

**THE CITY OF
PLEASANT GROVE, ALABAMA
ANNUAL FINANCIAL REPORT**

September 30, 2019



PHILLIP MORGAN & COMPANY P.C.
— CERTIFIED PUBLIC ACCOUNTANTS —

City of Pleasant Grove



PHILLIP MORGAN & COMPANY P.C.
— CERTIFIED PUBLIC ACCOUNTANTS —

INTRODUCTORY SECTION

PRINCIPAL CITY OFFICIALS

TABLE OF CONTENTS

City of Pleasant Grove

City of Pleasant Grove

**THE CITY OF PLEASANT GROVE, ALABAMA
PRINCIPAL CITY OFFICIALS**

September 30, 2019

MAYOR

Jerry Brasseale

CITY COUNCIL

William Bullion

Bob Crumpton

Ken Hatfield

Phillip Houston

Paula Johnson

CITY CLERK

Karen Duncan

City of Pleasant Grove

THE CITY OF PLEASANT GROVE, ALABAMA
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2019

TABLE OF CONTENTS

Introductory Section

Principal City Officials	i
Table of Contents.....	iii

Financial Section

Independent Auditors’ Report.....	1
Management’s Discussion and Analysis.....	4

Basic Financial Statements

Government-Wide Financial Statements	
Statement of Net Position.....	11
Statement of Activities	12

Fund Financial Statements	
Balance Sheet - Governmental Funds	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16

Notes to Financial Statements	17
-------------------------------------	----

Required Supplementary Information

Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund – Budget and Actual.....	35
Statement of Revenues, Expenditures and Changes in Fund Balance – General Road Fund – Budget and Actual	36
Statement of Revenues, Expenditures and Changes in Fund Balance – Special Gasoline Tax Fund – Budget and Actual	37
Schedule of Changes in Net Pension Liability.....	38
Schedule of Employer Pension Plan Contributions	39

Government Audit Section

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	41
Schedule of Findings and Responses	44

City of Pleasant Grove

This page intentionally left blank

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

City of Pleasant Grove



INDEPENDENT AUDITORS' REPORT

To the City Council
The City of Pleasant Grove, Alabama

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Pleasant Grove, Alabama (the "City"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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 and each major fund of the City, as of September 30, 2019, 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, the statements of revenues, expenditures and changes in fund balance – budget and actual, the schedule of changes in net pension liability, and the schedule of employer pension plan contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2019, 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 the City's internal control over financial reporting and compliance.

Birmingham, Alabama
December 18, 2019


PHILLIP MORGAN & COMPANY P.C.

City of Pleasant Grove

This page intentionally left blank

**THE CITY OF PLEASANT GROVE, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2019**

As management of The City of Pleasant Grove, Alabama, we offer this narrative overview and analysis as a means to assist readers of the City's financial statements for the fiscal year ended September 30, 2019. Our discussion and analysis focuses on significant financial issues, provides an overview of the City's financial activity, notes changes in the City's financial position, and identifies individual fund issues and concerns.

Financial Highlights

The net position of the City of Pleasant Grove as of September 30, 2019 totaled \$12,226,111. The portion of net position that may be used to meet the City's ongoing obligations to citizens and creditors (unrestricted net position) reflected a deficit of \$(3,074,296). The City's total net position increased by \$274,144 in fiscal year 2019.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements that are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with an overview of the City's finances, in a manner similar to private-sector business.

The *Statement of Net Position* presents information on the City's assets and liabilities, with the difference between the two reported as net position. This statement combines governmental funds current financial resources with capital assets and long-term obligations. With sufficient history, increases or decreases may serve as a useful indicator of the improvement or deterioration of the financial position of the City.

The *Statement of Activities* focuses on the functions of the City and how net position changed during the most recent fiscal year. The intent is to simplify the user's analysis of revenue and expense of the various government services. All changes in net position are reported as soon as the underlying event causing the change occurs, regardless of the timing or related cash flows. Consequently, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements describe functions of the City of Pleasant Grove that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the City of Pleasant Grove include governmental administration, police protection, fire protection, court, streets, sanitation, and culture and recreation.

A component unit is a legally separate organization over which the City can exercise influence and/or may be obligated to provide financial subsidies. The City of Pleasant Grove has no component units.

**THE CITY OF PLEASANT GROVE, ALABAMA
MANAGEMENT’S DISCUSSION AND ANALYSIS
September 30, 2019**

Fund Financial Statements

Fund Financial Statements focus on the City’s major funds rather than the City as a whole. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The City of Pleasant Grove uses fund accounting to ensure compliance with finance-related legal requirements. Governmental and proprietary are the two categories of fund types currently used by the City.

Governmental Funds

The *general fund* is the primary operating fund of the City. It includes all revenues that are not associated with the proprietary fund. Expenditures applicable to the general operations of the City are paid from the general fund.

The *general road fund* is used to account for state 7 cent gasoline tax revenues and county road and bridge tax revenues. These revenues are restricted to be used only for repairs, paving, and maintenance of city streets.

The *special gasoline tax fund* is used to account for state 4 cent gasoline tax revenues and state 5 cent gasoline tax revenues. These revenues are restricted to be used only for repairs, paving, and maintenance of city streets.

The *capital projects fund* is used to account for Alabama Trust Fund revenues (which are to be used only for capital outlays), along with other revenues and debt proceeds intended for capital projects.

The *investment fund* is used to account for resources that are legally restricted to the extent that only earnings may be used to support the City’s programs, and up to ten percent (10%) of the principal may be used each year for the purchase, repair, and replacement of infrastructure and equipment by resolution or ordinance of the City Council.

Notes to the Financial Statements

The notes to the financial statements give additional information designed to enhance the readers understanding of the data contained in the report.

[The remainder of this page intentionally left blank]

**THE CITY OF PLEASANT GROVE, ALABAMA
MANAGEMENT’S DISCUSSION AND ANALYSIS
September 30, 2019**

Government-wide Financial Analysis

**Condensed Statements of Net Position
As of September 30, 2019 and 2018**

	Governmental Activities	
	2019	2018
Assets and Deferred Outflows		
Current and other assets.....	\$ 13,843,242	\$ 13,444,180
Capital assets, net.....	3,296,305	3,346,919
Deferred outflows.....	845,389	873,123
Total Assets and Deferred Outflows.....	17,984,936	17,664,222
Liabilities and Deferred Inflows		
Current and other liabilities.....	308,776	347,877
Long-term liabilities.....	5,126,201	5,033,777
Deferred inflows.....	323,848	330,601
Total Liabilities and Deferred Inflows.....	5,758,825	5,712,255
Net Position		
Invested in capital assets, net of related debt.....	3,296,305	3,346,919
Restricted.....	12,004,102	11,572,528
Unrestricted.....	(3,074,296)	(2,967,480)
Total Net Position.....	\$ 12,226,111	\$ 11,951,967

A large portion of the City’s net position is its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens therefore; the assets are not available for future spending.

The largest portion of restricted net position is related to assets that were obtained upon the sale of the City’s natural gas and water utility systems. In 1990, the State of Alabama passed Act Number 1990-175, prescribing regulations for the management and investment of the proceeds of this sale. Originally, the principal could only be spent to support the operations of the City upon a two-thirds vote by the citizens of the City. However, on March 20, 2018, Section 45-37A-411 of the Code of Alabama 1975 was amended to allow up to 10 percent of the principal of the fund to be expended each year for the purchase, repair, and replacement of municipal infrastructure and equipment. Therefore, the City reports 10 percent of the value of these assets as restricted for capital projects and 90 percent as restricted for investment reserve. The remaining restricted portion of the City’s net position represents other resources that are subject to external restrictions on how they are used.

**THE CITY OF PLEASANT GROVE, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2019**

**Condensed Statements of Activities
For the Years Ended September 30, 2019 and 2018**

	Governmental Activities	
	2019	2018
Revenues		
Program Revenues:		
Charges for services.....	\$ 994,536	\$ 986,972
Operating grants and contributions.....	276,237	281,439
Capital grants and contributions.....	93,000	88,135
General Revenues:		
Taxes.....	3,887,736	3,583,431
Licenses and permits.....	240,807	217,623
Interest income.....	300,225	307,479
Net increase (decrease) in fair value of investments.....	562,675	(195,881)
Other general revenues.....	43,382	24,788
Total Revenues.....	6,398,598	5,293,986
Expenses		
Governmental Activities:		
Governmental administration.....	971,624	988,500
Police protection.....	2,028,723	2,037,699
Fire protection.....	1,564,631	1,461,288
Court.....	95,939	88,900
Streets.....	525,117	544,683
Sanitation.....	680,092	650,477
Library.....	258,328	274,886
Total Expenses.....	6,124,454	6,046,433
Net Change in Net Position.....	\$ 274,144	\$ (752,447)

**Governmental Funds
Fund Balances
As of September 30, 2019 and 2018**

	Fund Balances 2019	Fund Balances 2018	Increase (Decrease)
Nonspendable.....	\$ 9,399,320	\$ 9,161,245	\$ 238,075
Restricted.....	2,680,286	2,484,887	195,399
Assigned.....	-	-	-
Unassigned.....	1,539,717	1,530,108	9,609
Total Fund Balances.....	\$ 13,619,323	\$ 13,176,240	\$ 443,083

**THE CITY OF PLEASANT GROVE, ALABAMA
MANAGEMENT’S DISCUSSION AND ANALYSIS
September 30, 2019**

Capital Assets and Debt Administration

The City’s investment in capital assets for its governmental activities as of September 30, 2019 and 2018 is presented below.

**Capital Assets
As of September 30, 2019 and 2018**

	Governmental Activities	
	<u>2019</u>	<u>2018</u>
Land.....	\$ 288,077	\$ 288,077
Construction in progress.....	-	-
Governmental administration.....	1,220,154	1,262,240
Police protection.....	295,607	297,012
Fire protection.....	247,210	140,174
Streets.....	1,002,227	1,031,341
Library.....	243,030	328,075
Net Capital Assets.....	<u>\$ 3,296,305</u>	<u>\$ 3,346,919</u>

Investments in capital assets include land, buildings and improvements, and equipment. The major components of the capital assets of the governmental activities are the municipal complex and equipment related to the police, fire, and emergency medical service operations.

Debt Outstanding

As of September 30, 2019, the City had no outstanding long-term debt. The only long-term liabilities of the City as of September 30, 2019 and 2018 were accrued compensated absences and the net pension liability as presented below.

**Long-Term Liabilities
As of September 30, 2019 and 2018**

	Governmental Activities	
	<u>2019</u>	<u>2018</u>
Accrued compensated absences.....	\$ 339,429	\$ 319,748
Net pension liability.....	4,871,629	4,793,966
Total Long-Term Liabilities.....	<u>\$ 5,211,058</u>	<u>\$ 5,113,714</u>

**THE CITY OF PLEASANT GROVE, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2019**

Economic Factors

The City of Pleasant Grove relies on taxes (sales and ad valorem) and fees (business license and building permits) for their governmental activities. Other primary sources include intergovernmental revenues and fines and forfeitures.

The level of fees, taxes, and charges for service directly affect the City's ability to provide the necessary public safety functions, provide for necessary infrastructure improvements, and promote economic development and expand.

Financial Information Contact

The financial statements of the City of Pleasant Grove are designed to present to the users of the statements (citizens, customers, taxpayers, creditors) a general overview of the finances of the City. Additional information, if needed, may be obtained by contacting the office of the City Clerk at 501 Park Road, Pleasant Grove, Alabama 35127.

BASIC FINANCIAL STATEMENTS

City of Pleasant Grove

THE CITY OF PLEASANT GROVE, ALABAMA

STATEMENT OF NET POSITION

September 30, 2019

	Governmental Activities
	<u> </u>
Assets	
Cash.....	\$ 2,466,696
Certificates of deposit.....	743,882
Investments.....	10,218,916
Receivables, net of allowance for uncollectibles.....	338,244
Prepays.....	75,504
Capital assets, net of accumulated depreciation.....	<u>3,296,305</u>
Total Assets	17,139,547
Deferred Outflows - Pension	<u>845,389</u>
Total Assets and Deferred Outflows of Resources	<u>17,984,936</u>
 Liabilities	
Accounts payable.....	36,590
Other current liabilities.....	187,329
Accrued compensated absences:	
Due within one year.....	84,857
Due in more than one year.....	254,572
Net pension liability.....	<u>4,871,629</u>
Total Liabilities	5,434,977
Deferred Inflows - Pension	<u>323,848</u>
Total Liabilities and Deferred Inflows of Resources	<u>5,758,825</u>
 Net Position	
Invested in capital assets, net of related debt.....	3,296,305
Restricted for:	
Capital projects.....	1,653,637
Police protection.....	40,562
Emergency communication.....	15,345
Streets.....	970,742
Investment reserve.....	9,323,816
Unrestricted.....	<u>(3,074,296)</u>
Total Net Position	<u>\$ 12,226,111</u>

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

THE CITY OF PLEASANT GROVE, ALABAMA
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2019

FUNCTIONS/PROGRAMS	Governmental Activities				Net Revenue (Expense) and Changes in Net Position
	Expenses	Program Revenues			
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Governmental administration.....	\$ 971,624	\$ 43,979	\$ -	\$ 93,000	\$ (834,645)
Police protection.....	2,028,723	296,702	-	-	(1,732,021)
Fire protection.....	1,564,631	-	-	-	(1,564,631)
Court.....	95,939	-	-	-	(95,939)
Streets.....	525,117	-	267,677	-	(257,440)
Sanitation.....	680,092	643,640	-	-	(36,452)
Library.....	258,328	10,215	8,560	-	(239,553)
Total Governmental Activities.....	\$ 6,124,454	\$ 994,536	\$ 276,237	\$ 93,000	(4,760,681)
			General Revenues		
			Taxes.....		3,887,736
			Licenses and permits.....		240,807
			Interest income.....		300,225
			Net increase (decrease) in fair value of investments.....		562,675
			Other general revenues.....		43,382
			Total General Revenues.....		5,034,825
			Net Change in Net Position.....		274,144
			Beginning Net Position.....		11,951,967
			Ending Net Position.....		\$ 12,226,111

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

THE CITY OF PLEASANT GROVE, ALABAMA
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2019

	General Fund	General Road Fund	Special Gas Tax Fund	Capital Projects Fund	Investment Fund	Total Governmental Funds
Assets						
Cash.....	\$ 980,653	\$ 16,383	\$ 711,123	\$ 617,658	\$ 140,879	\$ 2,466,696
Certificates of deposit.....	521,179	35,872	186,831	-	-	743,882
Investments.....	-	-	-	-	10,218,916	10,218,916
Receivables, net.....	317,711	11,666	8,867	-	-	338,244
Prepays.....	75,504	-	-	-	-	75,504
Total Assets.....	\$ 1,895,047	\$ 63,921	\$ 906,821	\$ 617,658	\$ 10,359,795	\$ 13,843,242
Liabilities						
Accounts payable.....	\$ 36,590	\$ -	\$ -	\$ -	\$ -	\$ 36,590
Other current liabilities.....	187,329	-	-	-	-	187,329
Total Liabilities.....	223,919	-	-	-	-	223,919
Fund Balances						
Nonspendable - Prepays.....	75,504	-	-	-	-	75,504
Nonspendable - Investments.....	-	-	-	-	9,323,816	9,323,816
Restricted for:						
Capital projects.....	-	-	-	617,658	1,035,979	1,653,637
Police protection.....	40,562	-	-	-	-	40,562
Emergency communication.....	15,345	-	-	-	-	15,345
Streets.....	-	63,921	906,821	-	-	970,742
Unassigned.....	1,539,717	-	-	-	-	1,539,717
Total Fund Balances.....	1,671,128	63,921	906,821	617,658	10,359,795	13,619,323
Total Liabilities and Fund Balances.....	\$ 1,895,047	\$ 63,921	\$ 906,821	\$ 617,658	\$ 10,359,795	

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

Capital assets used in governmental activities are not expendable, available financial resources and, therefore are not reported in the funds.....	3,296,305
Long-term liabilities are not due and payable in the current year and, therefore are not reported in the funds.....	(4,689,517)
Net Position of Governmental Activities.....	\$ 12,226,111

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

THE CITY OF PLEASANT GROVE, ALABAMA

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

For the Year Ended September 30, 2019

	General Fund	General Road Fund	Special Gas Tax Fund	Capital Projects Fund	Investment Fund	Total Governmental Funds
Revenues						
Taxes.....	\$ 2,931,704	\$ -	\$ -	\$ -	\$ -	\$ 2,931,704
Licenses and permits.....	240,807	-	-	-	-	240,807
Intergovernmental.....	471,995	170,946	96,731	93,000	-	832,672
Fines and forfeitures.....	121,358	-	-	-	-	121,358
Garbage fees.....	643,640	-	-	-	-	643,640
Franchise fees.....	511,255	-	-	-	-	511,255
Interest income.....	1,857	68	907	232	297,161	300,225
Net increase (decrease) in fair value of investments.....	-	-	-	-	562,675	562,675
Other revenues.....	243,333	-	10,929	-	-	254,262
Total Revenues.....	5,165,949	171,014	108,567	93,232	859,836	6,398,598
Expenditures						
Current:						
Governmental administration.....	780,669	-	-	3,624	-	784,293
Police protection.....	1,937,895	-	-	-	-	1,937,895
Fire protection.....	1,471,358	-	-	-	-	1,471,358
Court.....	95,939	-	-	-	-	95,939
Streets.....	360,662	102,862	13,500	-	-	477,024
Sanitation.....	680,092	-	-	-	-	680,092
Library.....	173,283	-	-	-	-	173,283
Capital outlays.....	335,631	-	-	-	-	335,631
Total Expenditures.....	5,835,529	102,862	13,500	3,624	-	5,955,515
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	(669,580)	68,152	95,067	89,608	859,836	443,083
Other Financing Sources (Uses)						
Transfers in.....	668,058	-	-	-	-	668,058
Transfers out.....	-	(70,638)	-	-	(597,420)	(668,058)
Total Other Financing Sources (Uses).....	668,058	(70,638)	-	-	(597,420)	-
Net Change in Fund Balances.....	(1,522)	(2,486)	95,067	89,608	262,416	443,083
Beginning Fund Balances.....	1,672,650	66,407	811,754	528,050	10,097,379	13,176,240
Ending Fund Balances.....	\$ 1,671,128	\$ 63,921	\$ 906,821	\$ 617,658	\$ 10,359,795	\$ 13,619,323

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

City of Pleasant Grove

This page intentionally left blank

THE CITY OF PLEASANT GROVE, 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, 2019

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

Net Change Fund Balances - Governmental Funds	\$	443,083
Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.....		(50,614)
Some expenses reported in the statement of activities differ from amounts reported as expenditures in governmental funds:		
(Increase) Decrease in accrued compensated absences.....		(19,681)
Increase (Decrease) in deferred outflows - pension.....		(27,734)
(Increase) Decrease in deferred inflows - pension.....		6,753
(Increase) Decrease in net pension liability.....		<u>(77,663)</u>
Net Change in Net Position of Governmental Activities	\$	<u>274,144</u>

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

THE CITY OF PLEASANT GROVE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The City of Pleasant Grove, Alabama (the “City”) was established in 1889, and was incorporated as a municipality in 1937. The City operates under the Mayor-Council form of government and provides services to its citizens that include: public safety (police, fire, and court), infrastructure maintenance, culture and recreation, sanitation, and general administration.

Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City. Its *Governmental activities*, are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions. The City currently reports no *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

As required by GAAP, these financial statements present the City and its component units, legally separate entities for which the City is considered to be financially accountable. The City has no blended or discretely presented component units.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City’s funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported in separate columns in the fund financial statements. The City reports the following major governmental funds:

The **general fund** is the primary operating fund of the City. General tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Expenditures applicable to the general operations of the City are paid from the general fund.

The **general road fund** is used to account for state 7 cent gasoline tax revenues and county road and bridge tax revenues, which are to be used only for repairs, paving and maintenance of City streets.

The **special gasoline tax fund** is used to account for state 4 cent gasoline tax revenues and state 5 cent gasoline tax revenues, which are to be used only for repairs, paving and maintenance of City streets.

THE CITY OF PLEASANT GROVE, ALABAMA

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

Note 1 - Summary of Significant Accounting Policies - Continued

Basis of Presentation - Fund Financial Statements - Continued

The **capital projects fund** is used to account for Alabama Trust Fund revenues (which are to be used only for capital outlays), along with other revenues and debt proceeds intended for capital projects.

The **investment fund** is used to account for resources that are legally restricted to the extent that only earnings, and for the most part, not principal, may be used to support the City's programs. These resources were originally obtained upon the sale of the City's natural gas and water utility systems. In 1990, the State of Alabama passed Act Number 1990-175, prescribing regulations for the management and investment of the proceeds of this sale. Act Number 1990-175 provided that the interest in the fund may be expended or used for any lawful purpose, but the principal could only be spent upon a two-thirds (2/3) vote by the citizens of the City. On March 20, 2018, Section 45-37A-411 of the Code of Alabama 1975 was amended to allow up to 10 percent of the principal of the fund to be expended each year for the purchase, repair, and replacement of municipal infrastructure and equipment. All expenditures from the fund shall be by resolution or ordinance of the City Council. Upon this amendment to the enabling legislation, the City stopped reporting the investment fund as a permanent fund and began reporting it as a capital projects fund.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/due to other funds and advances to/advances from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/transfers out. While reported in fund financial statements, certain eliminations are made in the preparation of government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

THE CITY OF PLEASANT GROVE, ALABAMA

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

Note 1 - Summary of Significant Accounting Policies - Continued

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Investments: Cash includes cash on hand, amounts in demand deposits, and short-term investments with a maturity date within three months of the date acquired by the City. State statutes authorize the City to invest in U.S. Government obligations, U.S. Government agency obligations, U.S. corporate stock, U.S. corporate debt, State of Alabama Government obligations, County Government obligations, and other Municipal Government obligations. All investments are reported at fair value.

For purposes of the statements of cash flows, cash and cash equivalents include short-term investments with an original maturity date of three months or less.

Receivables and Payables: Activity between funds that are representative of lending and borrowing arrangements, as well as all other outstanding balances between funds at year end are referred to as either due to/from other funds (for the current portion) or advances to/from other funds (for the noncurrent portion).

Receivables and Payables – Continued: Advances to other funds are offset by a fund balance reserve in the fund financial statements to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are shown net of an allowance for uncollectibles.

Inventories and Prepaid Items: All inventories are valued at cost using the first in/first out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

THE CITY OF PLEASANT GROVE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

Note 1 - Summary of Significant Accounting Policies – Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance - Continued

Capital Assets: Capital outlays are recorded as expenditures in governmental fund financial statements. In contrast, capital assets, which include land, buildings, improvements other than buildings, equipment, construction in progress, and infrastructure (e.g., roads, bridges, sidewalks and similar items), are reported in the government-wide and proprietary fund financial statements.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Capital assets are defined by the City as assets with an estimated useful life in excess of one year, and are depreciated using the straight-line method over their estimated useful lives.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will **not** be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will **not** be recognized as an inflow of resources (revenue) until then. The City reports *unavailable revenue* from property taxes in the governmental funds balance sheet as a deferred inflow of resources.

Long-Term Obligations: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Long-term obligations are not reported in governmental funds.

Net Position Flow Assumption: Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted sources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumption: Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to be depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

THE CITY OF PLEASANT GROVE, ALABAMA

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

Note 1 - Summary of Significant Accounting Policies – Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance - Continued

Fund Balance Policies: Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitation on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

Revenues and Expenditures/Expenses

Program Revenues: Amounts reported as *program revenues* include 1 - Charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the City and 2 - grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for a specific purpose, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Accrued Revenues – Governmental Fund Financial Statements: Property taxes, sales and use taxes, beer taxes, occupational taxes, lodging taxes, rental and leasing taxes, payments in lieu of taxes, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenues are considered to be measurable and available only when cash is received by the City.

Compensated Absences: City employees can accumulate up to forty (40) days of earned vacation leave. Accumulated vacation leave is fully vested when earned. In addition, City employees can accumulate unlimited sick leave. Employees who leave employment with the City prior to completing five (5) years of employment are not compensated for accumulated sick leave. Employees who leave employment with the City after completing at least five (5) years of service, are paid for one-half (1/2) of their accumulated sick leave, up to a maximum of 30 days of sick leave.

THE CITY OF PLEASANT GROVE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

Note 1 - Summary of Significant Accounting Policies – Continued

Revenues and Expenditures/Expenses - Continued

Private-Sector Accounting Standards: Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict the guidance of the GASB. The City also has the option of following subsequent private-sector guidance for its business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Subsequent Events: In preparing the financial statements, management evaluated subsequent events through December 18, 2019, the date the financial statements were available to be issued.

Note 2 - Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position:

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

Accrued compensated absences	\$ (339,429)
Net Pension Liability	(4,871,629)
Deferred Inflows - Pension	(323,848)
Deferred Outflows - Pension.....	<u>845,389</u>
Net adjustment to decrease fund balance – total governmental funds to arrive at net position – governmental activities.....	<u>\$ (4,689,517)</u>

Explanation of certain differences between the governmental funds statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities:

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

Capital outlays	\$ 335,631
Depreciation expense.....	<u>(386,245)</u>
Net adjustment to decrease Net Change in Fund Balances – total governmental funds to arrive at changes in net position of governmental activities.....	<u>\$ (50,614)</u>

THE CITY OF PLEASANT GROVE, ALABAMA
NOTES TO FINANCIAL STATEMENTS

September 30, 2019

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information: The City’s budget is prepared on the modified accrual basis of accounting. The City adopts budgets for its general fund and its special revenue funds (although not required by state or local law). The following procedures are followed in establishing the City’s budgets:

- Budgetary hearings are held, where each department head or his representative presents budget recommendations to the Mayor.
- The Mayor submits a proposed budget to the City Council for the upcoming fiscal year. The budget includes proposed expenditures and the means of funding them.
- Prior the October 1, the City Council approves a budget for the upcoming fiscal year.

Note 4 - Deposits and Investments

Deposits - At September 30, 2019, the carrying amount of the City’s demand deposits and certificates of deposits in all funds was \$3,069,056, and the bank balance was \$3,063,257. All of the bank balance was covered by federal depository insurance or by the State of Alabama’s SAFE Program. The SAFE Program requires all covered public entities to deposit their funds with financial institutions that meet the requirements of the SAFE Program and that have been designated as Qualified Public Depositories (“QPD’s”). These funds are protected by a collateral pool administered by the State Treasurer. In the event of a failure of a QPD, securities pledged by that QPD would be liquidated by the State Treasurer to replace the public deposits not covered by the FDIC. A reconciliation of deposits and investments to the statement of net position for the primary government follows:

Cash on hand.....	\$ 643
Carrying amount of deposits.....	<u>3,069,056</u>
Total.....	<u>\$ 3,069,699</u>
Cash	\$ 2,466,696
Certificates of deposit	743,882
Less: Money Market Mutual Funds	<u>(140,879)</u>
Total.....	<u>\$ 3,069,699</u>

Investments – Investments consist of US government agency obligations. *Interest rate risk* is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the exposure of the City’s debt type investments to this risk using the segmented time distribution model is as follows:

	Fair Value	Investment Maturities			
		Less Than 1 Year	1-5 Years	6-10 Years	Over 10 Years
US Government Agencies.....	\$ 10,359,795	\$ 140,879	\$ 253	\$ —	\$ 10,218,663
Other	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total.....	<u>\$ 10,359,795</u>	<u>\$ 140,879</u>	<u>\$ 253</u>	<u>\$ —</u>	<u>\$ 10,218,663</u>

THE CITY OF PLEASANT GROVE, ALABAMA

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

Note 4 - Deposits and Investments - Continued

Investments – Continued - *Credit risk* is generally the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. US government securities or obligations explicitly guaranteed by the US government are not considered to have credit risk exposure. Presented below is the minimum rating for each of the City’s debt type investments:

	US Govern- ment Agencies	Money Market Mutual Funds
AAA.....	\$ 10,218,916	\$ —
Not Rated	<u>—</u>	<u>140,879</u>
Total	<u>\$ 10,218,916</u>	<u>\$ 140,879</u>

Note 5 - Receivables

Receivables were as follows at year-end:

	General Fund	General Road Fund	Special Gasoline Tax Fund	Total
Taxes receivable.....	\$ 97,858	\$ -	\$ -	\$ 97,858
Accounts receivable - garbage.....	243,453	-	-	243,453
Intergovernmental receivables.....	52,979	11,666	8,867	73,512
Total receivables	394,290	11,666	8,867	414,823
Allowance for uncollectibles.....	<u>(76,579)</u>	<u>-</u>	<u>-</u>	<u>(76,579)</u>
Net receivables	<u>\$ 317,711</u>	<u>\$ 11,666</u>	<u>\$ 8,867</u>	<u>\$ 338,244</u>

The City reports revenues net of uncollectible amounts. Total uncollectible amounts related to revenues of the current year were:

	General Fund	General Road Fund	Special Gasoline Tax Fund	Total
	<u>\$ 76,579</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

THE CITY OF PLEASANT GROVE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

Note 6 - Capital Assets

The following table summarizes the changes in capital assets during the year:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land.....	\$ 288,077	\$ -	\$ -	\$ 288,077
Construction in progress.....	-	-	-	-
Total Capital Assets Not Being Depreciated.....	<u>288,077</u>	<u>-</u>	<u>-</u>	<u>288,077</u>
Capital Assets Being Depreciated:				
Governmental administration.....	2,099,622	26,920	-	2,126,542
Police protection.....	1,718,596	89,423	-	1,808,019
Fire protection.....	1,725,270	200,309	-	1,925,579
Court.....	4,264	-	-	4,264
Streets.....	1,307,380	18,979	-	1,326,359
Library.....	2,126,136	-	-	2,126,136
Total Capital Assets Being Depreciated.....	<u>8,981,268</u>	<u>335,631</u>	<u>-</u>	<u>9,316,899</u>
Less Accumulated Depreciation On:				
Governmental administration.....	(837,382)	(69,006)	-	(906,388)
Police protection.....	(1,421,584)	(90,828)	-	(1,512,412)
Fire protection.....	(1,585,096)	(93,273)	-	(1,678,369)
Court.....	(4,264)	-	-	(4,264)
Streets.....	(276,039)	(48,093)	-	(324,132)
Library.....	(1,798,061)	(85,045)	-	(1,883,106)
Total Accumulated Depreciation.....	<u>(5,922,426)</u>	<u>(386,245)</u>	<u>-</u>	<u>(6,308,671)</u>
Net Capital Assets Being Depreciated.....	<u>3,058,842</u>	<u>(50,614)</u>	<u>-</u>	<u>3,008,228</u>
Net Capital Assets Used in the				
Operation of Governmental Activities.....	<u>\$ 3,346,919</u>	<u>\$ (50,614)</u>	<u>\$ -</u>	<u>\$ 3,296,305</u>

Depreciation expense was charged to functions of the City as follows:

Government administration	\$ 69,006
Police protection	90,828
Fire protection.....	93,273
Streets	48,093
Library	<u>85,045</u>
 Total depreciation expense - governmental activities.....	 <u>\$ 386,245</u>

THE CITY OF PLEASANT GROVE, ALABAMA
NOTES TO FINANCIAL STATEMENTS

September 30, 2019

Note 7 - Interfund Receivables, Payables and Transfers

Interfund Transfers:

<u>Purpose</u>	<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
Cash for operations & capital outlays	Investment Fund	General Fund	\$ 597,420
Cash for street department	General Road Fund	General Fund	<u>70,638</u>
Totals			<u>\$ 668,058</u>

Note 8 - Long-term Liabilities

Changes in long-term liabilities during the year are summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
Accrued compensated absences.....	\$ 319,748	\$ 19,681	\$ -	\$ 339,429	\$ 84,857	\$ 254,572
Net pension liability.....	<u>4,793,966</u>	<u>77,663</u>	<u>-</u>	<u>4,871,629</u>	<u>-</u>	<u>4,871,629</u>
Total Long-Term Liabilities.....	\$ 5,113,714	\$ 97,344	\$ -	\$ 5,211,058	\$ 84,857	\$ 5,126,201

Note 9 - Claims and Judgments

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses and injuries to employees; and natural disasters. The City has purchased commercial insurance coverage with varying coverage amounts and deductibles. Settlements have not exceeded coverages in any of the last three fiscal years.

Note 10 - Contingencies

Various lawsuits are filed against the City from time to time. In addition, potential claims may exist which have not yet resulted in lawsuits. In the opinion of the City's management, the potential adverse impact of all these claims, individually or in the aggregate, would not be material to the financial statements of the City. The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under the terms of the grants. City management believes such disallowances, if any, will be immaterial.

THE CITY OF PLEASANT GROVE, ALABAMA

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

Note 11 - Defined Benefit Pension Plan

Plan Description: The City and its eligible employees contribute to the Employees' Retirement System of Alabama (ERS). ERS, an agent 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 employees of 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's 13 trustees are 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. 3 vested members of ERS appointed by the Governor for a term of 4 years, no 2 of whom are from the same department of state government nor from any department of which an ex officio trustee is the head,
6. 6 members of ERS who are elected by members from the same category of ERS for a term of 4 years as follows:
 - a. 2 retired members with 1 from the ranks of retired state employees and 1 from the ranks of retired employees of a city, county or public agency each of whom is an active beneficiary of ERS,
 - b. 2 vested active state employees,
 - c. 2 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 ERS. Benefits for ERS members vest after 10 years or more 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 at 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 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.

THE CITY OF PLEASANT GROVE, ALABAMA

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

Note 11 - Defined Benefit Pension Plan - Continued

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2015. 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 (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 or more of creditable service, are currently in service, and are 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 based on the member's age, service credit, employment status, and eligibility for retirement.

ERS serves local participating employers across the State of Alabama. These participating employers include cities, counties, and other public entities. As of September 30, 2018, the City's membership consisted of:

Retired members or their beneficiaries currently receiving benefits.....	52
Vested inactive members.....	-
Non-vested inactive members.....	1
Active members.....	<u>48</u>
Total.....	<u>101</u>

Contributions – Covered members of ERS contributed 5% of earnable compensation to ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of ERS are required by statute to contribute 7.5% of earnable compensation. Certified law enforcement, correctional officers, and firefighters 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 were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters are required by statute to contribute 8.5% of earnable compensation. State Police 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 ERS contribute 6% of earnable compensation to ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters are required by statute to contribute 7% of earnable compensation. Tier 2 State Police contribute 10% of earnable compensation. These contribution rates are the same for Tier 2 covered members of local participating employers.

THE CITY OF PLEASANT GROVE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

Note 11 - Defined Benefit Pension Plan - Continued

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, 2019, the City's active employee contribution rates were 5% and 6% of covered payroll for Tier 1 employees and 6% and 7% of covered payroll for Tier 2 employees, and the City's average contribution rate to fund the normal and accrued liability costs was 16.94% of covered employee payroll.

The City's contractually required contribution rate for the year ended September 30, 2019 was 17.56% of covered payroll for Tier 1 employees, and 14.58% of covered payroll for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2017, a percent of annual covered 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 Plan from the City were \$404,877 for the year ended September 30, 2019.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2018, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017 rolled forward to September 30, 2018 using standard roll-forward techniques as follows:

	<u>Expected</u>	<u>Actual</u>	<u>Actual</u>
(a) TPL as of September 30, 2017.....	\$ 13,787,425	\$ 13,886,925	\$ 13,950,135
(b) Discount rate.....	7.75%	7.75%	7.70%
(c) Entry Age Normal Cost for the period.....	203,037	203,037	204,856
(d) Transfers among employers.....	-	125,023	125,023
(e) Actual Benefit Payments and Refunds for the period.....	<u>(963,275)</u>	<u>(963,275)</u>	<u>(963,275)</u>
(f) TPL as of September 30, 2018 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5 * (b))].....	<u>\$ 14,058,386</u>	<u>\$ 14,290,620</u>	<u>\$ 14,353,814</u>
(g) Difference between Expected and Actual.....		\$ 232,234	
(h) Less: Liability transferred for immediate recognition.....		<u>(125,023)</u>	
(i) Experience (gain)/loss = (g) - (h).....		<u>\$ 107,211</u>	
(j) Difference Between Actual at 7.70% and Actual at 7.75% [Assumption Change (Gain)/Loss.....			<u>\$ 63,194</u>

THE CITY OF PLEASANT GROVE, ALABAMA

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

Note 11 - Defined Benefit Pension Plan - Continued

Actuarial assumptions – The total pension liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in this measurement:

Inflation.....	2.875%
Salary increases.....	3.375% - 5.125%
Investment rate of return*	7.875%

*Net of pension plan investment expense.

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2018 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, 2017 valuation were based on the results of an investigation of the economic and demographic experience for 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*
Fixed Income	17.0%	4.4%
U.S. Large Stocks	32.0%	8.0%
U.S. Mid Stocks	9.0%	10.0%
U.S. Small Stocks	4.0%	11.0%
International Developed Market Stocks	12.0%	9.5%
International Emerging Market Stocks	3.0%	11.0%
Alternatives	10.0%	10.1%
Real Estate	10.0%	7.5%
Cash Equivalents	3.0%	1.5%
Total	<u>100.0%</u>	

*Includes assumed rate of inflation of 2.5%.

Discount Rate – The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. 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 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.

THE CITY OF PLEASANT GROVE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

Note 11 - Defined Benefit Pension Plan - Continued

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at September 30, 2017.....	\$ 13,787,425	\$ 8,993,459	\$ 4,793,966
Changes for the year:			
Service cost.....	203,037	-	203,037
Interest.....	1,031,199	-	1,031,199
Changes of assumptions.....	63,194	-	63,194
Difference between expected and actual experience.....	107,211	-	107,211
Contributions - employer.....	-	340,554	(340,554)
Contributions - employee.....	-	169,301	(169,301)
Net investment income.....	-	817,123	(817,123)
Benefit payments, including refunds of employee contributions.....	(963,275)	(963,275)	-
Transfers among employers.....	125,023	125,023	-
Net changes for the year.....	<u>566,389</u>	<u>488,726</u>	<u>77,663</u>
Balances at September 30, 2018.....	<u>\$ 14,353,814</u>	<u>\$ 9,482,185</u>	<u>\$ 4,871,629</u>

Sensitivity of the net pension liability to changes in the discount rate – The following table presents the City’s net pension liability calculated using the discount rate of 7.70%, 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 lower (6.70%) or 1 percentage point higher (8.70%) than the current rate:

	1% Decrease <u>6.70%</u>	Current Rate <u>7.70%</u>	1% Increase <u>8.70%</u>
Net Pension Liability	\$ 6,247,120	\$ 4,871,629	\$ 3,688,414

Pension plan fiduciary net position – Detailed information about the Plan’s fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2018. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2018. The auditor’s report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

THE CITY OF PLEASANT GROVE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

Note 11 - Defined Benefit Pension Plan - Continued

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

For the year ended September 30, 2019, the City recognized pension expense of \$499,022. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Deference between expected and actual experience.....	\$ 195,688	\$ 9,082
Changes of assumptions.....	244,824	-
Net difference between projected and actual earnings on pension plan investments.....	-	314,766
Employer contributions subsequent to the measurement date.....	<u>404,877</u>	<u>-</u>
Totals.....	<u>\$ 845,389</u>	<u>\$ 323,848</u>

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

Fiscal year ended September 30,		
2020.....	\$	619,147
2021.....		2,736
2022.....		(73,771)
2023.....		(26,571)
2024.....		-
Thereafter.....		<u>-</u>
Total.....	<u>\$</u>	<u>521,541</u>

City of Pleasant Grove

This page intentionally left blank

**REQUIRED SUPPLEMENTARY
INFORMATION**

City of Pleasant Grove

THE CITY OF PLEASANT GROVE, ALABAMA

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL**

For the Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes.....	\$ 2,673,555	\$ 2,673,555	\$ 2,931,704	\$ 258,149
Licenses and permits.....	215,000	215,000	240,807	25,807
Intergovernmental.....	508,350	508,350	471,995	(36,355)
Fines and forfeitures.....	82,000	82,000	121,358	39,358
Garbage fees.....	747,600	747,600	643,640	(103,960)
Franchise fees.....	535,000	535,000	511,255	(23,745)
Interest income.....	-	-	1,857	1,857
Other revenues.....	284,000	284,000	243,333	(40,667)
Total Revenues.....	5,045,505	5,045,505	5,165,949	120,444
Expenditures				
Current:				
Governmental administration.....	723,537	723,537	780,669	(57,132)
Police protection.....	1,866,069	1,866,069	1,937,895	(71,826)
Fire protection.....	1,480,232	1,480,232	1,471,358	8,874
Court.....	90,092	90,092	95,939	(5,847)
Streets.....	345,212	345,212	360,662	(15,450)
Sanitation.....	662,325	662,325	680,092	(17,767)
Library.....	195,902	195,902	173,283	22,619
Capital outlays.....	272,400	272,400	335,631	(63,231)
Total Expenditures.....	5,635,769	5,635,769	5,835,529	(199,760)
Excess (Deficiency) of Revenues Over (Under) Expenditures.....				
	(590,264)	(590,264)	(669,580)	(79,316)
Other Financing Sources (Uses)				
Transfers.....	400,000	400,000	668,058	268,058
Change in Fund Balances.....	(190,264)	(190,264)	(1,522)	188,742
Beginning Fund Balances.....	1,672,650	1,672,650	1,672,650	-
Ending Fund Balances.....	\$ 1,482,386	\$ 1,482,386	\$ 1,671,128	\$ 188,742

THE CITY OF PLEASANT GROVE, ALABAMA

GENERAL ROAD FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL**

For the Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental.....	\$ 168,000	\$ 168,000	\$ 170,946	\$ 2,946
Interest income.....	-	-	68	68
Total Revenues.....	<u>168,000</u>	<u>168,000</u>	<u>171,014</u>	<u>3,014</u>
Expenditures				
Current:				
Streets.....	-	-	102,862	(102,862)
Capital outlays.....	-	-	-	-
Total Expenditures.....	<u>-</u>	<u>-</u>	<u>102,862</u>	<u>(102,862)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	168,000	168,000	68,152	(99,848)
Other Financing Sources (Uses)				
Transfers.....	-	-	(70,638)	(70,638)
Change in Fund Balances.....	168,000	168,000	(2,486)	(170,486)
Beginning Fund Balances.....	<u>66,407</u>	<u>66,407</u>	<u>66,407</u>	<u>-</u>
Ending Fund Balances.....	<u>\$ 234,407</u>	<u>\$ 234,407</u>	<u>\$ 63,921</u>	<u>\$ (170,486)</u>

THE CITY OF PLEASANT GROVE, ALABAMA

SPECIAL GASOLINE TAX FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL**

For the Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental.....	\$ 94,000	\$ 94,000	\$ 96,731	\$ 2,731
Interest income.....	-	-	907	907
Other revenues.....	-	-	10,929	10,929
Total Revenues.....	<u>94,000</u>	<u>94,000</u>	<u>108,567</u>	<u>14,567</u>
Expenditures				
Current:				
Streets.....	-	-	13,500	(13,500)
Capital outlays.....	-	-	-	-
Total Expenditures.....	<u>-</u>	<u>-</u>	<u>13,500</u>	<u>(13,500)</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures.....	94,000	94,000	95,067	1,067
Other Financing Sources (Uses)				
Transfers.....	-	-	-	-
Change in Fund Balances.....	94,000	94,000	95,067	1,067
Beginning Fund Balances.....	<u>811,754</u>	<u>811,754</u>	<u>811,754</u>	-
Ending Fund Balances.....	<u>\$ 905,754</u>	<u>\$ 905,754</u>	<u>\$ 906,821</u>	<u>\$ 1,067</u>

THE CITY OF PLEASANT GROVE, ALABAMA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total Pension Liability										
Service cost.....	\$ 203,037	\$ 207,226	\$ 219,696	\$ 212,209	\$ 232,782	\$ -	\$ -	\$ -	\$ -	\$ -
Interest.....	1,031,199	1,008,607	947,034	936,618	908,045	-	-	-	-	-
Differences between expected and actual experience.....	107,211	129,346	168,696	(190,706)	-	-	-	-	-	-
Changes of assumptions.....	63,194	-	623,102	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions.....	(963,275)	(897,920)	(851,096)	(804,731)	(762,593)	-	-	-	-	-
Transfers among employers.....	125,023	(123,073)	92,330	-	-	-	-	-	-	-
Net Change in Total Pension Liability	566,389	324,186	1,199,762	153,390	378,234	-	-	-	-	-
Beginning Total Pension Liability.....	13,787,425	13,463,239	12,263,477	12,110,087	11,731,853	-	-	-	-	-
Ending Total Pension Liability	\$ 14,353,814	\$ 13,787,425	\$ 13,463,239	\$ 12,263,477	\$ 12,110,087	\$ -	\$ -	\$ -	\$ -	\$ -
Plan Fiduciary Net Position										
Contributions - employer.....	\$ 340,554	\$ 329,589	\$ 316,492	\$ 324,726	\$ 337,190	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - member.....	169,301	136,432	135,866	165,356	142,936	-	-	-	-	-
Net investment income.....	817,123	1,052,316	799,442	95,177	894,094	-	-	-	-	-
Benefit payments, including refunds of employee contributions.....	(963,275)	(897,920)	(851,096)	(804,731)	(762,593)	-	-	-	-	-
Transfers among employers.....	125,023	(123,073)	92,330	85,443	(134,855)	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	488,726	497,344	493,034	(134,029)	476,772	-	-	-	-	-
Beginning Plan Fiduciary Net Position.....	8,993,459	8,496,115	8,003,081	8,137,110	7,660,338	-	-	-	-	-
Ending Plan Fiduciary Net Position	\$ 9,482,185	\$ 8,993,459	\$ 8,496,115	\$ 8,003,081	\$ 8,137,110	\$ -	\$ -	\$ -	\$ -	\$ -
Net Pension Liability (Asset)	\$ 4,871,629	\$ 4,793,966	\$ 4,967,124	\$ 4,260,396	\$ 3,972,977	\$ -	\$ -	\$ -	\$ -	\$ -
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	66.06%	65.23%	63.11%	65.26%	67.19%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered Payroll	\$ 2,384,036	\$ 2,332,268	\$ 2,318,853	\$ 2,273,573	\$ 2,238,336	\$ -	\$ -	\$ -	\$ -	\$ -
Net Pension Liability (Asset) as a Percentage of Covered Payroll	204.34%	205.55%	214.21%	187.39%	177.50%	0.00%	0.00%	0.00%	0.00%	0.00%

Notes to Schedule

- This schedule is required to present information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

THE CITY OF PLEASANT GROVE, ALABAMA

**SCHEDULE OF EMPLOYER PENSION PLAN CONTRIBUTIONS
Last Ten Fiscal Years**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution.....	\$ 404,877	\$ 345,053	\$ 338,218	\$ 324,828	\$ 332,683	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the Actuarially determined contribution.....	404,877	345,053	338,218	324,828	332,683	-	-	-	-	-
Contribution deficiency (excess).....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll.....	\$ 2,389,737	\$ 2,384,036	\$ 2,332,268	\$ 2,318,853	\$ 2,273,573	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered Payroll.....	16.94%	14.47%	14.50%	14.01%	14.63%	0.00%	0.00%	0.00%	0.00%	0.00%

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

Notes to Schedule

- This schedule is required to present information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.
- Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for the fiscal year ended September 30, 2019 were based on the September 30, 2017 actuarial valuation.
- Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	29.5 years
Asset valuation method	Five year smoothed market
Inflation	2.875%
Salary increases	3.375% - 5.125%, including inflation
Investment rate of return	7.875%, net of pension plan investment expense, including inflation

GOVERNMENT AUDIT SECTION



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pleasant Grove, Alabama (the "City"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 18, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Birmingham, Alabama
December 18, 2019



Phillip Morgan & Company P.C.



PHILLIP MORGAN & COMPANY P.C.
— CERTIFIED PUBLIC ACCOUNTANTS —

City of Pleasant Grove

This page intentionally left blank

**THE CITY OF PLEASANT GROVE, ALABAMA
SCHEDULE OF FINDINGS AND RESPONSES**

For the Year Ended September 30, 2019

I. Summary of Auditors' Results

Financial Statements

- | | | | |
|--|-----|-----|------------------------|
| • Type of auditor's report issued: | | | Unmodified |
| • Internal control over financial reporting: | | | |
| ○ Material weakness(es) identified? | ___ | Yes | <u>X</u> No |
| ○ Significant deficiency(ies) identified not considered to be material weaknesses? | ___ | Yes | <u>X</u> None Reported |
| • Noncompliance material to financial statements noted? | ___ | Yes | <u>X</u> No |

II. Financial Statement Findings

None reported.