

AUDITED FINANCIAL STATEMENTS
CITY OF GOOD HOPE, ALABAMA
September 30, 2016

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FRICKE, SWEATMON & Co., P.C.
Certified Public Accountants
412 SECOND AVENUE, NORTHEAST
P. O. BOX 1083
CULLMAN, ALABAMA 35056-1083
TELEPHONE (256) 739-0955 FAX (256) 739-3753

JOHNNY C. FRICKE, JR., CPA
CHASITY L. SWEATMON, CPA

jfricke@frswcpa.com
csweatmon@frswcpa.com

ERICA A. MILLER, CPA
CHERI L. COBBS, CPA

emiller@frswcpa.com
ccobbs@frswcpa.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of City Council
City of Good Hope, Alabama

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Good Hope, Alabama, as of and for the year ended September 30, 2016, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Good Hope, Alabama, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison and pension information listed in the table of contents 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 managements' 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Good Hope, Alabama's basic financial statements. The combining financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements listed in the table of contents 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 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 financial statements listed in the table of contents are fairly stated in all material respects in relation to the financial statements taken as a whole.


CERTIFIED PUBLIC ACCOUNTANTS

Cullman, Alabama
July 11, 2017

CITY OF GOOD HOPE, ALABAMA
STATEMENT OF NET POSITION
September 30, 2016

<u>ASSETS</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Current assets:			
Cash equivalents	\$ 701,439	\$ 33,083	\$ 734,522
Accounts receivable	-	11,979	11,979
Due from settlement	9,621	-	9,621
Due from other governments	272,543	-	272,543
Prepaid expenses and deposits	12,241	-	12,241
TOTAL CURRENT ASSETS	<u>\$ 995,844</u>	<u>\$ 45,062</u>	<u>\$ 1,040,906</u>
Restricted assets:			
Cash equivalents	\$ 31,612	\$ 129,012	\$ 160,624
Due from other governments	5,112	-	5,112
TOTAL RESTRICTED ASSETS	<u>\$ 36,724</u>	<u>\$ 129,012</u>	<u>\$ 165,736</u>
Capital assets:			
Land and other assets not being depreciated	\$ 988,352	\$ 98,405	\$ 1,086,757
Buildings, improvements, and equipment, net of depreciation	1,963,506	1,579,776	3,543,282
TOTAL CAPITAL ASSETS	<u>\$ 2,951,858</u>	<u>\$ 1,678,181</u>	<u>\$ 4,630,039</u>
Deferred outflows of resources:			
Deferred outflow of resources - pension	\$ 3,001	\$ -	\$ 3,001
Unamortized loss on refunding	-	86,758	86,758
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 3,001</u>	<u>\$ 86,758</u>	<u>\$ 89,759</u>
TOTAL ASSETS	<u>\$ 3,987,427</u>	<u>\$ 1,939,013</u>	<u>\$ 5,926,440</u>

(continued)

CITY OF GOOD HOPE, ALABAMA
STATEMENT OF NET POSITION - CONTINUED
September 30, 2016

<u>LIABILITIES AND NET POSITION</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current liabilities:			
Payroll taxes payable	\$ 1,038	\$ -	\$ 1,038
Notes and warrants payable	96,381	-	96,381
TOTAL CURRENT LIABILITIES	<u>\$ 97,419</u>	<u>\$ -</u>	<u>\$ 97,419</u>
Liabilities payable from restricted assets:			
Accrued interest	\$ -	\$ 19,007	\$ 19,007
Notes and warrants payable	-	120,000	120,000
TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS	<u>\$ -</u>	<u>\$ 139,007</u>	<u>\$ 139,007</u>
Long-term liabilities:			
Notes and warrants payable	\$ 1,168,031	\$ 1,395,000	\$ 2,563,031
Unamortized debt discount	-	(68,981)	(68,981)
TOTAL LONG-TERM LIABILITIES	<u>\$ 1,168,031</u>	<u>\$ 1,326,019</u>	<u>\$ 2,494,050</u>
TOTAL LIABILITIES	<u>\$ 1,265,450</u>	<u>\$ 1,465,026</u>	<u>\$ 2,730,476</u>
Deferred inflows of resources:			
Unearned revenues	\$ 75,622	\$ -	\$ 75,622
Net position:			
Net investment in capital assets	\$ 1,687,446	\$ 438,920	\$ 2,126,366
Restricted for:			
Debt service	-	(9,995)	(9,995)
Capital projects	19,567	-	19,567
Streets and highways	9,462	-	9,462
Unrestricted	929,880	45,062	974,942
TOTAL NET POSITION	<u>\$ 2,646,355</u>	<u>\$ 473,987</u>	<u>\$ 3,120,342</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 3,987,427</u>	<u>\$ 1,939,013</u>	<u>\$ 5,926,440</u>

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

CITY OF GOOD
STATEMENT
Year ended

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 507,567	\$ 29,927	\$ 15,318	\$ -
Streets and highways	513,170	-	30,393	-
Parks and recreation	110,728	58,158	-	-
Education	26,750	-	-	-
Public safety	36,000	-	-	-
Health and social services	5,000	-	-	-
Conservation	3,500	-	-	-
Interest on long-term debt	43,480	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 1,246,195	\$ 88,085	\$ 45,711	\$ -
Business-type activities:				
Sewer	297,569	162,918	-	-
TOTAL GOVERNMENT	\$ 1,543,764	\$ 251,003	\$ 45,711	\$ -

General revenues:

Taxes:

Sales taxes
Property taxes
Cullman County one cent gas tax
County tag taxes
State motor vehicle tax
Privilege business license
Franchise taxes
Beer and alcohol taxes
Lodgings taxes
Municipal tax three percent
Alabama trust fund
Insurance recoveries
TVA distributions
Miscellaneous
Disposal of assets
Unrestricted investment earnings
Transfers
TOTAL GENERAL REVENUES AND TRANSFERS
CHANGE IN NET POSITION
NET POSITION AT BEGINNING OF YEAR
NET POSITION AT END OF YEAR

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

HOPE, ALABAMA
 OF ACTIVITIES
 September 30, 2016

Net (Expenses) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
\$ (462,322)	\$ -	\$ (462,322)
(482,777)	-	(482,777)
(52,570)	-	(52,570)
(26,750)	-	(26,750)
(36,000)	-	(36,000)
(5,000)	-	(5,000)
(3,500)	-	(3,500)
(43,480)	-	(43,480)
\$ (1,112,399)	\$ -	\$ (1,112,399)
-	(134,651)	(134,651)
\$ (1,112,399)	\$ (134,651)	\$ (1,247,050)
882,382	-	882,382
21,133	-	21,133
88,367	-	88,367
30,879	-	30,879
1,150	-	1,150
69,133	-	69,133
28,720	-	28,720
179,750	-	179,750
14,869	-	14,869
84,811	-	84,811
22,187	-	22,187
1,596	-	1,596
84,278	-	84,278
17,542	-	17,542
236	1,434	1,670
837	-	837
(153,140)	153,140	-
\$ 1,374,730	\$ 154,574	\$ 1,529,304
\$ 262,331	\$ 19,923	\$ 282,254
2,384,024	454,064	2,838,088
\$ 2,646,355	\$ 473,987	\$ 3,120,342

CITY OF GOOD
BALANCE SHEET -
September

	General Fund	Capital Projects Fund
<u>ASSETS</u>		
Cash equivalents	\$ 701,439	\$ 7,695
Due from other governments	272,543	-
Accounts receivable	9,621	-
Prepaid insurance	12,131	-
Utility deposits	110	-
TOTAL ASSETS	\$ 995,844	\$ 7,695
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>		
Liabilities:		
Payroll taxes payable	\$ 1,038	\$ -
Deferred Inflows of Resources:		
Unearned revenues	\$ 75,622	\$ -
Fund Balances:		
Nonspendable:		
Prepaid expenditures	\$ 12,131	\$ -
Utility deposit	110	-
Restricted for:		
Highways and streets	-	-
Capital improvements	-	-
Assigned for:		
Capital improvements	-	7,695
Unassigned	906,943	-
TOTAL FUND BALANCES	\$ 919,184	\$ 7,695
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 995,844	\$ 7,695

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

HOPE, ALABAMA
GOVERNMENTAL FUNDS
 30, 2016

Other Governmental Funds	Total Governmental Funds
\$ 23,917	\$ 733,051
5,112	277,655
-	9,621
-	12,131
-	110
<u>\$ 29,029</u>	<u>\$ 1,032,568</u>
\$ -	\$ 1,038
\$ -	\$ 75,622
\$ -	\$ 12,131
-	110
9,462	9,462
19,567	19,567
-	7,695
-	906,943
<u>\$ 29,029</u>	<u>\$ 955,908</u>
<u>\$ 29,029</u>	<u>\$ 1,032,568</u>

CITY OF GOOD HOPE, ALABAMA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
 FUNDS TO THE STATEMENT OF NET POSITION
 September 30, 2016

Total fund balances per governmental funds balance sheet (page 10) \$ 955,908

Amounts reported for governmental activities in the statement of net position
 (pages 5-6) are different due to:

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

Land and other assets not being depreciated	\$ 988,352	
Buildings, improvements, and equipment	5,957,291	
Accumulated depreciation	<u>(3,993,785)</u>	2,951,858

Long-term liabilities applicable to the City's governmental activities are not due
 and payable in the current period and accordingly are not reported as fund
 liabilities. All liabilities - both current and long-term - are reported in the
 statement of net position. In addition, the deferred outflows of resources -
 pension are expenditures at the fund level, but are deferred in the statement
 of net position.

Notes and warrants payable	\$(1,264,412)	
Deferred outflows of resources - pension	<u>3,001</u>	<u>(1,261,411)</u>

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES (PAGE 6)	\$	<u><u>2,646,355</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

CITY OF GOOD HOPE, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS
Year ended September 30, 2016

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Sales taxes	\$ 882,382	\$ -	\$ -	\$ 882,382
Property taxes	88,081	-	-	88,081
Cullman County one-cent gasoline tax	88,367	-	-	88,367
County tag taxes	30,879	-	-	30,879
State motor vehicle license tax	1,150	-	-	1,150
State gasoline taxes	-	-	28,034	28,034
Petroleum inspection fees	-	-	2,359	2,359
Franchise fees	28,720	-	-	28,720
Privilege business licenses	69,133	-	-	69,133
Beer and alcohol taxes	179,750	-	-	179,750
Lodging taxes	14,869	-	-	14,869
Municipal three percent tax	84,811	-	-	84,811
TVA distribution	84,278	-	-	84,278
Alabama Trust Fund	-	-	22,187	22,187
Federal and state grants and donations	15,318	-	-	15,318
Charges for services	88,085	-	-	88,085
Miscellaneous	17,543	-	-	17,543
Interest earned	837	-	-	837
TOTAL REVENUES	\$ 1,674,203	\$ -	\$ 52,580	\$ 1,726,783
Expenditures:				
Current:				
General government	\$ 488,003	\$ -	\$ -	\$ 488,003
Streets and highways	297,893	-	44,470	342,363
Parks and recreation	84,863	-	-	84,863
Public safety	36,000	-	-	36,000
Health and social services	5,000	-	-	5,000
Conservation	3,500	-	-	3,500
Education	26,750	-	-	26,750
Capital outlay	74,386	219,055	-	293,441
Debt service:				
Principal retirement	93,233	-	-	93,233
Interest charges	43,480	-	-	43,480
TOTAL EXPENDITURES	\$ 1,153,108	\$ 219,055	\$ 44,470	\$ 1,416,633
REVENUE OVER (UNDER) EXPENDITURES	\$ 521,095	\$ (219,055)	\$ 8,110	\$ 310,150
Other financing sources (uses):				
Sale proceeds	\$ 236	\$ -	\$ -	\$ 236
Insurance proceeds	1,596	-	-	1,596
Operating transfers in (out)	(260,758)	107,358	260	(153,140)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (258,926)	\$ 107,358	\$ 260	\$ (151,308)
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 262,169	\$ (111,697)	\$ 8,370	\$ 158,842
Fund balance at October 1	657,015	119,392	20,659	797,066
FUND BALANCES AT SEPTEMBER 30	\$ 919,184	\$ 7,695	\$ 29,029	\$ 955,908

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

CITY OF GOOD HOPE, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the year ended September 30, 2016

Net change in fund balances - total governmental funds (page 12)	\$ 158,842
Amounts reported for governmental activities in the statement of activities (pages 7-8) are different due to:	
Governmental funds report capital outlays as current expenditures. However, in the government-wide statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$293,441) exceeded depreciation (\$219,237) in the current period.	74,204
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(66,948)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.	
Deferred outflows of resources - pension	3,001
The proceeds of debt issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Repayment of debt principal	93,233
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (PAGE 8)	\$ 262,332

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

CITY OF GOOD HOPE, ALABAMA
BALANCE SHEET – PROPRIETARY FUND
September 30, 2016

<u>ASSETS</u>	<u>Sewer</u>
Current Assets:	
Cash equivalents	\$ 33,083
Accounts receivable	11,979
TOTAL CURRENT ASSETS	\$ 45,062
Restricted assets:	
Cash equivalents	\$ 129,012
Capital assets:	
Land and improvements	\$ 98,405
Buildings	65,573
Vehicles and equipment	35,952
Sewer system	4,981,602
Accumulated depreciation	(3,503,351)
TOTAL CAPITAL ASSETS	\$ 1,678,181
Deferred outflows of resources:	
Unamortized loss on refunding	\$ 86,758
TOTAL ASSETS	\$ 1,939,013
<u>LIABILITIES AND NET POSITION</u>	
Liabilities payable from restricted assets:	
Accrued interest	\$ 19,007
General obligation refunding warrants - current maturities	120,000
TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS	\$ 139,007
Long-term liabilities:	
General obligation refunding warrants - 2010 Issue	\$ 1,395,000
Unamortized discount on warrants	(68,981)
TOTAL LONG-TERM LIABILITIES	\$ 1,326,019
TOTAL LIABILITIES	\$ 1,465,026
Net position:	
Net investment in capital assets	\$ 438,920
Restricted for debt service	(9,995)
Unrestricted	45,062
TOTAL NET POSITION	\$ 473,987
TOTAL LIABILITIES AND NET POSITION	\$ 1,939,013

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

CITY OF GOOD HOPE, ALABAMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION – PROPRIETARY FUND
Year ended September 30, 2016

	Sewer
Operating revenues:	
Charges for services	\$ 162,918
Operating expenses:	
Salaries and wages	\$ 39,000
Telephone and utilities	25,370
Repairs and maintenance	24,690
Depreciation	97,694
Professional fees	39,523
TOTAL OPERATING EXPENSES	\$ 226,277
	OPERATING (LOSS) \$ (63,359)
Nonoperating income (expense):	
Disposal of assets	\$ 1,434
Interest expense	(71,292)
TOTAL NONOPERATING INCOME (EXPENSE)	\$ (69,858)
(DECREASE) IN NET POSITION BEFORE TRANSFERS	\$ (133,217)
Transfers in	153,140
	NET INCREASE IN NET POSITION \$ 19,923
Net position - October 1	454,064
	NET POSITION AT SEPTEMBER 30 \$ 473,987

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

CITY OF GOOD HOPE, ALABAMA
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
Year ended September 30, 2016

	Sewer
Cash flows from operating activities:	
Cash received from customers	\$ 161,915
Cash payments to suppliers for goods and services	(89,708)
Cash payments to employees for services	(39,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 33,207
Cash flows from noncapital financing activities:	
Cash transfers from other funds	\$ 153,140
Cash flows from capital and related financing activities:	
Proceeds from disposal of assets	\$ 1,434
Principal paid on long-term liabilities	(115,000)
Interest paid on long-term liabilities	(43,812)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (157,378)
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 28,969
Cash and cash equivalents, beginning of year	133,126
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 162,095
Cash and cash equivalents as of September 30, 2016 consisted of the following:	
Cash equivalents - current assets	\$ 33,083
Cash equivalents - restricted assets	129,012
TOTALS	\$ 162,095

Reconciliation of income from operating (loss) to net cash provided by operating activities:

Operating (loss)	\$ (63,359)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:	
Depreciation	97,694
Accounts receivable	(1,003)
Accounts payable	(125)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 33,207

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

CITY OF GOOD HOPE, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A.1 REPORTING ENTITY

The City of Good Hope (City) was incorporated under the laws of the State of Alabama in 1962 and operates under an elected Mayor-Council form of government.

Component Units

In evaluating how to define the City of Good Hope, Alabama, for financial reporting purposes, management considered all the criteria for determining component units. The basic – but not the only – criteria for including a potential component unit within the reporting entity is the government's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the City of Good Hope, Alabama, does not exercise oversight duties or responsibilities over other units of government.

A.2 BASIS OF PRESENTATION

Government-wide Statements

The Statement of Net Position and the Statement of Activities display information about the primary government and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The City of Good Hope, Alabama did not have any fiduciary activities as of September 30, 2016.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statements of Activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category – governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

A.2 BASIS OF PRESENTATION – CONTINUED

Fund Financial Statements - Continued

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The city reports the following major governmental funds:

General Fund: This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects Fund: This fund accounts for funds used to construct capital assets such as public utilities, infrastructure, etc.

The City reports the following major proprietary fund:

Sewer: This fund accounts for the system maintenance and the sewage disposal service provided to its customers.

A.3 MEASUREMENT FOCUS, BASIS OF ACCOUNTING

Government-wide and Proprietary Financial Statements

The government-wide and proprietary financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include sales taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Property taxes are levied by the County on October 1 and are due by December 31. The County then remits the City its' share of the tax. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. However, all grants earned and charges for services are considered to be available as of year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, claims and judgments, and compensated absences are recognized as expenditures to the extent they have matured. General capital assets acquisitions are reported as expenditures in governmental funds. The issuance of general long-term debt and acquisitions under capital leases are reported as other financing sources.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

A.3 MEASUREMENT FOCUS, BASIS OF ACCOUNTING – CONTINUED

Governmental Fund Financial Statements - Continued

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The City follows GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This standard incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB pronouncements, which does not conflict with or contradict GASB pronouncements and eliminates the criteria to apply post-November 30, 1989, pronouncements that do not conflict with or contradict GASB pronouncements.

A.4 ASSETS, LIABILITIES, AND NET POSITION

Cash Equivalents

The City reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. Cash equivalents are reported at carrying amount, which reasonably estimates fair value. Certificates of deposit are carried at cost, which approximates market value.

Accounts Receivable

Accounts receivable are presented net of allowances for doubtful accounts. As of September 30, 2016, the allowance for doubtful accounts for all funds was \$-0-.

Property Tax Calendar

Cullman County is responsible for the assessment, collection, and apportionment of property taxes for the City of Good Hope. The County levies property taxes on October 1 on property values for the previous year ended September 30. Secured property tax payments are due by December 31. As prescribed by Governmental Accounting Standards Board (GASB) Statement 33, a receivable of \$66,949 has been accrued as a receivable as of September 30, 2016, for the bills sent out October 1, 2016, because the City has an enforceable legal claim on these property taxes. However, since these resources were not available for use during the year ended September 30, 2016, an offsetting balance of \$66,949 has also been reflected as unearned revenue in the financial statements.

Prepaid Expenses/Expenditures

Prepaid expenses/expenditures are payments made by the City in the current year to provide goods or services that benefit a subsequent period. Prepaid insurance is charged to expenditures/expenses over the term of the policies.

Restricted Assets

Certain proceeds of general long-term debt and proprietary fund warrants, as well as certain resources set aside for their repayment and other amounts are classified as restricted assets on the balance sheet because their use is limited by applicable debt covenants and/or contractual obligations.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

A.4. ASSETS, LIABILITIES, AND NET POSITION - CONTINUED

Capital Assets, Depreciation and Amortization

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The City maintains infrastructure asset records consistent with all other capital assets. The cost of normal repairs and maintenance that do not add value to the asset or materially extend the assets lives are not capitalized. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations. The City's capitalization policy is to capitalize all capital assets with a cost of \$5,000 or more.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-40
Office furniture and equipment	5-10
Street equipment	5-15
Municipal park	5-20
Autos and equipment	3-15
Infrastructure	7-25
Sewer system	5-20

Amortization

Unamortized debt discount is amortized on the straight-line method over the life of the warrants. Unamortized loss on refunding is amortized on the straight-line method over the lesser of the life of the old warrants refunded or the life of the new warrants issued.

Net Position

Net position comprises the various net earnings from operating and non-operating revenues and expenses. Net position is classified in the following three components; net investment in capital assets, restricted net position; and unrestricted net position. Net investment in capital assets, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction, and improvements of those assets; debt related to unspent proceeds and restricted cash equivalents are excluded from the determination. Restricted net position consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates, less any related liabilities. Unrestricted consists of all other net position not included in the above categories.

As of September 30, 2016, the City had \$(9,995) restricted for debt service; \$19,567 restricted for capital projects; and \$9,462 restricted for streets and highways.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

A.4 ASSETS, LIABILITIES, AND NET POSITION - CONTINUED

Governmental Fund Balances

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

<u>Classification</u>	<u>Descriptions</u>
Nonspendable	Nonspendable fund balances include fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
Restricted	Restricted fund balances include fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
Committed	Committed fund balances include fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority (the City Council) and does not lapse at year end. The City Council is required to adopt an Ordinance in order to establish, modify, or rescind a fund balance commitment.
Assigned	Assigned fund balances include fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balances may be assigned by the Mayor or City Clerk.
Unassigned	Unassigned fund balances include positive fund balances within the General Fund which have not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The City uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balances are available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City does not have a formal minimum fund balance policy.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Pension

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE B – DEPOSITS (CASH)

The City's funds are invested in accordance with State statutes which allow investment in: (1) direct obligations of the United States government pledged by its full faith and credit, (2) savings accounts and certificates of deposit at savings and loan associations and federally insured banks when secured by acceptable collateral, (3) pre-funded public obligations, and (4) interests in collective investment funds in accordance with guidelines set out in Section 11-81-21, Code of Alabama, 1975.

The City's deposits were insured by federal depository insurance coverage (FDIC) or the Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program is administered by the State Treasurer according to the State of Alabama statute, and any bank or financial institution in the State of Alabama accepting deposits of public funds is required to insure those funds by pledging eligible collateral to the State Treasurer for the SAFE collateral pool. The entire pool stands behind each deposit.

NOTE C – AMOUNTS DUE FROM OTHER GOVERNMENTAL AGENCIES

The amounts due from other governments on the balance sheet as of September 30, 2016, were as follows:

<u>Governmental Agency</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>
State of Alabama	\$ 8,506	\$ 5,112
Cullman County Commission	264,037	-
	<u>\$ 272,543</u>	<u>\$ 5,112</u>

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE D – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016, consisted of the following:

	Balance 9/30/2015	Additions	(Removals)	Balance 9/30/2016
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 769,297	\$ -	\$ -	\$ 769,297
Construction in progress	-	219,055	-	219,055
Total assets not being depreciated	\$ 769,297	\$ 219,055	\$ -	\$ 988,352
Capital assets being depreciated:				
Building and improvements	\$ 585,776	\$ -	\$ -	\$ 585,776
Office furniture and equipment	52,041	6,143	-	58,184
Street equipment	371,930	51,418	-	423,348
Municipal park	923,794	-	-	923,794
Autos	42,100	16,825	-	58,925
Infrastructure	3,907,264	-	-	3,907,264
Total capital assets being depreciated	\$ 5,882,905	\$ 74,386	\$ -	\$ 5,957,291
Less accumulated depreciation:				
Buildings and improvements	\$ 221,565	\$ 14,455	\$ -	\$ 236,020
Office furniture and equipment	49,162	1,492	-	50,654
Street equipment	319,814	13,836	-	333,650
Municipal park	100,506	25,865	-	126,371
Autos	26,983	5,322	-	32,305
Infrastructure	3,056,518	158,267	-	3,214,785
Total accumulated depreciation	\$ 3,774,548	\$ 219,237	\$ -	\$ 3,993,785
Total capital assets being depreciated, net	\$ 2,108,357	\$ (144,851)	\$ -	\$ 1,963,506
Governmental activities capital assets, net	\$ 2,877,654	\$ 74,204	\$ -	\$ 2,951,858
<u>Business-Type Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 98,405	\$ -	\$ -	\$ 98,405
Capital assets being depreciated:				
Buildings and improvements	\$ 65,573	\$ -	\$ -	\$ 65,573
Autos and equipment	43,827	-	(7,875)	35,952
Sewer system	4,981,602	-	-	4,981,602
Total capital assets being depreciated	\$ 5,091,002	\$ -	\$ (7,875)	\$ 5,083,127
Less accumulated depreciation:				
Buildings and improvements	\$ 54,763	\$ 2,464	\$ -	\$ 57,227
Autos and equipment	41,657	207	(7,875)	33,989
Sewer system	3,317,113	95,023	(1)	3,412,135
Total accumulated depreciation	\$ 3,413,533	\$ 97,694	\$ (7,876)	\$ 3,503,351
Total capital assets being depreciated, net	\$ 1,677,469	\$ (97,694)	\$ 1	\$ 1,579,776
Business-type activities capital assets, net	\$ 1,775,874	\$ (97,694)	\$ 1	\$ 1,678,181

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE D – CAPITAL ASSETS – CONTINUED

Depreciation expense was charged to functions as follows:

Governmental Activities:		
General government	\$	21,269
Parks and recreation		25,865
Highways and Streets, including depreciation of general infrastructure		172,103
	TOTAL	<u>\$ 219,237</u>

Depreciation expense of \$97,693 was charged to sewer operations in the business-type activities.

NOTE E – LONG-TERM DEBT

As of September 30, 2016, the long-term debt payable from the governmental activities consisted of the following:

Note payable to Premier Bank dated March 22, 2013; interest rate of 3.20%; payments of \$7,003 per month with a final maturity of December 15, 2027	\$	791,114
Note payable to Premier Bank dated October 14, 2013; interest rate of 3.9%; payments of \$2,911 per month with a final maturity of December 14, 2028		338,422
Cullman Electric Cooperative dated September 11, 2015; interest rate of 2.0%; revolving fund; payments of \$1,479 per month with a final maturity of December 20, 2024		134,876
	\$	1,264,412
		Less Current Portion 96,381
TOTAL LONG-TERM NOTES PAYABLE	\$	<u>1,168,031</u>

As of September 30, 2016, the long-term debt payable from business-type activities consisted of the following:

General Obligation Refunding Warrants Series 2010 dated September 1, 2010; original principal of \$2,065,000; due in annual principal installments ranging from \$115,000 to \$160,000, with interest ranging from 2.00% to 3.50% due November 2026	\$	1,515,000
		Less Current Portion 120,000
TOTAL LONG-TERM WARRANTS PAYABLE	\$	<u>1,395,000</u>

Proceeds of the General Obligation Refunding Warrants shown in the business-type activities were used by proprietary funds and are being repaid by those funds. However, they remain a contingent liability of the City's governmental activities.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE E – LONG-TERM DEBT – CONTINUED

Changes in long-term debt for the year ended September 30, 2016 were as follows:

Governmental Activities					
Description	Balance at Sept. 30, 2015	Additons	(Removals)	Balance at Sept. 30, 2016	Due within one year
Note - Premier Bank	\$ 848,396	\$ -	\$ (57,282)	\$ 791,114	\$ 59,243
Note - Premier Bank	359,484	-	(21,062)	338,422	21,949
CEC - Revolving Note	149,765	-	(14,889)	134,876	15,189
	<u>\$ 1,357,645</u>	<u>\$ -</u>	<u>\$ (93,233)</u>	<u>\$ 1,264,412</u>	<u>\$ 96,381</u>
Less current portion				(96,381)	
				<u>\$ 1,168,031</u>	
					TOTAL LONG-TERM LIABILITIES

Business-type Activities					
Description	Balance at Sept. 30, 2015	Additons	(Removals)	Balance at Sept. 30, 2016	Due within one year
General Obligation					
Warrants Series 2010	\$ 1,630,000	\$ -	\$ (115,000)	\$ 1,515,000	\$ 120,000
Unamortized debt discount	(75,970)	-	6,989	(68,981)	-
	<u>\$ 1,554,030</u>	<u>\$ -</u>	<u>\$ (108,011)</u>	<u>\$ 1,446,019</u>	<u>\$ 120,000</u>
Less current portion				(120,000)	
				<u>\$ 1,326,019</u>	
					TOTAL LONG-TERM LIABILITIES

Annual principal maturities and debt service requirements of the long-term debt of the City of Good during the next five years followed by five year increments to maturity are as follows:

Governmental Activities			
Year Ended September 30	Principal	Interest	Totals
2017	\$ 96,381	\$ 40,332	\$ 136,713
2018	99,522	37,191	136,713
2019	102,770	33,943	136,713
2020	106,046	30,667	136,713
2021	109,595	27,119	136,714
2022-2026	572,655	79,851	652,506
2027-2029	177,443	5,697	183,140
TOTALS	<u>\$ 1,264,412</u>	<u>\$ 254,800</u>	<u>\$ 1,519,212</u>

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE E – LONG-TERM DEBT – CONTINUED

Business-type Activities			
Year Ended September 30	Principal	Interest	Totals
2017	\$ 120,000	\$ 44,418	\$ 164,418
2018	120,000	41,778	161,778
2019	125,000	38,775	163,775
2020	130,000	35,425	165,425
2021	135,000	31,613	166,613
2022-2026	725,000	91,419	816,419
2027-2029	160,000	2,800	162,800
TOTALS	\$ 1,515,000	\$ 286,228	\$ 1,801,228

NOTE F – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

There were not any interfund receivables/payables as of September 30, 2016. Interfund transfers during the year ended September 30, 2016 were as follows:

Fund	Transfers In	Transfers Out	Total Transfers In (Out)
General Fund	\$ -	\$ (260,758)	\$ (260,758)
Capital Projects	107,358	-	107,358
Other Governmental Funds	260	-	260
Sewer Fund	153,140	-	153,140
Totals	\$ 260,758	\$ (260,758)	\$ -

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

In the year ended September 30, 2016, the City made the above-listed transfers to the various funds to subsidize capital projects, subsidize debt service payments, and to subsidize sewer improvements and other expenditures in the sewer fund.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE G – NET POSITION

Net position represents the difference between assets and liabilities. The net position amounts were determined as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net investment in capital assets:		
Capital assets	\$ 2,951,858	\$ 1,678,181
Less: Notes and Warrants payable	(1,264,412)	(1,395,000)
Add: Unamortized loss on refunding	-	86,758
Unamortized discount on bonds	-	68,981
TOTAL NET INVESTMENT IN CAPITAL ASSETS	\$ 1,687,446	\$ 438,920
Restricted for:		
Debt service	\$ -	\$ (9,995)
Capital projects	19,567	-
Streets and highways	9,462	-
TOTAL RESTRICTED	\$ 29,029	\$ (9,995)
Unrestricted	929,880	45,062
TOTAL NET POSITION	\$ 2,646,355	\$ 473,987

The Sewer fund maintains a Warrant Fund for the General Obligation Warrants Series 2010. Each month, the Sewer Fund deposits 1/12 of the current year's required debt service payments to this Warrant Fund. The annual principal installment for the Series 2010 warrant is due in November. Therefore, the restricted for debt service negative amount of \$(9,995) for the year ended September 30, 2016 was primarily due to the Sewer Fund having a couple of months after year end to make the monthly deposits to meet the annual debt service requirement.

NOTE H – PENSION PLAN

General Information about the Pension Plan

Plan Description

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

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

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE H – PENSION PLAN - CONTINUED

General Information about the Pension Plan - Continued

Plan Description – Continued

- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant to § 36-27-6.

Benefits Provided

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

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

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 included approximately 84,393 participants as of September 30, 2015. The membership of ERS as of September 30, 2015 and the City of Good Hope as of September 30, 2016 consisted of the following:

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE H – PENSION PLAN - CONTINUED

General Information about the Pension Plan - Continued

Benefits Provided - Continued

	ERS'	City's
	<u>Membership</u>	<u>Membership</u>
Retirees and beneficiaries currently receiving benefits	22,211	-
Terminated employees entitled to but not yet receiving benefits	1,353	-
Terminated employees not entitled to a benefit	5,451	-
Active members	55,164	5
Post-DROP participants still in active service	214	-
TOTALS	<u><u>84,393</u></u>	<u><u>5</u></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 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, 2016, the City's active employee contribution rate was 7.48 percent for Tier 1 employees and 8.15 percent for Tier 2 employees of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 7.85 percent of covered employee payroll.

The City's contractually required contribution rate for the year ended September 30, 2016 was 7.48% of pensionable pay for Tier 1 employees, and 8.15% of pensionable pay for Tier 2 employees,. These required contribution rates are based upon the recommendations of the actuary, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City were \$3,150 for the year ended September 30, 2016.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE H – PENSION PLAN - CONTINUED

Net Pension Liability

The City began participating in the pension plan as of July 2016. Since the actuarial valuations for the plan are done one year in arrears, the actuarial valuation for the year ended September 30, 2016 is not available and a net pension liability has not been reported.

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

For the year ended September 30, 2016, the City recognized pension expense of \$149. At September 30, 2016, the City reported deferred outflows of resources related to pensions of the following sources:

	<u>Deferred Outflows of Resources</u>
Employer contributions subsequent to the measurement date	\$ 3,001

NOTE I – CONCENTRATIONS OF CREDIT RISK

The City grants unsecured credit for sewer charges to various customers who are generally located within Cullman County, Alabama. The unsecured credit amount would be an amount in excess of security deposit and the customer would be subject to discontinuance of service for nonpayment.

NOTE J – RISK MANAGEMENT

The City is exposed to various risks such as losses related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees and other people, and natural disasters. These risks are handled through the purchase of commercial insurance.

NOTE K – COMMITMENTS

Governmental Activities

As of February 2014, the City received a Community Development Block Grant (CDBG) in the amount of \$200,000 from the Alabama Department of Economic and Community Affairs (ADECA) for street improvements to SR-69. The City is to provide matching funds of \$50,000. As of September 30, 2016, the City has incurred \$77,149 in preliminary engineering costs. The grant can only be used for construction costs and the City had not awarded the contract for construction as of September 30, 2016.

NOTE L – SUBSEQUENT EVENTS

Governmental Activities

As of November 2016, the City Council approved the purchase of 0.06 acres from Core Properties, LLC in the amount of \$20,000.

As of December 2016, the City Council, pending ADECA approval of the bid documents, approved to enter into a contract with Carcel & G Construction, LLC in the amount of \$225,535 to complete the improvements to SR-69, including signal design, at Cupp Road, Phase 1A.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GOOD HOPE, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET (GAAP BASIS) AND ACTUAL – GENERAL FUND
Year ended September 30, 2016

	Original Final/Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Sales taxes	\$ 777,072	\$ 882,382	\$ 105,310
Property taxes	84,927	88,081	3,154
Cullman County one-cent gasoline tax	87,776	88,367	591
County tag taxes	30,207	30,879	672
State motor vehicle license tax	1,082	1,150	68
Franchise fees	17,546	28,720	11,174
Privilege business licenses	52,292	69,133	16,841
Beer and alcohol taxes	137,118	179,750	42,632
Lodging taxes	14,804	14,869	65
Municipal three percent tax	82,855	84,811	1,956
TVA distribution	91,988	84,278	(7,710)
Federal and state grants and donations	-	15,318	15,318
Charges for services	56,323	88,085	31,762
Miscellaneous	4,247	17,543	13,296
Interest earned	449	837	388
TOTAL REVENUES	<u>\$ 1,438,686</u>	<u>\$ 1,674,203</u>	<u>\$ 235,517</u>
Expenditures:			
Current:			
General government	\$ 604,694	\$ 488,003	\$ 116,691
Street and highways	196,114	297,893	(101,779)
Parks and recreation	65,373	84,863	(19,490)
Public safety	40,000	36,000	4,000
Health and social services	5,000	5,000	-
Conservation	3,500	3,500	-
Education	26,200	26,750	(550)
Capital outlay	53,031	74,386	(21,355)
Debt service:			
Principal retirement	84,031	93,233	(9,202)
Interest charges	52,682	43,480	9,202
TOTAL EXPENDITURES	<u>\$ 1,130,625</u>	<u>\$ 1,153,108</u>	<u>\$ (22,483)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 308,061</u>	<u>\$ 521,095</u>	<u>\$ 213,034</u>
Other financing sources (uses):			
Sale proceeds	\$ -	\$ 236	\$ 236
Insurance proceeds	-	1,596	1,596
Operating transfers in (out)	(291,355)	(260,758)	30,597
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (291,355)</u>	<u>\$ (258,926)</u>	<u>\$ 32,429</u>
REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$ 16,706</u>	<u>\$ 262,169</u>	<u>\$ 245,463</u>
Fund balance at October 1	657,015	657,015	-
FUND BALANCES AT SEPTEMBER 30	<u><u>\$ 673,721</u></u>	<u><u>\$ 919,184</u></u>	<u><u>\$ 245,463</u></u>

CITY OF GOOD HOPE, ALABAMA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
For the year ended September 30, 2016

	Total
Actuarially determined contribution	\$ 3,001
Contributions in relation to the actuarially determined contribution *	3,001
Contribution deficiency (excess)	\$ -
Covered-Employee payroll	\$ 40,147
Contributions as a percentage of covered-employee payroll	7.48%

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

NOTES TO SCHEDULE

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported.

Since the City of Good Hope only began participating as of July 2016, the contributions for fiscal year 2016 were based on the actuarial recommended rates.

Methods and assumptions used to determine contribution rates for the period October 1, 2015 to September 30, 2016::

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	25 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.75-7.25%, including inflation
Investment rate of return	8%, net of pension plan investment expenses, including inflation

CITY OF GOOD HOPE, ALABAMA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Year ended September 30, 2016

BUDGETARY DATA

Budget Policy and Practice

The City Clerk submits the annual budget to the City Council which adopts annual fiscal year appropriated budgets for the General Fund and Special Revenue Funds. Once approved, the City Council may amend the legally adopted budgets when unexpected modifications are required in estimated revenues and appropriations.

Budget

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by function. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to final review by the City Council. Within these control levels, management may transfer appropriations without Council approval. There were no revisions made to the budget throughout the year.

Expenditures in Excess of Budget Appropriations

The expenditures for streets and highways were \$101,799 in excess of the budgeted amount. The budget was not amended during the year for additional costs related to resurfacing roads within the City.

The expenditures for capital outlay were \$21,355 in excess of the budgeted amount. The budget was not amended during the year for additional asset purchases.

SUPPLEMENTARY INFORMATION

CITY OF GOOD HOPE, ALABAMA
COMBINING BALANCE SHEET -- GENERAL FUND
September 30, 2016

	General Fund	Parks and Recreation	Total General Fund
<u>ASSETS</u>			
Cash equivalents	\$ 696,597	\$ 4,842	\$ 701,439
Due from other governments	272,543	-	272,543
Accounts receivable	9,621	-	9,621
Prepaid insurance	12,131	-	12,131
Utility deposits	110	-	110
TOTAL ASSETS	\$ 991,002	\$ 4,842	\$ 995,844
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>			
Liabilities:			
Payroll taxes payable	\$ 1,038	\$ -	\$ 1,038
Deferred Inflows of Resources:			
Unearned revenues	\$ 75,622	\$ -	\$ 75,622
Fund Balances:			
Nonspendable:			
Prepaid expenditures	\$ 12,131	\$ -	\$ 12,131
Utility deposit	110	-	110
Unassigned	902,101	4,842	906,943
TOTAL FUND BALANCES	\$ 914,342	\$ 4,842	\$ 919,184
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 991,002	\$ 4,842	\$ 995,844

CITY OF GOOD HOPE, ALABAMA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GENERAL FUND
Year ended September 30, 2016

	General Fund	Parks and Recreation	Total General Fund
Revenues:			
Sales taxes	\$ 882,382	\$ -	\$ 882,382
Property taxes	88,081	-	88,081
Cullman County one-cent gasoline tax	88,367	-	88,367
County tag taxes	30,879	-	30,879
State motor vehicle license tax	1,150	-	1,150
Franchise fees	28,720	-	28,720
Privilege business licenses	69,133	-	69,133
Beer and alcohol taxes	179,750	-	179,750
Lodging taxes	14,869	-	14,869
Municipal three percent tax	84,811	-	84,811
TVA distribution	84,278	-	84,278
Federal and state grants and donations	15,318	-	15,318
Charges for services	29,927	58,158	88,085
Miscellaneous	17,543	-	17,543
Interest earned	837	-	837
TOTAL REVENUES	<u>\$ 1,616,045</u>	<u>\$ 58,158</u>	<u>\$ 1,674,203</u>
Expenditures:			
Current:			
General government	\$ 488,003	\$ -	\$ 488,003
Street and highways	297,893	-	297,893
Parks and recreation	-	84,863	84,863
Public safety	36,000	-	36,000
Health and social services	5,000	-	5,000
Conservation	3,500	-	3,500
Education	26,750	-	26,750
Capital outlay	74,386	-	74,386
Debt service:			
Principal retirement	93,233	-	93,233
Interest charges	43,480	-	43,480
TOTAL EXPENDITURES	<u>\$ 1,068,245</u>	<u>\$ 84,863</u>	<u>\$ 1,153,108</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 547,800</u>	<u>\$ (26,705)</u>	<u>\$ 521,095</u>
Other financing sources (uses):			
Sales proceeds	\$ 236	\$ -	\$ 236
Insurance proceeds	1,596	-	1,596
Transfers in (out)	(313,015)	52,257	(260,758)
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (311,183)</u>	<u>\$ 52,257</u>	<u>\$ (258,926)</u>
REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$ 236,617</u>	<u>\$ 25,552</u>	<u>\$ 262,169</u>
Fund balance at October 1	677,725	(20,710)	657,015
FUND BALANCES AT SEPTEMBER 30	<u>\$ 914,342</u>	<u>\$ 4,842</u>	<u>\$ 919,184</u>