

CITY OF GRAYSVILLE, ALABAMA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

TABLE OF CONTENTS

City of Graysville
Graysville, Alabama

September 30, 2017

Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	11-12
Statement of Activities	13
Fund Financial Statements	
Balance Sheet – Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds in the Statement of Activities	17
Balance Sheet – Other Governmental Funds	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Other Governmental Funds	19
Statement of Proprietary Fund Net Position	20-21
Statement of Revenues, Expenses and Changes in Proprietary Fund Net Position	22
Statement of Proprietary Fund Cash Flows	23-24
Notes to Financial Statements	25-47
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	48
Schedule of Changes in Net Pension Liability	49
Schedule of City Contributions	50

COOKE, CAMERON, TRAVIS & COMPANY, P.C.

Certified Public Accountants

2109 DEVEREUX CIRCLE
BIRMINGHAM, ALABAMA 35243
PHONE (205) 967-0101
FACSIMILE (205) 967-0401

MICHAEL W. COOKE, C.P.A.
DENNIS R. CAMERON, C.P.A.
W. GERALD TRAVIS, C.P.A.

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
ALABAMA SOCIETY OF C.P.A.s

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Graysville, Alabama

We have audited the accompanying financial statements 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 Graysville, Alabama (the City), as of and for the year ended September 30, 2017, 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 fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the City of Graysville, Alabama, as of September 30, 2017, 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

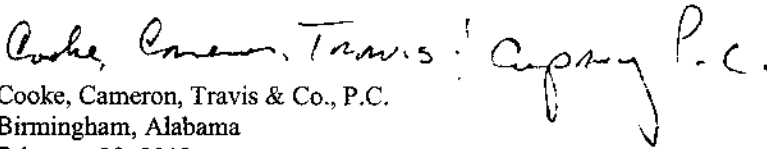
Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Graysville, Alabama's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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


Cooke, Cameron, Travis & Co., P.C.
Birmingham, Alabama
February 28, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Graysville
Graysville, Alabama

For the year ended September 30, 2017

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

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

HIGHLIGHTS

Financial Highlights

- The City's combined net position decreased by \$ 412,001
- The total cost of all the City's programs was \$ 5,682,108
- During the year, the City had expenses of \$2,450,899 for governmental activities, which was \$28,756 more than the \$2,422,143 generated from general and program revenues and from transfers from business-type activities.
- The City's combined liabilities and deferred inflows of resources exceeded its combined assets and deferred outflows of resources by \$816,660

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 11-12 and 13, respectively) provide information about the activities of the City as a whole and present a long-term view of the City's finances. Fund financial statements begin on page 14. For governmental activities, these statements tell how these services were financed in the short-term, as well as the funds that remains for future spending. Fund financial statements also report the City's operations in more detail by providing information about the City's most significant funds.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 4. One of the most important questions asked about the City's finances is, "Is the City as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used in private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Graysville
Graysville, Alabama

For the year ended September 30, 2017

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

- **Governmental Activities** – Most of the City's basic services are reported here, including general administration, public protection, fire, public works, and parks and recreation. Property taxes, sales taxes, program revenues, and transfers from business-type activities finance most of these activities.
- **Business-type Activities** – The City's Municipal Gas System Fund is reported here. Activities of the fund include administration, operation and maintenance of the gas system, and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for the Municipal Gas System debt.
- **Component Units** – The City includes three separate legal entities in its report – the Graysville Water Works and Sewer Board, the Graysville Industrial Development Board and the Graysville Public Library. Although legally separate, these "component units" are important because the City is financially accountable for them.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 8. The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by debt covenants. However, the City Council established many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibility for using certain taxes, grants and other money. The City's two kinds of funds – governmental and proprietary – use different accounting approaches.

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City's combined net position decreased by \$412,001 from the prior fiscal year. Governmental net position decreased \$28,756 while business-type activities (Municipal Gas System) decreased \$383,245. The decrease in governmental net position is largely the result of additional pension costs as it relates to the increase in liability as determined by actuaries. The decrease in business-type activities was the result of continued negative gas sales, net of related cost of gas, and an increase in pension liability.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Graysville
Graysville, Alabama

For the year ended September 30, 2017

The following table reflects the condensed statement of net position:

	Governmental activities		Business-type activities		Totals	
	As of September 30, 2017	2016	As of September 30, 2017	2016	As of September 30, 2017	2016
Assets						
Current & other assets	\$ 1,636,911	\$ 1,531,682	\$ 3,080,461	\$ 4,815,806	\$ 4,717,372	\$ 6,347,488
Capital assets	<u>2,979,839</u>	<u>3,144,181</u>	<u>8,806,933</u>	<u>7,475,619</u>	<u>11,786,772</u>	<u>10,619,800</u>
Total assets	<u>\$ 4,616,750</u>	<u>\$ 4,675,863</u>	<u>\$ 11,887,394</u>	<u>\$ 12,291,425</u>	<u>\$ 16,504,144</u>	<u>\$ 16,967,288</u>
Deferred outflows						
Employer contributions subsequent to the measurement date	\$ 168,433	\$ 131,149	\$ 114,218	\$ 116,338	\$ 282,651	\$ 247,487
Deferred outflows of pension costs	259,220	196,504	202,000	174,312	461,220	370,816
Deferred charges	-	-	-	65,150	-	65,150
Total deferred outflows	<u>\$ 427,653</u>	<u>\$ 327,653</u>	<u>\$ 316,218</u>	<u>\$ 355,800</u>	<u>\$ 743,871</u>	<u>\$ 312,637</u>
Liabilities						
Other liabilities	\$ 346,155	\$ 322,857	\$ 1,168,323	\$ 2,990,939	\$ 1,514,478	\$ 3,313,796
Net pension liability	1,984,914	2,074,254	1,830,773	1,902,926	3,815,687	3,977,180
Long-term liabilities	<u>2,694,613</u>	<u>2,785,657</u>	<u>9,660,071</u>	<u>7,978,767</u>	<u>12,354,684</u>	<u>10,764,424</u>
Total liabilities	<u>\$ 5,025,682</u>	<u>\$ 5,182,768</u>	<u>\$ 12,659,167</u>	<u>\$ 12,872,632</u>	<u>\$ 17,684,849</u>	<u>\$ 18,055,400</u>
Deferred inflows						
Net difference between projected and actual earnings on pension plan investments	<u>\$ 226,729</u>	<u>\$ -</u>	<u>\$ 153,097</u>	<u>\$ -</u>	<u>\$ 379,826</u>	<u>\$ -</u>
Net position						
Net investment in capital assets	\$ 2,979,839	\$ 3,144,181	\$ 8,806,933	\$ 5,384,428	\$ 11,786,772	\$ 8,528,609
Restricted	510,165	322,198	2,166,665	3,592,689	2,676,830	3,914,887
Unrestricted (deficit)	<u>(3,698,012)</u>	<u>(3,645,631)</u>	<u>(11,582,250)</u>	<u>(9,202,524)</u>	<u>(15,280,262)</u>	<u>(12,848,155)</u>
Total net position	<u>\$ (208,008)</u>	<u>\$ (179,252)</u>	<u>\$ (608,652)</u>	<u>\$ (225,407)</u>	<u>\$ (816,660)</u>	<u>\$ (404,659)</u>

For more detailed information see the statement of net position on page 11-12.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Graysville
Graysville, Alabama

For the year ended September 30, 2017

The City's combined net position decreased to \$(816,660) from \$(404,659) in the prior fiscal year. The City's unrestricted net-position for governmental and business-type activities, that portion of net position that can be used to finance day-to-day operations, had a deficit of \$15,280,262 which is an increase from the prior year deficit amount of \$12,848,155

Changes in Net Position

The City's total revenues increased \$61,289 (from \$5,208,818 for the previous year to \$5,270,107 for the current year), or less than 1%, resulting primarily from an increase in operating grants. In the current year, the City received grants to fund additional fire department personnel. Governmental revenues increased \$322,180 while revenues from business-type activities decreased \$260,891 in the current year when compared to the prior year. The decrease in business-type activities revenue is due to reduced sales from a warmer winter in the fiscal period.

Sales tax and operating grants and contributions account for approximately 60% and 12%, respectively, of the government revenues in the current year. The remaining revenues largely come from additional taxes, fees and charges for services.

The total cost of programs and services decreased by \$161,816; a 2.76% decrease from prior year. Governmental cost decreased \$123,647. The decrease was largely the result of the expiration of grants and the resulting expenditures and continued cost-control efforts. Business type-activities expenses decreased \$38,169, or 1%, due to decreases in gas purchases related to warmer winter during the fiscal period.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Graysville
Graysville, Alabama

For the year ended September 30, 2017

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

	Governmental activities		Business-type activities		Totals	
	For the years ended 2017	2016	For the years ended 2017	2016	For the years ended 2017	2016
Revenues						
Program revenues						
Fees, fines, charges & services	\$ 38,989	\$ 56,310	\$3,467,948	\$ 3,731,135	\$ 3,506,937	\$ 3,787,445
Operating grants & contributions	220,010	20,644	-	-	220,010	20,644
General revenues						
Sales taxes	1,085,963	898,147	-	-	1,085,963	898,147
Property taxes	102,956	96,611	-	-	102,956	96,611
Motor vehicle/gas	75,941	73,516	-	-	75,941	73,516
Other taxes	32,830	31,296	-	-	32,830	31,296
Licenses and permits	243,774	243,479	-	-	243,774	243,479
Interest earnings	2,535	2,159	5,016	590	7,551	2,749
Payments in lieu of taxes	-	-	-	-	-	-
Other	33,875	58,483	-	65	33,875	58,548
Gain on sale of capital asset	-	-	-	2,065	-	2,065
Insurance recoveries	-	10,575	-	-	-	10,575
Lease proceeds	40,309	64,876	-	-	40,309	64,876
Donations (to) from component units	(80,039)	(81,133)	-	-	(80,039)	(81,133)
Total revenues	<u>\$1,797,143</u>	<u>\$1,474,963</u>	<u>\$3,472,964</u>	<u>\$ 3,733,855</u>	<u>\$ 5,270,107</u>	<u>\$ 5,208,818</u>
Expenses						
General administration	435,271	524,374	-	-	435,271	524,374
Public protection	312,312	461,514	-	-	312,312	461,514
Fire	938,996	786,809	-	-	938,996	786,809
Public works	317,117	338,450	-	-	317,117	338,450
Parks and recreation	308,580	326,475	-	-	308,580	326,475
Interest on long-term debt	138,623	136,924	-	-	138,623	136,924
Municipal gas system	-	-	3,231,209	3,269,378	3,231,209	3,269,378
	<u>2,450,899</u>	<u>2,574,546</u>	<u>3,231,209</u>	<u>3,269,378</u>	<u>5,682,108</u>	<u>5,843,924</u>
Excess (deficiency) before transfers	(653,756)	(1,099,583)	241,755	464,477	(412,001)	(635,106)
Transfers	<u>625,000</u>	<u>890,000</u>	<u>(625,000)</u>	<u>(890,000)</u>	<u>-</u>	<u>-</u>
Change in net position	<u>\$ (28,756)</u>	<u>\$ (209,583)</u>	<u>\$ (383,245)</u>	<u>\$ (425,523)</u>	<u>\$ (412,001)</u>	<u>\$ (635,106)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Graysville
Graysville, Alabama

For the year ended September 30, 2017

Financial Analysis of City Funds

- Governmental Funds - As of September 30, 2017, the Governmental Funds reported a combined fund balance of \$1,390,295 an increase of \$84,215 or 6%, from the prior fiscal year. The General Fund experienced a net increase of \$28,981; Industrial Development Board, a net increase of \$2,502; Special Revenue Funds, a net increase of \$52,296; and the Debt Service Fund, a net decrease of \$436.
- Proprietary Funds - As of September 30, 2017, the Proprietary Fund (Municipal Gas System) reported total net position (deficit) of \$(608,652), a decrease of \$383,245 from the prior fiscal period. The net decrease of in net position is the result of declining gas sales and transfers to governmental funds.
- General Fund Budgetary Highlights - As of September 30, 2017, General Fund revenues exceeded budgeted expectations by \$127,813, due largely to an increase in sales taxes collected and additional grant receipts. General Fund expenditures were under budget by \$321,505 largely due to less-than-expected expenditures in administration, public protection, and the fire department.

Capital Asset and Debt Administration

- Capital Assets - At the end of 2017, the City had \$11,786,772 invested in a broad range of capital assets, including the Municipal Gas System, fire equipment, fire vehicles, building, a community center, and park facilities. This amount represents a net increase (depreciation, less additions) of \$1,166,972, or approximately 11% from the prior year. During the year ended September 30, 2017, the City recorded equipment and capitalized improvements to gas lines and meters.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Graysville
Graysville, Alabama

For the year ended September 30, 2017

The following tables reflect to components of the City's Capital Assets:

	Governmental activities		Business-type activities		Totals	
	As of September 30,		As of September 30,		As of September 30,	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,255,553	\$ 1,249,157	\$ 52,804	\$ 52,804	\$ 1,308,357	\$ 1,301,961
Construction in progress	-	-	-	475,381	-	475,381
Gas mains & service lines, net	-	-	8,559,979	6,698,442	8,559,979	6,698,442
Furniture & equipment, net	439,956	489,647	84,789	97,850	524,745	587,497
Buildings & improvements, net	969,105	1,045,318	11,513	13,821	980,618	1,059,139
Automobiles & vehicles, net	315,225	360,059	97,848	137,321	413,073	497,380
Total	<u>\$ 2,979,839</u>	<u>\$ 3,144,181</u>	<u>\$ 8,806,933</u>	<u>\$ 7,475,619</u>	<u>\$ 11,786,772</u>	<u>\$ 10,619,800</u>

- Debt – At September 30, 2017, the City had \$12,687,372 in warrants and capital leases outstanding versus \$13,031,567 at September 30, 2016, a decrease of 2.6%. This decrease resulted from debt principal payments during the fiscal year, while the City incurred no new debt. (Except for the Water Board, see Notes 5 and 12)

The City's debts are insured through Assured Guaranty and carry an AA insurance rating. The City's 2013-A general obligation capital improvement warrants and 2013-B taxable general obligation refunding warrants are rated BBB- by Standard & Poor's. The rating by Standard & Poor's on the series 2013 municipal gas revenue refunding and capital improvement warrants is BBB-.

	Governmental activities		Business-type activities		Totals	
	For the years ended		For the years ended		For the years ended	
	September 30,		September 30,		September 30,	
	2017	2016	2017	2016	2017	2016
Revenue warrants	\$ -	\$ -	\$9,990,000	\$10,205,000	\$ 9,990,000	\$10,205,000
General obligation warrants	2,820,000	2,890,000	-	-	2,820,000	2,890,000
Capital leases	50,139	77,650	70,183	116,160	120,322	193,810
Issuance discounts	(85,911)	(89,815)	(157,039)	(167,428)	(242,950)	(257,243)
Total	<u>\$2,784,228</u>	<u>\$2,877,835</u>	<u>\$9,903,144</u>	<u>\$ 10,153,732</u>	<u>\$12,687,372</u>	<u>\$13,031,567</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Graysville
Graysville, Alabama

For the year ended September 30, 2017

Economic Factors and Next Year's Budgets and Rates

The City's Mayor, City Clerk and City Council considered many factors when preparing and adopting the budget for the fiscal year ending September 30, 2017. Tax rates, anticipated sales tax collections, anticipated expenditures/expenses, prior year actual revenues/expenditures, and the overall economy were some of these factors. The City, as is typical for similarly sized municipalities, does not formally amend its budget throughout the fiscal period to match actual expenditures. A detailed analysis of the variance between actual results and budgeted amounts is included in the Budgetary Comparison Schedule – General Fund contained in the Required Supplementary information section of the accompanying financial statements.

One of the City's major sources of income is from the gas sales of the Municipal Gas System. Due to the high percentage of economic dependency upon the Municipal Gas System, the anticipated profit from the sale of gas was a primary consideration when setting the budget.

The City's local economy consists of commercial, retail and light industrial business including the Mountain View Golf Course, Lowe's, various restaurants, service stations, and retail shops.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the Mayor at the City of Graysville, P.O. Box 130, Graysville, Alabama 35073.

STATEMENT OF NET POSITION

City of Graysville
Graysville, Alabama

	Primary government			Component units		
	Governmental activities	Business-type activities	Total	Water board	Graysville library	Total reporting entity
ASSETS						
Cash and cash equivalents	\$ 487,379	\$ 376,159	\$ 863,538	\$ 342,384	\$ 22,310	\$ 1,228,232
Accounts receivable, net	271,474	116,933	388,407	304,109	4,000	696,516
Assets held in trust	-	-	-	93,738	-	93,738
Internal balances	49,806	2,476	52,282	-	-	52,282
Due from component units	20,553	-	20,553	-	-	20,553
Due from primary government	-	-	-	-	1,547	1,547
Deposits	5,390	3,385	8,775	-	-	8,775
Inventory	7,011	24,658	31,669	-	-	31,669
Prepaid items	30,916	26,204	57,120	12,545	-	69,665
Restricted cash	764,382	2,325,280	3,089,662	267,011	-	3,356,673
Nondepreciable capital assets	1,255,553	52,804	1,308,357	81,753	11,467	1,401,577
Depreciable capital assets, net	1,724,286	8,754,129	10,478,415	2,221,508	15,558	12,715,481
Prepaid insurance on warrants	-	205,366	205,366	-	-	205,366
Total assets	<u>\$ 4,616,750</u>	<u>\$ 11,887,394</u>	<u>\$ 16,504,144</u>	<u>\$ 3,323,048</u>	<u>\$ 54,882</u>	<u>\$ 19,882,074</u>
DEFERRED OUTFLOWS OF RESOURCES						
Employer contributions subsequent to the measurement date	\$ 168,433	\$ 114,218	\$ 282,651	\$ 29,037	\$ 6,023	\$ 317,711
Deferred outflows of pension resources	259,220	202,000	461,220	15,938	4,404	481,562
Total deferred outflows of resources	<u>\$ 427,653</u>	<u>\$ 316,218</u>	<u>\$ 743,871</u>	<u>\$ 44,975</u>	<u>\$ 10,427</u>	<u>\$ 799,273</u>

See the accompanying notes to financial statements.

STATEMENT OF NET POSITION

As of September 30, 2017

	Primary government			Component units		
	Governmental activities	Business-type activities	Total	Water board	Graysville library	Total reporting entity
LIABILITIES						
Accounts payable	\$ 47,000	\$ 371,185	\$ 418,185	\$ 203,458	\$ 1,420	\$ 623,063
Due to primary government	47,864	1,942	49,806	11,327	5,627	66,760
Due to component unit	-	-	-	2,476	-	2,476
Payable from restricted assets						
Customer deposits	-	307,792	307,792	233,721	-	541,513
Accrued interest payable	64,783	158,615	223,398	-	-	223,398
Accrued liabilities	56,752	57,142	113,894	41,978	1,628	157,500
Compensated absences	40,141	28,574	68,715	11,213	-	79,928
Net pension liability	1,984,914	1,830,773	3,815,687	326,809	23,757	4,166,253
Noncurrent liabilities						
Due within one year	23,519	38,462	61,981	-	-	61,981
Due within one year - payable from restricted assets	66,096	204,611	270,707	-	-	270,707
Due in more than one year	2,694,613	9,660,071	12,354,684	875,000	-	13,229,684
Total liabilities	<u>\$ 5,025,682</u>	<u>\$ 12,659,167</u>	<u>\$ 17,684,849</u>	<u>\$ 1,705,982</u>	<u>\$ 32,432</u>	<u>\$ 19,423,263</u>
DEFERRED INFLOWS OF RESOURCES						
Net difference between projected and actual earnings on pension plan investments	<u>\$ 226,729</u>	<u>\$ 153,097</u>	<u>\$ 379,826</u>	<u>\$ 33,222</u>	<u>\$ 10,474</u>	<u>\$ 423,522</u>
NET POSITION						
Net investment in capital assets	\$ 2,979,839	\$ 8,806,933	\$ 11,786,772	\$ 2,303,261	\$ 27,025	\$ 14,117,058
Restricted for						
Street improvement	163,767	-	163,767	-	-	163,767
Public protection	211,409	-	211,409	-	-	211,409
Capital projects	-	2,166,665	2,166,665	-	-	2,166,665
Debt service	134,989	-	134,989	-	-	134,989
Unrestricted	<u>(3,698,012)</u>	<u>(11,582,250)</u>	<u>(15,280,262)</u>	<u>(674,442)</u>	<u>(4,622)</u>	<u>(15,959,326)</u>
Total net position	<u>\$ (208,008)</u>	<u>\$ (608,652)</u>	<u>\$ (816,660)</u>	<u>\$ 1,628,819</u>	<u>\$ 22,403</u>	<u>\$ 834,562</u>

STATEMENT OF ACTIVITIES

Water Works and Sewer Board of the City of Graysville, AL
Graysville, AL

For the year ended September 30, 2017

	Program revenue			Net (expense) revenue and changes in net position				
	Expenses	Charges for services	Operating grants and contributions	Primary government			Component units	
				Governmental activities	Business-type activities	Total	Water board	Public library
Primary government								
Governmental activities								
General administration	\$ 435,271	\$ -	\$ -	(435,271)	\$ -	\$ (435,271)	\$ -	\$ -
Public protection	312,312	32,460	-	(279,852)	-	(279,852)	-	-
Fire	938,996	-	211,918	(727,078)	-	(727,078)	-	-
Public works	317,117	3,000	-	(314,117)	-	(314,117)	-	-
Parks and recreation	308,580	3,529	8,092	(296,959)	-	(296,959)	-	-
Interest on long-term debt	138,623	-	-	(138,623)	-	(138,623)	-	-
Total governmental activities	<u>2,450,899</u>	<u>38,989</u>	<u>220,010</u>	<u>(2,191,900)</u>	<u>-</u>	<u>(2,191,900)</u>	<u>-</u>	<u>-</u>
Business-type activities								
Municipal gas system	3,231,209	3,467,948	-	-	236,739	236,739	-	-
Total business-type activities	<u>3,231,209</u>	<u>3,467,948</u>	<u>-</u>	<u>-</u>	<u>236,739</u>	<u>236,739</u>	<u>-</u>	<u>-</u>
Total primary government	\$ 5,682,108	\$ 3,506,937	\$ 220,010	\$ (2,191,900)	\$ 236,739	\$ (1,955,161)	\$ -	\$ -
Component units								
Water works and sewer board	\$ 1,860,210	\$ 2,319,055	\$ -	\$ -	\$ -	\$ -	\$ 458,845	\$ -
Graysville public library	96,746	2,865	13,096	-	-	-	-	(80,785)
Total component units	<u>\$ 1,956,956</u>	<u>\$ 2,321,920</u>	<u>\$ 13,096</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 458,845</u>	<u>\$ (80,785)</u>
General revenues								
Taxes								
Sales				\$ 1,085,963	\$ -	\$ 1,085,963	\$ -	\$ -
Property				102,956	-	102,956	-	-
Motor vehicles				75,941	-	75,941	-	-
Other				32,830	-	32,830	-	-
Licenses and permits				243,774	-	243,774	-	-
Interest earnings				2,535	5,016	7,551	-	-
Other				74,184	-	74,184	-	-
Gain on sale of capital asset				-	-	-	-	-
Payments in lieu of taxes				-	-	-	-	-
Insurance recoveries				-	-	-	-	-
Donations to component units				(80,039)	-	(80,039)	-	80,039
Transfers				625,000	(625,000)	-	-	-
Total general revenues and transfers				<u>2,163,144</u>	<u>(619,984)</u>	<u>1,543,160</u>	<u>-</u>	<u>80,039</u>
Change in net position				<u>(28,756)</u>	<u>(383,245)</u>	<u>(412,001)</u>	<u>458,845</u>	<u>(746)</u>
Net Position-Beginning				<u>(179,252)</u>	<u>(225,407)</u>	<u>(404,659)</u>	<u>1,169,974</u>	<u>23,149</u>
Net position ending				<u>\$ (208,008)</u>	<u>\$ (608,652)</u>	<u>\$ (816,660)</u>	<u>\$ 1,628,819</u>	<u>\$ 22,403</u>

See the accompanying notes to financial statements.

BALANCE SHEET
GOVERNMENTAL FUNDS

City of Graysville
Graysville, Alabama

As of September 30, 2017

	General fund	Industrial development board	Other governmental funds	Total governmental funds
ASSETS				
Cash and cash equivalents	\$ 351,634	\$ 135,744	\$ -	\$ 487,378
Accounts receivable, net	263,444	-	8,030	271,474
Due from other funds	1,942	-	47,429	49,371
Due from component units	20,553	-	-	20,553
Deposits	5,390	-	-	5,390
Prepaid items	30,916	-	-	30,916
Inventory	7,011	-	-	7,011
Restricted cash	309,677	-	454,706	764,383
Total assets	\$ 990,567	\$ 135,744	\$ 510,165	\$ 1,636,476
LIABILITIES				
Accounts payable	\$ 47,000	\$ -	\$ -	\$ 47,000
Due to other funds	47,864	(435)	-	47,429
Accrued liabilities	56,752	-	-	56,752
Total liabilities	151,616	(435)	-	151,181
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	95,000	-	-	95,000
Total deferred inflows of resources	95,000	-	-	95,000
FUND BALANCES				
Non-spendable	93,386	-	-	93,386
Restricted	-	-	510,165	510,165
Unassigned	650,565	136,179	-	786,744
Total fund balances	743,951	136,179	510,165	1,390,295
Total liabilities, deferred inflows of resources and fund balances	\$ 990,567	\$ 135,744	\$ 510,165	\$ 1,636,476

See the accompanying notes to financial statements.

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

City of Graysville
Graysville, Alabama

As of September 30, 2017

Total fund balance, governmental funds	\$	1,390,295
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the governmental funds:</p>		
Governmental capital assets	7,172,089	
Less: accumulated depreciation	<u>(4,192,250)</u>	2,979,839
Employer contributions subsequent to the measurement date		168,433
Deferred pension inflows and outflows		32,491
Interest payable used in governmental activities is not payable from current resources, and therefore is not reported in the governmental funds.		(64,783)
Certain revenues reported in the statement of activities are not available to pay the liabilities of the current year, and therefore are deferred in the funds.		95,000
<p>Long-term liabilities are not due and payable in the current year, and, therefore, are not reported in the governmental funds, but are reported in the Statement of Net Position:</p>		
Capital leases	(50,139)	
Warrants payable	(2,734,089)	
Net pension liability	(1,984,914)	
Compensated absences	<u>(40,141)</u>	<u>(4,809,283)</u>
Net position of governmental activities in the Statement of Net Position	\$	<u>(208,008)</u>

See the accompanying notes to financial statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

City of Graysville
Graysville, Alabama

For the year ended September 30, 2017

	General fund	Industrial development board	Other governmental funds	Total governmental funds
Revenues				
Taxes				
Sales	\$ 1,080,963	\$ -	\$ -	\$ 1,080,963
Property	102,956	-	-	102,956
Motor vehicle/gas	32,836	-	43,105	75,941
Other	32,830	-	-	32,830
Licenses and permits	243,774	-	-	243,774
Intergovernmental	220,010	-	-	220,010
Charges for services	3,529	3,000	32,460	38,989
Interest	2,076	268	191	2,535
Other	13,067	-	20,808	33,875
Total revenues	<u>1,732,041</u>	<u>3,268</u>	<u>96,564</u>	<u>1,831,873</u>
Expenditures				
Current				
General administration	413,869	766	-	414,635
Public protection	285,000	-	21,223	306,223
Fire	820,174	-	-	820,174
Public works	272,108	-	-	272,108
Parks and recreation	232,121	-	-	232,121
Debt service				-
Principal	97,511	-	-	97,511
Interest	135,159	-	-	135,159
Capital outlay	54,997	-	-	54,997
Total expenditures	<u>2,310,939</u>	<u>766</u>	<u>21,223</u>	<u>2,332,928</u>
Excess (deficiency) of revenues over expenditures	<u>(578,898)</u>	<u>2,502</u>	<u>75,341</u>	<u>(501,055)</u>
Other financing sources (uses)				
Insurance recoveries & proceeds from lease	40,309	-	-	40,309
Donations to Graysville Public Library	(80,039)	-	-	(80,039)
Payments in lieu of taxes		-	-	-
Transfers in (out)	647,609	-	(22,609)	625,000
Total other financing sources (uses)	<u>607,879</u>	<u>-</u>	<u>(22,609)</u>	<u>585,270</u>
Net changes in fund balances	28,981	2,502	52,732	84,215
Fund balances, beginning	<u>714,970</u>	<u>133,677</u>	<u>457,433</u>	<u>1,306,080</u>
Fund balances, ending	<u>\$ 743,951</u>	<u>\$ 136,179</u>	<u>\$ 510,165</u>	<u>\$ 1,390,295</u>

See the accompanying notes to financial statements.

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

City of Graysville
Graysville, Alabama

For the year ended September 30, 2017

Net change in fund balances - total governmental funds \$ 84,215

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period:

Expenditures for capital assets	54,997	
Less: current year depreciation	<u>(219,339)</u>	(164,342)

Under 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. However, expenses and liabilities are reported regardless of when financial resources are available in the Statement of Activities, which is presented on the accrual basis. The details of this difference are as follows:

Interest expense	437	
Retirement expense	<u>(37,389)</u>	(36,952)

The issuance of long-term debt (e.g., warrants, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental fund. Also, governmental funds report the effects of 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.

93,607

The following income and expenses reported in the Statement of Activities do not require the use of or provide current financial resources, and therefore are not reported as expenditures in the governmental funds:

Net increase in deferred revenue	5,000	
Net increase in compensated absences	<u>(10,284)</u>	(5,284)

Change in net position of governmental activities \$ (28,756)

See the accompanying notes to financial statements.

BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

City of Graysville
Graysville, Alabama

As of September 30, 2017

	<u>Special revenue funds</u>	<u>Debt service fund</u>	<u>Total other governmental funds</u>
ASSETS			
Restricted cash	\$ 319,717	\$ 134,989	\$ 454,706
Taxes receivable, net	8,030	-	8,030
Due from other funds	47,429	-	47,429
Total assets	<u>\$ 375,176</u>	<u>\$ 134,989</u>	<u>\$ 510,165</u>
LIABILITIES AND FUND BALANCES			
Due to other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances			
Restricted	<u>375,176</u>	<u>134,989</u>	<u>510,165</u>
Total fund balances	<u>375,176</u>	<u>134,989</u>	<u>510,165</u>
Total liabilities and fund balances	<u>\$ 375,176</u>	<u>\$ 134,989</u>	<u>\$ 510,165</u>

See the accompanying notes to financial statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OTHER GOVERNMENTAL FUNDS

City of Graysville
Graysville, Alabama

For the year ended September 30, 2017

	<u>Special revenue</u> funds	<u>Debt service fund</u>	<u>Total other</u> governmental funds
Revenues			
Motor vehicle/gas taxes	\$ 43,105	\$ -	\$ 43,105
Charges for services	32,460	-	32,460
Interest	-	191	191
Other	20,808	-	20,808
Total revenues	<u>96,373</u>	<u>191</u>	<u>96,564</u>
Expenditures			
Public protection	<u>21,223</u>	-	<u>21,223</u>
Total expenditures	<u>21,223</u>	<u>-</u>	<u>21,223</u>
Excess of revenues over expenditures	<u>75,150</u>	<u>191</u>	<u>75,341</u>
Other financing sources (uses)			
Transfers in	-	199,564	199,564
Transfers (out)	<u>(22,170)</u>	<u>(200,003)</u>	<u>(222,173)</u>
Total other financing sources (uses)	<u>(22,170)</u>	<u>(439)</u>	<u>(22,609)</u>
Net changes in fund balances	52,980	(248)	52,732
Fund balances, beginning	<u>322,198</u>	<u>135,235</u>	<u>457,433</u>
Fund balances, ending	<u>\$ 375,178</u>	<u>\$ 134,987</u>	<u>\$ 510,165</u>

See the accompanying notes to financial statements.

STATEMENT OF PROPRIETARY FUND NET POSITION

City of Graysville
Graysville, Alabama

As of September 30, 2017

	Municipal gas system
ASSETS	
Current assets	
Cash	\$ 376,159
Accounts receivable, net	116,933
Deposits	3,385
Inventory	24,658
Prepaid items	26,204
Restricted cash	1,310,954
Due from Water Works and Sewer Board	2,476
Prepaid insurance on warrants	6,040
Total current assets	1,866,809
Noncurrent assets	
Restricted cash - capital improvements	1,014,326
Nondepreciable assets	52,804
Depreciable capital assets, net	8,754,129
Prepaid insurance on warrants, net of current	199,326
Total noncurrent assets	10,020,585
Total assets	\$ 11,887,394
DEFERRED OUTFLOWS OF RESOURCES	
Employer contributions subsequent to the measurement date	\$ 114,218
Deferred outflows of pension resources	202,000
Total deferred outflows of resources	\$ 316,218

See the accompanying notes to financial statements.

STATEMENT OF PROPRIETARY FUND NET POSITION

City of Graysville
Graysville, Alabama

As of September 30, 2017

	Municipal gas system
LIABILITIES	
Current liabilities	
Accounts payable	\$ 371,185
Due to City of Graysville	1,942
Accrued liabilities	57,142
Compensated absences	28,574
Current portion of long-term debt	38,462
Payable from restricted assets	
Customer deposits	307,792
Current portion of long-term debt	204,611
Accrued interest payable	158,615
Total current liabilities	1,168,323
Noncurrent liabilities	
Long-term debt, net of current	9,660,071
Net pension liability	1,830,773
Total noncurrent liabilities	11,490,844
Total liabilities	\$ 12,659,167
DEFERRED INFLOWS OF RESOURCES	
Net difference between projected and actual earnings on pension plan investments	\$ 153,097
NET POSITION	
Net investment in capital assets	8,806,933
Restricted	2,166,665
Unrestricted	(11,582,250)
Total net position	\$ (608,652)

See the accompanying notes to financial statements.

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

City of Graysville
 Graysville, Alabama

For the year ended September 30, 2017

	Municipal gas system
Operating revenues	\$ 3,467,948
Operating expenses	
Gas purchases	1,003,705
Salaries	580,690
Employee benefits	343,988
Payroll taxes	44,929
Depreciation	286,804
Operational materials	100,377
Utilities and telephone	50,502
Supplies expense	51,744
Maintenance and repairs	48,114
Insurance	63,651
Other	123,094
Total operating expenses	2,697,598
Operating income	770,350
Nonoperating revenues (expenses)	
Interest income	5,016
Miscellaneous income	-
Interest expense	(495,779)
Amortization expense	(35,144)
Gain on sale of capital asset	-
Trustee fee	(2,688)
Total nonoperating revenues (expenses)	(528,595)
Income before interfund operating transfers out	241,755
Interfund operating transfers out	(625,000)
Change in net position	(383,245)
Net position, beginning of year	(225,407)
Net position, end of year	\$ (608,652)

See the accompanying notes to financial statements.

STATEMENT OF PROPRIETARY FUND CASH FLOWS

City of Graysville
Graysville, Alabama

For the year ended September 30, 2017

	<u>Municipal gas system</u>
Cash flows from operating activities	
Cash received from customers	\$ 3,344,836
Cash paid to suppliers for goods and services	(1,163,001)
Cash paid to employees for services	<u>(930,200)</u>
Net cash flows provided by operating activities	<u>1,251,635</u>
 Cash flows from noncapital financing activities	
Other	(2,688)
Transfer to general fund	<u>(625,000)</u>
Net cash flows (used) by noncapital financing activities	<u>(627,688)</u>
 Cash flows from capital and related financing activities	
Equipment financed	-
Principal paid on long-term debt	(260,977)
Interest paid on long-term debt	(486,823)
Purchases of property and equipment	<u>(1,618,118)</u>
Net cash flows (used) by capital and related financing activities	<u>(2,365,918)</u>
 Cash flows from investing activities	
Interest earned on invested cash and investments	<u>5,016</u>
Net cash flows provided by investing activities	<u>5,016</u>
 Net decrease in cash and cash equivalents	(1,736,955)
 Cash and cash equivalents, beginning of year	<u>4,438,394</u>
 Cash and cash equivalents, end of year	<u>\$ 2,701,439</u>
 Reconciliation of cash and cash equivalents to statement of net position	
Cash and cash equivalents in current assets	376,159
Restricted cash in current assets	1,310,954
Restricted cash in non-current assets	<u>1,014,326</u>
Total reconciliation of cash and cash equivalents to statement of net position	<u>\$ 2,701,439</u>

See the accompanying notes to financial statements.

STATEMENT OF PROPRIETARY FUND CASH FLOWS

City of Graysville
Graysville, Alabama

For the year ended September 30, 2017

	Municipal gas system
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 770,350
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	286,804
Pension cost	55,376
Increase in accounts receivable, net	(116,476)
Decrease in inventory	149,287
Decrease in prepaid insurance	3
Increase in due from other funds	(5,534)
Increase in accounts payable	128,896
Decrease in deposits	(6,636)
Decrease in compensated absences	(8,258)
Decrease in accrued liabilities	(2,177)
	\$ 1,251,635

See the accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

City of Graysville
Graysville, Alabama

For the year ended September 30, 2017

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES

Financial Reporting Entity

The City of Graysville (the City), an Alabama Municipal Corporation, was incorporated in 1945. The City operates under the Mayor-Council form of government as provided by Act. No. 85-926 of the Alabama Legislature, now codified as Sections 11-43B-1 et seq. of the Code of Alabama 1975 (The Mayor-Council Act), and is comprised of a Mayor and a six-member council.

The financial statements of the City have been prepared in conformity with *Generally Accepted Accounting Principles* as applied to governmental units. The more significant of the City's accounting policies are described below.

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

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

Based on the aforementioned criteria, the City has the following component units:

- Water Works and Sewer Board of the City of Graysville, Alabama
The Water Works and Sewer Board of the City of Graysville, Alabama (the board) is a tax exempt municipal corporation formed to provide water services to the residents of the City and the surrounding communities. The governing body of the Board is a three-member board appointed by the City Council. The City receives financial benefit from the Board. The City is also obligated to provide specific financial benefits to the Board and is obligated in some manner for the debt of the Board. The Board is a discretely presented component unit and is reported in a separate column in the government-wide financial statements to emphasize that it is separate from the primary government. Complete financials are available by contacting the Water Works and Sewer Board of the City of Graysville, Alabama.
- Graysville Public Library
The Graysville Public Library (the Library) is a tax exempt municipal corporation formed to provide library services to the residents of the City and surrounding communities. The governing body of the Library is a five-member board appointed by the City Council. The City is obligated to provide specific benefits to the Library. The Library is a discretely presented component unit and is reported in a separate column in the government-wide financial statements to emphasize that it is separate from the primary government.
- Graysville Industrial Development Board
The Graysville Industrial Development Board is a tax-exempt corporation formed to provide and promote favorable opportunities for those who desire to do business in the City of Graysville. The governing body of the Board is a seven-member board appointed by the Mayor. The Industrial Development Board is a blended component unit and is reported as a major fund in the government-wide financial statements.

See independent auditors' report

NOTES TO FINANCIAL STATEMENTS

City of Graysville
Graysville, Alabama

For the year ended September 30, 2017

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (continued)

The City is also responsible for appointing a voting majority of the boards for other organizations, but the City's financial accountability for these organizations does not extend beyond making the appointments.

Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely significantly on user fees and charges for services.

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

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all nonmajor funds are aggregated and presented in a single column.

- Governmental Fund Types – Governmental funds are those through which general governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the City's governmental fund types:
 - General Fund – The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.
 - Special Revenue Funds – The Special Revenue Funds are used to account for the proceeds of specific revenue resources that are legally restricted or designated to expenditures for specified purposes.

See independent auditors' report

NOTES TO FINANCIAL STATEMENTS

City of Graysville
Graysville, Alabama

For the year ended September 30, 2017

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (continued)

- Proprietary Fund Types – Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of operating income and changes in net position, financial position and cash flows. All assets and liabilities are included on the Statement of Net Position. The following is the City's proprietary fund:
 - Graysville Municipal Gas System – The Municipal Gas System (the System) is used to account for the provision of natural gas services to the residents and businesses of the City and surrounding communities. Activities of the fund include administration, operations, maintenance, and billing and collection activities of the Municipal Gas System. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for the Municipal Gas System debt.

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. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position and operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned; expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both 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 be used to pay liabilities of the current period. The City considers property taxes and sales taxes as available if they are collected within 60 days after year end. The revenues susceptible to accrual are property taxes, sales taxes and charges for service. All other governmental fund type revenues are recognized when received. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include principal and interest on long-term liabilities, which are recorded as fund liabilities when due, and compensated absences, which are recorded when payable from current available financial resources.

The proprietary fund types are accounted for on an economic resources measurement focus using the accrual basis of accounting. Revenues are recorded when they are earned; expenses are recorded at the time liabilities are incurred.

See independent auditors' report

NOTES TO FINANCIAL STATEMENTS

City of Graysville
Graysville, Alabama

For the year ended September 30, 2017

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (continued)

Cash

For purposes of the Statement of Cash Flows, the City's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with original maturities of three months or less.

Restricted Assets

Cash in other governmental funds (special revenue) may be classified as restricted because it can only be used for specified purposes. Restricted cash accounts in the business-type activity (Municipal Gas System) are expendable accounts designated for payments of gas purchases, system upgrades, refundable gas deposits, and bond principal and interest payments.

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

Prepaid Expenses

Prepaid balances are for payments made by the City in the current year to provide for services occurring in the subsequent fiscal year. An amount equal to prepaid expenses has been recorded as non-spendable fund balance to signify that a portion of fund balance is not available for other subsequent expenditures.

Allowance for Uncollectible Accounts

An allowance for uncollectible accounts is provided based on historical evidence (See Note 3).

Inventory

Inventory consists of supplies for maintenance of the City's equipment and vehicles that is recorded at the lower cost or fair market value using the first in, first out method, and of natural gas in storage that is recorded at the lower of cost or fair market value using the average cost method. The cost is recorded as expenditures at the time individual inventory items are consumed rather than when purchased.

Inventories of governmental funds in the fund financial statements are offset by fund balance reserve amounts to indicate that they do not represent spendable available resources.

Capital Assets

Capital assets, including property, plant, equipment, and infrastructure (e.g., roads, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Interest expense incurred during construction periods is capitalized as part of the costs of assets.

See independent auditors' report

NOTES TO FINANCIAL STATEMENTS

City of Graysville
Graysville, Alabama

For the year ended September 30, 2017

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (continued)

Assets capitalized have original costs of \$1,000 or more and five years or more of useful life upon acquisition. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and improvements	20-40 Years
Machinery, equipment and furniture	5-25 Years
Automobiles and other vehicles	5-25 Years
Gas mains and service lines	30-40 Years

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

Interfund Operating Transfers, Receivables and Payables

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

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

Compensated Absences

Eligible employees can earn vacation leave which, if unused, is paid upon termination of employment. Vacation leave is earned at graduated rates based on the employee’s length of service. Vacation leave earned by an employee in the twelve-month period preceding the employee’s anniversary date, but not used by the end of the twelve-month period after the employee’s anniversary date is forfeited. Therefore, the City’s liability for accrued vacation is all current. The City Council has, on occasion, allowed employees to roll over accrued vacation days through a vote during regular Council meetings. The maximum amount of vacation leave which may be carried over to the following year is one hundred twenty (120) hours. The City does not have a policy for vested sick pay; thus, no liability for accumulated unpaid sick leave is reflected in the accompanying financial statements.

Noncurrent Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund Statements of Net Position. Within the proprietary fund, warrant premiums and discounts, as well as related prepaid insurance amounts, are deferred and amortized over the life of the warrants using the straight-line method. Warrants payable are recorded net of the applicable warrant premium or discount. Applicable bond issuance costs are reported as deferred charges and amortized over the life of the related debt.

See independent auditors’ report

NOTES TO FINANCIAL STATEMENTS

City of Graysville
Graysville, Alabama

For the year ended September 30, 2017

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (continued)

Net Position

Net position is reported in the government-wide financial statements and is classified into the following categories: 1) Net investment in capital assets; 2) Restricted; and 3) Unrestricted.

Restricted net position is that whose use by the City is subject to eternally imposed stipulations that can be fulfilled by actions of the City or that expire with the passage of time. The government-wide Statement of Net Position reports \$2,676,830 of restricted net position. Unrestricted net position is not subject to external restrictions but may be designated for specific purposes by the City’s management or the City Council.

Fund Balance – Governmental Funds

The City has adopted GASB Statement No. 54, which defines how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

- Non-spendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as non-spendable at September 30, 2017, by the City, are non-spendable in form. The City has not reported any amounts that are legally or contractually required to be maintained intact.

	<u>General fund</u>
Inventories	\$ 7,011
Prepaid expenses	30,916
Non-current receivables	<u>55,459</u>
	<u>\$ 93,386</u>

- Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.), constitutional provision or enabling legislation.

	<u>Special revenue funds</u>	<u>Debt service funds</u>	<u>Total</u>
Restricted for			
Public safety	\$ 211,409	\$ -	\$ 211,409
Road repair	163,767	-	163,767
Debt service reserves	<u>-</u>	<u>134,989</u>	<u>134,989</u>
Restricted fund balance	<u>\$ 375,176</u>	<u>\$ 134,989</u>	<u>\$ 510,165</u>

- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to ordinances passed by the City Council, the City’s highest level of decision making authority. Commitments may be modified or rescinded only through ordinances approved by the City Council. The City had no committed fund balance as of September 30, 2017.

See independent auditors’ report

NOTES TO FINANCIAL STATEMENTS

City of Graysville
Graysville, Alabama

For the year ended September 30, 2017

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (continued)

- Assigned – includes amounts that The City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. The City had no assigned fund balance as of September 30, 2017.
- Unassigned – includes amounts that have not been assigned to other funds, restricted, committed, or assigned to a specific purpose within the General Fund. The City's unassigned fund balance as of September 30, 2017 was \$650,556.

When an expenditure is incurred for which committed, assigned and unassigned fund balances are available, it is the City's policy to first use committed funds, then assigned funds and finally unassigned funds, as they are needed.

Use of Estimates

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

Property Tax Calendar

The City's ad valorem property taxes are collected and remitted to the City by Jefferson County. Property taxes are levied by the Jefferson County Commission at its first regular meeting in February of each year based on the property on record as of the preceding October 1. The taxes are due the following October 1 and are delinquent after December 31. The enforceable legal claim for property taxes exists on October 1 preceding the February meeting of the County Commission. Because the enforceable legal claim exists as of October 1, a receivable is recognized in the fiscal year in which the taxes are levied.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The City has three items that qualify for reporting in this category. The first is employer contributions paid by the City to the Retirement System of Alabama (RSA) subsequent to the measurement date (September 30, 2016), see Note 7. The second is the net difference between projected revenues and actual earnings on pension fund investments and collective difference between expected and actual expenses of deferred outflows and inflows, see Note 7. The third is the deferred charges on refunding 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. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods(s) and so will not be recognized as an inflow of resources (revenue) until that time.

See independent auditors' report

NOTES TO FINANCIAL STATEMENTS

City of Graysville
Graysville, Alabama

For the year ended September 30, 2017

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (continued)

Pensions

The Employee’s Retirement Systems 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 terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State’s Comprehensive Annual Report.

NOTE 2 – DEPOSITS AND INVESTMENTS

All of the City’s demand deposits, time deposits and certificates of deposits are insured and collateralized in accordance with the Security for Alabama Funds Enhancement, or SAFE Program, which is encompassed in Title 41, Chapter 14A, Code of Alabama 1975, as amended, which is a multiple financial institutions collateral pool. The statute provides for assessments against the members of the pool on a pro rata basis in the event that the collateral pool is insufficient to cover the losses of a member financial institution that fails. As such, all deposits covered by this collateral pool are considered to be fully insured.

Debt service trust funds are invested by banks’ trust departments in U.S. Governmental Securities and are not subject to collateralization requirements.

The City does not have a formal investment policy; however, all funds are invested in compliance with state statutes. State statutes authorize the City to invest in obligations of the U.S. Treasury, U.S. Corporate equities, State of Alabama obligations, county obligations, and other municipal obligations, as well as bank certificates of deposit and bank public funds investment accounts.

NOTE 3 – RECEIVABLES AND PAYABLES

Receivables at September 30, 2017, consisted of the following:

	Governmental activities	Business- type activities	Total
Taxes			
Sales	\$ 113,736	\$ -	\$ 113,736
Property	95,000	-	95,000
Motor vehicle/gas	49,955	-	49,955
Customers	12,783	297,909	310,692
Gross receivables	271,474	297,909	569,383
Less: allowance for uncollectibles	-	(180,976)	(180,976)
Net receivables	\$ 271,474	\$ 116,933	\$ 388,407

See independent auditors’ report

NOTES TO FINANCIAL STATEMENTS

City of Graysville
Graysville, Alabama

For the year ended September 30, 2017

NOTE 3 – RECEIVABLES AND PAYABLES (continued)

Payables at September 30, 2017, consisted of the following:

	Governmental activities	Business- type activities	Total
Trade payables	\$ 47,000	\$ 371,185	\$ 418,185

NOTE 4 – CAPITAL ASSETS

Capital asset activity of governmental activities for the year ended September 30, 2017, was as follows:

	Balance October 1, 2016	Additions/ Adjustments	Retirements	Balance September 30, 2017
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,249,157	\$ 6,396	\$ -	\$ 1,255,553
Capital assets being depreciated				
Buildings and improvements	3,019,200	16,000	-	3,035,200
Furniture and equipment	1,820,622	32,601	-	1,853,223
Automobiles and vehicles	1,028,113	-	-	1,028,113
Total capital assets being depreciated	5,867,935	48,601	-	5,916,536
Less: accumulated depreciation for				
Buildings and improvements	1,973,882	92,213	-	2,066,095
Furniture and equipment	1,330,975	82,292	-	1,413,267
Automobiles and vehicles	668,054	44,834	-	712,888
Total accumulated depreciation	3,972,911	219,339	-	4,192,250
Total capital assets being depreciated, net	1,895,024	(170,738)	-	1,724,286
Governmental activities capital assets, net	\$ 3,144,181	\$ (164,342)	\$ -	\$ 2,979,839

See independent auditors' report

NOTES TO FINANCIAL STATEMENTS

City of Graysville
Graysville, Alabama

For the year ended September 30, 2017

NOTE 4 – CAPITAL ASSETS (continued)

Capital asset activity of business-type activities for the year ended September 30, 2017, was as follows:

	Balance October 1, 2016	Additions/ Adjustments	Retirements	Balance September 30, 2017
Business-type activities				
Capital assets not being depreciated				
Construction in progress	\$ 475,381	\$ -	\$ (475,381)	\$ -
Land	52,804	-	-	52,804
Total capital assets not being depreciated	<u>528,185</u>	<u>-</u>	<u>-</u>	<u>52,804</u>
Capital assets being depreciated				
Buildings and capital facilities	247,645	-	-	247,645
Gas mains and service lines	10,714,646	2,087,502	-	12,802,148
Furniture and equipment	373,975	6,000	-	379,975
Automobiles and vehicles	480,398	-	-	480,398
Total capital assets being depreciated	<u>11,816,664</u>	<u>2,093,502</u>	<u>-</u>	<u>13,910,166</u>
Less: accumulated depreciation for				
Buildings and capital facilities	233,824	2,308	-	236,132
Gas mains and service lines	4,016,207	225,962	-	4,242,169
Furniture and equipment	276,125	19,061	-	295,186
Automobiles and vehicles	343,077	39,473	-	382,550
Total accumulated depreciation	<u>4,869,233</u>	<u>286,804</u>	<u>-</u>	<u>5,156,037</u>
 Total capital assets being depreciated, net	 <u>6,947,434</u>	 <u>1,331,311</u>	 <u>-</u>	 <u>8,754,129</u>
Business-type activities capital assets, net	<u>\$ 7,475,619</u>	<u>\$ 1,331,311</u>	<u>\$ -</u>	<u>\$ 8,806,933</u>

Depreciation expense was charged as direct expense to programs of the primary government for the year ended September 30, 2017, as follows:

Governmental activities	
General administration	\$ 12,556
Public protection	6,087
Fire	88,889
Public works	40,909
Parks and recreation	70,898
Total depreciation expense - governmental activities	<u>\$ 219,339</u>
 Business-type activities	
Municipal gas system	<u>\$ 286,804</u>

See independent auditors' report

NOTES TO FINANCIAL STATEMENTS

City of Graysville
Graysville, Alabama

For the year ended September 30, 2017

NOTE 4 – CAPITAL ASSETS (continued)

Capital asset activity for the year ended September 30, 2017, was as follows:

	Balance October 1, 2016	Additions/ Adjustments	Retirements	Balance September 30, 2017
Capital assets not being depreciated				
Land	\$ 81,753	\$ -	\$ -	\$ 81,753
Total capital assets not being depreciated	<u>81,753</u>	<u>-</u>	<u>-</u>	<u>81,753</u>
Capital assets being depreciated				
Buildings & improvements	85,490	-	-	85,490
Mains, meters & pumping station	2,822,276	1,087,704	-	3,909,980
Storage tanks	837,868	-	-	837,868
Vehicles	96,765	-	-	96,765
Heavy equipment	48,249	-	-	48,249
Other equipment & fixtures	107,701	12,631	-	120,332
Total capital assets being depreciated	<u>3,998,349</u>	<u>1,100,335</u>	<u>-</u>	<u>5,098,684</u>
Less accumulated depreciation for:				
Buildings & improvements	74,900	2,762	-	77,662
Mains, meters & pumping station	1,829,870	70,370	-	1,900,240
Storage tanks	638,577	27,591	-	666,168
Vehicles	96,765	-	-	96,765
Heavy equipment	49,622	-	-	49,622
Other equipment & fixtures	77,693	9,026	-	86,719
Total accumulated depreciation	<u>2,767,427</u>	<u>109,749</u>	<u>-</u>	<u>2,877,176</u>
Total capital assets being depreciated, net	<u>1,230,922</u>	<u>990,586</u>	<u>-</u>	<u>2,221,508</u>
Capital assets, net	<u>\$ 1,312,675</u>	<u>\$ 990,586</u>	<u>\$ -</u>	<u>\$ 2,303,261</u>

Depreciation for the year ended September 30, 2017, was \$109,749.

See independent auditors' report

NOTES TO FINANCIAL STATEMENTS

City of Graysville
Graysville, Alabama

For the year ended September 30, 2017

NOTE 5 – LONG-TERM DEBT

City Warrants payable at September 30, 2017, were comprised of the following issues:

	<u>Governmental activities</u>	<u>Business-type activities</u>
Municipal gas revenue refunding and capital improvement warrants; dated August 1, 2013; due in annual installments from June 1, 2014 through June 1, 2043; bearing interest rates of 1.72% to 5.375%.	\$ -	\$ 9,990,000
2013-A General obligation capital improvement warrants; dated August 1, 2013; due in two annual installments on October 1, 2039 and October 1, 2040; bearing interest at a rate of 5.00%	370,000	-
2013-B Taxable general obligation refunding warrants; dated August 1, 2013; due in annual installments from October 1, 2013 through October 1, 2038; bearing interest rates of 1.25% to 5.00%	<u>2,450,000</u>	<u>-</u>
	2,820,000	9,990,000
Less deferred amounts for issuance discounts	<u>(85,911)</u>	<u>(157,039)</u>
Total warrants payable	<u>\$ 2,734,089</u>	<u>\$ 9,832,961</u>

	Balance October 1, 2016	Issued or additions	Payments or expenditures	Balance September 30, 2017	Due within one year
Governmental activities					
General obligation warrants	\$ 2,890,000	\$ -	\$ 70,000	\$ 2,820,000	\$ 70,000
Deferred amounts for issuance discounts	<u>(89,815)</u>	<u>3,904</u>	<u>-</u>	<u>(85,911)</u>	<u>(3,905)</u>
	2,800,185	3,904	70,000	2,734,089	66,096
Capital leases	<u>77,650</u>	<u>-</u>	<u>27,511</u>	<u>50,139</u>	<u>23,519</u>
Total governmental activities	<u>\$ 2,877,835</u>	<u>\$ 3,904</u>	<u>\$ 97,511</u>	<u>\$ 2,784,228</u>	<u>\$ 89,615</u>
Business-type activities					
Revenue warrants	\$ 10,205,000	\$ -	\$ 215,000	\$ 9,990,000	\$ 220,000
Deferred amounts for issuance discounts	<u>(167,428)</u>	<u>10,389</u>	<u>-</u>	<u>(157,039)</u>	<u>(6,040)</u>
	10,037,572	10,389	215,000	9,832,961	204,611
Capital leases	<u>116,160</u>	<u>-</u>	<u>45,977</u>	<u>70,183</u>	<u>38,462</u>
Total business-type activities	<u>\$ 10,153,732</u>	<u>\$ 10,389</u>	<u>\$ 260,977</u>	<u>\$ 9,903,144</u>	<u>\$ 243,073</u>

See independent auditors' report

NOTES TO FINANCIAL STATEMENTS

City of Graysville
Graysville, Alabama

For the year ended September 30, 2017

NOTE 5 – LONG-TERM DEBT (continued)

Annual Retirements to Retire Debt Obligations

The annual aggregate maturities of the City's long-term debt obligations for the years subsequent to September 30, 2017, are as follows:

Years Ending September 30,	Revenue warrants		General obligation warrants	
	Principal	Interest	Principal	Interest
2017	\$ -	\$ -	\$ 70,000	\$ -
2018	220,000	476,314	75,000	130,994
2019	-	471,364	75,000	129,000
2020	460,000	465,458	75,000	126,937
2021	240,000	458,557	80,000	124,506
2022 - 2026	1,340,000	-	455,000	575,230
2027- 2031	1,290,000	-	560,000	465,647
Thereafter	6,440,000	-	1,430,000	424,500
Total	<u>\$ 9,990,000</u>	<u>\$ 1,871,693</u>	<u>\$ 2,820,000</u>	<u>\$ 1,976,814</u>

General obligation warrants issued for governmental activity purposes are liquidated by the General Fund. The General Fund also pays capital lease payments related to governmental activities. General obligation warrants issued for business-type activity purposes are liquidated by the proprietary fund (Municipal Gas System) reporting the related obligation. The proprietary fund also pays capital lease payments related to the business-type activities. Revenues from the proprietary fund are pledged for debt service payments of the Series 2013 Gas Revenue Warrants.

The annual aggregate maturities of the Water Board Warrants are as follows:

Series 2016-W SRT- DL Revenue Bonds	Principal Due	Interest Rate
2018 (current)	\$ 35,000	2.20
2019	35,000	2.20
2020	35,000	2.20
2021	40,000	2.20
2022	40,000	2.20
2023 - 2037	690,000	2.20
Total	<u>\$ 875,000</u>	

See independent auditors' report

NOTES TO FINANCIAL STATEMENTS

City of Graysville
Graysville, Alabama

For the year ended September 30, 2017

Trust Indenture Covenants

The Series 2013 Gas Revenue Warrants are secured by a pledge of all operating revenues after the payment of operating expenses. The trust indenture contains various covenants, including a prohibition against providing free services, an agreement to maintain rates adequate to pay all operating expenses and produce at least a specified net income and to promptly discontinue service for nonpayment.

Under the agreement related to the Series 2013 Gas Revenue Warrants for the Municipal Gas System, there is a requirement that the gas rates and other charges of the Municipal Gas System be set and maintained so that Annual Net Income as defined by the agreement is at least to 150% of the Annual Debt Service Requirement, also defined by the agreement. The City is in compliance with the above covenant. The agreement specifies a timeframe for the start of an independent audit as well as the presentation of audited financial statements. The City was in compliance with these covenants. Additionally, the agreement contains various requirements related to the maintenance of books and records, the furnishing of no free service, the pledging of revenues made after the warrant issue, and the continued operation of the System, The City is in compliance with these various covenants.

NOTE 6 – CAPITAL LEASES

The government has entered into lease agreements for financing the acquisitions of a fire truck, tractor and equipment, and a service vehicle for the governmental activities, as well as an excavator, air compressor, and service vehicle for the Municipal Gas System. These lease agreements qualify as capital leases for accounting purposes, and therefore have been recorded at the present value of future minimum lease payments at the inception date.

These assets acquired through the capital leases were as follows:

	Governmental activities	Business-type activities
Assets		
Machinery & equipment	\$ 110,910	\$ 178,860
Less: accumulated depreciation	(28,236)	(87,503)
Total	\$ 82,674	\$ 91,357

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017, are as follows:

	Governmental activities	Business-type activities
Years ending September 30,		
2018	\$ 23,519	\$ 38,462
2019	17,603	23,696
2020	11,736	11,848
Total minimum lease payments	52,858	74,006
Less: amount representing interest	(2,719)	(3,823)
Present value of minimum lease payments	\$ 50,139	\$ 70,183

See independent auditors' report

NOTES TO FINANCIAL STATEMENTS

City of Graysville
Graysville, Alabama

For the year ended September 30, 2017

NOTE 7 – PENSION PLAN

General Information about the Pension Plan

Plan Description

The Employee's Retirement System (ERS) 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 ERS is part of the Retirement Systems of Alabama, which also includes the Teacher's Retirement System (TRS) for employees with education-related government employers, and the Judicial Retirement Fund (JRF) for employees in the judiciary. Each are component units of the State of Alabama. The responsibility for the general administration and operation of ERS is vested in its Board of Control, separate from the Boards of Control for the TRS and JRF. 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.

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

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

Benefits provided

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

See independent auditors' report

NOTES TO FINANCIAL STATEMENTS

City of Graysville
Graysville, Alabama

For the year ended September 30, 2017

NOTE 7 – PENSION PLAN (continued)

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

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

The ERS, exclusive of the TRS and JRS, serves approximately 875 local participating employers. These participating employers include one state agency, 294 cities, 65 counties, and 515 other public entities. The ERS membership includes approximately 160,000 participants. As of September 30, 2016, the City's members consisted of:

Retirees and beneficiaries currently receiving benefits	34
Terminated employees entitled but not yet receiving bene	1
Terminated employees not entitled to a benefit	8
Active members	50
Total	<u>93</u>

Contributions

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members, but may do so by a resolution of the governing body of the political subdivision. Any contribution increase affects the local government's actuarial calculation.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation.

The ERS establishes rates based upon an actuarially determined rates recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. The City's average contribution rate to fund the normal and accrued liability costs was approximately 16% of covered employee payroll for the year ended September 30, 2017.

See independent auditors' report

NOTES TO FINANCIAL STATEMENTS

City of Graysville
Graysville, Alabama

For the year ended September 30, 2017

NOTE 7 – PENSION PLAN (continued)

City's contractually required contribution rate for the year ended September 30, 2016 was 20.38% of pensionable pay for Tier 1 employees and 19.75% of pensionable pay 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 \$317,710 for the year ended September 30, 2017.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2015 rolled forward to September 30, 2016 using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual - 2016 Valuation Assumptions</u>
a. Pension Liability 09/30/15	\$ 8,382,300	\$ 8,192,953
b. Discount Rate	8.00%	7.75%
c. Entry Age Normal Cost for 10/01/15 to 9/30/16	123,827	123,827
d. Transfers Among Employers		(270,776)
e. Actual Benefit Payments and Refunds for the period 10/1/15 to 09/30/2016	<u>(580,242)</u>	<u>(580,242)</u>
d. Total Pension Liability as of 9/30/2016 = [(a) x (1+(b))] + c + d + [(e) x (1+ .05*(b))]	<u>\$ 8,573,259</u>	<u>\$ 8,078,523</u>
Assumption Change Loss: (Difference between actual 2015 assumptions and actual 2016 assumptions)		\$ 302,860

Actuarial assumptions

The total pension liability is determined by an actuarial valuation as of September 30, 2015, using the following actuarial assumptions, which reflect the experience studies adopted in September 2016, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25% - 5.00%
Investment rate of return*	7.75%

* Net of pension plan investment expense

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with adjustments for mortality improvements based on scale AA to 2015 set forward three years for males and one years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

See independent auditors' report

NOTES TO FINANCIAL STATEMENTS

City of Graysville
 Graysville, Alabama

For the year ended September 30, 2017

NOTE 7 – PENSION PLAN (continued)

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 in September 2016, which became effective at the beginning of the fiscal year 2016.

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

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

* Includes assumed rate of inflation of 2.50%

Discount rate

The discount rate used to measure the total pension liability was 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 at rates equal to the difference between actuarially determined contributions rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

See independent auditors' report

NOTES TO FINANCIAL STATEMENTS

City of Graysville
Graysville, Alabama

For the year ended September 30, 2017

NOTE 7 – PENSION PLAN (continued)

Changes in Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2015	\$ 8,382,300	\$ 4,016,447	\$ 4,365,853
Changes for the Year:			
Service cost	123,827	-	123,827
Interest	647,374	-	647,374
Changes of assumptions	302,860	-	302,860
Differences between expected and actual experience	(526,820)	-	(526,820)
Contributions - employer	-	263,697	(263,697)
Contributions - employee	-	98,972	(98,972)
Net investment income	-	384,172	(384,172)
Benefit payments, including refunds of employee contributions	(580,242)	(580,242)	-
Administrative expense	-	-	-
Transfers among employers	(270,776)	(270,776)	-
Balances at September 30, 2016	<u>\$ 8,078,523</u>	<u>\$ 3,912,270</u>	<u>\$ 4,166,253</u>

Sensitivity of the pension liability to changes in the discount rate

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

	1% Decrease 6.75%	Current Rate 7.75%	1% Increase 8.75%
City's Net Pension Liability (Asset)	\$ 4,993,590	\$ 4,166,253	\$ 3,460,227

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Financial Report for the fiscal year ended September 30, 2016. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2016. The RSA's auditors' report on the Statement of Changes in Fiduciary Net Position and accompanying notes is also available. Additional financial and actuarial information is available at www.rsa-al.gov.

See independent auditors' report

NOTES TO FINANCIAL STATEMENTS

City of Graysville
Graysville, Alabama

For the year ended September 30, 2017

NOTE 7 – PENSION PLAN (continued)

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

For the year ended September 30, 2017, the City and its components recognized pension expense of \$417,607. At September 30, 2017, the City and its components reported outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 197,085	\$ 423,522
Change in assumptions	243,476	-
Net difference between projected and actual earnings on plan investments	41,002	-
Employer contributions subsequent to measurement date	317,710	-
Total	\$ 799,273	\$ 423,522

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

Year ended September 30:		
2018	\$	40,576
2019		40,577
2020		41,670
2021		(60,392)
2022		(4,390)
Thereafter		-

NOTE 8 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund payables and receivables during the year ended September 30, 2017, were as follows:

	Interfund receivables	Interfund payables
General fund	\$ 1,942	\$ -
Municipal gas system	-	1,942
Total	\$ 1,942	\$ 1,942

See independent auditors' report

NOTES TO FINANCIAL STATEMENTS

City of Graysville
Graysville, Alabama

For the year ended September 30, 2017

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (continued)

Interfund transfers during the year ended September 30, 2017, were as follows:

	<u>Transfers in (out) General Fund</u>
Transfers in (out)	
Special revenue	\$ 22,171
Debt service	(199,565)
Municipal gas system	<u>625,000</u>
Total	<u><u>447,606</u></u>

Transfers to and from the special revenue funds, debt service fund, and proprietary fund are in accordance with the normal course of the City's operations.

NOTE 9 - PAYMENTS TO COMPONENT UNITS

The City has an agreement with the Water Works and Sewer Board, under which the City pays some operating expenses of the Board, including personnel expenses. These payments are reimbursed to the City by the Board. For the fiscal year ended, September 30, 2017, these payments totaled \$ 190,650. Also, the Board owed the City \$11,327 related to reimbursement of operating expenses as of September 30, 2017.

In addition, the City makes payments for operating expenses of the Library. These payments are reimbursed to the City by the Library.

NOTE 10 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers compensation; and natural disaster for which the City carries commercial insurance. As of September 30, 2017, the City is not facing any material litigation.

NOTE 11 - COMMITMENTS

The Water Works and Sewer Board of the City of Graysville, Alabama (the Board) contracted an engineering consulting firm to identify and reduce unaccounted for water losses through the implementation of a district metering system and the installation of radio-read meters throughout the water system. In order to fund the project, the Board applied for and received approval for a Drinking Water State Resolving Fund (DWSRF) Loan through the Alabama Department of Environmental Management (ADEM) in the amount of \$1,204,407. The loan was closed on April 15, 2016.

See independent auditors' report

NOTES TO FINANCIAL STATEMENTS

City of Graysville
Graysville, Alabama

For the year ended September 30, 2017

NOTE 12 – DRINKING WATER STATE REVOLVING FUND

During the fiscal year ended September 30, 2016, the State of Alabama awarded a drinking water system and infrastructure revolving loan to the Water Works and Sewer Board of the City of Graysville, AL. The total award was \$1,235,000, of which \$360,000 was to be forgiven by the State. The remaining \$875,000 is the principle of the Water Revenue Bond (Series 2016-DWSRF-DL), dated April 16, 2016. This represents the amount to be repaid to the State for the benefit of the ADEM, as part of the recapitalization of the state's Drinking Water State Revolving Fund.

Systems could apply and be forgiven up to 50 percent of the revolving loan as part of the program administered by the Alabama Department of Environmental Management (ADEM). The determination is made within the ADEM program based on demographic and infrastructure issues of a particular system. The Water Board and Sewer System of the City of Graysville was the tenth and final system to receive forgiveness. The \$360,000 forgiven represented the remaining amount after ADEM forgave nine systems at the 50 percent maximum prescribed by the program.

Other systems received the revolving loan, but were required to pay back the entire award. The federal program requires a State of Alabama to match a minimum of 20 percent. The State chose to match the federal award requirement of 20 percent by establishing the aforementioned forgiveness program for challenged systems.

The United States of America awarded the State of Alabama 1.9 percent of the national allocation of approximately \$836 million for the fiscal year 2016. The Catalog of Federal Domestic Assistance program number is 66.468. The expenditure threshold for a Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards single audit is not applicable for fiscal year September 30, 2017, evaluating the Board as an independent entity.

Program Objectives

Capitalization grants are awarded to States to create and maintain Drinking Water State Revolving Fund (DWSRF) programs. States can use capitalization grant funds to establish a revolving loan fund to assist public water systems finance the costs of infrastructure needed to achieve or maintain compliance with Safe Drinking Water Act (SDWA) requirements and protect the public health objectives of the Act. The DWSRF can be used to provide loans and other types of financial assistance for qualified communities, local agencies, and private entities. States may also set aside certain percentages of their capitalization grant or allotment for various activities that promote source water protection and enhanced water systems management.

Revenue Recognition of State of Alabama Forgiveness

During the year ended September 30, 2016, the Board expended \$134,878, which allowed for the recognition of pro rata revenue of \$39,317 under the matching principle of the \$360,000 forgiven by the State of Alabama. For the year ended September 30, 2017, the remaining award funds were expended, resulting in the recognition of \$320,683 as revenue for the year then ended.

See independent auditors' report

NOTES TO FINANCIAL STATEMENTS

City of Graysville
Graysville, Alabama

For the year ended September 30, 2017

NOTE 13 – RECENTLY ADOPTED ACCOUNTING STANDARDS

GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*

Governmental Accounting Standards Board Statement No. 82 was issued in March 2016 and made effective for reporting periods beginning after June 15, 2016. The Board's year ending September 30, 2017 was subject to the provisions of GASB Statement No. 82.

The statement addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement requires the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. Before the issuance of GASB Statement No. 82, GASB Statements No. 67 and No. 68 required presentation of covered-employee payroll, which is the payroll of all employees that are provided with pensions through the pension plan, and ratios that use that measure. This Statement also establishes that a deviation from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of GASB Statements No. 67, No. 68, or No. 73 for the selection of assumptions used in determining the total pension liability and related measures. This Statement also classifies payments made by an employer to satisfy plan member contribution requirements as plan member contributions for purposes of GASB Statement No. 67 and as employee contributions for purposes of GASB Statement No. 68.

GASB Statement No. 85, *Omnibus 2017*

Governmental Accounting Standards Board Statement No. 85 was issued in March 2017 and made effective for reporting periods beginning after June 15, 2017. The statement addresses a variety of issues, including those related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits) identified during implementation and application of certain GASB Statements. The Board's year ending September 30, 2018 will be subject to the provisions of GASB Statement No. 82.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated the effects of subsequent events on these financial statements through February 28, 2018 the date the financial statements were available to be issued.

See independent auditors' report

BUDGETARY COMPARISON
GENERAL FUND

City of Graysville
Graysville, Alabama

As of September 30, 2017

	Budget	Actual	Over (under) budget
Revenues			
Taxes			
Sales	\$ 925,000	\$ 1,080,963	\$ 155,963
Property	112,500	102,956	(9,544)
Motor vehicle/gas	85,900	75,941	(9,959)
Other	49,575	32,830	(16,745)
Licenses and permits	237,000	243,774	6,774
Intergovernmental	31,350	220,010	188,660
Charges for services	9,000	38,989	29,989
Interest	1,900	2,535	635
Other	251,835	33,875	(217,960)
Total revenues	\$ 1,704,060	\$ 1,831,873	\$ 127,813
Expenditures			
Current			
General administration	\$ 514,352	\$ 414,635	\$ (99,717)
Public protection	420,000	306,223	(113,777)
Fire	872,952	820,174	(52,778)
Public works	313,399	272,108	(41,291)
Parks and recreation	229,405	232,121	2,716
Debt service			
Principal	81,974	97,511	15,537
Interest	130,686	135,159	4,473
Capital outlay	91,665	54,997	(36,668)
Total expenditures	2,654,433	2,332,928	(321,505)
Excess (deficiency) of revenues over expenditures	(950,373)	(501,055)	449,318
Other financing sources (uses)			
Insurance recoveries and proceeds from lease	33,264	40,309	7,045
Donations to Graysville Public Library	(80,000)	(80,039)	(39)
Transfers in (out)	980,000	625,000	(355,000)
Total other financing sources (uses)	933,264	585,270	(347,994)
Net change in fund balances	\$ (17,109)	\$ 84,215	\$ 101,324

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY

City of Graysville
Graysville, AL

Last 10 Fiscal Years Ending September 30

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total pension liability										
Service Cost	\$ 123,827	\$ 130,776	\$ 119,081							
Interest	647,374	607,453	600,004							
Changes of benefit terms	-	-	-							
Differences between expected and actual experience	(526,820)	348,689	-							
Changes of assumptions	302,860	-	-							
Benefit payments, including refunds of employee contributions	(580,242)	(595,563)	(656,378)							
Transfers among employers	(270,776)	-	-							
Net change in total pension liability	(303,777)	491,355	62,707							
Total pension liability - beginning	<u>8,382,300</u>	<u>7,890,945</u>	<u>7,828,238</u>							
Total pension liability - ending (a)	<u>\$ 8,078,523</u>	<u>\$ 8,382,300</u>	<u>\$ 7,890,945</u>							
Plan fiduciary net position										
Contributions - employer	\$ 263,697	\$ 234,927	\$ 166,905							
Contributions - member	98,972	101,526	99,366							
Net investment income	384,172	49,260	471,363							
Benefit payments, including refunds of employee contributions	(580,242)	(595,563)	(656,378)							
Transfers among employers	(270,776)	(110,843)	264,674							
Net change in plan fiduciary net position	(104,177)	(320,693)	345,930							
Plan net position - beginning	<u>4,016,447</u>	<u>4,337,140</u>	<u>3,991,210</u>							
Plan net position - ending (b)	<u>\$ 3,912,270</u>	<u>\$ 4,016,447</u>	<u>\$ 4,337,140</u>							
Net pension liability (asset) - ending (a) - (b)	\$ 4,166,253	\$ 4,365,853	\$ 3,553,805							
Plan fiduciary net position as a percentage of the total pension liability	48.43%	47.92%	54.96%							
Covered-employee payroll *	\$ 1,555,412	\$ 1,408,844	\$ 1,399,341							
Net pension liability (asset) as a percentage of covered-employee payroll	267.86%	309.89%	253.96%							

* Employer's covered-payroll during the measurement period is the total payroll paid to covered employees (pensionable payroll). For FY 2017, the measurement period is October 1, 2015 - September 30, 2016.

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

City of Graysville
Graysville, AL

Last 10 Fiscal Years Ending September 30

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution *	\$ 263,697	\$ 234,927	\$ 243,733							
Contributions in relation to the actuarially determined contribution	<u>(270,281)</u>	<u>(234,927)</u>	<u>(243,733)</u>							
Contribution deficiency (excess)	<u>\$ (6,584)</u>	<u>\$ -</u>	<u>\$ -</u>							
Covered-employee payroll **	1,555,412	1,427,605	1,373,727							
Contributions as a percentage of covered-employee payroll	16.95%	16.46%	17.74%							

* Amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments.

** Employer's covered-payroll during fiscal year 2017 is the total for covered employees for the twelve month period of the underlying financial statements.

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 2017 were based on the September 30, 2014 actuarial variation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	24 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