

CITY OF PELHAM, ALABAMA

PELHAM, ALABAMA

Financial Statements

September 30, 2019

**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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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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express 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, 2019, 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.

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 related ratios and budgetary comparison information on pages 6-12 and 62-67 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
June 30, 2020

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 \$3.9 million.
- The total cost of the City's programs was \$60.1 million.
- During the year, the City had expenses of \$40.6 million for governmental activities and transfers of \$2.6 million to business-type activities, which was \$3.9 million less than the \$47.1 million generated in general and program revenues.
- The City's combined assets exceeded its combined liabilities by \$102.9 million, 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 following 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, 2019 was \$102.9 million. The governmental activities net position was \$46.8 million and the business-type activities net position was \$56.1 million.

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,	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$73,479,764	\$71,309,543	\$ 6,166,461	\$ 6,854,712	\$ 79,646,225	\$78,164,255
Capital assets	62,787,536	63,974,922	65,162,815	66,043,900	127,950,351	130,018,822
Total assets	<u>136,267,300</u>	<u>135,284,465</u>	<u>71,329,276</u>	<u>72,898,612</u>	<u>207,596,576</u>	<u>208,183,077</u>
Deferred outflows of resources						
Deferred outflows related to pensions	6,053,652	4,948,004	1,341,674	1,155,487	7,395,326	6,103,491
Deferred outflows related to OPEB	2,991,371	323,973	-	-	2,991,371	323,973
Deferred charge on refunding	287,754	346,156	110,544	201,101	398,298	547,257
Total deferred outflows of resources	<u>9,332,777</u>	<u>5,618,133</u>	<u>1,452,218</u>	<u>1,356,588</u>	<u>10,784,995</u>	<u>6,974,721</u>
Liabilities						
Long-term liabilities	88,365,313	87,653,207	14,434,753	18,775,137	102,800,066	106,428,344
Other liabilities	1,881,438	1,434,955	1,766,671	2,311,145	3,648,109	3,746,100
Total liabilities	<u>90,246,751</u>	<u>89,088,162</u>	<u>16,201,424</u>	<u>21,086,282</u>	<u>106,448,175</u>	<u>110,174,444</u>
Deferred inflows of resources						
Pension deferrals	2,049,489	1,883,391	490,353	457,454	2,539,842	2,340,845
Deferred inflows related to OPEB	-	850,658	-	-	-	850,658
Property taxes levied for subsequent year	6,534,882	6,174,889	-	-	6,534,882	6,174,889
Total deferred inflows of resources	<u>8,584,371</u>	<u>8,908,938</u>	<u>490,353</u>	<u>457,454</u>	<u>9,074,724</u>	<u>9,366,392</u>
Net position						
Net investment in capital assets	54,856,788	53,966,598	55,967,259	52,410,282	110,824,047	106,376,880
Restricted	2,295,625	2,627,880	-	-	2,295,625	2,627,880
Unrestricted	(10,383,458)	(13,688,980)	122,458	301,182	(10,261,000)	(13,387,798)
Total net position	<u>\$46,768,955</u>	<u>\$42,905,498</u>	<u>\$56,089,717</u>	<u>\$52,711,464</u>	<u>\$102,858,672</u>	<u>\$95,616,962</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 \$(10.4 million).

Changes in Net Position

The City's Change in Net Position of the governmental activities was \$3.9 million and the change in net position of business-type activities was \$3.4 million.

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,	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues						
Fees, fines and charges for service	\$ 7,407,058	\$ 7,181,661	\$19,755,066	\$17,786,208	\$ 27,162,124	\$24,967,869
Operating grants and contributions	2,093,258	1,521,911	-	-	2,093,258	1,521,911
Capital grants and contributions	612,386	5,235,104	326,728	489,870	939,114	5,724,974
General revenues						
Sales taxes	28,258,622	27,597,246	-	-	28,258,622	27,597,246
Property taxes	6,403,768	6,221,887	-	-	6,403,768	6,221,887
Other taxes	306,984	254,636	-	-	306,984	254,636
Interest earnings	2,026,181	2,006,028	8,122	7,653	2,034,303	2,013,681
Gain (loss) on disposal of capital assets	-	1,056,193	111,130	(9,286)	111,130	1,046,907
Total revenues	<u>47,108,257</u>	<u>51,074,666</u>	<u>20,201,046</u>	<u>18,274,445</u>	<u>67,309,303</u>	<u>69,349,111</u>
Expenses						
General administration	13,803,449	11,437,677	-	-	13,803,449	11,437,677
Police	9,366,084	9,116,107	-	-	9,366,084	9,116,107
Fire	8,699,910	8,898,391	-	-	8,699,910	8,898,391
Public works	3,865,433	3,350,359	-	-	3,865,433	3,350,359
Parks and recreation	1,702,042	1,852,782	-	-	1,702,042	1,852,782
Library	1,489,489	1,690,768	-	-	1,489,489	1,690,768
Interest on long-term debt	1,692,872	1,792,467	-	-	1,692,872	1,792,467
Water and Sewer	-	-	9,083,191	8,933,340	9,083,191	8,933,340
Civic Complex	-	-	5,433,915	4,348,556	5,433,915	4,348,556
Ballantrae Golf Club	-	-	2,322,757	2,372,356	2,322,757	2,372,356
Racquet Club	-	-	1,342,435	1,196,560	1,342,435	1,196,560
Garbage Fund	-	-	1,266,016	1,251,608	1,266,016	1,251,608
Total expenses	<u>40,619,279</u>	<u>38,138,551</u>	<u>19,448,314</u>	<u>18,102,420</u>	<u>60,067,593</u>	<u>56,240,971</u>
Excess (deficiency) before transfers	6,488,978	12,936,115	752,732	172,025	7,241,710	13,108,140
Transfers	<u>(2,625,521)</u>	<u>(7,324,453)</u>	<u>2,625,521</u>	<u>7,324,453</u>	-	-
Change in net position	3,863,457	5,611,662	3,378,253	7,496,478	7,241,710	13,108,140
Beginning net position	42,905,498	49,404,576	52,711,464	45,214,986	95,616,962	94,619,562
Prior period adjustment	-	(12,110,740)	-	-	-	(12,110,740)
Total net position	<u>\$46,768,955</u>	<u>\$42,905,498</u>	<u>\$56,089,717</u>	<u>\$52,711,464</u>	<u>\$ 102,858,672</u>	<u>\$95,616,962</u>

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

The governmental activities total revenues decreased by 7.77% to \$47.1 million due primarily to a decrease in donations of capital assets. Sales and property taxes account for 73.58% of all governmental activities revenues. The remaining revenues are comprised of charges for services and various other sources. The business-type activities total revenue increased by 10.54%.

The total cost of all programs and services increased by \$3.8 million. The cost of governmental activities increased by \$2.5 million and the cost of business-type activities increased by \$1.3 million.

Governmental Activities

The change in net position of governmental activities was \$3.9 million, resulting primarily from a decrease in transfers to business-type activities.

Business-type Activities

The change in net position of business-type activities was \$3.4 million, resulting primarily from increased Civic Complex revenues.

THE CITY'S FUNDS

Governmental Funds

As of September 30, 2019, the governmental funds reported a combined fund balance of \$65.4 million, which is 2.10% more than the beginning of the year. The General Fund experienced a net increase of \$1.7 million resulting primarily from less transfers to business-type activities.

Business-type Funds

As of September 30, 2019, business-type funds reported a combined net position of \$56.1 million. The business-type funds Change in Net Position totaled \$3.4 million, resulting primarily from increased Civic Complex revenues.

General Fund Budgetary Highlights

General Fund revenues exceeded budget by \$1.7 million, largely due to greater than anticipated interest received from notes receivables. 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 exceeded budgeted amounts by \$657 thousand, largely due to early payoff of long-term debt.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the City had \$128.0 million, 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 decrease (including additions, disposals and depreciation) of \$2.1 million or 1.59% less than last year. The decrease 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	
	2019	2018	2019	2018	2019	2018
Land	\$ 14,041,260	\$14,072,019	\$ 8,801,321	\$ 8,801,321	\$ 22,842,581	\$ 22,873,340
Construction in progress	758,746	3,304,011	2,643,969	3,006,443	3,402,715	6,310,454
Infrastructure, net	21,087,688	18,247,107	-	-	21,087,688	18,247,107
System and facilities, net	-	-	52,024,792	52,539,525	52,024,792	52,539,525
Buildings and improvements, net	19,716,229	20,376,656	528,635	569,127	20,244,864	20,945,783
Equipment, net	7,183,613	7,975,129	1,164,098	1,127,484	8,347,711	9,102,613
Total capital assets, net	<u>\$ 62,787,536</u>	<u>\$63,974,922</u>	<u>\$65,162,815</u>	<u>\$66,043,900</u>	<u>\$ 127,950,351</u>	<u>\$ 130,018,822</u>

Commitments

The General Fund had contractual commitments as of September 30, 2019 of \$818 thousand for various capital improvements within the City.

Long-Term Debt

At September 30, 2019, the City had \$59.7 million in warrants and capital leases payable outstanding versus \$67.7 million at September 30, 2018, a decrease of 11.85%. 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	
	2019	2018	2019	2018	2019	2018
General Obligation						
Warrants	\$ 49,433,264	\$ 52,610,436	\$ 9,306,100	\$ 13,834,719	\$ 58,739,364	\$ 66,445,155
Capital lease payable	925,953	1,235,283	3,854	6,781	929,807	1,242,064
Totals	<u>\$ 50,359,217</u>	<u>\$ 53,845,719</u>	<u>\$ 9,309,954</u>	<u>\$ 13,841,500</u>	<u>\$ 59,669,171</u>	<u>\$ 67,687,219</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's Mayor, after consulting with the Finance Director, department heads and supervisors, considered many factors when submitting the proposed budget for the fiscal year ending September 30, 2020. The City Council took the Mayor's proposed budget under consideration and, after further review and evaluation, adopted the fiscal year 2020 budget. Tax rates, anticipated sales tax collections, anticipated expenditures/expenses, prior year actual revenues/expenditures 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 2019, 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 \$44.8 million for the fiscal year 2020. The City took into consideration the current year decrease in revenue and its effect on the City when budgeting expenditures for the fiscal year 2020.

If these estimates are realized, the City's budgetary fund balance is expected to increase by the close of fiscal year 2020.

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's Finance Director at The City of Pelham, P.O. Box 1419, Pelham, Alabama 35124.

CITY OF PELHAM, ALABAMA
Statement of Net Position
September 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 16,214,107	\$ 3,598,245	\$ 19,812,352
Deposit and investments	3,650,137	-	3,650,137
Accounts receivable	8,813,510	1,676,245	10,489,755
Inventory	-	383,038	383,038
Prepaid expenses	1,769,342	113,366	1,882,708
Current maturity of long-term notes receivable	1,332,500	-	1,332,500
Restricted cash and cash equivalents	2,232,668	-	2,232,668
Restricted deposit	150,000	-	150,000
Total current assets	<u>34,162,264</u>	<u>5,770,894</u>	<u>39,933,158</u>
Noncurrent assets			
Restricted cash	-	395,567	395,567
Notes receivable	39,317,500	-	39,317,500
Nondepreciable capital assets	14,800,006	11,445,290	26,245,296
Depreciable capital assets, net	47,987,530	53,717,525	101,705,055
Total noncurrent assets	<u>102,105,036</u>	<u>65,558,382</u>	<u>167,663,418</u>
Total assets	<u>136,267,300</u>	<u>71,329,276</u>	<u>207,596,576</u>
Deferred outflows of resources			
Deferred outflows related to pensions	6,053,652	1,341,674	7,395,326
Deferred outflows related to OPEB	2,991,371	-	2,991,371
Deferred charge on refunding	287,754	110,544	398,298
Total deferred outflows of resources	<u>9,332,777</u>	<u>1,452,218</u>	<u>10,784,995</u>
Liabilities			
Current liabilities			
Accounts payable	414,462	780,244	1,194,706
Unearned revenue	-	282,375	282,375
Accrued liabilities	898,378	266,835	1,165,213
Accrued interest payable	374,059	41,650	415,709
Payable from restricted assets - customer deposits	194,539	395,567	590,106
Current maturities of long-term liabilities			
Warrants payable, net	2,534,103	3,048,190	5,582,293
Capital lease payable	319,101	3,065	322,166
Compensated absences	872,847	147,486	1,020,333
Total current liabilities	<u>5,607,489</u>	<u>4,965,412</u>	<u>10,572,901</u>

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

CITY OF PELHAM, ALABAMA
Statement of Net Position
September 30, 2019
(Continued)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Noncurrent liabilities			
Warrants payable, net	\$ 46,899,161	\$ 6,257,910	\$ 53,157,071
Capital lease payable	606,852	789	607,641
Compensated absences	872,847	147,484	1,020,331
Total OPEB liability	16,173,729	-	16,173,729
Net pension liability	20,086,673	4,829,829	24,916,502
Total noncurrent liabilities	<u>84,639,262</u>	<u>11,236,012</u>	<u>95,875,274</u>
 Total liabilities	<u>90,246,751</u>	<u>16,201,424</u>	<u>106,448,175</u>
 Deferred inflows of resources			
Deferred inflows related to pension	2,049,489	490,353	2,539,842
Property taxes levied for subsequent year	6,534,882	-	6,534,882
Total deferred inflows of resources	<u>8,584,371</u>	<u>490,353</u>	<u>9,074,724</u>
 Net position			
Net investment in capital assets	54,856,788	55,967,259	110,824,047
Restricted for			
Street improvements	432,505	-	432,505
Court	741,523	-	741,523
Police/municipal corrections	291,437	-	291,437
Library	78,938	-	78,938
Capital projects	751,222	-	751,222
Unrestricted	<u>(10,383,458)</u>	<u>122,458</u>	<u>(10,261,000)</u>
 Total net position	<u>\$ 46,768,955</u>	<u>\$ 56,089,717</u>	<u>\$ 102,858,672</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, 2019

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		Total
					Governmental Activities	Business-type Activities	
Governmental activities							
General administration	\$ 13,803,449	\$ 6,973,649	\$ 1,076,077	\$ -	\$ (5,753,723)	\$ -	\$ (5,753,723)
Police	9,366,084	12,615	156,752	11,436	(9,185,281)	-	(9,185,281)
Fire	8,699,910	-	12,700	6,760	(8,680,450)	-	(8,680,450)
Public works	3,865,433	9,000	814,909	560,597	(2,480,927)	-	(2,480,927)
Parks and recreation	1,702,042	392,338	-	33,593	(1,276,111)	-	(1,276,111)
Library	1,489,489	19,456	32,820	-	(1,437,213)	-	(1,437,213)
Interest on long-term debt	1,692,872	-	-	-	(1,692,872)	-	(1,692,872)
Total governmental activities	40,619,279	7,407,058	2,093,258	612,386	(30,506,577)	-	(30,506,577)
Business-type activities							
Water and Sewer	9,083,191	10,961,440	-	326,728	-	2,204,977	2,204,977
Civic Complex and Ice Arena	5,433,915	4,642,793	-	-	-	(791,122)	(791,122)
Ballantreae Golf	2,322,757	2,063,962	-	-	-	(258,795)	(258,795)
Racquet Club	1,342,435	697,773	-	-	-	(644,662)	(644,662)
Garbage Fund	1,266,016	1,389,098	-	-	-	123,082	123,082
Total business-type activities	19,448,314	19,755,066	-	326,728	-	633,480	633,480
Total primary government	\$ 60,067,593	\$ 27,162,124	\$ 2,093,258	\$ 939,114	(30,506,577)	633,480	(29,873,097)
General revenues and other items:							
Taxes:							
Sales					28,258,622	-	28,258,622
Property					6,403,768	-	6,403,768
Other					306,984	-	306,984
Interest earnings					2,026,181	8,122	2,034,303
Gain on disposal of capital assets					-	111,130	111,130
Transfers (out) in					(2,625,521)	2,625,521	-
Total general revenues and other items					34,370,034	2,744,773	37,114,807
Change in net position					3,863,457	3,378,253	7,241,710
Net position - beginning of year					42,905,498	52,711,464	95,616,962
Net position - end of year					\$ 46,768,955	\$ 56,089,717	\$ 102,858,672

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

CITY OF PELHAM, ALABAMA

Balance Sheet

Governmental Funds

September 30, 2019

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 16,214,107	\$ -	\$ 16,214,107
Deposit and investments	3,650,137	-	3,650,137
Accounts receivable	8,813,510	-	8,813,510
Prepaid expenditures	1,769,342	-	1,769,342
Current maturity of long-term notes receivable	1,332,500	-	1,332,500
Restricted cash and cash equivalents	415,823	1,816,845	2,232,668
Restricted deposit	-	150,000	150,000
	<u>32,195,419</u>	<u>1,966,845</u>	<u>34,162,264</u>
Non-current assets			
Note receivable	<u>39,317,500</u>	-	<u>39,317,500</u>
Total assets	<u>\$ 71,512,919</u>	<u>\$ 1,966,845</u>	<u>\$ 73,479,764</u>
Liabilities			
Accounts payable	\$ 408,814	\$ 5,648	\$ 414,462
Accrued liabilities	898,378	-	898,378
Payable from restricted assets - due (from) to other funds	(18,774)	18,774	-
Payable from restricted assets - deposits	131,918	62,621	194,539
Total liabilities	<u>1,420,336</u>	<u>87,043</u>	<u>1,507,379</u>
Deferred inflow of resources			
Property taxes levied for subsequent year	<u>6,534,882</u>	-	<u>6,534,882</u>
Total deferred inflows of resources	<u>6,534,882</u>	-	<u>6,534,882</u>
Fund balance			
Non-spendable			
Notes receivable	40,650,000	-	40,650,000
Prepaid expenditures	1,769,342	-	1,769,342
Restricted for			
Street improvements	-	432,505	432,505
Court	415,823	325,700	741,523
Police/municipal corrections	-	291,437	291,437
Library	-	78,938	78,938
Capital projects	-	751,222	751,222
Unassigned	<u>20,722,536</u>	-	<u>20,722,536</u>
Total fund balances	<u>63,557,701</u>	<u>1,879,802</u>	<u>65,437,503</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ 71,512,919</u>	<u>\$ 1,966,845</u>	<u>\$ 73,479,764</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, 2019

Total fund balances - governmental funds	\$	65,437,503
<p>Amounts reported for governmental activities in the Statement of Net Position are different due to the following:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		
Governmental capital assets	90,575,817	
Less accumulated depreciation	<u>(27,788,281)</u>	62,787,536
<p>Interest payable is not recognized as an expenditure in governmental funds, but rather is recognized when an expenditure is paid.</p>		
		(374,059)
<p>Long-term liabilities, including warrants payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
Warrants payable	(47,079,795)	
Warrant discounts and premiums	(2,353,469)	
Deferred outflow of resources for deferred charges	287,754	
Deferred outflows of resources for pension	6,053,652	
Deferred outflows of resources for OPEB	2,991,371	
Capital lease payable	(925,953)	
Total OPEB liability	(16,173,729)	
Deferred inflows of resources for pension	(2,049,489)	
Net pension liability	(20,086,673)	
Compensated absences	<u>(1,745,694)</u>	<u>(81,082,025)</u>
Total net position- governmental activities	\$	<u><u>46,768,955</u></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, 2019

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes			
Sales	\$ 28,258,622	\$ -	\$ 28,258,622
Property	6,403,768	-	6,403,768
Motor vehicle/gas	598,686	216,223	814,909
Other	306,984	-	306,984
Licenses and permits	4,878,705	-	4,878,705
Fines and forfeitures	1,106,343	450,687	1,557,030
Charges for services	840,560	19,456	860,016
Interest	2,022,484	3,697	2,026,181
Other	200,933	1,222,316	1,423,249
Total revenues	<u>44,617,085</u>	<u>1,912,379</u>	<u>46,529,464</u>
Expenditures			
General administration	11,967,230	1,803,320	13,770,550
Police	8,447,247	179,190	8,626,437
Fire	8,376,191	-	8,376,191
Public works	2,868,244	106,127	2,974,371
Parks and recreation	1,320,887	-	1,320,887
Library	1,270,640	31,278	1,301,918
Capital outlay	1,373,923	32,041	1,405,964
Debt service			
Principal retirement	3,247,576	-	3,247,576
Interest	1,889,059	-	1,889,059
Total expenditures	<u>40,760,997</u>	<u>2,151,956</u>	<u>42,912,953</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,856,088</u>	<u>(239,577)</u>	<u>3,616,511</u>
Other financing sources (uses)			
Proceeds from sale of capital assets	357,092	-	357,092
Interfund transfers out	<u>(2,539,371)</u>	<u>(86,150)</u>	<u>(2,625,521)</u>
Total other financing sources (uses)	<u>(2,182,279)</u>	<u>(86,150)</u>	<u>(2,268,429)</u>
Net changes in fund balance	1,673,809	(325,727)	1,348,082
Fund balance - beginning of year	<u>61,883,892</u>	<u>2,205,529</u>	<u>64,089,421</u>
Fund balance - end of year	<u>\$ 63,557,701</u>	<u>\$ 1,879,802</u>	<u>\$ 65,437,503</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, 2019

Net changes in fund balances - governmental funds \$ 1,348,082

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	1,405,964	
Less depreciation expense	<u>(2,602,715)</u>	(1,196,751)

The proceeds from the sale of capital assets (\$357,092) are reported as
 other financing sources in the governmental funds. However, the
 the net book value of the capital assets (\$569,428) is removed from
 the capital assets account in the Statement of Net Position and offset
 against the sales proceeds resulting in a loss in the Statement of
 Activities of (\$212,336). (569,428)

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. 578,793

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	3,247,576	
Issuance of capital leases	-	
Bond discounts, premiums, and deferred amounts on refunding amortization expense	<u>180,524</u>	3,428,100

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, 2019
 (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	\$ 86,313	
Net increase in pension expense	(153,578)	
Net increase in total OPEB liability	326,263	
Net increase in accrued interest	15,663	274,661
Change in net position - governmental activities		\$ 3,863,457

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, 2019

	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	\$ 3,064,075	\$ 203,996	\$ 111,647	\$ 218,527	\$ 3,598,245
Accounts receivable	1,281,408	44,959	50,778	299,100	1,676,245
Inventory	159,421	134,918	64,814	23,885	383,038
Prepaid expenses	59,552	24,321	13,691	15,802	113,366
Total current assets	<u>4,564,456</u>	<u>408,194</u>	<u>240,930</u>	<u>557,314</u>	<u>5,770,894</u>
Non-current assets					
Restricted cash	395,567	-	-	-	395,567
Non-depreciable assets	3,586,707	9,880	7,463,703	385,000	11,445,290
Depreciable capital assets, net	35,429,901	12,859,477	2,890,512	2,537,635	53,717,525
Total noncurrent assets	<u>39,412,175</u>	<u>12,869,357</u>	<u>10,354,215</u>	<u>2,922,635</u>	<u>65,558,382</u>
Total assets	<u>43,976,631</u>	<u>13,277,551</u>	<u>10,595,145</u>	<u>3,479,949</u>	<u>71,329,276</u>
Deferred outflows of resources					
Contributions to pension plans	594,506	264,892	289,372	192,904	1,341,674
Deferred charge on refunding	83,244	6,136	14,101	7,063	110,544
Total deferred outflows of resources	<u>677,750</u>	<u>271,028</u>	<u>303,473</u>	<u>199,967</u>	<u>1,452,218</u>
Liabilities					
Current liabilities					
Accounts payable	554,904	93,699	28,388	103,253	780,244
Unearned revenue	-	282,375	-	-	282,375
Accrued liabilities	89,492	56,840	83,355	37,148	266,835
Accrued interest payable	34,050	636	2,920	4,044	41,650
Payable from restricted assets - customer deposits	395,567	-	-	-	395,567
Current maturities of long-term liabilities					
Warrants payable, net	1,657,877	604,989	617,833	167,491	3,048,190
Capital lease payable	-	-	3,065	-	3,065
Compensated absences	44,307	39,192	30,365	33,622	147,486
Total current liabilities	<u>2,776,197</u>	<u>1,077,731</u>	<u>765,926</u>	<u>345,558</u>	<u>4,965,412</u>
Noncurrent liabilities					
Warrants payable, net	3,917,619	-	1,871,218	469,073	6,257,910
Capital lease payable	-	-	789	-	789
Compensated absences	44,306	39,192	30,364	33,622	147,484
Net pension liability	2,286,703	868,087	1,062,564	612,475	4,829,829
Total noncurrent liabilities	<u>6,248,628</u>	<u>907,279</u>	<u>2,964,935</u>	<u>1,115,170</u>	<u>11,236,012</u>
Total liabilities	<u>9,024,825</u>	<u>1,985,010</u>	<u>3,730,861</u>	<u>1,460,728</u>	<u>16,201,424</u>
Deferred inflow of resources					
Deferred inflows related to pensions	231,285	88,643	107,754	62,671	490,353
Total deferred inflows of resources	<u>231,285</u>	<u>88,643</u>	<u>107,754</u>	<u>62,671</u>	<u>490,353</u>
Net position					
Net investment in capital assets	33,524,356	12,270,504	7,879,265	2,293,134	55,967,259
Unrestricted	1,873,915	(795,578)	(819,262)	(136,617)	122,458
Total net position	<u>\$ 35,398,271</u>	<u>\$ 11,474,926</u>	<u>\$ 7,060,003</u>	<u>\$ 2,156,517</u>	<u>\$ 56,089,717</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, 2019

	Business-type Activities - Enterprise Funds				Totals
	Water and Sewer	Civic Complex and Ice Arena	Ballantrae Golf	Other Proprietary Funds	
Operating revenues					
Charges for services	\$ 10,961,440	\$ 4,642,793	\$ 2,063,962	\$ 2,086,871	\$ 19,755,066
Total operating revenues	<u>10,961,440</u>	<u>4,642,793</u>	<u>2,063,962</u>	<u>2,086,871</u>	<u>19,755,066</u>
Operating expenses					
Salaries	1,291,366	1,322,972	981,772	643,066	4,239,176
Employee benefits	368,633	188,537	186,310	127,770	871,250
Payroll taxes	84,801	72,621	76,272	45,810	279,504
Depreciation	2,848,335	703,543	144,672	124,100	3,820,650
Water purchases	1,919,939	-	-	-	1,919,939
Contract services - garbage pickup	-	-	-	1,266,016	1,266,016
Programs and events	-	1,381,374	-	79,079	1,460,453
Utilities and telephone	603,544	396,842	78,781	34,843	1,114,010
Supplies	365,566	780,521	536,447	40,598	1,723,132
Maintenance and repairs	370,145	347,340	99,263	194,099	1,010,847
Insurance	77,284	67,696	50,618	23,343	218,941
Other	969,304	139,818	107,824	15,041	1,231,987
Total operating expenses	<u>8,898,917</u>	<u>5,401,264</u>	<u>2,261,959</u>	<u>2,593,765</u>	<u>19,155,905</u>
Operating income (loss)	<u>2,062,523</u>	<u>(758,471)</u>	<u>(197,997)</u>	<u>(506,894)</u>	<u>599,161</u>
Nonoperating expenses					
(Loss) gain on disposal of capital assets	113,000	-	-	(1,870)	111,130
Interest income	7,615	111	191	205	8,122
Interest expense	(184,274)	(32,651)	(60,798)	(14,686)	(292,409)
Total nonoperating expenses	<u>(63,659)</u>	<u>(32,540)</u>	<u>(60,607)</u>	<u>(16,351)</u>	<u>(173,157)</u>
Income (loss) before capital contributions and transfers (out) in	1,998,864	(791,011)	(258,604)	(523,245)	426,004
Capital contributions	326,728	-	-	-	326,728
Transfers (out) in	<u>(8,428)</u>	<u>1,400,044</u>	<u>751,437</u>	<u>482,468</u>	<u>2,625,521</u>
Change in net position	2,317,164	609,033	492,833	(40,777)	3,378,253
Net position, beginning 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>
Net position, end of year	<u>\$ 35,398,271</u>	<u>\$ 11,474,926</u>	<u>\$ 7,060,003</u>	<u>\$ 2,156,517</u>	<u>\$ 56,089,717</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, 2019

	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	\$11,031,758	\$ 4,653,248	\$ 2,074,589	\$ 1,972,299	\$19,731,894
Cash paid to employees	(1,698,698)	(1,542,637)	(1,208,356)	(785,418)	(5,235,109)
Cash paid to suppliers for goods and services	(4,141,363)	(3,692,107)	(870,478)	(1,672,656)	(10,376,604)
Net cash provided (used) by operating activities	<u>5,191,697</u>	<u>(581,496)</u>	<u>(4,245)</u>	<u>(485,775)</u>	<u>4,120,181</u>
Cash flows from noncapital financing activities					
Transfers (to) from other funds	(8,428)	1,400,044	751,437	482,468	2,625,521
Net cash (used) provided by noncapital financing activities	<u>(8,428)</u>	<u>1,400,044</u>	<u>751,437</u>	<u>482,468</u>	<u>2,625,521</u>
Cash flows from capital and related financing activities					
Purchase of property, plant, and equipment	(2,782,419)	(97,539)	(30,945)	-	(2,910,903)
Proceeds from sale of capital assets	153,000	-	-	-	153,000
Principal payments on debt	(3,162,291)	(594,680)	(609,020)	(165,555)	(4,531,546)
Interest payments on debt	(137,046)	(15,943)	(54,304)	(10,899)	(218,192)
Net cash used by capital and related financing activities	<u>(5,928,756)</u>	<u>(708,162)</u>	<u>(694,269)</u>	<u>(176,454)</u>	<u>(7,507,641)</u>
Cash flows from investing activities					
Interest on cash and investments	7,615	111	191	205	8,122
Net cash provided by investing activities	<u>7,615</u>	<u>111</u>	<u>191</u>	<u>205</u>	<u>8,122</u>
Net (decrease) increase in cash and cash equivalents	(737,872)	110,497	53,114	(179,556)	(753,817)
Cash and cash equivalents at beginning of year	4,197,514	93,499	58,533	398,083	4,747,629
Cash and cash equivalents at end of year	<u>\$ 3,459,642</u>	<u>\$ 203,996</u>	<u>\$ 111,647</u>	<u>\$ 218,527</u>	<u>\$ 3,993,812</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, 2019
(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)	\$ 2,062,523	\$ (758,471)	\$ (197,997)	\$ (506,894)	\$ 599,161
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	2,848,335	703,543	144,672	124,100	3,820,650
Bad debt	(14,151)	-	-	-	(14,151)
(Increase) decrease in:					
Accounts receivable	63,676	53,575	10,991	(114,572)	13,670
Deferred outflows of resources for pensions	(57,799)	(46,901)	(43,397)	(38,090)	(186,187)
Prepaid expenses	848	(5,279)	826	(6,308)	(9,913)
Inventory	(26,245)	(19,811)	(450)	(9,401)	(55,907)
Increase (decrease) in:					
Accounts payable	201,852	(555,751)	3,402	(8,145)	(358,642)
Accrued expenses	40,073	31,999	29,297	22,548	123,917
Customer deposits	6,642	-	-	-	6,642
Unearned revenue	-	(43,120)	-	-	(43,120)
Deferred inflows of resources for pension	13,060	7,380	6,880	5,579	32,899
Net pension liability	85,952	48,573	45,275	36,713	216,513
Compensated absences	(33,069)	2,767	(3,744)	8,695	(25,351)
Net cash provided (used) by operating activities	\$ 5,191,697	\$ (581,496)	\$ (4,245)	\$ (485,775)	\$ 4,120,181
Reconciliation of cash and cash equivalents					
Cash and cash equivalents in current assets	\$ 3,064,075	\$ 203,996	\$ 111,647	\$ 218,527	\$ 3,598,245
Restricted cash	395,567	-	-	-	395,567
Total cash and cash equivalents at end of year	\$ 3,459,642	\$ 203,996	\$ 111,647	\$ 218,527	\$ 3,993,812

Noncash Investing, Capital, and Financing Activities

Pelham Water and Sewer had amortization of deferred amounts on refunding of \$61,180 and had system lines contributed by developers totaling \$326,728, during the year ended September 30, 2019.

Pelham Civic Complex and Ice Arena had amortization of deferred amounts on refunding of \$17,333 during the year ended September 30, 2019.

Ballantrae Golf Club had amortization of deferred amounts on refunding of \$7,205 during the year ended September 30, 2019.

Pelham Racquet Club had amortization of deferred amounts on refunding of \$4,839 during the year ended September 30, 2019.

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

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2019

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 June 30, 2020, 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, 2019
(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, 2019
(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, 2019

(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, 2019
(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 net realizable value.

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, 2019

(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, 2019
(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, 2019

(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, 2019
(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, 2019
(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, 2019, 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, 2019
(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS - Continued

As of September 30, 2019, 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	\$ 3,650,137	\$ -	\$ -	\$ 3,650,137

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, 2019 were insured.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2019
(Continued)

NOTE 3 - RECEIVABLES AND PAYABLES

Receivables consisted of the following at September 30, 2019:

	Governmental Activities	Business-type Activities	Total
Taxes			
Sales	\$ 2,360,235	\$ -	\$ 2,360,235
Property	6,330,659	-	6,330,659
Customers	-	1,797,333	1,797,333
Intergovernmental	122,616	-	122,616
Gross receivables	8,813,510	1,797,333	10,610,843
Less: Allowance for uncollectible accounts	-	(121,088)	(121,088)
Net receivables	<u>\$ 8,813,510</u>	<u>\$ 1,676,245</u>	<u>\$ 10,489,755</u>

Payables consisted of the following at September 30, 2019:

	Governmental Activities	Business-type Activities	Total
Trade	\$ 414,462	\$ 780,244	\$ 1,194,706
Capital assets	84,480	65,410	149,890
Net payables	<u>\$ 498,942</u>	<u>\$ 845,654</u>	<u>\$ 1,344,596</u>

NOTE 4 - NOTE RECEIVABLE

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, 2019, the balance on the note receivable totaled \$39,480,000. 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, 2019, the balance on the note receivable totaled \$1,170,000. 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.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2019
(Continued)

NOTE 4 - NOTE RECEIVABLE - Continued

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

2020	\$	1,332,500
2021		1,552,500
2022		1,780,000
2023		1,840,000
2024		2,232,500
2025-2040		31,912,500
		\$ 40,650,000

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 \$223,634 and a carrying amount of \$110,178. 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, 2019, the Board of Education still occupied the space. Future minimum rent amounts total \$24,000 in 2020. Rent income associated with the lease agreement was \$48,000 for the year ended September 30, 2019.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2019
(Continued)

NOTE 6 - CAPITAL ASSETS

Capital assets activity for governmental activities consisted of the following for the year ended September 30, 2019:

	Governmental Activities			September 30, 2019
	October 1, 2018	Additions	Disposals	
Depreciable assets				
Infrastructure	\$ 29,422,286	\$ 3,596,512	\$ -	\$ 33,018,798
Buildings and improvements	28,192,299	114,172	-	28,306,471
Equipment	15,796,293	809,238	2,154,989	14,450,542
	<u>73,410,878</u>	<u>4,519,922</u>	<u>2,154,989</u>	<u>75,775,811</u>
Less accumulated depreciation				
Infrastructure	11,175,179	755,931	-	11,931,110
Buildings and improvements	7,815,643	774,599	-	8,590,242
Equipment	7,821,164	1,072,185	1,626,420	7,266,929
	<u>26,811,986</u>	<u>2,602,715</u>	<u>1,626,420</u>	<u>27,788,281</u>
	46,598,892	1,917,207	528,569	47,987,530
Non-depreciable assets				
Land	14,072,019	10,100	40,859	14,041,260
Construction in progress	3,304,011	500,750	3,046,015	758,746
	<u>17,376,030</u>	<u>510,850</u>	<u>3,086,874</u>	<u>14,800,006</u>
	<u>\$ 63,974,922</u>	<u>\$ 2,428,057</u>	<u>\$ 3,615,443</u>	<u>\$ 62,787,536</u>

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2019
(Continued)

NOTE 6 - CAPITAL ASSETS - Continued

Capital assets activity for business-type activities consisted of the following for the year ended September 30, 2019:

	Business-type Activities			September 30, 2019
	October 1, 2018	Additions	Disposals	
Depreciable assets				
System and facilities	\$ 115,163,454	\$ 3,103,408	\$ 9,751	\$ 118,257,111
Water and Sewer				
Buildings and improvements	1,101,001	-	-	1,101,001
Equipment	3,243,970	200,501	146,614	3,297,857
	<u>119,508,425</u>	<u>3,303,909</u>	<u>156,365</u>	<u>122,655,969</u>
Less accumulated depreciation				
System and facilities	62,623,930	3,616,270	7,881	66,232,319
Water and Sewer				
Buildings and improvements	531,874	40,492	-	572,366
Equipment	2,116,485	163,888	146,614	2,133,759
	<u>65,272,289</u>	<u>3,820,650</u>	<u>154,495</u>	<u>68,938,444</u>
	54,236,136	(516,741)	1,870	53,717,525
Non-depreciable assets				
Land	8,801,321	-	-	8,801,321
Construction in progress	3,006,443	2,288,917	2,651,391	2,643,969
	<u>11,807,764</u>	<u>2,288,917</u>	<u>2,651,391</u>	<u>11,445,290</u>
	<u>\$ 66,043,900</u>	<u>\$ 1,772,176</u>	<u>\$ 2,653,261</u>	<u>\$ 65,162,815</u>

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2019
(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	\$ 138,560
Police	642,771
Fire	353,700
Public works	882,257
Parks and recreation	384,029
Library	201,398
	<u>\$ 2,602,715</u>

Business-type activities

Water and Sewer	\$ 2,848,335
Civic Complex	703,543
Ballantrae Golf Club	144,672
Racquet Club	124,100
	<u>\$ 3,820,650</u>

NOTE 7 - LONG-TERM DEBT

The general obligation warrants payable consisted of the following at September 30, 2019:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
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%	\$ 624,000	\$ 2,489,051
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%	5,710,759	-
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%	48,080	864,005

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2019
(Continued)

NOTE 7 - LONG-TERM DEBT - Continued

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
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%	\$ 29,220,000	\$ -
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%	10,855,000	-
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>621,956</u>	<u>5,953,044</u>
Total warrants payable	47,079,795	9,306,100
Plus deferred amounts for:		
Unamortized discounts and premiums	<u>2,353,469</u>	<u>-</u>
Total warrants payable, net	<u>\$ 49,433,264</u>	<u>\$ 9,306,100</u>

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>
2020	\$ 2,071,231	\$ 1,765,470	\$ 3,048,190	\$ 129,272
2021	2,086,372	1,706,151	2,218,789	85,180
2022	2,499,025	1,636,373	2,244,568	48,646
2023	2,519,287	1,561,021	1,794,553	14,882
2024	2,317,995	1,486,129	-	-
2025-2029	14,255,885	5,896,332	-	-
2030-2034	12,090,000	3,504,765	-	-
2035-2039	7,840,000	982,338	-	-
2040	1,400,000	24,500	-	-
	<u>\$ 47,079,795</u>	<u>\$ 18,563,079</u>	<u>\$ 9,306,100</u>	<u>\$ 277,980</u>

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2019
(Continued)

NOTE 7 - LONG-TERM DEBT - Continued

Changes in long-term liabilities for governmental activities consisted of the following at September 30, 2019:

Governmental Activities	October 1, 2018	Additions	Retirements	September 30, 2019	Due within one year
Warrants and notes payable:					
Notes payable	\$ -	\$ -	\$ -	\$ -	\$ -
Capital lease payable	1,235,283	-	309,330	925,953	319,101
General Obligation Warrants	50,018,041	-	2,938,246	47,079,795	2,302,667
	<u>51,253,324</u>	<u>-</u>	<u>3,247,576</u>	<u>48,005,748</u>	<u>2,621,768</u>
Plus: bond discounts and premiums	2,592,395	-	238,926	2,353,469	231,436
Total warrants and notes payable	<u>53,845,719</u>	<u>-</u>	<u>3,486,502</u>	<u>50,359,217</u>	<u>2,853,204</u>
Other liabilities:					
Compensated absences	1,832,007	1,241,315	1,327,628	1,745,694	872,847
	<u>\$ 55,677,726</u>	<u>\$ 1,241,315</u>	<u>\$ 4,814,130</u>	<u>\$ 52,104,911</u>	<u>\$ 3,726,051</u>

Changes in long-term liabilities for business-type activities consisted of the following at September 30, 2019:

Business-type Activities	October 1, 2018	Additions	Retirements	September 30, 2019	Due within one year
Warrants payable:					
General Obligation Warrants	\$ 13,834,719	\$ -	\$ 4,528,619	\$ 9,306,100	\$ 3,048,190
Capital lease payable	6,781	-	2,927	3,854	3,065
	<u>13,841,500</u>	<u>-</u>	<u>4,531,546</u>	<u>9,309,954</u>	<u>3,051,255</u>
Plus: bond discounts and premiums	-	-	-	-	-
Total warrants payable	<u>13,841,500</u>	<u>-</u>	<u>4,531,546</u>	<u>9,309,954</u>	<u>3,051,255</u>
Other liabilities:					
Compensated absences	320,321	181,581	206,932	294,970	147,486
	<u>\$ 14,161,821</u>	<u>\$ 181,581</u>	<u>\$ 4,738,478</u>	<u>\$ 9,604,924</u>	<u>\$ 3,198,741</u>

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

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2019
(Continued)

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, 2019, the future minimum lease payments under the capital lease agreements are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
2020	\$ 348,116	\$ 3,179	\$ 351,295
2021	317,700	796	318,496
2022	317,700	-	317,700
Future minimum lease payments	983,516	3,975	987,491
Less: amount representing interest	<u>(57,563)</u>	<u>(121)</u>	<u>(57,684)</u>
Present value of minimum lease payments	925,953	3,854	929,807
Less: current portion	<u>(319,101)</u>	<u>(3,065)</u>	<u>(322,166)</u>
Long-term capital lease obligation	<u>\$ 606,852</u>	<u>\$ 789</u>	<u>\$ 607,641</u>

As of September 30, 2019, the governmental activities lease had capitalized costs totaling \$1,944,326 and accumulated depreciation of \$446,902, and a net book value of \$1,497,424. Interest expense paid under the capital lease agreement totaled \$38,787 during the year ended September 30, 2019.

As of September 30, 2019, the business-type activities lease had capitalized costs totaling \$14,167 and accumulated depreciation of \$10,389, and a net book value of \$3,778. Interest expense paid under the capital lease agreement totaled \$252 during the year ended September 30, 2019.

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, 2019 totaled \$42,430 for governmental activities and \$195,358 for business-type activities, respectively.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2019
(Continued)

NOTE 9 - COMMITMENTS - Continued

Future minimum lease payments due under operating lease agreements consist of the following for the years ending September 30:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
2020	\$ 77,609	\$ 258,410	\$ 336,019
2021	7,934	213,502	221,436
2022	6,384	150,148	156,532
2023	2,011	10,552	12,563
	<u>\$ 93,938</u>	<u>\$ 632,612</u>	<u>\$ 726,550</u>

The General Fund had contractual commitments as of September 30, 2019 of \$817,808 for various capital improvements within the City.

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.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2019
(Continued)

NOTE 10 - PENSION PLAN - Continued

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

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

Benefits Provided

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

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

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2019
(Continued)

NOTE 10 - PENSION PLAN - Continued

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

The ERS serves approximately 909 local participating employers. The ERS membership includes approximately 90,999 participants. As of September 30, 2018, membership consisted of:

Retirees and beneficiaries currently receiving benefits	24,818
Terminated employees entitled to but not yet receiving benefits	1,426
Terminated employees not entitled to a benefit	7,854
Active members	56,760
Post-DROP retired members still in active service	141
	90,999

The City's membership as of the measurement date of September 30, 2018 consisted of:

Retired members or their beneficiaries currently receiving benefits	121
Vested inactive members	11
Non-vested inactive members	19
Active members	312
Post-DROP retired members still in active service	-
	463

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.

CITY OF PELHAM, ALABAMA

Notes to Financial Statements

September 30, 2019

(Continued)

NOTE 10 - PENSION PLAN - Continued

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with additional amounts to finance any unfunded accrued liability, the preretirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2019, the City's active employee contribution rate was 5.79% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 12.46% of pensionable payroll.

The City's contractually required contribution rate for the year ended September 30, 2019 was 13.52% of pensionable pay for Tier 1 employees, and 10.35% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2016, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City were \$2,389,250 for the year ended September 30, 2019.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2019
(Continued)

NOTE 10 - PENSION PLAN - Continued

Net Pension Liability

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

	Expected	Actual	Actual
(a) Total Pension Liability as of September 30, 2017	\$ 82,633,688	\$ 84,156,488	\$ 79,222,596
(b) Discount Rate	7.75%	7.75%	7.70%
(c) Entry Age Normal Cost for the period October 1, 2017 - September 30, 2018	1,608,609	1,608,609	1,623,986
(d) Transfers Among Employers:	-	231,352	231,352
(e) Actual Benefit Payments and Refunds for the period October 1, 2017 - September 30, 2018	(4,206,950)	(4,206,950)	(4,206,950)
(f) Total Pension Liability as of September 30, 2018 [(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	\$ 86,276,439	\$ 88,148,608	\$ 88,640,495
(g) Difference between Expected and Actual:		\$ 1,872,169	
(h) Less Liability Transferred for Immediate Recognition:		231,352	
(i) Experience (Gain)/Loss = (g) - (h)		\$ 1,640,817	
(j) Difference between Actual at 7.70% and Actual at 7.75% [Assumption Change (Gain)/Loss] =			\$ 491,887

Actuarial Assumptions

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

1. An investment rate of return of 7.70% (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, 2019
(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, 2017, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 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, 2019
(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, 7.70%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the City's net pension liability consisted of the following at September 30, 2018:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at September 30, 2017	\$ 82,633,688	\$ 59,026,827	\$ 23,606,861
Changes for the year:			
Service cost	1,608,609	-	1,608,609
Interest	6,241,092	-	6,241,092
Changes of assumptions	491,887	-	491,887
Difference between expected and actual experience	1,640,817	-	1,640,817
Contributions - employer	-	2,148,149	(2,148,149)
Contributions - employee	-	1,095,707	(1,095,707)
Net investment income	-	5,428,909	(5,428,909)
Benefits of payments, including refunds of employee contributions	(4,206,950)	(4,206,950)	-
Transfers among employers	231,352	231,352	-
Net changes:	<u>6,006,807</u>	<u>4,697,167</u>	<u>1,309,640</u>
Balances at September 30, 2018	<u>\$ 88,640,495</u>	<u>\$ 63,723,994</u>	<u>\$ 24,916,501</u>

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2019
(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 7.70%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage-point higher (8.70%) than the current rate (dollar amounts in thousands):

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Plan’s Net Pension Liability	\$ 35,796,625	\$ 24,916,501	\$ 15,754,682

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2018. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2018. The auditor’s report dated August 17, 2019, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2019
(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, 2019, the City recognized pension expense of \$2,606,053. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,494,115	\$ 503,258
Changes of assumptions	2,511,959	-
Net difference between projected and actual earnings on pension plan investments	-	2,036,584
Employer contributions subsequent to the measurement date	2,389,252	-
	\$ 7,395,326	\$ 2,539,842

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
2020	\$ 750,401
2021	70,271
2022	275,238
2023	647,023
2024	437,985
Thereafter	285,314

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2019
(Continued)

NOTE 11 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund payables and receivables consisted of the following at September 30, 2019:

	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, 2019:

	Transfers In (Out)			Net Transfers Out (In)
	General Fund	Special Revenue		
Transfers Out (In)				
Water and Sewer	\$ 8,428	\$ -	\$	8,428
Civic Complex and Ice Arena	(1,400,044)	-		(1,400,044)
Ballantrae Golf	(751,437)	-		(751,437)
Racquet Club	(549,343)	(86,150)		(635,493)
Garbage Fund	153,025	-		153,025
Net Transfers In (Out)	\$ (2,539,371)	\$ (86,150)	\$	(2,625,521)

- 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, 2019
(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 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) Statement No. 75, paragraph 4, *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, 2019
(Continued)

NOTE 13 - OTHER POST-EMPLOYMENT BENEFITS - Continued

Employees Covered by Benefit Terms

At September 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	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 \$16,173,729 was measured as of September 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

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

Inflation	2.50%
Salary increases	4.00% including inflation
Discount rate	4.18% annually (beginning of year)
	2.66% annually (as of end of year measurement date)
Healthcare cost trend rates	0.00% annually

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

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

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

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2019
(Continued)

NOTE 13 - OTHER POST-EMPLOYMENT BENEFITS - Continued

Changes in the Total OPEB Liability

	Total OPEB Liability
Balances at September 30, 2018	\$ 12,981,936
Changes for the year:	
Service cost	156,525
Interest	527,724
Changes of assumptions	2,866,732
Difference between expected and actual experience	354,745
Benefit payments and net transfers	(713,933)
Net changes	3,191,793
Balances at September 30, 2019	\$ 16,173,729

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 (1.66%) or 1-percentage-point higher (3.66%) than the current discount rate:

	1% Decrease (1.66%)	Current Discount Rate (2.66%)	1% Increase (3.66%)
Plan's total OPEB liability	\$ 18,180,889	\$ 16,173,729	\$ 14,438,288

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, 2019
(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, 2019, the City recognized OPEB expense of \$876,735. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
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
2020	\$ 192,486
2021	192,486
2022	192,486
2023	192,486
2024	192,486
Thereafter	1,539,888

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2019
(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, 2019.

- *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, 2019:

	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	\$ 3,650,137	\$ -	\$ 3,650,137	\$ -

NOTE 15 - ACCOUNTING CHANGES AND ACCOUNTING STANDARDS

The GASB issued Statement No. 83, *Certain Asset Retirement Obligations (ARO)* to establish criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. There was no financial statement impact as a result of the implementation of the Statement.

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. There was no financial statement impact as a result of the implementation of the Statement.

CITY OF PELHAM, ALABAMA

Notes to Financial Statements

September 30, 2019

(Continued)

NOTE 15 - ACCOUNTING CHANGES AND ACCOUNTING STANDARDS - Continued

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, 2019. 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 June 15, 2021. The City is currently evaluating the impact GASB 87 may have on its financial statements.

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and (2) simplify accounting for interest cost incurred before the end of a construction period. The requirements of GASB 89 are effective for fiscal years beginning after December 15, 2020. 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, 2019. The City is currently evaluating the impact GASB 90 may have on its financial statements.

The GASB issued Statement No. 91, *Conduit Debt Obligations* to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of GASB 91 are effective for fiscal years beginning after December 15, 2021. The City is currently evaluating the impact GASB 90 may have on its financial statements.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2019
(Continued)

NOTE 16 - SUBSEQUENT EVENT

The City evaluated its September 30, 2019 financial statements for subsequent events through the date the financial statements were available to be issued. In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a “Public Health Emergency of International Concern.” The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our citizens, customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 1,608,609	\$ 1,584,388	\$ 1,544,506	\$ 1,527,047	\$ 1,470,956
Interest	6,241,092	6,032,403	5,650,936	5,297,430	5,015,542
Changes of assumptions	491,887	-	3,515,573	-	-
Differences between expected and actual experience	1,640,817	(696,818)	741,123	1,455,825	-
Benefit payments, including refunds of employee contributions	(4,206,950)	(4,063,665)	(4,247,332)	(3,475,609)	(2,450,190)
Transfers among employers	231,352	(91,916)	(95,878)	-	-
Net change in total pension liability	6,006,807	2,764,392	7,108,928	4,804,693	4,036,308
Total pension liability - beginning	82,633,688	79,869,296	72,760,368	67,955,675	63,919,367
Total pension liability - ending (a)	<u>\$88,640,495</u>	<u>\$82,633,688</u>	<u>\$79,869,296</u>	<u>\$72,760,368</u>	<u>\$67,955,675</u>
Plan fiduciary net position					
Contributions - employer	\$ 2,148,149	\$ 2,077,833	\$ 1,985,261	\$ 1,885,223	\$ 1,875,205
Contributions - member	1,095,707	1,046,834	1,053,668	996,630	969,654
Net investment income	5,428,909	6,758,473	4,945,320	543,034	5,281,062
Benefit payments, including refunds of employee contributions	(4,206,950)	(4,063,665)	(4,247,332)	(3,475,609)	(2,450,190)
Transfers among employers	231,352	(91,916)	(95,878)	191,161	50,891
Net change in plan fiduciary net position	4,697,167	5,727,559	3,641,039	140,439	5,726,622
Plan net position - beginning	59,026,827	53,299,268	49,658,229	49,517,790	43,791,168
Plan net position - ending (b)	<u>\$63,723,994</u>	<u>\$59,026,827</u>	<u>\$53,299,268</u>	<u>\$49,658,229</u>	<u>\$49,517,790</u>
Net pension liability (a) - (b)	<u>\$ 24,916,501</u>	<u>\$ 23,606,861</u>	<u>\$ 26,570,028</u>	<u>\$ 23,102,139</u>	<u>\$ 18,437,885</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71.89%</u>	<u>71.43%</u>	<u>66.73%</u>	<u>68.25%</u>	<u>72.87%</u>
Covered payroll	<u>\$ 18,308,059</u>	<u>\$ 18,412,041</u>	<u>\$ 17,595,089</u>	<u>\$ 17,534,690</u>	<u>\$ 17,329,276</u>
Net pension liability as a percentage of covered payroll	<u>136.10%</u>	<u>128.21%</u>	<u>151.01%</u>	<u>131.75%</u>	<u>106.40%</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 Employer Contributions - Pension
Last Five Years Ended September 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 2,320,335	\$ 2,080,281	\$ 2,077,833	\$ 1,985,261	\$ 1,885,223
Contributions in relation to the actuarially determined contributions	<u>2,320,335</u>	<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>				
Covered payroll	<u>\$ 18,626,224</u>	<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>12.46%</u>	<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 Two Years Ended September 30,

	2019	2018
Total OPEB liability		
Service cost	\$ 156,525	\$ 166,076
Interest	527,724	481,191
Differences between expected and actual experience	354,745	347,114
Changes of assumptions	2,866,732	(911,419)
Benefit payments and net transfers	(713,933)	(713,933)
Net change in total OPEB liability	3,191,793	(630,971)
Total OPEB liability - beginning	12,981,936	13,612,907
 Total OPEB liability - ending	 \$ 16,173,729	 \$ 12,981,936
 Covered payroll	 \$ 17,755,828	 \$ 17,072,911
 Total OPEB liability as a percentage of covered payroll	 91.09%	 76.04%

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, 2019

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Adjustments to Budgetary Basis</u>	<u>Actual - Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>			
Revenues					
Taxes					
Sales	\$ 28,134,172	\$ 28,134,172	\$ 28,258,622	\$ (44,435)	\$ 28,214,187
Property	6,399,817	6,399,817	6,403,768	(357)	6,403,411
Motor vehicle/gas	633,000	633,000	598,686	(5,097)	593,589
Other	218,887	218,887	306,984	(832)	306,152
Licenses and permits	4,707,600	4,707,600	4,878,705	-	4,878,705
Fines and forfeitures	1,575,754	1,575,754	1,106,343	-	1,106,343
Charges for services	692,833	692,833	840,560	(118,461)	722,099
Interest	233,000	233,000	2,022,484	(1,643,606)	378,878
Other	326,052	326,052	200,933	51,425	252,358
Total revenues	<u>42,921,115</u>	<u>42,921,115</u>	<u>44,617,085</u>	<u>(1,761,363)</u>	<u>42,855,722</u>
Expenditures					
General administration	9,571,262	10,110,262	11,967,230	(2,855,299)	9,111,931
Police	9,275,361	9,466,715	8,447,247	121,181	8,568,428
Fire	8,276,060	8,294,260	8,376,191	(96,339)	8,279,852
Public works	2,811,317	3,461,317	2,868,244	(220,987)	2,647,257
Parks and recreation	1,487,986	1,551,086	1,320,887	36,977	1,357,864
Library	1,249,889	1,249,889	1,270,640	(14,055)	1,256,585
Capital outlay	406,679	2,028,019	1,373,923	(1,547)	1,372,376
Debt service					
Principal retirement	2,321,264	2,125,264	3,247,576	(259,201)	2,988,375
Interest	1,817,569	1,817,569	1,889,059	(77,515)	1,811,544
Total expenditures	<u>37,217,387</u>	<u>40,104,381</u>	<u>40,760,997</u>	<u>(3,366,785)</u>	<u>37,394,212</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,703,728</u>	<u>2,816,734</u>	<u>3,856,088</u>	<u>1,605,422</u>	<u>5,461,510</u>
Other financing sources (uses)					
Proceeds from sale of capital assets	50,000	50,000	357,092	6,794	363,886
Interfund transfers out	(1,586,785)	(2,419,073)	(2,539,371)	(160,629)	(2,700,000)
Total other financing sources (uses)	<u>(1,536,785)</u>	<u>(2,369,073)</u>	<u>(2,182,279)</u>	<u>(153,835)</u>	<u>(2,336,114)</u>
Net changes in fund balance	<u>\$ 4,166,943</u>	<u>\$ 447,661</u>	<u>\$ 1,673,809</u>	<u>\$ 1,451,587</u>	<u>\$ 3,125,396</u>

See notes to required supplementary information.

CITY OF PELHAM, ALABAMA
Notes to Required Supplementary Information
September 30, 2019

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 2019 were based on the September 30, 2016 actuarial valuation.

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

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	22.9 years
Asset valuation method	Five-year smoothed market
Inflation	2.875%
Salary increases	3.375 - 5.125%, including inflation
Investment rate of return	7.875%, net of pension plan investment expense, including inflation

NOTE 2 - SUMMARY OF SIGNIFICANT OPEB PLAN PRACTICES

Benefit Changes - There were no changes of benefit terms for the year ended September 30, 2019.

Changes in Assumptions - The discount rate as of September 30, 2018 was 4.18% and it changed to 2.66% as of September 30, 2019.

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, 2019
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT OPEB PLAN PRACTICES - Continued

Methods and assumptions used to determine contribution rates for the period October 1, 2018 to September 30, 2019 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	Zero trend
Salary increases	4.00%, including inflation
Discount rate	4.18% annually (beginning of year) 2.66% 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, 2019
(Unaudited)

	Property Assessed Value (after exemptions)	Motor Vehicles	Total
2019	\$ 447,694,080	\$ 55,611,700	\$ 503,305,780
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, 2019
(Unaudited)

The City's top ten property taxpayers and amounts paid by each during the year ended September 30, 2019 consisted of the following:

Alabama Power Company	\$ 330,668
Colonial Pipeline Company	313,210
Edwin B. Lumpkin, Jr.	78,970
The Grand Reserve at Pelham, LLC	63,848
Pelham Industrial Enterprises, LLC	51,089
Huntley Hall Apartments, Ltd.	49,862
Steel Dynamics, Inc.	45,531
Wal-Mart Real Estate Business Trust	43,085
Birmingham Realty Co.	33,433
New Market Southgate, LLC	30,458

CITY OF PELHAM, ALABAMA
Water and Sewer System Customer Information
For the Year Ended September 30, 2019
(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>
2019	12,779	6,952
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

The ten largest customers, using the average amount paid monthly, of the Sewer System for the year ended September 30, 2019, are as follows:

Green Park South Mobile Home Park	\$ 23,042
The Huntley Apartments	7,491
The Grand Reserve Apartments	6,047
Pelham City Board of Education	5,794
Colonial Pipeline Company	5,680
Publix	3,703
Oak Mountain Lodge	3,231
MW Pelham, LLC	3,109
Cracker Barrel	2,227
Value Place Pelham	2,064

CITY OF PELHAM, ALABAMA
 Water and Sewer System Rates
 For the Year Ended September 30, 2019
 (Unaudited)

The water rates as of September 30, 2019 are as follows:

Residential (inside City)	\$16.00 minimum on the first 3,000 gallons \$4.16 per 1,000 gallons thereafter
Residential (outside City)	\$19.00 minimum on the first 3,000 gallons \$4.79 per 1,000 gallons thereafter
Commercial (inside City)	\$16.00 minimum on the first 3,000 gallons \$4.16 per 1,000 gallons thereafter
Commercial (outside City)	\$19.00 minimum on the first 3,000 gallons \$4.79 per 1,000 gallons thereafter

The sewer rates as of September 30, 2019 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