THE CITY OF IRONDALE, ALABAMA

GENERAL PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

THE CITY OF IRONDALE, ALABAMA
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Cork, Hill & Company, L.L.C.

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council of
The City of Irondale, Alabama

We have audited the accompanying general purpose financial statements of the City of Irondale, Alabama (the City), as of and for the year ended September 30, 2016, and the related notes to the financial statements of the governmental activities, the discretely presented component units, each major fund and the remaining funds information which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

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

Certified Public Accountants

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the government activities, business activities, the aggregate discretely presented component units, each major fund and the remaining fund information of the City of Irondale, Alabama as of September 30, 2016 and the changes in its net position and cash flow where applicable for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3-12), budgetary comparison schedules (pages 48-49), schedule of changes in the net pension liability (page 50), and the schedule of employee contributions (page 51) 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 them to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United State of America, which consisted of inquiries of management about the method of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Birmingham, Alabama
May 16, 2017

THE CITY OF IRONDALE, ALABAMA
MANAGEMENT'S DISCUSSION and ANALYSIS
SEPTEMBER 30, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Irondale's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2016 Please read it in conjunction with the City's financial statements, which begin on page 13.

USING THIS ANNUAL REPORT

This report consists of a series of financial statements. The Statements of Net Position and the Statement of Activities (on pages 13 and 14) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 15. These statements tell how City services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

REPORTING THE CITY AS A WHOLE

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of this 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 by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and change in net position. You can think of the City's net position as one way to measure the City's financial health, or *financial position.* Over time, *increases or decreases* in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will also need to consider non-financial factors in order to assess the *overall health* of the City.

The Statement of Net Position and the Statement of Activities separate the City's governmental activities and its business type activities.

- Governmental activities - The City's basic services are reported here, including the police, fire, public works, and parks departments, and general administration. Sales taxes, business licenses, and franchise fees finance most of these activities.

- Business-type activities - The City of Irondale operates a water system which is reported under this caption. Business activities provide a service and are compensated for the services provided.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

The fund financial statements begin on page 15 and provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's governmental funds use the following accounting approach.

- 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 governmental 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 (reported in the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance) in reconciliations on pages 16 and 18.

THE CITY OF IRONDALE, ALABAMA
MANAGEMENT'S DISCUSSION and ANALYSIS
SEPTEMBER 30, 2016

THE CITY AS A WHOLE

The following schedules present a comparison of current and prior year statements of net position for government and business-type activities.

	2016	2015	Increase (Decrease) Variance
GOVERNMENT ACTIVITIES			
Cash	$ 6,253,058	$ 5,781,016	$ 472,042
Receivables	2,806,205	2,479,993	326,212
Restricted cash	5,403,900	8,971,175	(3,567,275)
Other assets	1,059,651	141,952	917,699
Total current assets	15,522,814	17,374,136	(1,851,322)
Capital and other assets	43,265,831	42,563,806	702,025
Total assets	58,788,645	59,937,942	(1,149,297)
Deferred outflows of resources	5,737,319	4,670,146	1,067,173
Total Assets and Deferred Outflows	$ 64,525,964	$ 64,608,088	$ (82,124)
Accounts payable	$ 2,501,092	$ 1,791,284	$ 709,808
Current maturities of long-term debt	3,202,015	2,170,757	1,031,258
Interest payable	683,406	814,364	(130,958)
Total current liabilities	6,386,513	4,776,405	1,610,108
Non-current liabilities	54,031,682	53,066,038	965,644
Total liabilities	60,418,195	57,842,443	2,575,752
Deferred inflows of resources	134,851	567,749	(432,898)
Net Position			
Invested in capital assets	683,256	3,130,023	(2,446,767)
Restricted	887,034	1,276,060	(389,026)
Unrestricted	(2,402,628)	1,791,813	61,815
Total net position	3,972,918	6,197,896	(2,224,978)
	$ 64,525,964	$ 64,608,088	$ 350,774

Current assets decreased $1,851,322 and current liabilities increased $1,610,108, respectively, resulting in a $3,461,430 decrease in working capital. This decrease resulted principally from funds being spent on capital projects

Business activities working capital decreased $16,752 which was the result of a loss from operations during the year and investment in property and equipment.

	2016	2015	Increase (Decrease) Variance
BUSINESS ACTIVITIES			
Cash	$ 780,722	$ 57,492	$ 723,230
Receivables	1,401,737	839,474	562,263
Other current assets	128,554	110,987	17,567
Restricted cash	205,227	1,403,468	(1,198,241)
Total current assets	2,516,240	2,411,421	104,819
Capital and other assets	6,872,259	6,840,530	31,729
Total Assets	9,388,499	9,251,951	136,548
Deferred outflows	535,234	544,053	(8,819)
Total Assets and Deferred Outflows	$ 9,923,733	$ 9,796,004	$ 127,729
Accounts payable	$ 222,953	$ 163,121	$ 59,832
Current maturities of long-term debt	545,829	417,591	128,238
Other current liabilities	332,237	398,736	(66,499)
Total current liabilities	1,101,019	979,448	121,571
Non-current liabilities	9,033,509	8,510,128	523,381
Total liabilities	10,134,528	9,489,576	644,952
Deferred inflow of resources	8,350	35,673	(27,323)
Net Position			
Invested in capital assets	-	-	-
Restricted	-	-	-
Unrestricted	(219,145)	270,755	(489,900)
Total net position	(219,145)	270,755	(489,900)
	$ 9,923,733	$ 9,796,004	$ 127,729

STATEMENT OF ACTIVITIES

To aid in the understanding of the Statement of Activities (page 14) some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that governmental expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this format is to highlight the relative financial burden each government function has on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Business activities are adjusted on one line as income or (loss). Details of business type revenues and expenses can be found on page 20. For comparative purposes, revenues and expenditures are listed in a columnar format.

	2016	2015	Variance Favorable (Unfavorable)
GOVERNMENTAL ACTIVITIES			
Revenues			
Program revenue	$ 1,721,228	$ 3,518,944	$ (1,797,716)
Taxes and licenses	13,895,458	14,008,006	(112,548)
Investment Earnings	3,595	686	2,909
Other	1,299,331	1,459,283	(159,952)
	16,919,612	19,986,919	(2,067,307)
Expenditures			
Administrative	5,272,805	3,432,860	1,839,945
Police	4,032,020	3,577,720	454,300
Fire	3,430,019	3,538,684	(108,665)
Public works	3,038,019	3,241,931	(203,912)
Other	1,113,508	1,169,307	(55,799)
Interest	2,351,104	2,062,874	288,230
Transfers-net	(92,885)	117,330	(210,215)
	19,144,590	17,140,706	2,003,884
Change in net position	$ (2,224,978)	$ 1,846,213	$ (4,071,191)

In year 2016 governmental expenditures exceeded governmental revenues, resulting in a decrease in net position of $2,224,978.

	2016	2015	Variance Favorable (Unfavorable)
BUSINESS ACTIVITIES			
Revenues			
Charges for services	$ 1,935,391	$ 1,734,026	$ 201,365
Other operating revenues	1,421	13,049	(11,628)
	1,936,812	1,747,075	189,737
Operating Expenses			
Salaries	482,754	463,442	19,312
Depreciation	389,417	369,120	20,297
Insurance	164,108	165,778	(1,670)
Utilities	192,697	184,934	7,763
Repairs	102,754	12,995	89,759
Other operating expenses	338,941	223,634	115,307
	1,670,671	1,419,903	250,768
Operating income (loss)	266,141	327,172	(61,031)
Non-operating income (expenses)	(754,041)	(334,694)	(421,347)
Change in net position	$ (489,900)	$ (7,522)	$ (482,378)

The business-type activities (Water Department) operated at a loss for 2016 and 2015.

THE CITY'S REVENUES

The following schedule presents a summary of governmental fund revenues and expenditures for the year ended September 30, 2016, and the increase and decrease in relation to the prior year.

Revenues	2016 Amount	2015 Amount	Increase (Decrease) From 2015
Governmental Revenues			
Taxes	$ 11,196,950	$ 11,293,775	$ (96,825)
Licenses and permits	1,941,342	1,983,269	(41,927)
Intergovernmental	1,916,133	876,159	1,039,974
Charges for services	912,063	1,218,063	(306,000)
Fines and forfeitures	435,680	601,897	(166,217)
Proceeds from debt and other	1,007,838	3,563,247	(2,555,409)
Total governmental revenues	17,410,006	19,536,410	(2,126,404)

Expenditures	2016 Amount	2015 Amount	(Increase) Decrease From 2015
Governmental Expenditures			
General government	$ 8,545,829	$ 2,842,681	5,658,452
Public safety	7,107,157	6,925,769	181,388
Streets, sanitation and parks	3,112,074	3,873,059	(760,985)
Library	461,387	420,766	40,621
Senior citizens	236,995	241,991	(4,996)
Debt service and capital outlays	18,944,001	6,227,231	12,716,770
Transfers	-	117,330	(117,330)
Total governmental expenditures	38,407,443	20,648,827	17,713,920
Excess revenues (expenditures)	$ (20,997,437)	$ (1,112,417)	$ (19,840,324)

Large debt service expenditures in the current year and payments to encourage business relocations to the City are the principal reasons for the excess of expenditures over revenue.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City Council did not amend the City's general fund budget this year. See page 48 of this report for the details of budget verses actual revenues and expenditures

General fund revenues exceeded budgeted revenues by $1,357,278. The largest revenues over (under) budgeted amounts were as follows:

Taxes	$ (245,678)
Intergovernmental	1,472,233
Charges for services	(88,937)
Licenses and permits	(101,558)

Actual total general fund expenditures and operating transfers were more than budgeted amounts by $5,909,395 due principally to economic stimulus payments during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2016, the City had $49,138,090 invested in a broad range of governmental and business type capital assets, including police and fire equipment, buildings, park facilities, roads, drainage systems, water system, and land. (See Table Below).

	Government Activities		Business Activities	
	2016	2015	2016	2015
Land	$ 9,789,917	$ 9,789,917	$ 38,779	$ 38,779
Construction in progress	832,950	1,860,144	465,031	345,023
Parks and land improvements	4,686,867	4,864,935	-	-
Buildings	2,846,181	3,013,842	592	1,076
Automotive	2,601,451	2,812,083	133,364	62,895
Equipment and furniture	349,966	1,101,486	104,963	122,287
Roads and drainage system	21,158,500	19,121,399	-	-
Water plant	-	-	6,129,529	6,270,470
	$ 42,265,832	$ 42,563,806	$ 6,872,258	$ 6,840,530

Total investment for 2016	$ 49,138,090

Debt

As of September 30, 2016 the City had $56,478,463 in outstanding bonds and capitalized leases versus $54,776,883 in 2015. This increase of 1,701,630 was the result of normal repayment of $2,321,395 by the City and $432,401 by the water department. The City issued new debt in the amount of $25,065,426 in the form of bonded indebtedness which was used to defease existing debit of 20,610,000. These transactions resulted in the $1,701,630 increase in long-term debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials decided to conservatively estimate the revenues ($18,464,530) and expenditures ($18,464,530) for the 2016/2017 general fund budget. The economy is still expected to slowly recover during the year: however, tax revenues have been unadventurously projected to be $12,013,280 which is approximately 4 percent higher than the 2015/2016 fiscal year amount of $11,442,628. The aggregate amount of taxes estimated to be collected throughout the year is larger than last year; the City expects its sales and use taxes, which represents approximately fifty percent of the general fund budget, to dramatically increase by 6 percent from $8,000,000 to $8,500,000 due to an increase in car sales. The City also projects that its business license revenue will increase to $1,900,000 because of several opportunities to attract new retail and industrial businesses. Furthermore, with the addition of two new subdivisions and the construction of the Maserati and Mercedes dealerships, permitting fees and ad valorem taxes should substantially increase during the fiscal year. In the final analysis, although the salaries and healthcare rates for employees are steadily increasing, the City has been able to weather the storm by decreasing expenditures and refunding several bond issues.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Charles Moore, Mayor
City of Irondale
101 South 20th Street
Irondale, AL 35210
(205) 956-9200

THE CITY OF IRONDALE, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Primary Government			
	Governmental Activities	Business -Type Activities	Total	Component Unit
ASSETS				
Cash and cash equivalents	$ 6,253,058	$ 780,722	$ 7,033,780	$ 282,641
Receivables (net)	2,806,205	273,648	3,079,853	448,333
Internal balances	(1,128,089)	1,128,089	-	-
Inventories	8,822	101,045	109,867	-
Prepaids	178,918	27,509	206,427	-
Restricted assets				
Cash and cash equivalents	5,403,900	205,227	5,609,127	-
Capital assets:				
Non-depreciable	10,622,867	503,810	11,126,677	142,100
Depreciable (net)	32,642,964	6,368,449	39,011,413	4,903,079
Receivables non-current	2,000,000	-	2,000,000	-
Total Assets	58,788,645	9,388,499	68,177,144	5,776,153
DEFERRED OUTFLOWS OF RESOURCES	5,737,319	535,234	6,272,553	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 64,525,964	$ 9,923,733	$ 74,449,697	$ 5,776,153
LIABILITIES				
Accounts payable and accrued expenses	$ 2,501,092	$ 222,953	$ 2,724,045	$ -
Liabilities payable from restricted assets				
Customer deposits	-	197,378	197,378	-
Current maturities of long-term debt	3,202,015	545,829	3,747,844	-
Interest payable	683,406	134,859	818,265	-
Internal balances	-	-	-	-
Total current liabilities	6,386,513	1,101,019	7,487,532	-
Non-current liabilities				
Capitalized leases payable	2,453,891	39,146	2,493,037	-
Net Pension Liability	7,708,548	477,309	8,185,857	-
Bonds payable	44,992,276	8,993,150	53,985,426	448,333
Net OPEB obligation	181,200	11,793	192,993	-
Compensated absences payable	1,897,782	57,940	1,955,722	-
Less current maturities	(3,202,015)	(545,829)	(3,747,844)	-
Total non-current liabilities	54,031,682	9,033,509	63,065,191	448,333
Total liabilities	60,418,195	10,134,528	70,552,723	-
DEFERRED INFLOWS OF RESOURCES	134,851	8,350	143,201	-
NET POSITION				
Invested in capital assets	683,256	-	683,256	5,045,179
Restricted net position	887,034	-	887,034	-
Unrestricted net position	2,402,628	(219,145)	2,183,483	282,641
Total net position	3,972,918	(219,145)	3,753,773	5,327,820
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 64,525,964	$ 9,923,733	$ 74,449,697	$ 5,776,153

See Independent Auditors' Report and Notes to Financial Statements.

THE CITY OF IRONDALE, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
Function/Program Activities	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Unit
Primary Government:								
Governmental Activities:								
General government	$ 5,272,805	$ 20,784	$ 9,143	$ -	$ (5,242,878)	$ -	$ (5,242,878)	
Police	4,032,020	664,241	27,784	-	(3,339,995)	-	(3,339,995)	
Fire	3,430,019	-	16,614	-	(3,413,405)	-	(3,413,405)	
Parks and recreation	394,289	732	-	-	(393,557)	-	(393,557)	
Public works	3,038,019	911,843	241	-	(2,125,935)	-	(2,125,935)	
Library	468,644	28,096	1,696	-	(438,852)	-	(438,852)	
Senior Citizens' Center	250,575	36,054	4,000	-	(210,521)	-	(210,521)	
Interest on long-term debt	2,351,104	-	-	-	(2,351,104)	-	(2,351,104)	
Total governmental activities	19,237,475	1,661,750	59,478	-	(17,516,247)		(17,516,247)	
Business-type Activities:								
Water Department						267,187	267,187	
Interest and finance charges						(664,202)	(664,202)	
Total business-type activities						(397,015)	(397,015)	
Total primary government	$ 19,237,475	$ 1,661,750	$ 59,478	$ -	(17,370,392)	(397,015)	(17,913,262)	
Component units:								
Industrial Development Board	-							22
Commercial Development Authority	-							(300,360)
Total component units	-							
General Revenues:								
Taxes:								
Ad valorem taxes					1,034,990	-	1,034,990	-
Sales tax					8,523,912	-	8,523,912	-
Gas tax					374,638	-	374,638	-
Franchise taxes					994,222	-	994,222	-
Other taxes					1,001,903	-	1,001,903	-
License and permits					1,965,793	-	1,965,793	-
Investment earnings					3,595	-	3,595	-
Miscellaneous					1,299,331	-	1,299,331	-
Transfers (net)					92,885	(92,885)	-	-
Total general revenues and transfers					15,291,269	(92,885)	15,198,384	-
Change in Net Position from activities					(2,224,978)	(489,900)	(2,714,878)	(300,338)
Net position, beginning of year					6,197,896	270,755	6,468,651	9,217,680
Prior period adjustments					-	-	-	(3,589,522)
Net position, beginning of year as adjusted					6,197,896	270,755	6,468,651	5,628,158
Net position, end of year					$ 3,972,918	$ (219,145)	$ 3,753,773	$ 5,327,820

See Independent Auditors' Report and Notes to Financial Statements.

THE CITY OF IRONDALE, ALABAMA
BALANCE SHEET - GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
SEPTEMBER 30, 2016

	General	Capital Projects	Debt Service	Special Revenue	Total Governmental Funds	Component Unit
Assets and other debits						
Assets:						
Cash and cash equivalents	$ 6,253,058	$ -	$ -	$ -	$ 6,253,058	$ 35,959
Receivables						
Taxes	845,203	-	-	45,076	890,279	-
Accounts	1,224,926	-	-	-	1,224,926	-
Due from other funds	77,804	350,000	-	300,000	727,804	-
Inventories	8,822	-	-	-	8,822	-
Restricted assets:						
Cash and cash equivalents	44,558	4,148,592	-	1,210,750	5,403,900	-
Capital assets						
Land	-	-	-	-	-	-
Buildings and improvements	-	-	-	-	-	-
Deferred charges	178,918	-	-	-	178,918	-
Total assets and other debits	$ 8,633,289	$ 4,498,592	$ -	$ 1,555,826	$ 14,687,707	$ 35,959
Liabilities, equity and other credits						
Liabilities:						
Accounts payable and accrued liabilities	$ 2,092,742	$ 348,697	$ -	$ 59,653	$ 2,501,092	$ -
Due to other funds	1,778,447	77,446	-	-	1,855,893	-
Bonds payable	-	-	-	-	-	-
Total liabilities	3,871,189	426,143	-	59,653	4,356,985	-
Equity and other credits:						
Fund balances:						
Reserved for:						
Non-spendable	187,740	-	-	-	187,740	-
Reserved	122,362	4,072,449	-	1,496,173	5,690,984	-
Committed	1,001,071	-	-	-	1,001,071	-
Assigned	-	-	-	-	-	-
Unassigned	3,450,927	-	-	-	3,450,927	35,959
Total equity and other credits	4,762,100	4,072,449	-	1,496,173	10,330,772	35,959
Total liabilities, equity and other credits	$ 8,633,289	$ 4,498,592	$ -	$ 1,555,826	$ 14,687,707	$ 35,959

See Independent Auditors' Report and Notes to Financial Statements.

THE CITY OF IRONDALE, ALABAMA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

Fund Balance - Total Government Funds		$ 10,330,722
Amounts reported for Governmental Activities in the Statement of Net Position is different because:		
Capital Assets used in Governmental Activities are not current financial resources and therefore, are not reported in the Governmental Funds Balance Sheet.		43,265,831
Receivables related to the sale of City property are not current financial resources until collected and therefore not recognized as assets in the Governmental Funds Balance Sheet.		2,710,000
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet.		(683,406)
Compensated absences payable do not require current financial resources. Therefore, compensated absences payable is not reported as a liability in the Governmental Funds Balance Sheet.		(1,897,782)
Long-Term Liabilities are not due and payable in the current period and therefore, they are not reported in the Governmental Funds Balance Sheet.		(47,446,167)
Net pension plan liability which does not require current financial resources and therefore is not reported as a liability in the governmental funds balance sheet		
Charge to net position to record beginning of year net pension liability	-	
Charge in pension liability in current year	(7,708,548)	
Charge in deferred inflows and outflows of resources	1,370,514	(6,338,034)
Cost of refunding is deferred and amortized over the bond life in the statement of net assets but charged to current operations in the Governmental Funds.		4,231,954
Portion of other post retirement benefit liability which does not require current financial resources and therefore is not reported as a liability in the Governmental Funds Balance Sheet.		(181,200)
Allowance for doubtful accounts does not require current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.		(19,000)
Net Position of Governmental Activities		$ (3,972,918)

See Independent Auditors' Report and Notes to Financial Statements.

THE CITY OF IRONDALE, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General Fund	Capital Projects	Debt Service Fund	Special Revenue	Total Governmental Funds	Component Unit
Revenues:						
Taxes	$ 11,196,950	$ -	$ -	$ -	$ 11,196,950	$ -
Licenses and permits	1,941,342	-	-	-	1,941,342	-
Intergovernmental	1,916,133	109,890	-	242,983	2,269,006	-
Charges for services	912,063	-	-	306,811	1,218,874	-
Fines and forfeitures	435,680	-	-	251,346	687,026	-
Interest	2,745	669	-	850	4,264	22
Other	1,005,093	-	-	-	1,005,093	-
Total revenues	17,410,006	110,559	-	801,990	18,322,555	22
Expenditures:						
Current operations:						
General government	8,545,829		-	38,466	8,584,295	-
Public safety	7,107,157	-	-	446,341	7,553,498	-
Streets, sanitation and parks	3,047,711	-	-	87,595	3,135,306	-
Library	461,387	-	-	-	461,387	-
Senior citizens	236,995	-	-	-	236,995	-
Public relations and beautification	64,363	-	-	-	64,363	-
Total current operations	19,463,442	-	-	572,402	20,035,844	-
Capital outlays	13,250	2,033,025	-	10,485	2,056,760	-
Debt service:						
Principal	17,407,548	-	-	-	17,407,548	-
Interest and fiscal charges	1,523,203	-	-	-	1,523,203	-
Total expenditures	38,407,443	2,033,025	-	582,887	41,023,355	-
Excess (deficiency) of revenues over (under) expenditures	(20,997,437)	(1,922,466)	-	219,103	(22,700,820)	22
Other financing sources (uses):						
Operating transfers in	1,058,730	5,669,233	-	5,000	6,732,963	-
Operating transfers out	(4,449,648)	(1,514,214)	(661,586)	(14,632)	(6,640,080)	-
Proceeds from long-term financing	18,593,528	125,426	-	-	18,718,954	-
Total other financing sources (uses)	15,202,610	4,280,445	(661,586)	(9,632)	18,811,837	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(5,794,827)	2,357,979	(661,586)	209,471	(3,888,963)	22
Fund balances, beginning	10,556,927	1,714,470	661,586	1,286,702	14,219,685	35,937
Fund balances, ending	$ 4,762,100	$ 4,072,449	$ -	$ 1,496,173	$ 10,330,722	$ 35,959

See Independent Auditors' Report and Notes to Financial Statements.

THE CITY OF IRONDALE, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Net change in fund balances - total governmental funds		$ (3,888,963)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period:		
Cost of capital assets acquired during the year	2,219,475	
Book value of assets disposed of	(35,664)	2,183,811
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Cost of issuing debt is reported as an expenditure in the government funds while these costs are amortized in the government wide statements. The effect of these differences in treatment of long-term debt and related items is as follows:		
Repayment of long-term debt	17,701,444	
Long-term borrowing	(18,785,076)	
Amortization of bond issue costs	295,480	(788,152)
Accrued compensated absences is recorded in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, accrued compensated absences is not recorded as an expenditure in governmental funds.		(100,217)
Depreciation expense on capital assets is recorded in the government-wide statement of activities and changes in net assets, but it does not require the use of current financial sources. Therefore, depreciation expense is not recorded as an expenditure in governmental funds.		(1,481,784)
Accrued interest expense on long-term debt is recorded in the government-wide statement of activities and changes in net assets but does not require the use of current financial resources. Therefore, accrued interest expense is not recorded as expenditures in governmental funds.		130,958
Revenues related to the sale of city property are not recognized as earned until collected and therefore are not included in the Governmental Funds Statement of Revenue, Expenditures and Change in Fund Balance.		1,342,948
Current year pension and other employment benefit costs recognized in the government wide statement of activities and changes in net assets but do not require the use of current financial resources. Therefore the cost is not recorded as an expenditure on the governmental funds.		376,421
Change in net position of governmental activities		$ (2,224,978)

See Independent Auditors' Report and Notes to Financial Statements.

THE CITY OF IRONDALE, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUND WATER ENTERPRISE FUND AND DISCRETELY PRESENTED COMPONENT UNIT
SEPTEMBER 30, 2016

ASSETS	Water Enterprise Fund	Component Unit
Current Assets		
Cash and cash equivalents	$ 780,722	$ 246,682
Receivables		
Customer accounts (less allowance for doubtful accounts of $25,000)	273,648	-
Other	1,128,089	448,333
	1,401,737	695,015
Inventories	101,045	-
Prepaid expenses	27,509	-
Total current assets	2,311,013	695,015
Property, Plant and Equipment		
Land and improvements	38,779	5,037,578
Construction in progress	465,031	-
Water plant and equipment	6,368,440	7,601
Capital assets net of depreciation	6,872,259	5,045,179
Restricted Assets		
Customer deposits	205,227	-
	205,227	-
Total Assets	$ 9,388,499	$ 5,740,194
Deferred outflows	535,234	-
Total Assets and Deferred Outflows	$ 9,923,733	$ 5,740,194

LIABILITIES AND NET POSITION	Proprietary Fund	Component Unit
Current Liabilities		
Accounts payable	$ 222,953	$ -
Total current liabilities (payable from current assets)	222,953	-
Current Liabilities (payable from restricted assets)		
Meter deposits	197,378	-
Current portion of long-term debt	545,829	37,797
Accrued interest	134,859	-
Total current liabilities (payable from restricted assets)	878,066	37,797
Non-current Liabilities		
Bonds and Capitalized leases	9,032,296	448,333
Net pension liability	477,309	-
Net OPEB obligations	11,793	-
Compensated absences	57,940	-
Less current maturities	(545,829)	(37,797)
Total non-current liabilities	9,033,509	410,536
Total liabilities	10,134,528	448,333
Deferred inflows of resources	8,350	-
Net Position (Deficiency in Assets)		
Invested in capital assets	-	-
Restricted	-	-
Unrestricted	(219,145)	5,291,861
Total net position	(219,145)	5,291,861
Total Liabilities And Net Position	$ 9,923,733	$ 5,740,194

See Independent Auditors' Report and Notes to Financial Statements.

THE CITY OF IRONDALE, ALABAMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND WATER ENTERPRISE FUND AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Water Enterprise		Component Unit
	Amount	% of Revenue	Amount
Operating revenues			
Charges for services	$ 1,935,391	99.9	$ -
Rental income	-	0.0	196,512
Donations received	-	0.0	142,100
Miscellaneous	1,421	0.1	14,955
Total operating revenues	1,936,812	100.0	353,567
Operating expenses			
Salaries and wages	482,754	24.9	-
Depreciation	389,417	20.1	549,177
Utilities	192,697	9.9	-
Insurance	164,108	8.5	-
Repairs and maintenance	102,754	5.3	1,060
Retirement	84,045	4.3	-
Materials and supplies	57,559	3.0	-
Payroll taxes	56,549	2.9	-
Office expense	39,015	2.0	20,685
Professional fees	25,795	1.3	-
Water analysis	12,334	0.6	-
Fuel	12,270	0.6	-
Data processing	11,985	0.6	-
Bad debt	10,080	0.5	-
Communications	8,014	0.4	-
Chemicals	7,650	0.4	-
Training	6,900	0.4	-
Miscellaneous	6,745	0.3	68,062
Total operating expenses	1,670,671	86.0	638,984
Operating income	266,141	13.7	(285,417)
Non-operating income (expenses)			
Interest income	1,046	0.1	12
Operating transfers	(92,885)	(4.8)	-
Interest expense	(664,202)	(34.3)	(14,955)
Total non-operating income	(756,041)	(39.0)	(14,943)
Change in net assets	(489,900)	(25.3)	(300,360)
Net position, beginning of year	270,755		5,592,221
Net position, end of year	$ (219,145)		$ 5,291,861

See Independent Auditors' Report and Notes to Financial Statements.

THE CITY OF IRONDALE, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND WATER ENTERPRISE FUND AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Water Enterprise Fund	Component Unit
Cash flows from operating activities:		
Cash received from customers	$ 1,920,174	$ 229,020
Cash paid to suppliers	(798,878)	(89,807)
Cash paid to employees	(478,251)	-
Net cash provided by operating activities	643,045	139,213
Cash flows from non-capital financing activities:		
Operating transfers	(92,885)	-
Advances from other funds	(552,481)	-
Net cash used by non-capital financing activities	(645,366)	-
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(421,148)	(21,509)
Proceeds from bonded debt issue	449,138	-
Repayment of indebtedness	(380,201)	-
Interest paid on capital and related financing activities	(121,526)	-
Net cash used by capital and related financing activities	(473,737)	(21,509)
Cash flows from investing activities:		
Interest received on investments	1,046	12
Net cash provided by investing activities	1,046	12
Net increase (decrease) in cash and cash equivalents	(475,012)	117,716
Cash and cash equivalents at beginning of year	(1,460,961)	128,967
Cash and cash equivalents at end of year	$ 985,949	$ 246,683
Unrestricted cash	$ 780,722	$ 246,683
Restricted cash	205,227	-
	$ 985,949	$ 246,683
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	$ 266,141	$ (285,417)
Adjustments to reconcile operating income to net Cash provided by operating activities:		
Depreciation and amortization	389,417	549,177
Non-cash items in income	-	(157,055)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(9,783)	32,508
(Increase) in inventories and prepayments	(17,567)	-
Increase in accounts payable and accrued expenses	37,889	-
Decrease in pension liability	(16,197)	-
Increase in customer deposits	(6,855)	-
Net cash provided by operating activities	$ 643,045	$ 139,213

See Independent Auditors' Report and Notes to Financial Statements.

THE CITY OF IRONDALE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The financial statements of the City of Irondale, Alabama (the City) are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Reporting Entity

The City of Irondale, Alabama (the City) is a municipal corporation governed by an elected Mayor and a five member City Council. As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the City. The discretely presented component units have a September 30 year end.

Component Units. The City of Irondale, Alabama Industrial Development Board (the IDB) and the Commercial Development Authority (CDA) are governed by boards which are appointed by the City Council, and there is a potential for these Boards to provide specific financial benefits to, or impose specific financial burdens on the City. The IDB is presented as a governmental fund type. And the CDA is a proprietary fund. Complete financial statements for these Boards are not prepared.

Other Boards. The City Council also appoints the members of several other local boards (e.g., zoning board, park board, etc.) These other boards do not possess corporate powers that distinguish them as being legally separate from the City, and are, for financial reporting purposes, considered to be part of the City's primary government.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The City's funds are grouped into two broad fund categories and five generic fund types for financial statement presentation purposes. Governmental funds include the general, special revenue, debt service and capital projects funds. Proprietary funds only have an enterprise fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Accounting

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the City as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. Internal activity between funds is considered immaterial and is not eliminated.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Governmental fund financial statements are prepared using the modified accrual basis. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the City and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues.

The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the City. Net position is reported as restricted for the amount invested in capital assets net of related debt. Other restrictions result when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes result from special revenue funds and the restrictions on their use.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

FUND FINANCIAL STATEMENTS

Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

GOVERNMENTAL FUNDS

During the year ended September 30, 2014, the City adopted GASB 62, Codifications of Accounting Reporting Guidance Contoured in Pre-November 1989 GASB and AICPA Pronouncements. GASB 62 incorporates into the GASB authoritative literature contain accounting and reporting guidance in FASB pronouncements when they do not conflict or contradict GASB pronouncements.

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this approach, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition
In applying the susceptible to accrual concept under the modified accrual basis, taxes, investment earnings and other receivables are deemed both measurable and available if collected within the current year or within 60 days of year-end. Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made. When received in advance, these revenues are deferred until expenditures are made.

Other revenues, including licenses and permits, certain charges for services, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition
The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds because purchases of capital assets are treated as expenditures.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Budget Requirements, Accounting, and Reporting

A. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and proprietary fund. All annual appropriations lapse at fiscal year end. On or around the first of August of each year, each department head submits requests for appropriations to the Mayor. The Mayor and the City Clerk review these requests and prepare a proposed budget. The proposed budget is sent to the finance committee of the City Council normally by the first of September. The finance committee meets with the department heads, reviews the proposed budget and returns the proposed budget to the Mayor with recommended changes. Normally by September 15, the Mayor submits the final budget to the City Council for approval. The approved budget is prepared by fund, department and line item. The City Clerk may make transfers of appropriations within a department. Transfers of appropriations between departments requires the approval of the City Council. The legal level of budgetary control is the department level.

B. Encumbrance accounting is not employed by the City.

C. For the year ended September 30, 2016, expenditures exceeded budgeted appropriations

Enterprise Funds

Enterprise funds (business-type activities) are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included in the statement of net position.

Enterprise 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 an enterprise funds' principal ongoing operations. The principal operating revenues of the City's enterprise fund are water and garbage pick-up services. Operating expenses for enterprise funds include the administrative costs of providing the services and maintenance of the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Receivables

All receivables, are shown net of an allowance for uncollectible accounts. The allowance for uncollectible accounts is based on the City's historical bad debt experience and management's judgement. Property values are assessed and are collected by Jefferson County. Property values are assessed annually and taxes are due and payable on October 1 of the subsequent fiscal year. Property taxes are an enforceable lien on property and are considered delinquent if paid after January 1.

Inventories

Inventories are valued at cost using the first-in/first out (FIFO) method.

Restricted Assets

Certain proceeds of the City's general obligation warrants, as well as certain resources set aside for general obligation warrant repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable debt covenants. In addition, the City maintains a "water warrants" account to segregate resources accumulated for debt service payments over the next twelve months. Also, special revenue funds are restricted in their use.

Capital Assets and Depreciation

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

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings	40 years
Improvements and infrastructure	5-100 years
Equipment	5-15 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Bond Issue Costs

Bond issue costs related to the defeasance of debt are being amortized using the straight-line method over the repayment period of the related bonds. Bond issue costs except for any portion that relates to the refunding of existing debt is recognized as an expense in the period incurred and amortization costs of defeased bonds is also expensed in the year of defeasement. Amortization expense for 2016 was $295,480 on the government wide financials and $383,218 on the proprietary fund. All amortization was charged to interest expense.

Compensated Absences

In the government-wide and proprietary fund financial statements, the City accrues liabilities for compensated absences as required by GASB. As of September 30, 2016, the accrued vacation and sick pay attributable to the general fund was $1,897,782 and the water was $57,940. No other government fund has compensated absences.

Pension Plan

The City of Irondale participates in the Retirement System of Alabama (RSA) and substantially all of the City's full time employees are covered. Funding rates are determined each year actuarially in accordance with an act of the State Legislature and vary according to funding requirements. Rates for employees hired prior to January 1, 2013 required a payment of 11.01% of covered compensation by the employer and 5% from all employees except for full-time certified police officers and firemen who contribute 6%. For employees hired after January 1, 2013, the City contributed 8.71% of covered compensation and employees contributed 6% except for police officers and firemen where the contribution rate is 7%.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources which represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The City has deferred earnings resulting from expectations of the rate of return of investment earnings not being met and payments made after measurement date. The amount is recognized over a five year amortization period.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deferred Outflows/Inflows of Resources - Continued

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources which represent an acquisition of net position that applies to a future period and as such will not be recognized as an inflow of resources until that time. The City has one item reporting in that category, deferred inflows from actual to expected experience. This difference is recognized over a seven year amortization period.

Restricted Funds

It is the City's policy to first use restricted resources when an expense is incurred for purposes for which both restricted and non-restricted assets are available.

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.

NOTE 2 - DEPOSITS AND INVESTMENTS

The State of Alabama requires all financial institutions accepting deposits of public funds to be a member of The Security for Alabama Funds Enhancement (SAFE) program. This is a state-wide collateral pool for all public funds and is administered through the Alabama Treasurers Office. All of the City's deposits are collateralized by FDIC insurance and this collateral pool. All investments of the City are in certificates of deposit.

The carrying amount and bank balance of deposits for the component units was $282,641. All of the bank balance was covered by the SAFE program and Federal depository insurance. Debt service trust funds are invested by bank trust departments in U.S. Government securities and are not subject to collateralization requirements.

NOTE 3 - RECEIVABLES

Receivables as of year end, including the applicable allowances for uncollectible accounts, are as follows:

	Entity Wide Funds	Governmental Funds	Enterprise
Taxes:			
Sales and use tax	$ 732,097	$ 732,097	-
Lease tax	18,790	18,790	-
Lodging tax	29,747	29,747	-
Intergovernmental			
State gasoline taxes	45,076	45,076	-
Other	64,569	64,569	-
Accounts			
Water and garbage service	148,515	148,515	298,648
Economic incentives receivable	2,710,000	-	-
Lease payments due	76,411	76,411	-
Reimbursements due on road work	1,000,000	1,000,000	-
Total receivables	4,825,205	2,115,205	298,648
Less: allowance for uncollectible	19,000	-	25,000
Net total receivables	$ 4,806,205	$ 2,115,205	$ 273,648

Included in total receivables are gasoline tax receivables of $45,076 which are restricted to road maintenance and construction.

In 2015 the City made road improvements for which reimbursements of $2,000,000 were to be received from Jefferson County, Alabama. The balance of $1,000,000 at September 30, 2016 was collected in October 2016. The advances of $710,000 to Phoenix Water made under an economic incentive agreement are to be repaid in August 2017. Additional advances of $2,000,000 to Benchmark Imports, LLC are to be repaid through sales tax collections applied to the loan. This advance is treated as a non-current receivable and is reflected in the Statement of Net Position as non-current receivable.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the City during the year ended September 30, 2016 was as follows:

	Beginning Balance Oct. 1, 2015	Additions	Retirements	Ending Balance Sept. 30, 2016
Governmental activities				
Capital assets, not being depreciated:				
Land	$ 9,789,917	$ -	$ -	$ 9,789,917
Construction in progress	1,860,144	832,950	1,860,144	832,950
	11,650,061	832,950	1,860,144	10,622,867
Depreciated capital assets				
Infrastructure	26,878,133	2,403,053	-	29,281,186
Buildings	3,914,212	8,100	-	3,922,312
Improvements other than buildings	8,300,953	35,088	-	8,336,041
Equipment and furniture	8,515,661	800,428	-	9,119,209
Total capital assets being depreciated	47,608,959	3,246,669	196,880	50,658,748
Less accumulated depreciation	16,695,214	1,481,784	161,214	18,015,784
Net capital assets	30,913,745	1,764,885	35,666	32,642,964
Governmental activities, net capital assets	$ 42,563,806	$ 2,597,835	$ 1,895,810	$ 43,265,831

Deprecation was charged to functions as follows:

General government	$ 565,913
Public works	254,944
Fire	232,829
Police	306,880
Parks and recreation	82,246
Senior citizens' center	23,133
Library	15,839
Total governmental activities depreciation expense	$1,481,784

NOTE 4 - CAPITAL ASSETS - Continued

	Beginning Balance Oct. 1, 2015	Additions	Retirements	Ending Balance Sept. 30, 2016
Business-type activities				
Capital assets, not being depreciated:				
Land	$ 38,779	$ -	$ -	$ 38,779
Construction in progress	220,000	120,008	-	465,031
Total capital assets, not being depreciated	258,779	120,008	-	503,810
Depreciated capital assets				
Buildings and improvements	38,332	-	-	38,332
Water system	11,781,197	190,285	-	11,971,482
Equipment and furniture	571,835	110,855	-	682,690
Total capital assets being depreciated	12,391,364	301,140	-	12,692,504
Less accumulated depreciation	5,934,638	389,417	-	6,324,055
Net capital assets	6,456,726	(88,277)	-	6,368,449
Business-type activities, net capital assets	$ 6,840,528	$ 31,731	-	$ 6,872,259

* Retirement from construction in progress represent completed projects transferred to the water system

Depreciation was charged to functions as follows:	
Water Department	$ 389,417

NOTE 5 - INTER-FUND RECEIVABLES AND PAYABLES

At September 30, 2016, inter-fund receivables and payables consist of the following items:

	Receivable	Payable
General Fund		
Due from Water	1,128,089	
Due to Capital Projects Fund		272,553
Due to Corrections Fund	357	
Capital Projects Fund		
Due from General Fund	272,553	
Corrections Fund		
Due from General Fund		357
Forfeiture Drug Fund		
Water Fund		
Due from Forfeiture Drug Funds		
Due to General Fund		1,128,089

NOTE 6 - LONG-TERM DEBT

General Obligation Warrants. The City issues general obligation warrants to provide funds for the acquisition and construction of major facilities. General obligation warrants have been issued for both general government and proprietary activities. These warrants are reported in the proprietary fund if the proceeds were used by the proprietary fund and the bonds are expected to be repaid from proprietary fund revenues.

The City has, in past years, in-substance retired certain general obligation bonds by placing the proceeds of new bond issues in an irrevocable trust to provide for all future debt service payments on the bonds to be defeased. The bond proceeds deposited in the trust account are accounted for as an in-substance retirement of debt and the bond liability removed from the statement of net assets.

General obligation warrants are direct obligations and pledge the full faith and credit of the City. These warrants generally are issued as 20-year serial warrants with increasing amounts of principal maturing each year.

There are a number of limitations and restrictions contained in the bond indentures. Management believes the City is in compliance with all limitations and restrictions.

The leases reported in the schedule of long-term debt are financing leases and have no provision for contingent rental payments.

NOTE 6 - LONG-TERM DEBT - Continued

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended September 30, 2016:

Description	Balance 9-30-15	Issued	Retired	Balance 9-30-16
Governmental Activities				
General obligation warrants:				
General government -(series 2006)- 3.25%- 4.375%	$ 2,595,050	$ -	$ 2,595,050	$ -
General government - (series 2007A) 5.7%-5.9%	8,365,000	-	8,365,000	-
General government - (series 2010) 2.0%-4.2%	1,985,000	-	140,000	1,845,000
General government - (series 2010A) 1.0%-6.125%	4,720,000	-	4,720,000	-
General government - (series 2011-A) 2.5%- 4.15%	9,995,000	-	-	9,995,000
General government - (series 2011-B) 1.1%- 2.0%	550,000	-	125,000	425,000
General government - (series 2014-A) 0.5%- 1.25	1,270,000	-	415,000	855,000
General government - (series 2013-B) 0.5%- 2.9%	5,405,000	-	650,000	4,755,000
General government - (series 2014-C) 3.0%- 4.0%	8,725,000	-	-	8,725,000
General government - (series 2015-A) 0.8% to 4.3%	-	9,600,000	-	9,600,000
General government - (series 2015-C) 2.0% to 4.0%	-	2,779,650	127,800	2,651,850
General government - (series 2015-D) 2.0% to 4.0%	-	5,570,000	265,000	5,305,000
General government - (series 2015-E) 2.0% to 4.0%	-	710,000	-	710,000
General government - (series 2016-A) 2.03%	-	125,426	-	125,426
Other long-term debt:				
Oshkosh Capital - Payable annually at $122,430 including interest at 2.53%. Lease matures in 2022 and is secured by fire equipment with a book value of $1,002,408.	774,998	-	102,435	672,563
BB&T Government Finance - Payable monthly at $5,320 including interest at 2.29%. Lease matures in 2023 and is secured by garbage pickup vehicles and equipment with a book value of $479,887.	421,587	-	54,759	366,828
Oshkosh Capital - Payable annually at $96,076, including interest at 3.02%. Lease matures in 2030 and is secured by fire equipment with a book value of $1,113,473.	1,145,287	-	61,488	1,083,799
Renasant Bank - Payable monthly at $7,354, including interest at 2.22%. Lease are for five years maturing in 2020 and are secured by nine vehicles with a book value $410,240.	410,614	-	79,913	330,701
Governmental funds total	46,362,536	18,785,076	17,701,445	47,446,167
Business-type Activities				
General Obligation - (series 2006) - Variable	1,059,950	-	1,059,950	-
General Obligation - (series 2007C) - 5.29%-6.32%	4,290,000	-	4,290,000	-
General Obligation - (series 2010) - 2.00%-4.20%	3,005,000	-	240,000	2,765,000
General Obligation - (series 2015-B) 0.8% to 4.375%	-	5,145,000	-	5,145,000
General Obligation - (series 2015-C) 2.0% to 4.0%	-	1,135,350	52,200	1,083,150
Other long-term debt:				
Capitalized lease - 2012 John Deere Backhoe Loader payable monthly at $1,243 including interest at 4%.. Lease matures in 2018 .	34,313	-	11,498	22,815
Capitalized lease - 2012 John Deere Excavator Loader payable monthly at $938 including interest at 4%. Lease matures in 2018.	25,034	-	8,703	16,331
Business-type Activities total	8,414,297	6,280,350	5,662,351	9,032,296
Total all long-term debt	$ 54,776,833	$ 25,065,426	$ 23,363,796	$ 56,478,463

NOTE 6 - LONG-TERM DEBT - CONTINUED

Long-Term Debt Maturities

Long-term bonded debt maturities, including principal and interest, are as follows:

Year ending	General Government		Business-Type Activities		
Sept. 30,	Principal	Interest	Principal	Interest	Total
2017	3,202,015	1,472,061	545,829	297,926	5,517,831
2018	2,555,068	1,428,182	530,167	286,571	4,799,988
2019	2,548,185	1,379,809	533,500	274,418	4,735,912
2020	2,449,314	1,320,805	543,500	260,275	4,573,894
2021	2,495,619	1,259,611	563,500	244,546	4,563,276
2022	2,588,258	1,193,596	571,400	227,549	4,580,803
2023	2,176,565	1,124,624	507,850	214,693	4,023,732
2024	1,960,912	1,062,750	519,300	202,110	3,745,072
2025	2,019,209	999,270	544,300	184,245	3,747,024
2026	2,241,695	929,577	557,200	165,116	3,893,588
2027	2,321,706	853,565	578,650	144,247	3,898,168
2028	2,391,792	775,873	345,100	121,546	3,634,311
2029	2,554,488	688,954	351,550	103,296	3,698,288
2030	2,647,342	592,291	374,450	89,676	3,703,759
2031	2,634,100	494,069	380,900	75,352	3,584,421
2032	2,746,200	390,362	403,800	59,341	3,599,703
2033	2,858,300	275,528	416,700	41,637	3,592,165
2034	2,496,850	165,300	438,150	23,190	3,123,490
2035	2,373,950	64,927	251,050	8,375	2,698,302
2036	184,599	3,692	75,400	1,508	265,199
Total	$ 47,446,167	$ 16,474,846	$ 9,032,296	$ 3,025,617	$ 75,978,926

NOTE 7 - RESERVED AND RESTRICTED NET ASSETS AND FUND BALANCE

The City's general obligation water warrant covenants do not require reservations of the water system's retained earnings.

Net Assets are restricted as follows:

	Governmental Net Position	Governmental Funds Balance
Cash restricted for construction from bonded debt	$ 4,148,592	$ 1,210,750
Special Revenue Funds	1,210,750	44,558
Other restricted and committed cash	44,558	-
Investment in capital assets	43,265,831	-
Non-spendable assets	-	187,740
Internal receivables	-	77,804
Special revenue fund receivables	45,076	45,076
Total restricted assets	48,714,807	5,638,377
Less:		
Bonded debt related to capital assets	46,736,167	-
Special revenue fund accounts payable	408,350	-
	47,144,517	-
Restricted net assets and fund balance	$ 1,570,290	$ 5,638,377

NOTE 8 - CONTINGENT LIABILITIES

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

In 2011, the City entered into an agreement to guarantee the repayment of a $575,000 loan made by Jefferson County, Alabama to Commercial Development Authority of Irondale (The Authority), a component unit of the City. Repayment of this indebtedness began in 2014 by The Authority and the debt matures in 2026. The current balance on this loan is $448,333.

The City is a defendant in several lawsuits. The City's position is to defend itself vigorously against all claims.

NOTE 9- 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; employee medical benefits; workers' compensation; and natural disasters for which the City carries commercial insurance. Management believes the amount of insurance maintained is adequate to protect the City from significant loss. The City maintains a limited risk management program for an employee dental plan. Premiums are paid into the general fund by all employees, and are available to pay claims, claim reserves and administrative costs of the program. These premiums are used to reduce the amount of claims expenditure reported in the general fund. There were no significant reductions in insurance coverage during the year ended September 30, 2016, and no settlement amounts exceeded insurance coverage in any of the previous three years. Dental plan liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim trends including frequency and amount of pay-outs and other economic and social factors. The liability for claims is reported in the general fund because it is expected to be liquidated with expendable available financial resources. Changes in the balances of claim liabilities during the past two years are as follows:

	2016	2015
Funds available for claims, October 1,	$ 47,665	$ 48,132
Premiums received	69,800	45,380
Claim payments	(41,355)	(45,847)
Funds available for claims, September 30,	$ 76,110	$ 47,665

NOTE 10 - ECONOMIC DEPENDENCY

The City is economically dependent on sales tax collected from a small number of taxpayers. Sales and use tax revenue accounted for 48.6% percent of total governmental fund type revenues for the fiscal year ended September 30, 2016. Sales and use tax revenues received from ten major taxpayers accounted for $4,756,212 or 56.2% percent of the total $8,463,272 sales and use tax collected City-wide.

NOTE 11 - PENSION PLAN

The City contributes to the Employees' Retirement System of Alabama (RSA), an agent multiple-employer public retirement system, that acts as a common investment and administrative agent for the various state agencies and departments.

NOTE 11 - PENSION PLAN - CONTINUED

Plan Description

The Employee's Retirement System of Alabama, an agency multiple-employer plan, was established October 1, 1945 under the provisions of Act 515 of the Legislature of 1945 for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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 rants 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 disbility benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. Employees who retire after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age), are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

NOTE 11 - PENSION PLAN - Continued

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

Members are elegible 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. Pre-retirement death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status and eligibility for retirement.

The ERS services appoximately 846 local participating employers. The participating employers include 287 cities, 65 counties, and 494 other public entities. The ERS membership includes approximately 83,874 participants. As of September 30, 2015, the City's membership consisted of:

Retirees and beneficiaries currently receiving benefits	59
Vested inactive members	1
Non-Vested inactive members	6
Active Members	152
Total	**218**

Contributions. Members of the ERS who were covered prior to January 1, 2013 contribute 5% of earnable compensation to the ERS as required by statute except certified law enforcement, officers, and firefighters who contribute 6%.

Tier 2 members of the ERS are those employees who become covered subsequent to January 1, 2013. Tier 2 members contribute 6% earnable compensation to the ERS except certified law enforcement and fire fighters who contribute 7% of earnable compensation.

NOTE 11 - PENSION PLAN - Continued

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2016 the average active employee contribution rate was 5.65% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 11.45% of covered employee payroll.

The City's contractually required contribution rate for the year ended September 30, 2016 was 11.21% of pensionable pay for Tier 1 employees, and 8.72% 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 were $891,563 for the year ended September 30, 2016.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2015, and the total pension liability used to caculate the net pension liability was deteremined by an actuarial valuation as of September 30, 2013 rolled forward to September 30, 2015 using standard roll-forward techniques as shown in the following table:

		Expected 2015	Actual 2015
Total pension liability, September 30, 2014	(a)	28,104,818	27,948,116
Entry Age Normal Cost for October 1, 2014-September 30, 2015	(b)	653,499	653,499
Actual Benefit Payments and Refunds for October 1, 2014 – September 30, 2015	(c)	(1,723,725)	(1,723,725)
Total Pension Liability, as of September 30, 2015 (d) = ((a) x (1.08)) + (b) – ((c) x (1.04))	(d)	29,214,028	29,044,790
Difference between expected and actual experience (gain)/loss			$ (169,238)

NOTE 11 - PENSION PLAN - Continued

Actuarial Assumptions

The total pension liability in the September 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	3.75% - 7.25%
Investment rate of return*	8.00%

*Net of pension plan investment expense

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

The actuarial assumptions used in the September 30, 2013 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

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 weighing 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	25.00%	5.00%
U.S. Large Stocks	34.00%	9.00%
U.S. Mid Stocks	8.00%	12.00%
U.S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	**100.00%**	

*Includes assumed rate of inflation of 2.50%

NOTE 11 - PENSION PLAN - Continued

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 8%. 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 the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those asusmptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance as September 30, 2014	$ 28,104,818	$ 20,970,827	$ 7,133,991
Changes for the year:			
Service Cost	653,498	-	653,498
Interest	2,179,436	-	2,179,436
Changes of assumptions			
Difference between expected and actual experience	(169,238)	-	(169,238)
Contributions - employer	-	764,327	(764,327)
Contributions - employee	-	451,105	(451,105)
Net investment income	-	246,666	(246,666)
Benefit payments, including refunds of employee contributions	(1,723,725)	(1,723,725)	-
Transfers Among Employers	-	149,732	(149,732)
Net Change	939,971	(111,895)	1,051,866
Balance at September 30, 2015	$ 29,044,789	$ 20,858,932	$ 8,185,857

Sensitivity of the net pension liability to changes in the discount rate

The following table presents the Board's net pension liability calculated using the discount rate of 8%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discout rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7%)	Current Rate (8%)	1% Increases (9%)
Board's net pension liability	$ 11,435,935	$ 8,185,857	$ 5,420,378

NOTE 11 - PENSION PLAN - Continued

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2015. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2014. The auditor's report on the Schedule of changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended September 30, 2015 the City recognized pension expense of $675,213. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual experience	$ -	$ 143,201
Changes of assumptions	-	-
Net difference between projected and actual earnings on plan investments	680,760	-
Employer contributions subsequent to measurement date	-	-
Total deferred inflows and outflows related to pension liabilities	$ 680,760	$ 143,201
Payments made to pension plan subsequent to measurement date	915,655	-
Cost to issue bonds for purposes of defeasance of existing bonds	4,676,138	-
Total deferred outflows and inflows of resources	$ 6,272,553	$ 143,201

Deferred outflows and inflows of resources are allocated as follows:

Governmental entity wide	$ 5,737,319	$ 134,851
Water proprietary fund	535,234	8,350
Total	$ 6,272,553	$ 143,201

NOTE 11 - PENSION PLAN - Continued

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

Year ended September 30:	
2017	$ 106,439
2018	106,439
2019	106,441
2020	257,293
2021	(26,037)
Thereafter	(13,016)

NOTE 12 - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time classified employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the participant or beneficiary) solely the property of the City.

It is the opinion of the City's management that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

NOTE 13 - WATER CUSTOMER INFORMATION (UNAUDITED)

Water customers are classified as either residential or commercial depending on the meter size. There are no unmetered customers. Customer revenue and rates by class of customers are as follows:

Customer Class	Number of Customers	Gross Revenue	Rate Schedule
Residential	2,896	$ 1,137,817	First 2,000 gallons rate determined by the size of meter (5/8"- $14.10, 1"- $24.00); all over 2,000 gallon at $3.85 per 1,000 gallons
Commercial	348	797,574	First 2,000 gallons rate determined by size of meter; all over 2,000 gallons at $3.85 per 1,000 gallons
	3,244	$ 1,935,391	

NOTE 14 - WATER DEPARTMENT INSURANCE COVERAGE

Property Coverage		
Blanket limit on buildings and contents, all losses including theft	$	4,896,932
Accounts receivable		100,000
Deductibles $1,000 each loss occurrence, $100,000 earthquake and flood		
Inland Marine Equipment Coverage		
Special perils including theft, scheduled equipment values		96,873
Unscheduled Miscellaneous Tools and Equipment		
Employee tools		125,000
Rental equipment		125,000
Unscheduled tools		50,000
Automobile		
Bodily injury/Property damage - Combined limit		2,000,000
Uninsured motorists - Each occurrence		100,000
Comprehensive deductible		1,000
Collision deductible		1,000
General Liability		
General total limit		2,000,000
Products/Completed work total limit		2,000,000
Personal injury each person limit		2,000,000
Each event limit		2,000,000
Deductible and sewer deductible per claim		1,000
Employee benefits liability		
Each event		3,000,000
Each employee		1,000,000
Deductible		1,000

NOTE 15 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description
The City contributes to the Alabama Local Government Health Insurance Program, an agent multiple-employer public health insurance system, that acts as a common insurer and administrative agent for the various state agencies and departments. Medical, drug and dental benefits are offered for pre-Medicare retirees.

Eligibility for Allowance:
The City shall pay for continuing health benefits for eligible retired City employees under the Health Care Plan of the City of Irondale subject to the following requirements:

Class I employees: All full-time City employees at the time of their retirement:

A. Who have been enrolled in the City's health plan at the time of his/her retirement
B. Who have 25 or more employment years of service with the City, or
C. Whose combined years of service with the City plus age equal 75 or more years

Class II employees: All full-time employees at the time of their retirement who are age 60 or greater and have been enrolled in the City's health plan at the time of his/her retirement and have 10 or more years of service and who do not qualify as a Class I retiree.

Currently, the health care plan has 120 active members, and 3 retired members, with 123 of those participating in the health plan.

Dental coverage is available at full cost to the retiree. The Alabama Local Government Health Insurance Program issues a publicly available financial report that includes financial statements and required supplemental information for the Employees' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

The City of Irondale has established a trust to receive and hold payments set aside to fund eligible retired employees health insurance costs. The trust does not issue annual financial statements.

Amount of Allowance:
Retirees are offered coverage through the Alabama Local Government Health Insurance Program. The amount of coverage is as follows:
Class I employees: The city shall pay the premium amount being paid for the individual active employees toward the retiree's premium. Retiree's spouse and/or dependents shall be covered to the extent of the amount paid at the time of retirement.

Class II employees: The Class II retiree shall pay the full cost of individual, dependent and/or family coverage elected by said retiree.

NOTE 15 - OTHER POST EMPLOYMENT BENEFITS (OPEB) - Continued

Contribution Requirements

An actuarial study was performed for the plan as of September 30, 2015 and the actuarially determined contribution for the year beginning October 1, 2015 was calculated to be $74,524. Insurance premiums paid for retired workers of $21,276 are considered to offset this required contribution making the net contribution $53,248.

Annual required contribution (ARC)	$	74,524
Amounts applied toward ARC		
Contributions made (premiums paid during year for retired plan members)		(21,276)
Increase (decrease) in net OPEB obligation		53,248
Adjustment for prior year over accrued		(278,054)
Beginning net OPEB obligation (NOO)		417,799
Ending net OPEB obligation (NOO)	$	192,993

Actuarial Valuation

The actuarial valuation is made triennially one year in arrears. The most recent valuation was made as of September 30, 2015.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)*	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll ©	UAAL as a Percentage of Covered Payroll ((b-a) / c)
9/30/13	$ 298,378	$ 755,708	$ 457,330	39.5	$ 7,277,912	6.3
9/30/15	$ 533,282	$ 726,275	$ 192,933	73.4	$ 7,789,467	2.5

NOTE 15 - OTHER POST EMPLOYMENT BENEFITS (OPEB) - Continued

Last Valuation date	09/30/15
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment rate of return*	7.00%
Medical cost trend rate	8.00 - 5.00%
Year of Ultimate trend rate	2016
*Includes inflation at	2.50%

NOTE 16 - COMMITMENTS

The City has entered into inducements with businesses to locate within the City of Irondale. These agreements run through the year 2026 and require sales tax reductions of amounts up to $2,186,729 per year with the total not to exceed $13,228,396 over the remaining life of the agreements. In 2016, $128,196 was paid under these agreements.

NOTE 17 - MAYOR AND COUNCIL MEMBERS

Mayor and council members of the City of Irondale at September 30, 2016 were as follows:
Mr. Tommy Joe Alexander, Mayor
Mr. Terry Bearden, President
Mr. Donna Pike, Council Pro Tempore
Mr. Craig Sanderson, Council Member
Mr. Bobby Joe Wilson, Council Member
Mr. John London, Council Member

NOTE 18 - SUBSEQUENT EVENTS

Subsequent events were evaluated through May 16, 2017, which is the date the financial statements were available to be issued. Management has concluded there were no events or transactions during this subsequent reporting period that requires recognition or disclosure in the financial statements.

REQUIRED
SUPPLEMENTARY INFORMATION

THE CITY OF IRONDALE, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
- BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	$1,442,628	$ 11,442,628	$ 11,196,950	$ (245,678)
Licenses and permits	2,042,900	2,042,900	1,941,342	(101,558)
Intergovernmental	442,900	442,900	1,916,133	1,473,233
Charges for services	1,001,000	1,001,000	912,063	(88,937)
Fines and forfeitures	303,000	303,000	435,680	132,680
Interest	500	500	2,745	2,245
Other	819,800	819,800	1,005,093	185,293
Total revenues	16,052,728	16,052,728	17,410,006	1,357,278
Expenditures:				
Government administration	2,945,125	2,945,125	8,545,829	(5,600,704)
Public safety	6,589,135	6,589,135	7,107,157	(518,022)
Streets, sanitation and parks	3,115,912	3,115,912	3,047,711	68,201
Library	408,250	408,250	461,387	(53,137)
Senior citizens	305,696	305,696	236,995	68,701
Public relations and beautification	152,279	152,279	64,363	87,916
Total operations	13,516,397	13,516,397	19,463,442	(5,947,045)
Capital outlays	50,900	50,900	13,250	37,650
Total expenditures	13,567,297	13,567,297	19,476,692	(5,909,395)
Excess (deficiency) of revenues over (under) expenditures	2,485,431	2,485,431	(2,066,686)	(4,552,117)
Other financing sources (uses):				
Operating transfers in			1,058,730	1,058,730
Operating transfers out			(4,449,648)	(4,449,648)
Debt service principal	(2,555,000)	(2,555,000)	(17,407,548)	(14,852,548)
Debt service interest			(1,523,203)	(1,523,203)
Proceeds of bonds issued			18,593,528	18,593,528
Total other financing sources (uses)	(2,555,000)	(2,555,000)	(3,728,141)	(1,173,141)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	$ (69,569)	$ (69,569)	(5,794,827)	$ (5,725,258)
Fund balances, beginning			10,556,927	
Fund balances, ending			$ 4,762,100	

THE CITY OF IRONDALE, ALABAMA
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2016

NOTE 1 - COMPLIANCE AND ACCOUNTABILITY

Budget Requirements, Accounting, and Reporting

Requirements for all funds:

Annual budgets are adopted for the City's general fund. The budget is based on expected expenditures by program within a fund and estimated resources by source for all funds.

Appropriation control (City Council appropriated budget) is by department and line item within a department. The budget may be amended to transfer amounts among line items or departments. The budget was not amended during the year. Budgetary comparison schedules are presented in the Supplemental Section as Required Supplemental information. The budgetary basis is the modified accrual basis of accounting.

Excess of Expenditures Over Appropriations

For the year ended September 30, 2016, expenditures exceeded appropriations by $2,066,686 before other financing sources (uses) comparing budget to actual by department, the government administration exceeded budget by $5,600,704, public safety by $518,022 and library by $53,137. Other departments expenditures were within budget. The excess of expenditures in the administration department was due principally to economic stimulus payments for businesses to locate in Irondale. The public safety department budgets were exceeded due to higher payroll costs and employee benefit costs; and the library spent more on programs.

THE CITY OF IRONDALE, ALABAMA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Schedule of Changes in the Net Pension Liability

	2015	2014
Total Pension Liability		
Service Cost	$ 653,499	$ 628,940
Interest	2,179,436	2,090,325
Difference between expected benefit payments including refunds of employee contributions	(1,723,725)	(1,487,028)
Net Change In Total Pension Liability	939,972	1,232,237
Total Pension Liability, Beginning of Year	28,104,818	26,872,581
Total Pension Liability, End of Year	$ 29,044,790	$ 28,104,818
Plan Fiduciary Net Position		
Contributions - Employer	$ 764,327	$ 729,456
Contributions - Employee	451,105	389,541
Net Investment Income	246,666	2,263,366
Benefit payments including refunds of employee contributions	(1,723,725)	(1,487,028)
Transfers among employers	149,732	55,760
Net Change in Plan Fiduciary Net Position	(111,895)	1,951,095
Plan Net Position, Beginning of Year	20,970,827	19,019,732
Plan Net Position, End of Year	$ 20,858,932	$ 20,970,827
Net Pension Liability, End of Year	$ 8,185,858	$ 7,133,991
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.82%	74.62%
Covered Employee Payroll	7,270,204	6,384,074
Net Pension Liability as a Percentage of Covered Employee Payroll	112.59%	111.75%

THE CITY OF IRONDALE, ALABAMA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	2016	2015
Actuarially Determined Contribution	$ 898,985	$ 786,685
Contributions in relation to the actuarially determined contribution*	898,985	786,685
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll**	8,268,573	7,270,204
Contributions as a percentage of covered employee payroll	10.87%	10.82%

* Amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The contribution period runs from October 1 to September 30 of the year presented.
** Employer's covered payroll during fiscal year is the total payroll paid to covered employees. The fiscal year runs from October 1 to September 30 of the year presented.

Notes to Schedule
Actuarially determined contribution rates are calculated as of September 30 two years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2015 were based on the September 30, 2012 actuarial valuation.

Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	29 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.75% to 7.25%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation