

**TOWN OF SHORTER, ALABAMA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

INTRODUCTORY SECTION

TOWN OF SHORTER, ALABAMA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

TABLE OF CONTENTS

INTRODUCTORY SECTION

Table of contents	i
List of principal officials	ii

FINANCIAL SECTION

Independent auditor's report	1
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BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of net position	3
Statement of activities	4

FUNDS FINANCIAL STATEMENTS

Balance sheet – governmental funds	5
Reconciliation of the balance sheet of governmental funds to statement of net position	6
Statement of revenues, expenditures, and changes in fund balance – governmental funds	7
Reconciliation of the statement of revenues, expenditures and changes in fund balance of governmental funds to the statement of activities	8
Notes to the financial statements	9

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of revenues, expenditures, and changes in fund balance – budget and actual – Non-GAAP budgetary basis general fund	27
Schedule of changes in the net pension liability	28
Schedule of employer contribution rates	29

TOWN OF SHORTER, ALABAMA

**LIST OF PRINCIPAL OFFICIALS
AS OF SEPTEMBER 30, 2018**

HONORABLE MAYOR – WILLIE MAE POWELL

TOWN COUNCIL

Desiev Howard

Rhonda McCloud

Edward Pollard

Derrick McCloud

Betty Jeter

HEADS OF DEPARTMENTS

Town Clerk/Treasurer

George Davis

Police Chief

Sandor Maloy

Public Works Director

Willie Mae Powell

Fire Chief

Jimmy Ellis

Human Resources

George Davis

Municipal Court

Lasundra Battle

Communications

Adrienne Lucas

FINANCIAL SECTION

GOVERNMENT-WIDE FINANCIAL SECTION

SHEPPARD-HARRIS & ASSOCIATES, P.C.

Certified Public Accountants

214 24th Street North • Birmingham, Alabama 35203 • (205) 323-5922 • FAX (205) 323-5926

INDEPENDENT AUDITOR'S REPORT

**The Honorable Mayor and
Members of the Town Council
Town of Shorter, Alabama**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Town of Shorter, Alabama (the Town), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Town'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.

**Board of Directors
The Honorable Mayor and
Members of the Town Council
Page 2**

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 Town of Shorter, Alabama as of September 30, 2018, 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 schedule of revenues, expenditures, and changes in fund balance – budget and actual – Non-GAAP budgetary basis – general fund, schedule of changes in the net position liability, and the schedule of employer contribution rates on page 28 through 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management has omitted Management's Discussions 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 the missing information.

Sheppard-Harris & Associates

Sheppard-Harris & Associates, PC
Birmingham, Alabama
January 15, 2020

BASIC FINANCIAL SECTION

GOVERNMENT-WIDE FINANCIAL SECTION

**TOWN OF SHORTER, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018**

	GOVERNMENTAL ACTIVITIES
ASSETS:	
Cash and cash equivalents	\$ 868,755
Cash held for others	36,875
Accounts receivable	117,503
Inventory	792
Capital assets not being depreciated:	
Land	3,287,798
Capital assets net of accumulated depreciation:	
Buildings & Improvements	1,569,853
Improvements	2,695,574
Machinery and equipment	84,494
Vehicles	162,624
Restricted assets:	
Cash and cash equivalents	1,935,567
Total Assets	10,759,835
DEFERRED OUTFLOW:	
Difference between expected and actual experience	754,050
Net difference between projected and actual earnings on pension plan investments	(59,930)
Employer contributions subsequent to the measurement date	-
Total Deferred Outflows	694,120
Total Assets and Deferred Outflows	\$ 11,453,955
LIABILITIES:	
Accounts payable	\$ 74,201
Other accrued liabilities	20,825
Long-term liabilities:	
Portion due or payable in one year:	
Warrants Payable	190,000
Compensated absences	6,901
Portion due or payable after one year:	
Warrants Payable (Net)	4,185,299
Notes and capital leases payable	50,340
Capital Lease Payable	34,037
Compensated absences	38,263
Pension obligation	1,013,228
	5,613,094
NET POSITION:	
Invested in capital assets, net	7,800,343
Restricted for:	
Road projects	20,228
Capital projects	2,222,058
Unrestricted	(4,167,731)
Total Net Position	\$ 5,874,898

The accompanying notes are an integral part of these financial statements.

TOWN OF SHORTER, ALABAMA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	GENERAL FUND	DEBT SERVICE FUND	STREET FUND	GRANT FUND	GOVERNMENTAL FUNDS
ASSETS:					
Cash and cash equivalents	\$ 843,009	\$ -	\$ 25,689	\$ 57	\$ 868,755
Cash held for others	36,875	-	-	-	36,875
Cash with escrow agents	-	1,935,567	-	-	1,935,567
Accounts receivable	117,503	-	-	-	117,503
Inventory	792	-	-	-	792
Total assets	\$ 998,179	\$ 1,935,567	\$ 25,689	\$ 57	\$ 2,959,492
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ 74,201	\$ -	\$ -	\$ -	\$ 74,201
Other liabilities:	20,825	-	-	-	20,825
Total liabilities	95,026	-	-	-	95,026
FUND BALANCES:					
Nonspendable	37,667	-	-	-	37,667
Restricted for:					
Road projects	-	-	25,689	-	25,689
Capital improvements	79,182	1,935,567	-	57	2,014,806
Unassigned	786,304	-	-	-	786,304
Total fund balance	903,153	1,935,567	25,689	57	2,864,466
Total Liabilities and fund balance	\$ 998,179	\$ 1,935,567	\$ 25,689	\$ 57	\$ 2,959,492

The accompanying notes are an integral part of these financial statements.

**TOWN OF SHORTER, ALABAMA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018**

Total fund balances - governmental funds \$ 2,864,466

Amounts reported for governmental activities in the statement of net position on page 3 are different because:

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

Land	3,287,798	
Buildings, net of \$356,328 accumulated depreciation	1,569,853	
Improvements, net of \$854,100 accumulated depreciation	2,695,574	
Machinery and equipment, net of \$259,244 accumulated depreciation	84,494	
Vehicles, net of \$398,298 accumulated depreciation	162,624	
Total capital assets	7,800,343	7,800,343

Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the governmental funds. Balances at September 30, 2017 were

Notes and capital leases payable	50,340	
Accrued interest	-	
Warrants Payable	4,375,299	
Compensated absences	45,164	
Total long-term liabilities	(4,470,803)	(4,470,803)

Net pension obligations, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (1,013,228)

Differed outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds:

Difference between expected and actual experience	754,050	
Net differences between projected and actual earnings on pension plan investments	(59,930)	
Total deferred outflow	694,120	694,120

Net position of governmental activities		\$ 5,874,898
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The accompanying notes are an integral part of these financial statements.

TOWN OF SHORTER, ALABAMA
STATEMENTS OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	GENERAL FUND	DEBT SERVICE FUND	STREET FUND	GRANT FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Taxes	\$ 2,931,543	\$ -	\$ 9,104	\$ -	\$ 2,940,647
Licenses and permits	280,285	-	-	-	280,285
Sewer revenue	225,075	-	-	-	225,075
Fines and forfeitures	28,382	-	-	-	28,382
Rent and leases	45,000	-	-	-	45,000
Other revenues	42,653	-	1,920	674,264	718,837
Total revenues	<u>3,552,938</u>	<u>-</u>	<u>11,024</u>	<u>674,264</u>	<u>4,238,226</u>
EXPENDITURES:					
Current:					
General governmental	2,940,373	-	5,563	551,067	3,497,003
Public safety	452,723	-	-	-	452,723
Public works	503,530	-	-	-	503,530
Capital outlay	39,866	-	-	-	39,866
Debt service:					
Capital lease retirement	-	52,241	-	-	52,241
Principal retirement	-	185,000	-	-	185,000
Interest charges	-	168,172	-	-	168,172
Total expenditures	<u>3,936,492</u>	<u>405,413</u>	<u>5,563</u>	<u>551,067</u>	<u>4,898,535</u>
Excess (deficiency) of revenues over expenditures	<u>(383,554)</u>	<u>(405,413)</u>	<u>5,461</u>	<u>123,197</u>	<u>(660,309)</u>
OTHER FINANCING SOURCES:					
Operating transfers in	123,197	198,161	-	-	321,358
Operating transfers out	(198,161)	-	-	(123,197)	(321,358)
Total other financing sources	<u>(74,964)</u>	<u>198,161</u>	<u>-</u>	<u>(123,197)</u>	<u>-</u>
NET CHANGES IN FUND BALANCE	<u>(458,518)</u>	<u>(207,252)</u>	<u>5,461</u>	<u>-</u>	<u>(660,309)</u>
FUND BALANCE - BEGINNING	1,361,671	2,142,819	20,228	57	3,524,775
FUND BALANCE - ENDING	<u>\$ 903,153</u>	<u>\$ 1,935,567</u>	<u>\$ 25,689</u>	<u>\$ 57</u>	<u>\$ 2,864,466</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF SHORTER, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF THE STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2018**

Net change in fund balance - total governmental funds		\$ (660,309)
Difference in amounts reported for governmental activities in the statement of activities on page 4.		
Capital outlay, reported as expenditures in governmental funds shown as capital assets in the statement of net assets in accordance with the Town's capitalization policy.		39,866
Depreciation expense on governmental capital assets included in the governmental activities in the statement of activities.		(221,074)
The net effect of transactions involving the disposal of capital assets is to decrease net position in the statement of net position.		-
Loan proceeds provided current financial resources to governmental funds; however, issuing debit increases long-term liabilities in the statement of net position:		
Bond Discount Amortization		(9,150)
Repayment of long-term debt is reported as an expenditure in governmental funds, but a reduction of long-term liabilities in the statement of net position:		
Bonds payable	185,000	
Capital leases	<u>52,241</u>	
Total repayment		<u>237,241</u>
Changes in net position of governmental activities		<u>\$ (613,426)</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SHORTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity - The Town of Shorter, Alabama (the Town) is incorporated in Macon County. The Town operates under a Mayor-Council form of government. The Town's major operations include police, fire protection, recreation, public works, and general administrative services.

Government-wide and fund financial statements - The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. The Town does not have any business-type activities; therefore, none will be reflected in the financial statements. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town'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 statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods and 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.

The fund financial statements follow and report additional and detailed information about operations for major funds individually and nonmajor funds in the aggregate for governmental funds. All governmental funds of the Town have been classified as major funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentations.

The Town reports the following major governmental funds:

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

Street Fund - This special revenue fund accounts for gasoline taxes received that are restricted for the maintenance and capital improvement of the Town's streets.

TOWN OF SHORTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Grant Fund - This special revenue fund accounts for grant revenues restricted for capital projects which include the Town's sewer upgrade project.

Measurement focus, basis of accounting, and financial statement presentation - Government-wide 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 a liability is incurred, regardless of when the related cash flows take place. 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.

Governmental fund financial statements - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, considered to be 60 days for property taxes and 90 days for all other revenue. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Stewardship, compliance, and accountability - Although not legally required to do so, the Town adopts a budget for the general fund. The budget is prepared using the cash basis of accounting. The Town does not adopt a budget for special revenue funds.

For the year ended September 30, 2018, six general fund functional expenditure categories (the legal level of budgetary control) exceeded appropriations. The excess was due to additional operational expenditures, capital outlay, and debt service payments that were not budgeted and was funded by general operating revenues.

Management estimates and assumptions - 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from estimates used.

TOWN OF SHORTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

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

Receivables - Accounts receivable include amounts for taxes, licenses, permits, etc. that are measurable and available to pay liabilities of the current period but have not been received as of the financial statement date. All ad valorem taxes levied by the State, County, and any municipality in Macon County are assessed by the Tax Assessor and collected by the Tax Collector of Macon County. The Macon County property tax calendar requires the Tax Assessor to assess and attach taxes as enforceable liens on property as of September 30 and are due October 1 through December 31. Property taxes that have not been paid by January 1 are considered delinquent. Tax collections received by the County Tax Collector are remitted to the Town on a monthly basis.

Interfund balances - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These interfund balances are classified as "due from other funds" or "due to other funds" on the balance sheet.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Inventories and prepaid items - Inventory is valued at cost using the first-in, first-out method. Inventory consists of fuel held for future consumption. The cost is recorded as an expense as inventory items are consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital assets - Capital assets, purchased or constructed, are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000. The Town did not report infrastructure acquired prior to October 1, 2003.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

**TOWN OF SHORTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

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

<u>ASSET CLASS</u>	<u>USEFUL LIVES</u>
Buildings	20-50 years
Improvements other than buildings	30 years
Machinery and equipment	5-15 years
Vehicles	8-10 years

Deferred outflows 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 future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has three items that qualify for reporting in this category. They are the differences between expected and actual experience, the net difference between projected and actual earnings on plan investments, and the employer contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow of resources in the period that the amount becomes due.

Compensated absences - The Town allows employees to accumulate vacation and sick leave up to certain limits for use in subsequent periods. Accumulated vacation may be taken in pay upon termination or retirement at current wage rates . This policy does not apply to accumulated sick leave. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Lease obligations - Capital lease obligations are stated at the original fair market value of leased assets capitalized, less payments since the inception of the lease discounted at the implicit rate of interest in the lease. Also, in the year an asset is acquired by capital lease, the expenditure for the asset and the offsetting amount of the financing source are reflected in the fund financial statements in the statement of revenues, expenditures and changes in fund balances. Capital lease obligations of governmental activities in the government-wide financial statements and the cost of assets so acquired are reflected in the accounts of those funds and statements.

TOWN OF SHORTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Fund balance - In accordance with Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Town classifies government fund balances as follows:

Nonspendable - Includes fund balance amounts that cannot be spent either because it is not in spendable form or for legal or contractual requirements.

Restricted - Includes 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 - Includes fund balance amounts that can be used only for the specific purposes that are internally imposed by formal action of the government's highest level of decision making authority. Commitments may be charged by the government taking the same action that imposed the constraint initially.

Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. This indicates that resources in these funds are, at a minimum, intended to be used for the purposes of that fund. Fund balance may be assigned by the Mayor.

Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The Town considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The Town considers committed, then assigned amounts to have been spent when an expenditure is incurred for purposes for which the amounts of unrestricted fund balance is available.

**TOWN OF SHORTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 2 - CASH AND CASH EQUIVALENTS:

As of September 30, 2018, none of the Town's bank balances are exposed to custodial credit risk. All of the Town's bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) and the Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program is a multiple financial institution collateral pool administered by the State Treasurer according to the State of Alabama statute.

The Town does not have a formal deposit or investment policy.

NOTE 3 - RECEIVABLES:

Receivables as of September 30, 2018 for the Town's major governmental funds are considered fully collectible and are recorded at net realizable value as follows:

	GENERAL FUND	STREET FUND	TOTAL
Taxes	\$ 117,503	\$ -	\$ 117,503
Total receivables	\$ 117,503	\$ -	\$ 117,503

TOWN OF SHORTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 4- CAPITAL ASSETS:

Capital asset activity for the year ended September 30, 2018, was as follows:

	BEGINNING BALANCES	INCREASES	DECREASES	ENDING BALANCES
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,287,798	\$ -	\$ -	\$ 3,287,798
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>3,287,798</u>	<u>-</u>	<u>-</u>	<u>3,287,798</u>
Capital assets, being depreciated:				
Buildings	2,022,829	-	-	2,022,829
Improvements other than buildings	3,787,746	-	-	3,787,746
Machinery and equipment	394,735	-	-	394,735
Vehicles	577,496	39,866	-	617,362
Total capital assets, being depreciated	<u>6,782,807</u>	<u>39,866</u>	<u>-</u>	<u>6,822,672</u>
Less accumulated depreciation for:				
Buildings	404,652	48,324	-	452,976
Improvements other than buildings	973,141	119,031	-	1,092,172
Machinery and equipment	284,742	25,499	-	310,241
Vehicles	426,518	28,220	-	454,738
Total accumulated depreciation	<u>2,089,053</u>	<u>221,074</u>	<u>-</u>	<u>2,310,127</u>
Total capital assets, being depreciated, net	<u>4,693,754</u>	<u>(181,208)</u>	<u>-</u>	<u>4,512,545</u>
Governmental activity capital assets, net	<u>\$ 7,981,552</u>	<u>\$ (181,208)</u>	<u>\$ -</u>	<u>\$ 7,800,343</u>

**TOWN OF SHORTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 4 - CAPITAL ASSETS: (continued)

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

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
General government	\$ 81,128
Public safety	60,483
Public works	<u>79,462</u>
Total	<u>\$ 221,073</u>

NOTE 5 - LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2018, was as follows:

	<u>BEGINNING</u> <u>BALANCE</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>ENDING</u> <u>BALANCE</u>	<u>DUE WITHIN</u> <u>ONE YEAR</u>
Governmental activities:					
Capital leases	\$ 102,581	\$ -	\$ 52,241	\$ 50,340	\$ 25,747
Compensated absences	46,439	-	1,275	45,164	7,678
General Obligation Warrant	<u>4,725,000</u>	-	<u>185,000</u>	<u>4,540,000</u>	<u>190,000</u>
Totals	<u>\$ 4,874,020</u>	<u>\$ -</u>	<u>\$ 238,516</u>	<u>\$ 4,635,504</u>	<u>\$ 223,425</u>

TOWN OF SHORTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 5 - LONG-TERM DEBT: (continued)

Capital leases - The Town has entered into lease agreements as lessee for financing the acquisition of equipment. These lease agreements qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Vehicles	\$ 157,387
Less: Accumulated depreciation	<u>(45,093)</u>
Total	<u><u>\$ 112,294</u></u>

The current outstanding balance is as follows:

Capital lease obligation for two Chevrolet Tahoes, dated September 30, 2016, payable in semi-annual installments of \$17,763, final payment due in October 2019	<u>\$ 50,340</u>
	<u><u>\$ 50,340</u></u>

**TOWN OF SHORTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 5 - LONG-TERM DEBT: (continued)

Capital leases (Continued)

Warrants Payable – On February 17, 2017 the Town issued General Obligation Warrants Series 2017 for cost of certain infrastructure improvements and payoff of certain debt obligations. The outstanding balance at September 30, 2018 was as follows:

Long-term portion of warrants payable	\$4,540,000
Less: Current maturities	(190,000)
Less: Unamortized discounts	<u>(164,701)</u>
Net warrants payable	<u>\$4,185,299</u>

Annual debt service requirements to maturity for the Town's General Obligation Warrants are as follow:

	Principal	Interest
2019	190,000	162,962
2020	195,000	159,015
2021	195,000	154,384
2022	200,000	149,150
2023	210,000	143,192
2024 - 2036	<u>3,550,000</u>	<u>1,025,390</u>
Total	<u>\$ 4,540,000</u>	<u>\$ 1,794,093</u>

Other long-term debt – Compensated absences, benefits and other governmental activity obligations are generally liquidated by the general fund.

TOWN OF SHORTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6 - PENSION COSTS

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:

The Governor, ex officio.

The State Treasurer, ex officio.

The State Personnel Director, ex officio.

The State Director of Finance, ex officio.

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.

Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:

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.

Two vested active state employees.

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

**TOWN OF SHORTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 6 - PENSION COSTS (Continued)

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 three of the last 10 years) for each year of service. State Police are allowed 2.8750% 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 1.6500% of their average final compensation (highest five of the last 10 years) for each year of service. State Police are allowed 2.3750% 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. Pre-retirement death benefits are calculated and paid to the beneficiary on the member's age, service credit, employment status, and eligibility for retirement.

The Town's membership includes 18 participants. As of September 30, 2018, membership consisted of:

	TOWN
Retirement and beneficiaries currently receiving benefits	1
Vested Inactive Members	-
Non-vested Inactive Members	-
Active members	17
Post-DROP retired members still in active services	-
Total	18

TOWN OF SHORTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6 - PENSION COSTS: (continued)

Contributions - Covered members of the ERS contributed 5.00% 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 6.00% 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 100.00% 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 6.00% 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 7.00% of earnable compensation. Tier 2 State Police members of the ERS contribute 10.00% 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, 2017, the Town's active employee contribution rate was 5.00% and 6.00% respectively of covered employee payroll, and the Town's average contribution rate to fund the normal and accrued liability costs was 6.62% of covered employee payroll.

The Town's contractually required contribution rate for the year ended September 30, 2018 was 6.82% of pensionable pay for Tier 1 employees, and 3.73% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2013, 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 Town were \$61,166 for the year ended September 30, 2018.

**TOWN OF SHORTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 6 - PENSION COSTS: (continued)

The Town's net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2017 rolled forward to September 30, 2018 using standard roll-forward techniques as shown in the following table:

October 1, 2017 - September 30, 2018	105,287	105,287
(d) Transfers	-	3,038
(e) Actual benefit payments and refunds for October 1, 2017 - September 30, 2018	(137,651)	(137,651)
 Total pension liability as of September 30, 2018 [(a) X (1+(b))] + (c) + (d) + [e x (1+.05 X (b))]	 2,697,445	 2,781,526
 Difference between expected and actual experience		 \$ 84,081

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 the 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 2015 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

The actuarial assumptions used in the September 30, 2018 valuation were based on the results of an actuarial experience study for the period October 1, 2005 - September 30, 2010.

**TOWN OF SHORTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 6 - PENSION COSTS: (continued)

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	25.00%	5.00%
Domestic large cap equity	34.00%	9.00%
Domestic mid cap equity	8.00%	12.00%
Domestic samll cap equity	3.00%	15.00%
International developed equity	15.00%	11.00%
Emerging market equity	3.00%	16.00%
Real estate	10.00%	7.50%
Cash equivalents	2.00%	1.50%
Total	100.00%	

*Includes assumed rate of inflations of 2.50%.

Discount rate - The discount rate used to measure the total pension liability was the long-term rate of return, 7.75%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current. Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF SHORTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6 - PENSION COSTS: (continued)

	INCREASE (DECREASE)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at September 30, 2017	\$ 2,538,416	\$ 1,662,683	\$ 875,733
Changes for the year:			
Service Cost	105,287		105,287
Interest	191,393		191,393
Changes in assumptions	18,409		18,409
Difference between expected and actual experience	81,043		81,043
Contributions - employer		56,406	(56,406)
Contributions - employee		49,675	(49,675)
Net investment income		152,556	(152,556)
Benefit payments, including refunds of employee contributions	(137,651)	(137,651)	-
Administrative expense		-	-
Transfers Among Employers	3,038	3,038	-
Net Changes	<u>261,519</u>	<u>124,024</u>	<u>137,495</u>
Balances at September 30, 2018	<u>\$ 2,799,935</u>	<u>\$ 1,786,707</u>	<u>\$ 1,013,228</u>

Sensitivity of the net pension liability to changes in the discount rate - The following table presents the Town's net pension liability calculated using the discount rate of 7.70% as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage point higher (8.70%) than the current rate:

	1.00% DECREASE (6.70%)	CURRENT RATE (7.70%)	1.00% INCREASE (8.70%)
Plan's net pension liability (asset)	\$ 1,419,987	\$ 1,013,228	\$ 672,328

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 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 dated April 25, 2018 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.

TOWN OF SHORTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6 - PENSION COSTS: (continued)

For the year ended September 30, 2018, the Town recognized pension income of \$60,637. At September 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<u>DEFERRED OUTFLOWS OF RESOURCES</u>	<u>DEFERRED INFLOWS OF RESOURCES</u>
Differences between expected and actual experience	\$ 272,775	\$ -
Change in Assumptions	288,120	-
Net difference between projected and actual earnings on pension plan investments	-	59,930
Employer contributions subsequent to the measurement date	-	-
Totals	<u>\$ 560,895</u>	<u>\$ 59,930</u>

Schedule of Amortization of Deferred Inflows and Outflows of Resources:

Year Ending <u>September 30,</u>	
2020	\$ 81,222
2021	66,595
2022	71,992
2023	86,633
2024	91,593
Thereafter	102,930

**TOWN OF SHORTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 7 - NONSPENDABLE FUND BALANCE

Nonspendable fund balance at September 30, 2018 consisted of the following:

Nonspendable fund balance:

General Fund:

Inventory	\$ 792
Totals	\$ 792

NOTE 8 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions ; and natural disasters . The Town has general liability insurance and workers compensation insurance through a commercial insurance carrier . The Town also purchases commercial insurance for other risks of loss, including property and casualty insurance. Settled claims resulting from these claims have not exceeded commercial insurance coverage in any of the past three years.

The Town has estimated that the amount of actual or potential claims against the Town as of September 30, 2018, will not materially affect the financial condition of the Town.

NOTE 9 - COMMITMENT AND CONTINGENCIES

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

NOTE 10 - OPERATING LEASE

On July 8, 2000, the Town, as lessor , entered into an agreement with the United States Postal Service. The leased property has a historical cost and accumulated depreciation of \$451,000 and \$155,595 respectively. The lease will terminate in 2020. The lease agreement provides for an annual rent of \$45,000.

TOWN OF SHORTER, ALABAMA
STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	BUDGET	ACTUAL AMOUNTS BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
REVENUES:			
Taxes	\$ 4,396,000	\$ 2,765,991	\$ (1,630,009)
Licenses and permits	303,000	265,577	(37,423)
Sewer revenue	250,000	216,521	(33,479)
Fines and forfeitures	30,000	27,262	(2,738)
Intergovernmental revenues	5,000	(9,375)	(14,375)
Rent and leases	45,000	42,515	(2,485)
Other revenues	11,200	40,422	29,222
Interest on investments	1,000	-	(1,000)
Total revenues	5,041,200	3,348,913	(1,692,287)
EXPENDITURES:			
Current:			
General governmental	3,193,030	3,044,606	148,424
Public safety	581,000	465,653	115,347
Public works	474,100	522,717	(48,617)
Capital outlay	157,000	58,444	98,556
Debt service:			
Principal retirement	360,000	-	360,000
Interest charges	-	-	-
Total expenditures	4,765,130	4,091,420	673,710
Excess (deficiency) of revenues over expenditures	276,070	(742,507)	(1,018,577)
OTHER FINANCING SOURCES:			
Operating transfers in	-	123,197	123,197
Operating transfers out	-	(198,161)	(198,161)
Proceeds from sale of bonds/warrants	-	-	-
Bond Issue Cost	-	-	-
Total other financing sources	-	(74,964)	(74,964)
Net change in fund balances, budgetary basis	\$ 276,070	\$ (817,471)	\$ (1,093,541)
ADD (DEDUCT) OTHER RECONCILING ITEMS TO ADJUST FROM BUDGETARY BASIS TO MODIFIED ACCRUAL BASES:			
Change in accounts receivable		199,064	
Change in prepaid insurance		19,532	
Change in accounts payable		45,912	
Change in other accrued liabilities		(18,154)	
Total other financing sources		246,354	
NET CHANGES IN FUND BALANCE, MODIFIED ACCRUAL BASIS		(571,117)	
FUND BALANCE - BEGINNING		1,361,671	
FUND BALANCE - ENDING		\$ 790,554	

The accompanying notes are an integral part of these financial statements.

TOWN OF SHORTER, ALABAMA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
LAST PLAN FISCAL YEARS ENDING SEPTEMBER 30,

	2018	2017	2016	2015
TOTAL PENSION LIABILITY:				
Service cost	\$ 105,287	\$ 90,568	\$ 56,725	\$ 52,255
Interest	191,393	168,115	116,394	102,600
Difference between expected and actual experience	81,043	138,159	127,186	20,735
Changes of assumptions	18,409	-	412,425	-
Benefits payments, including refunds of employee contributions	(137,651)	(55,297)	(6,344)	-
Transfers among employers	3,038	-	32,394	-
Net change in total pension liability	261,519	341,545	738,780	175,590
Total pension liability - beginning	2,538,416	2,196,871	1,458,091	1,282,501
Total pension liability - end (a)	<u>\$ 2,799,935</u>	<u>\$ 2,538,416</u>	<u>\$ 2,196,871</u>	<u>\$ 1,458,091</u>
PLAN FIDUCIARY NET POSITION:				
Contributions - employer	\$ 56,406	\$ 61,166	\$ 47,753	\$ 39,149
Contributions - member	49,675	51,934	43,337	36,210
Net investment income	152,556	185,446	125,783	12,733
Benefit payments, including refunds of employee contributions	(137,651)	(55,297)	(6,344)	-
Transfers among employers	3,038	-	32,394	105,647
Net change in plan fiduciary net position	124,024	243,249	242,923	193,739
Plan net position -beginning	1,662,683	1,419,434	1,176,511	982,772
Plan net position - end (b)	<u>\$ 1,786,707</u>	<u>\$ 1,662,683</u>	<u>\$ 1,419,434</u>	<u>\$ 1,176,511</u>
Net pension liability - ending (a) - (b)	\$ 1,013,228	\$ 875,733	\$ 777,437	\$ 281,580
Plan fiduciary net position as a percentage of the total pension liability	63.81%	65.50%	64.61%	80.69%
Covered employee payroll	1,215,695	1,190,117		758,804
Net pension liability as a percentage of covered employee payroll				3711.00%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the Town will present information for those years for which information is available.

**TOWN OF SHORTER, ALABAMA
SCHEDULE OF EMPLOYER CONTRIBUTION RATES
FOR THE YEAR ENDING SEPTEMBER 30, 2018**

Tier 1 Employees (applies to all members hired before January 1, 2013) Contribution Rates	Retain Current Member	Elect to Increase Member Contribution Rates Under Act 2011-676
Normal cost	3.95%	1.49%
Accrued liability	3.46	3.49
Pre-retirement death benefit	0.02	0.02
Administrative expense	0.35	0.35
Total Employer	7.78%	5.35%
5% Employer contribution	1.556000	
6% Employer contribution	1.296666	
7.5% Employer contribution factor (5.35%/7.5%) 8.5%		0.713333
Employer contribution factor (5.35%/8.5%)		0.629411
 Tier 2 Employees		
Normal cost	0.20%	
Accrued liability	3.46	
Pre-retirement death benefit	0.02	
Administrative expense	0.35	
Total Employer	4.03%	
6% Employer contribution factor (4.03%/6%)	0.671666	
7% Employer contribution factor (4.03%/7%)	0.575714	

Methods and assumptions used to determine the contributions rates:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization method	30 years
Asset valuation method	Five year smoothed
Inflation	3.00%
Salary increases	3.75 - 7.25%
Investment rate of return	8.00%, net of pension plan