

CITY OF PHENIX CITY, ALABAMA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2018

CITY OF PHENIX CITY, ALABAMA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor’s Report	1 – 3
Management’s Discussion and Analysis	4 – 10
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	15
General Fund – Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP Basis) and Actual	16 – 17
Statement of Net Position – Proprietary Funds	18
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	19
Statement of Cash Flows – Proprietary Funds	20 – 21
Notes to the Financial Statements	22 – 66
Required Supplementary Information:	
Schedules of Changes in Net Pension Liability	67 – 68
Schedule of Changes in Net OPEB Liability	69
Combining Fund Statements and Schedules:	
Nonmajor Governmental Funds.....	70
Combining Balance Sheet – Nonmajor Governmental Funds	71
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Nonmajor Governmental Funds	72
COMPLIANCE SECTION	
Independent Auditor’s 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>	73 – 74
Schedule of Findings and Questioned Costs	75
Schedule of Prior Year Findings	76

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

**To the Honorable Mayor and Members
of the City Council
Phenix City, Alabama**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Phenix City, Alabama (the "City") as of and for the year ended September 30, 2018, 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

The City's 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 ("GAAP"); 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 ("GAAS") 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.

We did not audit the financial statements of the Phenix City Board of Education for the year ended September 30, 2018. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for this component unit, is solely based on the reports of the other auditors.

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 City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 and based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2018, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with GAAP.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in the year ended September 30, 2018 the City adopted GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* ("GASB 75"). The provisions of this statement were applied retrospectively. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

GAAP requires that the Management's Discussion and Analysis (on pages 4 - 10) and the Required Supplementary Information (on pages 67 - 69) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the City's internal control over financial reporting and compliance.

Robinson, Grimes + Company, P.C.

Certified Public Accountants

December 30, 2019

CITY OF PHENIX CITY, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

This report represents management's discussion and analysis of the City's financial statements and financial performance for the fiscal year, which ended September 30, 2018. This report should be read in conjunction with the City's financial statements, which follow.

The City's financial statements consist of three parts: the management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements provide government-wide financial information about the City's overall financial status. The financial statements also include narrative notes that explain some of the information in the financial statements and provide more detailed data.

Government-Wide Statements

The government-wide financial statements report information about the City as a whole, using accounting methods similar to those used by private-sector companies.

- The statement of net position includes all of the government's assets, deferred outflows of resources and liabilities, with the difference reported as net position.
- All of the current year's revenues and expenses are accounted for in the statement of activities and changes in net position regardless of when cash is received or paid. This represents a change in net position in the most recent fiscal year. All changes in net position, revenues, or expenses are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

To assess the overall economic health of the City, additional non-financial factors such as changes in the City's tax base and the condition of the City's infrastructure should be considered.

The government-wide financial statements of the City are divided into three categories:

- Governmental Activities - most of the City's basic services are included here, such as general government (which includes administration, personnel, finance, and the city courts) public safety, public works, parks and recreation, the Public Building Authority (a Blended Component Unit) and interest and fees on long-term debt;
- Business-Type Activities - the water and sewer services are included here; and
- Discretely Presented Component Units - financial information on the Phenix City Board of Education is presented here.

CITY OF PHENIX CITY, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

Fund Financial Statements

State law and/or accounting rules require certain revenue sources or types of expenses to be accounted for separately in special funds. Fund financial statements provide more detailed information about the City's most significant funds, rather than the City as a whole.

- State law requires the various gas taxes to be accounted for separately because their expenditures are restricted to specific uses.
- The City has established Debt Service and Capital Projects Funds to better control the use of monies dedicated to a particular purpose such as the 7 Mill Tax Fund used for general obligation debt service.
- The City has established funds to show compliance with certain legally restricted revenue sources, such as the Corrections Fund and Confiscated Property Funds that must be used for public safety related expenses.
- The City established a Public Building Authority in 2011 to build and maintain several public buildings including a new community center, a downtown parking garage and new administrative offices.

The City's Funds are separated into two types:

- Governmental Funds. Most of the City's basic services are accounted for in governmental funds, which focus on:
 - How cash and other financial assets that can be readily converted to cash flow in and out and,
 - Balances left at fiscal year-end that are available for spending in future years.

Consequently, governmental funds' statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's services. A comparison of the short-term governmental funds focus of accounting and the government-wide long-term focus of accounting can provide useful information and a better understanding of the long-term impact of the City's short-term funding decisions.

- Proprietary Funds. Services provided to the general public for which customers are charged a fee are generally reported in Enterprise funds, which are called proprietary funds in the financial statements. The City of Phenix City has one proprietary fund:
 - The Public Utilities Fund, which provides water and sewer services to residential, commercial, and industrial customers residing within the City's utility district.

CITY OF PHENIX CITY, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

This fund functions like a business activity, so its financial statements provide different information than those of the governmental funds, such as capital assets, long-term debt, depreciation expense, and cash flows.

Component Units:

The City has one component unit and one blended component unit.

- The Public Building Authority is a Blended Component Unit and was established to issue debt needed to build facilities which are then leased back to the City. The City's lease payments to the Public Building Authority are equal to the annual debt service on the Warrants issued to fund the facilities. The activities of the Public Building Authority are reported as part of the Governmental Activities portion of the City of Phenix City's financial statements.
- The Phenix City Board of Education is a component unit of the City established to manage the activities of the City's public school system. The City has issued bonds for the construction of facilities managed by the Board of Education and is obligated for the debt. Complete financial statements for the Board of Education are issued separately.

Financial Analysis of the City (Primary Government)

Assets

Total assets of the City were \$210,368,635 for 2018 compared to \$211,824,603 for 2017. Most of the Governmental Activities net position is invested in capital assets (land, buildings, equipment, roads, etc.). The City's investment in such capital assets as of September 30, 2018 was \$159,730,704, which is an increase of \$3,946,522 from September 30, 2017 of \$155,784,182. The City has recorded an accumulated \$80,163,864 in depreciation expense against these capital assets leaving a net asset book value of \$79,566,840. Debt outstanding related to capital assets was \$65,699,982 leaving an investment in capital assets of \$13,866,858 compared to \$12,434,352 for 2017. This increase is related to the City's increase in revenue and completion of several large capital projects.

The City's Business-type Activities had capital assets as of September 30, 2018 of \$126,633,055, which represents an increase of \$1,490,852 from September 2017 of \$125,142,203. Net of \$52,876,338 in accumulated depreciation expense, the City's Business-type Activities had \$73,756,717 in capital assets which were related to Public Utilities (water and sewer). The City's water and sewer system debt outstanding related to capital assets was \$42,624,198 leaving an investment in capital assets of \$31,132,519 for 2018 compared to \$31,759,123 for 2017.

CITY OF PHENIX CITY, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

Revenues

The City's total revenue from Governmental Funds was \$44,467,100, a decrease of 1.7% from the previous year \$45,232,462. This decrease was related to a reduction in grant activity. The largest revenue source for the City is the sales and use tax totaling \$23,066,708, which represents 51.9% of total revenues. Licenses and permits totaled \$5,797,072, charges for service totaled \$2,986,105 property taxes totaled \$5,977,647, other business taxes totaled \$1,285,684, and interest totaled \$256,147. The property tax rate for the City is 19 mills with seven mills dedicated for education, seven mills dedicated for debt service, and the remaining five mills is for operations. Of the total for property taxes, \$2,108,497 is dedicated to debt service and \$2,273,310 for education.

Expenditures

Departmental operating expenditures totaled \$35,362,800 or 85.5% of total non-capital expenditures of \$41,341,000. The City transferred \$2,281,572 to the Phenix City Board of Education and debt service on general obligation debt totaled \$5,978,200. Capital outlays during the fiscal year were \$1,436,608.

General government, which includes the city manager's office, city clerk, finance, personnel, economic development, IT, the solid waste removal contract, insurance costs, and the municipal court, is the largest category of departmental operating expenses totaling \$12,244,649 or 34.6%. Public safety (police, code enforcement, and fire departments) is the second largest category of departmental operating expenses totaling \$11,838,474 or 33.5%. Culture and recreation at \$4,731,524 or 13.4% and Public works at \$4,266,581 or 12.01% represent most of the remaining balance of departmental operating expenditures. The increase in departmental expenses resulted mostly from an increase in spending in the general government.

Business-Type Activities

The City operates a Proprietary Fund, the Public Utilities, which provide water and sewer services.

Operating revenues in the Public Utilities division of \$10,996,956 were up \$488,172 in 2018 compared to \$10,508,784 in 2017 due to increased utility rates in 2018. Operating expenses of \$7,727,006, not including depreciation and amortization expenses, were down \$27,543 compared to \$7,754,549 in 2017. Operating income, not including depreciation and amortization, was up \$515,715. Depreciation and amortization expenses of \$2,780,957 increased \$63,980 from \$2,716,977 in 2017, interest expense was \$1,895,363 in 2018 compared to \$1,766,480 in 2017, interest income was \$62,823 in 2018 compared to \$54,959 in 2017, and contributed assets were \$0 in 2018 compared to \$48,951 in 2017 due to a decrease in residential development in 2018. The change in net fund position was \$(1,071,794) for 2018, which was up from (\$1,279,808) in 2017 due to an increase in revenues. Contributed assets are capital assets constructed by private developers and contributed to the City when the City accepts a new development.

CITY OF PHENIX CITY, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

Fund Balances/Net Assets

The General Fund's Fund Balance increased \$2,167,915 to \$13,452,767 in 2018 compared to \$11,284,852 in 2017 due to increases in revenue to offset the increase in general governmental expenditures. The fund balance for the City's Other Governmental Funds decreased \$417,501 to \$23,906,247 in 2018 compared to \$24,323,748 in 2017 primarily due to a decrease in bond proceeds to complete several planned capital projects and grant activity for the year.

Net fund position in Public Utilities decreased \$1,071,794 to \$31,174,192 in 2018 compared to \$32,245,986 in 2017 as restated, see Note 14.

Budgetary Highlights

The City adopts annual budgets for the General Fund, all special revenue funds, and the Public Utilities Fund.

Total operating revenues were \$806,180 more than budgetary projections in the General Fund, due primarily to an increase in revenue from sales and use taxes and higher than expected intergovernmental revenues. Departmental expenditures were \$1,875,591 less than budgeted due to tightened budgetary controls.

Gas Taxes were reduced in 2017 due to a dispute with Russell County. State Gas Taxes are remitted to the County and a portion is then allocated to the City. The City and County are in litigation to resolve the dispute.

Water and sewer revenues in Public Utilities were up \$488,172 due to increased utility rates in 2018. The City increased rates on water and sewer services 6% in 2017, 5% in 2018, and plans a 5% increase in residential rates and a 20% increase in commercial rates in 2019 to complete the planned capital improvement plan and to increase reserves to 120 days. The City is nearing completion of planned capital spending of 15 to 19 million dollars primarily in improvements to the wastewater plant and the collection system due to the State of Alabama EPA mandated improvements and replacement of old water lines to accommodate expected growth, and to meet new water safety testing requirements from the state which took effect in January 2012. The City expects the growth in customers to improve in 2019.

The City has become much less reliant on its largest commercial and industrial users due to strong residential growth throughout the City and increased sales to the Russell County Water Authority, Fort Mitchell Water Authority, and the Smith's Water and Sewer Authority. The City entered into long-term contracts with the three adjacent utilities for the sale of water and the treatment of sewer. This will result in significant growth in these revenues over the next 4 years.

CITY OF PHENIX CITY, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

Capital Asset and Debt Management

The City included infrastructure capital assets in its financial statement for the first time as required by the Governmental Accounting Standards Board (GASB) Statement Number 34 as of September 30, 2003. The City inventoried all infrastructure assets during the fiscal year ended September 30, 2003, monitored additions and deletions closely, and the Statement of Net Assets in this report complies with GASB Statement No. 34. The City plans to complete another inventory of its capital assets in 2019-2020. Details of capital asset activity can be found in Note 6 on pages 35-36.

The City retired \$3,040,000 in general obligation debt in fiscal year 2018 and did not issue any new long-term debt. The City had \$73,035,000 outstanding in long-term general obligation debt at the 2018 fiscal year-end compared to \$76,075,000 in 2017. General obligation debt of \$35,875,000 or 49.08% of the total outstanding debt in 2018 will be retired by the end of 2028.

General obligation debt is payable from the City's general revenues. Some of the long-term debt is payable from legally restricted funds. Revenue from the City's Seven Mill Tax Fund has been dedicated for debt service.

The City's Utility Fund retired \$1,535,000 of revenue debt in 2018 and did not issue any new debt. The City had \$46,040,000 in revenue debt outstanding at the end of the 2018 fiscal year-end compared to \$47,575,000 in 2017. Of the \$46,040,000 in Revenue Warrants payable from the Utility Fund revenues outstanding at the 2018 fiscal year-end, \$19,070,000, or 40.54% will be retired by 2028 year-end. Details of the City's debt activity can be found in Note 7 on pages 37-52.

Bond Ratings

The City received its most recent bond rating, an AA- rating with a stable outlook, from Standard & Poor's on its general obligation and an A rating on its revenue warrants.

Economic Factors and Expectations

The local economy has grown in terms of housing, jobs, and retail development, but the development of large retail developments in 2008 and 2009 in near-by cities reduced the amount of retail traffic from west Georgia and Lee County in east Alabama. Retail sales have since rebounded and the City has shown steady growth in its retail sales since mid-2011. The City has maintained a steadily growing property tax base for the last 10 years. General Fund revenues have rebounded from the extended economic downturn, and have begun to grow steadily and we expect growth to continue over the next 3 to 5 years. The City raised its sales tax rate by .25% from 8.75% to 9% effective January 1, 2016 to fund capital projects and operating expenses, and plans another sales tax increase effective July 1, 2019 to 9.5%.

CITY OF PHENIX CITY, ALABAMA

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

The unemployment rate is slightly lower than the state average due to increased commercial and retail growth in the local economy. New housing starts are gradually increasing and are expected to continue to slowly rise over the next year. With the expected continued growth in the regional economy and the continued though slow population growth and new retail development currently planned, the City's revenues should increase sufficiently to fund planned services for at least the next three to five years.

The City completed a study of water and sewer rates in 2012 and raised rates and fees 4.5% effective October 1, 2012 and raised rates in 2014, by 6% in 2017, 5% in 2018, and plans another 5% increase in residential rates and a 20% increase in industrial rates in 2019 to cover planned operations and capital expenses over the next three to five years as well as expansion of the water and sewer distribution system to accommodate the expected new growth. Both the water and sewer treatment facilities currently operate at just over 60% capacity leaving ample room for growth. The City has entered into an agreement to provide water to Fort Mitchell, Alabama in Russell County, sewer service to the City of Smiths, Alabama in Lee County, and both water and sewer service to the Russell County Utility System, which has resulted in steady revenue growth from these sources at little cost to the City. The Russell County Utility System is now the City's largest water customer and Smith's Water and Sewer Authority is the City's largest sewer customer. Both Lee and Russell Counties are among the fastest growing counties in Alabama with much of that growth centered in and around Phenix City.

The World's longest urban whitewater located on the Chattahoochee River in Columbus, GA and Phenix City opened in July of 2013. We expect this attraction to continue to have a significant economic impact on both cities. A new Marriott Courtyard Hotel opened in 2014, and Troy University opened its Phenix City campus downtown with construction of a 44,000 square foot educational building, in early 2015.

Contacting the City's Financial Management

This financial report is designed to provide the City of Phenix City's citizens, taxpayers, investors, customers, and creditors with a general overview of the City's finances. It is also designed to demonstrate the City's accountability for the public assets under management. Please contact the City of Phenix City Finance Department, 601 12th Street, Phenix City, Alabama 36867, with any questions or to request additional information.

CITY OF PHENIX CITY, ALABAMA

**STATEMENT OF NET POSITION
SEPTEMBER 30, 2018**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Phenix City Board of Education
Cash and cash equivalents	\$ 10,725,074	\$ 1,244,156	\$ 11,969,230	\$ 8,874,770
Investments	-	-	-	2,000,000
Taxes receivable	3,843,125	-	3,843,125	-
Accounts receivable	1,508,702	1,138,925	2,647,627	1,701,504
Notes receivable	340,000	103,900	443,900	-
Internal balances	886,399	(886,399)	-	-
Due from other governments	41,872	-	41,872	-
Inventories	48,586	273,938	322,524	244,072
Prepaid expenses	314,649	84,451	399,100	211,079
Restricted assets:				
Cash and cash equivalents	22,174,565	5,694,962	27,869,527	3,474,333
Investments	1,800,000	-	1,800,000	-
Bond discounts	-	-	-	463,122
Capital assets, non-depreciable	20,053,394	7,971,608	28,025,002	2,764,617
Capital assets, depreciable, net of accumulated depreciation	59,513,446	65,785,109	125,298,555	72,354,807
Total assets	121,249,812	81,410,650	202,660,462	92,088,304
Deferred outflows of resources:				
Deferred outflows related to pension plan	2,570,506	441,639	3,012,145	8,247,000
Deferred outflows related to OPEB plan	-	-	-	1,534,234
Deferred amounts - bond refundings	1,791,696	2,904,332	4,696,028	1,158,740
Total deferred outflows of resources	4,362,202	3,345,971	7,708,173	10,939,974
Total assets and deferred outflows of resources	\$ 125,612,014	\$ 84,756,621	\$ 210,368,635	\$ 103,028,278
LIABILITIES AND DEFERRED INFLOWS				
Accounts payable	\$ 1,776,222	\$ 156,846	\$ 1,933,068	\$ 147,095
Accrued liabilities	502,944	58,748	561,692	4,377,074
Due to component units	29,873	-	29,873	-
Unearned revenues	24,284	-	24,284	-
Customer deposits	-	68,348	68,348	-
Accrued interest	275,025	242,928	517,953	-
Capital leases due within one year	81,703	109,310	191,013	-
Capital leases due in more than one year	138,410	213,041	351,451	-
Bonds payable due within one year	3,140,000	1,585,000	4,725,000	1,647,657
Bonds payable due in more than one year	69,949,053	45,453,425	115,402,478	56,427,707
Compensated absences due within one year	626,964	87,953	714,917	-
Compensated absences due in more than one year	158,675	15,723	174,398	-
Net pension liability	16,724,417	2,756,558	19,480,975	49,811,000
Net other postemployment benefits liability	14,565,280	2,414,460	16,979,740	46,126,561
Total liabilities	107,992,850	53,162,340	161,155,190	158,537,094
Deferred inflows of resources:				
Deferred inflows related to pension plan	1,195,999	197,128	1,393,127	5,982,000
Deferred inflows related to OPEB plan	1,187,156	222,961	1,410,117	6,808,072
Total deferred inflows of resources	2,383,155	420,089	2,803,244	12,790,072
Total liabilities and deferred inflows of resources	110,376,005	53,582,429	163,958,434	171,327,166
NET POSITION				
Net investments in capital assets	13,866,858	31,132,519	44,999,377	17,507,182
Restricted for:				
Capital projects	15,341,603	-	15,341,603	2,255,328
Debt service	889,438	3,465,397	4,354,835	3,474,333
Unrestricted	(14,861,890)	(3,423,724)	(18,285,614)	(91,535,731)
Total net position	15,236,009	31,174,192	46,410,201	(68,298,888)
Total liabilities, deferred inflows and net position	\$ 125,612,014	\$ 84,756,621	\$ 210,368,635	\$ 103,028,278

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

CITY OF PHENIX CITY, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units Phenix City Board of Education
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental activities:								
General government	\$ 11,235,302	\$ 8,053,851	\$ 280,512	\$ 1,959	\$ (2,898,980)	\$ -	\$ (2,898,980)	\$ -
Public safety	13,134,571	940,575	-	24,277	(12,169,719)	-	(12,169,719)	-
Public works	6,306,283	3,224,985	-	515,437	(2,565,861)	-	(2,565,861)	-
Culture and recreation	5,742,673	1,389,631	-	-	(4,353,042)	-	(4,353,042)	-
Education	2,281,572	-	-	-	(2,281,572)	-	(2,281,572)	-
Interest on long-term debt	2,904,083	-	-	-	(2,904,083)	-	(2,904,083)	-
Total governmental activities	<u>41,604,484</u>	<u>13,609,042</u>	<u>280,512</u>	<u>541,673</u>	<u>(27,173,257)</u>	<u>-</u>	<u>(27,173,257)</u>	<u>-</u>
Business-type activities:								
Public Utilities	12,403,326	10,996,956	-	200,288	-	(1,206,082)	(1,206,082)	-
Total business-type activities	<u>12,403,326</u>	<u>10,996,956</u>	<u>-</u>	<u>200,288</u>	<u>-</u>	<u>(1,206,082)</u>	<u>(1,206,082)</u>	<u>-</u>
Total primary government	<u>\$ 54,007,810</u>	<u>\$ 24,605,998</u>	<u>\$ 280,512</u>	<u>\$ 741,961</u>	<u>\$ (27,173,257)</u>	<u>\$ (1,206,082)</u>	<u>\$ (28,379,339)</u>	<u>\$ -</u>
Component unit:								
Phenix City Board of Education	\$ 70,165,962	\$ 2,849,606	\$ 53,873,245	\$ -	\$ -	\$ -	\$ -	\$ (13,443,111)
Total component units	<u>\$ 70,165,962</u>	<u>\$ 2,849,606</u>	<u>\$ 53,873,245</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (13,443,111)</u>
General revenues:								
Property taxes					\$ 6,084,453	\$ -	\$ 6,084,453	\$ 9,055,154
Sales and use taxes					23,066,708	-	23,066,708	4,216,231
Business taxes					1,285,684	-	1,285,684	-
Unrestricted investment earnings					256,152	62,823	318,975	228,349
Transfers					(71,465)	71,465	-	-
Total general revenues and transfers					<u>30,621,532</u>	<u>134,288</u>	<u>30,755,820</u>	<u>13,499,734</u>
Change in net position					3,448,275	(1,071,794)	2,376,481	56,623
Net position, beginning of year (*)					<u>11,787,734</u>	<u>32,245,986</u>	<u>44,033,720</u>	<u>(68,355,511)</u>
Net position, end of year					<u>\$ 15,236,009</u>	<u>\$ 31,174,192</u>	<u>\$ 46,410,201</u>	<u>\$ (68,298,888)</u>

(*) Restated, see Note 14.

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

CITY OF PHENIX CITY, ALABAMA

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

ASSETS	General	Capital Improvement	7 Mill	Public Building Authority	Nonmajor Governmental Funds	Total
Cash and cash equivalents	\$ 9,646,280	\$ -	\$ -	\$ -	\$ 1,078,794	\$ 10,725,074
Taxes receivable	2,120,108	-	882,450	-	840,567	3,843,125
Accounts receivable	562,627	-	-	-	946,075	1,508,702
Notes receivable	-	-	-	-	340,000	340,000
Due from other funds	1,129,744	-	19,127	-	4,248	1,153,119
Due from other governments	26,455	15,417	-	-	-	41,872
Inventory	48,586	-	-	-	-	48,586
Prepaid items	314,649	-	-	-	-	314,649
Restricted cash	26,583	12,285,660	253,186	9,247,026	362,110	22,174,565
Restricted investments	1,800,000	-	-	-	-	1,800,000
Total assets	<u>\$ 15,675,032</u>	<u>\$ 12,301,077</u>	<u>\$ 1,154,763</u>	<u>\$ 9,247,026</u>	<u>\$ 3,571,794</u>	<u>\$ 41,949,692</u>
LIABILITIES DEFERRED INFLOWS AND FUND BALANCES						
LIABILITIES AND DEFERRED INFLOWS						
Accounts payable	\$ 1,270,735	\$ 495,700	\$ -	\$ 2,963	\$ 6,824	\$ 1,776,222
Accrued expenses	502,944	-	-	-	-	502,944
Due to other funds	23,375	243,345	-	-	-	266,720
Due to component units	-	-	-	-	29,873	29,873
Total liabilities	<u>1,797,054</u>	<u>739,045</u>	<u>-</u>	<u>2,963</u>	<u>36,697</u>	<u>2,575,759</u>
Deferred inflows - unavailable revenue	425,211	-	782,949	-	806,759	2,014,919
FUND BALANCES (DEFICIT)						
Nonspendable:						
Inventories	48,586	-	-	-	-	48,586
Prepaid assets	314,649	-	-	-	-	314,649
Restricted for:						
Debt service	-	-	371,814	-	9,700	381,514
Capital projects	-	11,562,032	-	9,244,063	-	20,806,095
Street improvements	-	-	-	-	352,996	352,996
Revolving loans	-	-	-	-	1,943,989	1,943,989
Public safety	-	-	-	-	18,091	18,091
Municipal court	-	-	-	-	354,002	354,002
Committed for:						
Operating reserves	1,800,000	-	-	-	-	1,800,000
Assigned for:						
General self insurance liability	500,000	-	-	-	-	500,000
Unassigned	10,789,532	-	-	-	49,560	10,839,092
Total fund balances	<u>13,452,767</u>	<u>11,562,032</u>	<u>371,814</u>	<u>9,244,063</u>	<u>2,728,338</u>	<u>37,359,014</u>
Total liabilities and fund balances	<u>\$ 15,675,032</u>	<u>\$ 12,301,077</u>	<u>\$ 1,154,763</u>	<u>\$ 9,247,026</u>	<u>\$ 3,571,794</u>	
Amounts reported for governmental activities in the statement of net position are different because:						
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.						79,566,840
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.						1,990,635
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.						
Bond payables net of deferred outflows related to bond refundings						(71,297,357)
Accrued interest on long-term liabilities						(275,025)
Capital leases						(220,113)
Accrued compensated absences						(785,639)
Net pension liability net of deferred inflows and outflows related to pension						(15,349,910)
Net other postemployment benefits liability net of deferred inflows and outflows related to OPEB						(15,752,436)
Net position of governmental activities						<u>\$ 15,236,009</u>

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

CITY OF PHENIX CITY, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	General	Capital Improvement	7 Mill	Public Building Authority	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes	\$ 1,595,840	\$ -	\$ 2,108,497	\$ -	\$ 2,273,310	\$ 5,977,647
Sales and use taxes	22,783,434	-	-	-	283,274	23,066,708
Business taxes	272,883	-	1,012,801	-	-	1,285,684
Licenses and permits	5,797,072	-	-	-	-	5,797,072
Intergovernmental	306,748	515,437	-	-	-	822,185
Charges for services	2,689,260	-	-	-	296,845	2,986,105
Fines and forfeitures	765,755	-	-	-	120,437	886,192
Interest	125,462	8,044	444	110,080	12,117	256,147
Other revenues	727,262	1,352	-	1,327,851	9,919	2,066,384
Parks and recreation	1,322,976	-	-	-	-	1,322,976
Total revenues	<u>36,386,692</u>	<u>524,833</u>	<u>3,121,742</u>	<u>1,437,931</u>	<u>2,995,902</u>	<u>44,467,100</u>
Expenditures:						
Current:						
General government	12,205,408	7,670	18,501	3,000	10,070	12,244,649
Public safety	11,836,868	-	-	-	1,606	11,838,474
Public works	4,153,110	-	-	-	113,471	4,266,581
Culture and recreation	4,731,524	-	-	-	-	4,731,524
Education	-	-	-	-	2,281,572	2,281,572
Capital outlay	-	1,290,177	-	42,585	103,846	1,436,608
Debt service:						
Principal	169,343	-	2,390,000	650,000	-	3,209,343
Interest	7,090	-	2,086,917	674,850	-	2,768,857
Total expenditures	<u>33,103,343</u>	<u>1,297,847</u>	<u>4,495,418</u>	<u>1,370,435</u>	<u>2,510,565</u>	<u>42,777,608</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,283,349</u>	<u>(773,014)</u>	<u>(1,373,676)</u>	<u>67,496</u>	<u>485,337</u>	<u>1,689,492</u>
Other financing sources (uses):						
Capital leases	118,986	-	-	-	-	118,986
Transfers in	84,595	-	1,247,550	-	150,000	1,482,145
Transfers out	(1,319,015)	-	-	-	(221,194)	(1,540,209)
Total other financing sources (uses)	<u>(1,115,434)</u>	<u>-</u>	<u>1,247,550</u>	<u>-</u>	<u>(71,194)</u>	<u>60,922</u>
Net change in fund balances	2,167,915	(773,014)	(126,126)	67,496	414,143	1,750,414
Fund balances, beginning of year	<u>11,284,852</u>	<u>12,335,046</u>	<u>497,940</u>	<u>9,176,567</u>	<u>2,314,195</u>	<u>35,608,600</u>
Fund balances, end of year	<u>\$ 13,452,767</u>	<u>\$ 11,562,032</u>	<u>\$ 371,814</u>	<u>\$ 9,244,063</u>	<u>\$ 2,728,338</u>	<u>\$ 37,359,014</u>

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

CITY OF PHENIX CITY, ALABAMA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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

Net change in fund balances - total governmental funds	\$ 1,750,414
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. This is the difference between depreciation expense and capital outlay in the current period.	(268,606)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Deferred revenues increased during the year by this amount.	106,806
The issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,935,420
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(789,624)
Internal service funds are used by management to charge the costs of insurance to individual funds.	(836,453)
The revenue of certain activities of internal service funds is reported with governmental activities.	<u>550,318</u>
Change in net position of governmental activities	<u>\$ 3,448,275</u>

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

CITY OF PHENIX CITY, ALABAMA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 1,592,000	\$ 1,592,000	\$ 1,595,840	\$ 3,840
Sales and use taxes	22,571,360	22,571,360	22,783,434	212,074
Business taxes	383,000	383,000	272,883	(110,117)
Licenses and permits	5,704,471	5,704,471	5,797,072	92,601
Intergovernmental	19,500	19,500	306,748	287,248
Charges for services	2,658,918	2,658,918	2,689,260	30,342
Fines and forfeitures	875,000	875,000	765,755	(109,245)
Interest income	62,000	62,000	125,462	63,462
Miscellaneous Income	408,213	408,213	727,262	319,049
Parks and recreation	1,306,050	1,306,050	1,322,976	16,926
Total revenues	<u>35,580,512</u>	<u>35,580,512</u>	<u>36,386,692</u>	<u>806,180</u>
Expenditures:				
Current:				
General government:				
City manager	465,118	465,118	395,905	69,213
Personnel	332,307	341,314	315,310	26,004
City clerk	493,817	492,442	423,657	68,785
Information Technology	365,649	392,801	333,730	59,071
Municipal court	390,655	390,655	375,060	15,595
Finance	711,135	723,335	478,429	244,906
Finance - revenue collection	165,074	183,779	131,497	52,282
Non-departmental	6,063,769	6,075,252	8,568,714	(2,493,462)
Appropriations and contributions	657,470	657,470	611,669	45,801
Economic development	393,305	393,305	243,562	149,743
Building maintenance	453,909	486,224	327,875	158,349
Total general government	<u>10,492,208</u>	<u>10,601,695</u>	<u>12,205,408</u>	<u>(1,603,713)</u>
Public safety:				
Code enforcement	727,119	727,119	579,357	147,762
Fire	5,008,501	5,039,556	4,437,476	602,080
Police	7,597,163	7,614,835	6,675,946	938,889
Animal control	194,176	194,545	144,089	50,456
Total public safety	<u>13,526,959</u>	<u>13,576,055</u>	<u>11,836,868</u>	<u>1,739,187</u>

(Continued)

CITY OF PHENIX CITY, ALABAMA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures: (Continued)				
Current:				
Public works:				
Vehicle maintenance	\$ 247,348	\$ 247,377	\$ 185,760	\$ 61,617
Cemetery maintenance	333,412	334,132	241,510	92,622
Engineering	633,578	633,623	488,136	145,487
Administration	450,715	450,715	427,694	23,021
Limbs and debris	1,668,884	1,855,663	1,672,978	182,685
Refuse disposal	146,045	166,010	159,630	6,380
Streets and drainage	1,019,919	1,019,919	977,402	42,517
Total public works	<u>4,499,901</u>	<u>4,707,439</u>	<u>4,153,110</u>	<u>554,329</u>
Culture and recreation:				
Parks and recreation	3,513,881	3,472,643	3,201,440	271,203
Central activity center	96,050	101,050	78,911	22,139
Amphitheater	219,750	260,942	188,595	72,347
Golf course	1,022,302	1,380,973	893,697	487,276
Library	409,755	435,697	368,881	66,816
Total culture and recreation	<u>5,261,738</u>	<u>5,651,305</u>	<u>4,731,524</u>	<u>919,781</u>
Debt service:				
Principal	509,293	435,350	169,343	266,007
Interest	7,090	7,090	7,090	-
Total debt service	<u>516,383</u>	<u>442,440</u>	<u>176,433</u>	<u>266,007</u>
Total expenditures	<u>34,297,189</u>	<u>34,978,934</u>	<u>33,103,343</u>	<u>1,875,591</u>
Excess of revenues over expenditures	<u>1,283,323</u>	<u>601,578</u>	<u>3,283,349</u>	<u>2,681,771</u>
Other financing sources (uses):				
Transfers in	-	-	84,595	84,595
Transfers out	(672,550)	(672,550)	(1,319,015)	(646,465)
Total other financing uses	<u>(672,550)</u>	<u>(672,550)</u>	<u>(1,115,434)</u>	<u>(442,884)</u>
Net change in fund balances	610,773	(70,972)	2,167,915	2,238,887
Fund balance, beginning of year	<u>11,284,852</u>	<u>11,284,852</u>	<u>11,284,852</u>	<u>-</u>
Fund balance, end of year	<u>\$ 11,895,625</u>	<u>\$ 11,213,880</u>	<u>\$ 13,452,767</u>	<u>\$ 2,238,887</u>

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

CITY OF PHENIX CITY, ALABAMA

STATEMENT OF NET POSITION PROPRIETARY FUNDS SEPTEMBER 30, 2018

	Business-type Activities Enterprise Funds	Governmental Activities Internal Service Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Public Utilities	
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,244,156	\$ -
Accounts receivable, net of allowances	1,138,925	-
Notes receivable	103,900	-
Due from other funds	27,610	-
Inventories	273,938	-
Prepaid expenses	84,451	-
Total current assets	2,872,980	-
RESTRICTED ASSETS		
Cash and cash equivalents	5,694,962	-
NONCURRENT ASSETS		
Capital assets:		
Nondepreciable	7,971,608	-
Depreciable, net of accumulated depreciation	65,785,109	-
Total noncurrent assets	73,756,717	-
Total assets	82,324,659	-
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension plan	441,639	-
Deferred amounts - bond refundings	2,904,332	-
Total deferred outflows of resources	3,345,971	-
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
CURRENT LIABILITIES		
Accounts payable	156,846	-
Accrued expenses	58,748	-
Due to other funds	914,009	-
Customer deposits	68,348	-
Accrued interest	242,928	-
Current portion - capital lease	109,310	-
Current portion - bonds payable	1,585,000	-
Current portion - compensated absences	87,953	-
Total current liabilities	3,223,142	-
LONG-TERM LIABILITIES		
Capital lease, net of current portion	213,041	-
Bonds payable, net of current portion	45,453,425	-
Compensated absences, net of current portion	15,723	-
Net pension liability	2,756,558	-
Net other postemployment benefits obligation	2,414,460	-
Total long-term liabilities	50,853,207	-
Total liabilities	54,076,349	-
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension plan	197,128	-
Deferred inflows related to other postemployment benefits plan	222,961	-
Total deferred inflows of resources	420,089	-
NET POSITION		
Net investments in capital assets	31,132,519	-
Restricted for debt service	3,465,397	-
Unrestricted	(3,423,724)	-
Total net position	\$ 31,174,192	\$ -

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

CITY OF PHENIX CITY, ALABAMA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Business-type Activities	
	Enterprise Funds	Governmental Activities
	Public Utilities	Internal Service Fund
OPERATING REVENUES		
Charges for services	\$ 10,985,550	\$ 550,313
Miscellaneous	11,406	-
Total operating revenues	<u>10,996,956</u>	<u>550,313</u>
OPERATING EXPENSES		
Administrative	2,915,317	-
Water plant	1,552,062	-
Water distribution	955,567	-
Wastewater distribution	954,918	-
Wastewater plant	1,349,142	-
Depreciation and amortization	2,780,957	-
Claims and damages	-	823,052
Total operating expenses	<u>10,507,963</u>	<u>823,052</u>
Operating income	<u>488,993</u>	<u>(272,739)</u>
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental	-	-
Interest income	62,823	5
Interest expense	(1,895,363)	-
System development fees	200,288	-
Total nonoperating income (loss)	<u>(1,632,252)</u>	<u>5</u>
Income (loss) before contributions and transfers	<u>(1,143,259)</u>	<u>(272,734)</u>
TRANSFERS		
Transfers in	71,465	-
Transfers out	-	(13,401)
Total transfers	<u>71,465</u>	<u>(13,401)</u>
Change in net position	(1,071,794)	(286,135)
NET POSITION, beginning of year (*)	<u>32,245,986</u>	<u>286,135</u>
NET POSITION, end of year	<u>\$ 31,174,192</u>	<u>\$ -</u>

(*) Restated, see Note 14.

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

CITY OF PHENIX CITY, ALABAMA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Business-type Activities Enterprise Funds	Governmental Activities Internal Service Fund
	Public Utilities	
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 11,359,337	\$ 550,313
Payments to suppliers	(3,986,393)	(551,166)
Payments to employees	(3,519,034)	-
Net cash provided by operating activities	<u>3,853,910</u>	<u>(853)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in (out)	71,465	(13,401)
System development fees	200,288	-
Net cash provided by (used in) noncapital financing activities	<u>271,753</u>	<u>(13,401)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(784,651)	-
Principal paid on bonds	(1,535,000)	-
Principal paid on capital lease	(91,965)	-
Interest paid	(2,006,578)	-
Net cash used in capital and related financing activities	<u>(4,418,194)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	62,823	5
Net cash provided by investing activities	<u>62,823</u>	<u>5</u>
Net increase (decrease) in cash and cash equivalents	(229,708)	(14,249)
Cash and cash equivalents:		
Beginning of year	<u>7,168,826</u>	<u>14,249</u>
End of year	<u>\$ 6,939,118</u>	<u>\$ -</u>
Classified as:		
Cash	\$ 1,244,156	\$ -
Restricted assets, cash	5,694,962	-
	<u>\$ 6,939,118</u>	<u>\$ -</u>

(Continued)

CITY OF PHENIX CITY, ALABAMA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Business-type Activities Enterprise Funds	Governmental Activities Internal Service Fund
	Public Utilities	
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 488,993	\$ (272,739)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	2,780,957	-
Decrease in accounts receivable	(68,332)	-
Decrease in notes receivable	4,960	-
Increase in due from other funds	23,836	-
Decrease in inventory	82,832	-
Increase in prepaid expenses	2,003	271,886
Decrease in accounts payable	(5,300)	-
Increase in accrued expenses	(5,849)	-
Decrease in due to other funds	402,232	-
Decrease in customer deposits	(315)	-
Increase in compensated absences	(12,558)	-
Increase in other postretirement benefits obligation	(147,390)	-
Net cash provided by (used in) operating activities	<u>\$ 3,853,910</u>	<u>\$ (853)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Capitalized interest	\$ 386,201	
Amortization of bond discounts, premiums and deferred amounts, net	281,609	

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

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Phenix City, Alabama (the “City”) have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to government units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. The Financial Reporting Entity

The City was created by a legislative act of the State of Alabama in 1889. The City is a municipal corporation which operates under the mayor-council form of government with an appointed City Manager. The City provides the following services and operations as authorized by its charter: public safety (police and fire); public works; public utilities; and recreation.

As required by GAAP, the financial statements of the reporting entity include those of the City (the primary government) and its component units. The component units discussed below are included in the City’s reporting entity because of the significance of their operational and financial relationships with the City.

Based on criteria set forth in Section 2100 of the GASB’s Codification of Governmental Accounting and Financial Reporting Standards for including organizations as component units within the City’s reporting entity, the City has one discretely presented component unit and one blended component unit. The discretely presented component unit is reported separately in the government-wide financial statements to emphasize that it is legally separate from the City. The discretely presented component unit has a September 30 year-end. The blended component unit is reported as a major governmental fund and is included in governmental activities in the government-wide financial statements.

Discretely Presented Component Unit

The Phenix City Board of Education (the “Board of Education”) – The City appoints all members of the Board of Education’s governing body. Additionally, the City issued bonds for the construction of facilities for the Board of Education, and the City is obligated for the debt. Complete financial statements for the Board of Education can be obtained from the Phenix City Board of Education’s administrative office located at 1212 9th Avenue, Phenix City, Alabama 36868.

CITY OF PHENIX CITY, ALABAMA

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Financial Reporting Entity (Continued)

Blended Component Unit

The Public Building Authority (the “PBA”) – The main purpose of the PBA is to provide buildings and facilities for lease to and use by the City in performance of its public functions. The PBA is a blended component unit based on the aforementioned criteria, specifically in that it has a separate governing body that is appointed by the Council and the Council can impose its will upon the PBA. The PBA is presented as a blended component unit since its purpose is to provide services to the City and it is fiscally dependent upon the City. There are no separately issued financial statements for the PBA.

B. Government-wide and Fund 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 non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis* of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. 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.

CITY OF PHENIX CITY, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation
(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 to be 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, 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.

Property taxes, sales and use taxes, business taxes, licenses, and investment income 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 period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

The **Capital Improvement Fund** accounts for the projects funded through bond proceeds. Funds are used for: road and drainage projects; animal shelter projects; recreation projects, and other projects within the City as specified by bond resolutions.

The **7 Mill Fund** is used to account for the resources accumulated and payments made for principal and interest on long-term debt of the City.

The **Public Building Authority** is a blended component unit of the City. It is presented as a major capital projects fund. It accounts for specific capital projects of the PBA and the related debt associated with the projects.

The City reports the following major proprietary fund:

The **Public Utilities Fund** is an enterprise fund used to account for the cost of providing water and sewer service to the City. Activities of the fund include water and sewer administration, operations, billing and collections.

Additionally, the City reports the following fund types:

The **special revenue funds** account for revenue sources that are legally restricted to expenditure for specific purposes.

CITY OF PHENIX CITY, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. Measurement Focus, Basis of Accounting and Basis of Presentation
(Continued)**

The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term debt of the City.

The *Internal Service Fund* accounts for a self-insured program for health insurance. This fund was created to accommodate the payment of claims and administrative expenses for the self-insured program.

Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services provided. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Cash and Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition. All cash and investments reported in the proprietary funds, including restricted cash and investments, meet this definition and are therefore considered to be cash equivalents.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Investments that do not have an established market are reported at estimated fair values.

F. Inventory

Inventory in Proprietary Funds is valued at the lower of cost (first-in, first-out method) or market. Inventory in the General Fund, which is valued at cost (first-in, first-out method) consists of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

G. Short-Term Interfund Receivables/Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

H. Prepaid Items

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

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City elected to record infrastructure assets prior to 1980. Capital assets are defined by the City as assets with an initial, individual cost of \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend useful lives are expensed as incurred.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets (Continued)

Major outlays for capital assets and major improvements are capitalized as projects are constructed. Interest incurred during the construction period of capital assets in the Public Utilities Fund is included as part of the capitalized value of the assets constructed. Interest expense of approximately \$452,000 was capitalized in the Public Utilities Fund during the fiscal year ending September 30, 2018.

Depreciation is provided on the straight-line method over the following estimated useful lives:

Primary Government

Buildings and improvements	10 - 50 years
Machinery and equipment	5 - 10 years
Infrastructure	40 years
Water and Sewer System	50 years

Phenix City Board of Education

Buildings and improvements	50 years
Machinery and equipment	5 - 20 years

J. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All compensated absences are accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. No liability is recorded for nonvesting accumulation rights to receive sick pay benefits.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity

In accordance with the requirements of GASB 54 "Fund Balance Reporting and Governmental Fund Type Definitions, the following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance – The City's nonspendable fund balance consists solely of amounts that are not in spendable form such as inventories and prepaid expenses;

Restricted fund balance – Amounts constrained to specific purposes by their providers such as grantors, bondholders, and higher levels of government, through constitutional provisions, or by enabling legislation;

Committed fund balance - Amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (the Council); to be reported as committed, amounts cannot be used for any other purpose unless the Council takes the same highest level action to remove or change the constraint;

Assigned fund balance - Amounts the City intends to use for a specific purpose; intent can be expressed by the Council or by a designee to whom the Council delegates authority. The Council has designated authority to the Director of Finance;

Unassigned fund balance - Amounts that are available for any legal purpose.

The Council establishes (and modifies or rescinds) fund balance commitments through adoptions and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Council through adoption or amendment of the budget as intended for a specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes). When multiple categories of fund balance are available for expenditure, the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

M. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 expenditures/expenses during the reporting period. Actual results could differ from these estimates.

CITY OF PHENIX CITY, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Deferred Inflows and Outflows of Resources

Bond Refundings - Deferred inflows and outflows of resources related to bond refundings consist of the difference between the reacquisition price and the net carrying amount of the old debt resulting from current and advance bond refundings. These amounts are amortized over the remaining life of the debt as a component of interest expense.

Pensions – Deferred inflows and outflows of resources related to pensions consist of the difference between the projected and actual earnings on pension plan investments, the changes in proportion and differences between employer contributions and proportionate share of contributions, changes of assumptions, differences between expected and actual experience, and contributions to the pension plan made during the reporting period but subsequent to the measurement date.

Other Postemployment Benefits – During the year ended September 30, 2018, the City implemented the provisions of GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* ("GASB 75") which provides financial reporting guidance related to state and local government postemployment benefits other than pensions ("OPEB"). GASB 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, this Statement details the recognition and disclosure requirements for employers with liabilities to a defined benefit OPEB plan and for employers whose employees are provided with defined contribution OPEB. This Statement requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

CITY OF PHENIX CITY, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

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

Bonds payable	\$ (73,035,000)
Deferred outflow of resources - bond refundings	1,791,696
Unamortized original issue discount	443,655
Unamortized original issue premium	<u>(497,708)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ (71,297,357)</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of 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 useful lives and reported as depreciation expense.” The details of this difference are as follows:

Capital outlay	\$ 3,946,522
Depreciation expense	<u>(4,215,128)</u>
Net adjustment to increase net changes in fund balances - total <i>governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (268,606)</u>

Another element of that reconciliation explains that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

CITY OF PHENIX CITY, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

The details of this difference are as follows:

Capital lease	\$ (118,986)
Principal repayment - capital lease	169,374
Principal repayment - bonds	3,040,000
Amortization of discounts, premiums and defeasance on bonds	<u>(154,968)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ 2,935,420</u></u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this difference are as follows:

Change in accrued interest	\$ 36,110
Change in compensated absences	(16,416)
Increase in net other postemployment benefits obligation	(298,020)
Change in net pension obligation	1,286,134
Change in deferred inflows and outflows of resources	<u>(1,797,432)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ (789,624)</u></u>

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 3. LEGAL COMPLIANCE – BUDGETS

A. Budgets and Budgetary Accounting

The City's annual budgets for all governmental fund types are adopted on a basis consistent with generally accepted accounting principles for governmental fund types. Revenues are budgeted by source. Expenditures are budgeted by department. The department level constitutes the legal level of control. Expenditures may not exceed appropriations at this level. The City Manager, with the approval of Council, has the authority to make changes within the approved budget provided that a deficit is not incurred by such changes.

The original budget is adopted by the City on the 3rd Tuesday of September of each year. The City Council approves budget amendments during the year.

B. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not utilized by the City.

C. Excess Expenditures Over Appropriations

For the year ended September 30, 2018, the following departments had excess of actual expenditures over appropriations which were funded by excess budget available in other departments of the General Fund:

	<u>Excess</u>
Non-departmental	\$ (2,493,462)

For the year ended September 30, 2018, non-departmental expenditures exceeded budget due to approved capital outlay expenditures incurred that exceeded budgeted amounts.

CITY OF PHENIX CITY, ALABAMA

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2018

NOTE 4. CASH AND INVESTMENTS

Credit risk. State statutes authorize the City to invest in obligations of the U.S. Government Treasury and Agency securities, certificates of deposit and money market accounts, repurchase agreements and reverse repurchase agreements, banker's acceptances and commercial paper.

Interest rate risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits with Alabama financial institutions that are in excess of the FDIC insurance are secured under the Security for Alabama Funds Enhancement Act (SAFE Program). Through the SAFE program, all public funds are protected through a collateral pool administered by the Alabama State Treasury. As of September 30, 2018, the City and the Board of Education had no uncollateralized deposits.

Investments. Investments are short-term certificates of deposits with maturities of one year or less and are reported at cost which approximates fair value.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 5. RECEIVABLES

Receivables consisted of the following at September 30, 2018:

	General Fund	7 Mill Fund	Nonmajor Governmental Funds	Public Utilities Fund	Total
Receivables:					
Taxes	\$2,278,431	\$882,450	\$ 840,567	\$ -	\$4,001,448
Accounts	562,627	-	946,075	3,219,394	4,728,096
Notes	-	-	340,000	103,900	443,900
Gross receivables	<u>2,841,058</u>	<u>882,450</u>	<u>2,126,642</u>	<u>3,323,294</u>	<u>9,173,444</u>
Less allowance for uncollectibles	<u>(158,323)</u>	<u>-</u>	<u>-</u>	<u>(2,080,469)</u>	<u>(2,238,792)</u>
Net total receivable	<u><u>\$2,682,735</u></u>	<u><u>\$882,450</u></u>	<u><u>\$ 2,126,642</u></u>	<u><u>\$1,242,825</u></u>	<u><u>\$6,934,652</u></u>

Property taxes attached as an enforceable lien on property as of January 1, 2017. Property taxes were levied on October 1, 2017, and payable on or before December 31, 2017. Property taxes levied for 2017 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during the year ended September 30, 2018, and collected by November 30, 2018, are recognized as revenues in the year ended September 30, 2018. Net receivables estimated to be collected subsequent to November 30, 2018, are recorded as revenue when received. Prior year levies were recorded using substantially the same principles, and remaining receivables are reevaluated annually.

Notes receivable consist of community development loans to businesses. Financing has been provided by the U.S. Department of Housing and Urban Development.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 6. CAPITAL ASSETS

A. Primary Government

The City's capital asset activity for the year ended September 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land and improvements	\$ 17,722,971	\$ -	\$ -	\$ -	\$ 17,722,971
Construction in progress	1,532,449	2,148,997	-	(1,351,023)	2,330,423
Total capital assets, not being depreciated	<u>19,255,420</u>	<u>2,148,997</u>	<u>-</u>	<u>(1,351,023)</u>	<u>20,053,394</u>
Capital assets, being depreciated:					
Buildings	40,304,001	154,347	-	50,255	40,508,603
Machinery and equipment	23,176,402	1,274,900	-	-	24,451,302
Infrastructure	73,048,359	368,278	-	1,300,768	74,717,405
Total capital assets, being depreciated	<u>136,528,762</u>	<u>1,797,525</u>	<u>-</u>	<u>1,351,023</u>	<u>139,677,310</u>
Less accumulated depreciation for:					
Buildings	(20,746,186)	(1,094,017)	-	-	(21,840,203)
Machinery and equipment	(15,628,290)	(1,709,224)	-	-	(17,337,514)
Infrastructure	(39,574,260)	(1,411,887)	-	-	(40,986,147)
Total accumulated depreciation	<u>(75,948,736)</u>	<u>(4,215,128)</u>	<u>-</u>	<u>-</u>	<u>(80,163,864)</u>
Total capital assets, being depreciated, net	<u>60,580,026</u>	<u>(2,417,603)</u>	<u>-</u>	<u>1,351,023</u>	<u>59,513,446</u>
Governmental activities capital assets, net	<u>\$ 79,835,446</u>	<u>\$ (268,606)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,566,840</u>
Business-type Activities:					
Capital assets, not being depreciated:					
Land	\$ 275,782	\$ -	\$ -	\$ -	\$ 275,782
Construction in progress	6,874,180	911,532	(89,886)	-	7,695,826
Total capital assets, not being depreciated	<u>7,149,962</u>	<u>911,532</u>	<u>(89,886)</u>	<u>-</u>	<u>7,971,608</u>
Capital assets, being depreciated:					
Building and improvements	1,015,534	-	-	-	1,015,534
Machinery and equipment	7,069,825	552,685	-	-	7,622,510
Plant facilities	109,906,882	116,521	-	-	110,023,403
Total capital assets, being depreciated	<u>117,992,241</u>	<u>669,206</u>	<u>-</u>	<u>-</u>	<u>118,661,447</u>
Less accumulated depreciation for:					
Building and improvements	(761,996)	(40,888)	-	-	(802,884)
Machinery and equipment	(5,857,948)	(351,033)	-	-	(6,208,981)
Plant facilities	(43,475,437)	(2,389,036)	-	-	(45,864,473)
Total accumulated depreciation	<u>(50,095,381)</u>	<u>(2,780,957)</u>	<u>-</u>	<u>-</u>	<u>(52,876,338)</u>
Total capital assets, being depreciated, net	<u>67,896,860</u>	<u>(2,111,751)</u>	<u>-</u>	<u>-</u>	<u>65,785,109</u>
Business-type activities capital assets, net	<u>\$ 75,046,822</u>	<u>\$ (1,200,219)</u>	<u>\$ (89,886)</u>	<u>\$ -</u>	<u>\$ 73,756,717</u>

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 6. CAPITAL ASSETS (CONTINUED)

A. Primary Government (Continued)

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

Governmental activities:	
General government	\$ 75,417
Public safety	1,139,798
Public works	2,028,822
Culture and recreation	<u>971,091</u>
Total depreciation expense - governmental activities	<u><u>\$ 4,215,128</u></u>

B. Discretely Presented Component Unit – Phenix City Board of Education

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 635,026	\$ 255,878	\$ -	\$ 890,904
Construction in progress	-	1,873,713	-	1,873,713
Total capital assets, not being depreciated	<u>635,026</u>	<u>2,129,591</u>	<u>-</u>	<u>2,764,617</u>
Capital assets, being depreciated:				
Building and improvements	94,041,159	1,956,705	-	95,997,864
Machinery and equipment	10,140,782	1,551,890	(18,778)	11,673,894
Total	<u>104,181,941</u>	<u>3,508,595</u>	<u>(18,778)</u>	<u>107,671,758</u>
Less accumulated depreciation:	<u>(32,726,196)</u>	<u>(2,609,345)</u>	<u>18,590</u>	<u>(35,316,951)</u>
Total capital assets, being depreciated, net	<u>71,455,745</u>	<u>899,250</u>	<u>(188)</u>	<u>72,354,807</u>
Discretely presented component unit capital assets, net	<u><u>\$ 72,090,771</u></u>	<u><u>\$ 3,028,841</u></u>	<u><u>\$ (188)</u></u>	<u><u>\$ 75,119,424</u></u>

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 7. LONG-TERM DEBT

A. Primary Government

The following is a summary of long-term debt activity for the year ended September 30, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable	\$ 76,075,000	\$ -	\$ (3,040,000)	\$ 73,035,000	\$ 3,140,000
Less deferred amounts:					
Unamortized premium	570,471	-	(72,763)	497,708	-
Unamortized discount	(484,498)	-	40,843	(443,655)	-
Net bonds payable	<u>76,160,973</u>	<u>-</u>	<u>(3,071,920)</u>	<u>73,089,053</u>	<u>3,140,000</u>
Capital leases payable	270,501	118,986	(169,374)	220,113	81,703
Compensated absences	769,223	16,416	-	785,639	626,964
Claims payable	0	-	-	0	-
Governmental activities long-term liabilities	<u>\$ 77,200,697</u>	<u>\$ 135,402</u>	<u>\$ (3,241,294)</u>	<u>\$ 74,094,805</u>	<u>\$ 3,848,667</u>
Business-type activities:					
Bonds payable	\$ 47,575,000	\$ -	\$ (1,535,000)	\$ 46,040,000	\$ 1,585,000
Less deferred amounts:					
Unamortized discount	(205,943)	-	15,930	(190,013)	-
Unamortized premium	1,310,765	-	(122,327)	1,188,438	-
Net bonds payable	<u>48,679,822</u>	<u>-</u>	<u>(1,641,397)</u>	<u>47,038,425</u>	<u>1,585,000</u>
Capital leases payable	94,316	320,000	(91,965)	322,351	109,310
Compensated absences	<u>116,234</u>	<u>-</u>	<u>(12,558)</u>	<u>103,676</u>	<u>87,953</u>
Business-type activities long-term liabilities	<u>\$ 48,890,372</u>	<u>\$ 320,000</u>	<u>\$ (1,745,920)</u>	<u>\$ 47,464,452</u>	<u>\$ 1,782,263</u>

For governmental activities, compensated absences are generally liquidated by the General Fund and self-insurance claims payable are liquidated by user charges. For business-type activities, compensated absences are liquidated by the Public Utilities Fund.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 7. LONG-TERM DEBT (CONTINUED)

Governmental Activities Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. These bonds are direct general obligations of the City. General obligation bonds have been issued for general government activities and are reported in the governmental column of the government-wide statements. Principal and interest are payable from an ad valorem tax upon all property of the City.

General obligation and PBA revenue bonds outstanding at September 30, 2018, are as follows:

	Interest Rates	September 30, 2018
2010-B Issue	2.10% - 3.94%	27,590,000
2011-A Issue	1.63% - 4.38%	10,065,000
2015-A Issue	2.00% - 4.00%	4,435,000
2017-A Issue	2.00% - 3.00%	2,760,000
2017-B Issue	2.00% - 4.00%	7,785,000
2017-C Issue	2.00% - 3.00%	3,720,000
2011-A Issue - Public Building Authority	1.00% - 4.38%	16,680,000
		<u>73,035,000</u>
Less: unamortized discount, net		54,053
		<u><u>\$ 73,089,053</u></u>

A description of these bond issues is provided below.

General Obligation Bonds, Series 2007-A, \$3,775,000 Principal

The City had tax-exempt General Obligation Bonds, Series 2007-A (Series 2007-A Bonds) which were redeemed in 2018 on the maturity date. Proceeds of the bonds were used for the purpose of financing 1) all or a portion of the cost of acquisition, construction, development and equipping of various capital outlay projects located within the City; and 2) to pay the costs of issuance of the bonds. The bonds were limited obligations of the City, payable solely from the property taxes of the City.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 7. LONG-TERM DEBT (CONTINUED)

A. Primary Government (Continued)

Governmental Activities Debt (Continued)

General Obligation Bonds (Continued)

General Obligation Bonds, Series 2010-B, \$33,940,000 Principal

The City has tax-exempt General Obligation Refunding Bonds, Series 2010-B (Series 2010-B Bonds) outstanding at September 30, 2018 in the amount of \$27,590,000. The proceeds from the bonds are to be used for 1) financing various capital improvements of the City, 2) refunding certain outstanding debt of the City, 3) funding interest on a portion of the Series 2010-B general obligation refunding bonds for the period ending August 1, 2012, and 3) to pay the costs of issuance of the bonds. The advanced refunding included a portion of the Series 2001 and 2009-A general obligation bonds and the total outstanding balance of the Series 2004, Series 2005-A, and Series 2005-B general obligation bonds. The bonds are limited obligations of the City and are payable solely from the property taxes of the City. The carrying amount of the old debt exceeded the reacquisition price by \$2,774,285. This amount is deferred and recognized as a component of interest expense over the life of the new debt. The transaction also resulted in an economic gain of \$2,929,008.

The Series 2010-B Bonds maturing on February 1, 2021 and thereafter are subject to redemption prior to maturity, at the option of the City, on or after February 1, 2020, in whole or in part (in any order of maturity and by lot within a maturity) at any time, at a price of par plus accrued interest to the redemption date.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 7. LONG-TERM DEBT (CONTINUED)

A. Primary Government (Continued)

Governmental Activities Debt (Continued)

General Obligation Bonds (Continued)

General Obligation Bonds, Series 2011-A, \$12,195,000 Principal

The City has tax exempt General Obligation Refunding Bonds, Series 2011-A (Series 2011-A Bonds) outstanding at September 30, 2018 in the amount of \$10,065,000. The proceeds of the bonds are to be used for 1) financing various capital improvements of the City, 2) refunding certain outstanding debt of the City and, 3) paying the costs of issuance of the bonds. The advanced refunding included the remaining outstanding balance of the Series 2001 Bonds. The bonds are limited obligations of the City and are payable solely from the property taxes of the City. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$212,498. This difference is netted with deferred outflows of resources in the accompanying financial statements and is being charged to interest expense through the year 2014 using the effective interest method. The City completed the advance refunding to reduce its total debt service payments by \$98,942 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$ 87,867.

The Series 2011-A Bonds maturing on April 1, 2022 and thereafter are subject to redemption prior to maturity, at the option of the City, on or after April 1, 2012, in whole or in part (in any order of maturity and by lot within a maturity) at any time, at a price of par plus accrued interest to the redemption date.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 7. LONG-TERM DEBT (CONTINUED)

A. Primary Government (Continued)

Governmental Activities Debt (Continued)

General Obligation Bonds, Series 2015-A, \$4,660,000 Principal

The City has tax exempt General Obligation Refunding Bonds, Series 2015-A (Series 2015-A Bonds) outstanding at September 30, 2018 in the amount of \$4,435,000. The proceeds of the bonds are to be used for 1) financing various capital improvements of the City, 2) refunding certain outstanding debt of the City and, 3) paying the costs of issuance of the bonds.

The advanced refunding included a portion of the outstanding balance of the Series 2007 Bonds. The bonds are limited obligations of the City and are payable solely from the property taxes of the City. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$182,260. This difference is included in deferred outflows of resources in the accompanying financial statements and is being charged to interest expense through the year 2027 using the effective interest method. The City has pledged revenues from business and professional license fees to service the debt.

The Series 2015-A Bonds maturing on February 1, 2026 and thereafter are subject to redemption prior to maturity, at the option of the City, on or after February 1, 2025, in whole or in part (in any order of maturity and by lot within a maturity) at any time, at a price of par plus accrued interest to the redemption date.

General Obligation Bonds, Series 2017-A, \$3,030,000 Principal

The City has tax exempt General Obligation Bonds, Series 2017-A (Series 2017-A Bonds) outstanding at September 30, 2017 in the amount of \$2,760,000. The proceeds of the bonds are to be used for 1) financing various capital improvements of the City, and, 2) paying the costs of issuance of the bonds.

The bonds are general obligations of the City, however the City has pledged and assigned sales and use tax collections to the payment of debt service on the bonds. The Series 2017-A Bonds mature beginning on February 1, 2018 through February 1, 2027 and are not subject to redemption prior to maturity.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 7. LONG-TERM DEBT (CONTINUED)

A. Primary Government (Continued)

Governmental Activities Debt (Continued)

General Obligation Bonds, Series 2017-B, \$7,995,000 Principal

The City has tax exempt General Obligation Bonds, Series 2017-B (Series 2017-B Bonds) outstanding at September 30, 2017 in the amount of \$7,785,000. The proceeds of the bonds are to be used for 1) financing various capital improvements of the City, and, 2) paying the costs of issuance of the bonds.

The bonds are general obligations of the City, however the City has pledged and assigned sales and use tax collections to the payment of debt service on the bonds. The Series 2017-B Bonds maturing on February 1, 2028 and thereafter are subject to redemption prior to maturity, at the option of the City, on or after February 1, 2027, in whole or in part (in any order of maturity and by lot within a maturity) at any time, at a price of par plus accrued interest to the redemption date.

General Obligation Refunding Bonds, Series 2017-C, \$3,940,000 Principal

The City has tax exempt General Obligation Refunding Bonds, Series 2017-C (Series 2017-C Bonds) outstanding at September 30, 2017 in the amount of \$3,720,000. The proceeds of the bonds are to be used for 1) financing various capital improvements of the City, 2) refunding certain outstanding debt of the City and, 3) paying the costs of issuance of the bonds.

The advanced refunding included a portion of the outstanding balance of the Series 2009 and Series 2010 Bonds. The bonds are general obligations of the City, however the City has pledged and assigned sales and use tax collections to the payment of debt service on the bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$103,457. This difference is included in deferred outflows of resources in the accompanying financial statements and is being charged to interest expense through the year 2035 using the effective interest method.

The Series 2017-C Bonds maturing on February 1, 2026 and thereafter are subject to redemption prior to maturity, at the option of the City, on or after February 1, 2025, in whole or in part (in any order of maturity and by lot within a maturity) at any time, at a price of par plus accrued interest to the redemption date.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 7. LONG-TERM DEBT (CONTINUED)

A. Primary Government (Continued)

Governmental Activities Debt (Continued)

Revenue Bonds – Blended Component Unit

Revenue Bonds, Series 2011-A, \$20,875,000 Principal – Public Building Authority

The PBA has Revenue Bonds, Series 2011-A (PBA Series 2011-A Bonds) outstanding at September 30, 2018 in the amount of \$16,680,000. The proceeds of the bonds are to be used for 1) financing the costs of acquiring, constructing and equipping certain facilities of the PBA (bond-financed facilities), and 2) paying the costs of issuance of the bonds. The bonds are limited obligations of the PBA and are payable solely out of payments by the City pursuant to a lease agreement.

The bond financed facilities have been leased to the City pursuant to a lease agreement dated September 1, 2011. The bond-financed facilities will consist of a 1) new municipal office for the City, 2) new municipal parking deck for the City 3) new municipal community facility for the City, 4) new public works maintenance facility for the City, and 5) new municipal utility warehouse and employee building for the City. The lease agreement will be for a period of no longer than the current fiscal year but contains an option to renew the agreement until the PBA Series 2011-A Bonds are paid.

The City has an obligation to make payments under the Lease Agreement. Revenues available for payment under the lease agreement include sales and use tax revenues, certain ad valorem taxes, revenues from City-owned enterprises and other general revenues of the City. In addition, the City has pledged sales tax collected in the corporate limits as security for the lease payments. Lease payments will be due in relation to the debt service requirements of the bond. The General Fund is obligated to pay 70.56% of the lease payment, which amounted to \$934,814 for the year ended September 30, 2017 and is recorded as a non-departmental expense.

The Phenix City Utilities Fund will finance, out of water and sewer revenues, a significant portion of the annual debt service on the PBA Series 2011-A Bonds as the Utilities department will occupy portions of the facilities financed with the bonds. The Utilities Fund is obligated to pay 29.44% of the lease payment, which amounted to \$390,036 for the year ended September 30, 2018 and is recorded in operating expenses as an administrative expense.

The PBA Series 2011-A Bonds maturing on April 1, 2022 or thereafter are subject to redemption prior to maturity, at the option of the City, on or after April 1, 2021, in whole or in part (in any order of maturity and by lot within a maturity) at any time, at a price of par plus accrued interest to the redemption date.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 7. LONG-TERM DEBT (CONTINUED)

A. Primary Government (Continued)

Governmental Activities Debt (Continued)

General obligation and revenue bonds debt service requirements to maturity are as follows (including debt service for blended component unit bonds):

Fiscal Year Ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 3,140,000	\$ 2,699,812	\$ 5,839,812
2020	3,235,000	2,603,012	5,838,012
2021	3,325,000	2,514,100	5,839,100
2022	3,430,000	2,408,184	5,838,184
2023	3,550,000	2,289,849	5,839,849
2024 - 2028	19,195,000	9,361,759	28,556,759
2029 - 2033	20,345,000	5,666,980	26,011,980
2034 - 2038	15,080,000	1,464,780	16,544,780
2039 - 2043	1,735,000	113,861	1,848,861
	<u>73,035,000</u>	<u>\$ 29,122,337</u>	<u>\$ 102,157,337</u>
Plus: unamortized premium, net	54,053		
	<u>\$ 73,089,053</u>		

Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of equipment. The lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following is an analysis of leased assets under capital leases as of September 30, 2018:

	<u>Governmental Activities</u>
Equipment	\$ 729,452
Less: Accumulated depreciation	(315,588)
	<u>\$ 413,864</u>

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 7. LONG-TERM DEBT (CONTINUED)

A. Primary Government (Continued)

Governmental Activities Debt (Continued)

Capital Leases (Continued)

The following is a schedule of future minimum lease payments together with the present value of net minimum lease payments as of September 30, 2018:

	Governmental Activities
Fiscal year ending September 30,	
2019	\$ 86,314
2020	86,314
2021	25,585
2022	25,585
2023	6,396
Total minimum lease payments	230,194
Less amount representing interest	(10,081)
Present value of future minimum lease payments	\$ 220,113

Business-type Activities Debt

Revenue Bonds

The City also issues revenue bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds have been issued for business-like activities and are reported in the business-type column of the government-wide statements. Principal and interest are payable from enterprise fund revenue.

Revenue bonds outstanding at September 30, 2018, are as follows:

	Interest Rates	Balance September 30, 2018
2009-A Water and Sewer Revenue Bonds	3.00% - 5.00%	\$ 7,400,000
2010-A Water and Sewer Revenue Bonds	4.25% - 5.00%	15,375,000
2011-A Water and Sewer Revenue Bonds	1.00% - 4.38%	3,200,000
2014-A Water and Sewer Revenue Bonds	2.00% - 4.00%	6,340,000
2016-A Water and Sewer Revenue Bonds	3.00% - 4.00%	13,725,000
		46,040,000
Less: unamortized premium (discount), net		998,425
		\$ 47,038,425

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 7. LONG-TERM DEBT (CONTINUED)

A. Primary Government (Continued)

Business-type Activities Debt (Continued)

Revenue Bonds (Continued)

Water and Sewer Refunding Bonds, Series 2009-A, \$29,265,000 Principal

The City has tax-exempt Water and Sewer Revenue Bonds, Series 2009-A (Series 2009-A Bonds) outstanding at September 30, 2018 in the amount of \$7,400,000. The proceeds from the bonds were to be used for 1) the refunding of the City's Series 2004-B bonds; 2) improvements to the system; and 3) to pay the costs of issuance of the bonds. These bonds are limited obligations of the City and are payable solely from the net revenues of the Water and Sewer System. The carrying amount of the old debt exceeded the reacquisition price by \$1,444,078. This amount is deferred and recognized as a component of interest expense over the life of the new debt. The transaction also resulted in an economic gain of \$1,461,041.

The Series 2009-A Bonds maturing on August 15, 2034 and thereafter are subject to redemption prior to maturity, at the option of the City, on or after August 15, 2033 in whole or in part (in any order of maturity and by lot within a maturity) at any time, at a price of par plus accrued interest to the redemption date.

Water and Sewer Refunding Bonds, Series 2010-A, \$15,375,000 Principal

The City has tax-exempt Water and Sewer Revenue Bonds, Series 2010-A (Series 2010-A Bonds) outstanding at September 30, 2018 in the amount of \$15,375,000. The proceeds from the bonds are to be used for 1) financing certain capital improvements to the water and sewer system, specifically warrant-financed facilities, 2) refunding certain outstanding debt of the City, 4) funding interest on a portion of the Series 2010-A Bonds for the period ending August 15, 2012 and 5) to pay the costs of issuance of the bonds. These bonds are limited obligations of the City and are payable solely from the net revenues of the Water and Sewer System. A portion of the Series 2010-A Bonds refunded the remaining outstanding balance plus accrued interest on the Series 2004 Bond and Series 2006-A Bonds as well as a portion of the Series 2009-A Bonds. The reacquisition price of the new debt exceeded the carrying value of the old debt in the amount of \$2,398,807. This amount is deferred and recognized as a component of interest expense over the life of the new debt. The advance refunding resulted in an increase in total estimated debt service payments relating to the refunding of approximately \$12,509,000 and an economic loss (difference between the present values of the old and new debt service payments) of \$1,324,178.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 7. LONG-TERM DEBT (CONTINUED)

A. Primary Government (Continued)

Business-type Activities Debt (Continued)

Revenue Bonds (Continued)

The Series 2010-A Bonds maturing on August 15, 2035 and thereafter are subject to redemption prior to maturity, at the option of the City, on or after August 15, 2020 in whole or in part (in any order of maturity and by lot within a maturity) at any time, at a price of par plus accrued interest to the redemption date.

Water and Sewer Bonds, Series 2011-A, \$4,045,000 Principal

The City has tax-exempt Water and Sewer Revenue Bonds, Series 2011-A (Series 2011-A Bonds) outstanding at September 30, 2018 in the amount of \$3,200,000. The proceeds from the bonds are to be used for 1) improvements to the water and sewer system; 2) funding a reserve fund and, 3) to pay the costs of issuance of the bonds. These bonds are limited obligations of the City and are payable solely from the net revenues of the Water and Sewer System.

The Series 2011-A Bonds maturing on August 15, 2022 and thereafter are subject to redemption prior to maturity, at the option of the City, on or after August 15, 2021 in whole or in part (in any order of maturity and by lot within a maturity) at any time, at a price of par plus accrued interest to the redemption date.

Water and Sewer Bonds, Series 2014-A, \$7,170,000 Principal

The City has tax-exempt Water and Sewer Revenue Bonds, Series 2014-A (Series 2014-A Bonds) outstanding at September 30, 2018 in the amount of \$6,340,000. The proceeds from the bonds are to be used for 1) improvements to the water and sewer system; 2) funding a reserve fund and, 3) to pay the costs of issuance of the bonds. These bonds are limited obligations of the City and are payable solely from the net revenues of the Water and Sewer System.

The Series 2014-A Bonds maturing on August 15, 2028 and thereafter are subject to redemption prior to maturity, at the option of the City, on or after August 15, 2024 in whole or in part (in any order of maturity and by lot within a maturity) at any time, at a price of par plus accrued interest to the redemption date.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 7. LONG-TERM DEBT (CONTINUED)

A. Primary Government (Continued)

Business-type Activities Debt (Continued)

Revenue Bonds (Continued)

Water and Sewer Bonds, Series 2016-A, \$13,825,000 Principal

The City has tax-exempt Water and Sewer Revenue Bonds, Series 2016-A (Series 2016-A Bonds) outstanding at September 30, 2018 in the amount of \$13,725,000. The proceeds from the bonds are to be used for 1) refunding a portion of Water and Sewer Refunding Bonds, Series 2009-A, 2) improvements to the water and sewer system, 3) funding a reserve fund, and 4) to pay the costs of issuance of the bonds. These bonds are limited obligations of the City and are payable solely from the net revenues of the Water and Sewer System. The reacquisition price of the new debt exceeded the carrying value of the old debt in the amount of \$1,715,973. This amount is deferred and recognized as a component of interest expense over the life of the new debt. The City completed the advance refunding to reduce its total debt service payments by \$662,702 and obtain an economic gain (difference between the present values of the old and new debt service payments) of \$503,106.

The Series 2016-A Bonds maturing on August 15, 2027 and thereafter are subject to redemption prior to maturity, at the option of the City, on or after February 15, 2026 in whole or in part (in any order of maturity and by lot within a maturity) at any time, at a price of par plus accrued interest to the redemption date.

Water and Sewer Revenue bonds debt service requirements to maturity for revenue bonds are as follows:

Fiscal Year Ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,585,000	\$ 1,943,421	\$ 3,528,421
2020	1,665,000	1,875,308	3,540,308
2021	1,730,000	1,798,933	3,528,933
2022	1,795,000	1,737,158	3,532,158
2023	1,860,000	1,672,058	3,532,058
2024 - 2028	10,435,000	7,219,773	17,654,773
2029 - 2033	10,490,000	4,972,080	15,462,080
2034 - 2038	11,730,000	2,810,227	14,540,227
2039 - 2043	4,750,000	343,313	5,093,313
	<u>46,040,000</u>	<u>\$ 24,372,271</u>	<u>\$ 70,412,271</u>
Plus: unamortized premium, net	998,425		
	<u>\$ 47,038,425</u>		

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 7. LONG-TERM DEBT (CONTINUED)

A. Primary Government (Continued)

Business-type Activities Debt

Capital leases

The City has entered into lease agreements as lessee for financing the acquisition of equipment. The lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following is an analysis of leased assets under capital leases as of September 30, 2018:

	Business-type Activities
Equipment	\$ 755,905
Less: Accumulated depreciation	(285,134)
	\$ 470,771

The following is a schedule of future minimum lease payments together with the present value of net minimum lease payments as of September 30, 2018:

	Business-type Activities
Fiscal year ending September 30,	
2019	\$ 116,960
2020	68,808
2021	68,808
2022	68,808
2023	17,201
Total minimum lease payments	340,585
Less amount representing interest	(18,234)
Present value of future minimum lease payments	\$ 322,351

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 7. LONG-TERM DEBT (CONTINUED)

B. Discretely Presented Component Unit – Phenix City Board of Education

The following is a summary of changes in long-term debt for the year ended September 30, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2009-D Series Bonds	\$ 8,105,000	\$ -	\$ -	\$ 8,105,000	\$ 421,794
2013-A Series Warrants	9,060,000	-	(185,000)	8,875,000	185,000
2014-A Series Warrants	9,530,000	-	(215,000)	9,315,000	225,000
Unamortized premium	35,734	-	(1,324)	34,410	-
2014-B Series Warrants	10,825,000	-	(80,000)	10,745,000	80,000
2015-A Series Warrants	5,930,000	-	(290,000)	5,640,000	295,000
2016-A Series Warrants	9,300,000	-	(90,000)	9,210,000	90,000
Unamortized premium	1,037,581	-	(73,241)	964,340	-
2018 Series Warrants	-	3,800,000	(173,535)	3,626,465	136,398
Agreements	1,240,616	687,098	(367,565)	1,560,149	214,465
Total	<u><u>\$55,063,931</u></u>	<u><u>\$ 4,487,098</u></u>	<u><u>\$ (1,475,665)</u></u>	<u><u>\$58,075,364</u></u>	<u><u>\$ 1,647,657</u></u>

Details of long-term debt are as follows:

2018 School Tax Warrant: In May 2018, the Board issued \$3,800,000 in School Tax Warrants with an interest rate of 3.32% for a period of 15 years. Annual payments of \$326,860. The proceeds are to be used for construction of facilities.

2018 Bus Installment Agreement: The Board entered into an installment purchase agreement for the purchase of school buses. The term is for 10 years with annual payment of \$75,323 beginning in January of 2018 with interest at 2.617%.

2018 Installment Purchase Agreement: The Board purchased a scoreboard and financed the purchase for 5 years with a monthly payment of \$482.74 at 5.95% interest. First payment is due October 15, 2018.

2017 Installment Purchase Agreement: The Board of Education has entered into an installment purchase agreement for the purchase of equipment over 10 years with annual payments of \$74,326 due beginning December 2016 and ending December 2025. The cash value of the equipment is \$662,098. The effective interest rate is 2.67%.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 7. LONG-TERM DEBT (CONTINUED)

**B. Discretely Presented Component Unit – Phenix City Board of Education
(Continued)**

City of Phenix City General Obligation School Warrants, 2016A: In November 2016, the Board issued \$9,465,000 in General Obligation School Warrants with an average interest rate of 3.0% to advance refund \$8,520,000 of outstanding 2007B Series warrants with an average rate of 4.25% to provide funds for the construction of school facilities. The Board has agreed to pay the principal and interest of the warrants out of certain sales and ad valorem taxes paid to the Board. These warrants are due in annual installments of \$90,000 to \$940,000 through August 2032. Interest is calculated at rates ranging from 2.00% to 4.00%.

2016 Installment Purchase Agreement: The Board of Education has an installment agreement for the purchase of computer equipment over two years with annual payments of \$175,634 beginning September 2016 and ending September 2019. The cash value of the equipment is \$504,696. The effective interest rate is 4.40%.

City of Phenix City General Obligation School Warrants, 2015A: In June 2015, the Board of Education issued \$6,415,000 in General Obligation School Warrants with an average interest rate of 2.45% to advance refund \$5,730,000 of outstanding 2007B Series warrants with an average rate of 4.25% to provide funds for the construction of school facilities. The Board has agreed to pay the principal and interest of the warrants out of certain sales and ad valorem taxes paid to the Board. These warrants are due in annual installments of \$195,000 to \$475,000 through August 2043. Interest is calculated at rates ranging from 2.00% to 3.40%.

City of Phenix City General Obligation School Warrants, 2014B: In March 2014, the City issued \$11,070,000 in General Obligation School Warrants with an average interest rate of 3.00%. The Board has agreed to pay the principal and interest of the warrants out of certain sales and ad valorem taxes paid to the Board. These warrants are due in annual installments of \$70,000 to \$1,220,000 through August 2043. Interest is calculated at rates ranging from 1.00% to 5.50%.

City of Phenix City General Obligation School Warrants, 2014A: In March 2014, the City issued \$10,145,000 in General Obligation School Warrants for the construction of school facilities. The Board has agreed to pay the principal and interest of the warrants out of certain sales and ad valorem taxes paid to the Board. These warrants are due in annual installments of \$195,000 to \$770,000 through August 2043. Interest is calculated at rates ranging from 1.50% to 5.00%.

City of Phenix City General Obligation School Warrants, 2013A: In April 2013, the City issued \$9,895,000 in General Obligation School Warrants with an average interest rate of 1.88%. The Board of Education has agreed to pay the principal and interest of the warrants out of certain sales and ad valorem taxes paid to the Board of Education. These warrants are due in annual installments of \$130,000 to \$1,270,000 through August 1, 2028. Interest is 1.10% to 2.50%.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 7. LONG-TERM DEBT (CONTINUED)

**B. Discretely Presented Component Unit – Phenix City Board of Education
(Continued)**

2011 Installment Purchase Agreement: The Board of Education has an installment agreement for 9 school buses over 10 years with annual payments of \$109,173 beginning October 5, 2012 through October 5, 2021. The cash value of the school buses is \$843,007. The effective rate is 5.00%.

Alabama Public School and College Authority Qualified School Construction Bonds, Series 2009-D: In 2010, the Alabama Public School and College Authority issued \$8,105,000 of Qualified School Construction Bonds. All proceeds of the issue must be used for the construction, rehabilitation, or repair of a public school facility or for the acquisition of land on which such a facility is to be constructed. The Board of Education has agreed to have interest payments withheld from local taxes and public school funds and to make sinking fund payments from the same fund sources. The first annual sinking fund payment was made December 2011 in the amount of \$421,794 with the same amount due for each of the next 15 years until the bond matures December 15, 2025. Interest payments are \$151,158 for each of the remaining years until the bond matures. Interest is at 1.865%. Net earnings of the sinking fund may reduce final interest or principal payments.

The annual requirements to amortize all debt outstanding at September 30, 2018 are as follows:

Fiscal Year Ending September 30,	Sinking Fund			
	Principal	Interest	Payment	Total
2019	\$ 1,225,863	\$ 1,969,045	\$ 421,794	\$ 3,616,702
2020	1,243,411	1,940,446	421,794	3,605,651
2021	1,272,192	1,909,423	421,794	3,603,409
2022	2,406,153	1,876,497	421,794	4,704,444
2023	2,406,078	1,823,523	421,794	4,651,395
2024 - 2028	21,912,948	7,750,489	1,265,382	30,928,819
2029 - 2033	7,861,883	5,534,187	-	13,396,070
2034 - 2038	8,798,086	3,826,479	-	12,624,565
2039 - 2043	9,950,000	1,605,595	-	11,555,595
	<u>\$ 57,076,614</u>	<u>\$ 28,235,684</u>	<u>\$ 3,374,352</u>	<u>\$ 88,686,650</u>

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2018, is as follows:

Due to/from other funds:

<u>Payable to:</u>	<u>Payable from:</u>			<u>Total</u>
	<u>Capital</u>			
	<u>General</u>	<u>Improvement</u>	<u>Public Utilities</u>	
General	\$ -	\$ 243,345	\$ 886,399	\$ 1,129,744
7 Mill	19,127	-	-	19,127
Nonmajor	4,248	-	-	4,248
	<u>\$ 23,375</u>	<u>\$ 243,345</u>	<u>\$ 886,399</u>	<u>\$ 1,153,119</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers:

<u>Transfer To</u>	<u>Transfer From</u>			<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Internal Service Fund</u>	
General	\$ -	\$ 71,194	\$ 13,401	\$ 84,595
7 Mill Fund	1,247,550	-	-	1,247,550
Nonmajor Governmental Funds	-	150,000	-	150,000
Public Utilities Fund	71,465	-	-	71,465
Total	<u>\$ 1,319,015</u>	<u>\$ 221,194</u>	<u>13,401</u>	<u>\$ 1,553,610</u>

Transfers are used to (1) move revenues from the fund that statute or budget require to collect them to the fund that the statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The City provides certain continuing health care and life insurance benefits for its retired employees. The City OPEB Plan (the OPEB Plan) is a single-employer defined benefit OPEB plan administered by the City. The authority to establish and/or amend the obligation of the employer, employees and retirees rests with the City. No assets are accumulated in a trust that meets the criteria in GASB Codification Section P52 *Postemployment Benefits Other Than Pensions—Reporting For Benefits Not Provided Through Trusts That Meet Specified Criteria—Defined Benefit*.

Benefits Provided

Medical benefits are provided through a comprehensive self-insured medical benefit plan. The plan provisions are contained in the official plan documents. Medical benefits are provided to employees upon actual retirement. The earliest retirement eligibility provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service (called "Tier I" members). Employees hired on and after January 1, 2013 (called "Tier II" members) are eligible to retire only after attainment of age 62 or later completion of 10 years of service. For Fire and Police, the ages are age 56 and 10 years of service for Tier I and age 60 and ten years of service for Tier II instead of 60/10 and 62/10, respectively.

Employees covered by benefit terms – At September 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	58
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>357</u>
	<u>415</u>

Total OPEB Liability

The City's total OPEB liability of \$16,979,740 was measured as of September 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and other inputs – The total OPEB liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	4.0%, including inflation
Discount rate	3.63% annually (Beginning of Year to Determine ADC) 4.18%, annually (As of End of Year Measurement Date)
Healthcare cost trend rates	Flat 5.5% annually

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The discount rate was based on the average of the Bond Buyers' 20 Year General Obligation municipal bond index as of September 30, 2018, the end of the applicable measurement period.

Mortality rates were based on the RP-2000 Table without projection with 50%/50% unisex blend.

The actuarial assumptions used in the September 30, 2018 valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2009 to September 30, 2018.

Changes in the Total OPEB Liability

Balance at September 30, 2017	<u>\$ 18,016,260</u>
Changes for the year:	
Service cost	311,557
Interest	645,234
Differences between expected and actual experience	(32,222)
Changes in assumptions	(1,478,618)
Benefit payments and net transfers	<u>(482,471)</u>
Net changes	<u>(1,036,520)</u>
Balance at September 30, 2018	<u><u>\$ 16,979,740</u></u>

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.18%) or 1-percentage-point higher (5.18%) than the current discount rate:

	1.0% Decrease (3.18%)	Current Rate (4.18%)	1.0% Increase (5.18%)
Total OPEB Liability	<u>\$ 19,872,602</u>	<u>\$ 16,979,740</u>	<u>\$ 14,684,519</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of the General Fund, as well as what the General Fund’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.5%) or 1-percentage-point higher (6.5%) than the current healthcare trend rates:

	1.0% Decrease (4.5%)	Current Rate (5.5%)	1.0% Increase (6.5%)
Total OPEB Liability	<u>\$ 14,709,521</u>	<u>\$ 16,979,740</u>	<u>\$ 19,788,608</u>

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

For the year ended September 30, 2018, the City recognized OPEB expense of \$856,068. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual	\$ -	\$ 30,074
changes in assumptions	-	1,380,043
total	<u>\$ -</u>	<u>\$ 1,410,117</u>

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

2019	\$ 100,723
2020	100,723
2021	100,723
2022	100,723
2023	100,723
Thereafter	906,502
	<u>\$ 1,410,117</u>

CITY OF PHENIX CITY, ALABAMA

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2018

NOTE 10. DEFINED BENEFIT PENSION PLAN

Plan Description

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

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

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

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

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Plan Description (Continued)

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

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

The ERS serves approximately 874 local participating employers. These participating employers include 297 cities, 65 counties, and 512 other public entities. As of September 30, 2017, the date of the most recent actuarial valuation, membership consisted of:

Retirees and beneficiaries currently receiving benefits	48,776
Terminated employees entitled to but not yet receiving benefits	11,923
Non-vested inactive members who have not contributed in more than 5 years	20,111
Active members	85,657
Total	<u>166,467</u>

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

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2018 (or other year-end if not September), the City's active employee contribution rate was 7.50% and 6.00%, respectively, of covered employee payroll for Tier 1 and 2 regular employees, and 8.50% and 7.00%, respectively, of covered employee payroll for Tier 1 and 2 firefighters, law enforcement, and correctional officers. City's contractually required contribution rate for the year ended September 30, 2018 was 8.06% of pensionable pay for Tier 1 employees, and 7.25% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2017, 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 System were \$1,290,789 for the year ended September 30, 2018.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability

The City's net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016 rolled forward to September 30, 2017 using standard roll-forward techniques as shown in the following table:

Total Pension Liability as of September 30, 2016	\$ 59,797,911
Entry Age Normal Cost for October 1, 2016 - September 30, 2017	1,497,466
Interest	4,488,512
Difference between expected and actual experience	(140,607)
Actual Benefit Payments and Refunds for October 1, 2016 - September 30, 2017	<u>(3,763,255)</u>
Total Pension Liability as of September 30, 2017	<u>\$ 61,880,027</u>

Actuarial assumptions – The total pension liability in the September 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

* Net of pension plan investment expense, including inflation

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA projected to 2015 and set forward three years for males and one year for females.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 10. DEFINED BENEFIT PENSION PLAN (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 as of September 30, 2018 are as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Fixed Income	17.00%	4.40%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash	3.00%	1.50%
Total	100.00%	

* Includes assumed rate of inflation 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 pan 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.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in Net Pension Liability

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at September 30, 2016	\$ 59,797,911	\$ 38,818,818	\$ 20,979,093
Changes for the year:			
Service cost	1,497,466	-	1,497,466
Interest	4,488,512	-	4,488,512
Changes of assumptions	-	-	-
Difference between expected and actual experience	(67,170)	-	(67,170)
Contributions - employer	-	1,290,789	(1,290,789)
Contributions - employee	-	1,239,396	(1,239,396)
Net investment income	-	4,886,741	(4,886,741)
Benefit payments, including refunds of employee contributions	(3,763,255)	(3,763,255)	-
Administrative expense	-	-	-
Transfers among employers	(73,437)	(73,437)	-
Net changes	<u>2,082,116</u>	<u>3,580,234</u>	<u>(1,498,118)</u>
Balances at September 30, 2017	<u>\$ 61,880,027</u>	<u>\$ 42,399,052</u>	<u>\$ 19,480,975</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 7.75%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Plan's Net Pension Liability	\$ 26,760,136	\$ 19,480,975	\$ 13,346,673

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, 2017. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2017.

The auditor’s report dated January 31, 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.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

For the year ended September 30, 2018, the City recognized pension expense of \$1,713,210. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 78,586	\$ 106,076
Changes of assumptions	1,714,082	-
Net difference between projected and actual earnings on pension plan investments	-	1,287,051
Employer contributions subsequent to the measurement date	1,219,477	-
Total	\$ 3,012,145	\$ 1,393,127

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

Year ended September 30:		
2019	\$	26,906
2020		290,059
2021		(204,051)
2022		(54,090)
2023		316,822
Thereafter		23,895
	\$	399,541

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 11. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The General Fund is used to account for the employee life, health, property and liability, unemployment and disability insurance programs of the City. The City has a risk management program whereby a death benefit of \$10,000 is paid to the named beneficiary of eligible employees. Full time employees must be employed one year before becoming eligible to participate.

The City is accounting for and financing its uninsured risks of loss for all health-related claims liabilities for which the City is exposed through the Self Administered Insurance Fund (an Internal Service Fund). Changes in the balances of the claims liability during the year are as follows:

	September 30, 2018	September 30, 2017	September 30, 2016
Unpaid claims, beginning of year	\$ -	\$ -	\$ 111
Incurred claims and changes in estimates	-	-	2,773
Claim payments	-	-	(2,884)
Unpaid claims, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

As of January 1, 2015, the City moved from its self-administered plan to the state employees Local Government Health Insurance Plan. There were no significant reductions of insurance coverage compared to the prior year. Settled claims in the past three years have not exceeded the coverage.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 12. COMMITMENTS AND CONTINGENCIES

Litigation

The City is involved in a number of legal matters, which either have or could result in litigation. The nature of the lawsuits varies considerably. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the City.

Grant Contingencies

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 the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, City management believes such disallowances, if any, will not be significant.

NOTE 13. TAX ABATEMENTS

For the year ended September 30, 2018, the City's sales tax revenues were reduced by approximately \$13,000 and property tax revenues were reduced by approximately \$244,000 under various tax abatement agreements entered into with various entities between 2011 and 2018 under the economic development laws of the State of Alabama, specifically the Tax Incentive Reform Act of 1992, which qualify for disclosure under GASB Statement Number 77, Tax Abatement Disclosures. The purpose of the tax abatement program is to stimulate economic growth through new job creation and capital investment. Under the agreements, certain incentives were offered such as abatement of sales and use and property taxes as well as certain mortgage and recording taxes for between 5 and 10 years based on investments made by the entities and new or expanded job opportunities and achievement of certain investment targets. The amount of the tax abatement is based upon the actual amount incurred by the entity receiving the abatement and good faith projections made by the entity upon application to the granting authority, the City Council. Once the agreed upon abatement period terminates, all remaining and depreciated property taxes are recaptured annually.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 14. RESTATEMENT

Due to the implementation of new accounting guidance discussed in Note 1, the City retrospectively restated net position from amounts previously reported as of September 30, 2017. The OPEB liabilities of \$1,830,850, \$11,320,410, and \$50,487,329 in the Public Utilities Fund, Governmental Activities, and Board of Education, respectively, have been recorded effective September 30, 2017. The effect on beginning net position is summarized in the following table:

	Government-wide Net Position				Board of Education
	Public Utilities Fund	Governmental Activities	Business-type Activities	Total	
Net position, previously reported	<u>\$34,076,836</u>	<u>\$23,108,144</u>	<u>\$34,076,836</u>	<u>\$57,184,980</u>	<u>\$(17,868,182)</u>
Total restatement	<u>(1,830,850)</u>	<u>(11,320,410)</u>	<u>(1,830,850)</u>	<u>(13,151,260)</u>	<u>(50,487,329)</u>
Restated net position, beginning balances	<u>\$32,245,986</u>	<u>\$11,787,734</u>	<u>\$32,245,986</u>	<u>\$44,033,720</u>	<u>\$(68,355,511)</u>

NOTE 15. SUBSEQUENT EVENTS

Subsequent to year end, the City issued revenue warrants on October 10, 2019 in an agreement with the State of Alabama to fund a new Department of Human Resources Building. In early 2020, the City plans to partially refund the unrefunded portion of its series 2010-B General Obligation Warrants, and its series 2009-A revenue warrants. In addition, the City plans to advance refund its Public Building Authority series 2011-A revenue warrants.

CITY OF PHENIX CITY, ALABAMA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY**

LAST 10 FISCAL YEARS ENDING SEPTEMBER 30

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:				
Service cost	\$ 1,497,466	\$ 1,465,902	\$ 1,424,261	\$ 1,402,948
Interest	4,488,512	4,288,329	4,112,059	3,933,478
Differences between expected and actual experience	(67,170)	(67,715)	142,303	-
Changes of assumptions	-	2,386,270	-	-
Benefit payments, including refunds of employee contributions	(3,763,255)	(3,764,288)	(3,186,194)	(3,022,147)
Transfers among employers	<u>(73,437)</u>	<u>3,154</u>	<u>-</u>	<u>-</u>
Net change in total pension liability	2,082,116	4,311,652	2,492,429	2,314,279
Total pension liability, beginning	<u>59,797,911</u>	<u>55,486,259</u>	<u>52,993,830</u>	<u>50,679,551</u>
Total pension liability, ending (a)	<u>\$ 61,880,027</u>	<u>\$ 59,797,911</u>	<u>\$ 55,486,259</u>	<u>\$ 52,993,830</u>
Plan fiduciary net position:				
Contributions, employer	\$ 1,290,789	\$ 1,277,747	\$ 1,411,812	\$ 1,336,262
Contributions, member	1,239,396	1,256,883	1,275,641	1,183,559
Net investment income	4,886,740	3,644,637	430,168	3,948,281
Benefit payments, including refunds of employee contributions	(3,763,254)	(3,764,288)	(3,186,194)	(3,022,147)
Transfers among employers	<u>(73,437)</u>	<u>3,154</u>	<u>(78,122)</u>	<u>(111,916)</u>
Net change in plan fiduciary net position	3,580,234	2,418,133	(146,695)	3,334,039
Plan net position, beginning	<u>38,818,818</u>	<u>36,400,685</u>	<u>36,547,380</u>	<u>33,213,341</u>
Plan net position, ending (b)	<u>\$ 42,399,052</u>	<u>\$ 38,818,818</u>	<u>\$ 36,400,685</u>	<u>\$ 36,547,380</u>
Net pension liability, ending (a) - (b)	\$ 19,480,975	\$ 20,979,093	\$ 19,085,574	\$ 16,446,450
Plan fiduciary net position as a percentage of the total pension liability	68.52%	64.92%	65.60%	68.97%
Covered-employee payroll*	\$ 16,573,024	\$ 16,308,684	\$ 15,576,766	\$ 15,229,962
Net pension liability (asset) as a percentage of covered-employee payroll	117.55%	128.64%	122.53%	107.99%

*Employer's covered-payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For FY 2018 the measurement period is October 1, 2016 - September 30, 2017.

NOTES TO SCHEDULE

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

CITY OF PHENIX CITY, ALABAMA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 1,219,477	\$ 1,290,789	\$ 1,277,747	\$ 1,385,670
Contributions in relation to the actuarially determined contribution*	<u>1,219,477</u>	<u>1,290,789</u>	<u>1,277,747</u>	<u>1,385,670</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll**	\$ 16,748,420	\$ 16,573,024	\$ 16,308,684	\$ 15,576,766
Contributions as a percentage of covered-covered payroll	7.28%	7.79%	7.83%	8.90%

* Amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. For FY 2018, the fiscal year is the twelve month period beginning after 6/15/2017.

** Employer's covered-payroll during fiscal year is the total payroll paid to covered employees (not just pensionable payroll) for the twelve month period of the underlying financial statement.

NOTES TO SCHEDULE

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	29.6 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.75 - 7.25%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

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

CITY OF PHENIX CITY, ALABAMA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

Total OPEB Liability

Service cost	\$ 311,557
Interest	645,234
Differences between expected and actual experience	(32,222)
Changes in assumptions	(1,478,618)
Benefit payment and net transfers	(482,471)
Net change in total OPEB liability	<u>(1,036,520)</u>
Total OPEB liability at September 30, 2017	<u>18,016,260</u>
Total OPEB liability at September 30, 2018	<u><u>\$ 16,979,740</u></u>
Covered-employee payroll	14,151,330

NOTES TO SCHEDULE

Benefit Changes: There were no changes of benefit terms for the year ended September 30, 2018.

Changes of Assumptions: The discount rate as of September 30, 2017 was 3.63% and it changed to 4.18% as of September 30, 2018.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF PHENIX CITY, ALABAMA

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Two Cent Gas Tax Fund is used to account for the resources received from the two cent add-on tax and expenditures related to street improvements.

Four Cent Gas Tax Fund is used to account for the resources received from the four cent add-on tax and expenditures related to street improvements.

Five Cent Gas Tax Fund is used to account for the resources received from the five cent add-on tax and expenditures related to street improvements.

Seven Cent Gas Tax Fund is used to account for the resources received from the seven cent add-on tax and expenditures related to street improvements.

Corrections Fund is used to account for revenues collected by the imposition of an add-on fine as provided for by Section 11-47-7.1 of the Code of Alabama 1975.

Second Mortgage Fund is a special revenue fund used to account for the operations of the City's revolving loans.

Confiscated Property Fund is used to account for cash received either as a result of a cash confiscation or cash received from a sale of capital assets acquired from a drug raid.

Debt Service Funds

3 Mill Fund is used to account for the resources accumulated and payments made to the Phenix City School Board for principal and interest on long-term debt.

4 Mill Fund is used to account for the resources accumulated and payments made to the Phenix City School Board for principal and interest on long-term debt.

Other Funds

Municipal Court Fund is used to account for revenues collected by the imposition of add-on fees as provided in Section 12-19-172 of the Code of Alabama and in the Alabama Legislative Act 2012-535.

Donated Money Fund is used to account for the resources received from funds donated to the City and expenditures related to employee acknowledgements and designated requests.

Employee Fund is used to account for the resources received from commissions from vending machines.

CITY OF PHENIX CITY, ALABAMA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

	Special Revenue Funds							Debt Service Funds				Total Nonmajor Governmental Funds	
	Two Cent Gas Tax	Four Cent Gas Tax	Five Cent Gas Tax	Seven Cent Gas Tax	Corrections	Second Mortgage	Confiscated Property	3 Mill	4 Mill	Municipal Court	Donated Funds		Employee Fund
ASSETS													
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 4,406	\$ 657,916	\$ 17,197	\$ -	\$ -	\$ 354,017	\$ 42,414	\$ 2,844	\$ 1,078,794
Taxes receivable	1,944	7,930	3,607	12,629	-	-	-	349,056	465,401	-	-	-	840,567
Accounts receivable	-	-	-	-	-	946,075	-	-	-	-	-	-	946,075
Interest receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	340,000	-	-	-	-	-	-	340,000
Due from other funds	-	-	-	-	(55)	-	-	-	-	(13)	4,316	-	4,248
Restricted cash	36,570	121,998	121,060	50,607	-	-	-	13,804	18,071	-	-	-	362,110
Total assets	\$ 38,514	\$ 129,928	\$ 124,667	\$ 63,236	\$ 4,351	\$ 1,943,991	\$ 17,197	\$ 362,860	\$ 483,472	\$ 354,004	\$ 46,730	\$ 2,844	\$ 3,571,794
LIABILITIES DEFERRED INFLOWS AND FUND BALANCES													
LIABILITIES AND DEFERRED INFLOWS													
Accounts payable	\$ -	\$ -	\$ 3,349	\$ -	\$ 3,407	\$ 2	\$ 50	\$ -	\$ -	\$ 2	\$ 1	\$ 13	\$ 6,824
Due to component units	-	-	-	-	-	-	-	12,803	17,070	-	-	-	29,873
Total liabilities	-	-	3,349	-	3,407	2	50	12,803	17,070	2	1	13	36,697
Deferred inflows	-	-	-	-	-	-	-	345,754	461,005	-	-	-	806,759
FUND BALANCES													
Restricted for:													
Debt service	-	-	-	-	-	-	-	4,303	5,397	-	-	-	9,700
Street improvements	38,514	129,928	121,318	63,236	-	-	-	-	-	-	-	-	352,996
Revolving loans	-	-	-	-	-	1,943,989	-	-	-	-	-	-	1,943,989
Public safety	-	-	-	-	944	-	17,147	-	-	-	-	-	18,091
Municipal court	-	-	-	-	-	-	-	-	-	354,002	-	-	354,002
Unassigned	-	-	-	-	-	-	-	-	-	-	46,729	2,831	49,560
Total fund balances	38,514	129,928	121,318	63,236	944	1,943,989	17,147	4,303	5,397	354,002	46,729	2,831	2,728,338
Total liabilities and fund balances	\$ 38,514	\$ 129,928	\$ 124,667	\$ 63,236	\$ 4,351	\$ 1,943,991	\$ 17,197	\$ 362,860	\$ 483,472	\$ 354,004	\$ 46,730	\$ 2,844	\$ 3,571,794

CITY OF PHENIX CITY, ALABAMA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Special Revenue Funds						Debt Service Funds				Employee Fund	Total Nonmajor Governmental Funds	
	Two Cent Gas Tax	Four Cent Gas Tax	Five Cent Gas Tax	Seven Cent Gas Tax	Corrections	Second Mortgage	Confiscated Property	3 Mill	4 Mill	Municipal Court			Donated Funds
Revenues:													
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 974,276	\$ 1,299,034	\$ -	\$ -	\$ -	\$ 2,273,310
Sales and use taxes	21,872	85,462	39,098	136,842	-	-	-	-	-	-	-	-	283,274
Charges for services	-	-	-	-	-	296,845	-	-	-	-	-	-	296,845
Fines and forfeitures	-	-	-	-	71,215	-	0	-	-	49,222	-	-	120,437
Interest income	17	48	49	40	4	11,607	11	50	65	200	25	1	12,117
Other revenues	-	-	-	-	-	-	-	-	-	-	6,948	2,971	9,919
Total revenues	21,889	85,510	39,147	136,882	71,219	308,452	11	974,326	1,299,099	49,422	6,973	2,972	2,995,902
Expenditures:													
Current													
General government	-	-	-	-	-	-	-	-	-	5,534	2,177	2,359	10,070
Public safety	-	-	-	-	-	-	1,606	-	-	-	-	-	1,606
Public works	-	-	113,471	-	-	0	-	-	-	-	-	-	113,471
Education	-	-	-	-	-	-	-	977,817	1,303,755	-	-	-	2,281,572
Capital outlay	-	-	-	-	-	103,846	-	-	-	-	-	-	103,846
Total expenditures	-	-	113,471	-	-	103,846	1,606	977,817	1,303,755	5,534	2,177	2,359	2,510,565
Excess (deficiency) of revenues over (under) expenditures	21,889	85,510	(74,324)	136,882	71,219	204,606	(1,595)	(3,491)	(4,656)	43,888	4,796	613	485,337
Other financing sources (uses):													
Transfers in	-	-	150,000	-	-	-	-	-	-	-	-	-	150,000
Transfers out	-	-	-	(150,000)	(71,194)	-	-	-	-	-	-	-	(221,194)
Total other financing sources (uses)	-	-	150,000	(150,000)	(71,194)	-	-	-	-	-	-	-	(71,194)
Net change in fund balances	21,889	85,510	75,676	(13,118)	25	204,606	(1,595)	(3,491)	(4,656)	43,888	4,796	613	414,143
Fund balances, beginning of year	16,625	44,418	45,642	76,354	919	1,739,383	18,742	7,794	10,053	310,114	41,933	2,218	2,314,195
Fund balances, end of year	\$ 38,514	\$ 129,928	\$ 121,318	\$ 63,236	\$ 944	\$ 1,943,989	\$ 17,147	\$ 4,303	\$ 5,397	\$ 354,002	\$ 46,729	\$ 2,831	\$ 2,728,338

COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON 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
Phenix City, 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, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Phenix City, Alabama (the "City") as of and for the year ended September 30, 2018, 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 30, 2019. Our report includes a reference to other auditors. Other auditors audited the financial statements of the Phenix City Board of Education, as described in our report on the City's financial statements. The report does not include our consideration of the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

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 City'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 over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 of 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.

Robinson, Grimes + Company, P.C.

Certified Public Accountants

December 30, 2019

CITY OF PHENIX CITY, ALABAMA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES**

No findings

CITY OF PHENIX CITY, ALABAMA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

No findings