

# City of Vestavia Hills, Alabama

## Financial Statements

September 30, 2015



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**City of Vestavia Hills, Alabama**  
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## **Independent Auditors' Report**

To the Mayor and City Council  
City of Vestavia Hills  
Vestavia Hills, Alabama

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Vestavia Hills, Alabama (the "City") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

**Emphasis of matter**

As discussed in Note 7 and 13 to the basic financial statements, during 2015 the Board adopted Governmental Accounting Standards Board Statement No 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statements No. 71, *Pension Transactions for Contributions Subsequent to the Measurement Date*. As a result of the adoption, the Board has restated its net position as of October 1, 2014 to comply with the pronouncements. Our opinion is not modified with respect to this matter.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Vestavia Hills, Alabama, as of September 30, 2015, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

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

*Other Information*

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

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing

standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

*Carly Riggs & Ingram, L.L.C.*

Birmingham, Alabama

June 10, 2016

**City of Vestavia Hills**  
**Management's Discussion & Analysis (MD&A)**  
**September 30, 2015**

The City of Vestavia Hills' Management Discussion and Analysis report provides an overview of the City's financial activities for fiscal year ended September 30, 2015. Please read the report in conjunction with the City's financial statements and notes to the financial statements that immediately follow this analysis.

**Financial Highlights: Significant Items to Note**

- ❖ The assets of the City exceeded the liabilities at the close of the 2015 fiscal year by \$73.24 million (net position).
- ❖ The City's net position decreased 23.1% (\$22 million) in the 2015 fiscal year resulting primarily from implementing GASB 68, recording the City's net pension liability, and the Economic Incentive Program, \$18.6 and \$4.79 million respectively.
- ❖ The total cost of the City's programs for the 2015 fiscal year was \$42.3 million. The net cost was \$33.5 million after subtracting grants and charges for services.
- ❖ At the end of the 2015 fiscal year, the general fund unassigned fund balance, excluding the City's committed funds for economic stabilization fund balance of \$9.08 million, was \$3.2 million, or 10.3% of the total general fund operating expenses before debt service.
- ❖ Major capital expenditures for the 2015 fiscal year totaled \$20.3 million including \$18.6 million for projects in progress and \$1.7 million for completed projects.
- ❖ The City decreased its outstanding General Obligation Warrants by \$2.3 million, inclusive of \$.350 million in QECB Debt Sinking Fund.

**Using the Annual Financial Report - An Overview for the User**

The annual financial report consists of five parts - *management's discussion and analysis* (this section), the *independent auditors' report*, the *basic financial statements*, *required supplementary information*, and *other supplementary information*.

The City's basic financial statements are comprised of three components: 1) *government-wide financial statements*, 2) *fund financial statements*, and 3) *notes to the basic financial statements*.

**Government-Wide Financial Statements** - The focus of these statements is to provide readers with a broad overview of the City's finances as a whole, similar to a private-sector business, instead of an individual fund basis.

*Government-wide statements* report both long-term and short-term information about the City's overall financial status including the capitalization of capital assets and depreciation of all exhaustible capital assets and the outstanding balances of long-term debt and other obligations. These statements report all assets and liabilities perpetuated

by these activities using the accrual basis of accounting. The accrual basis takes into account all of the City's current year's revenues and expenses regardless of when cash is received or paid. This approach moves the financial reporting method for governmental entities closer to the financial reporting methods used in the private sector.

The following *government-wide financial statements* report is on all of the governmental activities of the City as a whole.

The *statement of net position* (on page 5) is most closely related to a balance sheet. It presents information on all of the City's assets (what it owns) and liabilities (what it owes), with the difference between the two reported as net position. The net position reported in this statement represents the accumulation of changes in net position for the current fiscal year and all fiscal years in the past combined. Over time, the increase or decrease in net position reported in this statement may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* (on page 6) is most closely related to an income statement. It presents information showing how the City's net position changed during the current fiscal year only. All of the current year's revenues and expenses are accounted for in the *statement of activities* regardless of when cash is received or paid. This statement shows gross expenses and offsetting program revenues to arrive at net cost information for each major expense function or activity of the City. By showing the change in net position for the year, the reader may be able to determine whether the City's financial position has improved or deteriorated over the course of the current fiscal year.

However, the reader will also need to consider non-financial factors, such as changes in the City's property tax base and the condition of the City's infrastructure assets, in order to assess the overall health of the City.

***Fund Financial Statements*** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal and internal requirements. All of the funds of the City can be classified as governmental funds.

*Governmental Funds* - Governmental *fund financial statements* begin on page 7. These statements account for basically the same governmental activities reported in the *government-wide financial statements*. *Fund financial statements* presented herein display information on each of the City's most important governmental funds or *major funds*. This is required in order to better assess the City's accountability for significant governmental programs or certain dedicated revenue. The City's *major funds* are the General Fund, and the Capital Projects Fund.

The *Fund Financial Statements* are measured on the modified-accrual basis of accounting. As a result, the *fund financial statements* focus more on the near term use and availability of spendable resources. The information provided in these statements is useful in determining the City's immediate financial needs. This is in contrast to the accrual-based *government-wide financial statements*, which focus more on overall long-term availability of spendable resources. The relationship between governmental

activities reported in the *government-wide financial statements* and the governmental funds reported in the *fund financial statements* are reconciled on pages 8 and 10 of these financial statements. These reconciliations are useful to readers in understanding the long-term impact of the City's short-term financing decisions.

**Notes to the Basic Financial Statements** - The *notes to the basic financial statements* provide additional information that is essential for the statements to fairly represent the City's financial position and its operations. The notes contain important information that is not part of the basic financial statements. However, the notes are an integral part of the statements, not an appendage to them. The *notes to the basic financial statements* begin on page 12 in this section.

After the presentation of the basic financial statements, the *required supplementary information* is presented following the notes to the basic financial statements. The *required supplementary information* beginning on page 40 provides a comparison of the adopted budget of the City's General Fund to the actual operating results for the fiscal year. The comparison of this data allows users to assess management's ability to project and plan for its operations throughout the year.

### **Analysis of the City of Vestavia Hills' Overall Financial Position**

As indicated earlier, net position may serve over time as a useful indicator of a government's financial position. Refer to *Table 1* when reading the following analysis of net position.

**Table 1: Summary of Net Position**

	As of September 30, (dollars in thousands)	
	<u>2015</u>	<u>2014</u>
Assets:		
Current and other assets	\$ 26,582	\$ 44,432
Capital assets	132,102	118,355
Total Assets	<u>158,684</u>	<u>162,787</u>
Deferred outflows	<u>1,830</u>	<u>-</u>
Liabilities:		
Other liabilities	4,116	3,705
Long-term liabilities	<u>81,865</u>	<u>63,814</u>
Total Liabilities	85,981	67,519
Deferred inflows	1,289	-
Net position:		
Net investment in capital assets	76,917	82,529
Restricted	951	890
Unrestricted	<u>(4,624)</u>	<u>11,850</u>
Total Net Position	<u>\$ 73,244</u>	<u>\$ 95,269</u>

The City's assets exceeded liabilities by \$73.24 million at September 30, 2015.

Net investment in capital assets of \$76.9 million reflect the City's investment in capital assets (e.g., land, infrastructure, buildings, improvements other than buildings, fixtures, furniture, equipment and transportation equipment), less accumulated depreciation and debt related to the acquisition of the assets. Since these capital assets are used in governmental activities, this portion of net assets is not available for future spending or funding of operations.

Restricted net position in the amount of \$951,000 represents net assets reserved for payment to the Debt Sinking fund, \$350,000, prepayment of the 2016 debt service, \$600,000, and road maintenance, \$900. Unrestricted net assets of (\$4.63) million resulted principally from implementing GASB 68 (recording of City's net pension liability, \$18.6 million), economic incentive program, \$4.9 million and "Other Post Employment Benefits" (OPEB) Actuarial Trust funds, \$158,000 net of current liability, \$27,000.

### Analysis of the City of Vestavia Hills' Operating Results

The results of this fiscal year's operations as a whole are reported in detail in the *Statement of Activities* on page 6. *Table 2* below condenses the results of operations for the fiscal year into a format where the reader can easily see the total revenues of the City for the year. It also shows the impact that operations had on changes in net position as of September 30, 2015 and 2014.

**Table 2: Summary of Changes in Net Position**

	<b>Fiscal Year Ended</b>	
	<b>September 30,</b>	
	(dollars in thousands)	
	<u><b>2015</b></u>	<u><b>2014</b></u>
Program Revenues:		
Charges for services	\$ 7,697	\$ 6,037
Operating grants/contributions	642	553
Capital grants/contributions	435	326
General Revenues:		
Taxes	28,066	27,343
Utility franchise fees	2,780	2,684
Investment earnings	148	143
Miscellaneous	215	216
Sale of assets	172	139
Donation	14	5
Donated infrastructure assets	2,068	627
Economic incentives	<u>(3,320)</u>	<u>0</u>
Total Revenues	38,917	38,073
Program Expenses:		
General government	9,339	6,259
Public safety	16,556	16,332
Public works/Public services	9,667	5,428

Library	2,623	2,472
Parks & recreation/Pubic services	1,184	3,563
Interest on long term debt	2,949	2,853
Total Expenses	<u>42,318</u>	<u>36,907</u>
Change in net position	(3,401)	1,166
Net Position, beginning of year originally stated	<u>95,268</u>	<u>94,101</u>
Restatement (GASB 68-Note 13)	<u>(18,625)</u>	<u>-</u>
Net Position Beginning of year restated	<u>76,643</u>	<u>-</u>
Net Position, ending	<u>\$ 73,242</u>	<u>\$ 95,267</u>

The City's revenues, excluding donated infrastructure assets, which do not provide spendable funds, decreased \$597,000 or 1.59%. The decrease resulted principally from implementing an economic incentive program, \$4.79 million, focused on enhancing future revenue growth. The revenue decrease was partially offset by increases in several revenue categories: \$1.66 million or 27.50% in charges for services, \$109,000 or 33.44% in capital grants and contributions, and \$723,000 or 2.64% in taxes.

The charges for services increase resulted principally from a partnership agreement with Daniel Corporation for the development of Patchwork Farms, \$1.05 million, building permits/new construction, business licenses, and court and fines revenues exceeding fiscal year 2014 by \$557,500 or 44%, \$295,100 or 13.43% and \$123,000 or 33.69%, respectively.

The City's program expenses increased \$5.4 million or 14.66%. The increase resulted principally within the areas of general government administration, \$3.08 million or 49.20%, and public services, \$1.86 million or 20.69%. The general government administration increase was principally due to granting economic incentives and acquiring the services of professional consultants to develop Patchwork Farms. The Public Services increase, which includes the areas of Public Works and Parks & Recreation, was principally due to street paving projects.

*Table 3* is a condensed statement taken from the Statement of Activities on page 6 showing the total cost for providing services for six major City activities. Total cost of services is compared to the net cost of providing these services. The net cost of services is the remaining cost of services after subtracting grants and charges for services that the City used to offset the program's total cost. In other words, the net cost shows the financial burden that was placed on all taxpayers for each of these activities. This information allows citizens to consider the cost of each program in comparison to the benefits provided.

**Table 3: Net Cost of Government-Wide Activities**

	<b>Fiscal Year Ended September 30, 2015</b> (dollars in thousands)	
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
General government administration	\$ 9,339	\$ 4,362
Public safety	16,556	15,276
Public works/Public services	9,667	7,839
Library	2,623	2,376
Parks and recreation/Public services	1,184	743
Interest on long term debt	2,949	2,949
Total	<u>\$ 42,318</u>	<u>\$ 33,545</u>

### **Performance of City Funds**

As noted earlier, the City uses fund accounting to control and manage resources in order to ensure compliance with finance-related legal and internal requirements. Using funds to account for resources for particular purposes helps the reader to determine the City's accountability for these resources whether provided by taxpayers and other entities, and to help to provide more insight into the City's overall financial health. The following analysis of the City's funds should be read in reference to the *fund financial statements* that begin on page 7.

**Governmental Funds** - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the City's financial requirements (Note: the reconciliation statement between the *fund financial statements* and the *government-wide financial statements* are presented on pages 8 and 10). At the end of the fiscal year, the City's governmental funds reported a combined fund balance of \$21.9 million, which includes a \$9.08 million committed fund balance to be used for economic stabilization in the event of an unforeseen emergency and \$3.2 million of unassigned general fund balance which is available for future needs.

### **Budgetary Highlights of the General Fund**

On or before October 1 of each year, the City Manager prepares and submits an annual budget to be adopted by the City Council. The fiscal 2015 budget was adopted August 25, 2014. The comparison of the general fund budget to the actual results is detailed in the "Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual" on page 41. The City's actual results as compared to the City's budget can be briefly summarized as follows:

- ❖ Actual revenues exceeded budget by \$822,300 or 2.39%. Taxes and other revenues were under budget totaling \$134,700; however, the decrease was offset due to licenses and permits, charges for services, fines and forfeitures, fees, grants, proceeds from sale of assets, and investment revenues exceeding budget totaling \$957,000.

- ❖ Actual expenditures exceeded budget by \$1.16 million or 3.74%. Public safety and library were under budget totaling \$402,600; however, the decrease was offset due to expenditures exceeding budget in general government administration, public works, and capital outlay totaling \$1.56 million. The expenditures were non-budgeted, but authorized to enhance future revenue growth which are as follows: economic incentives, professional consultant services for development of Patchwork Farms, street paving projects, construction of I-65 gateway, Cahaba Heights road, McCallum Park, and the library parking lot.

### **Capital Assets and Debt Administration**

**Capital Assets** - The City's investment in capital assets for governmental activities for the year ended September 30, 2015, amounted to \$76.9 million, net of accumulated depreciation and debt related to the acquisition of the assets. The City's investment in capital assets, which includes land, land improvements, infrastructure, buildings and improvements, fixtures, equipment, vehicles and furniture at actual or estimated historical cost, equipment under capital lease, and construction in progress, is shown in *Table 4*. Assets are presented net of accumulated depreciation.

**Table 4: Capital Assets (net of accumulated depreciation)**

	<b>Fiscal Year Ended September 30, (dollars in thousands)</b>	
	<b>2015</b>	<b>2014</b>
Land	\$ 67,322	\$ 70,445
Construction-in-progress	23,239	4,636
Infrastructure-in-progress	1,334	-
Buildings	9,415	10,805
Improvements	5,135	5,563
Recreational facilities	12,248	13,209
Vehicular equipment	3,648	3,470
Equipment and fixtures	2,747	3,029
Books and artwork	706	712
Infrastructure	6,308	6,486
Capital assets, net of depreciation	<u>\$ 132,102</u>	<u>\$ 118,355</u>

Additions to capital assets during the current year included the following:

Donated Infrastructure assets (streets)	\$	143
Construction-in-progress projects (includes sidewalk design and construction)		18,604
Infrastructure-in-progress project		1,334
Land		591
Vehicles		807
Equipment, furniture & fixtures		443
Computer equipment and software		169
Recreational facilities		4
Books & Artwork		180
	\$	<u><u>22,275</u></u>

**Long-Term Debt** - At year-end, the City had \$61.5 million in general obligation warrants, capital lease contracts payable and other long-term debt outstanding. This is a decrease of 1.57% in debt from last year, as shown in *Table 5* below.

**Table 5: Outstanding Debt**

**As of September 30, 2015**  
(dollars in thousands)

	<u>Beginning Balance</u>	<u>Net Change</u>	<u>Ending Balance</u>
Governmental activities:			
Warrants payable	\$ 58,305	\$ (965)	\$ 57,340
Capital leases	2,487	207	2,694
Compensated absences	<u>1,666</u>	<u>123</u>	<u>1,789</u>
<b>Totals</b>	<b>\$ <u>62,458</u></b>	<b>\$ <u>(635)</u></b>	<b>\$ <u>61,823</u></b>

Long-term debt activity for the year consisted of the following:

- ❖ The City reduced its General Obligation Warrants by \$2.3 million including payment of \$342,101 to debt sinking fund for QECB payment.
- ❖ The long-term liability in compensated absences increased due to accumulated compensatory time city wide.
- ❖ A favorable bond rating facilitates the City's ability to meet financial obligations. Moody's Investors Service and Fitch Ratings assigned the City of Vestavia Hills a rating of Aa1 and AA+ in August 2015.

## Economic Factors and Next Year's Budget

**Ad Valorem Tax** – The City's ad valorem tax is based on an annual reassessment of real property. Over the previous six years, ad valorem taxes have shown some volatility resulting primarily from tornados which severely damaged and/or destroyed local residence and businesses. The rebuilding of residential structures and businesses has resulted in increase collections of ad valorem taxes. The corresponding annual percentage changes are reflected below.

<u>Fiscal</u> <u>Year</u>	<b>Ad Valorem Taxes - Real</b>		
	<u>Collection</u>	<u>Variance</u>	<u>%</u> <u>Change</u>
2010	12,065,106	(170,059)	-1.39%
2011	11,860,083	(205,023)	-1.70%
2012	12,246,789	386,706	3.26%
2013	11,892,447	(354,342)	-2.90%
2014	12,284,147	391,700	3.30%
2015	12,265,526	(18,621)	-.15%

**Personnel Administration Costs** – The City's personnel administration is provided by the Personnel Board of Jefferson County (PBJC). Participating municipalities pay an annual fee based on the number of classified employees employed by the municipality times a percentage of the PBJC's operating budget. The City of Vestavia Hills paid \$258,028 in fiscal 2015, a 9.02% increase from fiscal 2014.

**Medical Costs** – The City of Vestavia Hills' health insurance is with the "Local Government Health Insurance Plan" provided through the State of Alabama Insurance Board. In fiscal 2015, Vestavia Hills retained its preferred insurance classification rating resulting from minimal medical claims and employees' participation in the State of Alabama Wellness Screening Program. Subsequently, City's health insurance did not increase.

**Retirement Costs** –The City's retirement program for employees is provided through the Retirement System of Alabama (RSA). Economic and market conditions in previous years resulted in increases in the City's required contribution to the program. The pension plan is currently funded at 70.69%, reflecting an unfunded liability of \$18.7 million. Vestavia Hills' contribution factors were unchanged from fiscal 2014 to fiscal 2015, 12.23% -Tier 1 and 9.93% - Tier 2, representing a budgeted contribution of \$1.84 million.

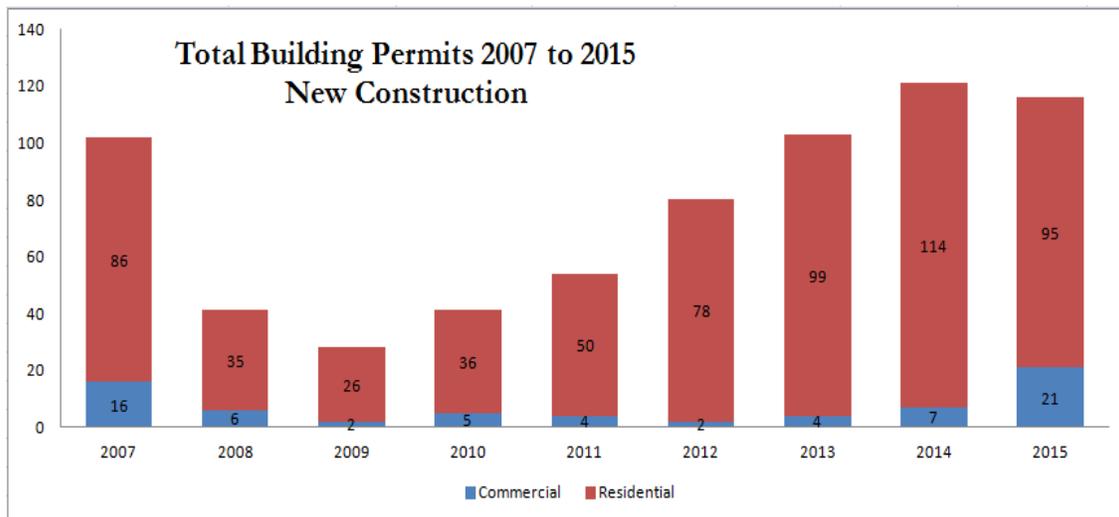
**Cost-of-Living Raise** – A 2% cost of living adjustment was included in the 2014-2015 fiscal budget.

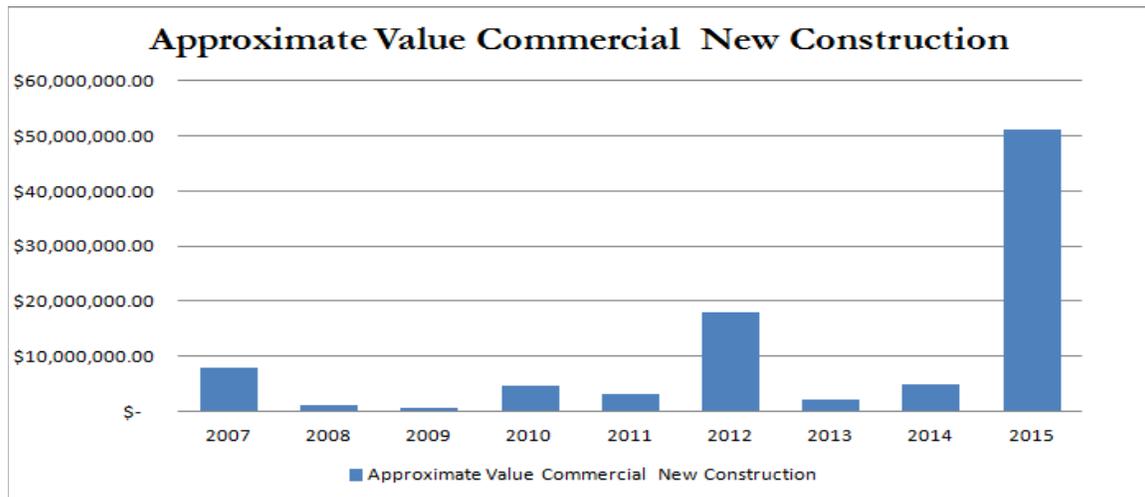
**Comments from City Manager:**

**“Current Year Economic Growth and Anticipated Results for the Next Fiscal Year”**

During FY 2015, the City of Vestavia Hills experienced record growth in commercial new construction and a relatively rapid pace in new home construction. The \$51 million in new commercial construction that commenced in FY 2015 resulted in a 72% growth in building permit fees and was the largest amount of commercial new construction in the recent past for Vestavia Hills. This level of construction also contributed to a 4.76% growth in sales tax receipts due to construction related material purchases. The growth was the result of the execution of the City’s economic development plan that relies upon public-private partnerships as the basis for its success. Notably, the Highway 31 and Patchwork Farms business corridors have led the way on these extraordinary results as expressed on exhibits one and two below. Given the City’s reliance upon the ad valorem tax and sales tax as its primary general fund revenue sources, the future looks bright for healthy revenue growth as the record construction will give way to a growth in taxable property values and several noteworthy retail development projects beginning to generate a significant sales tax revenue increase for the City in FY 2016 and FY 2017. (These projects include the Publix anchored retail center at Patchwork Farms and the Sprouts anchored retail center on Highway 31)

These positive general fund revenue results were matched with a careful expenditure of funds and resulted in a general fund surplus of \$615,000 for FY 2015. Several major capital improvement projects were completed during FY 2015 within budget and will serve as catalysts for sustaining the quality of life in Vestavia Hills as well as assisting in the economic sustainability of the City. These include the New City Hall, infrastructure work at Patchwork Farms and an aggressive road paving project for the City. The current fiscal year shows strong financial metrics and the future fiscal years’ results should trend toward even stronger results.





### **Contacting the City's Financial Management**

This financial report is designed to provide citizens, taxpayers, 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 financial information, contact Melvin Turner, III, Finance Director - City of Vestavia Hills, 513 Montgomery Highway, Vestavia Hills, AL 35216, or by calling (205) 978-0128, Monday through Friday, 8:00 a.m. to 5:00 p.m., Central Standard Time.

**City of Vestavia Hills, Alabama**  
**Statement of Net Position**

*September 30, 2015*

	<b>Governmental Activities</b>
<hr/>	
<b>Assets</b>	
Cash and temporary investments	\$ 22,250,366
Cash - restricted	1,001,680
Receivables	2,336,794
Inventory	41,372
Prepaid expenses	41,777
Bond issuance discount, net	910,080
Land	67,321,602
Construction in progress	23,239,441
Infrastructure in progress	1,334,085
Capital assets, net of accumulated depreciation	40,206,617
<hr/>	
<b>Total assets</b>	<b>158,683,814</b>
<hr/>	
Deferred outflows of resources	1,829,808
<hr/>	
<b>Liabilities</b>	
Accounts payable	3,131,319
Court and performance bonds payable	489,245
Bank overdraft	151,496
Accrued interest payable	344,461
Noncurrent liabilities	
Due within one year:	
Compensated absences	315,624
Warrants payable, net	2,565,000
Obligation due under long-term capital leases	861,439
Due in more than one year:	
Compensated absences	1,788,536
Warrants payable, net	55,791,458
Obligation due under long-term capital leases	1,832,703
Net pension liability	18,710,141
<hr/>	
<b>Total liabilities</b>	<b>85,981,422</b>
<hr/>	
Deferred inflows of resources	1,289,518
<hr/>	
<b>Net position</b>	
Net investment in capital assets	76,917,455
Restricted	950,613
Unrestricted (deficit)	(4,625,386)
<hr/>	
<b>Total net position</b>	<b>\$ 73,242,682</b>
<hr/>	

See accompanying notes to basic financial statements.

## City of Vestavia Hills, Alabama Statement of Activities

Year ended September 30, 2015

Program Activities	Expenses	Program Revenues			Net (Expense)
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Primary Government
					Total
<b>Primary government</b>					
Governmental activities:					
General government administration	\$ 9,339,081	\$ 4,683,836	\$ 3,500	\$ 290,038	\$ (4,361,707)
Public safety	16,555,537	696,521	560,564	22,524	(15,275,928)
Public works	9,666,673	1,828,125	-	-	(7,838,548)
Library	2,623,110	96,903	27,535	122,566	(2,376,106)
Parks and recreation	1,184,401	391,351	50,000	-	(743,050)
Interest on long-term debt	2,949,405	-	-	-	(2,949,405)
<b>Total primary government</b>	<b>\$ 42,318,207</b>	<b>\$ 7,696,736</b>	<b>\$ 641,599</b>	<b>\$ 435,128</b>	<b>(33,544,744)</b>

General revenues:

Taxes:

Ad Valorem (real and personal property)	13,842,366
Sales and use	12,031,846
Other taxes	2,191,632
Utility franchise fees	2,780,040
Investment earnings	148,391
Donations	14,021
Donated infrastructure assets	2,068,535
Miscellaneous	215,383
Gain on sale of assets	172,018
Economic incentive	(3,320,123)
	<u>30,144,109</u>

Change in Net position (3,400,635)

Net position - beginning of year as originally stated 95,268,318

Restatement (Note 13) (18,625,001)

Net position - beginning of year restated 76,643,317

**Net position at end of year** **\$ 73,242,682**

See accompanying notes to basic financial statements.

## City of Vestavia Hills, Alabama Governmental Funds Balance Sheet

<i>September 30, 2015</i>	<b>General</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>Assets</b>			
Cash and temporary investments	\$ 12,389,288	\$ 600,008	\$ 8,261,554
Cash - restricted	490,783	349,690	161,207
Accounts receivable, net of allowance for uncollectibles	1,835,770	-	371,794
Inventory	41,372	-	-
Prepaid expenses	41,777	-	-
Interfund receivables	-	-	-
<b>Total assets</b>	<b>\$ 14,798,990</b>	<b>\$ 949,698</b>	<b>\$ 8,794,555</b>
<b>Liabilities</b>			
Accounts payable	\$ 1,292,096	\$ -	\$ 1,594,159
Bank overdraft	-	-	-
Court and performance bonds payable	489,245	-	-
Interfund payables	-	-	-
<b>Total liabilities</b>	<b>1,781,341</b>	<b>-</b>	<b>1,594,159</b>
<b>Fund balance</b>			
Nonspendable	83,149	-	-
Restricted for:			
Road maintenance	-	-	-
Debt service requirement	-	949,698	-
Committed to:			
Capital projects	-	-	4,353,080
Emergency reserve	9,083,648	-	-
Assigned	650,887	-	2,847,316
Unassigned	3,199,965	-	-
<b>Total fund balance</b>	<b>13,017,649</b>	<b>949,698</b>	<b>7,200,396</b>
<b>Total liabilities and fund balance</b>	<b>\$ 14,798,990</b>	<b>\$ 949,698</b>	<b>\$ 8,794,555</b>

See accompanying notes to basic financial statements.

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 999,516	\$ 22,250,366
-	1,001,680
129,230	2,336,794
-	41,372
-	41,777
27,644	27,644
<u>\$ 1,156,390</u>	<u>\$ 25,699,633</u>

\$ 245,064	\$ 3,131,319
151,496	151,496
-	489,245
27,644	27,644
<u>424,204</u>	<u>3,799,704</u>

-	83,149
915	915
-	949,698
-	4,353,080
-	9,083,648
839,890	4,338,093
(108,619)	3,091,346
<u>732,186</u>	<u>21,899,929</u>
<u>\$ 1,156,390</u>	<u>\$ 25,699,633</u>

**City of Vestavia Hills, Alabama**  
**Reconciliation of the Governmental Funds**  
**Balance Sheet to the Statement of Net Position**

*September 30, 2015*

---

Fund balance - total governmental funds \$ 21,899,929

Amounts reported for governmental activities in the statement of net position are different because:

Deferred items related to debt issuance used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. 910,080

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.

Governmental capital assets	\$ 171,608,268	
Accumulated depreciation	<u>(39,506,523)</u>	132,101,745

Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds balance sheet. 1,829,808

Long-term liabilities are not due and payable in the current period and therefore, they are not reported in the governmental funds balance sheet.

Warrants payable, net	(58,356,458)	
Net pension liability	(18,710,141)	
Compensated absences	(2,104,160)	
Accrued interest payable	(344,461)	
Capital lease payable	<u>(2,694,142)</u>	<u>(82,209,362)</u>

Deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds balance sheet. (1,289,518)

**Net position of governmental activities \$ 73,242,682**

See accompanying notes to basic financial statements.

**City of Vestavia Hills, Alabama**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**

Year ended September 30, 2015

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 25,923,168	\$ -	\$ -	\$ 1,508,400	\$ 27,431,568
Licenses and permits	4,337,672	-	-	-	4,337,672
Intergovernmental	-	-	-	738,319	738,319
Charges for services	391,351	-	-	-	391,351
Fines and forfeitures	487,710	-	-	454,630	942,340
Fees	2,846,268	-	-	-	2,846,268
Grants	555,314	-	493,490	22,283	1,071,087
Proceeds from sale of assets	24,733	-	1,025,000	-	1,049,733
Investment revenues	74,447	5,958	66,747	1,240	148,392
Library revenues	-	-	-	102,551	102,551
Other revenues	618,934	214,743	1,140,488	-	1,974,165
<b>Total revenues</b>	<b>35,259,597</b>	<b>220,701</b>	<b>2,725,725</b>	<b>2,827,423</b>	<b>41,033,446</b>
<b>Expenditures</b>					
Current (operating):					
General government					
administration	6,785,107	131,925	1,643,171	408,939	8,969,142
Public safety	15,792,421	-	33,716	711,390	16,537,527
Public works	6,620,303	-	-	2,318,550	8,938,853
Library	1,558,926	-	44,743	82,525	1,686,194
Debt service	-	5,336,842	823,162	-	6,160,004
Capital outlay	195,076	-	19,881,259	186,447	20,262,782
<b>Total expenditures</b>	<b>30,951,833</b>	<b>5,468,767</b>	<b>22,426,051</b>	<b>3,707,851</b>	<b>62,554,502</b>
<b>Excess of revenues over (under) expenditures</b>	<b>4,307,764</b>	<b>(5,248,066)</b>	<b>(19,700,326)</b>	<b>(880,428)</b>	<b>(21,521,056)</b>
<b>Other financing sources (uses)</b>					
Donations	14,021	-	-	-	14,021
Operating transfers in	1,400,000	4,670,650	658,967	27,128	6,756,745
Operating transfers out	(5,106,745)	-	(1,400,000)	(250,000)	(6,756,745)
Other financing sources - proceeds of capital lease	-	-	1,045,673	-	1,045,673
Other financing uses - refunded bonds redeemed	-	(7,855,000)	-	-	(7,855,000)
Other financing sources - proceeds of refunding bonds	-	8,637,728	567,272	-	9,205,000
Other financing sources - original issuance premium	-	71,425	-	-	71,425
<b>Total other financing sources (uses)</b>	<b>(3,692,724)</b>	<b>5,524,803</b>	<b>871,912</b>	<b>(222,872)</b>	<b>2,481,119</b>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>615,040</b>	<b>276,737</b>	<b>(18,828,414)</b>	<b>(1,103,300)</b>	<b>(19,039,937)</b>
<b>Fund balance, beginning of year</b>	<b>12,402,609</b>	<b>672,961</b>	<b>26,028,810</b>	<b>1,835,486</b>	<b>40,939,866</b>
<b>Fund balance, end of year</b>	<b>\$ 13,017,649</b>	<b>\$ 949,698</b>	<b>\$ 7,200,396</b>	<b>\$ 732,186</b>	<b>\$ 21,899,929</b>

See accompanying notes to basic financial statements.

**City of Vestavia Hills, Alabama**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balances of Governmental Funds to the Government-Wide  
Statement of Activities**

*September 30, 2015*

Net change in fund balances - total governmental funds		\$ (19,039,937)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Expenditures for capital assets	\$ 20,207,520	
Less current year depreciation	<u>(3,835,194)</u>	16,372,326
<p>Some revenues reported in the government-wide statement of activities do not provide current financial resources and therefore are not reported as revenues in the governmental funds.</p> <p>The net effect of transactions involving the disposal of capital assets is to decrease net assets.</p>		
		(4,693,950)
<p>The effect of donated infrastructure assets is to increase net position.</p>		
		2,068,535
<p>The issuance of long-term debt provides current financial resources to governmental funds, but the issuance of the debt increases long-term liabilities in the government-wide statement of net position.</p>		
Proceeds of refunding bonds		(9,205,000)
Bond issuance premium		(71,425)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		10,170,000
<p>Some expenses reported in the government-wide statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Change in pension expense	\$ 455,150	
Change in long-term compensated absences	(144,646)	
Change in accrued interest payable	57,582	
Change in long-term debt (capital lease)	(206,695)	
Change in deferred items related to debt issuance	<u>837,425</u>	998,816
<b>Change in net position of governmental activities</b>		<b><u>\$ (3,400,635)</u></b>

See accompanying notes to basic financial statements.



**City of Vestavia Hills, Alabama**  
**Notes to Financial Statement Index**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Vestavia Hills, Alabama (the “City”) was incorporated on November 8, 1950. The City operates under a Council-Manager form of government organized to comply with the provisions of Title 11, Chapter 43, Sections 20-22 of the Code of Alabama 1975, as amended. The City Council is composed of five officials (four Councilors and the Mayor who serves as President of the Council) elected at-large for concurrent four year terms. The City Manager is appointed by the City Council. The terms of the current administration are scheduled to expire October 31, 2016.

The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applicable to the governmental units. This report, the accounting systems and classification of accounts conform to standards of the Governmental Accounting Standards Board (GASB) or, where applicable, the Financial Accounting Standards Board (FASB). The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

**A. Related Organization**

The City Council is responsible for appointing the members of the Vestavia Hills Board of Education (the Board). However, the City has no control or influence in the presentation or adoption of the Board's annual operating budget; the City is not responsible for any budget deficits incurred by the Board; and the Board has the authority to issue debt securities, which are neither secured by the City's revenues or obligations of the City. Accordingly, the financial statements of the Board are not presented in the accompanying financial statements because the City is not considered to be financially accountable for the Board.

The City currently receives advalorem taxes from the Jefferson County Tax Collector based on a total millage rate of 49.30 mills. Of the 49.30 mills received from the County, 20.55 mills are kept by the City to fund general government operations and the balance of 28.75 mills is remitted by the City to the Vestavia Hills Board of Education. During the year ended September 30, 2015, the total advalorem taxes remitted to the Board amounted to approximately \$16.2 million and \$236,077 was due the Board of Education at September 30, 2015.

**B. Government-Wide Financial Statements**

The statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include funds of the reporting entity except for fiduciary funds and component units that are fiduciary in nature (at year end the City had no fiduciary type activity).

Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**C. Fund Financial Statements**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary (the City has no proprietary or fiduciary funds at year end). An emphasis is placed on major funds within the governmental categories. At a minimum, governmental funds other than the general fund must be reported as major funds if they meet both of the following criteria:

- a. *Ten percent criterion.* An individual governmental fund reports at least 10 percent of any of the following: a) total governmental fund assets, b) total governmental fund liabilities, c) total governmental fund revenues, or d) total governmental fund expenditures.
- b. *Five percent criterion.* An individual governmental fund reports at least 5 percent of the aggregated total for both governmental funds and proprietary funds of any one of the items for which it met the 10 percent criterion.

The funds of the financial reporting entity are described below:

Governmental funds

**1. General Fund**

The General Fund is the principal fund of the City and is always classified as a major fund. It is used to account for all revenues and expenditures applicable to the general operations of City government which are not properly accounted for in another fund. All general operating revenues which are not restricted or designated as to their use by outside sources are recorded in the General Fund.

**2. Special Revenue Funds**

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

**3. Debt Service Funds**

The Debt Service Fund is used to account for financial resources related to the City's debt service and debt defeasances.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**4. Capital Project Funds**

Capital Projects Funds are used to account for financial resources that are received and used for the acquisition, construction, or improvement of capital assets.

**5. Major and Nonmajor Funds**

The General Fund, Capital Projects Fund, and Debt Service Fund are classified as major funds and are described above.

The remaining Other Governmental Funds (Special Revenue Funds) are classified as nonmajor funds and are described above.

**D. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement focus

On the Government-Wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of accounting

In the Government-Wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

**E. Receivables**

In the Government-Wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, advalorem taxes, and other taxes.

In the fund financial statements, receivables in governmental funds include the receivables mentioned in the preceding paragraph and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

**F. Equity Classifications**

Government-wide statements

Equity is classified as net position and displayed in three components:

- a. *Net investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation, construction in progress, land, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted* - Constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted* - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Fund statements*

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

*Restricted fund balance.* This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balance.* These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the City Council – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned fund balance.* The classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. The City Council and management have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

*Unassigned fund balance.* This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in all governmental funds.

The Seven Cent Gasoline Tax fund had a deficit fund balance of \$108,619 as of the end of the fiscal year.

The City has assigned \$500,000 of the General Fund fund balance for the City’s unfunded pension liability and \$150,887 for encumbrances.

The City has assigned \$2,847,316 of the Capital Projects Fund fund balance for encumbrances.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The City has assigned \$839,890 of the Other Governmental Funds fund balance for use as follows: \$308,541 for the City’s Emergency 911 Fund, \$170,743 for the Court & Corrections Fund, \$330,478 for the Library and \$30,128 for Vehicle Tags.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then committed, assigned, and unassigned – in order as needed.

The City Council has adopted an Emergency Reserve Fund Balance Policy. Under this policy, it is the City’s intent to develop and maintain a General Fund Emergency Reserve fund balance representing at least 25% of prior year actual General Fund expenditures (modified accrual basis) plus operating transfers out. The City Council has currently committed \$9,083,648 of General Fund fund balance for economic stabilization in case of an emergency. An emergency that would warrant use of their committed fund balance is defined as an unforeseen non-routine event that generally represents an economic impact to the City greater than 5% of the previous 5 year average of sales tax collections by the City and this event cost can’t be absorbed by reducing the current year budgeted expenses, increasing current year budgeted revenue, or the event occurred too late in the year to overcome the impact by adjusting the budget in the normal course of the City’s business.

**G. Long-term Debt**

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. The City’s long-term debt consists primarily of notes and warrants payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

**H. Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function for the governmental activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Fixed Assets**

The accounting treatment for property, plant, and equipment (fixed assets) depends on whether the assets are reported in the government-wide or fund financial statements.

In the government-wide financial statements, fixed assets with initial individual costs of more than \$5,000 and an estimated useful life in excess of one year are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is

unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Historical cost was used to value the majority of the assets.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of assets is as follows:

Buildings	20-50 years
Improvements	10-50 years
Machinery and equipment	3-20 years
Infrastructure	25-50 years

*Fund financial statements*

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as expenditures of the government upon acquisition.

**J. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Any encumbrances outstanding at year-end are reported as assigned, restricted, or committed fund balance as applicable and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

**K. Inventory**

Inventory items, which consist mainly of garage parts, are valued at cost which approximates market. The cost of inventory is recorded as an expenditure when consumed rather than when purchased.

**L. Pension**

The Employees' Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting.

**City of Vestavia Hills, Alabama**  
**Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**M. Interfund Transactions**

During the course of normal operations, the City incurs numerous transactions between funds to provide services, construct assets, service debt, etc. These transactions are generally

reported as operating transfers except in instances where the transfer represents the reimbursement to a fund for expenditures incurred for the benefit of another fund. Remaining fund balances in discontinued funds and non-recurring, non-routine transfers are accounted for as residual equity transfers.

Details of current interfund receivables and payables are as follows:

<b>Payable from</b>	<b>Payable to</b>	<b>Amount</b>
Other Governmental Funds	Other Governmental Funds	\$ 27,644

The purpose of the interfund receivable balance to the Other Governmental Funds from the Other Governmental Funds is for reimbursement of paving expenses paid from one fund on behalf of the other.

Interfund receivables and payables and transfers between funds within governmental activities are eliminated in the Statement of Net Position and the Statement of Activities.

Transfers for the fiscal year ended September 30, 2015 consisted of the following:

<b>Transfer to</b>	<b>Transfer From</b>			<b>Total</b>
	<b>General Fund</b>	<b>Capital Projects Funds</b>	<b>Other Governmental Funds</b>	
General Fund	\$ -	\$ 1,400,000	\$ -	\$ 1,400,000
Debt Service Fund	4,420,650	-	250,000	4,670,650
Other Governmental Funds	27,128	-	-	27,128
Capital Projects Fund	658,967	-	-	658,967
<b>Total</b>	<b>\$ 5,106,745</b>	<b>\$ 1,400,000</b>	<b>\$ 250,000</b>	<b>\$ 6,756,745</b>

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The purpose of the transfer from the General Fund to the Debt Service Fund is for the reimbursement of debt service paid from the Debt Service Fund.

The purpose of the transfer from the General Fund to the Capital Projects Fund is for the capital reserve allocation from the General Fund.

The purpose of the transfer from the Debt Service Fund to the Capital Projects Fund is to transfer proceeds of warrants to be used for Capital Projects.

**O. Property Taxes**

All ad valorem real property taxes levied by municipalities in Jefferson County, Alabama are assessed by the Jefferson County Tax Assessor and collected by the Jefferson County Tax Collector. The Jefferson County Tax Assessor attaches taxes as enforceable liens on property as

of October 1 and taxes become due October 1 through December 31. Property taxes not paid by January 1 are considered delinquent. Personal property taxes are also collected by the Jefferson County Tax Collector and are due throughout the year. After collecting property taxes, the Jefferson County Tax Collector before the fiscal year end but remitted to the City after September 30 is accrued in the General Fund. Tax Collector remits the City's portion by check monthly. Taxes collected by the Jefferson County

**P. Management Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent liabilities and the reported amount of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**Q. Subsequent Events**

The City has evaluated subsequent events through the date of issuance of these financial statements.

**NOTE 2 – CASH AND INVESTMENTS**

The City maintains several checking accounts that are separately held by several of the City's funds. In addition, investments may also be held by an individual City fund. Deposits and investments are stated at market values.

**City of Vestavia Hills, Alabama**  
**Notes to Financial Statements**

**NOTE 2 – CASH AND INVESTMENTS (CONTINUED)**

At year-end, the carrying amount and bank balance of the City's deposit accounts were as follows:

	<b>Carrying Amount</b>	<b>Bank Balance</b>
All funds	\$ 23,100,550	\$ 25,731,196

At September 30, 2015, all of the bank balance of the City's funds was either covered by federal depository insurance or secured by collateral through the Alabama State Treasury's Security for Alabama Funds Enhancement (SAFE) Program. Under the SAFE program, the City's funds are protected through a collateral pool administered by the Alabama State Treasury. Certain banks holding deposits belonging to the state, counties, cities, or agencies of any of these entities must pledge securities as collateral against these deposits. In the event of the failure of a bank, securities pledged by that bank would be liquidated by the State Treasurer to replace the public deposits. If the securities pledged failed to produce adequate funds for that purpose, every bank participating in the pool would share the liability for the remaining balance. At September 30, 2015, all of the City's depositories are participating in the SAFE program.

Included in the carrying amount above are restricted assets totaling \$1,001,680 which included deposits of \$489,245 related to construction, land disturbance, and court appearance bonds. These deposits consist of cash equivalents and are considered restricted as they are payable to various third parties upon completion of a future event. Accordingly, a corresponding liability is recorded for this amount.

**City of Vestavia Hills, Alabama**  
**Notes to Financial Statements**

**NOTE 3 – CAPITAL ASSETS**

Following is a summary of the changes in the City's capital assets for the year ended September 30, 2015:

	Balance at 9/30/2014	Additions	Disposals/ Retirements/ Completed	Balance at 9/30/2015
<b>Capital assets not being depreciated:</b>				
Land	\$ 70,444,576	\$ 591,461	\$ (3,714,435)	\$ 67,321,602
Construction in progress	4,635,756	18,603,685	-	23,239,441
Infrastructure in progress	-	1,334,085	-	1,334,085
<b>Total capital assets not being depreciated</b>	<b>75,080,332</b>	<b>20,529,231</b>	<b>(3,714,435)</b>	<b>91,895,128</b>
<b>Capital assets being depreciated:</b>				
Land improvements	8,997,140	-	-	8,997,140
Buildings	14,660,313	-	(1,871,425)	12,788,888
Building equipment and fixtures	404,735	-	-	404,735
Vehicles	6,943,921	806,858	(350,657)	7,400,122
Equipment	5,522,583	329,067	(48,616)	5,803,034
Computer equipment	1,424,436	169,328	-	1,593,764
Recreational equipment	1,944,785	113,968	-	2,058,753
Office furniture and fixtures	980,402	-	-	980,402
Office equipment	129,759	-	-	129,759
Recreational facilities	22,956,642	4,190	-	22,960,832
Books and artwork	1,423,559	180,424	(192,123)	1,411,860
Infrastructure	15,040,862	142,989	-	15,183,851
<b>Total capital assets being depreciated</b>	<b>80,429,137</b>	<b>1,746,824</b>	<b>(2,462,821)</b>	<b>79,713,140</b>
<b>Less accumulated depreciation for:</b>				
Land improvements	3,434,229	427,397	-	3,861,626
Buildings	3,855,693	414,062	(895,623)	3,374,132
Building equipment and fixtures	156,007	31,927	-	187,934
Vehicles	3,473,436	629,397	(350,657)	3,752,176
Equipment	3,941,955	397,178	(44,903)	4,294,230
Computer equipment	1,035,841	203,012	-	1,238,853
Recreational equipment	1,512,414	106,513	-	1,618,927
Office furniture and fixtures	650,139	137,642	-	787,781
Office equipment	81,116	15,033	-	96,149
Recreational facilities	9,747,478	965,678	-	10,713,156
Books and artwork	711,214	186,708	(192,123)	705,799
Infrastructure	8,555,113	320,647	-	8,875,760
<b>Total accumulated depreciation</b>	<b>37,154,635</b>	<b>3,835,194</b>	<b>(1,483,306)</b>	<b>39,506,523</b>
<b>Total capital assets being depreciated, net</b>	<b>43,274,502</b>	<b>(2,088,370)</b>	<b>(979,515)</b>	<b>40,206,617</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 118,354,834</b>	<b>\$ 18,440,861</b>	<b>\$ (979,515)</b>	<b>\$ 132,101,745</b>

**City of Vestavia Hills, Alabama**  
**Notes to Financial Statements**

**NOTE 3 – CAPITAL ASSETS (CONTINUED)**

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

**Governmental activities:**

General government administration	\$	193,592
Public safety		792,466
Public works		727,820
Recreational		1,184,401
Library		936,915
<b>Total depreciation expense</b>	<b>\$</b>	<b>3,835,194</b>

**NOTE 4 – CAPITALIZED LEASES**

At September 30, 2015, approximately \$2,329,757 in accumulated depreciation and approximately \$584,247 in current year depreciation expense has been recorded in the government-wide financial statements related to assets costing \$5,874,369 purchased under capital leases. The current portion of the outstanding liability related to these capital leases at September 30, 2015 reported in the government-wide financial statements totaled \$861,439. The remaining long-term portion of these capital lease obligations reported in the government-wide financial statements totaled \$1,832,703 at September 30, 2015.

The following schedule shows the future minimum lease payments at September 30, 2015:

<b>Fiscal year</b>	<b>Interest</b>	<b>Principal</b>	<b>Total Lease Payment</b>
2016	\$ 50,661	\$ 861,439	\$ 912,100
2017	33,750	634,629	668,379
2018	19,975	507,155	527,130
2019	10,078	342,374	352,452
2020 and thereafter	3,908	348,545	352,453
<b>Total</b>	<b>\$ 118,372</b>	<b>\$ 2,694,142</b>	<b>\$ 2,812,514</b>

**City of Vestavia Hills, Alabama**  
**Notes to Financial Statements**

**NOTE 5 – ACCOUNTS RECEIVABLE**

The following details the description and amounts of accounts receivable for the City:

Sales taxes	\$	968,207
Property taxes		421,647
Franchise fees		139,999
Transport receivable		130,879
Intergovernmental		503,814
Other receivables		172,248
<b>Total</b>	<b>\$</b>	<b>2,336,794</b>

**NOTE 6 – LONG-TERM DEBT**

The following is a summary of the changes in long-term debt of the City for the year ended September 30, 2015:

Warrant obligations at September 30, 2014	\$	58,305,000
Principal payments		(2,315,000)
Refunded warrants		(7,855,000)
Debt issuance		9,205,000
Total warrants outstanding		57,340,000
Long-term portion of accumulated compensated absences		1,788,536
Unamortized bond premium		1,016,458
<b>Total long-term debt at September 30, 2015</b>	<b>\$</b>	<b>60,144,994</b>

**City of Vestavia Hills, Alabama**  
**Notes to Financial Statements**

**NOTE 6 – LONG-TERM DEBT (CONTINUED)**

Outstanding warrant obligations of the City at September 30, 2015 consist of the following:

General Obligation Warrants, Series 2008 were issued in the principal amount of \$9,615,000 in February 2009. The warrants bear interest at an average of 4.38%, payable semiannually on February 1 and August 1. The warrants mature serially with a final maturity in 2028 and are callable on or after February 1, 2019 without premium or penalty, and at which time the warrants are callable at 100% plus accrued interest.	\$ 1,760,000
General Obligation Warrants, Series 2009-A were issued in the principal amount of \$10,940,000 in December 2009. The warrants bear interest at an average of 3.56%, payable semiannually on February 1 and August 1. The warrants mature serially with a final maturity in 2028 and are callable at any time without penalty.	10,940,000
Taxable General Obligation Warrants, Series 2009-B were issued in the principal amount of \$6,070,000 in December 2009. The warrants bear interest at an average of 4.8%, payable semiannually on February 1 and August 1. The warrants mature serially with a final maturity in 2028 and are callable at any time without penalty.	6,070,000
General Obligation Warrants, Series 2012 were issued in the principal amount of \$11,000,000 in June 2012. The warrants bear interest at an average of 3.5%, payable semiannually on February 1 and August 1. The warrants mature serially with a final maturity in 2022 and are callable at any time without penalty.	4,710,000
General Obligation Warrants, Qualified Energy Conservation Bonds (QECB) Series 2013 were issued in the principal amount of \$4,245,000 in May 2013. The warrants bear interest at an average of 2.20%, payable semiannually on February 1 and August 1. The warrants mature serially with a final maturity in 2033 and are callable at any time without penalty. (Net of \$349,690 held in sinking fund for repayment)	3,895,310
General Obligation Warrants, Series 2013A were issued in the principal amount of \$10,000,000 in December 2013. The warrants bear interest at an average of 4.00%, payable semiannually on February 1 and August 1. The warrants mature serially with a final maturity in 2033 and are callable at any time without penalty.	10,000,000
General Obligation Warrants, Series 2014 were issued in the principal amount of \$9,605,000 in January 2014. The warrants bear interest at an average of 3.00%, payable semiannually on February 1 and August 1. The warrants mature serially with a final maturity in 2031 and are callable at any time without penalty.	9,490,000
General Obligation Warrants, Series 2014 (CWSRF-DL) were issued in the principal amount of \$960,000 in September 2014. The warrants bear interest at an average of 2.00%, payable semiannually on February 1 and August 1. The warrants mature serially with a final maturity in 2034 and are callable at any time without penalty.	920,000
General Obligation Warrants, Series 2015 were issued in the principal amount of \$9,205,000 in August 2015. The warrants bear interest at an average of 2.00%, payable semiannually on February 1 and August 1. The warrants mature serially with a final maturity in 2028 and are callable at any time without penalty.	9,205,000
<hr/>	
Total outstanding	56,990,310
Amount held in sinking fund for QECB payment	349,690
<b>Total obligation warrants</b>	<b>\$ 57,340,000</b>

**City of Vestavia Hills, Alabama**  
**Notes to Financial Statements**

**NOTE 6 – LONG-TERM DEBT (CONTINUED)**

The following schedule shows the debt service requirements at September 30, 2015:

Fiscal year	Debt Service Related to Principal	Debt Service Related to Interest	Total Debt Service
2016	\$ 2,745,668	\$ 1,895,098	\$ 4,640,766
2017	2,809,664	1,834,298	4,643,962
2018	2,898,749	1,751,492	4,650,241
2019	2,782,925	1,662,336	4,445,261
2020	2,887,192	1,568,223	4,455,415
2021-2025	15,268,354	6,451,201	21,719,555
2026-2030	16,540,132	3,726,348	20,266,480
2031-2035	11,057,626	632,783	11,690,409
	\$ 56,990,310	\$ 19,521,779	\$ 76,512,089

The total interest paid by the City during 2015 relative to the above warrants was \$2,291,215.

The City makes annual contributions into an invested sinking fund in the amount of \$171,051 each fiscal year to pay the principal payment on the QECB warrants. This amount is included in the table above as debt service requirements. These amounts shall be held in the sinking fund and applied to the payment of the principal of the Warrants at maturity on February 1, 2033. The balance in the sinking fund is \$349,690 as of September 30, 2015.

**NOTE 7 – PENSION PLAN**

**Plan description**

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

The ERSA was established as of October 1, 1945, under the provisions of Act 505, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specific benefits for State employees, State police and, on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for general administration and operation of the ERSA is vested in the Board of Control. Benefit provisions are established by the Code of Alabama 1975, Section 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Commission authority to accept or reject various Cost-of-Living Adjustments (COLAs) granted to retirees.

**NOTE 7 – PENSION PLAN (CONTINUED)**

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

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

Substantially all employees are members of the ERSA. Membership is mandatory for covered or eligible employees of the City. Benefits vest after ten years of creditable service. Vested employees may retire with full benefits at age sixty or after twenty-five years of service.

**Benefits provided**

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

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for

**NOTE 7 – PENSION PLAN (CONTINUED)**

**Benefits provided (continued)**

State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

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

The ERS serves approximately 846 local participating employers. These participating employers include 287 cities, 65 counties, and 494 other public entities. The ERS membership includes approximately 83,874 participants. As of September 30, 2014, membership consisted of:

Retirees and beneficiaries currently receiving benefits	21,691
Terminated employees entitled to but not yet receiving benefits	1,252
Terminated employees not entitled to a benefit	5,048
Active Members	<u>55,883</u>
Total	<u>83,874</u>

**Contributions**

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

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

**NOTE 7 – PENSION PLAN (CONTINUED)**

**Contributions (continued)**

members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2015, the City’s active employee contribution rate was 11.89% of covered employee payroll. The City’s contractually required contribution rate for the year ended September 30, 2015 was 15.12% of pensionable pay for Tier 1 employees and 12.82% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2012, 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 \$1,829,808 for the year ended September 30, 2015.

**Net Pension Liability**

The City’s net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2013 rolled forward to September 30, 2014 using standard roll-forward techniques as shown in the following table:

<b>Total Pension Liability Roll Forward</b>	
<b>Total Pension Liability</b>	
as of September 30, 2013 (a)	\$ 60,869,309
<b>Entry Age Normal Cost for</b>	
October 1, 2013 – September 30, 2014 (b)	1,277,907
<b>Actual Benefit Payment and Refunds for</b>	
October 1, 2013 – September 30, 2014 (c)	(3,062,574)
<b>Total Pension Liability</b>	
as of September 30, 2014	
[(a) x (1.08)] + (b) – [(c) x (1.04)]	\$ 63,831,684

**City of Vestavia Hills, Alabama**  
**Notes to Financial Statements**

**NOTE 7 – 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return *
<b>Fixed Income</b>	25.00%	5.00%
<b>U. S. Large Stocks</b>	34.00%	9.00%
<b>U. S. Mid Stocks</b>	8.00%	12.00%
<b>U. S. Small Stocks</b>	3.00%	15.00%
<b>International Developed Market Stocks</b>	15.00%	11.00%
<b>International Emerging Market Stocks</b>	3.00%	16.00%
<b>Real Estate</b>	10.00%	7.50%
<b>Cash</b>	2.00%	1.50%
<b>Total</b>	<b>100.00%</b>	

\* Included assumed rate of Inflation of 2.50%

**City of Vestavia Hills, Alabama**  
**Notes to Financial Statements**

**NOTE 7 – 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 that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in Net Pension Liability**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
<b>Balances at September 30, 2013</b>	\$60,869,309	\$40,494,016	\$20,375,293
Changes for the year:			
Service cost	1,277,907	-	1,277,907
Interest	4,747,042	-	4,747,042
Changes in assumptions	-	-	-
Difference between expected and actual experience	-	-	-
Contributions – employer	-	1,750,292	(1,750,292)
Contributions – employee	-	851,524	(851,524)
Net investment income	-	4,842,808	(4,842,808)
Benefit payments, including refunds of employee contributions	(3,062,574)	(3,062,574)	-
Administrative expense	-	-	-
Transfers among employers	-	245,477	(245,477)
Net Changes	2,962,375	4,627,527	(1,665,152)
<b>Balances at September 30, 2014</b>	\$63,831,684	\$45,121,543	\$18,710,141

**NOTE 7 – PENSION PLAN (CONTINUED)**

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

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

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Plan's Net Pension Liability	\$ 26,561,945	\$ 18,710,141	\$ 12,080,629

**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, 2014. 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 dated June 3, 2015 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes are also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

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

For the year ended September 30, 2015, the City recognized pension expense of \$1,829,808. At September 30, 2015, the 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
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on plan investments	-	1,289,518
Employer contributions subsequent to the Measure Date	1,829,808	-
<b>Total</b>	<b>\$ 1,829,808</b>	<b>\$1,289,518</b>

**NOTE 7 – PENSION PLAN (CONTINUED)**

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

<b>Year Ended September 30:</b>	
2016	\$ 322,380
2017	322,380
2018	322,380
2019	322,378
2020	-
Thereafter	-
<b>Total</b>	<b>\$ 1,289,518</b>

**NOTE 8 – ACCUMULATED COMPENSATED ABSENCES**

For vacation leave and other compensated absences with similar characteristics, GASB Statement No. 16 requires the accrual of a liability as the benefits are earned by the employees if both of these conditions are met:

- a. The employee's right to receive compensation is attributable to services already rendered.
- b. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

A City employee receives twelve days of annual vacation for the first twelve years of service; eighteen days of annual vacation during years twelve to twenty-five; and twenty-four days of annual vacation leave after twenty-five years of satisfactory employment. Annual vacation leave can accumulate up to forty days or 320 hours and an employee cannot be paid for annual leave in lieu of time off. At year end, any annual vacation leave over 320 hours is converted hour for hour to sick leave. Employees also earn other compensatory time off for working on city holidays, and other approved circumstances over their normal work week. This compensatory time off accrues in the same manner as overtime pay at a rate of time and a half. There is no annual maximum limit for this compensatory time off and an employee can use it as other time off or is paid for the balance upon separation from the City. Sick leave can be accumulated, but upon separation from service all sick leave is canceled and is not transferable to annual leave. Sick leave can be converted as years of service upon retirement in the Retirement Systems of Alabama.

**NOTE 8 – ACCUMULATED COMPENSATED ABSENCES (CONTINUED)**

A liability for vacation pay is reported in the governmental funds only if the obligation has matured, for example, as a result of an employee's resignation or retirement. All vacation pay is accrued when incurred in the government-wide statements. The current portion of accrued vacation at September 30, 2015 reported in the government-wide financial statements is \$861,439. The remaining long-term incurred portion of the accrued vacation of the governmental activities at September 30, 2015 totaled \$1,832,703.

**NOTE 9 – POST-EMPLOYMENT BENEFITS**

**Plan description**

The City of Vestavia Hills' medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement.

The retirement eligibility provisions are as follows: 10 years of consecutive service and attainment of age 60; or, 25 years of service and attainment of age 55. Complete plan provisions are included in the official plan documents.

**Contribution rates**

Employees do not contribute to their post-employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

**Funding policy**

Until fiscal year ending September 30, 2008, the City of Vestavia Hills recognized the cost of providing post-employment medical benefits (the City of Vestavia Hills' portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. Effective with the Fiscal Year beginning October 1, 2008, the City of Vestavia Hills implemented Government Accounting.

Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions* (GASB 45). The funding policy is not to fund the ARC except to the extent of the current year's retiree funding costs.

In fiscal year ending September 30, 2015, the City of Vestavia Hills' portion of health care funding cost for retired employees totaled \$78,996. These amounts were applied toward the Net OPEB Benefit Obligation as shown in the table on the following page.

**City of Vestavia Hills, Alabama**  
**Notes to Financial Statements**

**NOTE 9 – POST-EMPLOYMENT BENEFITS (CONTINUED)**

**Annual required contribution**

The City's annual required contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC is the sum of the normal cost plus the contribution to amortize the actuarial accrued liability (AAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The total ARC for the fiscal year beginning October 1, 2014 is \$80,468, as set forth below:

	<b>Medical</b>
Normal cost	\$ 37,425
30-year UAL amortization amount	43,043
<b>Annual required contribution (ARC)</b>	<b>\$ 80,468</b>

**Net post-employment benefit obligation (asset)**

The table below shows the City's net other post-employment benefit (OPEB) obligation (asset) for fiscal year ending September 30, 2015:

	<b>Medical</b>
Annual required contribution	\$ 80,468
Interest on net OPEB obligation	(2,694)
ARC adjustment	3,895
<b>Annual OPEB cost</b>	<b>81,669</b>
Contributions	-
Current year retiree premium	(78,996)
Change in net OPEB obligation	2,673
Beginning net OPEB obligation 10/01/14	(67,355)
<b>Ending net OPEB obligation (asset) 09/30/15</b>	<b>\$ (64,682)</b>

**NOTE 9 – POST-EMPLOYMENT BENEFITS (CONTINUED)**

**Funded status and funding progress**

In the fiscal year ending September 30, 2015, the City made no contributions to its post-employment benefits plan. The plan was not funded at all, has no assets, and hence has a funded ratio of zero. As of October 1, 2014, the most recent actuarial valuation, the AAL was \$774,095, which is defined as that portion, as determined by a particular actuarial cost method (the City uses the projected unit credit cost method), of the actuarial present value of post-employment plan benefits and expenses which is not provided by normal cost. Since no plan funding has occurred through fiscal year 2015, the entire actuarial accrued liability of \$774,095 was unfunded.

At September 30, 2015, the City has \$130,042 in the General Fund for future funding of benefits. The City intends to transfer these funds to its post-employment benefits plan at a future date. This \$130,042 will not reduce the AAL until it is transferred to the City's post-employment benefits plan.

	<b>Medical</b>
Actuarial Accrued Liability (AAL)	\$ 774,095
Actuarial Value of Plan Assets	-
Unfunded Act. Accrued Liability (UAAL)	\$ 774,095
Funded Ratio (Act. Val. Assets/AAL)	0%
Covered Payroll (active plan members)	\$ 15,319,930
UAAL as a percentage of covered payroll	5.05%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actual value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

**Actuarial Methods and Assumptions**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post-employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the City and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the City and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between

**NOTE 9 – POST-EMPLOYMENT BENEFITS (CONTINUED)**

the City and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

**Actuarial cost method**

The ARC is determined using the projected unit credit cost method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

**Actuarial value of plan assets**

Since the OPEB obligation has not as yet been funded, there are not any assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board Actuarial Standards of Practice Number 6 (ASOP 6), as provided in paragraph number 125 of GASB Statement 45 will be used.

**Turnover rate**

An age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce a composite average annual turnover of approximately 10%. It has further been assumed that 43% of retirees decline medical coverage at retirement and that an additional 27% defer retirement until Medicare eligibility.

**Post-employment benefit plan eligibility requirements**

Based on past experience, it has been assumed that entitlement to benefits will commence three years after initial eligibility to retire. Medical benefits are provided to employees upon actual retirement. The retirement eligibility provisions are as follows: 10 years of consecutive service and attainment of age 60; or, 25 years of service and attainment of age 55. In addition, "Tier II" retirement plan members (those hired on and after January 1, 2013) would not be eligible to retire before age 62. Medical benefits are provided to employees upon actual retirement.

**Investment return assumption (discount rate)**

GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits. As of September 30, 2015, the City has allocated \$130,042 in the General Fund for future funding of benefits. Since the City intends to transfer these funds to its post-employment benefits plan at a future date, the valuation has been calculated using a 4% annual investment return assumption.

**NOTE 9 – POST-EMPLOYMENT BENEFITS (CONTINUED)**

**Health care cost trend rate**

The expected rate of increase in medical cost is based on a graded schedule beginning with 8% annually, down to an ultimate annual rate of 5.0% for ten years out and later.

**Mortality rate**

The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rate and 50% of the unloaded female mortality rates, is used. This is a published mortality table which was designed to be used in determining the value of accrued benefits in defined benefit pension plans.

**Method of determining value of benefits**

The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer pays a portion of the medical insurance premiums which are "unblended" as required by GASB 45 for valuation purposes. The portion of the total retiree medical premium (single or family coverage) paid by the employer is 2.5% times the total years of service at retirement, subject to a maximum of 87.5%, a minimum dollar amount of \$240 per month, and a maximum dollar amount of \$600 per month. The employer does not pay for coverage after Medicare eligibility (age 65).

**Inflation rate**

Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2.50% annually.

**Projected salary increases**

This assumption is not applicable since neither the benefit structure nor the valuation methodology involves salary.

**Post-retirement benefit increases**

The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future.

Below is a summary of OPEB cost and contributions for the last three fiscal calendar years:

	<b>OPEB Costs and Contributions</b>		
	FY 2013	FY 2014	FY 2015
OPEB Cost	\$ 85,967	\$ 89,492	\$ 81,669
Contribution	-	-	-
Retiree premium	92,854	100,282	78,996
Total contribution and premium	92,854	100,282	78,996
Change in net OPEB obligation	\$ (6,887)	\$ (10,790)	\$ 2,673

**NOTE 10 – DEFERRED COMPENSATION PLAN**

The City offers its employees deferred compensation plans created in accordance with Internal Revenue Code (IRC) Section 457. The plans, available to all City employees, permit them to defer a portion of their salary until future years. The deferred compensation is payable to employees upon termination, retirement, death, or unforeseen emergency.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plans. Under the plans, participants select investments from alternatives offered by the plan administrators, who are under contract with the City to manage the plans. Investment selection by a participant may be changed from time to time. The City manages none of the investment selections. By making the selection, enrollees accept and assume all risks that pertain to the particular plan and its administration.

The City placed the deferred compensation plans' assets into trust for the exclusive benefit of the plans participants' and beneficiaries' in accordance with Governmental Accounting Standards Board (GASB) Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.

The City has little administrative involvement and does not perform the investing function for the plans. The City does not hold the assets in a trustee capacity and does not perform fiduciary accountability for the plans. Therefore, the City employees' deferred compensation plans created in accordance with IRC 457 are not reported in the financial statements of the City.

**NOTE 11 – CONTINGENCIES AND COMMITMENTS**

**A. Litigation**

Several suits have been filed and are pending against the City. In the opinion of management and the City's attorney, these matters are either without merit, are covered by insurance or involve amounts that would not have a material adverse effect on the City's financial statements.

**B. Project commitments**

As of September 30, 2015, the City had executed contracts for various project commitments in the amount of \$1,203,911. At year end, \$123,229 had been expended on these construction contracts with \$1,080,682 assigned in the Fund financial statements.

**NOTE 12 – FUTURE ACCOUNTING PRONOUNCEMENTS**

The Governmental Accounting Standards Board has issued statements that will become effective in subsequent fiscal years. The statements address:

- Fair value measurement and application;
- Amendments to accounting and financial reporting for pensions;

**NOTE 12 – FUTURE ACCOUNTING PRONOUNCEMENTS (CONTINUED)**

- GAAP hierarchy;
- Tax abatement disclosures; and
- Financial reporting and accounting related to other post-employment benefits.

The City is currently evaluating the effects that these statements will have on its financial statements for subsequent fiscal years.

**NOTE 13 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT**

The City implemented Governmental Accounting standards Board (GASB) Statement 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No 27), in the fiscal year ended September 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effect on net position of contributions made by the City during the measurement period (fiscal year ended September 30, 2014) As a result, the beginning net position for the year ended September 30, 2015 decreased by \$18,625,001.

## **Required Supplementary Information**

**City of Vestavia Hills, Alabama**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual—General Fund**

*Year ended September 30, 2015*

	<b>Budget - Original and Final</b>	<b>General Fund Actual</b>	<b>Variance</b>
<b>Revenues</b>			
Taxes	\$ 26,039,043	\$ 25,923,168	\$ (115,875)
Licenses and permits	3,756,594	4,337,672	581,078
Charges for services	383,500	391,351	7,851
Fines and forfeitures	304,962	487,710	182,748
Fees	2,758,087	2,846,268	88,181
Grants	504,804	555,314	50,510
Proceeds from sale of assets	5,000	24,733	19,733
Investment revenues	47,517	74,447	26,930
Other revenues	637,754	618,934	(18,820)
<b>Total revenues</b>	<b>34,437,261</b>	<b>35,259,597</b>	<b>822,336</b>
<b>Expenditures</b>			
General government administration	5,397,920	6,785,107	(1,387,187)
Public safety	16,138,142	15,792,421	345,721
Public works	6,455,514	6,620,303	(164,789)
Library	1,615,820	1,558,926	56,894
Capital outlay	188,000	195,076	(7,076)
<b>Total expenditures</b>	<b>29,795,396</b>	<b>30,951,833</b>	<b>(1,156,437)</b>
<b>Excess of revenues over expenditures</b>	<b>4,641,865</b>	<b>4,307,764</b>	<b>(334,101)</b>
<b>Other financing sources (uses)</b>			
Donations	-	14,021	14,021
Operating transfers in	-	1,400,000	1,400,000
Operating transfers out	(4,809,009)	(5,106,745)	(297,736)
<b>Total other financing sources (uses)</b>	<b>(4,809,009)</b>	<b>(3,692,724)</b>	<b>1,116,285</b>
<b>Excess of revenues and other financing sources over (under) expenditures</b>	<b>(167,144)</b>	<b>615,040</b>	<b>782,184</b>
<b>Fund balances, beginning of year</b>	<b>9,230,495</b>	<b>12,402,609</b>	<b>3,172,114</b>
<b>Fund balances, end of year</b>	<b>\$ 9,063,351</b>	<b>\$ 13,017,649</b>	<b>\$ 3,954,298</b>

**City of Vestavia Hills, Alabama**  
**Schedule of Changes in the Net Pension Liability**  
**and Related Ratios**

	<b>2015</b>
<b>Total pension liability</b>	
Service Cost	\$ 1,277,907
Interest	4,747,042
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	(3,062,574)
<b>Net change in total pension liability</b>	<b>2,962,375</b>
<b>Total pension liability - beginning</b>	<b>60,869,309</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 63,831,684</b>
<b>Plan Fiduciary Net Position</b>	
Contributions - employer	\$ 1,750,292
Contributions - employee	851,524
Net investment income	4,842,808
Benefit payments, including refunds of employee contributions	(3,062,574)
Transfers among employers	245,477
<b>Net change in plan fiduciary net position</b>	<b>4,627,527</b>
<b>Plan net position - beginning</b>	<b>40,494,016</b>
<b>Plan net position - ending (b)</b>	<b>\$ 45,121,543</b>
<b>Net pension liability (asset) - ending (a) - (b)</b>	<b>\$ 18,710,141</b>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	<b>70.69%</b>
<b>Covered employee payroll</b>	<b>\$ 14,710,190</b>
<b>Net pension liability as a percentage of covered employee payroll</b>	<b>127.19%</b>

**City of Vestavia Hills, Alabama**  
**Schedule of Employer Contributions**

	<b>2015</b>
Actuarially Determined Contribution	\$ 1,829,808
Employer Contributions to Pension Plan	1,829,808
Annual Contribution Deficiency (Excess)	\$ -
Covered Employee Payroll	\$ 15,389,166
Employer Contributions to Pension Plan as a % of Covered Employee Payroll	11.89%

**City of Vestavia Hills, Alabama**  
**Other Post-Employment Benefits**  
**Funding Progress and Trend Information**

**Post-employment benefits (See Note 9)**

The following table shows the City's annual post-employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded PEB liability (asset):

Post Employment Benefit	Fiscal Year Ended	Annual OPEB Cost	Percentage	Net OPEB Obligation (Asset)
			of Annual Cost Contributed	
Medical	September 30, 2013	85,967	108.01%	(56,565)
Medical	September 30, 2014	89,493	112.06%	(67,355)
Medical	September 30, 2015	81,669	96.73%	(64,682)

**Funded status and funding progress**

In the fiscal year ending September 30, 2015, the City made no contributions to its post-employment benefits plan. The plan was not funded at all, has no assets, and hence has a funded ratio of zero. As of October 1, 2014, the most recent actuarial valuation, the AAL was \$774,095, which is defined as that portion, as determined by a particular actuarial cost method (the City uses the projected unit credit cost method), of the actuarial present value of post-employment plan benefits and expenses which is not provided by normal cost. Since no plan funding has occurred through fiscal year 2014, the entire actuarial accrued liability of \$774,095 was unfunded.

The following is the schedule of funding progress obtained from the actuarial valuations:

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 (c)	Ratio of UAAL to Covered Payroll (b-a)/c
September 30						
2009	-	\$ 980,657	\$ 980,657	0.00%	\$ 13,981,608	7.01%
2010	-	980,657	980,657	0.00%	14,000,000	7.00%
2011	-	933,115	933,115	0.00%	11,006,562	8.48%
2012	-	970,440	970,440	0.00%	13,597,707	7.14%
2013	-	875,360	875,360	0.00%	14,200,951	6.16%
2014	-	910,374	910,374	0.00%	14,046,113	6.48%
2015	-	774,095	774,095	0.00%	15,319,930	5.05%



**City of Vestavia Hills, Alabama**  
**Notes to Required Supplementary Information**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Budgets and budgetary accounting**

The City adopts annual budgets for the general fund, capital projects fund, and special revenue funds and such budgets are prepared on a basis consistent with generally accepted accounting principles. Any revisions that alter the total expenditures must be approved by the City Council. The budget of the General fund and Capital Projects fund are presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual. Revenues collected for and submitted to the Board of Education were not budgeted since they were remitted to the Board as received.

The City does not adopt budgets for the Debt Service Fund.

Budget information presented in the financial statements is based on the original budget as adopted by the City Council on August 25, 2014.

## **Supplementary Information**

**City of Vestavia Hills, Alabama**  
**Combining Balance Sheet—Other Governmental Funds**

*Year ended September 30, 2015*

	<b>State Shared Gasoline Tax Funds</b>			
	<b>Four Cent</b>	<b>Five Cent</b>	<b>Seven Cent</b>	<b>Emergency 911</b>
<b>Assets</b>				
Cash and temporary investments	\$ -	\$ -	\$ -	\$ 251,879
Accounts receivable	19,187	9,372	32,801	67,870
Interfund receivable	-	-	27,644	-
<b>Total assets</b>	<b>\$ 19,187</b>	<b>\$ 9,372</b>	<b>\$ 60,445</b>	<b>\$ 319,749</b>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ 17,568	\$ 11,208
Bank overdraft	-	-	151,496	-
Interfund payable	18,583	9,061	-	-
<b>Total liabilities</b>	<b>18,583</b>	<b>9,061</b>	<b>169,064</b>	<b>11,208</b>
<b>Fund equity</b>				
Fund balance:				
Restricted for road maintenance	604	311	-	-
Restricted for debt service	-	-	-	-
Assigned	-	-	-	308,541
Unassigned (deficit)	-	-	(108,619)	-
<b>Total fund equity</b>	<b>604</b>	<b>311</b>	<b>(108,619)</b>	<b>308,541</b>
<b>Total liabilities and fund equity</b>	<b>\$ 19,187</b>	<b>\$ 9,372</b>	<b>\$ 60,445</b>	<b>\$ 319,749</b>

<b>Court &amp; Corrections</b>	<b>Library</b>	<b>Vehicle Tags</b>	<b>Totals</b>
\$ 179,699	\$ 331,984	\$ 235,954	\$ 999,516
-	-	-	129,230
-	-	-	27,644
<b>\$ 179,699</b>	<b>\$ 331,984</b>	<b>\$ 235,954</b>	<b>\$ 1,156,390</b>
\$ 8,956	\$ 1,506	\$ 205,826	\$ 245,064
-	-	-	151,496
-	-	-	27,644
<b>8,956</b>	<b>1,506</b>	<b>205,826</b>	<b>424,204</b>
-	-	-	915
-	-	-	-
170,743	330,478	30,128	839,890
-	-	-	(108,619)
<b>170,743</b>	<b>330,478</b>	<b>30,128</b>	<b>732,186</b>
<b>\$ 179,699</b>	<b>\$ 331,984</b>	<b>\$ 235,954</b>	<b>\$ 1,156,390</b>

**City of Vestavia Hills, Alabama**  
**Combining Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances—Other Governmental Funds**

*Year ended September 30, 2015*

	<b>State Shared Gasoline Tax Funds</b>		
	<b>Four Cent</b>	<b>Five Cent</b>	<b>Seven Cent</b>
<b>Revenues</b>			
Taxes	\$ 2,115	\$ -	\$ 684,386
Intergovernmental	196,019	108,751	329,507
Fines and forfeitures	-	-	-
Grants	-	-	-
Investment revenues	-	-	562
Library revenues	-	-	-
<b>Total revenues</b>	<b>198,134</b>	<b>108,751</b>	<b>1,014,455</b>
<b>Expenditures</b>			
General government administration	-	-	-
Public safety	-	-	-
Public works	197,530	108,440	2,012,580
Library	-	-	-
Capital outlay	-	-	-
<b>Total expenditures</b>	<b>197,530</b>	<b>108,440</b>	<b>2,012,580</b>
<b>Excess of revenues over (under) expenditures</b>	<b>604</b>	<b>311</b>	<b>(998,125)</b>
<b>Other financing sources (uses)</b>			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess of revenues and other sources over expenditures and other uses</b>	<b>604</b>	<b>311</b>	<b>(998,125)</b>
<b>Fund balance, beginning of year</b>	<b>-</b>	<b>-</b>	<b>889,506</b>
<b>Fund balance, end of year</b>	<b>\$ 604</b>	<b>\$ 311</b>	<b>\$ (108,619)</b>

Emergency 911	Court & Corrections	Library	Vehicle Tags	Totals
\$ 821,899	\$ -	\$ -	\$ -	\$ 1,508,400
-	-	-	104,042	738,319
-	454,630	-	-	454,630
-	-	22,283	-	22,283
-	315	270	93	1,240
-	-	102,551	-	102,551
821,899	454,945	125,104	104,135	2,827,423
-	311,909	-	97,030	408,939
619,823	91,567	-	-	711,390
-	-	-	-	2,318,550
-	-	82,525	-	82,525
115,494	14,000	56,953	-	186,447
735,317	417,476	139,478	97,030	3,707,851
86,582	37,469	(14,374)	7,105	(880,428)
-	27,128	-	-	27,128
-	(250,000)	-	-	(250,000)
-	(222,872)	-	-	(222,872)
86,582	(185,403)	(14,374)	7,105	(1,103,300)
221,959	356,146	344,852	23,023	1,835,486
\$ 308,541	\$ 170,743	\$ 330,478	\$ 30,128	\$ 732,186