

CITY OF BOAZ  
Boaz, Alabama

AUDITED FINANCIAL STATEMENTS  
AND OTHER INFORMATION  
September 30, 2018

MDA PROFESSIONAL GROUP, P.C.  
Certified Public Accountants and Business Consultants  
Albertville, Alabama

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# MDA PROFESSIONAL GROUP, P.C.

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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council  
City of Boaz  
Boaz, 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 Boaz, Alabama, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Boaz City Board of Education, which represents total assets of \$39,025,262 as of September 30, 2018, and total revenues of \$25,394,031 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Boaz City Board of Education, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

City of Boaz  
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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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Boaz, Alabama as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **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 funding progress – retiree health plan; the schedules of net pension liability, changes in the net pension liability, employer contributions, and pension investment returns; and the budgetary comparison information on pages i through ix, page 49, pages 50 through 53, and pages 54 through 55, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors 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 Boaz, Alabama's basic financial statements. The accompanying schedule of Debt Service Requirements to Maturity is presented for purposes of additional analysis and is not a required part of the basic financial statements.

City of Boaz  
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The schedule of Debt Service Requirements to Maturity is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the schedule of Debt Service Requirements to Maturity is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2019, on our consideration of the City of Boaz, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the of the City of Boaz, Alabama's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Boaz, Alabama's internal control over financial reporting and compliance.

*MDA Professional Group, P.C.*

Albertville, Alabama  
July 8, 2019

**CITY OF BOAZ, ALABAMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Boaz's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

We offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2018. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section.

**Financial Highlights**

- The City's governmental net position increased \$869,808 in 2018 as a result of increased revenues.
- As of September 30, 2018, the City's governmental funds reported a combined ending fund balance of \$16,262,403, an increase of \$12,939,690 from the prior year.
- The City's total long-term debt had a net increase of \$11,955,655 during 2018, due to additional obligation warrants dated in 2018.
- The City's total governmental capital assets increased by \$4,604 over the prior year due to a combination of the purchase of new assets, including police vehicles, a street sweeper, and two freightliners, and the disposal of old assets, including equipment and vehicles.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS** – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating, respectively.

The *statement of activities* presents information showing how the government's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused annual leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). The governmental activities of the City include general government, public safety related departments, public service departments, recreational activities, and intergovernmental functions. The intergovernmental functions of the City are those in which the City provides financial resources to other governmental entities, primarily the Boaz City Board of Education for support of the City school system. The business-type activities of the City include leasing activities of the City at the Boaz Outlet Center.

As described in the notes to the financial statements, the Boaz City School Board's financial statements are included in this report because of the relationship of this legally separate entity to the City. The complete financial statements (including MD&A) of the Boaz City Board of Education may be obtained from the Boaz City Board of Education.

Other component units which normally may be included as part of the City's financial reporting entity include the Industrial Development Board, Library Board, Zoning Board of Adjustments, and Planning Commission. However, they are not included because they have insignificant or no assets and fund balances.

This discussion and analysis focuses on the primary government.

The government-wide financial statements can be found on pages 5 through 7 of this report.

**FUND FINANCIAL STATEMENTS** – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City are considered governmental funds.



*Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 14 individual governmental funds:

- The General fund, the Corrections fund, and the Combined Debt Service fund are considered to be *major funds*. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these funds.
- The 11 other governmental funds are considered to be *nonmajor governmental funds* and they are combined into a single, aggregated presentation in the basic financial statements.

The basic governmental fund financial statements can be found on pages 8 and 10 of this report.

*Proprietary funds* (or *enterprise funds*) are used to account for activities where the emphasis is placed on net income determination. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses proprietary funds to account for its ownership and leasing of the Boaz Outlet Center.

The proprietary fund, which is considered to be a major fund of the City, is reported separately as proprietary fund financial statements in the basic financial statements. The proprietary fund financial statements can be found on pages 12 through 15 in the basic financial statements.

NOTES TO FINANCIAL STATEMENTS - The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 16 through 47 of this report.

REQUIRED SUPPLEMENTARY INFORMATION – In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. Because the City adopts an annual operating budget for its general fund, a comparison of budget to actual results is provided for this fund to demonstrate compliance with the budget. Also, required schedules of funding progress for the Employees’ Retirement System of Alabama and the Retiree Health Plan are presented.

OTHER INFORMATION – A schedule of Debt Service Requirements to Maturity is presented here.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve as a useful indicator of a government’s financial position. Overall, the City’s assets exceeded liabilities by \$9,862,265 at the close of the most recent fiscal year.

The largest portion of the City’s net position reflects its investment in capital assets (e.g. land, buildings, improvements other than buildings, machinery and equipment, vehicles, infrastructure, and construction in progress) less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City’s net position represents resources that are subject to restrictions as to how they may be used. Such restrictions are imposed by legal requirements or sources other than those imposed by the City Council (e.g. state or federal law).

The remaining balance of the City’s net position is unrestricted. Unrestricted net position represent the fact that non-capital assets of the City exceed the unrestricted debt and are available to fund governmental activities as deemed necessary by the City Council.

Revenues from governmental activities increased during 2018 by \$1,410,466. The most significant changes were as follows:

Revenue from taxes increased \$1,066,458 and revenues from capital grants and contributions increased \$329,556. All other revenues of the City increased approximately \$10,000 from the prior year.

Expenses of governmental activities increased approximately \$1,193,579 from 2017. This was a result of an increase in salaries, health insurance, and grant activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1  
Summary of Net Position  
September 30, 2018 and 2017

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Cash and Investments	\$ 16,297,586	\$ 3,292,422	\$ 555,520	\$ 306,425	\$ 16,853,106	\$ 3,598,847
Other Assets	1,461,167	1,219,820	-	-	1,461,167	1,219,820
Capital Assets	14,223,607	14,219,003	2,383,931	2,486,056	16,607,538	16,705,059
Deferred Outflows of Resources	1,140,163	1,443,986	-	-	1,140,163	1,443,986
<b>Total Assets</b>	<b>\$ 33,122,523</b>	<b>\$ 20,175,231</b>	<b>\$ 2,939,451</b>	<b>\$ 2,792,481</b>	<b>\$ 36,061,974</b>	<b>\$ 22,967,712</b>
Other Liabilities	\$ 1,116,270	\$ 704,287	\$ 45,573	\$ 30,963	\$ 1,161,843	\$ 735,250
Long-Term Liabilities	21,498,810	10,341,277	1,913,598	1,913,598	23,412,408	12,254,875
Deferred Inflows of Resources	608,590	137,210	-	-	608,590	137,210
<b>Total Liabilities</b>	<b>23,223,670</b>	<b>11,182,774</b>	<b>1,959,171</b>	<b>1,944,561</b>	<b>25,182,841</b>	<b>13,127,335</b>
<b>Net Position:</b>						
Invested in Capital Assets, Net of Debt	(3,395,597)	8,785,476	425,737	543,099	(2,969,860)	9,328,575
Restricted	15,826,299	1,390,912	-	-	15,826,299	1,390,912
Unrestricted	(2,531,849)	(1,183,931)	554,543	304,821	(1,977,306)	(879,110)
<b>Total Net Position</b>	<b>9,898,853</b>	<b>8,992,457</b>	<b>980,280</b>	<b>847,920</b>	<b>10,879,133</b>	<b>9,840,377</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 33,122,523</b>	<b>\$ 20,175,231</b>	<b>\$ 2,939,451</b>	<b>\$ 2,792,481</b>	<b>\$ 36,061,974</b>	<b>\$ 22,967,712</b>

GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Table 2**  
**Summary of Changes in Net Position**  
**September 30, 2018 and 2017**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Revenues</b>						
<i>Program Revenues:</i>						
<b>Charges for Services</b>	\$ 1,303,447	\$ 1,150,645	\$ 326,696	\$ 354,253	\$ 1,630,143	\$ 1,504,898
<b>Operating Grants and Contributions</b>	133,214	335,384	-	-	133,214	335,384
<b>Capital Grants and Contributions</b>	603,970	274,414	-	-	603,970	274,414
<i>General Revenues:</i>						
<b>Taxes</b>	11,251,843	10,191,579	-	-	11,251,843	10,191,579
<b>Contributions From Component Units</b>	-	-	-	-	-	-
<b>Interest</b>	56,444	5,980	1,631	875	58,075	6,855
<b>Proceeds From Sale</b>	6,287	-	-	-	6,287	-
<b>Other Revenues</b>	61,582	58,761	-	210,315	61,582	269,076
<b>Total Revenues</b>	<u>13,416,787</u>	<u>12,016,763</u>	<u>328,327</u>	<u>565,443</u>	<u>13,745,114</u>	<u>12,582,206</u>
<b>Expenses</b>						
<b>Governmental Activities</b>	<u>12,510,391</u>	<u>11,363,842</u>	<u>119,423</u>	<u>249,002</u>	<u>12,629,814</u>	<u>11,612,844</u>
<b>Increase in Net Position</b>	906,396	652,921	208,904	316,441	1,115,300	969,362
<b>Beginning Net Position (Deficit)</b>	<u>8,992,457</u>	<u>8,339,536</u>	<u>847,920</u>	<u>531,479</u>	<u>9,840,377</u>	<u>8,871,015</u>
<b>Ending Net Position (Deficit)</b>	<u>\$ 9,898,853</u>	<u>\$ 8,992,457</u>	<u>\$ 1,056,824</u>	<u>\$ 847,920</u>	<u>\$ 10,955,677</u>	<u>\$ 9,840,377</u>

## **Financial Analysis of the Governmental Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, the unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The combined fund balances of the City's governmental funds increased to \$16,262,403 at September 30, 2018, an increase of \$12,939,690 over the prior fiscal year. Of this amount, \$1,924,213 constitutes the unassigned fund balance, which is generally available for spending at the City's discretion, although it is subject to certain limitation inherent in the funds where the balances are retained. The remainder of the total fund balance, or \$14,117,787, is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders, pay debt service, or has generally been committed for other purposes.

The increase in the combined fund balance of the City's governmental funds was mostly attributable to the changes in the individual funds as follows:

- The fund balance for the General Fund increased \$706,072. Sales taxes increased \$898,356 and intergovernmental revenues decreased \$166,028.
- Combined Debt Service Fund increased \$11,999,273 due to normal debt service activities.

## **Governmental Funds Budgetary Highlights**

General Fund – There was no difference between the original and final General Fund budgets.

- Total actual revenues exceeded budgeted amounts by \$572,247.
- Total expenses exceeded the budget by \$375,545.
- Capital outlay expenses were \$585,128 over budget due to the purchase of a new street sweeper and two new freightliners.

## Capital Assets and Debt Administration

CAPITAL ASSETS – The City’s investment in capital assets for governmental activities and enterprise activities as of September 30, 2018, totaled \$16,607,538 net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure, vehicles, and construction in progress. Net capital assets decreased approximately \$97,521 in 2018.

### City of Boaz's Net Capital Assets

	Governmental Funds	Proprietary Funds
	<u>                    </u>	<u>                    </u>
Land and Land Improvements	\$ 4,649,052	\$ 5,750
Buildings	5,180,974	2,097,178
Infrastructure	2,194,223	-
Heavy Equipment	1,177,117	281,003
Furniture and Fixtures	29,850	-
Vehicles	923,072	-
Computer Equipment	69,319	-
	<u>                    </u>	<u>                    </u>
	<u>\$ 14,223,607</u>	<u>\$ 2,383,931</u>

LONG-TERM DEBT – As of September 30, 2018, the City had \$23,412,408 of long-term debt outstanding. Of this amount, \$17,346,334 is general obligation warrants backed by the full faith and credit of the City, \$3,857,430 is the Net Pension Liability, and \$1,913,598 is comprised of a note payable for the Boaz Outlet Center.

The City’s general obligation bond rating by Standard and Poor’s is A+.

New debt was issued to the City during the year ended September 30, 2018 for the purchase of new equipment and vehicles.

### City of Boaz's Outstanding Debt

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
General Obligation Warrants	\$ 17,346,334	\$ -
Notes Payable	-	1,913,598
Other Post Employment Benefit Obligations	148,988	-
Net Pension Liability	3,857,430	-
Compensated Absences	146,058	-
	<u>\$ 21,498,810</u>	<u>\$ 1,913,598</u>

#### **Requests for Information**

This financial report is designed to present a general overview of the City's finances and to demonstrate accountability for the money it receives from taxpayers, customers, and creditors. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk, P.O. Box 537, Boaz, AL 35957 or by calling (256) 593-9537.

BASIC FINANCIAL STATEMENTS



STATEMENT OF NET POSITION

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Cash	\$ 2,964,043	\$ 555,520	\$ 3,519,563	\$ 12,824,950
Investments	-	-	-	3,509
Receivables, net:				
Tax and Tax Equivalents	1,357,023	-	1,357,023	2,290,674
Refuse Collections	39,049	-	39,049	-
Inventory	-	-	-	61,791
Restricted Assets:				
Cash	13,343,050	-	13,343,050	-
Capital Assets (net of accumulated depreciation):				
Land and Land Improvements	4,649,052	5,750	4,654,802	1,318,355
Buildings and Improvements	5,180,974	2,097,178	7,278,152	21,990,003
Infrastructure	2,194,223	-	2,194,223	-
Equipment	1,177,117	281,003	1,458,120	172,315
Furniture and Fixtures	29,850	-	29,850	-
Motor Vehicles	923,072	-	923,072	363,665
Computer Equipment	69,319	-	69,319	-
	31,926,772	2,939,451	34,866,223	39,025,262
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charges on Refundings	72,518	-	72,518	-
Employer Pension Contribution	-	-	-	1,448,122
Pension Deferrals	681,847	-	681,847	1,417,000
Contributions to Pension Plan in Current Fiscal Year	385,798	-	385,798	-
Employer OPEB Contribution	-	-	-	542,266
	1,140,163	-	1,140,163	3,407,388
Total Assets and Deferred Outflows of Resources	<u>\$ 33,066,935</u>	<u>\$ 2,939,451</u>	<u>\$ 36,006,386</u>	<u>\$ 42,432,650</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

STATEMENT OF NET POSITION

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>LIABILITIES</b>				
Accounts Payable and Accrued				
Liabilities	\$ 796,197	\$ 977	\$ 797,174	\$ 1,666,917
Due to State of Alabama	119,758	-	119,758	-
Interest Payable	186,984	44,596	231,580	99,951
Deferred Revenue	-	-	-	22,997
<b>Non-Current Liabilities</b>				
Net Pension Liabilities	3,857,430	-	3,857,430	-
Due within one year	1,517,679	64,294	1,581,973	727,516
Due in more than one year	16,118,032	1,849,304	17,967,336	50,545,899
	22,596,080	1,959,171	24,555,251	53,063,280
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	-	-	-	1,700,000
Revenue Received in Advance -				
Motor Vehicle Taxes	-	-	-	89,201
Pension Deferrals	608,590	-	608,590	1,801,000
OPEB Deferrals	-	-	-	2,472,308
	608,590	-	608,590	6,062,509
<b>NET POSITION</b>				
Net Investment in Capital Assets	(3,395,597)	425,737	(2,969,860)	5,482,988
Restricted For:				
Reserve	829,683	-	829,683	-
Road Surface and Repairs	194,422	-	194,422	-
School Ad Valorem	9,339	-	9,339	-
Capital Projects	218,117	-	218,117	5,342,642
Special Revenues	281,166	-	281,166	-
Debt Service	12,788,821	-	12,788,821	2,085,740
Other Purposes	-	-	-	350,326
Unrestricted Net Position	(1,063,686)	554,543	(509,143)	(29,954,835)
	9,862,265	980,280	10,842,545	(16,693,139)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 33,066,935	\$ 2,939,451	\$ 36,006,386	\$ 42,432,650

The accompanying Notes to Financial Statements are an integral part of these financial statements.

STATEMENT OF ACTIVITIES

CITY OF BOAZ, ALABAMA

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position			Component Unit
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
<b>Primary Government</b>								
Governmental Activities:								
General Government and Administrative	\$ 2,421,940	\$ -	\$ 83,399	\$ -	\$ (2,338,541)	\$ -	\$ (2,338,541)	\$ -
Police	2,594,634	16,979	38,225	-	(2,539,430)	-	(2,539,430)	-
Fire	1,726,204	198,997	-	164,572	(1,362,635)	-	(1,362,635)	-
Street	2,332,325	478,168	5,310	429,398	(1,419,449)	-	(1,419,449)	-
Park and Recreation	994,756	226,955	-	-	(767,801)	-	(767,801)	-
Library	565,636	40,117	8,790	10,000	(506,729)	-	(506,729)	-
Municipal Court	205,965	339,385	-	-	133,420	-	133,420	-
Senior Center	271,541	-	2,800	-	(268,741)	-	(268,741)	-
Education (contributions to school board)	806,385	-	-	-	(806,385)	-	(806,385)	-
Interest, Fiscal Charges, and Amortization of Bond Costs	638,035	-	-	-	(638,035)	(76,544)	(714,579)	-
Total Governmental Activities	\$ 12,557,421	\$ 1,300,601	\$ 138,524	\$ 603,970	(10,514,326)	(76,544)	(10,590,870)	-
Business-Type Activities:								
Boaz Outlet Center	119,423	326,696	-	-	-	207,273	207,273	-
Total Business-Type Activities	119,423	326,696	-	-	-	207,273	207,273	-
Total Primary Government	\$ 12,676,844	\$ 1,627,297	\$ 138,524	\$ 603,970	\$ (10,514,326)	\$ 130,729	\$ (10,383,597)	\$ -
<b>Component Unit</b>								
Boaz City Board of Education	\$ 24,955,408	\$ 2,340,744	\$ 16,224,508	\$ 722,727	\$ -	\$ -	\$ -	\$ (5,667,429)
Taxes:								
Property Taxes and Payments in Lieu of Taxes					1,660,849	-	1,660,849	2,740,598
Local Sales Tax					7,829,540	-	7,829,540	2,258,511
Alcohol Taxes					152,343	-	152,343	-
Tobacco Taxes					39,614	-	39,614	-
Motor Fuel Taxes					177,476	-	177,476	-
Licenses, Permits, and Other Revenue					1,398,215	-	1,398,215	17,000
Investment Income					56,444	1,631	58,075	148,611
Proceeds from Disposals of Assets					8,862	-	8,862	-
Miscellaneous					60,791	-	60,791	941,332
Total General Revenues and Transfers					11,384,134	1,631	11,385,765	6,106,052
Change in Net Position					869,808	132,360	1,002,168	438,623
Net Position - Beginning of Year					8,992,457	847,920	9,840,377	(17,131,762)
Net Position - End of Year					\$ 9,862,265	\$ 980,280	\$ 10,842,545	\$ (16,693,139)

The accompanying Notes to Financial Statements are an integral part of these financial statements.

BALANCE SHEET - GOVERNMENTAL FUNDS

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

	General Fund	Debt Service Fund	Corrections Fund	Nonmajor Governmental Funds	Totals Governmental Funds
<b>ASSETS</b>					
Cash	\$ 2,682,747	\$ -	\$ -	\$ 281,296	\$ 2,964,043
Receivables, Net					
Tax and Tax Equivalents	1,356,723	-	300	-	1,357,023
Refuse Collection	39,049	-	-	-	39,049
Restricted Cash	-	12,745,058	176,244	421,748	13,343,050
Due From Other City Funds	73,929	43,763	-	-	117,692
	<u>4,152,448</u>	<u>12,788,821</u>	<u>176,544</u>	<u>703,044</u>	<u>17,820,857</u>
Total Assets	<u>\$ 4,152,448</u>	<u>\$ 12,788,821</u>	<u>\$ 176,544</u>	<u>\$ 703,044</u>	<u>\$ 17,820,857</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 385,795	\$ -	\$ 500	\$ -	\$ 386,295
Accrued Payroll and Other Withholdings	274,405	-	-	-	274,405
Due To Other City Funds	43,763	-	73,929	-	117,692
Other Liabilities	110,401	-	195,661	-	306,062
	<u>814,364</u>	<u>-</u>	<u>270,090</u>	<u>-</u>	<u>1,084,454</u>
Total Liabilities	<u>814,364</u>	<u>-</u>	<u>270,090</u>	<u>-</u>	<u>1,084,454</u>
<b>Deferred Inflows of Resources:</b>					
Property Tax Revenue	474,000	-	-	-	474,000
	<u>474,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>474,000</u>
<b>Fund Balances:</b>					
Restricted	-	-	-	203,761	203,761
Assigned	829,683	12,788,821	-	499,283	14,117,787
Unassigned	2,034,401	-	(93,546)	-	1,940,855
	<u>2,864,084</u>	<u>12,788,821</u>	<u>(93,546)</u>	<u>703,044</u>	<u>16,262,403</u>
	<u>2,864,084</u>	<u>12,788,821</u>	<u>(93,546)</u>	<u>703,044</u>	<u>16,262,403</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
	<u>\$ 4,152,448</u>	<u>\$ 12,788,821</u>	<u>\$ 176,544</u>	<u>\$ 703,044</u>	<u>\$ 17,820,857</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

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Amounts reported for governmental activities in the Statement of Net Position (pages 5 and 6)  
are different because:

Total Fund Balances - Governmental Funds (page 8)	\$	16,262,403
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		14,223,607
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		474,000
Refundings on bonds that are deferred and amortized in the Statement of Net Position are expensed when issued and, therefore, not reported in the funds.		72,518
Pension related deferrals are deferred outflows and inflows of resources on the statement of net position.		459,055
Long-term liabilities, including bonds payable, the related accrued interest payable, and the net pension liability are not due and payable in the current period and, therefore, not reported in the funds.		<u>(21,629,318)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>9,862,265</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

-ALL GOVERNMENTAL FUNDS

CITY OF BOAZ, ALABAMA

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General Fund	Debt Service Fund	Corrections Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes					
Property and Payments in Lieu of Taxes	\$ 864,633	\$ -	\$ -	\$ 796,210	\$ 1,660,843
Sales and Use	7,829,540	-	-	-	7,829,540
Rental	29,544	-	-	-	29,544
Motor Fuel	99,829	-	-	77,648	177,477
Tobacco	39,614	-	-	-	39,614
Alcohol	-	-	-	105,198	105,198
Licenses and Permits	1,220,712	-	-	-	1,220,712
Charges for Services	908,011	-	-	-	908,011
Fines and Costs	286,105	-	52,781	-	338,886
Intergovernmental Revenues	190,517	-	-	512,797	703,314
Other Revenues	368,814	47,178	500	824	417,316
	<u>11,837,319</u>	<u>47,178</u>	<u>53,281</u>	<u>1,492,677</u>	<u>13,430,455</u>
<b>EXPENDITURES</b>					
General Government and Administrative	2,400,054	-	-	-	2,400,054
Police	2,280,968	-	-	-	2,280,968
Fire	1,503,255	-	-	-	1,503,255
Street	1,763,566	-	-	429,398	2,192,964
Senior Center	241,492	-	-	-	241,492
Park and Recreation	901,934	-	-	-	901,934
Library	450,769	-	-	-	450,769
Municipal Court	200,121	-	51,351	-	251,472
Principal Retirements on Long-Term Debt	149,395	845,000	-	-	994,395
Interest and Fiscal Agents Fees	11,703	510,246	-	-	521,949
Capital Outlay	895,178	-	-	-	895,178
Education	-	-	-	806,385	806,385
	<u>10,798,435</u>	<u>1,355,246</u>	<u>51,351</u>	<u>1,235,783</u>	<u>13,440,815</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,038,884</u>	<u>(1,308,068)</u>	<u>1,930</u>	<u>256,894</u>	<u>(10,360)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds From Debt Issuance	675,050	12,275,000	-	-	12,950,050
Transfers from Other Funds	24,479	1,032,341	-	-	1,056,820
Transfers to Other Funds	<u>(1,032,341)</u>	<u>-</u>	<u>(3,600)</u>	<u>(20,879)</u>	<u>(1,056,820)</u>
	<u>(332,812)</u>	<u>13,307,341</u>	<u>(3,600)</u>	<u>(20,879)</u>	<u>12,950,050</u>
Net Change in Fund Balances	706,072	11,999,273	(1,670)	236,015	12,939,690
FUND BALANCES - Beginning of Year	<u>2,158,012</u>	<u>789,548</u>	<u>(91,876)</u>	<u>467,029</u>	<u>3,322,713</u>
FUND BALANCES - End of Year	<u>\$ 2,864,084</u>	<u>\$ 12,788,821</u>	<u>\$ (93,546)</u>	<u>\$ 703,044</u>	<u>\$ 16,262,403</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT  
OF ACTIVITIES

CITY OF BOAZ, ALABAMA

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Amounts reported for governmental activities in the Statement of Activities  
(page 7) are different because:

Net Change in fund balances - total governmental funds (page 10)	\$	12,939,690
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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 depreciation was exceeded by capital outlays in the current period.		7,833
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Contributions to the pension plan in the current fiscal year are not included in the statement of activities.

Contributions in Current Fiscal Year	385,798	
Contributions in Prior Fiscal Year	<u>(379,472)</u>	6,326

The issuance of long-term debt (e.g., bonds, leases) 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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, 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.		(12,083,444)
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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.		<u>(597)</u>
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Change in Net Position - Governmental Activities	\$	<u><u>869,808</u></u>
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The accompanying Notes to Financial Statements are an integral part of these financial statements.

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

	<u>Boaz Outlet Center</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 555,520
Total Current Assets	<u>555,520</u>
Noncurrent Assets:	
Capital Assets:	
Land	5,750
Buildings and Improvements	2,422,725
Equipment	473,960
Less Accumulated Depreciation	<u>(518,504)</u>
Total Capital Assets	<u>2,383,931</u>
Total Noncurrent Assets	<u>2,383,931</u>
TOTAL ASSETS	<u>\$ 2,939,451</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	\$ 977
Interest Payable	44,596
Note Payable	<u>64,294</u>
Total Current Liabilities	<u>109,867</u>
Noncurrent Liabilities:	
Note Payable	<u>1,849,304</u>
TOTAL LIABILITIES	<u>\$ 1,959,171</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	\$ 425,737
Unrestricted	<u>554,543</u>
TOTAL NET POSITION	<u>\$ 980,280</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.



STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
 - PROPRIETARY FUNDS

CITY OF BOAZ, ALABAMA

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Boaz Outlet Center</u>
OPERATING REVENUES	
Facility Lease Revenue	\$ 326,696
OPERATING EXPENSES	
Depreciation	102,126
Utilities	13,930
Repairs and Maintenance	2,605
Materials and Supplies	<u>762</u>
Total Expenses	<u>119,423</u>
OPERATING INCOME	<u>207,273</u>
NONOPERATING REVENUES (EXPENSES)	
Interest Income	1,631
Interest Expense	<u>(76,544)</u>
Total Nonoperating Revenues (Expenses)	<u>(74,913)</u>
CHANGES IN NET POSITION	132,360
TOTAL NET POSITION - BEGINNING	<u>847,920</u>
TOTAL NET POSITION - ENDING	<u><u>\$ 980,280</u></u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

CITY OF BOAZ, ALABAMA

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Boaz Outlet Center</u>
Cash Flows from Operating Activities:	
Receipts from Lease Revenue	\$ 326,696
Payments to Suppliers	<u>(17,925)</u>
Net Cash Provided by Operating Activities	<u>308,771</u>
Cash Flows from Capital and Related Financing Activities:	
Interest Payments on Short-Term Note Payable	<u>(61,307)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(61,307)</u>
Cash Flows from Investing Activities:	
Interest Received	<u>1,631</u>
Net Cash Provided by Investing Activities	<u>1,631</u>
Net Increase in Cash and Cash Equivalents	249,095
Beginning Cash and Cash Equivalents	<u>306,425</u>
Ending Cash and Cash Equivalents	<u><u>\$ 555,520</u></u>

(Continued)

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	<u>Boaz Outlet Center</u>
Reconciliation of Operating Income to Net Cash From Operating Activities:	
Operating Income	<u>\$ 207,273</u>
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	102,126
Decrease in Accounts Payable	<u>(628)</u>
Total Adjustments	<u>101,498</u>
Net Cash Provided by Operating Activities	<u><u>\$ 308,771</u></u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Reporting Entity

The City of Boaz, Alabama (the City) is a chartered municipality organized under the laws of the State of Alabama. The City is governed by a Mayor and a City Council consisting of five members elected to terms of four years. The City complies with accounting principles generally accepted in the United States of America (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Accounting principles generally accepted in the United States of America require that the City report the entire reporting entity, which consists of the City (the primary government) and its component units, entities for which the City is considered to be financially accountable. Each component unit of the City is discretely presented in a separate column in the basic financial statements to emphasize the fact that it is legally separate from the City. The discretely presented component units have a September 30 year end.

### Discretely Presented Component Units

*Boaz City Board of Education* – The Boaz City Board of Education's five member governing body is appointed by the City.

Complete financial statements for the Boaz City Board of Education, a discretely presented component unit, may be obtained at the administrative office of the entity.

### Government -Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

(Continued)

# NOTES TO THE FINANCIAL STATEMENTS

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Government -Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum funds are maintained consistent with legal and managerial requirements. The City of Boaz currently has no fiduciary to report.

### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds are used to account for the City's general governmental activities. Governmental fund financial statements use the *current financial resource measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within forty-five (45) days of the end of the fiscal period. Expenditures generally are recorded when the related fund liability is incurred, as in accrual accounting. However, debt service expenditures are recognized only when payment is due. Certain compensated absences, claims, and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, sales and use taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual. Other taxes and receipts become measurable when cash is received by the City and are recognized as revenue at that time. Shared revenues and entitlements are recorded at the time of receipt or earlier if the accrual criteria are met.

Payments in lieu of taxes are revenues from other governmental entities paid in lieu of property taxes.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The City reports the following major governmental funds:

General Fund - The General Fund accounts for all of the revenues and expenditures of the City, except those which must be accounted for in other funds, and it is the largest and most important accounting activity for the City. General Fund revenues finance all of the current operations of governmental units which basically benefit the citizenry as a whole.

Combined Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources and the payment of general long-term debt, including capital lease obligations, principal, interest, and related costs.

Corrections Fund - The Corrections Fund accounts for the revenues and expenditures related to the municipal court.

The City reports the following major proprietary fund:

Boaz Outlet Center - The Boaz Outlet Center accounts for the activities of the City's lease revenue and maintenance expenses related to the facility management of the Boaz Outlets.

Additionally, the government reports the following fund types:

Special Revenue Funds - A Special Revenue Fund accounts for the proceeds of specific revenue sources (other than those derived from expendable trusts or dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. Special Revenue Funds consist of the various state shared gasoline taxes.

Capital Projects Funds - A Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Auditing Standards Board (GASB).

During the course of normal operations, the City has numerous transactions between funds to provide services, to pay debt, etc. These transactions are generally reflected as operating transfers except for transactions reimbursing a fund for expenditures made by it for the benefit of another fund. These transactions are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund reimbursed. As a general rule, the effects of interfund activity have been eliminated from the government-wide financial statements.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

In the government-wide financial statements, amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Boaz Outlet Center are rental income from outlet facilities.

Operating expenses for proprietary funds include the administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use unrestricted resources first, then restricted resources as they are needed, except in the case of grant monies which are used for their required purpose.

ASSETS, LIABILITIES, AND NET POSITION

Cash

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables and Payables

All outstanding balances between funds are reported as "due to/from other funds".

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Property Taxes

Property taxes are levied on October 1 for the prior fiscal year beginning October 1, at which time a lien is attached. These taxes are due and payable October 1 and delinquent after December 31 each year after which a penalty and interest are required to be charged. Revenue is recognized in the year when the taxes are levied and collected at the fund level and in the year for which they are levied at the government-wide level. The taxes are collected by the Marshall County tax collector and remitted to the City.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES, AND NET POSITION (Continued)

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items on both the government-wide and fund financial statements.

Restricted Assets

Cash accounts and other assets restricted for specific purposes are classified as restricted assets on the balance sheet and statement of net position.

Capital Assets

Capital assets of the City, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. 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 one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed, or if inadequate records were available to determine the actual cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of governmental-type activities is not capitalized.

It is the City's policy not to depreciate historical objects and museum exhibits that are held for public exhibition. These objects are maintained by the City at a reasonable level and, if sold, proceeds are used to purchase more historical objects for public display.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and infrastructure	40-60
Building improvements	15-40
Machinery, equipment, and vehicles	5-25
Books	3

Capital assets of the Boaz City Board of Education are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Depreciation is calculated using the straight-line method over estimated useful lives ranging from 5 to 50 years.

(Continued)



NOTES TO THE FINANCIAL STATEMENTS

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES, AND NET POSITION (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet – governmental funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has four items that qualifies for reporting in this category. One item is the deferred charges on refundings reported in the government-wide statement of net position. A deferred charge on refunded debt results from the difference in carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other three items that qualify for reporting in this category is the pension differences between expected and actual experience, changes in assumptions, and the contributions to the pension plan subsequent to the plan measurement date, and is reported only in the governmental activities statement of net position.

In addition to liabilities, the statement of financial position and/or balance sheet – governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualifies for reporting in this category. One item, which arises only under a modified accrual basis of accounting, is the unavailable property tax revenue and is reported only in the governmental funds balance sheet. The other items are the pension differences between expected/actual experience and net difference between projected/actual earnings on plan investments, and are reported only in the governmental activities statement of net position. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Risk Management

The City is exposed to normal business risk in the course of operations. Commercial insurance is purchased by the City to cover any normal, insurable loss up to policy limits. During the past three years, there have been no losses which exceeded insured amounts.

Compensated Absences

Employees can earn vested annual vacation leave based on years of service as follows:

0-2 years	6 days
3-10 years	12 days
11-20 years	18 days
21 years and over	24 days

Unused vacation leave not exceeding one year's annual vacation can be carried over to succeeding years. Excess unused vacation is converted into sick leave. The City has accrued a liability for vacation pay which has been earned but not taken by City employees. Vacation leave that is expected to be liquidated with expendable available resources is reported as an expenditure and a fund liability

(Continued)

# NOTES TO THE FINANCIAL STATEMENTS

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### ASSETS, LIABILITIES, AND NET POSITION (Continued)

#### Compensated Absences (Continued)

of the governmental fund that will pay it. All unused annual leave is accrued when earned by the employees in the government-wide financial statements. Vacation leave that is expected to be liquidated during the next twelve months is considered a current liability on the government-wide financial statements.

Sick leave is earned at the rate of eight hours per month. Sick leave liability has not been accrued because of the uncertainty of the expense during the succeeding years.

#### Long-Term Obligations

In the government-wide financial statements and proprietary fund, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts, as well as gains/losses on refundings, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium, discount, or gains/losses on refundings.

In the fund financial statements, long-term debt is not reported as a liability and governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### Pensions

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

#### Use of Estimates in Preparation of Financial Statements

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

(Continued)

NOTES TO THE FINANCIAL STATEMENTS

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES, AND NET POSITION (Continued)

Equity Classifications

Government-Wide statements - Equity is classified as net position and displayed in three components:

- a) Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and outstanding balances of any bonds, mortgages, notes, or other debt attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net position - consists of net position with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- c) Unrestricted net position - all other net position that do not meet the definition of "restricted" or "net investment in capital assets".

Fund equity is reported in the fund financial statements as fund balances. The following classifications of fund balances are reported in the fund financial statements:

- a) Nonspendable - This classification includes amounts that cannot be spent because they are either (1) not in spendable form; or (2) legally or contractually required to be maintained intact. No amounts were reported as nonspendable as of September 30, 2018.
- b) Restricted - This classification includes amounts that have constraints placed on the use of resources imposed either (1) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (2) by law through constitutional provisions or enabling legislation.
- c) Committed - This classification includes amounts that can only be used for specific purposes. It is the practice of the City to present assets in this classification pursuant to constraints imposed by formal action of the Council before the end of the fiscal year, and require the same level of formal action to remove the constraint. However, no formal policy regarding this action has been approved by the City. No amounts were reported as committed as of September 30, 2018.
- d) Assigned - This classification includes amounts that are intended to be used for specific purposes, but are neither restricted nor committed. It is the practice of the City to allow the City Council to make a determination of the assigned amounts of fund balance, and also to allow the City Council to remove the constraints. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. No formal policy regarding the assignment of fund balances to this classification has been approved by the City.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES, AND NET POSITION (Continued)

Equity Classifications (Continued)

- e) Unassigned - This classification is the residual classification for the general fund, and represents fund balances that have not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

For the classification of Governmental Fund balances, the City considers an expenditure to be made from the most restrictive first, when more than one classification is available.

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

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

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

Bonds and Notes Payable	\$ 17,346,334
Accrued Interest Payable	186,984
Other Post Employment Benefits Payable	131,454
Net Pension Liability	3,857,430
Compensated Absences	<u>107,116</u>
 Net adjustment to reduce <i>fund balances - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	 <u><u>\$ 21,629,318</u></u>

(Continued)

NOTES TO THE FINANCIAL STATEMENTS

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

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

Capital Outlay	\$ 895,178
Depreciation Expense	<u>(887,345)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 7,833</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) 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 issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this difference are as follows:

Payment of Debt	\$ 994,395
Proceeds from Debt Issuance	(12,950,050)
Bond Defeasement costs	(25,765)
Change in Accrued Interest	(149,159)
Amortization of original issue discounts and premiums	<u>47,135</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (12,083,444)</u>

(Continued)

NOTES TO THE FINANCIAL STATEMENTS

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

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NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment is a combination of the following items:

Gain on Disposal of Fixed Assets	\$ (3,229)
Other Post Employment Benefits	131,534
Pension Expense	(145,180)
Compensated Absences	<u>16,278</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (597)</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

An annual budget is prepared for the City's general fund and is adopted on the modified accrual basis. All annual appropriations lapse at the fiscal year end. The City is authorized to transfer budget amounts between departments within the general fund; however, any revisions that alter the total appropriations of any fund must be approved by the Council.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

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NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The City maintains a level of control at the department level. The following departments had expenditures exceeding appropriations as of September 30, 2018.

<u>Fund</u>	<u>Department</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General	Street	1,564,150	1,763,566	(199,416)
	Senior Center	237,800	241,492	(3,692)
	Library	347,315	450,769	(103,454)
	Municipal Court	177,775	200,121	(22,346)
	Principal Retirement on Debt	-	149,395	(149,395)
	Interest and Fiscal Agent Fees	-	11,703	(11,703)
	Capital Outlay	310,050	895,178	(585,128)

The City's general fund total expenditures exceeded total appropriations by \$376,545. The City does not adopt a budget for the special revenue, capital project, or debt service funds.

NOTE 4 - DEPOSITS AND INVESTMENTS

At September 30, 2018, the carrying amounts of the City's deposits with three financial institutions were \$4,225,667.

Deposits at year-end were held by financial institutions in the State of Alabama's Security of Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the Code of Alabama 1974, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of a failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

At September 30, 2018, the City had the following investments held by a trustee:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Fidelity Treasury Only Money Market Fund	1,339,965	29 days

*Interest rate risk* - The City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year.

*Credit risk* - State statutes limit the City's investments to U.S. Treasury obligations, State of Alabama and Alabama County obligations, and general obligations of Alabama municipalities. September 30, 2018, the City's investments consisted of Federated U.S. Treasury Cash Reserves Fund. This money market fund seeks current income consistent with stability of principal and liquidity by investing only in a portfolio of short-term U.S. Treasury securities. The Fund seeks to maintain a stable net position value of \$1.00 per share.

*Custodial credit risk* - This is the risk that in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2018, the City's investments consisted solely of U.S. Treasury Bills held by one financial institution.

NOTE 5 – RECEIVABLES

Receivables at September 30, 2018, consist of the following:

	<u>General Fund</u>	<u>Corrections Fund</u>	<u>Total</u>
Sales Tax	\$ 801,967	\$ -	\$ 801,967
Garbage Collection Fees	39,049	-	39,049
Returned Checks	1,627	300	1,927
Ad Valorem Tax	553,129	-	553,129
	<u>\$ 1,395,772</u>	<u>\$ 300</u>	<u>\$ 1,396,072</u>



NOTES TO THE FINANCIAL STATEMENTS

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

NOTE 6 - CAPITAL ASSETS

The following is a summary of changes in the City's Governmental Activities capital asset activity for the fiscal year:

	Balance October 1, 2017	Additions	Disposals	Balance September 30, 2018
<u>Governmental Activities:</u>				
Land and Land Improvements	\$ 4,574,052	\$ 75,000	\$ -	\$ 4,649,052
Total Capital Assets not Being Depreciated	4,574,052	75,000	-	4,649,052
Building and Improvements	9,020,633	-	-	9,020,633
Computer Equipment	591,191	-	-	591,191
Equipment	3,920,820	686,224	72,080	4,534,964
Furniture and Fixtures	493,030	-	-	493,030
Infrastructure	3,262,552	-	-	3,262,552
Motor Vehicles	4,195,537	133,954	226,155	4,103,336
Total Capital Assets Being Depreciated	21,483,763	820,178	298,235	22,005,706
Less Accumulated Depreciation for:				
Building and Improvements	3,621,715	217,944	-	3,839,659
Computer Equipment	453,155	68,717	-	521,872
Equipment	3,117,171	309,527	68,851	3,357,847
Furniture and Fixtures	448,485	14,695	-	463,180
Infrastructure	991,506	76,823	-	1,068,329
Motor Vehicles	3,206,780	199,639	226,155	3,180,264
	11,838,812	887,345	295,006	12,431,151
Total Capital Assets Being Depreciated, Net	9,644,951	(67,167)	3,229	9,574,555
Governmental Activities, Capital Assets, Net	\$ 14,219,003	\$ 7,833	\$ 3,229	\$ 14,223,607

(Continued)

NOTES TO THE FINANCIAL STATEMENTS

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

NOTE 6 - CAPITAL ASSETS (Continued)

The following is a summary of changes in the City's Business-Type Activities capital asset activity for the fiscal year:

	October 1, 2017	Additions	Disposals	September 30, 2018
<u>Business-Type Activities:</u>				
Land and Land Improvements	\$ 5,750	\$ -	\$ -	\$ 5,750
Total Capital Assets not Being Depreciated	5,750	-	-	5,750
Buildings and Improvements	2,422,725	-	-	2,422,725
Equipment	473,959	-	-	473,959
Total Capital Assets Being Depreciated	2,896,684	-	-	2,896,684
Less Accumulated Depreciation for:				
Building and Improvements	260,695	64,852	-	325,547
Equipment	155,683	37,273	-	192,956
	416,378	102,125	-	518,503
Total Capital Assets Being Depreciated, Net	2,486,056	(102,125)	-	2,383,931
Business-Type Activities, Capital Assets, Net	<u>\$ 2,486,056</u>	<u>\$ (102,125)</u>	<u>\$ -</u>	<u>\$ 2,383,931</u>

(Continued)

NOTES TO THE FINANCIAL STATEMENTS

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

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NOTE 6 - CAPITAL ASSETS (Continued)

Depreciation expense is charged to functions of the primary government as follows:

Governmental Activities:

Police	\$	220,953
Fire		190,860
Street		119,196
Library		112,687
General Government		104,201
Parks and Recreation		82,511
Administration		25,800
Senior Center		27,663
Municipal Court		3,474

Total depreciation expense - governmental activities \$ 887,345

Business-Type Activities:

Boaz Outlet Center	\$	<u>102,125</u>
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(Continued)

NOTES TO THE FINANCIAL STATEMENTS

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

NOTE 6 - CAPITAL ASSETS (Continued)

Activity for the discretely presented component unit, the Boaz City Board of Education, for the year ended September 30, 2018, was as follows:

	Balance October 1, 2017	Additions	Disposals	Balance September 30, 2018
<u>Component Unit:</u>				
Construction in Progress	\$ -	\$ -	\$ -	\$ -
Total Capital Assets not Being Depreciated	-	-	-	-
Land and Land Improvements	1,711,307	-	-	1,711,307
Building	32,385,637	-	-	32,385,637
Equipment	740,954	18,364	-	759,318
Vehicles	1,432,755	-	-	1,432,755
Total Capital Assets Being Depreciated	36,270,653	18,364	-	36,289,017
Less Accumulated Depreciation for:				
Land Improvements	361,181	31,771	-	392,952
Building	9,505,984	889,650	-	10,395,634
Equipment	535,500	51,503	-	587,003
Vehicles	961,715	107,375	-	1,069,090
	11,364,380	1,080,299	-	12,444,679
Total Capital Assets Being Depreciated, Net	24,906,273	(1,061,935)	-	23,844,338
Governmental Activities, Capital Assets, Net	\$ 24,906,273	\$ (1,061,935)	\$ -	\$ 23,844,338

(Continued)

NOTES TO THE FINANCIAL STATEMENTS

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

NOTE 6 - CAPITAL ASSETS (Continued)

Depreciation expense is charged to functions of the component unit as follows:

Component Unit:

Instructional Services	\$	732,619
Instructional Support Services		16,216
Operational and Maintenance Services		17,675
Student Transportation Services		107,467
Food Services		78,371
General Administrative Services		15,038
Other Expenditures		<u>112,913</u>
Total depreciation expense - governmental activities	\$	<u><u>1,080,299</u></u>

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of September 30, 2018, is as follows:

<u>Payable Fund</u>		<u>Receivable Fund</u>	
General Fund	\$ 43,763	Debt Service Fund	\$ 43,763
Corrections Fund	<u>73,929</u>	General Fund	<u>73,929</u>
	<u><u>\$ 117,692</u></u>		<u><u>\$ 117,692</u></u>

Interfund transfers to/from for the year ended September 30, 2018, are as follows:

<u>Transfer From</u>	<u>Transfer To</u>	
General Fund	Debt Service Fund	\$ 1,032,341
Corrections Fund	General Fund	3,600
Nonmajor Funds	General Fund	<u>20,879</u>
		<u><u>\$ 1,056,820</u></u>

Interfund balances are used to: (1) supply funds from a fund that has current resources to a fund that needs current resources and (2) facilitate transactions that are made by one fund for the benefit of more than one fund.

NOTES TO THE FINANCIAL STATEMENTS

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

NOTE 8 - LONG-TERM DEBT

The government issues general obligation warrants to provide funds for the acquisition and construction of major capital facilities. General obligation warrants have been issued for general government activities. In addition, general obligation warrants have been issued to refund general obligation warrants.

Changes in long-term obligations for the year ended September 30, 2018 for the City's Governmental Activities, are as follows:

	Interest Rate	Beginning Balance Outstanding	Additions	Reductions	Ending Balance Outstanding	Amounts Due Within One Year
General Obligation Warrants:						
Dated November 1, 2009	3.00 - 4.50%	\$ 2,200,000	\$ -	\$ 130,000	\$ 2,070,000	\$ 135,000
Dated October 1, 2010	2.00 - 2.875%	1,745,000	-	445,000	1,300,000	455,000
Dated June 1, 2012	0.80 - 3.00%	1,105,000	-	80,000	1,025,000	85,000
Dated January 1, 2013	2.00%	190,000	-	190,000	-	-
Dated June 5, 2018	3.00 - 4.00%	-	12,275,000	-	12,275,000	-
First Bank of Boaz	2.39%	229,880	-	62,183	167,697	63,685
First Bank of Boaz	2.80%	-	675,050	87,212	587,838	554,642
Less, Unamortized Bond Discount		(36,355)	(47,135)	(4,289)	(79,201)	-
		<u>5,433,525</u>	<u>12,902,915</u>	<u>990,106</u>	<u>17,346,334</u>	<u>1,293,327</u>
Other Liabilities:						
Compensated Absences		150,562	-	10,173	140,389	140,389
Other Post Employment Benefit Obligations		284,888	-	135,900	148,988	83,963
		<u>\$ 5,868,975</u>	<u>\$ 12,902,915</u>	<u>\$ 1,136,179</u>	<u>\$ 17,635,711</u>	<u>\$ 1,517,679</u>

(Continued)

NOTES TO THE FINANCIAL STATEMENTS

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

NOTE 8 - LONG-TERM DEBT (Continued)

Fiscal Years Ending September 30	Principal	Interest	Totals
2019	\$ 1,293,327	\$ 613,651	\$ 1,906,978
2020	783,420	584,419	1,367,839
2021	653,788	563,797	1,217,585
2022	305,000	549,325	854,325
2023	305,000	539,065	844,065
2024 - 2028	1,750,000	2,518,430	4,268,430
2029 - 2033	2,125,000	2,160,805	4,285,805
3034 - 2038	2,550,000	1,734,440	4,284,440
2039 - 2043	3,855,000	1,133,282	4,988,282
2043 - 2048	3,805,000	325,700	4,130,700
	<u>\$ 17,425,535</u>	<u>\$ 10,722,914</u>	<u>\$ 28,148,449</u>

Interest expense charged to functions of the primary government for the year ended September 30, 2018, totaled \$638,035.

The City utilizes the General Fund and the Debt Service Fund to liquidate the annual principal and interest payments on the outstanding obligations for the Governmental Activities.

Changes in long-term obligations for the year ended September 30, 2018 for the City's Business-Type Activities, are as follows:

	Interest Rate	Beginning Balance Outstanding	Additions	Reductions	Ending Balance Outstanding	Amounts Due Within One Year
First Bank of Boaz	4.00%	\$ 1,913,598	\$ -	\$ -	\$ 1,913,598	\$ 64,294

(Continued)

NOTES TO THE FINANCIAL STATEMENTS

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

NOTE 8 - LONG-TERM DEBT (Continued)

Fiscal Years Ending September 30	Principal	Interest	Totals
2019	\$ 64,294	\$ 76,544	\$ 140,838
2020	66,866	73,972	140,838
2021	69,345	71,493	140,838
2022	72,314	68,524	140,838
2023	75,207	65,631	140,838
2024 - 2028	423,455	280,735	704,190
2029 - 2033	515,154	189,036	704,190
3034 - 2038	626,963	77,229	704,192
	<u>\$ 1,913,598</u>	<u>\$ 903,164</u>	<u>\$ 2,816,762</u>

Interest expense charged to functions of the business-type activities for the year ended September 30, 2018, totaled \$76,544.

NOTE 9 - PENSION PLAN

Plan Description

The Employees' Retirement System of Alabama, an agency multiple-employer plan, was established October 1, 1945 under the provisions of Act 515 of the Legislature of 1945 for the purpose of providing 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. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://www.rsa-al.gov).

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.

(Continued)



# NOTES TO THE FINANCIAL STATEMENTS

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

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## NOTE 9 - PENSION PLAN (Continued)

### Benefits Provided (Continued)

State employees who retire after age 60 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 are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

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 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 are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service.

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

### 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. Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute.

The ERS established rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2018, the City's active employee contribution rate was 5% of covered employee payroll for Tier 1 Employees (6% for Tier 2 Employees), and the City's average contribution rate to fund the normal and accrued liability costs was 3.27% and 7.13%, respectively, of covered employee payroll for Tier 1 Employees [0.04% and 7.13%, respectively, for Tier 2 Employees].

(Continued)

NOTES TO THE FINANCIAL STATEMENTS

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

NOTE 9 - PENSION PLAN (Continued)

Contributions (Continued)

The City's contractually required contribution rate for the year ended September 30, 2018 was 10.97% of pensionable pay for Tier 1 employees, and 7.54% for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2014, 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 \$385,798 for the year ended September 30, 2018.

Net Pension Liability

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

	<u>Expected</u>	<u>Actual</u>
(a) <b>Total Pension Liability</b> as of September 30, 2016	\$ 16,182,681	\$ 16,065,691
(b) <b>Discount rate</b>	7.75%	7.75%
(c) <b>Entry Age Normal Cost for</b> October 1, 2016 - September 30, 2017	353,021	353,021
(d) <b>Transfers Among Employers:</b>	-	3,337
(e) <b>Actual Benefit Payments and Refund for</b> October 1, 2016 - September 30, 2017	<u>(916,874)</u>	<u>(916,874)</u>
(f) <b>Total Pension Liability</b> as of September 30, 2017 [(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	<u>\$ 16,837,547</u>	<u>\$ 16,714,737</u>
(g) <b>Difference between Expected and Actual</b>		(122,720)
(h) <b>Less Liability Transferred for Immediate</b> Recognition:		<u>3,337</u>
(i) <b>Experience (Gain)/Loss = (g) - (h)</b>		\$ (126,057)

(Continued)

NOTES TO THE FINANCIAL STATEMENTS

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

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NOTE 9 - PENSION PLAN (Continued)

Actuarial Assumptions

The total pension liability in the September 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75% - 7.25%, including inflation
Investment rate of return*	8.00%

\*Net of pension plan investment expense, including inflation

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2016 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

The actuarial assumptions used in the September 30, 2015 valuation 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, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

Discount Rate

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

(Continued)

NOTES TO THE FINANCIAL STATEMENTS

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

NOTE 9 - PENSION PLAN (Continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2016	\$ 16,182,681	\$ 11,710,380	\$ 4,472,301
Changes for the year:			
Service Cost	353,021	-	353,021
Interest	1,218,629	-	1,218,629
Difference between expected and actual experience	(126,057)	-	(126,057)
Contributions - employer	-	368,811	(368,811)
Contributions - employee	-	213,457	(213,457)
Net Investment Income	-	1,478,196	(1,478,196)
Benefit payments, including refunds of employee contributions	(916,874)	(916,874)	-
Transfers Among Employers	3,337	3,337	-
Net Changes	<u>532,056</u>	<u>1,146,927</u>	<u>(614,871)</u>
Balances at September 30, 2017	<u>\$ 16,714,737</u>	<u>\$ 12,857,307</u>	<u>\$ 3,857,430</u>

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's Net Pension Liability	\$ 5,840,001	\$ 3,857,430	\$ 2,187,160

(Continued)

NOTES TO THE FINANCIAL STATEMENTS

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

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NOTE 9 - PENSION PLAN (Continued)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2018, the City recognized pension expense of \$513,991 as follows:

Service cost	\$ 353,021
Interest on the total pension liability	1,218,629
Current-period benefit changes	-
Expensed portion of current-period difference between expected and actual experience in the total pension liability	(19,393)
Expensed portion of current-period changes of assumptions	-
Member contributions	(213,457)
Projected earnings on plan investments	(894,718)
Expensed portion of current-period differences between actual and projected earnings on plan investments	(116,696)
Transfers among employers	-
Recognition of beginning deferred outflows of resources as pension expense	212,494
Recognition of beginning deferred inflows of resources as pension expense	<u>(25,889)</u>
Pension Expense	<u>\$ 513,991</u>

(Continued)

NOTES TO THE FINANCIAL STATEMENTS

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

NOTE 9 - PENSION PLAN (Continued)

	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>
Differences between expected and actual experience	\$ 285,805	\$ 217,985
Changes of assumptions	396,042	-
Net difference between projected and actual earnings on plan investments	-	390,605
Employer contributions subsequent to Measurement Date	<u>385,798</u>	<u>-</u>
	<u>\$ 1,067,645</u>	<u>\$ 608,590</u>

NOTE 10 - RESTRICTED NET POSITION AND RESERVED FUND BALANCES

The statement of net position shows certain amounts as restricted net position. These amounts are restricted in their use by parties outside the City such as creditors, grantors, or contributors, or are restricted by law or regulation. Components of restricted net position include:

<u>Activity</u>	<u>Restricted By</u>	
Reserve	Council Resolution	\$ 829,683
Road Surface and Repairs	Law	194,422
School Ad Valorem	Law	9,339
Capital Projects	Law	218,117
Special Revenues	Council Resolution	281,166
Debt Service	Law	12,788,821

(Continued)

NOTES TO THE FINANCIAL STATEMENTS

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

NOTE 10 - RESTRICTED NET POSITION AND RESERVED FUND BALANCES (Continued)

The balance sheet shows certain amounts as nonspendable, restricted, assigned, or unassigned fund balances. Restricted amounts are restricted by either federal or state law; assigned amounts are designated by the City leaders to use for a specific purpose; and unassigned amounts are to use in any City function. Components of fund balances are:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Corrections Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund Balances:					
Restricted for:					
Road Surface and Repairs	-	-	-	194,422	194,422
Education	-	-	-	9,339	9,339
Assigned to:					
Reserve	829,683	-	-	-	829,683
Special Revenues	-	-	-	281,166	281,166
Debt Service	-	12,788,821	-	-	12,788,821
Capital Improvement	-	-	-	218,117	218,117
Unassigned:					
General	2,034,401	-	-	-	2,034,401
Corrections	-	-	(93,546)	-	(93,546)
Total Fund Balances	<u>\$ 2,864,084</u>	<u>\$ 12,788,821</u>	<u>\$ (93,546)</u>	<u>\$ 703,044</u>	<u>\$ 16,262,403</u>

NOTE 11 - EMPLOYEE BENEFITS

The City pays for certain health, dental, and life insurance benefits for its employees. All full-time employees are eligible for these benefits. The City pays for 100% of single coverage health and dental benefits and 78% of family coverage health and dental benefits. In addition, the City pays for a \$25,000 life insurance policy for all full-time employees. During the year ended September 30, 2018, the City paid \$1,026,029 for insurance premiums under the employee benefit program.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

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NOTE 12 - OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). In May 2000, the City adopted a policy regarding postretirement employee benefits. Once employees are fully vested in the City's Retirement Plan and have completed a minimum of twenty-five years of service with the City, the City will pay one hundred percent of the cost of a single individual and seventy percent of family coverage continuing the employees' enrollment in the City's Group Health Insurance Plan that is in effect at the time of retirement for a period of three years or until the employee reaches the age of sixty-five. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy

In order to receive this postretirement benefit, the employee must remain enrolled in the health insurance plan in effect at the time of retirement. The City contributions are financed on the pay-as-you-go basis. The City made contributions of \$61,356 during 2018 for employees who were retired during the year.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Board's net OPEB obligation for the Retiree Health Plan:

Annual required contribution	\$	-
Adjustment to annual required contribution		
Annual OPEB cost (expense)		(197,256)
Contributions made		<u>61,356</u>
Decrease in net OPEB Obligation		(135,900)
Net OPEB obligation - beginning of year		<u>284,888</u>
Net OPEB obligation - end of year	\$	<u><u>148,988</u></u>



## NOTES TO THE FINANCIAL STATEMENTS

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

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### NOTE 12 - OTHER POST EMPLOYMENT BENEFITS (Continued)

#### Funded Status and Funding Progress

As of September 30, 2018, the actuarial liability for benefits is \$148,988, all of which is unfunded.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities benefits.

#### Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The simplifying assumptions made in the calculation of the accrued liability are as follows:

**Health Insurance Premiums** - The current year health insurance premiums at the members' current coverage status were used as the basis for calculation of the present value of total benefits to be paid.

**Retirement Age for Active Employees** - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62.

**Marital Status** - Marital status of members at the calculation date was assumed to continue throughout retirement.

**Turnover** - Based on historical turnover rate, the probability of members not remaining employed until the defined retirement age was considered low.

**Amortization Period** - The remaining amortization period at September 30, 2018 is three years.

NOTES TO THE FINANCIAL STATEMENTS

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

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NOTE 13 - LEASES

During the year ended September 30, 2018, the City leased real property on a cancelable month-to-month basis, with monthly rental payments ranging from \$250 to \$1,002 at the Boaz Outlet Center. Rental revenues of \$43,688 were collected during the year ended September 30, 2018.

During the year ended September 30, 2018, the City leased real property under noncancelable operating leases, with monthly rental payments ranging from \$250 to \$15,000 and expiration dates through 2018. Rental revenues of \$283,008 were collected during the year ended September 30, 2018.

The cost of leased Buildings, Improvements, and Equipment at the Boaz Outlet Center associated with lease cancelable and noncancelable leases is \$2,902,435 with \$518,505 of accumulated depreciation as of September 30, 2018.

Future minimum lease revenues under these lease agreements are:

<u>Fiscal Years</u>	
<u>Ending September 30</u>	
2019	<u>\$ 101,506</u>

NOTE 14 - CONTINGENT LIABILITIES

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Litigation - In addition to those suits in which claims for liability are adequately covered by insurance, the City is defendant in various suits arising in the normal course of business. Management is unable to predict the outcome of the litigation but believes it has strong grounds upon which to defend these proceedings and will vigorously oppose the asserted claims. Accordingly, no provision for possible loss, if any, is included in the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

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### NOTE 15 - COMMITMENTS

The City acts as guarantee for the Boaz Industrial Development Board on two notes at the First Bank of Boaz and two notes at People's Independent Bank. At September 30, 2018, the balances of the notes were \$180,189 and \$300,972 at First Bank of Boaz and \$180,189 and \$300,972 at People's Independent Bank.

### NOTE 16 - SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through July 8, 2019, which is the date the financial statements were available to be issued.

Subsequent to the year-end, on November 8, 2018 the City issued \$2,035,000 General Obligation Warrants, Series 2018-B for the purpose of fully refunding General Obligation Warrants, Series 2009, and financing the acquisition of approximately \$70,000 of capital improvements.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS - RETIREE HEALTH PLAN

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

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Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)
09/30/13	-	11,108	11,108	0.0%
09/30/14	-	29,520	29,520	0.0%
09/30/15	-	81,412	81,412	0.0%
09/30/16	-	284,888	284,888	0.0%
09/30/17	-	284,888	284,888	0.0%
09/30/18	-	148,988	148,988	0.0%

SCHEDULE OF NET PENSION LIABILITY

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

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Actuarial Valuation as of September 30	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Employee Payroll	Net Pension Liability as a % of Covered Employee Payroll
2014	\$ 13,877,214	\$ 11,024,100	\$ 2,853,114	79.4%	\$ 3,486,834	81.83%
2015	\$ 15,083,377	\$ 10,831,826	\$ 4,251,551	71.8%	\$ 3,526,710	120.55%
2016	\$ 16,182,681	\$ 11,710,380	\$ 4,472,301	72.4%	\$ 4,040,541	110.69%
2017	\$ 16,714,737	\$ 12,857,307	\$ 3,857,430	76.9%	\$ 3,718,784	103.73%

Note to Schedule:

Schedule is intended to show information for 10 years.

Additional years will be displayed as they become available.

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY

CITY OF BOAZ, ALABAMA

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Actuarial Valuation as of September 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Total pension liability</b>										
Service cost	\$ 353,021	\$ 314,256	\$ 309,995	\$ 299,712	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	1,218,629	1,173,461	1,079,582	1,032,631	-	-	-	-	-	-
Difference between expected and actual experi	(126,057)	(163,099)	581,464	-	-	-	-	-	-	-
Changes of assumptions	-	580,248	-	-	-	-	-	-	-	-
Benefit payments, including refunds										
of employee contributions	(916,874)	(830,228)	(764,878)	(726,022)	-	-	-	-	-	-
Transfers among employers	3,337	24,666	-	-	-	-	-	-	-	-
Net change in total pension liability	532,056	1,099,304	1,206,163	606,321	-	-	-	-	-	-
Total pension liability - beginning	16,182,681	15,083,377	13,877,214	13,270,893	-	-	-	-	-	-
Total pension liability - ending (a)	16,714,737	16,182,681	15,083,377	13,877,214	-	-	-	-	-	-
<b>Plan fiduciary net position</b>										
Contributions - employer	368,811	377,551	312,479	316,761	-	-	-	-	-	-
Contributions - member	213,457	214,320	197,228	198,529	-	-	-	-	-	-
Net investment income	1,478,196	1,092,245	128,883	1,190,577	-	-	-	-	-	-
Benefit payments, including refunds										
of employee contributions	(916,874)	(830,228)	(764,878)	(726,022)	-	-	-	-	-	-
Transfer among employers	3,337	24,666	(65,986)	32,482	-	-	-	-	-	-
Net change in plan fiduciary net positior	1,146,927	878,554	(192,274)	1,012,327	-	-	-	-	-	-
Plan net position - beginning	11,710,380	10,831,826	11,024,100	10,011,773	-	-	-	-	-	-
Plan net position - ending (b)	12,857,307	11,710,380	10,831,826	11,024,100	-	-	-	-	-	-
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ 3,857,430</b>	<b>\$ 4,472,301</b>	<b>\$ 4,251,551</b>	<b>\$ 2,853,114</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Plan fiduciary net position as a percentage										
of the total pension liability	76.92%	72.36%	71.81%	79.44%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll*	\$ 3,718,784	\$ 4,040,541	\$ 3,526,710	\$ 3,486,834	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability as a percentage of										
covered-employee payroll	103.73%	110.69%	120.55%	81.83%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

\* Employer's covered-payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). The measurement period is October 1, 2016 through September 30, 2017.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

	Actuarial Valuation as of September 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 368,811	\$ 377,551	\$ 312,479	\$ 316,761	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	368,811	377,551	312,479	316,761	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 3,718,784	\$ 4,040,541	\$ 3,526,710	\$ 3,486,834	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	9.92%	9.34%	8.86%	9.08%	-	-	-	-	-	-

**Notes to Schedule:**

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	25 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.75 - 7.25%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation



SCHEDULE OF PENSION INVESTMENT RETURNS

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

	Actuarial Valuation as of September 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Investment rate of return, net of pension plan investment expense, including inflation	8.00%	8.00%	8.00%	8.00%	-	-	-	-	-	-

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL - GENERAL FUND

CITY OF BOAZ, ALABAMA

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive/(Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Property and Payments in Lieu of Taxes	\$ 878,500	\$ 878,500	\$ 864,633	\$ (13,867)
Sales and Use	7,000,000	7,000,000	7,829,540	829,540
Rental	51,300	51,300	29,544	(21,756)
Motor Fuel	90,000	90,000	99,829	9,829
Tobacco	38,200	38,200	39,614	1,414
Alcohol	42,000	42,000	47,145	5,145
Licenses and Permits	1,125,650	1,125,650	1,220,712	95,062
Charges for Services	691,100	691,100	908,011	216,911
Fines and Costs	274,100	274,100	286,105	12,005
Intergovernmental Revenues	173,072	173,072	190,517	17,445
Other Revenues	901,150	901,150	321,669	(579,481)
	<u>11,265,072</u>	<u>11,265,072</u>	<u>11,837,319</u>	<u>572,247</u>
<b>EXPENDITURES</b>				
General Government and Administrative	2,981,600	2,981,600	2,400,054	581,546
Police	2,283,550	2,283,550	2,280,968	2,582
Fire	1,512,850	1,512,850	1,503,255	9,595
Street	1,564,150	1,564,150	1,763,566	(199,416)
Senior Center	237,800	237,800	241,492	(3,692)
Park and Recreation	1,006,800	1,006,800	901,934	104,866
Library	347,315	347,315	450,769	(103,454)
Municipal Court	177,775	177,775	200,121	(22,346)
Principal Retirement on Debt	-	-	149,395	(149,395)
Interest and Fiscal Agent Fees	-	-	11,703	(11,703)
Capital Outlay	310,050	310,050	895,178	(585,128)
	<u>10,421,890</u>	<u>10,421,890</u>	<u>10,798,435</u>	<u>(376,545)</u>
Excess of Revenues				
Over Expenditures	<u>843,182</u>	<u>843,182</u>	<u>1,038,884</u>	<u>195,702</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
10% Surplus	1,126,507	1,126,507	-	(1,126,507)
Proceeds from Issuance of Debt	-	-	675,050	675,050
Transfers From Other Funds	-	-	24,479	675,050
Transfers To Other Funds	-	-	(1,032,341)	(1,032,341)
	<u>1,126,507</u>	<u>1,126,507</u>	<u>(332,812)</u>	<u>(808,748)</u>
Net Change in Fund Balance	1,969,689	1,969,689	706,072	(613,046)
FUND BALANCES - Beginning of Year	<u>2,158,012</u>	<u>2,158,012</u>	<u>2,158,012</u>	<u>-</u>
FUND BALANCES - End of Year	<u>\$ 4,127,701</u>	<u>\$ 4,127,701</u>	<u>\$ 2,864,084</u>	<u>\$ (613,046)</u>

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2017

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An annual budget is prepared for the City's general fund and adopted on the modified accrual basis. All annual appropriations lapse at fiscal year end. Accounting principles generally accepted in the United States of America require that budget comparisons be presented for special revenue funds if a budget is adopted. Such a presentation has not been made because the City does not adopt budgets for these funds. The Mayor and City Council approve, by ordinance, total general fund budget appropriations only. The City is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter the total appropriations of any fund must be approved by the Council. The Council did not make any budgetary amendments during the year. Also, there was an unfavorable variance between the budgeted and actual expenditures of approximately \$377,000.

OTHER FINANCIAL INFORMATION

# MDA PROFESSIONAL GROUP, P.C.

*Certified Public Accountants and Business Consultants*

203 SOUTH HAMBRICK STREET, P.O. BOX 1188, ALBERTVILLE, AL 35950 • PHONE 256.878.5548 • FAX 256.878.8474

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS*

Mayor and City Council  
City of Boaz  
Boaz, Alabama

We have audited, in accordance with auditing standards general accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Boaz, Alabama, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Boaz, Alabama's basic financial statements, and have issued our report thereon dated July 8, 2019.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Boaz, Alabama's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Boaz, Alabama's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Boaz, Alabama's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

City of Boaz  
Boaz, Alabama

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Boaz, Alabama's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose to this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*MDA Professional Group, P.C.*

Albertville, Alabama  
July 8, 2019

DEBT SERVICE REQUIREMENTS TO MATURITY - GENERAL LONG-TERM DEBT OBLIGATIONS AND NOTES PAYABLE

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

Maturity Date	General Obligation Warrants Dated November 1, 2009			General Obligation Warrants Dated October 1, 2010			General Obligation Warrants Dated June 1, 2012		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2019	3.45	135,000	83,942	2.25	455,000	29,400	1.50	85,000	25,338
2020	3.60	140,000	78,888	2.50	465,000	17,319	1.50	80,000	24,062
2021	3.75	150,000	73,263	2.75	380,000	5,462	2.00	85,000	22,463
2022	3.75	155,000	67,162				2.00	90,000	20,763
2023	3.75	160,000	60,863				2.40	85,000	18,602
2024	3.75	165,000	54,362				2.40	90,000	16,563
2025	3.75	175,000	47,388				2.50	95,000	14,312
2026	3.75	180,000	39,932				2.50	100,000	11,938
2027	3.75	190,000	31,925				2.75	105,000	9,187
2028	3.75	200,000	23,248				2.75	105,000	6,300
2029	3.75	205,000	14,236				3.00	105,000	3,150
2030	3.75	215,000	4,838						
2031									
2032									
2033									
2034									
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2047									
2048									
		<u>\$ 2,070,000</u>	<u>\$ 580,047</u>		<u>\$ 1,300,000</u>	<u>\$ 52,181</u>		<u>\$ 1,025,000</u>	<u>\$ 172,678</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

DEBT SERVICE REQUIREMENTS TO MATURITY - GENERAL LONG-TERM DEBT OBLIGATIONS AND NOTES PAYABLE (Continued)

CITY OF BOAZ, ALABAMA

SEPTEMBER 30, 2018

Maturity Date	General Obligation Warrants Dated June 5, 2018		Notes Payable - First Bank of Boaz			Totals		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest
2019	3.00	-	462,300	2.39 / 2.80	618,327	12,671	1,293,327	613,651
2020	3.00	-	462,300	2.39 / 2.80	98,420	1,850	783,420	584,419
2021	3.00	-	462,300	2.39	38,788	309	653,788	563,797
2022	3.00	60,000	461,400				305,000	549,325
2023	3.00	60,000	459,600				305,000	539,065
2024	3.00	60,000	457,800				315,000	528,725
2025	4.00	70,000	455,500				340,000	517,200
2026	4.00	70,000	452,700				350,000	504,570
2027	4.00	70,000	449,900				365,000	491,012
2028	3.00	75,000	447,375				380,000	476,923
2029	3.00	85,000	444,975				395,000	462,361
2030	3.00	195,000	440,775				410,000	445,613
2031	3.00	425,000	431,475				425,000	431,475
2032	3.25	440,000	417,950				440,000	417,950
2033	3.25	455,000	403,406				455,000	403,406
2034	4.00	470,000	386,613				470,000	386,613
2035	4.00	490,000	367,413				490,000	367,413
2036	4.00	510,000	347,413				510,000	347,413
2037	4.00	530,000	326,613				530,000	326,613
2038	3.50	550,000	306,388				550,000	306,388
2039	3.50	715,000	283,356				715,000	283,356
2040	3.50	740,000	256,075				740,000	256,075
2041	3.50	770,000	227,763				770,000	227,763
2042	3.50	800,000	198,325				800,000	198,325
2043	3.75	830,000	167,763				830,000	167,763
2044	3.75	860,000	135,000				860,000	135,000
2045	3.75	900,000	99,800				900,000	99,800
2046	3.75	935,000	63,100				935,000	63,100
2047	3.75	970,000	25,000				970,000	25,000
2048	4.00	140,000	2,800				140,000	2,800
		<u>\$ 12,275,000</u>	<u>\$ 9,903,178</u>		<u>\$ 755,535</u>	<u>\$ 14,830</u>	<u>\$ 17,425,535</u>	<u>10,722,914</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.