

CITY OF PHENIX CITY, ALABAMA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2019

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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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 did not audit the financial statements of the Phenix City Board of Education, the sole component unit of the City, for the year ended September 30, 2019. 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. 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.

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 of Phenix City, Alabama as of September 30, 2019, 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.

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 combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2020, 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 solely 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

November 23, 2020

CITY OF PHENIX CITY, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

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, 2019. 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, 2019

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, 2019

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 and deferred outflows of resources of the City were \$217,821,008 for 2019 compared to \$210,368,635 for 2018. 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, 2019 was \$164,661,449, which is an increase of \$4,930,745 from September 30, 2018 of \$159,730,704. The City has recorded an accumulated \$84,153,994 in depreciation expense against these capital assets leaving a net asset book value of \$80,507,455. Debt outstanding related to capital assets was \$51,781,567 leaving an investment in capital assets of \$28,725,888 compared to \$13,866,858 for 2018. 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, 2019 of \$128,982,750, which represents an increase of \$2,349,695 from September 2018 of \$126,633,055. Net of \$55,700,086 in accumulated depreciation expense, the City's Business-type Activities had \$73,282,664 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 \$42,055,630 leaving an investment in capital assets of \$31,227,034 for 2019 compared to \$31,132,519 for 2018.

CITY OF PHENIX CITY, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

Revenues

The City's total revenue from Governmental Funds was \$47,938,666, an increase of 7.8% from the previous year \$44,467,100. This increase was primarily related to an increase in sales tax revenue. The largest revenue source for the City is the sales and use tax totaling \$25,607,718, which represents 53.4% of total revenues. Licenses and permits totaled \$5,031,273, charges for service totaled \$2,784,374 property taxes totaled \$6,164,995, other business taxes totaled \$1,784,840, and interest totaled \$543,217. 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 for operations. Of the total for property taxes, \$2,197,638 is dedicated to debt service and \$2,327,906 for education.

Expenditures

Departmental operating expenditures totaled \$35,942,115 or 85.7% of total non-capital expenditures of \$41,935,890. The City transferred \$2,328,447 to the Phenix City Board of Education and debt service on general obligation debt totaled \$5,993,775. Capital outlays during the fiscal year were \$3,245,948.

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 \$12,336,026 or 34.3%. Public safety (police, code enforcement, and fire departments) is the second largest category of departmental operating expenses totaling \$12,175,926 or 33.9%. Culture and recreation at \$4,824,697 or 13.4% and Public works at \$4,277,019 or 11.9% represent most of the remaining balance of departmental operating expenditures. The increase in departmental expenses resulted mostly from an increase in spending in public safety.

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 \$11,995,096 were up \$998,140 in 2019 compared to \$10,996,956 in 2018 due to increased utility rates in 2018. Operating expenses of \$7,786,048, not including depreciation and amortization expenses, were up \$59,042 compared to \$7,727,006 in 2018. Operating income, not including depreciation and amortization, was up \$939,098. Depreciation and amortization expenses of \$2,823,748 increased \$42,791 from \$2,780,957 in 2018, interest expense was \$1,829,957 in 2019 compared to \$1,895,363 in 2018, interest income was \$109,438 in 2019 compared to \$62,823 in 2018, and contributed assets were \$179,921 in 2019 compared to \$0 in 2018 due to an increase in residential development in 2019. The change in net position was \$366,094 for 2019, which was up from (\$1,071,794) in 2018 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, 2019

Fund Balances/Net Assets

The General Fund's Fund Balance increased \$4,333,297 to \$17,786,064 in 2019 compared to \$13,452,767 in 2018 due to increases in revenue to offset the increase in general governmental expenditures. The fund balance for the City's Other Governmental Funds decreased \$1,062,728 to \$22,843,519 in 2019 compared to \$23,906,247 in 2018 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 increased \$366,094 to \$31,540,286 in 2019 compared to \$31,174,192 in 2018.

Budgetary Highlights

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

Total operating revenues were \$1,548,895 more than budgetary projections in the General Fund, due primarily to an increase in revenue from sales and use taxes. Departmental expenditures were \$3,329,270 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 \$988,140 due to increased utility rates in 2019. The City increased rates on water and sewer services 6% in 2017, 5% in 2018, and 5% in residential rates and 20% 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 continue in 2020.

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 few years.

CITY OF PHENIX CITY, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

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 completed 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 \$3,140,000 in general obligation debt in fiscal year 2019 and did not issue any new long-term debt. The City had \$69,895,000 outstanding in long-term general obligation debt at the 2019 fiscal year-end compared to \$73,035,000 in 2018. General obligation debt of \$36,470,000 or 52% of the total outstanding debt in 2019 will be retired by the end of 2029.

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 \$1,585,000 of revenue debt in 2019 and did not issue any new debt. The City had \$44,455,000 in revenue debt outstanding at the end of the 2019 fiscal year-end compared to \$46,040,000 in 2018. Of the \$44,455,000 in Revenue Warrants payable from the Utility Fund revenues outstanding at the 2019 fiscal year-end, \$19,855,000, or 45% will be retired by 2029 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 had another sales tax increase to 9.5% effective July 1, 2019.

CITY OF PHENIX CITY, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

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 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, 2019**

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	\$ 15,163,016	\$ 1,272,878	\$ 16,435,894	\$ 10,871,065
Investments	-	-	-	2,010,072
Taxes receivable	4,335,789	-	4,335,789	-
Accounts receivable	1,571,829	1,223,054	2,794,883	1,554,413
Notes receivable	337,300	101,100	438,400	-
Internal balances	315,512	(315,512)	-	-
Due from other governments	132,849	-	132,849	-
Inventories	94,289	270,550	364,839	213,518
Prepaid expenses	350,354	102,137	452,491	346,220
Restricted assets:				
Cash and cash equivalents	20,393,406	4,889,595	25,283,001	4,034,544
Investments	2,022,029	-	2,022,029	-
Bond discounts	-	-	-	393,284
Capital assets, non-depreciable	20,139,304	9,427,543	29,566,847	1,326,763
Capital assets, depreciable, net of accumulated depreciation	60,368,151	63,855,121	124,223,272	73,027,273
Total assets	125,223,828	80,826,466	206,050,294	93,777,152
Deferred outflows of resources:				
Deferred outflows related to pension plan	3,108,964	455,057	3,564,021	8,873,000
Deferred outflows related to OPEB plan	3,449,451	615,628	4,065,079	3,468,940
Deferred amounts - bond refundings	1,610,869	2,530,745	4,141,614	991,408
Total deferred outflows of resources	8,169,284	3,601,430	11,770,714	13,333,348
Total assets and deferred outflows of resources	\$ 133,393,112	\$ 84,427,896	\$ 217,821,008	\$ 107,110,500
LIABILITIES AND DEFERRED INFLOWS				
Accounts payable	\$ 1,355,381	\$ 347,722	\$ 1,703,103	\$ 222,480
Accrued liabilities	550,502	79,426	629,928	5,065,715
Due to component units	34,050	-	34,050	-
Unearned revenues	22,637	-	22,637	-
Customer deposits	-	53,933	53,933	-
Accrued interest	270,400	234,413	504,813	-
Capital leases due within one year	182,026	87,582	269,608	-
Capital leases due in more than one year	398,653	233,228	631,881	-
Bonds payable due within one year	3,235,000	1,665,000	4,900,000	1,739,770
Bonds payable due in more than one year	66,683,926	43,681,581	110,365,507	55,035,166
Compensated absences due within one year	613,590	98,262	711,852	-
Compensated absences due in more than one year	153,398	24,566	177,964	-
Net pension liability	16,595,520	2,733,423	19,328,943	50,047,000
Net other postemployment benefits liability	19,844,567	3,393,746	23,238,313	51,795,975
Total liabilities	109,939,650	52,632,882	162,572,532	163,906,106
Deferred inflows of resources:				
Deferred inflows related to pension plan	2,011,023	254,728	2,265,751	6,193,000
Deferred inflows related to OPEB plan	-	-	-	4,234,599
Total deferred inflows of resources	2,011,023	254,728	2,265,751	10,427,599
Total liabilities and deferred inflows of resources	111,950,673	52,887,610	164,838,283	174,333,705
NET POSITION				
Net investments in capital assets	28,725,888	31,227,034	59,952,922	17,972,393
Restricted for:				
Capital projects	2,705,143	-	2,705,143	1,342,103
Debt service	1,001,211	3,369,312	4,370,523	4,044,616
Unrestricted	(10,989,803)	(3,056,060)	(14,045,863)	(90,582,317)
Total net position	21,442,439	31,540,286	52,982,725	(67,223,205)
Total liabilities, deferred inflows and net position	\$ 133,393,112	\$ 84,427,896	\$ 217,821,008	\$ 107,110,500

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, 2019

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	\$ 11,426,698	\$ 6,491,240	\$ 311,544	\$ 620,887	\$ (4,003,027)	\$ -	\$ (4,003,027)	\$ -
Judicial	-	-	-	-	-	-	-	-
Public safety	13,452,365	984,392	-	47,677	(12,420,296)	-	(12,420,296)	-
Public works	6,249,237	3,068,159	-	1,342,453	(1,838,625)	-	(1,838,625)	-
Culture and recreation	5,878,114	1,287,264	-	-	(4,590,850)	-	(4,590,850)	-
Education	2,328,447	-	-	-	(2,328,447)	-	(2,328,447)	-
Interest on long-term debt	2,846,672	-	-	-	(2,846,672)	-	(2,846,672)	-
Total governmental activities	42,181,533	11,831,055	311,544	2,011,017	(28,027,917)	-	(28,027,917)	-
Business-type activities:								
Public Utilities	12,439,753	11,995,096	-	701,313	-	256,656	256,656	-
Total business-type activities	12,439,753	11,995,096	-	701,313	-	256,656	256,656	-
Total primary government	\$ 54,621,286	\$ 23,826,151	\$ 311,544	\$ 2,712,330	\$ (28,027,917)	\$ 256,656	\$ (27,771,261)	\$ -
Component unit:								
Phenix City Board of Education	\$ 74,185,123	\$ 4,025,978	\$ 57,565,340	\$ -	\$ -	\$ -	\$ -	\$ (12,593,805)
Total component units	\$ 74,185,123	\$ 4,025,978	\$ 57,565,340	\$ -	\$ -	\$ -	\$ -	\$ (12,593,805)
General revenues:								
Property taxes					\$ 6,298,567	\$ -	\$ 6,298,567	\$ 9,733,204
Sales and use taxes					25,607,718	-	25,607,718	4,144,066
Business taxes					1,784,840	-	1,784,840	-
Unrestricted investment earnings					543,222	109,438	652,660	263,748
Total general revenues and transfers					34,234,347	109,438	34,343,785	14,141,018
Change in net position					6,206,430	366,094	6,572,524	1,547,213
Net position, beginning of year (*)					15,236,009	31,174,192	46,410,201	(68,770,418)
Net position, end of year					\$ 21,442,439	\$ 31,540,286	\$ 52,982,725	\$ (67,223,205)

(*) 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, 2019**

ASSETS	Capital			Public Building Authority	Nonmajor Governmental Funds	Total
	General	Improvement	7 Mill			
Cash and cash equivalents	\$ 13,885,634	\$ -	\$ -	\$ -	\$ 1,277,382	\$ 15,163,016
Taxes receivable	2,515,872	-	925,782	-	894,135	4,335,789
Accounts receivable	592,471	-	-	-	979,358	1,571,829
Notes receivable	-	-	-	-	337,300	337,300
Due from other funds	315,566	-	1,713	-	-	317,279
Due from other governments	94,831	38,018	-	-	-	132,849
Inventory	94,289	-	-	-	-	94,289
Prepaid items	350,354	-	-	-	-	350,354
Restricted cash	27,828	10,042,725	334,815	9,416,454	571,584	20,393,406
Restricted investments	2,000,000	-	-	22,029	-	2,022,029
Total assets	\$ 19,876,845	\$ 10,080,743	\$ 1,262,310	\$ 9,438,483	\$ 4,059,759	\$ 44,718,140
LIABILITIES DEFERRED INFLOWS AND FUND BALANCES						
LIABILITIES AND DEFERRED INFLOWS						
Accounts payable	\$ 1,081,743	\$ 202,011	\$ -	\$ 19,485	\$ 52,142	\$ 1,355,381
Accrued expenses	550,502	-	-	-	-	550,502
Due to other funds	1,713	-	-	-	54	1,767
Due to component units	-	-	-	-	34,050	34,050
Total liabilities	1,633,958	202,011	-	19,485	86,246	1,941,700
Deferred inflows - unavailable revenue	456,823	-	829,492	-	860,542	2,146,857
FUND BALANCES (DEFICIT)						
Nonspendable:						
Inventories	94,289	-	-	-	-	94,289
Prepaid assets	350,354	-	-	-	-	350,354
Restricted for:						
Debt service	-	-	432,818	-	9,301	442,119
Capital projects	-	9,878,732	-	9,418,998	-	19,297,730
Street improvements	-	-	-	-	514,583	514,583
Revolving loans	-	-	-	-	2,153,083	2,153,083
Public safety	-	-	-	-	17,791	17,791
Municipal court	-	-	-	-	384,271	384,271
Committed for:						
Operating reserves	2,000,000	-	-	-	-	2,000,000
Unassigned	15,341,421	-	-	-	33,942	15,375,363
Total fund balances	17,786,064	9,878,732	432,818	9,418,998	3,112,971	40,629,583
Total liabilities and fund balances	\$ 19,876,845	\$ 10,080,743	\$ 1,262,310	\$ 9,438,483	\$ 4,059,759	

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.	80,507,455
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,124,220
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	(68,308,057)
Accrued interest on long-term liabilities	(270,400)
Capital leases	(580,679)
Accrued compensated absences	(766,988)
Net pension liability net of deferred inflows and outflows related to pension	(15,497,579)
Net other postemployment benefits liability net of deferred inflows and outflows related to OPEB	(16,395,116)

Net position of governmental activities \$ 21,442,439

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, 2019**

	<u>General</u>	<u>Capital Improvement</u>	<u>7 Mill</u>	<u>Public Building Authority</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Property taxes	\$ 1,639,451	\$ -	\$ 2,197,638	\$ -	\$ 2,327,906	\$ 6,164,995
Sales and use taxes	25,319,602	-	-	-	288,116	25,607,718
Business taxes	656,012	-	1,128,828	-	-	1,784,840
Licenses and permits	5,031,273	-	-	-	-	5,031,273
Intergovernmental	664,388	1,342,453	-	-	-	2,006,841
Charges for services	2,540,666	-	-	-	243,708	2,784,374
Fines and forfeitures	809,831	-	-	-	89,004	898,835
Interest	215,418	80,809	536	244,758	1,696	543,217
Other revenues	527,268	1,000	-	1,325,053	3,842	1,857,163
Parks and recreation	1,259,410	-	-	-	-	1,259,410
Total revenues	38,663,319	1,424,262	3,327,002	1,569,811	2,954,272	47,938,666
Expenditures:						
Current:						
General government	12,223,756	63,822	14,750	5,100	28,598	12,336,026
Public safety	12,175,613	-	-	-	313	12,175,926
Public works	4,150,168	-	-	-	126,851	4,277,019
Culture and recreation	4,824,697	-	-	-	-	4,824,697
Education	-	-	-	-	2,328,447	2,328,447
Capital outlay	-	3,143,740	-	66,666	35,542	3,245,948
Debt service:						
Principal	153,175	-	2,470,000	670,000	-	3,293,175
Interest	16,752	-	2,028,798	655,050	-	2,700,600
Total expenditures	33,544,161	3,207,562	4,513,548	1,396,816	2,519,751	45,181,838
Excess (deficiency) of revenues over (under) expenditures	5,119,158	(1,783,300)	(1,186,546)	172,995	434,521	2,756,828
Other financing sources (uses):						
Capital leases	513,741	-	-	-	-	513,741
Transfers in	49,888	100,000	1,247,550	1,940	-	1,399,378
Transfers out	(1,349,490)	-	-	-	(49,888)	(1,399,378)
Total other financing sources (uses)	(785,861)	100,000	1,247,550	1,940	(49,888)	513,741
Net change in fund balances	4,333,297	(1,683,300)	61,004	174,935	384,633	3,270,569
Fund balances, beginning of year	13,452,767	11,562,032	371,814	9,244,063	2,728,338	37,359,014
Fund balances, end of year	\$ 17,786,064	\$ 9,878,732	\$ 432,818	\$ 9,418,998	\$ 3,112,971	\$ 40,629,583

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, 2019**

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

Net change in fund balances - total governmental funds	\$ 3,270,569
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.	624,885
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to increase net position.	315,730
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	133,585
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.	2,628,734
Changes in net pension and other postemployment benefits obligations and the related deferred inflows and outflows 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.	(790,349)
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.	<u>23,276</u>
Change in net position of governmental activities	<u>\$ 6,206,430</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, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 1,628,508	\$ 1,628,508	\$ 1,639,451	\$ 10,943
Sales and use taxes	23,279,024	23,279,024	25,319,602	2,040,578
Business taxes	383,000	383,000	656,012	273,012
Licenses and permits	5,984,840	5,984,840	5,031,273	(953,567)
Intergovernmental	280,000	280,000	664,388	384,388
Charges for services	2,652,874	2,652,874	2,540,666	(112,208)
Fines and forfeitures	904,195	904,195	809,831	(94,364)
Interest income	107,000	107,000	215,418	108,418
Miscellaneous Income	593,138	592,983	527,268	(65,715)
Parks and recreation	1,302,000	1,302,000	1,259,410	(42,590)
Total revenues	<u>37,114,579</u>	<u>37,114,424</u>	<u>38,663,319</u>	<u>1,548,895</u>
Expenditures:				
Current:				
General government:				
City manager	444,488	444,488	296,556	147,932
Personnel	423,687	431,637	320,181	111,456
City clerk	507,372	507,560	404,560	103,000
Information Technology	356,670	391,745	455,384	(63,639)
Municipal court	387,286	387,373	378,052	9,321
Finance	708,382	737,404	563,261	174,143
Finance - revenue collection	122,707	133,084	102,959	30,125
Non-departmental	6,897,040	7,866,173	8,421,808	(555,635)
Appropriations and contributions	665,844	665,844	634,368	31,476
Economic development	328,233	328,233	349,397	(21,164)
Building maintenance	462,129	462,129	297,230	164,899
Total general government	<u>11,303,838</u>	<u>12,355,670</u>	<u>12,223,756</u>	<u>131,914</u>
Public safety:				
Code enforcement	658,103	658,271	572,066	86,205
Fire	5,100,426	5,631,466	4,813,050	818,416
Police	7,645,540	7,651,893	6,638,834	1,013,059
Animal control	181,258	181,258	151,663	29,595
Total public safety	<u>13,585,327</u>	<u>14,122,888</u>	<u>12,175,613</u>	<u>1,947,275</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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures: (Continued)				
Current:				
Public works:				
Vehicle maintenance	\$ 256,136	\$ 256,136	\$ 198,622	\$ 57,514
Cemetery maintenance	306,797	306,797	251,265	55,532
Engineering	655,371	655,690	532,774	122,916
Administration	449,518	449,518	433,704	15,814
Limbs and debris	1,699,340	1,698,760	1,566,597	132,163
Refuse disposal	249,731	249,731	195,770	53,961
Streets and drainage	1,115,433	1,115,433	971,436	143,997
Total public works	<u>4,732,326</u>	<u>4,732,065</u>	<u>4,150,168</u>	<u>581,897</u>
Culture and recreation:				
Parks and recreation	3,496,285	3,500,205	3,338,536	161,669
Central activity center	93,050	98,050	58,398	39,652
Amphitheater	199,725	203,392	184,783	18,609
Golf course	1,026,053	1,275,654	859,443	416,211
Library	392,119	392,094	383,537	8,557
Total culture and recreation	<u>5,207,232</u>	<u>5,469,395</u>	<u>4,824,697</u>	<u>644,698</u>
Debt service:				
Principal	215,561	176,661	153,175	23,486
Interest	16,752	16,752	16,752	-
Total debt service	<u>232,313</u>	<u>193,413</u>	<u>169,927</u>	<u>23,486</u>
Total expenditures	<u>35,061,036</u>	<u>36,873,431</u>	<u>33,544,161</u>	<u>3,329,270</u>
Excess of revenues over expenditures	<u>2,053,543</u>	<u>240,993</u>	<u>5,119,158</u>	<u>4,878,165</u>
Other financing sources (uses):				
Capital leases	-	-	513,741	513,741
Transfers in	80,000	80,000	49,888	(30,112)
Transfers out	(1,247,550)	(1,247,550)	(1,349,490)	(101,940)
Total other financing uses	<u>(1,167,550)</u>	<u>(1,167,550)</u>	<u>(785,861)</u>	<u>381,689</u>
Net change in fund balances	885,993	(926,557)	4,333,297	5,259,854
Fund balance, beginning of year	<u>13,452,767</u>	<u>13,452,767</u>	<u>13,452,767</u>	<u>-</u>
Fund balance, end of year	<u>\$ 14,338,760</u>	<u>\$ 12,526,210</u>	<u>\$ 17,786,064</u>	<u>\$ 5,259,854</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, 2019**

	Business-type Activities Enterprise Funds
	Public Utilities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,272,878
Accounts receivable, net of allowances	1,223,054
Notes receivable	101,100
Inventories	270,550
Prepaid expenses	102,137
Total current assets	2,969,719
RESTRICTED ASSETS	
Cash and cash equivalents	4,889,595
NONCURRENT ASSETS	
Capital assets:	
Nondepreciable	9,427,543
Depreciable, net of accumulated depreciation	63,855,121
Total noncurrent assets	73,282,664
Total assets	81,141,978
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension plan	455,057
Deferred outflows related to other postemployment benefits plan	615,628
Deferred amounts - bond refundings	2,530,745
Total deferred outflows of resources	3,601,430
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
CURRENT LIABILITIES	
Accounts payable	347,722
Accrued expenses	79,426
Due to other funds	315,512
Customer deposits	53,933
Accrued interest	234,413
Current portion - capital lease	87,582
Current portion - bonds payable	1,665,000
Current portion - compensated absences	98,262
Total current liabilities	2,881,850
LONG-TERM LIABILITIES	
Capital lease, net of current portion	233,228
Bonds payable, net of current portion	43,681,581
Compensated absences, net of current portion	24,566
Net pension liability	2,733,423
Net other postemployment benefits obligation	3,393,746
Total long-term liabilities	50,066,544
Total liabilities	52,948,394
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension plan	254,728
Total deferred inflows of resources	254,728
NET POSITION	
Net investments in capital assets	31,227,034
Restricted for debt service	3,369,312
Unrestricted	(3,056,060)
Total net position	\$ 31,540,286

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, 2019

	Business-type Activities
	Enterprise Funds
	Public Utilities
OPERATING REVENUES	
Charges for services	\$ 11,737,318
Miscellaneous	257,778
Total operating revenues	11,995,096
OPERATING EXPENSES	
Administrative	2,570,563
Water plant	1,566,502
Water distribution	1,004,907
Wastewater distribution	1,096,766
Wastewater plant	1,547,310
Depreciation and amortization	2,823,748
Total operating expenses	10,609,796
Operating income	1,385,300
NONOPERATING REVENUES (EXPENSES)	
Interest income	109,438
Interest expense	(1,829,957)
System development fees	521,392
Total nonoperating income (loss)	(1,199,127)
Income (loss) before contributions and transfers	186,173
CAPITAL CONTRIBUTIONS	179,921
Change in net position	366,094
NET POSITION, beginning of year	31,174,192
NET POSITION, end of year	\$ 31,540,286

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, 2019**

	<u>Business-type Activities</u>	
	<u>Enterprise Funds</u>	
	<u>Public Utilities</u>	
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$	11,328,465
Payments to suppliers		(3,800,070)
Payments to employees		(3,607,826)
		<u>3,920,569</u>
Net cash provided by operating activities		<u>3,920,569</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
System development fees		521,392
Net cash provided by (used in) noncapital financing activities		<u>521,392</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets		(1,659,645)
Principal paid on bonds		(1,585,000)
Principal paid on capital lease		(126,876)
Interest paid		(1,956,523)
Net cash used in capital and related financing activities		<u>(5,328,044)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments		109,438
Net cash provided by investing activities		<u>109,438</u>
Net increase (decrease) in cash and cash equivalents		(776,645)
Cash and cash equivalents:		
Beginning of year		6,939,118
End of year	\$	<u>6,162,473</u>
Classified as:		
Cash	\$	1,272,878
Restricted assets, cash		4,889,595
	\$	<u>6,162,473</u>

(Continued)

CITY OF PHENIX CITY, ALABAMA

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

	<u>Business-type Activities</u>	
	<u>Enterprise Funds</u>	
	<u>Public</u>	
	<u>Utilities</u>	
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$	1,385,300
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense		2,823,748
Decrease in accounts receivable		(84,129)
Decrease in notes receivable		2,800
Increase in due from other funds		27,610
Decrease in inventory		3,388
Increase in prepaid expenses		(17,686)
Decrease in accounts payable		190,876
Increase in accrued expenses		20,678
Decrease in due to other funds		(598,497)
Decrease in customer deposits		(14,415)
Increase in compensated absences		19,152
Decrease in pension liability		(201,914)
Increase in other postretirement benefits obligation		363,658
Net cash provided by (used in) operating activities	\$	<u>3,920,569</u>
 NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Capitalized interest	\$	384,794
Amortization of bond discounts, premiums and deferred amounts, net		266,743

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

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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, 2019

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, 2019

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, 2019

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.

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, 2019**

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, 2019**

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 \$382,000 was capitalized in the Public Utilities Fund during the fiscal year ending September 30, 2019.

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, 2019

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, 2019

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 – Deferred inflows and outflows of resources related to other postemployment benefits (“OPEB”) consist of the difference between the projected and actual earnings on OPEB 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 OPEB plan made during the reporting period but subsequent to the measurement date.

CITY OF PHENIX CITY, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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	\$ (69,895,000)
Deferred outflow of resources - bond refundings	1,610,869
Unamortized original issue discount	403,941
Unamortized original issue premium	<u>(427,867)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ (68,308,057)</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	\$ 5,071,270
Depreciation expense	<u>(4,446,385)</u>
Net adjustment to increase net changes in fund balances - total <i>governmental funds</i> to arrive at <i>changes in net position of</i> <i>governmental activities</i>	<u>\$ 624,885</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, 2019**

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	\$ (513,741)
Principal repayment - capital lease	153,175
Principal repayment - bonds	3,140,000
Amortization of discounts, premiums and defeasance on bonds	<u>(150,700)</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>\$ 2,628,734</u></u>

Another element of that reconciliation explains that “the changes in net pension and other postemployment benefits obligations and the changes in related deferred inflows and outflows reported in the statement of activities do not provide or require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.” These changes are long term in nature.

Increase in net other postemployment benefits obligation	\$ (5,279,287)
Change in net pension obligation	128,897
Change in deferred inflows and outflows of resources	<u>4,360,041</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>\$ (790,349)</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	\$ 4,625
Change in compensated absences	<u>18,651</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>\$ 23,276</u></u>

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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, 2019, the following departments had excess of actual expenditures over appropriations which were funded by excess budget available in other departments of the General Fund:

	Excess
Non-departmental	\$ (555,635)

For the year ended September 30, 2019, 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, 2019

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, 2019, 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, 2019**

NOTE 5. RECEIVABLES

Receivables consisted of the following at September 30, 2019:

	General Fund	7 Mill Fund	Nonmajor Governmental Funds	Public Utilities Fund	Total
Receivables:					
Taxes	\$ 2,674,195	\$ 925,782	\$ 894,135	\$ -	\$ 4,494,112
Accounts	592,471	-	979,358	3,389,517	4,961,346
Notes	-	-	337,300	101,100	438,400
Gross receivables	<u>3,266,666</u>	<u>925,782</u>	<u>2,210,793</u>	<u>3,490,617</u>	<u>9,893,858</u>
Less allowance for uncollectibles	<u>(158,323)</u>	<u>-</u>	<u>-</u>	<u>(2,166,463)</u>	<u>(2,324,786)</u>
Net total receivable	<u><u>\$ 3,108,343</u></u>	<u><u>\$ 925,782</u></u>	<u><u>\$ 2,210,793</u></u>	<u><u>\$ 1,324,154</u></u>	<u><u>\$ 7,569,072</u></u>

Property taxes attached as an enforceable lien on property as of January 1, 2018. Property taxes were levied on October 1, 2018, and payable on or before December 31, 2018. Property taxes levied for 2018 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during the year ended September 30, 2019, and collected by November 30, 2019, are recognized as revenues in the year ended September 30, 2019. Net receivables estimated to be collected subsequent to November 30, 2019, 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, 2019**

NOTE 6. CAPITAL ASSETS

A. Primary Government

The City's capital asset activity for the year ended September 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital assets, not being depreciated:					
Land and improvements	\$ 17,722,971	\$ -	\$ -	\$ -	\$ 17,722,971
Construction in progress	2,330,423	1,492,425	-	(1,406,515)	2,416,333
Total capital assets, not being depreciated	<u>20,053,394</u>	<u>1,492,425</u>	<u>-</u>	<u>(1,406,515)</u>	<u>20,139,304</u>
Capital assets, being depreciated:					
Buildings	40,508,603	101,166	-	1,181,634	41,791,403
Machinery and equipment	24,451,302	855,489	(456,255)	-	24,850,536
Infrastructure	74,717,405	2,937,920	-	224,881	77,880,206
Total capital assets, being depreciated	<u>139,677,310</u>	<u>3,894,575</u>	<u>(456,255)</u>	<u>1,406,515</u>	<u>144,522,145</u>
Less accumulated depreciation for:					
Buildings	(21,840,203)	(1,172,641)	-	-	(23,012,844)
Machinery and equipment	(17,337,514)	(1,558,934)	456,255	-	(18,440,193)
Infrastructure	(40,986,147)	(1,714,810)	-	-	(42,700,957)
Total accumulated depreciation	<u>(80,163,864)</u>	<u>(4,446,385)</u>	<u>456,255</u>	<u>-</u>	<u>(84,153,994)</u>
Total capital assets, being depreciated, net	<u>59,513,446</u>	<u>(551,810)</u>	<u>-</u>	<u>1,406,515</u>	<u>60,368,151</u>
Governmental activities capital assets, net	<u>\$ 79,566,840</u>	<u>\$ 940,615</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,507,455</u>
Business-type Activities:					
Capital assets, not being depreciated:					
Land	\$ 275,782	\$ -	\$ -	\$ -	\$ 275,782
Construction in progress	7,695,826	1,532,119	(76,184)	-	9,151,761
Total capital assets, not being depreciated	<u>7,971,608</u>	<u>1,532,119</u>	<u>(76,184)</u>	<u>-</u>	<u>9,427,543</u>
Capital assets, being depreciated:					
Building and improvements	1,015,534	12,073	-	-	1,027,607
Machinery and equipment	7,622,510	336,177	-	-	7,958,687
Plant facilities	110,023,403	545,510	-	-	110,568,913
Total capital assets, being depreciated	<u>118,661,447</u>	<u>893,760</u>	<u>-</u>	<u>-</u>	<u>119,555,207</u>
Less accumulated depreciation for:					
Building and improvements	(802,884)	(41,490)	-	-	(844,374)
Machinery and equipment	(6,208,981)	(369,164)	-	-	(6,578,145)
Plant facilities	(45,864,473)	(2,413,094)	-	-	(48,277,567)
Total accumulated depreciation	<u>(52,876,338)</u>	<u>(2,823,748)</u>	<u>-</u>	<u>-</u>	<u>(55,700,086)</u>
Total capital assets, being depreciated, net	<u>65,785,109</u>	<u>(1,929,988)</u>	<u>-</u>	<u>-</u>	<u>63,855,121</u>
Business-type activities capital assets, net	<u>\$ 73,756,717</u>	<u>\$ (397,869)</u>	<u>\$ (76,184)</u>	<u>\$ -</u>	<u>\$ 73,282,664</u>

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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	\$ 81,985
Public safety	1,099,959
Public works	2,220,345
Culture and recreation	<u>1,044,096</u>
Total depreciation expense - governmental activities	<u>\$ 4,446,385</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	\$ 890,904	\$ -	\$ -	\$ 890,904
Land improvements	671,232	-	(235,373)	435,859
Construction in progress	<u>1,873,713</u>	-	<u>(1,873,713)</u>	-
Total capital assets, not being depreciated	<u>3,435,849</u>	-	<u>(2,109,086)</u>	<u>1,326,763</u>
Capital assets, being depreciated:				
Building and improvements	95,326,632	3,555,158	-	98,881,790
Machinery and equipment	<u>11,673,894</u>	<u>736,318</u>	<u>(549,588)</u>	<u>11,860,624</u>
Total	<u>107,000,526</u>	<u>4,291,476</u>	<u>(549,588)</u>	<u>110,742,414</u>
Less accumulated depreciation:				
Building and improvements*	(28,988,875)	(2,014,394)		(31,003,269)
Machinery and equipment	<u>(6,476,347)</u>	<u>(776,298)</u>	540,773	<u>(6,711,872)</u>
Total	<u>(35,465,222)</u>	<u>(2,790,692)</u>	540,773	<u>(37,715,141)</u>
Total capital assets, being depreciated, net	<u>71,535,304</u>	<u>1,500,784</u>	<u>(8,815)</u>	<u>73,027,273</u>
Discretely presented component unit capital assets, net	<u>\$ 74,971,153</u>	<u>\$ 1,500,784</u>	<u>\$ (2,117,901)</u>	<u>\$ 74,354,036</u>

(*) Restated, see Note 14

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 7. LONG-TERM DEBT

A. Primary Government

The following is a summary of long-term debt activity for the year ended September 30, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable	\$ 73,035,000	\$ -	\$ (3,140,000)	\$ 69,895,000	\$ 3,235,000
Less deferred amounts:					
Unamortized premium	497,708	-	(69,841)	427,867	-
Unamortized discount	(443,655)	-	39,714	(403,941)	-
Net bonds payable	<u>73,089,053</u>	<u>-</u>	<u>(3,170,127)</u>	<u>69,918,926</u>	<u>3,235,000</u>
Capital leases payable	220,113	513,741	(153,175)	580,679	182,026
Compensated absences	785,639	-	(18,651)	766,988	613,590
Claims payable	0	-	-	0	-
Governmental activities long-term liabilities	<u>\$ 74,094,805</u>	<u>\$ 513,741</u>	<u>\$ (3,341,953)</u>	<u>\$ 71,266,593</u>	<u>\$ 4,030,616</u>
Business-type activities:					
Bonds payable	\$ 46,040,000	\$ -	\$ (1,585,000)	\$ 44,455,000	\$ 1,665,000
Less deferred amounts:					
Unamortized discount	(190,013)	-	15,360	(174,653)	-
Unamortized premium	1,188,438	-	(122,204)	1,066,234	-
Net bonds payable	<u>47,038,425</u>	<u>-</u>	<u>(1,691,844)</u>	<u>45,346,581</u>	<u>1,665,000</u>
Capital leases payable	322,351	125,335	(126,876)	320,810	87,582
Compensated absences	103,676	19,152	-	122,828	98,262
Business-type activities long-term liabilities	<u>\$ 47,464,452</u>	<u>\$ 144,487</u>	<u>\$ (1,818,720)</u>	<u>\$ 45,790,219</u>	<u>\$ 1,850,844</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, 2019

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, 2019, are as follows:

	Interest Rates	September 30, 2019
2010-B Issue	2.10% - 3.94%	26,560,000
2011-A Issue	1.63% - 4.38%	9,770,000
2015-A Issue	2.00% - 4.00%	4,000,000
2017-A Issue	2.00% - 3.00%	2,480,000
2017-B Issue	2.00% - 4.00%	7,565,000
2017-C Issue	2.00% - 3.00%	3,510,000
2011-A Issue - Public Building Authority	1.00% - 4.38%	16,010,000
		<u>69,895,000</u>
Less: unamortized discount, net		23,926
		<u>\$ 69,918,926</u>

A description of these bond issues is provided below.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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, 2019 in the amount of \$26,560,000. 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, 2019**

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, 2019 in the amount of \$9,770,000. 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, 2019**

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, 2019 in the amount of \$4,000,000. 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 \$2,480,000. 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, 2019**

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 \$7,565,000. 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 \$3,510,000. 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, 2019**

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, 2019 in the amount of \$16,010,000. 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 \$934,955 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 \$390,095 for the year ended September 30, 2019 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, 2019**

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>
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	3,690,000	2,159,233	5,849,233
2025 - 2029	19,240,000	8,645,672	27,885,672
2030 - 2034	21,195,000	4,843,538	26,038,538
2035 - 2039	10,910,000	893,877	11,803,877
2040 - 2044	1,320,000	65,060	1,385,060
	<u>69,895,000</u>	<u>\$ 26,422,525</u>	<u>\$ 96,317,525</u>
Plus: unamortized premium, net	23,926		
	<u>\$ 69,918,926</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, 2019:

	<u>Governmental Activities</u>
Equipment	\$ 1,660,715
Less: Accumulated depreciation	(345,341)
	<u>\$ 1,315,374</u>

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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, 2019:

	<u>Governmental Activities</u>
Fiscal year ending September 30,	
2020	\$ 197,797
2021	137,068
2022	137,068
2023	117,880
2024	27,871
Total minimum lease payments	<u>617,684</u>
Less amount representing interest	<u>(37,005)</u>
Present value of future minimum lease payments	<u>\$ 580,679</u>

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, 2019, are as follows:

	<u>Interest Rates</u>	<u>Balance September 30, 2019</u>
2009-A Water and Sewer Revenue Bonds	3.00% - 5.00%	\$ 6,215,000
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%	3,070,000
2014-A Water and Sewer Revenue Bonds	2.00% - 4.00%	6,120,000
2016-A Water and Sewer Revenue Bonds	3.00% - 4.00%	13,675,000
		<u>44,455,000</u>
Less: unamortized premium (discount), net		<u>891,581</u>
		<u>\$ 45,346,581</u>

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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, 2019 in the amount of \$6,215,000. 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, 2019 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, 2019**

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, 2019 in the amount of \$3,070,000. 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, 2019 in the amount of \$6,120,000. 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, 2019**

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, 2019 in the amount of \$13,675,000. 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>
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	1,900,000	1,626,632	3,526,632
2025 - 2029	10,905,000	6,753,023	17,658,023
2030 - 2034	10,345,000	4,569,392	14,914,392
2035 - 2039	12,035,000	2,285,346	14,320,346
2040 - 2044	2,220,000	111,000	2,331,000
	<u>44,455,000</u>	<u>\$ 22,428,850</u>	<u>\$ 66,883,850</u>
Plus: unamortized premium, net	891,581		
	<u>\$ 45,346,581</u>		

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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, 2019:

	Business-type Activities
Equipment	\$ 881,240
Less: Accumulated depreciation	(425,391)
	\$ 455,849

The following is a schedule of future minimum lease payments together with the present value of net minimum lease payments as of September 30, 2019:

	Business-type Activities
Fiscal year ending September 30,	
2020	\$ 96,006
2021	96,006
2022	96,006
2023	44,400
2024	6,800
Total minimum lease payments	339,218
Less amount representing interest	(18,408)
Present value of future minimum lease payments	\$ 320,810

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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, 2019:

	<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	8,875,000	-	(185,000)	8,690,000	185,000
2014-A Series Warrants	9,315,000	-	(225,000)	9,090,000	235,000
Unamortized premium	34,410	-	(1,324)	33,086	-
2014-B Series Warrants	10,745,000	-	(80,000)	10,665,000	75,000
2015-A Series Warrants	5,640,000	-	(295,000)	5,345,000	295,000
2016-A Series Warrants	9,210,000	-	(90,000)	9,120,000	90,000
Unamortized premium	964,340	-	(73,241)	891,099	-
2018 Series Warrants	3,626,465	-	(136,398)	3,490,067	140,963
Installment Purchase Agreements	1,560,149	-	(214,465)	1,345,684	222,448
Total	<u>\$ 58,075,364</u>	<u>\$ -</u>	<u>\$ (1,300,428)</u>	<u>\$ 56,774,936</u>	<u>\$ 1,665,205</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, 2019**

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, 2019**

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, 2019 are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Sinking Fund Payment	Total
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	2,449,361	1,771,371	421,794	4,642,526
2025 - 2029	21,072,718	7,203,774	843,588	29,120,080
2030 - 2034	7,909,473	5,230,260	-	13,139,733
2035 - 2039	8,936,365	3,423,499	-	12,359,864
2040 - 2044	8,155,000	1,087,846	-	9,242,846
	<u>\$ 55,850,751</u>	<u>\$ 26,266,639</u>	<u>\$ 2,952,558</u>	<u>\$ 85,069,948</u>

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2019, is as follows:

Due to/from other funds:

<u>Payable to:</u>	<u>Payable from:</u>			<u>Total</u>
	<u>General</u>	<u>Nonmajor</u>	<u>Public Utilities</u>	
General	\$ -	\$ 54	\$ 315,512	\$ 315,566
7 Mill	1,713	-	-	1,713
	<u>\$ 1,713</u>	<u>\$ 54</u>	<u>\$ 315,512</u>	<u>\$ 317,279</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>	
General	\$ -	\$ 49,888	\$ 49,888
Capital Improvement Fund	100,000	-	100,000
7 Mill Fund	1,247,550	-	1,247,550
Public Building Authority	1,940	-	1,940
Total	<u>\$ 1,349,490</u>	<u>\$ 49,888</u>	<u>\$ 1,399,378</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, 2019

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, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	58
Active employees	357
	<u>415</u>

Total OPEB Liability

The City's total OPEB liability of \$23,238,313 was measured as of September 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and other inputs – The total OPEB liability in the September 30, 2019 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	4.18% annually (Beginning of Year to Determine ADC) 2.66%, 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, 2019**

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, 2019, 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, 2019 valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2009 to September 30, 2019.

Changes in the Total OPEB Liability

Balance at September 30, 2018	<u>\$ 16,979,740</u>
Changes for the year:	
Service cost	238,765
Interest	699,266
Differences between expected and actual experience	821,027
Changes in assumptions	5,001,318
Benefit payments and net transfers	<u>(501,803)</u>
Net changes	<u>6,258,573</u>
 Balance at September 30, 2019	 <u><u>\$ 23,238,313</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 (1.66%) or 1-percentage-point higher (3.66%) than the current discount rate:

	<u>1.0% Decrease (1.66%)</u>	<u>Current Rate (2.66%)</u>	<u>1.0% Increase (3.66%)</u>
Total OPEB Liability	\$ 26,122,188	\$ 23,238,313	\$ 20,744,842

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – 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 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:

	<u>1.0% Decrease (4.5%)</u>	<u>Current Rate (5.5%)</u>	<u>1.0% Increase (6.5%)</u>
Total OPEB Liability	\$ 20,605,413	\$ 23,238,313	\$ 26,268,589

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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, 2019, the City recognized OPEB expense of \$1,258,180. At September 30, 2019, 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 changes in assumptions	\$ 729,946	\$ -
total	\$ 4,065,079	\$ -

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

2020	\$ 347,150
2021	347,150
2022	347,150
2023	347,150
2024	347,150
Thereafter	2,329,329
	\$ 4,065,079

CITY OF PHENIX CITY, ALABAMA

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019

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, 2019

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, 2018, the date of the most recent actuarial valuation, membership consisted of:

Retirees and beneficiaries currently receiving benefits	50,061
Terminated employees entitled to but not yet receiving benefits	12,858
Non-vested inactive members who have not contributed in more than 5 years	20,915
Active members	86,565
Total	170,399

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, 2019**

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, 2019 (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, 2019 was 8.90% of pensionable pay for Tier 1 employees, and 8.01% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2018, 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 \$1,219,475 for the year ended September 30, 2019.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability

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

Total Pension Liability as of September 30, 2017	\$ 61,880,027
Entry Age Normal Cost for October 1, 2017 - September 30, 2018	1,434,309
Interest	4,642,339
Changes in assumptions	335,079
Difference between expected and actual experience	(454,570)
Actual Benefit Payments and Refunds for October 1, 2017 - September 30, 2018	<u>(3,957,769)</u>
Total Pension Liability as of September 30, 2018	<u>\$ 63,879,415</u>

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

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

* Net of pension plan investment expense, including inflation

Mortality rates for ERS were based on the sex distinct RP-2000 Combined Mortality Table projected to 2020 using scale BB with an adjustment of 125% for males and 120% for females age 78 and older.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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, 2019 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, 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the 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, 2019**

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, 2017	\$ 61,880,027	\$ 42,399,052	\$ 19,480,975
Changes for the year:			
Service cost	1,434,309	-	1,434,309
Interest	4,642,339	-	4,642,339
Changes of assumptions	335,079	-	335,079
Difference between expected and actual experience	(245,374)	-	(245,374)
Contributions - employer	-	1,219,475	(1,219,475)
Contributions - employee	-	1,253,389	(1,253,389)
Net investment income	-	3,845,521	(3,845,521)
Benefit payments, including refunds of employee contributions	(3,957,769)	(3,957,769)	-
Transfers among employers	(209,196)	(209,196)	-
Net changes	<u>1,999,388</u>	<u>2,151,420</u>	<u>(152,032)</u>
Balances at September 30, 2018	<u>\$ 63,879,415</u>	<u>\$ 44,550,472</u>	<u>\$ 19,328,943</u>

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

	<u>1% Decrease (6.70%)</u>	<u>Current Rate (7.70%)</u>	<u>1% Increase (8.70%)</u>
Plan's Net Pension Liability	\$ 26,797,177	\$ 19,328,943	\$ 13,034,178

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2018. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2018.

The auditor's report dated January 15, 2019 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, 2019**

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, 2019, the City recognized pension expense of \$1,246,381. At September 30, 2019, 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	\$ 57,347	\$ 295,555
Changes of assumptions	1,663,055	-
Net difference between projected and actual earnings on pension plan investments	494,108	1,970,196
Employer contributions subsequent to the measurement date	1,349,511	-
Total	\$ 3,564,021	\$ 2,265,751

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:		
2020	\$	178,400
2021		(315,710)
2022		(165,749)
2023		205,162
2024		37,285
Thereafter		9,371
	\$	(51,241)

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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 participates in 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.

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.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 13. TAX ABATEMENTS

For the year ended September 30, 2019, the City's sales tax revenues were reduced by approximately \$31,000 and property tax revenues were reduced by approximately \$374,000 under various tax abatement agreements entered into with various entities between 2009 and 2019 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.

NOTE 14. RESTATEMENT

The Board of Education, a discretely presented component unit of the City, restated net position from amounts previously reported as of September 30, 2018 due to the correction of an error for the reporting of accrued interest on long term debt and depreciation of land improvements.

The effect on beginning net position is summarized in the following table:

	<u>Board of Education</u>
Net position, previously reported	\$ (68,298,888)
Accumulated depreciation	(148,271)
Accrued interest	<u>(323,259)</u>
Total restatement	<u>(471,530)</u>
Restated net position, beginning balances	<u>\$ (68,770,418)</u>

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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 2020, the City partially refunded the unrefunded portion of its series 2010-B General Obligation Warrants and its series 2009-A revenue warrants. The City also received a State Revolving Fund loan from the Alabama Department of Environmental Management to aid in financing the cost of construction of necessary sanitary sewer projects. In addition, the City plans to advance refund its Public Building Authority series 2011-A revenue warrants.

During March 2020, COVID-19 was declared a pandemic by the World Health Organization. In response to the pandemic, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted. The City is evaluating the implications of COVID-19 as well as the CARES Act.

CITY OF PHENIX CITY, ALABAMA

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

LAST 10 FISCAL YEARS ENDING SEPTEMBER 30

	2019	2018	2017	2016	2015
Total pension liability:					
Service cost	\$ 1,434,309	\$ 1,497,466	\$ 1,465,902	\$ 1,424,261	\$ 1,402,948
Interest	4,642,339	4,488,512	4,288,329	4,112,059	3,933,478
Differences between expected and actual experience	(245,374)	(67,170)	(67,715)	142,303	-
Changes of assumptions	335,079	-	2,386,270	-	-
Benefit payments, including refunds of employee contributions	(3,957,769)	(3,763,255)	(3,764,288)	(3,186,194)	(3,022,147)
Transfers among employers	(209,196)	(73,437)	3,154	-	-
Net change in total pension liability	1,999,388	2,082,116	4,311,652	2,492,429	2,314,279
Total pension liability, beginning	61,880,027	59,797,911	55,486,259	52,993,830	50,679,551
Total pension liability, ending (a)	\$ 63,879,415	\$ 61,880,027	\$ 59,797,911	\$ 55,486,259	\$ 52,993,830
Plan fiduciary net position:					
Contributions, employer	\$ 1,219,475	\$ 1,290,789	\$ 1,277,747	\$ 1,411,812	\$ 1,336,262
Contributions, member	1,253,389	1,239,396	1,256,883	1,275,641	1,183,559
Net investment income	3,845,521	4,886,740	3,644,637	430,168	3,948,281
Benefit payments, including refunds of employee contributions	(3,957,769)	(3,763,254)	(3,764,288)	(3,186,194)	(3,022,147)
Transfers among employers	(209,196)	(73,437)	3,154	(78,122)	(111,916)
Net change in plan fiduciary net position	2,151,420	3,580,234	2,418,133	(146,695)	3,334,039
Plan net position, beginning	42,399,052	38,818,818	36,400,685	36,547,380	33,213,341
Plan net position, ending (b)	\$ 44,550,472	\$ 42,399,052	\$ 38,818,818	\$ 36,400,685	\$ 36,547,380
Net pension liability, ending (a) - (b)	\$ 19,328,943	\$ 19,480,975	\$ 20,979,093	\$ 19,085,574	\$ 16,446,450
Plan fiduciary net position as a percentage of the total pension liability	69.74%	68.52%	64.92%	65.60%	68.97%
Covered-employee payroll*	\$ 16,748,420	\$ 16,716,394	\$ 16,308,684	\$ 15,576,766	\$ 15,229,962
Net pension liability (asset) as a percentage of covered-employee payroll	115.41%	116.54%	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 2019 the measurement period is October 1, 2017 - September 30, 2018.

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

	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,349,511	\$ 1,219,477	\$ 1,290,789	\$ 1,277,747	\$ 1,385,670
Contributions in relation to the actuarially determined contribution*	<u>1,349,511</u>	<u>1,219,477</u>	<u>1,290,789</u>	<u>1,277,747</u>	<u>1,385,670</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll**	\$ 16,860,605	\$ 16,748,420	\$ 16,716,394	\$ 16,308,684	\$ 15,576,766
Contributions as a percentage of covered-covered payroll	8.00%	7.28%	7.72%	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 2019, the fiscal year is the twelve month period beginning after 6/15/2018.

**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	29.3 years
Asset valuation method	Five year smoothed market
Inflation	2.875%
Salary increases	3.375 - 5.125%, including inflation
Investment rate of return	7.875%, net of pension plan investment expense, including inflation

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	<u>2019</u>	<u>2018</u>
Service cost	\$ 238,765	\$ 311,557
Interest	699,266	645,234
Differences between expected and actual experience	821,027	(32,222)
Changes in assumptions	5,001,318	(1,478,618)
Benefit payment and net transfers	<u>(501,803)</u>	<u>(482,471)</u>
Net change in total OPEB liability	6,258,573	(1,036,520)
Total OPEB liability at September 30, 2018	<u>16,979,740</u>	<u>18,016,260</u>
Total OPEB liability at September 30, 2019	<u>\$ 23,238,313</u>	<u>\$ 16,979,740</u>
 Covered-employee payroll	 14,717,383	 14,151,330

NOTES TO SCHEDULE

Benefit Changes: There were no changes of benefit terms for the year ended September 30, 2019.

Changes of Assumptions: The discount rate as of September 30, 2018 was 4.18% and it changed to 2.66% as of September 30, 2019.

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, 2019**

	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
ASSETS													
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 4,522	\$ 836,427	\$ 16,896	\$ -	\$ -	\$ 384,877	\$ 32,512	\$ 2,148	\$ 1,277,382
Taxes receivable	1,960	7,912	3,649	12,773	-	-	-	371,935	495,906	-	-	-	894,135
Accounts receivable	-	-	-	-	-	979,358	-	-	-	-	-	-	979,358
Notes receivable	-	-	-	-	-	337,300	-	-	-	-	-	-	337,300
Restricted cash	58,753	209,172	77,900	189,707	-	-	-	16,022	20,030	-	-	-	571,584
Total assets	\$ 60,713	\$ 217,084	\$ 81,549	\$ 202,480	\$ 4,522	\$ 2,153,085	\$ 16,896	\$ 387,957	\$ 515,936	\$ 384,877	\$ 32,512	\$ 2,148	\$ 4,059,759
LIABILITIES DEFERRED INFLOWS AND FUND BALANCES													
LIABILITIES AND DEFERRED INFLOWS													
Accounts payable	\$ -	\$ -	\$ 47,243	\$ -	\$ 3,523	\$ 2	\$ 50	\$ -	\$ -	\$ 606	\$ 718	\$ -	\$ 52,142
Due to other funds	-	-	-	-	54	-	-	-	-	-	-	-	54
Due to component units	-	-	-	-	-	-	-	15,021	19,029	-	-	-	34,050
Total liabilities	-	-	47,243	-	3,577	2	50	15,021	19,029	606	718	-	86,246
Deferred inflows	-	-	-	-	-	-	-	368,804	491,738	-	-	-	860,542
FUND BALANCES													
Restricted for:													
Debt service	-	-	-	-	-	-	-	4,132	5,169	-	-	-	9,301
Street improvements	60,713	217,084	34,306	202,480	-	-	-	-	-	-	-	-	514,583
Revolving loans	-	-	-	-	-	2,153,083	-	-	-	-	-	-	2,153,083
Public safety	-	-	-	-	945	-	16,846	-	-	-	-	-	17,791
Municipal court	-	-	-	-	-	-	-	-	-	384,271	-	-	384,271
Unassigned	-	-	-	-	-	-	-	-	-	-	31,794	2,148	33,942
Total fund balances	60,713	217,084	34,306	202,480	945	2,153,083	16,846	4,132	5,169	384,271	31,794	2,148	3,112,971
Total liabilities and fund balances	\$ 60,713	\$ 217,084	\$ 81,549	\$ 202,480	\$ 4,522	\$ 2,153,085	\$ 16,896	\$ 387,957	\$ 515,936	\$ 384,877	\$ 32,512	\$ 2,148	\$ 4,059,759

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, 2019

	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
Revenues:													
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 997,674	\$ 1,330,232	\$ -	\$ -	\$ -	\$ 2,327,906
Sales and use taxes	22,164	87,037	39,759	139,156	-	-	-	-	-	-	-	-	288,116
Intergovernmental	-	-	0	-	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	59,282	-	-	-	-	-	-	59,282
Fines and forfeitures	-	-	-	-	49,885	-	0	-	-	39,119	-	-	89,004
Interest income	35	119	80	88	4	928	12	59	83	262	25	1	1,696
Other revenues	-	-	-	-	-	184,426	-	-	-	-	1,704	2,138	188,268
Total revenues	22,199	87,156	39,839	139,244	49,889	244,636	12	997,733	1,330,315	39,381	1,729	2,139	2,954,272
Expenditures:													
Current													
General government	-	-	-	-	-	-	-	-	-	9,112	16,664	2,822	28,598
Public safety	-	-	-	-	-	-	313	-	-	-	-	-	313
Public works	-	-	126,851	-	-	0	-	-	-	-	-	-	126,851
Education	-	-	-	-	-	-	-	997,904	1,330,543	-	-	-	2,328,447
Capital outlay	-	-	-	-	-	35,542	-	-	-	-	-	-	35,542
Total expenditures	-	-	126,851	-	-	35,542	313	997,904	1,330,543	9,112	16,664	2,822	2,519,751
Excess (deficiency) of revenues over (under) expenditures	22,199	87,156	(87,012)	139,244	49,889	209,094	(301)	(171)	(228)	30,269	(14,935)	(683)	434,521
Other financing sources (uses):													
Transfers out	-	-	-	-	(49,888)	-	-	-	-	-	-	-	(49,888)
Total other financing sources (uses)	-	-	-	-	(49,888)	-	-	-	-	-	-	-	(49,888)
Net change in fund balances	22,199	87,156	(87,012)	139,244	1	209,094	(301)	(171)	(228)	30,269	(14,935)	(683)	384,633
Fund balances, beginning 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
Fund balances, end of year	\$ 60,713	\$ 217,084	\$ 34,306	\$ 202,480	\$ 945	\$ 2,153,083	\$ 16,846	\$ 4,132	\$ 5,169	\$ 384,271	\$ 31,794	\$ 2,148	\$ 3,112,971

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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 23, 2020. 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

November 23, 2020

CITY OF PHENIX CITY, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

FINANCIAL STATEMENT FINDINGS AND RESPONSES

No findings

CITY OF PHENIX CITY, ALABAMA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

No findings