts receivable	8,335,226	-	8,335,226
Prepaid expenditures	1,725,808	-	1,725,808
Current maturity of long-term notes receivable	1,401,209	-	1,401,209
Restricted cash and cash equivalents	422,351	2,142,524	2,564,875
Restricted deposit	-	150,000	150,000
	<u>25,102,019</u>	<u>2,292,524</u>	<u>27,394,543</u>
Non-current assets			
Note receivable	43,915,000	-	43,915,000
	<u>43,915,000</u>	<u>-</u>	<u>43,915,000</u>
Total assets	<u>\$ 69,017,019</u>	<u>\$ 2,292,524</u>	<u>\$ 71,309,543</u>
Liabilities			
Accounts payable	\$ 376,834	\$ -	\$ 376,834
Accrued liabilities	489,675	-	489,675
Payable from restricted assets - due (from) to other funds	(18,774)	18,774	-
Payable from restricted assets - deposits	110,503	68,221	178,724
Total liabilities	<u>958,238</u>	<u>86,995</u>	<u>1,045,233</u>
Deferred inflow of resources			
Property taxes levied for subsequent year	6,174,889	-	6,174,889
Total deferred inflows of resources	<u>6,174,889</u>	<u>-</u>	<u>6,174,889</u>
Fund balance			
Nonspendable			
Notes receivable	45,316,209	-	45,316,209
Prepaid expenditures	1,725,808	-	1,725,808
Restricted for			
Street improvements	-	322,196	322,196
Court	422,351	365,493	787,844
Police/municipal corrections	-	391,656	391,656
Library	-	71,852	71,852
Capital projects	-	1,054,332	1,054,332
Unassigned	14,419,524	-	14,419,524
Total fund balances	<u>61,883,892</u>	<u>2,205,529</u>	<u>64,089,421</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ 69,017,019</u>	<u>\$ 2,292,524</u>	<u>\$ 71,309,543</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PELHAM, ALABAMA
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
September 30, 2018

Total fund balances - governmental funds		\$ 64,089,421
Amounts reported for governmental activities in the Statement of Net Position are different due to the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Governmental capital assets	90,786,908	
Less accumulated depreciation	<u>(26,811,986)</u>	63,974,922
Interest payable is not recognized as an expenditure in governmental funds, but rather is recognized when an expenditure is paid.		
		(389,722)
Long-term liabilities, including warrants payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Warrants payable	(50,018,041)	
Warrant discounts and premiums	(2,592,395)	
Deferred outflow of resources for deferred charges	346,156	
Deferred outflows of resources for pension	4,948,004	
Deferred outflows of resources for OPEB	323,973	
Capital lease payable	(1,235,283)	
Total OPEB liability	(12,981,936)	
Deferred inflows of resources for pension	(1,883,391)	
Deferred inflows of resources for OPEB	(850,658)	
Net pension liability	(18,993,545)	
Compensated absences	<u>(1,832,007)</u>	<u>(84,769,123)</u>
Total net position- governmental activities		<u>\$ 42,905,498</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PELHAM, ALABAMA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2018

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes			
Sales	\$ 27,597,246	\$ -	\$ 27,597,246
Property	6,221,887	-	6,221,887
Motor vehicle/gas	633,734	209,600	843,334
Other	254,636	-	254,636
Licenses and permits	4,582,543	-	4,582,543
Fines and forfeitures	1,464,630	570,166	2,034,796
Charges for services	370,063	-	370,063
Interest	2,004,899	1,129	2,006,028
Other	2,989,495	501,472	3,490,967
Total revenues	<u>46,119,133</u>	<u>1,282,367</u>	<u>47,401,500</u>
Expenditures			
General administration	11,443,981	615,512	12,059,493
Police	8,136,948	157,352	8,294,300
Fire	8,008,043	-	8,008,043
Public works	2,409,361	133,927	2,543,288
Parks and recreation	1,521,488	-	1,521,488
Library	1,468,447	74,187	1,542,634
Capital outlay	11,533,875	-	11,533,875
Debt service			
Principal retirement	2,409,162	-	2,409,162
Interest	1,956,836	-	1,956,836
Total expenditures	<u>48,888,141</u>	<u>980,978</u>	<u>49,869,119</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,769,008)</u>	<u>301,389</u>	<u>(2,467,619)</u>
Other financing sources (uses)			
Proceeds from sale of capital assets	1,498,116	-	1,498,116
Issuance of capital leases	1,450,000	-	1,450,000
Interfund transfers out	<u>(7,125,753)</u>	<u>(198,700)</u>	<u>(7,324,453)</u>
Total other financing sources (uses)	<u>(4,177,637)</u>	<u>(198,700)</u>	<u>(4,376,337)</u>
Net changes in fund balance	(6,946,645)	102,689	(6,843,956)
Fund balance - beginning of year	<u>68,830,537</u>	<u>2,102,840</u>	<u>70,933,377</u>
Fund balance - end of year	<u>\$ 61,883,892</u>	<u>\$ 2,205,529</u>	<u>\$ 64,089,421</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PELHAM, ALABAMA
 Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances to the Statement of Activities
 For the Year Ended September 30, 2018

Net changes in fund balances - governmental funds \$ (6,843,956)

Amounts reported for governmental activities in the Statement of
 Activities are different due to the following:

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.
 This is the amount by which capital outlays exceeded depreciation
 in the current period.

Capital outlay	11,533,875	
Less depreciation expense	<u>(2,287,703)</u>	9,246,172

The proceeds from the sale of capital assets (\$1,498,116) are reported as
 other financing sources in the governmental funds. However, the
 the net book value of the capital assets (\$441,923) is removed from
 the capital assets account in the Statement of Net Position and offset
 against the sales proceeds resulting in a gain in the Statement of
 Activities of \$(1,056,193). (441,923)

Donations of capital assets do not provide current financial
 resources and are not recorded in governmental funds. However,
 donations of capital assets increase net position. 2,616,973

The issuance of long-term debt (e.g., warrants, notes payable, etc.)
 provides current financial resources to governmental funds, while the
 repayment of the principal of long-term debt consumes the current
 financial resources of governmental funds. Neither transaction,
 however, has any effect on net position. Also, governmental funds
 report the effect of discounts, premiums, and similar items when debt
 is first issued, whereas these amounts are deferred and amortized in
 the Statement of Activities. This amount is the net effect of these
 differences in the treatment of long-term debt and related items.

Principal retirement	2,409,162	
Issuance of capital leases	(1,450,000)	
Bond discounts, premiums, and deferred amounts on refunding amortization expense	<u>182,823</u>	1,141,985

The notes to the financial statements are an integral part of this statement.

CITY OF PELHAM, ALABAMA
 Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances to the Statement of Activities
 For the Year Ended September 30, 2018
 (Continued)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Net increase in accrued compensated absences	\$ (238,507)	
Net increase in pension expense	(519,219)	
Net decrease in total OPEB liability	668,591	
Net increase in accrued interest	(18,454)	(107,589)
Change in net position - governmental activities	\$	<u>5,611,662</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PELHAM, ALABAMA
Statement of Net Position
Proprietary Funds
September 30, 2018

	Business-type Activities - Enterprise Funds				Totals
	Water and Sewer	Civic		Other Proprietary Funds	
		Complex and Ice Arena	Ballantreae Golf		
Assets					
Current assets					
Cash and cash equivalents	\$ 3,808,589	\$ 93,499	\$ 58,533	\$ 398,083	\$ 4,358,704
Accounts receivable	1,330,933	98,534	61,769	184,528	1,675,764
Inventory	133,176	115,107	64,364	14,484	327,131
Prepaid expenses	58,790	21,387	14,517	9,494	104,188
Total current assets	<u>5,331,488</u>	<u>328,527</u>	<u>199,183</u>	<u>606,589</u>	<u>6,465,787</u>
Non-current assets					
Restricted cash	388,925	-	-	-	388,925
Non-depreciable assets	3,949,181	9,880	7,463,703	385,000	11,807,764
Depreciable capital assets, net	35,102,811	13,465,481	3,004,239	2,663,605	54,236,136
Total noncurrent assets	<u>39,440,917</u>	<u>13,475,361</u>	<u>10,467,942</u>	<u>3,048,605</u>	<u>66,432,825</u>
Total assets	<u>44,772,405</u>	<u>13,803,888</u>	<u>10,667,125</u>	<u>3,655,194</u>	<u>72,898,612</u>
Deferred outflows of resources					
Contributions to pension plans	536,707	217,991	245,975	154,814	1,155,487
Deferred charge on refunding	144,424	23,469	21,306	11,902	201,101
Total deferred outflows of resources	<u>681,131</u>	<u>241,460</u>	<u>267,281</u>	<u>166,716</u>	<u>1,356,588</u>
Liabilities					
Current liabilities					
Accounts payable	609,248	649,450	24,986	111,398	1,395,082
Unearned revenue	-	325,495	-	-	325,495
Accrued liabilities	47,809	27,186	54,058	14,600	143,653
Accrued interest payable	48,002	1,261	3,631	5,096	57,990
Payable from restricted assets - customer deposits	388,925	-	-	-	388,925
Current maturities of long-term liabilities					
Warrants payable, net	3,162,291	594,680	606,093	165,555	4,528,619
Capital lease payable	-	-	2,927	-	2,927
Compensated absences	60,841	37,809	32,237	29,275	160,162
Total current liabilities	<u>4,317,116</u>	<u>1,635,881</u>	<u>723,932</u>	<u>325,924</u>	<u>7,002,853</u>
Noncurrent liabilities					
Warrants payable, net	5,575,496	604,989	2,489,051	636,564	9,306,100
Capital lease payable	-	-	3,854	-	3,854
Compensated absences	60,841	37,808	32,236	29,274	160,159
Net pension liability	2,200,751	819,514	1,017,289	575,762	4,613,316
Total noncurrent liabilities	<u>7,837,088</u>	<u>1,462,311</u>	<u>3,542,430</u>	<u>1,241,600</u>	<u>14,083,429</u>
Total liabilities	<u>12,154,204</u>	<u>3,098,192</u>	<u>4,266,362</u>	<u>1,567,524</u>	<u>21,086,282</u>
Deferred inflow of resources					
Deferred inflows related to pensions	218,225	81,263	100,874	57,092	457,454
Total deferred inflows of resources	<u>218,225</u>	<u>81,263</u>	<u>100,874</u>	<u>57,092</u>	<u>457,454</u>
Net position					
Net investment in capital assets	30,458,629	12,299,161	7,394,104	2,258,388	52,410,282
Unrestricted	2,622,478	(1,433,268)	(826,934)	(61,094)	301,182
Total net position	<u>\$ 33,081,107</u>	<u>\$ 10,865,893</u>	<u>\$ 6,567,170</u>	<u>\$ 2,197,294</u>	<u>\$ 52,711,464</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PELHAM, ALABAMA
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2018

	Business-type Activities - Enterprise Funds				Totals
	Water and Sewer	Civic Complex and Ice Arena	Ballantrae Golf	Other Proprietary Funds	
Operating revenues					
Charges for services	\$ 10,695,582	\$ 2,920,367	\$ 2,067,957	\$ 2,102,302	\$ 17,786,208
Total operating revenues	<u>10,695,582</u>	<u>2,920,367</u>	<u>2,067,957</u>	<u>2,102,302</u>	<u>17,786,208</u>
Operating expenses					
Salaries	1,528,496	1,308,146	1,026,315	618,078	4,481,035
Employee benefits	458,438	205,847	207,852	136,448	1,008,585
Payroll taxes	110,945	72,846	74,161	43,497	301,449
Depreciation	2,811,006	596,598	148,131	122,803	3,678,538
Water purchases	1,727,460	-	-	-	1,727,460
Contract services - garbage pickup	-	-	-	1,251,608	1,251,608
Programs and events	-	857,253	-	81,307	938,560
Utilities and telephone	579,613	438,536	81,764	35,136	1,135,049
Supplies	438,986	290,360	514,188	33,839	1,277,373
Maintenance and repairs	357,106	370,792	102,290	49,828	880,016
Insurance	76,541	57,550	45,029	18,468	197,588
Other	578,598	96,828	98,879	38,684	812,989
Total operating expenses	<u>8,667,189</u>	<u>4,294,756</u>	<u>2,298,609</u>	<u>2,429,696</u>	<u>17,690,250</u>
Operating income (loss)	<u>2,028,393</u>	<u>(1,374,389)</u>	<u>(230,652)</u>	<u>(327,394)</u>	<u>95,958</u>
Nonoperating expenses					
(Loss) gain on disposal of capital assets	(9,411)	-	125	-	(9,286)
Interest income	7,265	123	43	222	7,653
Interest expense	(266,151)	(53,800)	(73,747)	(18,472)	(412,170)
Total nonoperating expenses	<u>(268,297)</u>	<u>(53,677)</u>	<u>(73,579)</u>	<u>(18,250)</u>	<u>(413,803)</u>
Income (loss) before capital contributions and transfers (out) in	1,760,096	(1,428,066)	(304,231)	(345,644)	(317,845)
Capital contributions	489,870	-	-	-	489,870
Transfers (out) in	<u>(6,699)</u>	<u>6,125,030</u>	<u>751,435</u>	<u>454,687</u>	<u>7,324,453</u>
Change in net position	2,243,267	4,696,964	447,204	109,043	7,496,478
Net position, beginning of year	<u>30,837,840</u>	<u>6,168,929</u>	<u>6,119,966</u>	<u>2,088,251</u>	<u>45,214,986</u>
Net position, end of year	<u>\$ 33,081,107</u>	<u>\$ 10,865,893</u>	<u>\$ 6,567,170</u>	<u>\$ 2,197,294</u>	<u>\$ 52,711,464</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PELHAM, ALABAMA
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2018

	Business-type Activities - Enterprise Funds				Totals
	Water and Sewer	Civic Complex and Ice Arena	Ballantrae Golf	Other Proprietary Funds	
Cash flows from operating activities					
Cash received from customers	\$10,557,140	\$ 3,158,669	\$ 2,064,690	\$ 1,984,781	\$17,765,280
Cash paid to employees	(2,075,829)	(1,560,446)	(1,295,903)	(783,544)	(5,715,722)
Cash paid to suppliers for goods and services	(3,608,607)	(2,451,916)	(828,245)	(1,514,720)	(8,403,488)
Net cash provided (used) by operating activities	<u>4,872,704</u>	<u>(853,693)</u>	<u>(59,458)</u>	<u>(313,483)</u>	<u>3,646,070</u>
Cash flows from noncapital financing activities					
Transfers (to) from other funds	(6,699)	6,125,030	751,435	454,687	7,324,453
Net cash (used) provided by noncapital financing activities	<u>(6,699)</u>	<u>6,125,030</u>	<u>751,435</u>	<u>454,687</u>	<u>7,324,453</u>
Cash flows from capital and related financing activities					
Purchase of property, plant, and equipment	(1,558,516)	(4,648,434)	(4,954)	-	(6,211,904)
Proceeds from sale of capital assets	7,560	-	-	-	7,560
Principal payments on debt	(3,091,781)	(584,546)	(597,371)	(163,619)	(4,437,317)
Interest payments on debt	(200,529)	(26,076)	(65,966)	(13,442)	(306,013)
Net cash used by capital and related financing activities	<u>(4,843,266)</u>	<u>(5,259,056)</u>	<u>(668,291)</u>	<u>(177,061)</u>	<u>(10,947,674)</u>
Cash flows from investing activities					
Interest on cash and investments	7,265	123	43	222	7,653
Net cash provided by investing activities	<u>7,265</u>	<u>123</u>	<u>43</u>	<u>222</u>	<u>7,653</u>
Net increase (decrease) in cash and cash equivalents	30,004	12,404	23,729	(35,635)	30,502
Cash and cash equivalents at beginning of year	<u>4,167,510</u>	<u>81,095</u>	<u>34,804</u>	<u>433,718</u>	<u>4,717,127</u>
Cash and cash equivalents at end of year	<u>\$ 4,197,514</u>	<u>\$ 93,499</u>	<u>\$ 58,533</u>	<u>\$ 398,083</u>	<u>\$ 4,747,629</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PELHAM, ALABAMA
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2018
(Continued)

	Business-type Activities - Enterprise Funds				Totals
	Water and Sewer	Civic Complex and Ice Arena	Ballantrae Golf	Other Proprietary Funds	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 2,028,393	\$(1,374,389)	\$ (230,652)	\$ (327,394)	\$ 95,958
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	2,811,006	596,598	148,131	122,803	3,678,538
Bad debt expense	434	-	-	-	434
(Increase) decrease in:					
Accounts receivable	(142,722)	(78,767)	(7,636)	(117,521)	(346,646)
Deferred outflows of resources for pensions	134,985	40,579	64,260	32,165	271,989
Prepaid expenses	(11,955)	787	(1,061)	(1,460)	(13,689)
Inventory	30,150	(11,532)	3,109	(297)	21,430
Increase (decrease) in:					
Accounts payable	190,294	(328,336)	10,507	(5,190)	(132,725)
Accrued expenses	(64,522)	2,671	11	(374)	(62,214)
Customer deposits	4,280	-	-	-	4,280
Unearned revenue	-	317,069	-	-	317,069
Deferred inflows of resources for pension	218,225	81,263	100,874	57,092	457,454
Net pension liability	(276,241)	(102,867)	(127,691)	(72,271)	(579,070)
Compensated absences	(49,623)	3,231	(19,310)	(1,036)	(66,738)
Net cash provided (used) by operating activities	\$ 4,872,704	\$ (853,693)	\$ (59,458)	\$ (313,483)	\$ 3,646,070
Reconciliation of cash and cash equivalents					
Cash and cash equivalents in current assets	\$ 3,808,589	\$ 93,499	\$ 58,533	\$ 398,083	\$ 4,358,704
Restricted cash	388,925	-	-	-	388,925
Total cash and cash equivalents at end of year	\$ 4,197,514	\$ 93,499	\$ 58,533	\$ 398,083	\$ 4,747,629

Noncash Investing, Capital, and Financing Activities

Pelham Water and Sewer had amortization of deferred amounts on refunding of \$79,305 and had system lines contributed by developers totaling \$489,870, during the year ended September 30, 2018.

Pelham Civic Complex and Ice Arena had amortization of deferred amounts on refunding of \$28,338 during the year ended September 30, 2018.

Ballantrae Golf Club had amortization of deferred amounts on refunding of \$8,479 during the year ended September 30, 2018.

Pelham Racquet Club had amortization of deferred amounts on refunding of \$6,070 during the year ended September 30, 2018.

The notes to the financial statements are an integral part of this statement.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Pelham, Alabama (the City), an Alabama Municipal Corporation, was incorporated in 1964. The governing body is an elected Mayor and a five-member, elected City Council.

The financial statements of the City are prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The City's reporting entity applies all relevant GASB pronouncements. In preparing the financial statements, management evaluated subsequent events through May 13, 2019, the date the financial statements were available to be issued. The more significant of these accounting policies are described below.

Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity include whether:

- The organization is legally separate (can sue and be sued in its own name);
- The City holds the corporate powers of the organization;
- The City appoints a voting majority of the organization's board;
- The City is able to impose its will on the organization;
- The organization has the potential to impose a financial benefit/burden on the City; and
- There is fiscal dependency by the organization on the City.

Based on the aforementioned criteria, the City of Pelham has no component units.

Government-Wide and Fund Financial Statements

The basic financial statements are presented at both the government-wide (based on the City as a whole) and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

Government-Wide Financial Statements display information about the City as a whole. The effect of interfund activity has been removed from these statements. These aggregate statements consist of the *Statement of Net Position* and the *Statement of Activities*.

The *Statement of Net Position* measurement focus is full accrual basis of accounting and economic resource measurement and the statement presents information on all of the City's assets and liabilities (including long-term assets and receivables as well as long-term debt and obligations), with the difference being reported as net position.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-Wide and Fund Financial Statements - Continued

The *Statement of Activities* demonstrates the degree to which direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items (property, sales and use taxes, certain intergovernmental revenues, etc.) not attributable to a specific program are reported as general revenues. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. The City does not employ an indirect cost allocation system.

Fund Financial Statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental or proprietary. Major individual funds are reported in separate columns in the basic financial statements. Non-major funds (by category or fund type) are consolidated into a single column of the basic financial statements.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded. The government-wide financial statements are presented on a full accrual basis of accounting with an economic resource measurement focus. An economic resource focus concentrates on an entity or fund's net position.

All transactions and events that affect the total economic resources (net position) during the period are reported. Economic resources measurement focus is connected with the full accrual basis of accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

CITY OF PELHAM, ALABAMA

Notes to Financial Statements

September 30, 2018

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus and Basis of Accounting - Continued

Governmental fund financial statements are presented on a modified accrual basis of accounting with a current financial resource measurement focus. The measurement focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Current resources measurement is connected with the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become *measurable* and *available*). *Measurable* means the amount of the transaction can be determined and revenues are considered *available* when they are collected within the current period or expected to be collected soon enough thereafter to be used 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 year. Revenues considered susceptible to accrual are property taxes, state, county and local shared revenues, franchise taxes and intergovernmental revenues. Expenditures are recognized when the related liability is incurred, with the exception of principal and interest on general obligation long-term debt, compensated absences and other post-employment benefits payable, and claims and judgments, which are recognized as expenditures to the extent that they have matured.

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 on the page following each statement, which briefly explains the adjustment necessary to transform the fund-based financial statements into the governmental activities column of the government-wide presentation.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of operating income and changes in net financial position and cash flows. All assets and liabilities are included on the Statement of Net Position. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Basis of Presentation - Fund Level Financial Statements

Generally accepted accounting principles set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section located in the supplementary information section of the financial statements. The City reports the following major governmental funds:

General Fund - To account for all revenues and expenditures applicable to the general operations of government that are not properly accounted for in another fund. All general operating revenues, which are not restricted or designated as to use by outside sources, are recorded in the General Fund.

CITY OF PELHAM, ALABAMA

Notes to Financial Statements

September 30, 2018

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation - Fund Level Financial Statements - Continued

Additionally, the City reports the following non-major governmental funds:

Special Revenue Funds - To account for the proceeds of specific revenue resources that are legally restricted or designated for expenditures with specified purposes.

The City reports the following major proprietary funds:

Water and Sewer System - To account for water and sewer services provided to the residents and businesses of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system, billing, and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term principal and interest for Water and Sewer debt.

Pelham Civic Complex and Ice Arena - To account for providing goods and services to the general public. The Civic Complex and Ice Arena can be used for skating, ice events, trade shows, banquets, and other events. Activities of the fund include administration, operation and maintenance of the complex and ice arena, billing, and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for Civic Complex and Ice Arena debt.

Ballantrae Golf Club - To account for providing goods and services to the general public. Ballantrae Golf Club is a full service golf course. Activities of the fund include administration, operation and maintenance of the golf course and facilities, billing, and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for Golf Club debt.

Additionally, the City reports the following non-major proprietary funds:

Pelham Racquet Club - To account for providing goods and services to the general public. The Racquet Club is a full service tennis facility. Activities of the fund include administration, operation and maintenance of the facilities, billing, and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for Racquet Club debt.

Garbage Fund - To account for garbage services provided primarily to the residents of the City. Activities of the fund include administration, billing, and collections of fees related to the garbage services provided.

Use of Estimates

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

CITY OF PELHAM, ALABAMA

Notes to Financial Statements

September 30, 2018

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

The City considers all instruments with an original maturity of three months or less to be cash and cash equivalents. Cash equivalents consist of money market securities stated at fair value which approximates cost. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. These amounts represent actual account balances held by financial institutions at the end of the period, and unlike the balances reported in the financial statements, the account balances do not reflect timing delays inherent in reconciling items such as outstanding checks and deposits in transit. The City has never experienced any losses related to these balances.

The City also participates in the Alabama State Treasury's Security for Alabama Funds Enhancement (SAFE) program. The bank holding the City's deposits is a certified participant in the SAFE program. Through the SAFE program, all public funds are protected through a collateral pool administered by the Alabama State Treasury.

Allowance for Uncollectible Accounts

The City reports accounts receivable at net realizable value. Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off through a charge against an existing allowance or through bad debt expense.

Inventory

Inventory consists of various pro shop merchandise, food and beverage supplies, and water and sewer supplies and is stated at the lower of cost, as determined by the first-in, first-out (FIFO) method, or market.

Prepaid Expenses

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year.

Restricted Assets

The use of restricted assets is limited by legal requirements or restrictions imposed externally by creditors or contributors. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted, as they are needed.

CITY OF PELHAM, ALABAMA

Notes to Financial Statements

September 30, 2018

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Interfund Transfers, Receivables and Payables

During the normal course of operations, the City has numerous transactions between funds to provide services, construct assets, and service debt. These receivables and payables are classified as “Due to/from other funds,” as they are all short-term in nature. These amounts have been eliminated on the government-wide financial statements, except for amounts outstanding between the General Fund and business-type activities.

Routine transfers of resources between City funds that are not intended to be repaid are classified separately from revenues and expenditures. Such interfund operating transfers are identified as “Interfund transfers in/(out)” in the accompanying financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (streets, roads, sidewalks and similar items) are reported in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Capital assets purchased or acquired are carried at historical cost or estimated historical cost.

Donated or contributed capital assets are recorded at their estimated fair value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ useful lives are charged to operations as incurred. Improvements that materially extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation of capital assets is computed using the straight-line method over the following estimated useful lives: building and improvements, 20 to 40 years; Water and Sewer System, 30 to 40 years; machinery and equipment, 5 to 25 years; improvements, 20 years; and infrastructure, 25 to 50 years.

Depreciation is provided in the proprietary funds in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis.

Fair Value

The established framework for measuring fair value provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is the price the City would expect to receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value - Continued

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs which are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Deferred Outflows of Resources

The City's statements of net position report a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position that applies to future periods. Deferred outflows of resources reported in the financial statements are amounts of pension contributions through the end of the City's fiscal year to be recognized by the pension plan on the accrual basis of accounting in the next measurement period and are deferred amounts arising from the refunding of warrants payable. The deferred refunding amounts are being amortized over the remaining life of the refunding warrants as part of interest expense.

Unearned Revenue

Proprietary funds report unearned revenue in connection with resources that have been received but are not yet recognizable.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column of the statement of net position. Warrant premiums and discounts are deferred and amortized over the life of the warrants using the warrant outstanding method. Warrants payable are reported net of the applicable warrant premium or discount. Warrant issue costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize warrants premiums, discounts and issuance costs during the current period. The face amount of debt issued is reported as other financing sources, while premiums and discounts are reported as other financing sources and uses, respectively.

Compensated Absences

The City's employees earn vacation leave in accordance with their years of service. Vacation leave earned, but not used, during the calendar year may be accumulated up to a maximum of forty days. Vacation leave earned in excess of forty days not used by December 31 shall be forfeited. An employee who resigns or retires in good standing shall be paid for earned vacation leave up to a maximum of forty days.

The City's employees are permitted to accrue compensatory time in lieu of monetary overtime compensation for hours worked in excess of a normal week. It is granted at a rate of one and one half hours of compensatory time for each hour of overtime worked.

Employees may accrue up to 80 hours of compensatory time. All compensatory time earned is immediately 100% vested.

Upon completion of twelve months of service, an employee may use sick leave. Sick leave is earned at a rate of one work day for each month of service. Sick leave earned during the year but not used may be accumulated up to a maximum of 60 days. Employees are not paid for unused sick leave upon termination of employment. Accordingly, sick pay is charged to expense when taken. No provision has been made in the financial statements for unused sick leave.

The accrued amounts of vacation and compensatory time are recorded as noncurrent liabilities in proprietary funds, net of estimated current portion. The accrued amounts of vacation and compensatory time earned by employees whose salaries are charged to the General Fund are recorded as noncurrent liabilities in the government-wide financial statements, net of estimated current portion.

Other Post-employment Benefit Obligations (OPEB)

The City is required to report the City's actuarially determined total OPEB obligation as a long-term liability in the government-wide financial statements (See Note 13).

CITY OF PELHAM, ALABAMA

Notes to Financial Statements

September 30, 2018

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Pensions

The Employees' Retirement System of Alabama (the Plan or ERS) 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 the requirements of the 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.

Deferred Inflows of Resources

The City's statement of net position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position or fund balance that applies to a future period. Deferred inflows of resources reported in the financial statements are for differences between projected and actual earnings on pension plan investments and property taxes levied for subsequent years.

Net Position

The City reports information regarding its financial position and activities according to three classes of net position in the government-wide financial statements: investment in capital assets, restricted net position, and unrestricted net position.

Net Investment in Capital Assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position is reported as restricted when constraints placed on net position are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions.

Unrestricted Net Position is the residual component of net position. It consists of net position that does not meet the definition of restricted or invested in capital assets, net of related debt.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Equity

The City is required, as applicable, to present fund balances in five categories. The fund balance categories are:

Non-spendable - Includes items that are not in a spendable form because they are either legally or contractually required to be maintained intact.

Restricted - Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.

Committed - Includes items committed by the City Council, by resolution of the Council. Commitments may be modified or rescinded by similar resolution.

Assigned - Includes items assigned by specific uses, authorized by the City Council or by an official body to which the Council delegates the authority.

Unassigned - This is the residual classification used for those balances not assigned to another category in the General Fund. Deficit fund balances are also presented as unassigned.

It is the City's policy to use restricted balances first, followed by committed resources, assigned resources, and finally unassigned resources, as needed.

Property Taxes

Property taxes are collected and remitted to the City by the Shelby County government. Taxes are levied annually on October 1 and are due October 1 of the following year. Major tax payments are received October through January and are recognized as revenue in the year received.

NOTE 2 - DEPOSITS AND INVESTMENTS

State statutes authorize the City to invest in obligations of the U.S. Treasury, certain U.S. agency obligations, State of Alabama obligations, county obligations, and other municipal obligations, as well as bank certificates of deposit and bank public investment accounts.

As of September 30, 2018, the City had non-negotiable certificates of deposit in the amount of \$150,000 in the governmental activities.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS - Continued

As of September 30, 2018, the City had the following investments, which were reported at fair value in governmental activities:

Type of Investment	Fair Value	<u>Investment Maturities (in Years)</u>		
		1-5	6-10	More than 10
Government National Mortgage Association	\$ 3,705,609	\$ -	\$ -	\$ 3,705,609

The City does not have a formal investment policy that limits its allowable deposits or investments, other than those imposed by statutes discussed above, or that addresses the specific types of risks that the government is exposed to through its deposits or investments.

Interest Rate Risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The City does not have a formal investment policy that limits its investment choices other than those imposed by statutes discussed above, but all of the investments carry a Standard & Poor's rating of AAA.

Concentration of Credit Risk - The City places no limit on the amount it may invest in any one issuer.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments. All of the City's investments at September 30, 2018 were insured.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 3 - RECEIVABLES AND PAYABLES

Receivables consisted of the following at September 30, 2018:

	Governmental Activities	Business-type Activities	Total
Taxes			
Sales	\$ 2,309,991	\$ -	\$ 2,309,991
Property	5,970,309	-	5,970,309
Customers	-	1,811,003	1,811,003
Intergovernmental	54,926	-	54,926
Gross receivables	8,335,226	1,811,003	10,146,229
Less: Allowance for uncollectible accounts	-	(135,239)	(135,239)
Net receivables	<u>\$ 8,335,226</u>	<u>\$ 1,675,764</u>	<u>\$ 10,010,990</u>

Payables consisted of the following at September 30, 2018:

	Governmental Activities	Business-type Activities	Total
Trade	\$ 166,254	\$ 505,536	\$ 671,790
Capital assets	210,580	889,546	1,100,126
Net payables	<u>\$ 376,834</u>	<u>\$ 1,395,082</u>	<u>\$ 1,771,916</u>

NOTE 4 - NOTE RECEIVABLE

On July 30, 2013, the City entered into a note receivable agreement with Summer Classic Properties, LLC (the Company) to provide the Company with funding for the purchase and development of property within the City. The City agreed to advance the Company up to \$3,275,000. As of September 30, 2018, the balance on the note receivable totaled \$3,275,000. Principal is due at maturity (August 2021), and interest is due monthly on the unpaid balance as follows: a) for the period commencing July 2013 through, and including, July 2017, at a rate of three percent (3.00%) per year; and (b) for the period commencing August 2017, through and including, August 2021, at a rate of four percent (4.00%) per year. The note is secured by the property.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 4 - NOTE RECEIVABLE - Continued

On July 19, 2016, the City entered into a note receivable agreement with the City of Pelham Commercial Development Authority (the Authority) to provide the Authority with funding for the purchase and development of property within the City. The City agreed to advance the Authority up to \$1,000,000. As of September 30, 2018, the balance on the note receivable totaled \$101,209. Principal is due at maturity (July 2018), and interest is due monthly on the unpaid balance at a rate of two percent (2.00%) per year. The note is secured by revenues and receipts derived from the leasing and sale of any projects.

On September 2, 2016, the City entered into a note receivable agreement with the City of Pelham Board of Education (the Board) to provide the Board with funding for the purchase and development of property within the City for new schools. The City agreed to advance the Board \$43,570,000. As of September 30, 2018, the balance on the note receivable totaled \$40,660,000. Principal and interest are due monthly on the unpaid balance at a variable rate of two to five percent (2.00% to 5.00%) per year. The note is secured by 1% sales tax revenues earned by the City.

On August 27, 2018, the City entered into a note receivable agreement with the City of Pelham Board of Education (the Board) for the purchase of the City of Pelham Library building in the amount of \$1,300,000. As of September 30, 2018, the balance on the note receivable totaled \$1,280,000. Principal payments of \$10,000 are due monthly on the unpaid balance at a rate of zero percent interest. The note is secured by the City of Pelham Library building.

Future principal payments related to notes receivable consisted of the following for the years ending September 30:

2019	\$	1,401,209
2020		1,332,500
2021		1,552,500
2022		5,055,000
2023		1,840,000
2024-2040		34,135,000
		\$ 45,316,209

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 5 - LEASING ACTIVITIES

During fiscal year 2016, the City entered into a lease agreement allowing the Pelham Board of Education to lease office space from the City on the second floor of the Pelham Water Administration Building. The cost of the leased property was \$333,812, with accumulated depreciation of \$212,017 and a carrying amount of \$121,795. The Pelham Board of Education agreed to pay rent in the amount of \$4,000 per month, commencing on August 1, 2015 for a four-year term with the option for mutual early termination and one year automatic extensions if not terminated by either party with at least a 180-day written notice to the other party. As of September 30, 2018, the Board of Education still occupied the space. Future minimum rent amounts are \$48,000 in 2019. Rent income associated with the lease agreement was \$48,000 for the year ended September 30, 2018.

NOTE 6 - CAPITAL ASSETS

Capital assets activity for governmental activities consisted of the following for the year ended September 30, 2018:

	Governmental Activities			
	October 1, 2017	Additions	Disposals	September 30, 2018
Depreciable assets				
Infrastructure	\$ 25,425,813	\$ 3,996,473	\$ -	\$ 29,422,286
Buildings and improvements	16,994,921	12,107,196	909,818	28,192,299
Equipment	13,416,692	3,407,309	1,027,708	15,796,293
	<u>55,837,426</u>	<u>19,510,978</u>	<u>1,937,526</u>	<u>73,410,878</u>
Less accumulated depreciation				
Infrastructure	10,556,731	618,448	-	11,175,179
Buildings and improvements	7,911,691	648,427	744,475	7,815,643
Equipment	7,551,464	1,020,828	751,128	7,821,164
	<u>26,019,886</u>	<u>2,287,703</u>	<u>1,495,603</u>	<u>26,811,986</u>
	<u>29,817,540</u>	<u>17,223,275</u>	<u>441,923</u>	<u>46,598,892</u>
Non-depreciable assets				
Land	9,060,722	5,011,297	-	14,072,019
Construction in progress	13,675,438	5,029,381	15,400,808	3,304,011
	<u>22,736,160</u>	<u>10,040,678</u>	<u>15,400,808</u>	<u>17,376,030</u>
	<u>\$ 52,553,700</u>	<u>\$ 27,263,953</u>	<u>\$ 15,842,731</u>	<u>\$ 63,974,922</u>

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 6 - CAPITAL ASSETS - Continued

Capital assets activity for business-type activities consisted of the following for the year ended September 30, 2018:

	Business-type Activities			September 30, 2018
	October 1, 2017	Additions	Disposals	
Depreciable assets				
System and facilities	\$ 106,793,617	\$ 8,369,837	\$ -	\$ 115,163,454
Water & Sewer and Rental Fund				
Buildings and improvements	1,101,001	-	-	1,101,001
Equipment	2,696,577	649,512	102,119	3,243,970
	110,591,195	9,019,349	102,119	119,508,425
Less accumulated depreciation				
System and facilities	59,133,706	3,490,223	-	62,623,929
Water & Sewer and Rental Fund				
Buildings and improvements	491,495	40,379	-	531,874
Equipment	2,070,663	147,936	102,113	2,116,486
	61,695,864	3,678,538	102,113	65,272,289
	48,895,331	5,340,811	6	54,236,136
Non-depreciable assets				
Land	8,801,321	-	-	8,801,321
Construction in progress	4,489,264	6,295,383	7,778,204	3,006,443
	13,290,585	6,295,383	7,778,204	11,807,764
	<u>\$ 62,185,916</u>	<u>\$ 11,636,194</u>	<u>\$ 7,778,210</u>	<u>\$ 66,043,900</u>

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 6 - CAPITAL ASSETS - Continued

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental activities

General administration	\$ 127,590
Police	634,278
Fire	364,668
Public works	738,268
Parks and recreation	288,423
Library	134,476
	<u>\$ 2,287,703</u>

Business-type activities

Water and Sewer	\$ 2,811,006
Civic Complex	596,598
Ballantrae Golf Club	148,131
Racquet Club	122,803
	<u>\$ 3,678,538</u>

NOTE 7 - LONG-TERM DEBT

The general obligation warrants payable consisted of the following at September 30, 2018:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Series 2010-A General Obligation Warrants, dated August 13, 2010, due in semi-annual payments through August 15, 2019, bearing an interest rate of 2.57%	\$ -	\$ 630,000
Series 2010-B General Obligation Warrants, dated August 13, 2010, due in semi-annual payments through August 15, 2019, bearing an interest rate of 2.57%	-	895,000
Series 2013-B General Obligation Warrants, dated August 8, 2013, due in semi-annual payments through August 8, 2023, bearing an interest rate of 1.92%	775,947	3,095,144

CITY OF PELHAM, ALABAMA

Notes to Financial Statements

September 30, 2018

(Continued)

NOTE 7 - LONG-TERM DEBT - Continued

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Series 2013-C General Obligation Warrants, dated August 8, 2013, due in semi-annual payments through August 8, 2029, bearing an interest rate of 2.47%	\$ 6,212,829	\$ -
Series 2013-D General Obligation Warrants, dated September 3, 2013, due in semi-annual payments through September 8, 2020, bearing an interest rate of 1.72%	95,342	1,713,287
Series 2013-A Taxable General Obligation Warrants, dated July 30, 2013, due in monthly payments through August 1, 2021, bearing interest rates of 3.00% to 4.00%	822,919	-
Series 2013-B Taxable General Obligation Warrants, dated July 30, 2013, due in monthly payments through August 1, 2021, bearing interest rates of 3.00% to 4.00%	82,292	-
Series 2014 General Obligation Warrants, dated August 13, 2014, due in semi-annual payments through February 1, 2035, bearing interest rates of 3.00% to 5.00%	30,250,000	-
Series 2015 General Obligation Warrants, dated December 30, 2015, due in annual payments through February 1, 2040, bearing interest rates of 2.00% to 5.00%	10,995,000	-
Series 2016 General Obligation Warrants, dated August 19, 2016, due in semi-annual payments through November 1, 2022, bearing interest rates of 3.00% to 5.00%	<u>783,712</u>	<u>7,501,288</u>
Total warrants payable	50,018,041	13,834,719
Less deferred amounts for:		
Unamortized discounts and premiums	<u>2,592,395</u>	-
Total warrants payable, net	<u>\$ 52,610,436</u>	<u>\$ 13,834,719</u>

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 7 - LONG-TERM DEBT - Continued

Future principal and interest requirements of the general obligation warrants for governmental activities and business-type activities consist of the following for the years ending September 30:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 2,033,033	\$ 1,854,073	\$ 4,528,619	\$ 218,675
2020	2,071,232	1,801,237	3,048,190	129,272
2021	2,991,583	1,738,942	2,218,789	85,180
2022	2,499,025	1,636,373	2,244,568	48,646
2023	2,519,288	1,561,020	1,794,553	14,882
2024-2028	13,850,459	6,391,938	-	-
2029-2033	12,153,421	4,036,347	-	-
2034-2038	9,150,000	1,368,654	-	-
2039-2040	2,750,000	97,125	-	-
	<u>\$ 50,018,041</u>	<u>\$ 20,485,709</u>	<u>\$ 13,834,719</u>	<u>\$ 496,655</u>

Changes in long-term liabilities for governmental activities consisted of the following at September 30, 2018:

<u>Governmental Activities</u>	<u>October 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>September 30, 2018</u>	<u>Due within one year</u>
Warrants and notes payable:					
Notes payable	\$ 84,092	\$ -	\$ 84,092	\$ -	\$ -
Capital lease payable	85,140	1,450,000	299,857	1,235,283	309,330
General Obligation Warrants	52,043,254	-	2,025,213	50,018,041	2,033,033
	<u>52,212,486</u>	<u>1,450,000</u>	<u>2,409,162</u>	<u>51,253,324</u>	<u>2,342,363</u>
Plus: bond discounts and premiums	2,838,692	-	246,297	2,592,395	246,297
Total warrants and notes payable	<u>55,051,178</u>	<u>1,450,000</u>	<u>2,655,459</u>	<u>53,845,719</u>	<u>2,588,660</u>
Other liabilities:					
Compensated absences	1,593,500	1,281,967	1,043,460	1,832,007	916,003
	<u>\$ 56,644,678</u>	<u>\$ 2,731,967</u>	<u>\$ 3,698,919</u>	<u>\$ 55,677,726</u>	<u>\$ 3,504,663</u>

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 7 - LONG-TERM DEBT - Continued

Changes in long-term liabilities for business-type activities consisted of the following at September 30, 2018:

Business-type Activities	October 1, 2017	Additions	Retirements	September 30, 2018	Due within one year
Warrants payable:					
General Obligation Warrants	\$ 18,269,241	\$ -	\$ 4,434,522	\$ 13,834,719	\$ 4,528,619
Capital lease payable	9,576	-	2,795	6,781	2,927
	<u>18,278,817</u>	<u>-</u>	<u>4,437,317</u>	<u>13,841,500</u>	<u>4,531,546</u>
Plus: bond discounts and premiums	-	-	-	-	-
Total warrants payable	<u>18,278,817</u>	<u>-</u>	<u>4,437,317</u>	<u>13,841,500</u>	<u>4,531,546</u>
Other liabilities:					
Compensated absences	387,059	116,445	183,183	320,321	160,162
	<u>\$ 18,665,876</u>	<u>\$ 116,445</u>	<u>\$ 4,620,500</u>	<u>\$ 14,161,821</u>	<u>\$ 4,691,708</u>

For governmental activities, notes payable, general obligation warrants, other post-employment benefits payable, and compensated absences are liquidated by the General Fund.

NOTE 8 - CAPITAL LEASE OBLIGATIONS

The City has entered into a capital lease agreement to finance the purchase of facilities maintenance equipment. As of September 30, 2018, the future minimum lease payments under the capital lease agreements are as follows:

	Governmental Activities	Business-type Activities	Total
2019	\$ 348,117	\$ 3,179	\$ 351,296
2020	348,116	3,179	351,295
2021	317,700	796	318,496
2022	317,700	-	317,700
Future minimum lease payments	<u>1,331,633</u>	<u>7,154</u>	<u>1,338,787</u>
Less: amount representing interest	<u>(96,350)</u>	<u>(373)</u>	<u>(96,723)</u>
Present value of minimum lease payments	1,235,283	6,781	1,242,064
Less: current portion	<u>(309,330)</u>	<u>(2,927)</u>	<u>(312,257)</u>
Long-term capital lease obligation	<u>\$ 925,953</u>	<u>\$ 3,854</u>	<u>\$ 929,807</u>

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 8 - CAPITAL LEASE OBLIGATIONS - Continued

As of September 30, 2018, the governmental activities lease had capitalized costs totaling \$1,944,326 and accumulated depreciation of \$234,437, and a net book value of \$1,709,889. Interest expense paid under the capital lease agreement totaled \$48,259 during the year ended September 30, 2018.

As of September 30, 2018, the business-type activities lease had capitalized costs totaling \$14,167 and accumulated depreciation of \$7,556, and a net book value of \$6,611. Interest expense paid under the capital lease agreement totaled \$384 during the year ended September 30, 2018.

NOTE 9 - COMMITMENTS

The City leases certain office and park equipment, golf carts and golf course maintenance equipment under noncancelable operating lease agreements. Rent expense paid under the lease agreements during the year ended September 30, 2018 totaled \$22,279 for governmental activities and \$154,582 for business-type activities, respectively. Future minimum lease payments due under operating lease agreements consist of the following for the years ending September 30:

	Governmental Activities	Business-type Activities	Total
2019	\$ 20,087	\$ 188,498	\$ 208,585
2020	10,904	132,286	143,190
2021	4,229	96,845	101,074
2022	4,023	34,352	38,375
2023	2,011	2,019	4,030
	\$ 41,254	\$ 454,000	\$ 495,254

The General Fund had contractual commitments as of September 30, 2018 of \$457,842 for various capital improvements within the City.

The Pelham Civic Complex had contractual commitments as of September 30, 2018 of \$103,314 for renovations to the civic complex.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 10 - PENSION PLAN

General Information about the Pension Plan

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. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* 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 ERS Board of Control consists of 13 trustees as follows:

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

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 10 - PENSION PLAN - Continued

Benefits Provided

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

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

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

The ERS serves approximately 909 local participating employers. The ERS membership includes approximately 88,517 participants. As of September 30, 2017, membership consisted of:

Retirees and beneficiaries currently receiving benefits	23,853
Terminated employees entitled to but not yet receiving benefits	1,401
Terminated employees not entitled to a benefit	7,154
Active members	55,941
Post-DROP retired members still in active service	168
	88,517

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 10 - PENSION PLAN - Continued

The City’s membership as of the measurement date of September 30, 2017 consisted of:

Retired members or their beneficiaries currently receiving benefits	107
Vested inactive members	11
Non-vested inactive members	21
Active members	306
Post-DROP retired members still in active service	-
	445
	445

Contributions

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

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with additional amounts to finance any unfunded accrued liability, the preretirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2018, the City’s active employee contribution rate was 5.73% of covered employee payroll, and the City’s average contribution rate to fund the normal and accrued liability costs was 11.36% of pensionable payroll.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 10 - PENSION PLAN - Continued

The City's contractually required contribution rate for the year ended September 30, 2018 was 12.21% of pensionable pay for Tier 1 employees, and 9.61% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2015, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City were \$2,148,021 for the year ended September 30, 2018.

Net Pension Liability

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

	Expected	Actual
(a) Total Pension Liability as of September 30, 2016	\$ 79,869,296	\$ 79,222,596
(b) Discount Rate	7.75%	7.75%
(c) Entry Age Normal Cost for the period October 1, 2016 - September 30, 2017	1,584,388	1,584,388
(d) Transfers Among Employers:	-	(91,916)
(e) Actual Benefit Payments and Refunds for the period October 1, 2016 - September 30, 2017	(4,063,665)	(4,063,665)
(f) Total Pension Liability as of September 30, 2017 [(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	\$ 83,422,422	\$ 82,633,688
(g) Difference between Expected and Actual:		\$ (788,734)
(h) Less Liability Transferred for Immediate Recognition:		(91,916)
(i) Experience (Gain)/Loss = (g) - (h)		\$ (696,818)

Actuarial Assumptions

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

1. An investment rate of return of 7.75% (net of pension plan investment expense), including inflation at 2.75%, per annum compounded annually on the investment of present and future assets.
2. Projected salary increases, based on age ranging from 3.25% to 5.00%.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 10 - PENSION PLAN - Continued

Mortality rates were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females ages 78 and older. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the actuarial valuation as of September 30, 2016, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 30, 2016, which became effective at the beginning of fiscal year 2016.

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

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

*Includes assumed rate of inflation of 2.50%.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 10 - PENSION PLAN - Continued

Discount Rate

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

Changes in the City's net pension liability consisted of the following at September 30, 2017:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at September 30, 2016	\$ 79,869,296	\$ 53,299,268	\$ 26,570,028
Changes for the year:			
Service cost	1,584,388	-	1,584,388
Interest	6,032,403	-	6,032,403
Changes of assumptions	-	-	-
Difference between expected and actual experience	(696,818)	-	(696,818)
Contributions - employer	-	2,077,833	(2,077,833)
Contributions - employee	-	1,046,834	(1,046,834)
Net investment income	-	6,758,473	(6,758,473)
Benefits of payments, including refunds of employee contributions	(4,063,665)	(4,063,665)	-
Transfers among employers	(91,916)	(91,916)	-
Net changes:	<u>2,764,392</u>	<u>5,727,559</u>	<u>(2,963,167)</u>
Balances at September 30, 2017	<u>\$ 82,633,688</u>	<u>\$ 59,026,827</u>	<u>\$ 23,606,861</u>

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 10 - PENSION PLAN - Continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the City’s net pension liability calculated using the discount rate of 7.75%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate (dollar amounts in thousands):

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Plan’s Net Pension Liability	\$ 33,845,851	\$ 23,606,861	\$ 14,986,017

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2017. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2017. The auditor’s report dated August 31, 2018, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 10 - PENSION PLAN - Continued

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

For the year ended September 30, 2018, the City recognized pension expense of \$2,817,613. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,390,050	\$ 600,038
Changes of assumptions	2,565,420	-
Net difference between projected and actual earnings on pension plan investments	-	1,740,807
Employer contributions subsequent to the measurement date	2,148,021	-
	\$ 6,103,491	\$ 2,340,845

Amounts reported as deferred outflows of resources to pensions will be recognized in pension expense as follows for the years ended September 30:

	Deferred Outflows/ (Inflows) of Resources
2019	\$ 270,276
2020	622,266
2021	(57,864)
2022	147,103
2023	518,888
Thereafter	113,956

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 11 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund payables and receivables consisted of the following at September 30, 2018:

	Interfund Receivables (Payables)
General Fund	\$ (18,774)
Special Revenue	18,774
	\$ -

Interfund payables and receivables resulted from reimbursements made by the General Fund to the Special Revenue for various operating expenses.

Interfund transfers consisted of the following during the year ended September 30, 2018:

	Transfers In (Out)			Net Transfers Out (In)
	General Fund	Special Revenue		
Transfers Out (In)				
General Fund	\$ -	\$ (198,700)	\$	(198,700)
Special Revenue	198,700	-		198,700
Water & Sewer	6,699	-		6,699
Civic Complex and Ice Arena	(6,125,030)	-		(6,125,030)
Ballantrae Golf	(751,435)	-		(751,435)
Racquet Club	(574,687)	-		(574,687)
Garbage Fund	120,000	-		120,000
Net Transfers In (Out)	\$ (7,125,753)	\$ (198,700)	\$	(7,324,453)

- Transfers from the General Fund and Special Revenue Funds to proprietary funds are in accordance with the normal course of the City's operations.
- Transfers between various proprietary funds are in accordance with the normal course of the City's operations.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 12 - CONTINGENCIES

The City is involved in various claims and lawsuits, both for and against the City, arising in the normal course of business. Litigation is subject to inherent uncertainties and, were an unfavorable ruling to occur, there exists the possibility of a material adverse impact on the operations of the City for the period in which the ruling occurs.

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation; and natural disasters for which the City carries commercial insurance.

The City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed or not incurred in a timely manner under the terms of the grant. City management believes such disallowances, if any, would be immaterial.

NOTE 13 - OTHER POST-EMPLOYMENT BENEFITS

General Information about the OPEB Plan

Plan Description

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

Benefits Provided

Medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement. The earliest retirement eligibility provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service (called "Tier I" members). Employees hired on and 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.

Dental insurance coverage is provided to retirees. The employer pays a flat \$25.00 monthly fee for the cost of the dental insurance for the retirees. All of the assumptions used for the valuation of the medical benefits have been used for dental insurance including zero trend.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 13 - OTHER POST-EMPLOYMENT BENEFITS - Continued

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefit payments	93
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	294
	387

Total OPEB Liability

The City’s total OPEB liability of \$12,981,936 was measured as of September 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	4.00% including inflation
Discount rate	3.63% annually (beginning of year)
	4.18% annually (as of end of year measurement date)
Healthcare cost trend rates	5.50% annually

The discount rate was based on the average of the Bond Buyers' 20-Year General Obligation municipal bond index as of September 30, 2018, 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, 2018 valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2009 to September 30, 2018.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 13 - OTHER POST-EMPLOYMENT BENEFITS - Continued

Changes in the Total OPEB Liability

	Total OPEB Liability
Balances at September 30, 2017	\$ 13,612,907
Changes for the year:	
Service cost	166,076
Interest	481,191
Changes of assumptions	(911,419)
Difference between expected and actual experience	347,114
Benefit payments and net transfers	(713,933)
Net changes	(630,971)
Balances at September 30, 2018	\$ 12,981,936

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.18%) or 1-percentage-point higher (5.18%) than the current discount rate:

	1% Decrease (3.18%)	Current Discount Rate (4.18%)	1% Increase (5.18%)
Plan's Total OPEB Liability	\$ 14,741,547	\$ 12,981,936	\$ 11,530,444

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

Not applicable since zero trend.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 13 - OTHER 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, 2018, the City recognized OPEB expense of \$609,647. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 323,973	\$ -
Changes of assumptions	-	850,658
	\$ 323,973	\$ 850,658

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

	Deferred Outflows/ (Inflows) of Resources
2019	\$ (37,620)
2020	(37,620)
2021	(37,620)
2022	(37,620)
2023	(37,620)
Thereafter	(338,585)

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 14 - FAIR VALUE

The following is a description of the valuation methodologies used for assets measured at fair value. There were no changes in the methodologies used during the year ended September 30, 2018.

- *U.S. Government Sponsored Enterprise:* Valued based on issuance price and secondary trade data provided by recognized broker dealers.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth, by level within the fair value hierarchy, the investments at fair value as September 30, 2018:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Government Sponsored Enterprise: Government National Mortgage Association	\$ 3,705,609	\$ -	\$ 3,705,609	\$ -

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 15 - TAX ABATEMENTS

The City enters into sales tax abatement agreements with local businesses under the Tax Incentive Reform Act of 1992. Under the Act, cities, counties and public industrial authorities have the ability to abate sales and use taxes and property taxes for various time periods depending on the type of business, all for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the City. For the fiscal year ended September 30, 2018, the City abated taxes totaling \$403,981 under this Act, as summarized below.

Purpose	Type of Taxes Abated	Percentage of Taxes Abated during the Fiscal Year	Amount of Taxes Abated during the Fiscal Year
Commercial & Residential Improvement	Sales Taxes	50%	\$ 403,981

NOTE 16 - ACCOUNTING CHANGES AND ACCOUNTING STANDARDS

The GASB issued Statement No. 75, *Accounting and Financial Reporting by Postemployment Benefits Other Than Pensions* to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEBs that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

The net position of the governmental activities and business-type activities in the government-wide financial statements at September 30, 2017 was restated to reflect the cumulative effect resulting from the implementation of GASB Statement No. 75. The following reflects the effect of implementation of this new accounting standard.

	Governmental Activities
Net position - September 30, 2017	\$ 49,404,576
Changes in reporting for net OPEB liability	(12,110,740)
Net position - September 30, 2017, as restated	<u>\$ 37,293,836</u>

CITY OF PELHAM, ALABAMA

Notes to Financial Statements

September 30, 2018

(Continued)

NOTE 16 - ACCOUNTING CHANGES AND ACCOUNTING STANDARDS - Continued

The GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements* to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. There was no financial statement impact as a result of the implementation of the Statement.

The GASB issued Statement No. 85, *Omnibus 2017* to address practice issues that have been identified during implementation and application of certain GASB statements. There was no financial statement impact as a result of the implementation of the Statement.

The GASB issued Statement No. 86, *Certain Debt Extinguishment Issues* to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. There was no financial statement impact as a result of the implementation of the Statement.

The GASB issued Statement No. 83, *Certain Asset Retirement Obligations* to establish criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of GASB 83 are effective for fiscal years beginning after June 15, 2018. The City is currently evaluating the impact GASB 83 may have on its financial statements.

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. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of GASB 88 are effective for fiscal years beginning after June 15, 2018. The City is currently evaluating the impact GASB 88 may have on its financial statements.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 16 - ACCOUNTING CHANGES AND ACCOUNTING STANDARDS - Continued

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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PELHAM, ALABAMA
Schedule of Changes in the Net Pension Liability and Related Ratios
Last Four Years Ended September 30,

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 1,584,388	\$ 1,544,506	\$ 1,527,047	\$ 1,470,956
Interest	6,032,403	5,650,936	5,297,430	5,015,542
Changes of assumptions	-	3,515,573	-	-
Differences between expected and actual experience	(696,818)	741,123	1,455,825	-
Benefit payments, including refunds of employee contributions	(4,063,665)	(4,247,332)	(3,475,609)	(2,450,190)
Transfers among employers	(91,916)	(95,878)	-	-
Net change in total pension liability	2,764,392	7,108,928	4,804,693	4,036,308
Total pension liability - beginning	79,869,296	72,760,368	67,955,675	63,919,367
Total pension liability - ending (a)	\$ 82,633,688	\$ 79,869,296	\$ 72,760,368	\$ 67,955,675
Plan fiduciary net position				
Contributions - employer	\$ 2,077,833	\$ 1,985,261	\$ 1,885,223	\$ 1,875,205
Contributions - member	1,046,834	1,053,668	996,630	969,654
Net investment income	6,758,473	4,945,320	543,034	5,281,062
Benefit payments, including refunds of employee contributions	(4,063,665)	(4,247,332)	(3,475,609)	(2,450,190)
Transfers among employers	(91,916)	(95,878)	191,161	50,891
Net change in plan fiduciary net position	5,727,559	3,641,039	140,439	5,726,622
Plan net position - beginning	53,299,268	49,658,229	49,517,790	43,791,168
Plan net position - ending (b)	\$ 59,026,827	\$ 53,299,268	\$ 49,658,229	\$ 49,517,790
Net pension liability (a) - (b)	\$ 23,606,861	\$ 26,570,028	\$ 23,102,139	\$ 18,437,885
Plan fiduciary net position as a percentage of the total pension liability	71.43%	66.73%	68.25%	72.87%
Covered payroll	\$ 18,412,041	\$ 17,595,089	\$ 17,534,690	\$ 17,329,276
Net pension liability as a percentage of covered payroll	128.21%	151.01%	131.75%	106.40%

This schedule is presented to illustrate the requirement to show information for 10 years. Until a full 10-year trend is compiled, the City of Pelham will only present information for those years for which information is available.

See notes to required supplementary information.

CITY OF PELHAM, ALABAMA
Schedule of Employer Contributions - Pension
Last Four Years Ended September 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 2,080,281	\$ 2,077,833	\$ 1,985,261	\$ 1,885,223
Contributions in relation to the actuarially determined contributions	<u>2,080,281</u>	<u>2,077,833</u>	<u>1,985,261</u>	<u>1,885,223</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 18,308,059</u>	<u>\$ 18,412,041</u>	<u>\$ 17,595,089</u>	<u>\$ 17,534,690</u>
Contributions as a percentage of covered payroll	<u>11.36%</u>	<u>11.29%</u>	<u>11.28%</u>	<u>10.75%</u>

This schedule is presented to illustrate the requirement to show information for 10 years. Until a full 10-year trend is compiled, the City of Pelham will only present information for those years for which information is available.

See notes to required supplementary information.

CITY OF PELHAM, ALABAMA
Schedule of Changes in Total OPEB Liability and Related Ratios
For the Year Ended September 30, 2018

Total OPEB liability	
Service cost	\$ 166,076
Interest	481,191
Differences between expected and actual experience	347,114
Changes of assumptions	(911,419)
Benefit payments and net transfers	(713,933)
Net change in total OPEB liability	<u>(630,971)</u>
Total OPEB liability - beginning	<u>13,612,907</u>
Total OPEB liability - ending	<u><u>\$ 12,981,936</u></u>
Covered payroll	<u><u>\$ 17,072,911</u></u>
Total OPEB liability as a percentage of covered payroll	<u><u>76.04%</u></u>

This schedule is presented to illustrate the requirement to show information for 10 years. Until a full 10-year trend is compiled, the City of Pelham will only present information for those years for which information is available.

See notes to required supplementary information.

CITY OF PELHAM, ALABAMA
 Budgetary Comparison Schedule - General Fund
 For the Year Ended September 30, 2018

	Budgeted Amounts		Actual GAAP Basis	Adjustments to Budgetary Basis	Actual - Budgetary Basis
	Original	Final			
Operating revenues:					
Taxes:					
Sales	\$ 25,768,801	\$ 25,768,801	\$ 27,597,246	\$ 137,720	\$ 27,734,966
Property	6,240,886	6,240,886	6,221,887	(5,629)	6,216,258
Motor vehicle/gas	650,000	650,000	633,734	2,554	636,288
Other	210,850	210,850	254,636	1,264	255,900
Licenses and permits	4,445,850	4,445,850	4,582,543	-	4,582,543
Fines and forfeitures	1,677,650	1,677,650	1,464,630	(16,446)	1,448,184
Charges for services	204,931	204,931	370,063	(60)	370,003
Interest	268,000	268,000	2,004,899	(1,677,006)	327,893
Other	340,850	340,850	2,989,495	86,953	3,076,448
Total revenues	39,807,818	39,807,818	46,119,133	(1,470,650)	44,648,483
Expenditures, current:					
General administration	11,451,630	11,451,630	11,443,981	(1,796,397)	9,647,584
Police	8,847,313	8,847,313	8,136,948	32,127	8,169,075
Fire	12,331,031	12,331,031	8,008,043	1,195,542	9,203,585
Public works	4,277,946	4,126,526	2,409,361	12,864	2,422,225
Parks and recreation	1,786,819	1,786,819	1,521,488	9,117	1,530,605
Library	1,153,691	1,155,691	1,468,447	(4,405)	1,464,042
	39,848,430	39,699,010	32,988,268	(551,152)	32,437,116
Capital outlay	3,134,430	3,279,430	11,533,875	390,135	11,924,010
Debt service					
Principal retirement	4,310,793	4,317,213	2,409,162	-	2,409,162
Interest	-	-	1,956,836	-	1,956,836
	4,310,793	4,317,213	4,365,998	-	4,365,998
Other financing sources (uses)					
Proceeds from sale of capital assets	-	-	1,498,116	(1,300,000)	198,116
Issuance of capital leases	-	-	1,450,000	-	1,450,000
Transfers (out) in	(6,244,867)	(6,244,867)	(7,125,753)	(1,450)	(7,127,203)
	(6,244,867)	(6,244,867)	(4,177,637)	(1,301,450)	(5,479,087)
Net changes in fund balance	\$(13,730,702)	\$(13,732,702)	\$ (6,946,645)	\$ (2,611,083)	\$ (9,557,728)

See notes to required supplementary information.

CITY OF PELHAM, ALABAMA
Note to Required Supplementary Information
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT PENSION PLAN PRACTICES

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

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

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	22.6 years
Asset valuation method	Five-year smoothed market
Inflation	3.00%
Salary increases	3.75 - 7.25%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

NOTE 2 - SUMMARY OF SIGNIFICANT OPEB PLAN PRACTICES

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

Changes in Assumptions - The discount rate as of September 30, 2017 was 3.63% and it changed to 4.18% as of September 30, 2018.

No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB) Statement No. 75, paragraph 4, *Postemployment Benefits Other Than Pensions - Reporting For Benefits Not Provided Through Trusts That Meet Specified Criteria - Defined Benefit* to pay related benefits.

CITY OF PELHAM, ALABAMA
Notes to Required Supplementary Information
September 30, 2018
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT OPEB PLAN PRACTICES - Continued

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

Actuarial cost method	Individual Entry Age Normal
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Market value
Inflation	2.50%
Healthcare trend	Flat 5.50% annually
Salary increases	4.00%, including inflation
Discount rate	3.63% annually (beginning of year)
	4.18% annually (as of end of year to measurement date)
Retirement age	Five-years delay 25 years of service at any age; but not later than age 60; or attainment of age 60 and 10 years of service; employees hired on and after January 1, 2013 are not eligible to retire until age 62.
Mortality	RP-2000 without projection, 50% unisex blend
Turnover	Age specific table with an average of 10% when applied to the active census

NOTE 3 - SUMMARY OF SIGNIFICANT BUDGETARY PRACTICES

The City Council adopts a budget for the General Fund at the beginning of each fiscal year in accordance with Alabama law. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenditures.

The City's budgets are not prepared or adopted in conformity with GAAP. Reported budget amounts are as originally adopted or as amended by the Council by resolution. Actual amounts are reported in accordance with GAAP. Adjustments to reconcile budget information to GAAP information can be found on the Budgetary Comparison Schedule - General Fund.

STATISTICAL INFORMATION

(UNAUDITED)

CITY OF PELHAM, ALABAMA
Assessed Value of Taxable Property
For the Year Ended September 30, 2018
(Unaudited)

	Property Assessed Value (after exemptions)	Motor Vehicles	Total
2018	\$ 422,274,640	\$ 56,273,540	\$ 478,548,180
2017	407,500,860	56,725,380	464,226,240
2016	394,291,020	59,426,580	453,717,600
2015	381,133,040	55,199,840	436,332,880
2014	365,149,760	54,011,360	419,161,120
2013	361,211,000	55,104,830	416,315,830
2012	343,448,440	52,680,940	396,129,380
2011	345,077,300	49,913,860	394,991,160
2010	354,051,740	46,498,820	400,550,560
2009	356,232,540	49,349,640	405,582,180
2008	348,982,660	53,187,560	402,170,220
2007	327,987,780	55,520,280	383,508,060
2006	289,867,400	53,368,880	343,236,280
2005	272,441,280	47,323,660	319,764,940
2004	258,499,640	41,601,440	300,101,080
2003	243,532,060	40,496,320	284,028,380
2002	204,910,420	39,599,820	244,510,240
2001	192,261,880	38,096,180	230,358,060
2000	177,212,220	30,767,420	207,979,640
1999	171,236,680	22,268,780	193,505,460
1998	136,092,480	19,689,360	155,781,840
1997	124,348,480	15,715,220	140,063,700
1996	115,788,440	13,701,820	129,490,260
1995	100,099,160	11,753,020	111,852,180
1994	89,684,400	9,499,780	99,184,180

CITY OF PELHAM, ALABAMA
Top Ten Property Taxpayers
For the Year Ended September 30, 2018
(Unaudited)

The City's top ten property taxpayers and amounts paid by each during the year ended September 30, 2018 consisted of the following:

Colonial Pipeline Company	\$ 315,146
Alabama Power Company	160,738
Edwin B. Lumpkin, Jr.	66,228
The Grand Reserve at Pelham, LLC	55,001
Pelham Industrial Enterprises, LLC	51,872
Huntley Hall Apartments, Ltd.	43,064
Steel Dynamics, Inc.	41,990
Wal-Mart Real Estate Business Trust	41,600
Birmingham Realty Co.	34,141
New Market Southgate, LLC	33,358

CITY OF PELHAM, ALABAMA
Water and Sewer System Customer Information
For the Year Ended September 30, 2018
(Unaudited)

The number of Water and Sewer System customers consisted of the following for the year ended September 30:

	<u>Water</u>	<u>Sewer</u>
2018	12,694	6,856
2017	12,447	6,620
2016	12,286	6,829
2015	12,085	6,810
2014	11,979	6,831
2013	11,874	6,821
2012	11,717	6,805
2011	11,615	6,788
2010	11,547	6,767
2009	11,473	6,735
2008	11,275	6,636
2007	11,069	6,531
2006	10,713	6,429
2005	10,295	6,279
2004	9,526	5,851
2003	9,198	5,665
2002	8,893	5,420
2001	8,488	5,104
2000	8,087	4,836
1999	7,633	4,536

The ten largest customers, using the average amount paid monthly, of the Sewer System for the year ended September 30, 2018, are as follows:

Green Park South Mobile Home Park	\$ 22,863
Pelham City Board of Education	6,553
The Grand Reserve Apartments	6,239
Colonial Pipeline Company	5,853
Southgate Estates Mobile Park	4,832
The Food Pantry	4,621
The Huntley Apartments	3,860
Oak Mountain Lodge	2,985
Wood Spring Suites	2,580
Cracker Barrel	2,410

CITY OF PELHAM, ALABAMA
 Water and Sewer System Rates
 For the Year Ended September 30, 2018
 (Unaudited)

The water rates as of September 30, 2018 are as follows:

Residential (inside City)	\$15.00 minimum on the first 3,000 gallons \$3.88 per 1,000 gallons thereafter
Residential (outside City)	\$17.75 minimum on the first 3,000 gallons \$4.47 per 1,000 gallons thereafter
Commercial (inside City)	\$15.00 minimum on the first 3,000 gallons \$3.88 per 1,000 gallons thereafter
Commercial (outside City)	\$17.75 minimum on the first 3,000 gallons \$4.47 per 1,000 gallons thereafter

The sewer rates as of September 30, 2018 are as follows:

Residential	\$24.30 minimum on the first 3,000 gallons \$6.00 per 1,000 gallons thereafter
Social Security or Social Security Disability	\$22.00 minimum on the first 3,000 gallons \$4.00 per 1,000 gallons thereafter
Access but not connected	Flat rate \$24.30 per thousand gallons
Commercial	\$60.75 minimum on the first 7,500 gallons \$8.10 per 1,000 gallons thereafter
Significant commercial	\$88.00 minimum on the first 7,500 gallons \$11.74 per 1,000 gallons thereafter
Impact fees - residential	\$3,000 per household
Impact fees - commercial	\$3,000 minimum for the first 15 fixtures \$200 per fixture above the maximum