

**CITY OF PHENIX CITY, ALABAMA**

**ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED**

**SEPTEMBER 30, 2020**

**CITY OF PHENIX CITY, ALABAMA**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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**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, 2020, 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, 2020. 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.

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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, 2020, 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 69 - 71) 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.

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*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 March 1, 2022, 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

March 1, 2022

**CITY OF PHENIX CITY, ALABAMA**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

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, 2020. 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, liabilities, and deferred inflows of resources 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, 2020**

**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, 2020**

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

**Component Units:**

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

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

**Financial Analysis of the City (Primary Government)**

**Assets**

Total assets of the City were \$221,479,731 for 2020 compared to \$217,821,008 for 2019. 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, 2020 was \$170,708,761, which is an increase of \$6,047,312 from September 30, 2019 of \$164,661,449. The City has recorded an accumulated \$88,839,291 in depreciation expense against these capital assets leaving a net asset book value of \$81,869,470. Debt outstanding related to capital assets was \$51,984,561 leaving an investment in capital assets of \$29,884,909 compared to \$28,725,888 for 2019. This increase is related to the City's increase in revenue and completion of several capital projects.

The City's Business-type Activities had capital assets as of September 30, 2020 of \$131,177,943, which represents an increase of \$2,195,193 from September 2019 of \$128,982,750. Net of \$58,784,532 in accumulated depreciation expense, the City's Business-type Activities had \$72,393,411 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 \$42,463,111 leaving an investment in capital assets of \$29,930,300 for 2020 compared to \$31,227,034 for 2019.

**CITY OF PHENIX CITY, ALABAMA**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

**Revenues**

The City's total revenue from Governmental Funds was \$51,487,887, an increase of 7.4% from the previous year \$47,938,666. 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 \$29,830,825, which represents 57.9% of total revenues. Licenses and permits totaled \$5,418,872, charges for service totaled \$2,860,907 property taxes totaled \$6,133,998, other business taxes totaled \$1,636,258, and interest totaled \$260,677. 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, \$2,210,757 is dedicated to debt service and \$2,338,938 for education.

**Expenditures**

Departmental operating expenditures totaled \$38,206,872 or 86.4% of total non-capital expenditures of \$44,215,300. The City transferred \$2,330,348 to the Phenix City Board of Education and debt service on general obligation debt totaled \$6,008,428. Capital outlays during the fiscal year were \$6,255,754.

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 \$13,666,522 or 35.8%. Public safety (police, code enforcement, and fire departments) is the second largest category of departmental operating expenses totaling \$12,916,855 or 33.8%. Culture and recreation at \$4,692,500 or 12.3% and Public works at \$4,600,647 or 12% represent most of the remaining balance of departmental operating expenditures. The increase in departmental expenses resulted mostly from an increase in spending in the general government and 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 \$12,535,559 were up \$540,463 in 2020 compared to \$11,995,096 in 2019. Operating expenses of \$8,837,724, not including depreciation and amortization expenses, were up \$1,051,676 compared to \$7,786,048 in 2019. Operating income, not including depreciation and amortization, decreased \$511,213. Depreciation and amortization expenses of \$3,084,445 increased \$260,697 from \$2,823,748 in 2019, interest expense was \$1,552,459 in 2020 compared to \$1,829,957 in 2019, and interest income was \$88,251 in 2020 compared to \$109,438 in 2019. There were no contributed assets in 2020 compared to \$179,921 in 2019. Contributed assets are capital assets constructed by private developers and contributed to the City when the City accepts a new development. The change in net position was (\$660,682) for 2020, which was a decrease of (\$1,026,776) from 2019 due to an increase in operating expenses.

**CITY OF PHENIX CITY, ALABAMA**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

**Fund Balances/Net Assets**

The General Fund's Fund Balance increased \$5,801,584 to \$23,587,648 in 2020 compared to \$17,786,064 in 2019 due to increases in revenue to offset the increase in general governmental expenditures. The fund balance for the City's Other Governmental Funds decreased \$4,783,131 to \$18,060,388 in 2020 compared to \$22,843,519 in 2019 primarily due to a decrease in bond proceeds to complete several planned capital projects.

Net position in Public Utilities decreased \$660,682 to \$30,879,604 in 2020 compared to \$31,540,286 in 2019.

**Budgetary Highlights**

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

Total operating revenues were \$583,600 more than budgetary projections in the General Fund, due primarily to an increase in revenue from sales and use taxes. Departmental expenditures were \$5,903,413 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 \$540,463 due to an increase in 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 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, 2020**

**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 \$3,235,000 in general obligation debt in fiscal year 2020. The City issued general obligation debt in 2020 to refund outstanding general obligation warrants issued in 2010. The City had \$64,895,000 outstanding in long-term general obligation debt at the 2020 fiscal year-end compared to \$69,895,000 in 2019. General obligation debt of \$36,710,000 or 57% of the total outstanding debt in 2020 will be retired by the end of 2030.

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 \$1,665,000 of revenue debt in 2020 and issued two revenue warrants in 2020 to refund outstanding revenue debt. The City had \$42,890,000 in revenue debt outstanding at the end of the 2020 fiscal year-end compared to \$44,455,000 in 2019. Of the \$42,890,000 in Revenue Warrants payable from the Utility Fund revenues outstanding at the 2020 fiscal year-end, \$20,455,000, or 48% will be retired by 2030 year-end. Details of the City's debt activity can be found in Note 7 on pages 37-55.

**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, 2020**

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 local economy, the steady growth in population, and new retail development currently planned, the City's revenues should continue to increase to fund planned services for at least the next three to five years.

The City plans to complete a study of water and sewer rates in 2021 to repair and replace worn infrastructure and to fund water and sewer capital projects throughout the City. 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 12<sup>th</sup> Street, Phenix City, Alabama 36867, with any questions or to request additional information.

**CITY OF PHENIX CITY, ALABAMA**

**STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020**

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	\$ 19,838,875	\$ 1,475,254	\$ 21,314,129	\$ 20,174,576
Investments	-	-	-	4,010,148
Taxes receivable	5,068,202	-	5,068,202	-
Accounts receivable	1,877,194	1,348,122	3,225,316	3,236,210
Notes receivable	333,700	98,450	432,150	-
Internal balances	151,261	(151,261)	-	-
Due from other governments	303,053	-	303,053	-
Inventories	65,103	217,953	283,056	211,807
Prepaid expenses	368,968	107,258	476,226	377,383
Restricted assets:				
Cash and cash equivalents	15,178,632	4,093,046	19,271,678	4,674,147
Investments	3,226,879	-	3,226,879	-
Bond discounts	-	-	-	1,823,802
Capital assets, non-depreciable	23,039,908	3,876,508	26,916,416	2,174,313
Capital assets, depreciable, net of accumulated depreciation	58,829,562	68,516,903	127,346,465	71,137,535
Total assets	128,281,337	79,582,233	207,863,570	107,819,921
Deferred outflows of resources:				
Deferred outflows related to pension plan	2,767,298	468,060	3,235,358	12,413,440
Deferred outflows related to OPEB plan	4,749,691	854,233	5,603,924	5,626,176
Deferred amounts - bond refundings	2,222,900	2,553,979	4,776,879	-
Total deferred outflows of resources	9,739,889	3,876,272	13,616,161	18,039,616
Total assets and deferred outflows of resources	\$ 138,021,226	\$ 83,458,505	\$ 221,479,731	\$ 125,859,537
<b>LIABILITIES AND DEFERRED INFLOWS</b>				
Accounts payable	\$ 1,763,082	\$ 427,745	\$ 2,190,827	\$ 373,285
Accrued liabilities	690,582	106,051	796,633	4,765,215
Due to component units	50,811	-	50,811	-
Unearned revenues	23,152	-	23,152	-
Customer deposits	-	42,443	42,443	-
Accrued interest	399,116	194,007	593,123	345,518
Capital leases due within one year	126,123	90,149	216,272	-
Capital leases due in more than one year	272,530	143,080	415,610	-
Bonds payable due within one year	3,465,000	1,790,000	5,255,000	1,217,192
Bonds payable due in more than one year	64,527,223	42,993,861	107,521,084	69,320,666
Compensated absences due within one year	648,645	101,794	750,439	-
Compensated absences due in more than one year	133,170	20,814	153,984	-
Net pension liability	18,343,763	3,047,210	21,390,973	59,396,000
Net other postemployment benefits liability	13,111,706	2,311,103	15,422,809	24,782,935
Total liabilities	103,554,903	51,268,257	154,823,160	160,200,811
Deferred inflows of resources:				
Deferred inflows related to pension plan	540,050	79,393	619,443	2,529,000
Deferred inflows related to OPEB plan	7,321,509	1,231,251	8,552,760	30,362,815
Total deferred inflows of resources	7,861,559	1,310,644	9,172,203	32,891,815
Total liabilities and deferred inflows of resources	111,416,462	52,578,901	163,995,363	193,092,626
<b>NET POSITION</b>				
Net investments in capital assets	29,884,909	29,930,300	59,815,209	13,516,145
Restricted for:				
Capital projects	3,001,784	-	3,001,784	11,317,324
Debt service	903,183	3,738,436	4,641,619	4,684,295
Municipal court	409,567	-	409,567	-
Unrestricted	(7,594,679)	(2,789,132)	(10,383,811)	(96,750,853)
Total net position	26,604,764	30,879,604	57,484,368	(67,233,089)
Total liabilities, deferred inflows and net position	\$ 138,021,226	\$ 83,458,505	\$ 221,479,731	\$ 125,859,537

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, 2020**

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		
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 12,451,934	\$ 7,451,894	\$ 382,839	\$ 101,774	\$ (4,515,427)	\$ -	\$ (4,515,427)	\$ -
Public safety	13,350,897	884,933	15,800	26,353	(12,423,811)	-	(12,423,811)	-
Public works	9,286,093	3,084,855	-	745,727	(5,455,511)	-	(5,455,511)	-
Culture and recreation	5,519,686	848,114	-	-	(4,671,572)	-	(4,671,572)	-
Education	2,330,348	-	-	-	(2,330,348)	-	(2,330,348)	-
Interest on long-term debt	3,416,384	-	-	-	(3,416,384)	-	(3,416,384)	-
Total governmental activities	<u>46,355,342</u>	<u>12,269,796</u>	<u>398,639</u>	<u>873,854</u>	<u>(32,813,053)</u>	<u>-</u>	<u>(32,813,053)</u>	<u>-</u>
Business-type activities:								
Public Utilities	13,474,628	12,535,559	-	191,756	-	(747,313)	(747,313)	-
Total business-type activities	<u>13,474,628</u>	<u>12,535,559</u>	<u>-</u>	<u>191,756</u>	<u>-</u>	<u>(747,313)</u>	<u>(747,313)</u>	<u>-</u>
Total primary government	<u>\$ 59,829,970</u>	<u>\$ 24,805,355</u>	<u>\$ 398,639</u>	<u>\$ 1,065,610</u>	<u>\$ (32,813,053)</u>	<u>\$ (747,313)</u>	<u>\$ (33,560,366)</u>	<u>\$ -</u>
<b>Component unit:</b>								
Phenix City Board of Education	\$ 77,693,280	\$ 2,903,222	\$ 61,167,521	\$ -	\$ -	\$ -	\$ -	\$ (13,622,537)
Total component units	<u>\$ 77,693,280</u>	<u>\$ 2,903,222</u>	<u>\$ 61,167,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (13,622,537)</u>
General revenues:								
Property taxes					\$ 6,245,997	\$ -	\$ 6,245,997	\$ 9,261,236
Sales and use taxes					29,830,825	-	29,830,825	4,125,928
Business taxes					1,636,258	-	1,636,258	-
Unrestricted investment earnings					260,678	88,251	348,929	225,489
Transfers					1,620	(1,620)	-	-
Total general revenues and transfers					<u>37,975,378</u>	<u>86,631</u>	<u>38,062,009</u>	<u>13,612,653</u>
Change in net position					5,162,325	(660,682)	4,501,643	(9,884)
Net position, beginning of year					21,442,439	31,540,286	52,982,725	(67,223,205)
Net position, end of year					<u>\$ 26,604,764</u>	<u>\$ 30,879,604</u>	<u>\$ 57,484,368</u>	<u>\$ (67,233,089)</u>

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

**CITY OF PHENIX CITY, ALABAMA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2020**

<b>ASSETS</b>	<b>General</b>	<b>Capital Improvement</b>	<b>7 Mill</b>	<b>Public Building Authority</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
Cash and cash equivalents	\$ 18,703,633	\$ -	\$ -	\$ -	\$ 1,135,242	\$ 19,838,875
Taxes receivable	3,155,287	-	969,565	-	943,350	5,068,202
Accounts receivable	551,998	-	-	-	1,325,196	1,877,194
Notes receivable	-	-	-	-	333,700	333,700
Due from other funds	196,045	-	5,270	-	18,746	220,061
Due from other governments	115,633	187,420	-	-	-	303,053
Inventory	65,103	-	-	-	-	65,103
Prepaid items	368,968	-	-	-	-	368,968
Restricted cash	30,426	4,943,613	310,399	9,295,934	598,260	15,178,632
Restricted investments	3,200,000	-	-	26,879	-	3,226,879
Total assets	<u>\$ 26,387,093</u>	<u>\$ 5,131,033</u>	<u>\$ 1,285,234</u>	<u>\$ 9,322,813</u>	<u>\$ 4,354,494</u>	<u>\$ 46,480,667</u>
<b>LIABILITIES DEFERRED INFLOWS AND FUND BALANCES</b>						
<b>LIABILITIES AND DEFERRED INFLOWS</b>						
Accounts payable	\$ 1,622,590	\$ 114,947	\$ 1,000	\$ 0	\$ 24,545	\$ 1,763,082
Accrued expenses	690,582	-	-	-	-	690,582
Due to other funds	-	18,746	-	50,000	54	68,800
Due to component units	-	-	-	-	50,811	50,811
Total liabilities	<u>2,313,172</u>	<u>133,693</u>	<u>1,000</u>	<u>50,000</u>	<u>75,410</u>	<u>2,573,275</u>
Deferred inflows - unavailable revenue	486,273	-	870,020	-	903,063	2,259,356
<b>FUND BALANCES (DEFICIT)</b>						
Nonspendable:						
Inventories	65,103	-	-	-	-	65,103
Prepaid assets	368,968	-	-	-	-	368,968
Restricted for:						
Debt service	-	-	414,214	79	18,065	432,358
Capital projects	-	4,997,340	-	9,272,734	-	14,270,074
Street improvements	-	-	-	-	721,085	721,085
Revolving loans	-	-	-	-	2,171,663	2,171,663
Public safety	-	-	-	-	22,298	22,298
Municipal court	-	-	-	-	409,567	409,567
Committed for:						
Operating reserves	3,200,000	-	-	-	-	3,200,000
Book fund	29,959	-	-	-	-	29,959
Assigned for:						
General self insurance liability	-	-	-	-	-	-
Unassigned	19,923,618	-	-	-	33,343	19,956,961
Total fund balances	<u>23,587,648</u>	<u>4,997,340</u>	<u>414,214</u>	<u>9,272,813</u>	<u>3,376,021</u>	<u>41,648,036</u>
Total liabilities and fund balances	<u>\$ 26,387,093</u>	<u>\$ 5,131,033</u>	<u>\$ 1,285,234</u>	<u>\$ 9,322,813</u>	<u>\$ 4,354,494</u>	
Amounts reported for governmental activities in the statement of net position are different because:						
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.						81,869,470
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.						2,236,204
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						(65,769,323)
Accrued interest on long-term liabilities						(399,116)
Capital leases						(398,653)
Accrued compensated absences						(781,815)
Net pension liability net of deferred inflows and outflows related to pension						(16,116,515)
Net other postemployment benefits liability net of deferred inflows and outflows related to OPEB						(15,683,524)
Net position of governmental activities						<u>\$ 26,604,764</u>

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



**CITY OF PHENIX CITY, ALABAMA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

	<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>
<b>Revenues:</b>						
Property taxes	\$ 1,584,303	\$ -	\$ 2,210,757	\$ -	\$ 2,338,938	\$ 6,133,998
Sales and use taxes	29,408,324	-	-	-	422,501	29,830,825
Business taxes	734,833	-	901,425	-	-	1,636,258
Licenses and permits	5,418,872	-	-	-	-	5,418,872
Intergovernmental	526,766	393,311	-	-	352,416	1,272,493
Charges for services	2,628,575	-	-	-	232,332	2,860,907
Fines and forfeitures	773,880	-	-	-	68,599	842,479
Interest	109,233	21,326	352	120,547	9,219	260,677
Other revenues	794,979	162,168	-	1,459,764	3,099	2,420,010
Parks and recreation	811,368	-	-	-	-	811,368
Total revenues	<u>42,791,133</u>	<u>576,805</u>	<u>3,112,534</u>	<u>1,580,311</u>	<u>3,427,104</u>	<u>51,487,887</u>
<b>Expenditures:</b>						
Current:						
General government	13,609,767	8,802	14,500	29,623	3,830	13,666,522
Public safety	12,911,360	-	-	-	5,495	12,916,855
Public works	4,375,200	-	-	-	225,447	4,600,647
Culture and recreation	4,692,500	-	-	-	-	4,692,500
Education	-	-	-	-	2,330,348	2,330,348
Capital outlay	-	5,449,395	-	240,669	565,690	6,255,754
Debt service:						
Principal	182,026	-	2,545,000	910,000	-	3,637,026
Interest	-	-	1,821,638	549,764	-	2,371,402
Total expenditures	<u>35,770,853</u>	<u>5,458,197</u>	<u>4,381,138</u>	<u>1,730,056</u>	<u>3,130,810</u>	<u>50,471,054</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,020,280</u>	<u>(4,881,392)</u>	<u>(1,268,604)</u>	<u>(149,745)</u>	<u>296,294</u>	<u>1,016,833</u>
<b>Other financing sources (uses):</b>						
Transfers in	40,955	-	1,250,000	3,560	323,187	1,617,702
Transfers out	(1,259,651)	-	-	-	(356,431)	(1,616,082)
Total other financing sources (uses)	<u>(1,218,696)</u>	<u>-</u>	<u>1,250,000</u>	<u>3,560</u>	<u>(33,244)</u>	<u>1,620</u>
Net change in fund balances	5,801,584	(4,881,392)	(18,604)	(146,185)	263,050	1,018,453
<b>Fund balances, beginning of year</b>	<u>17,786,064</u>	<u>9,878,732</u>	<u>432,818</u>	<u>9,418,998</u>	<u>3,112,971</u>	<u>40,629,583</u>
<b>Fund balances, end of year</b>	<u>\$ 23,587,648</u>	<u>\$ 4,997,340</u>	<u>\$ 414,214</u>	<u>\$ 9,272,813</u>	<u>\$ 3,376,021</u>	<u>\$ 41,648,036</u>

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

**CITY OF PHENIX CITY, ALABAMA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

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

Net change in fund balances - total governmental funds	\$ 1,018,453
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.	1,362,015
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	111,984
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.	2,720,760
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.	92,656
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>(143,543)</u>
Change in net position of governmental activities	<u>\$ 5,162,325</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, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 1,672,795	\$ 1,672,795	\$ 1,584,303	\$ (88,492)
Sales and use taxes	28,560,813	28,560,813	29,408,324	847,511
Business taxes	651,390	651,390	734,833	83,443
Licenses and permits	5,770,106	5,770,106	5,418,872	(351,234)
Intergovernmental	280,000	280,000	526,766	246,766
Charges for services	2,672,600	2,672,600	2,628,575	(44,025)
Fines and forfeitures	445,000	445,000	773,880	328,880
Interest income	175,000	175,000	109,233	(65,767)
Miscellaneous Income	639,641	639,641	794,979	155,338
Parks and recreation	1,340,188	1,340,188	811,368	(528,820)
Total revenues	<u>42,207,533</u>	<u>42,207,533</u>	<u>42,791,133</u>	<u>583,600</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General government:</b>				
City manager	455,636	455,636	303,749	151,887
Personnel	433,586	446,419	347,687	98,732
City clerk	518,163	518,353	438,777	79,576
Information Technology	531,663	631,475	510,292	121,183
Municipal court	397,368	397,673	384,711	12,962
Finance	751,840	799,617	549,563	250,054
Finance - revenue collection	127,684	146,829	103,390	43,439
Non-departmental	7,350,170	10,735,850	9,775,396	960,454
Appropriations and contributions	691,003	691,003	651,397	39,606
Economic development	413,596	415,811	238,600	177,211
Building maintenance	472,124	515,388	306,205	209,183
Total general government	<u>12,142,833</u>	<u>15,754,054</u>	<u>13,609,767</u>	<u>2,144,287</u>
<b>Public safety:</b>				
Code enforcement	719,747	726,074	633,243	92,831
Fire	5,651,086	5,673,508	4,856,619	816,889
Police	7,845,565	7,881,627	7,281,479	600,148
Animal control	204,393	205,197	140,019	65,178
Total public safety	<u>14,420,791</u>	<u>14,486,406</u>	<u>12,911,360</u>	<u>1,575,046</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, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Expenditures: (Continued)</b>				
<b>Current:</b>				
<b>Public works:</b>				
Vehicle maintenance	\$ 299,772	\$ 300,016	\$ 294,545	\$ 5,471
Cemetery maintenance	319,944	320,580	256,166	64,414
Engineering	986,634	994,485	710,416	284,069
Administration	473,246	473,246	434,520	38,726
Limbs and debris	1,771,356	1,775,849	1,585,587	190,262
Refuse disposal	203,120	203,580	171,921	31,659
Streets and drainage	1,098,060	1,105,148	922,045	183,103
Total public works	<u>5,152,132</u>	<u>5,172,904</u>	<u>4,375,200</u>	<u>797,704</u>
<b>Culture and recreation:</b>				
Parks and recreation	3,657,069	3,745,372	3,259,025	486,347
Central activity center	93,050	99,850	68,266	31,584
Amphitheater	199,725	151,192	64,008	87,184
Golf course	1,111,062	1,304,787	950,700	354,087
Library	409,053	409,252	350,501	58,751
Total culture and recreation	<u>5,469,959</u>	<u>5,710,453</u>	<u>4,692,500</u>	<u>1,017,953</u>
<b>Debt service:</b>				
Principal	539,504	539,504	171,081	368,423
Interest	10,945	10,945	10,945	-
Total debt service	<u>550,449</u>	<u>550,449</u>	<u>182,026</u>	<u>368,423</u>
Total expenditures	<u>37,736,164</u>	<u>41,674,266</u>	<u>35,770,853</u>	<u>5,903,413</u>
Excess of revenues over expenditures	<u>4,471,369</u>	<u>533,267</u>	<u>7,020,280</u>	<u>6,487,013</u>
<b>Other financing sources (uses):</b>				
Transfers in	80,000	80,000	40,955	(39,045)
Transfers out	(1,250,000)	(1,257,611)	(1,259,651)	(2,040)
Total other financing uses	<u>(1,170,000)</u>	<u>(1,177,611)</u>	<u>(1,218,696)</u>	<u>(41,085)</u>
Net change in fund balances	3,301,369	(644,344)	5,801,584	6,445,928
Fund balance, beginning of year	<u>17,786,064</u>	<u>17,786,064</u>	<u>17,786,064</u>	<u>-</u>
Fund balance, end of year	<u>\$ 21,087,433</u>	<u>\$ 17,141,720</u>	<u>\$ 23,587,648</u>	<u>\$ 6,445,928</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, 2020

	Business-type Activities Enterprise Funds
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>Public Utilities</b>
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 1,475,254
Accounts receivable, net of allowances	1,348,122
Notes receivable	98,450
Inventories	217,953
Prepaid expenses	107,258
Total current assets	3,247,037
<b>RESTRICTED ASSETS</b>	
Cash and cash equivalents	4,093,046
<b>NONCURRENT ASSETS</b>	
Capital assets:	
Nondepreciable	3,876,508
Depreciable, net of accumulated depreciation	68,516,903
Total noncurrent assets	72,393,411
Total assets	79,733,494
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pension plan	468,060
Deferred outflows related to other postemployment benefits plan	854,233
Deferred amounts - bond refundings	2,553,979
Total deferred outflows of resources	3,876,272
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	427,745
Accrued expenses	106,051
Due to other funds	151,261
Customer deposits	42,443
Accrued interest	194,007
Current portion - capital lease	90,149
Current portion - bonds payable	1,790,000
Current portion - compensated absences	101,794
Total current liabilities	2,903,450
<b>LONG-TERM LIABILITIES</b>	
Capital lease, net of current portion	143,080
Bonds payable, net of current portion	42,993,861
Compensated absences, net of current portion	20,814
Net pension liability	3,047,210
Net other postemployment benefits obligation	2,311,103
Total long-term liabilities	48,516,068
Total liabilities	51,419,518
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pension plan	79,393
Deferred inflows related to other postemployment benefits plan	1,231,251
Total deferred inflows of resources	1,310,644
<b>NET POSITION</b>	
Net investments in capital assets	29,930,300
Restricted for debt service	3,738,436
Unrestricted	(2,789,132)
Total net position	\$ 30,879,604

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, 2020**

	<b>Business-type Activities</b>
	<b>Enterprise Funds</b>
	<b>Public</b>
	<b>Utilities</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 12,509,866
Miscellaneous	25,693
Total operating revenues	12,535,559
<b>OPERATING EXPENSES</b>	
Administrative	3,319,248
Water plant	1,688,588
Water distribution	1,131,218
Wastewater distribution	1,243,479
Wastewater plant	1,455,191
Depreciation and amortization	3,084,445
Total operating expenses	11,922,169
Operating income	613,390
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	88,251
Interest expense	(1,552,459)
System development fees	191,756
Total nonoperating income (loss)	(1,272,452)
Income (loss) before contributions and transfers	(659,062)
<b>TRANSFERS</b>	
Transfers out	(1,620)
Total transfers	(1,620)
Change in net position	(660,682)
<b>NET POSITION, beginning of year</b>	31,540,286
<b>NET POSITION, end of year</b>	\$ 30,879,604

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, 2020**

	<b>Business-type Activities</b>
	<b>Enterprise Funds</b>
	<b>Public Utilities</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 12,237,400
Payments to suppliers	(5,081,768)
Payments to employees	(3,566,599)
	3,589,033
Net cash provided by operating activities	3,589,033
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers out	(1,620)
System development fees	191,756
	190,136
Net cash provided by noncapital financing activities	190,136
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(1,565,280)
Proceeds from issuance of bonds	1,320,849
Principal paid on bonds	(1,665,000)
Principal paid on capital lease	(87,581)
Interest paid	(2,464,581)
	(4,461,593)
Net cash used in capital and related financing activities	(4,461,593)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	88,251
	88,251
Net cash provided by investing activities	88,251
Net increase (decrease) in cash and cash equivalents	(594,173)
<b>Cash and cash equivalents:</b>	
Beginning of year	6,162,473
	6,162,473
End of year	\$ 5,568,300
<b>Classified as:</b>	
Cash	\$ 1,475,254
Restricted assets, cash	4,093,046
	\$ 5,568,300

(Continued)

**CITY OF PHENIX CITY, ALABAMA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

	<b>Business-type Activities</b>	<b>Enterprise Funds</b>
	<b>Public Utilities</b>	
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$	613,390
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense		3,084,446
Decrease in accounts receivable		(125,068)
Decrease in notes receivable		2,650
Decrease in inventory		52,597
Increase in prepaid expenses		(5,121)
Decrease in accounts payable		80,023
Increase in accrued expenses		26,625
Decrease in due to other funds		(164,251)
Decrease in customer deposits		(11,490)
Increase in compensated absences		(220)
Decrease in pension liability		1,356,700
Increase in other postretirement benefits obligation		(1,321,248)
Net cash provided by (used in) operating activities	\$	3,589,033
 <b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>		
Capitalized interest	\$	629,913
Amortization of bond discounts, premiums and deferred amounts, net		(241,803)

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



**CITY OF PHENIX CITY, ALABAMA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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**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 9<sup>th</sup> Avenue, Phenix City, Alabama 36868.

# CITY OF PHENIX CITY, ALABAMA

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020

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### 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, 2020

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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, 2020**

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**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, 2020**

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**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, 2020**

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**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, 2020.

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, 2020**

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**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, 2020**

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**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, 2020

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**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	\$ (64,895,000)
Deferred outflow of resources - bond refundings	2,222,900
Unamortized original issue discount	121,554
Unamortized original issue premium	<u>(3,218,777)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (65,769,323)</u></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	\$ 6,047,312
Depreciation expense	<u>(4,685,297)</u>
Net adjustment to increase net changes in fund balances - total <i>governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ 1,362,015</u></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, 2020**

**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:

Issuance of bonds	\$ (38,855,000)
Premium on bond issuance, net	(2,998,038)
Principal repayment - capital lease	182,026
Principal repayment - bonds	43,855,000
Amortization of discounts, premiums and defeasance on bonds	<u>536,772</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>\$ 2,720,760</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.

Change in net other postemployment benefits obligation	\$ 6,732,861
Change in net pension obligation	(1,748,243)
Change in deferred inflows and outflows of resources	<u>(4,891,962)</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>\$ 92,656</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	\$ (128,716)
Change in compensated absences	<u>(14,827)</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>\$ (143,543)</u></u>

**CITY OF PHENIX CITY, ALABAMA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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**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 3<sup>rd</sup> 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, 2020, no departments had actual expenditures in excess of budgetary appropriations.

**CITY OF PHENIX CITY, ALABAMA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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**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, 2020, 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, 2020**

**NOTE 5. RECEIVABLES**

Receivables consisted of the following at September 30, 2020:

	<b>General Fund</b>	<b>7 Mill Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Public Utilities Fund</b>	<b>Total</b>
Receivables:					
Taxes	\$3,313,610	\$969,565	\$ 943,350	\$ -	\$ 5,226,525
Accounts	551,998	-	1,325,196	3,596,939	5,474,133
Notes	-	-	333,700	98,450	432,150
Gross receivables	<u>3,865,608</u>	<u>969,565</u>	<u>2,602,246</u>	<u>3,695,389</u>	<u>11,132,808</u>
Less allowance for uncollectibles	<u>(158,323)</u>	<u>-</u>	<u>-</u>	<u>(2,248,817)</u>	<u>(2,407,140)</u>
Net total receivable	<u><u>\$3,707,285</u></u>	<u><u>\$969,565</u></u>	<u><u>\$ 2,602,246</u></u>	<u><u>\$1,446,572</u></u>	<u><u>\$ 8,725,668</u></u>

Property taxes are levied based on the property on record as of January 1, 2019. Property taxes were levied on October 1, 2019, and payable on or before December 31, 2019. Property taxes levied for 2019 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during the year ended September 30, 2020, and collected by November 30, 2020, are recognized as revenues in the year ended September 30, 2020. Net receivables estimated to be collected subsequent to November 30, 2020, 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, 2020**

**NOTE 6. CAPITAL ASSETS**

**A. Primary Government**

The City's capital asset activity for the year ended September 30, 2020 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>					
Capital assets, not being depreciated:					
Land and improvements	\$ 17,722,971	\$ 50,771	\$ -	\$ 925,579	\$ 18,699,321
Construction in progress	2,416,333	3,135,287	-	(1,211,033)	4,340,587
Total capital assets, not being depreciated	<u>20,139,304</u>	<u>3,186,058</u>	<u>-</u>	<u>(285,454)</u>	<u>23,039,908</u>
Capital assets, being depreciated:					
Buildings	41,791,403	193,030	-	46,180	42,030,613
Machinery and equipment	24,850,536	964,602	-	-	25,815,138
Infrastructure	77,880,206	1,703,622	-	239,274	79,823,102
Total capital assets, being depreciated	<u>144,522,145</u>	<u>2,861,254</u>	<u>-</u>	<u>285,454</u>	<u>147,668,853</u>
Less accumulated depreciation for:					
Buildings	(23,012,844)	(1,211,194)	-	-	(24,224,038)
Machinery and equipment	(18,440,193)	(1,565,004)	-	-	(20,005,197)
Infrastructure	(42,700,957)	(1,909,099)	-	-	(44,610,056)
Total accumulated depreciation	<u>(84,153,994)</u>	<u>(4,685,297)</u>	<u>-</u>	<u>-</u>	<u>(88,839,291)</u>
Total capital assets, being depreciated, net	<u>60,368,151</u>	<u>(1,824,043)</u>	<u>-</u>	<u>285,454</u>	<u>58,829,562</u>
Governmental activities capital assets, net	<u>\$ 80,507,455</u>	<u>\$ 1,362,015</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,869,470</u>
<b>Business-type Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 275,782	\$ -	\$ -	\$ -	\$ 275,782
Construction in progress	9,151,761	1,786,096	-	(7,337,131)	3,600,726
Total capital assets, not being depreciated	<u>9,427,543</u>	<u>1,786,096</u>	<u>-</u>	<u>(7,337,131)</u>	<u>3,876,508</u>
Capital assets, being depreciated:					
Building and improvements	1,027,607	26,003	-	-	1,053,610
Machinery and equipment	7,958,687	313,530	-	-	8,272,217
Plant facilities	110,568,913	69,564	-	7,337,131	117,975,608
Total capital assets, being depreciated	<u>119,555,207</u>	<u>409,097</u>	<u>-</u>	<u>7,337,131</u>	<u>127,301,435</u>
Less accumulated depreciation for:					
Building and improvements	(844,374)	(42,791)	-	-	(887,165)
Machinery and equipment	(6,578,145)	(392,535)	-	-	(6,970,680)
Plant facilities	(48,277,567)	(2,649,120)	-	-	(50,926,687)
Total accumulated depreciation	<u>(55,700,086)</u>	<u>(3,084,446)</u>	<u>-</u>	<u>-</u>	<u>(58,784,532)</u>
Total capital assets, being depreciated, net	<u>63,855,121</u>	<u>(2,675,349)</u>	<u>-</u>	<u>7,337,131</u>	<u>68,516,903</u>
Business-type activities capital assets, net	<u>\$ 73,282,664</u>	<u>\$ (889,253)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,393,411</u>

**CITY OF PHENIX CITY, ALABAMA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**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	\$ 113,033
Public safety	1,124,246
Public works	2,375,856
Culture and recreation	<u>1,072,162</u>
Total depreciation expense - governmental activities	<u>\$ 4,685,297</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	435,859	-	-	435,859
Construction in progress	-	847,550	-	847,550
Total capital assets, not being depreciated	<u>1,326,763</u>	<u>847,550</u>	<u>-</u>	<u>2,174,313</u>
Capital assets, being depreciated:				
Building and improvements	98,881,790	85,805	-	98,967,595
Machinery and equipment	11,860,624	942,170	(640,208)	12,162,586
Total	<u>110,742,414</u>	<u>1,027,975</u>	<u>(640,208)</u>	<u>111,130,181</u>
Less accumulated depreciation:				
Building and improvements*	(31,003,269)	(2,155,673)		(33,158,942)
Machinery and equipment	(6,711,872)	(756,298)	634,466	(6,833,704)
Total	<u>(37,715,141)</u>	<u>(2,911,971)</u>	<u>634,466</u>	<u>(39,992,646)</u>
Total capital assets, being depreciated, net	<u>73,027,273</u>	<u>(1,883,996)</u>	<u>(5,742)</u>	<u>71,137,535</u>
Discretely presented component unit capital assets, net	<u>\$ 74,354,036</u>	<u>\$ (1,036,446)</u>	<u>\$ (5,742)</u>	<u>\$ 73,311,848</u>

**CITY OF PHENIX CITY, ALABAMA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**NOTE 7. LONG-TERM DEBT**

**A. Primary Government**

The following is a summary of long-term debt activity for the year ended September 30, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Bonds payable	\$69,895,000	\$38,855,000	\$(43,855,000)	\$64,895,000	\$ 3,465,000
Less deferred amounts:					
Unamortized premium	427,867	2,998,038	(207,128)	3,218,777	-
Unamortized discount	(403,941)	-	282,387	(121,554)	-
Net bonds payable	<u>69,918,926</u>	<u>41,853,038</u>	<u>(43,779,741)</u>	<u>67,992,223</u>	<u>3,465,000</u>
Capital leases payable	580,679	-	(182,026)	398,653	126,123
Compensated absences	<u>766,988</u>	<u>14,827</u>	<u>-</u>	<u>781,815</u>	<u>648,645</u>
Governmental activities long-term liabilities	<u><u>\$71,266,593</u></u>	<u><u>\$41,867,865</u></u>	<u><u>\$(43,961,767)</u></u>	<u><u>\$69,172,691</u></u>	<u><u>\$ 4,239,768</u></u>
<b>Business-type activities:</b>					
Bonds payable	\$44,455,000	\$20,440,000	\$(22,005,000)	\$42,890,000	\$ 1,790,000
Less deferred amounts:					
Unamortized discount	(174,653)	-	14,991	(159,662)	-
Unamortized premium	1,066,234	1,220,849	(233,560)	2,053,523	-
Net bonds payable	<u>45,346,581</u>	<u>21,660,849</u>	<u>(22,223,569)</u>	<u>44,783,861</u>	<u>1,790,000</u>
Capital leases payable	320,810	-	(87,581)	233,229	90,149
Compensated absences	<u>122,828</u>	<u>-</u>	<u>(220)</u>	<u>122,608</u>	<u>101,794</u>
Business-type activities long-term liabilities	<u><u>\$45,790,219</u></u>	<u><u>\$21,660,849</u></u>	<u><u>\$(22,311,370)</u></u>	<u><u>\$45,139,698</u></u>	<u><u>\$ 1,981,943</u></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, 2020

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, 2020, are as follows:

	<u>Interest Rates</u>	<u>September 30, 2020</u>
2010-B Issue	2.10% - 3.94%	1,100,000
2011-A Issue	1.63% - 4.38%	9,460,000
2015-A Issue	2.00% - 4.00%	3,560,000
2017-A Issue	2.00% - 3.00%	2,195,000
2017-B Issue	2.00% - 4.00%	7,340,000
2017-C Issue	2.00% - 3.00%	3,295,000
2020-A Issue	3.00% - 4.00%	21,810,000
2020-A Issue - Public Building Authority	1.85% - 2.93%	16,135,000
		<u>64,895,000</u>
Less: unamortized premium (discount), net		3,097,223
		<u><u>\$ 67,992,223</u></u>

A description of these bond issues is provided below.

**CITY OF PHENIX CITY, ALABAMA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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**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, 2020 in the amount of \$1,100,000. 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. A portion of the Series 2010-B Bonds were refunded with the issuance of the Series 2020-A Bonds.

**CITY OF PHENIX CITY, ALABAMA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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**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, 2020 in the amount of \$9,460,000. 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, 2020**

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**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, 2020 in the amount of \$3,560,000. 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, 2020 in the amount of \$2,195,000. 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, 2020**

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**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, 2020 in the amount of \$7,340,000. 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, 2020 in the amount of \$3,295,000. 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, 2020**

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**NOTE 7. LONG-TERM DEBT (CONTINUED)**

**A. Primary Government (Continued)**

**Governmental Activities Debt (Continued)**

General Obligation Refunding Bonds, Series 2020-A, \$21,810,000 Principal

The City has tax exempt General Obligation Refunding Bonds, Series 2020-A (Series 2020-A Bonds) outstanding at September 30, 2020 in the amount of \$21,810,000. The proceeds of the bonds are to be used for refunding certain outstanding debt of the City.

The advanced refunding included a portion of the outstanding balance of the 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 \$108,790. 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 2020-A Bonds maturing on February 1, 2030 or thereafter may be redeemed at the option of the City on August 1, 2029 or any date thereafter at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption price.

**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) were refunded during the year with the issuance of the PBA Series 2020-A Bonds. The proceeds of the bonds were 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 were limited obligations of the PBA and were 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.

**CITY OF PHENIX CITY, ALABAMA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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**NOTE 7. LONG-TERM DEBT (CONTINUED)**

**A. Primary Government (Continued)**

**Governmental Activities Debt (Continued)**

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 \$1,030,010 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 \$298,080 for the year ended September 30, 2020 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.

**Revenue Bonds, Series 2020-A, \$17,045,000 Principal – Public Building Authority**

The PBA has Revenue Bonds, Series 2020-A (PBA Series 2020-A Bonds) outstanding at September 30, 2020 in the amount of \$16,135,000 to refund the PBA Series 2011-A Bonds.

The advanced refunding of the outstanding balance of the Series 2011 Bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$689,559. This difference is included in deferred outflows of resources in the accompanying financial statements and is being charged to interest expense through the year 2036 using the effective interest method.

The PBA Series 2020-A Bonds maturing on April 1, 2030 or thereafter may be redeemed at the option of the City, on or after October 1, 2029 or any date thereafter at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date.

**CITY OF PHENIX CITY, ALABAMA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**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>
2021	\$ 3,465,000	\$ 2,095,568	\$ 5,560,568
2022	3,445,000	2,014,044	5,459,044
2023	3,545,000	1,918,000	5,463,000
2024	3,665,000	1,809,532	5,474,532
2025	3,775,000	1,690,120	5,465,120
2026 - 2030	18,815,000	6,548,889	25,363,889
2031 - 2035	20,805,000	3,345,632	24,150,632
2036 - 2040	6,485,000	481,970	6,966,970
2041 - 2045	895,000	29,332	924,332
	<u>64,895,000</u>	<u>\$ 19,933,087</u>	<u>\$ 84,828,087</u>
Plus: unamortized premium, net	3,097,223		
	<u>\$ 67,992,223</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, 2020:

	<u>Governmental Activities</u>
Equipment	\$ 1,660,715
Less: Accumulated depreciation	(1,135,289)
	<u>\$ 525,426</u>



**CITY OF PHENIX CITY, ALABAMA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**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, 2020:

	<u>Governmental Activities</u>
Fiscal year ending September 30,	
2021	\$ 137,068
2022	137,068
2023	117,880
2024	27,871
2025	-
Total minimum lease payments	<u>419,887</u>
Less amount representing interest	<u>(21,234)</u>
Present value of future minimum lease payments	<u><u>\$ 398,653</u></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, 2020, are as follows:

	<u>Interest Rates</u>	<u>September 30, 2020</u>
2011-A Water and Sewer Revenue Bonds	1.00% - 4.38%	\$ 2,935,000
2014-A Water and Sewer Revenue Bonds	2.00% - 4.00%	5,895,000
2016-A Water and Sewer Revenue Bonds	3.00% - 4.00%	13,620,000
2020-A Water and Sewer Revenue Bonds	3.00%	5,350,000
2020-B Water and Sewer Revenue Bonds	4.00%	<u>15,090,000</u>
		42,890,000
Less: unamortized premium (discount), net		1,893,861
		<u><u>\$ 44,783,861</u></u>

**CITY OF PHENIX CITY, ALABAMA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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**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's tax-exempt Water and Sewer Revenue Bonds, Series 2009-A (Series 2009-A Bonds) were refunded during the year with the issuance of the Series 2020-A Bonds. 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.

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

The City's tax-exempt Water and Sewer Revenue Bonds, Series 2010-A (Series 2010-A Bonds) were refunded during the year with the issuance of the Series 2020-B Bonds. The proceeds from the bonds were 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 were 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, 2020**

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**NOTE 7. LONG-TERM DEBT (CONTINUED)**

**A. Primary Government (Continued)**

**Business-type Activities Debt (Continued)**

**Revenue Bonds (Continued)**

**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, 2020 in the amount of \$2,935,000. 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, 2020 in the amount of \$5,895,000. 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, 2020**

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**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, 2020 in the amount of \$13,620,000. 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 Bonds, Series 2020-A, \$5,350,000 Principal**

The City has tax-exempt Water and Sewer Revenue Bonds, Series 2020-A (Series 2020-A Bonds) outstanding at September 30, 2020 in the amount of \$5,350,000. 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, 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 reacquisition price of the new debt exceeded the carrying value of the old debt in the amount of \$22,841. This amount is deferred and recognized as a component of interest expense over the life of the new debt.

The Series 2020-A Bonds maturing on August 15, 2030 or thereafter are subject to redemption prior to maturity, at the option of the City, on or after August 15, 2029 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, 2020**

**NOTE 7. LONG-TERM DEBT (CONTINUED)**

**A. Primary Government (Continued)**

**Business-type Activities Debt (Continued)**

**Revenue Bonds (Continued)**

Water and Sewer Bonds, Series 2020-B, \$15,090,000 Principal

The City has tax-exempt Water and Sewer Revenue Bonds, Series 2020-B (Series 2020-B Bonds) outstanding at September 30, 2020 in the amount of \$15,090,000. The proceeds from the bonds are to be used for 1) refunding a portion of Water and Sewer Refunding Bonds, Series 2010-A, 2) improvements to the water and sewer 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 reacquisition price of the new debt exceeded the carrying value of the old debt in the amount of \$364,556. This amount is deferred and recognized as a component of interest expense over the life of the new debt.

The Series 2020-B Bonds maturing on August 15, 2030 or thereafter are subject to redemption prior to maturity, at the option of the City, on or after February 15, 2030 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>
2021	\$ 1,790,000	\$ 1,552,057	\$ 3,342,057
2022	1,845,000	1,501,532	3,346,532
2023	1,900,000	1,448,532	3,348,532
2024	1,935,000	1,404,269	3,339,269
2025	2,025,000	1,319,494	3,344,494
2026 - 2030	10,960,000	5,223,821	16,183,821
2031 - 2035	10,820,000	3,234,544	14,054,544
2036 - 2040	11,615,000	1,118,558	12,733,558
	<u>42,890,000</u>	<u>\$ 16,802,807</u>	<u>\$ 59,692,807</u>
Plus: unamortized premium, net	1,893,861		
	<u>\$ 44,783,861</u>		

**CITY OF PHENIX CITY, ALABAMA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**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, 2020:

	<b>Business-type Activities</b>
Equipment	\$ 881,240
Less: Accumulated depreciation	(565,649)
	\$ 315,591

The following is a schedule of future minimum lease payments together with the present value of net minimum lease payments as of September 30, 2020:

	<b>Business-type Activities</b>
Fiscal year ending September 30,	
2021	\$ 96,006
2022	96,006
2023	44,400
2024	6,800
2025	-
Total minimum lease payments	243,212
Less amount representing interest	(9,983)
Present value of future minimum lease payments	\$ 233,229

**CITY OF PHENIX CITY, ALABAMA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**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, 2020:

	<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	\$ -
2013-A Series Warrants	8,690,000	-	(8,690,000)	-	-
2014-A Series Warrants	9,090,000	-	(9,090,000)	-	-
2014-B Series Warrants	10,665,000	-	(10,665,000)	-	-
2015-A Series Warrants	5,345,000	-	(5,345,000)	-	-
2016-A Series Warrants	9,120,000	-	(90,000)	9,030,000	95,000
2018 Series Warrants	3,490,067	-	(140,963)	3,349,104	146,380
2019 Series Warrant	-	28,360,000	(450,000)	27,910,000	195,000
2020-A Series Warrant	-	5,300,000	-	5,300,000	315,000
2020-B Series Warrant	-	10,710,000	-	10,710,000	235,000
Installment Purchase Agreements	1,345,684	-	(223,034)	1,122,650	230,812
<b>Total</b>	<u><u>\$55,850,751</u></u>	<u><u>\$44,370,000</u></u>	<u><u>\$(34,693,997)</u></u>	<u><u>\$65,526,754</u></u>	<u><u>\$1,217,192</u></u>

Details of long-term debt are as follows:

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

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

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

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

**CITY OF PHENIX CITY, ALABAMA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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**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%.

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%. These bonds were refunded in the current year.

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%. These bonds were in substance defeased in the current year.

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%. These bonds were in substance defeased in the current year.

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%. These bonds were advance refunded in the current year.



**CITY OF PHENIX CITY, ALABAMA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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**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.

City of Phenix City Board of Education School Tax Warrants Series 2019: In December 2019, the Board issued \$28,360,000 in School Tax Warrants with an average interest rate of 3.92% to advance refund Series 2013-A Warrants and Series 2014-B Warrants with interest rates ranging from 1.0% to 5.5%, and also provide \$10,019,018 for construction funds. The Board has agreed to pay 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 \$10,000 to \$3,615,000 through August 2044. Interest is calculated at rates ranging from 3.0% to 4.0%.

City of Phenix City Board of Education School Tax Warrants Series 2020A: In August 2020, the Board issued \$5,300,000 in Tax-Exempt School Tax Warrants with an average interest rate of 2.35% to refund the Series 2015A with interest rate ranging from 2.0% to 3.4%, and also provide \$156,000 for construction funds. The Board has agreed to pay 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 \$220,000 to \$810,000 through August 2032. Interest is calculated at 2.35%.

City of Phenix City Board of Education School Tax Warrants Series 2020B: In August 2020, the Board issued \$10,710,000 in School Tax Warrants with an average interest rate of 3.73% to advance refund Series 2014-A with an interest rate ranging from 1.5% to 5.0%, and also provide \$553,000 for construction funds. The Board has agreed to pay 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 \$95,000 to \$995,000 through August 2043. Interest is calculated at 3.73%.

**CITY OF PHENIX CITY, ALABAMA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**NOTE 7. LONG-TERM DEBT (CONTINUED)**

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

In Substance Defeasance: On December 30, 2019, the Board issued \$28,360,000 in School Tax Warrants with an average interest rate of 3.92% to advance refund \$8,690,000 of outstanding Series 2013-A Warrants with an average interest rate of 2.5%, and also advance refund \$10,665,000 of outstanding Series 2014-B Warrants with an average rate of 3%, and to provide 10,019,018 for construction. The proceeds of \$21,008,543 were used to purchase government securities in an irrevocable trust to provide all future debt service payments for the Series 2013-A and 2014-B Warrants. The Board advance refunded these warrants to obtain an economic gain of (difference between present values of the debt service payments on the old and new debt) of \$1,019,907, and also to smooth the outflow for debt service in future years.

On August 13, 2020, the Board issued \$10,710,000 in School Tax Warrants with an average interest rate of 3.73% to advance refund \$8,855,000 outstanding Series 2014-A Warrants with an average interest rate of 3.25%, and to provide \$553,000 for construction. The proceeds of \$9,991,967 were used to purchase government securities in an irrevocable trust to provide all future debt service payments for the Series Warrants. The Board advance refunded these warrants to obtain an economic gain of (difference between present values of the debt service payments on the old and new debt) \$728,022, and also to smooth the outflow for debt service in future years.

The annual requirements to amortize all debt outstanding at September 30, 2020 are as follows:

Fiscal Year Ending September 30,	<b>Principal</b>	<b>Interest</b>	<b>Sinking Fund Payment</b>	<b>Total</b>
2021	\$ 1,217,192	\$ 2,242,584	\$ 421,794	\$ 3,881,570
2022	1,386,116	2,222,138	421,794	4,030,048
2023	1,306,078	2,185,643	421,794	3,913,515
2024	1,424,361	2,155,204	421,794	4,001,359
2025	1,469,153	2,112,606	421,794	4,003,553
2026 - 2030	18,193,957	8,991,183	-	27,185,140
2031 - 2035	12,223,593	6,992,265	-	19,215,858
2036 - 2040	14,596,304	4,457,729	-	19,054,033
2041 - 2045	13,710,000	1,379,765	-	15,089,765
	<u>\$ 65,526,754</u>	<u>\$ 32,739,117</u>	<u>\$ 2,108,970</u>	<u>\$ 100,374,841</u>

**CITY OF PHENIX CITY, ALABAMA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of September 30, 2020, is as follows:

Due to/from other funds:

<u>Payable to:</u>	<u>Payable from:</u>				
	<u>General</u>	<u>Capital Improvement</u>	<u>Public Buildings Authority</u>	<u>Nonmajor</u>	<u>Public Utilities</u>
General	\$ -	\$ -	\$ 50,000	\$ 54	\$ 151,261
7 Mill	5,270	-	-	-	-
Nonmajor	-	18,746	-	-	-
	<u>\$ 5,270</u>	<u>\$ 18,746</u>	<u>\$ 50,000</u>	<u>\$ 54</u>	<u>\$ 151,261</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</u>	<u>Nonmajor Governmental</u>	<u>Public Utilities</u>	
General	\$ -	\$ 40,955	-	\$ 40,955
7 Mill Fund	1,250,000	-	-	1,250,000
Nonmajor	7,711	315,476	-	323,187
Public Building Authority	1,940	-	1,620	3,560
Total	<u>\$ 1,259,651</u>	<u>\$ 356,431</u>	<u>1,620</u>	<u>\$ 1,617,702</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, 2020

**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. Effective October 10, 2020, the retirement eligibility provisions applicable to Tier I employees were extended to Tier II employees.

*Employees covered by benefit terms* – At September 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	74
Active employees	351
	<u>425</u>

**Total OPEB Liability**

The City's total OPEB liability of \$15,422,809 was measured as of September 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and other inputs – The total OPEB liability in the September 30, 2020 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	2.66% annually (Beginning of Year to Determine ADC) 2.21%, annually (As of End of Year Measurement Date)
Healthcare cost trend rates	Flat 5.5% annually for 10 years, 4.5% thereafter

**CITY OF PHENIX CITY, ALABAMA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**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, 2020, the end of the applicable measurement period.

Mortality rates were based on the RP-2000 Table without projection.

The actuarial assumptions used in the September 30, 2020 valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2019 to September 30, 2020.

**Changes in the Total OPEB Liability**

Balance at September 30, 2018	<u>\$ 23,238,313</u>
Changes for the year:	
Service cost	354,338
Interest	612,174
Differences between expected and actual experience	(9,180,111)
Changes in assumptions	846,653
Benefit payments and net transfers	<u>(448,558)</u>
Net changes	<u>(7,815,504)</u>
Balance at September 30, 2019	<u><u>\$ 15,422,809</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 (1.21%) or 1-percentage-point higher (3.21%) than the current discount rate:

	<u>1.0% Decrease (1.21%)</u>	<u>Current Rate (2.21%)</u>	<u>1.0% Increase (3.21%)</u>
Total OPEB Liability	\$ 18,146,783	\$ 15,422,809	\$ 13,149,298

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	\$ 13,095,824	\$ 15,422,809	\$ 18,196,829

**CITY OF PHENIX CITY, ALABAMA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**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, 2020, the City recognized OPEB expense (benefit) of (\$353,031). At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual changes in assumptions	\$ 694,717	\$ (7,369,867)
total	\$ 5,603,924	\$ (8,552,760)

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

2021	\$ 1,319,543
2022	1,319,543
2023	1,319,543
2024	1,319,543
2025	(347,149)
Thereafter	(1,982,187)
	\$ 2,948,836

# CITY OF PHENIX CITY, ALABAMA

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020

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### 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](http://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, 2020**

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**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 853 local participating employers. These participating employers include 293 cities, 65 counties, and 494 other public entities. As of September 30, 2019, the date of the most recent actuarial valuation, membership consisted of:

Retirees and beneficiaries	
currently receiving benefits	51,451
Terminated employees entitled to	
but not yet receiving benefits	17,518
Non-vested inactive members who have not	
contributed in more than 5 years	19,076
Active members	84,534
<b>Total</b>	<b><u>172,579</u></b>

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, 2020**

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**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, 2020 (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, 2020 was 9.28% of pensionable pay for Tier 1 employees, and 8.30% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2019, 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 \$1,349,511 for the year ended September 30, 2020.

**CITY OF PHENIX CITY, ALABAMA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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**NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Net Pension Liability**

The City's net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018 rolled forward to September 30, 2019 using standard roll-forward techniques as shown in the following table:

Total Pension Liability as of September 30, 2018	\$ 63,879,415
Entry Age Normal Cost for October 1, 2018 - September 30, 2019	1,433,837
Interest	4,763,743
Changes in assumptions	-
Difference between expected and actual experience	(447,601)
Actual Benefit Payments and Refunds for October 1, 2018 - September 30, 2019	<u>(4,186,925)</u>
Total Pension Liability as of September 30, 2019	<u><u>\$ 65,442,469</u></u>

Actuarial assumptions – The total pension liability in the September 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25% - 5.00%
Investment rate of return *	7.75%

\* 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 115% for males and 112% for females age 78 and older.

**CITY OF PHENIX CITY, ALABAMA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**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, 2020 are as follows:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Rate of Return *</b>
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%
<b>Total</b>	<b>100.00%</b>	

\* 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, 2020**

**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, 2018	\$ 63,879,415	\$ 44,550,472	\$ 19,328,943
Changes for the year:			
Service cost	1,433,837	-	1,433,837
Interest	4,763,743	-	4,763,743
Changes of assumptions	-	-	-
Difference between expected and actual experience	(447,601)	-	(447,601)
Contributions - employer	-	1,349,511	(1,349,511)
Contributions - employee	-	1,215,294	(1,215,294)
Net investment income	-	1,123,144	(1,123,144)
Benefit payments, including refunds of employee contributions	(4,025,236)	(4,025,236)	-
Transfers among employers	(161,689)	(161,689)	-
Net changes	<u>1,563,054</u>	<u>(498,976)</u>	<u>2,062,030</u>
<b>Balances at September 30, 2019</b>	<b><u>\$ 65,442,469</u></b>	<b><u>\$ 44,051,496</u></b>	<b><u>\$ 21,390,973</u></b>

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	\$ 28,916,591	\$ 21,390,973	\$ 15,040,708

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, 2019. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2019.

The auditor's report dated January 15, 2021 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](http://www.rsa-al.gov).

**CITY OF PHENIX CITY, ALABAMA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**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, 2020, the City recognized pension expense of \$1,527,911. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 36,108	\$ 619,443
Changes of assumptions	1,276,949	-
Net difference between projected and actual earnings on pension plan investments	492,795	-
Employer contributions subsequent to the measurement date	1,429,506	-
<b>Total</b>	<b>\$ 3,235,358</b>	<b>\$ 619,443</b>

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:		
2021	\$	65,430
2022		215,391
2023		586,302
2024		418,426
2025		(58,447)
Thereafter		(40,693)
	\$	1,186,409

**CITY OF PHENIX CITY, ALABAMA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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**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, 2020

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### **NOTE 13. TAX ABATEMENTS**

For the year ended September 30, 2020, the City's sales tax revenues were reduced by approximately \$31,000 and property tax revenues were reduced by approximately \$516,000 under various tax abatement agreements entered into with various entities between 2009 and 2020 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. SUBSEQUENT EVENTS**

Subsequent to year end, the City received a State Revolving Fund Loan from the Alabama Department of Environmental Management to make capital improvements to its Sewer and Water Systems. The issued Series 2021A General Obligation Warrants to refund the outstanding Series 2011A General Obligation Warrants maturing in 2022 and thereafter.

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**

	2020	2019	2018	2017	2016	2015
<b>Total pension liability:</b>						
Service cost	\$ 1,433,837	\$ 1,434,309	\$ 1,497,466	\$ 1,465,902	\$ 1,424,261	\$ 1,402,948
Interest	4,763,743	4,642,339	4,488,512	4,288,329	4,112,059	3,933,478
Differences between expected and actual experience	(447,601)	(245,374)	(67,170)	(67,715)	142,303	-
Changes of assumptions	-	335,079	-	2,386,270	-	-
Benefit payments, including refunds of employee contributions	(4,025,236)	(3,957,769)	(3,763,255)	(3,764,288)	(3,186,194)	(3,022,147)
Transfers among employers	(161,689)	(209,196)	(73,437)	3,154	-	-
Net change in total pension liability	1,563,054	1,999,388	2,082,116	4,311,652	2,492,429	2,314,279
Total pension liability, beginning	<u>63,879,415</u>	<u>61,880,027</u>	<u>59,797,911</u>	<u>55,486,259</u>	<u>52,993,830</u>	<u>50,679,551</u>
<b>Total pension liability, ending (a)</b>	<b><u>\$ 65,442,469</u></b>	<b><u>\$ 63,879,415</u></b>	<b><u>\$ 61,880,027</u></b>	<b><u>\$ 59,797,911</u></b>	<b><u>\$ 55,486,259</u></b>	<b><u>\$ 52,993,830</u></b>
<b>Plan fiduciary net position:</b>						
Contributions, employer	\$ 1,349,511	\$ 1,219,475	\$ 1,290,789	\$ 1,277,747	\$ 1,411,812	\$ 1,336,262
Contributions, member	1,215,294	1,253,389	1,239,396	1,256,883	1,275,641	1,183,559
Net investment income	1,123,144	3,845,521	4,886,740	3,644,637	430,168	3,948,281
Benefit payments, including refunds of employee contributions	(4,025,236)	(3,957,769)	(3,763,254)	(3,764,288)	(3,186,194)	(3,022,147)
Transfers among employers	(161,689)	(209,196)	(73,437)	3,154	(78,122)	(111,916)
Net change in plan fiduciary net position	(498,976)	2,151,420	3,580,234	2,418,133	(146,695)	3,334,039
Plan net position, beginning	<u>44,550,472</u>	<u>42,399,052</u>	<u>38,818,818</u>	<u>36,400,685</u>	<u>36,547,380</u>	<u>33,213,341</u>
<b>Plan net position, ending (b)</b>	<b><u>\$ 44,051,496</u></b>	<b><u>\$ 44,550,472</u></b>	<b><u>\$ 42,399,052</u></b>	<b><u>\$ 38,818,818</u></b>	<b><u>\$ 36,400,685</u></b>	<b><u>\$ 36,547,380</u></b>
<b>Net pension liability, ending (a) - (b)</b>	<b>\$ 21,390,973</b>	<b>\$ 19,328,943</b>	<b>\$ 19,480,975</b>	<b>\$ 20,979,093</b>	<b>\$ 19,085,574</b>	<b>\$ 16,446,450</b>
Plan fiduciary net position as a percentage of the total pension liability	67.31%	69.74%	68.52%	64.92%	65.60%	68.97%
Covered-employee payroll*	\$ 16,310,222	\$ 16,278,175	\$ 16,716,394	\$ 16,308,684	\$ 15,576,766	\$ 15,229,962
Net pension liability (asset) as a percentage of covered-employee payroll	131.15%	118.74%	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 2020 the measurement period is October 1, 2018 - September 30, 2019.

**NOTES TO SCHEDULE**

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



**CITY OF PHENIX CITY, ALABAMA**

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 1,429,506	\$ 1,429,506	\$ 1,219,477	\$ 1,290,789	\$ 1,277,747	\$ 1,385,670
Contributions in relation to the actuarially determined contribution*	<u>1,429,506</u>	<u>1,429,506</u>	<u>1,219,477</u>	<u>1,290,789</u>	<u>1,277,747</u>	<u>1,385,670</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll**	\$ 16,190,543	\$ 16,310,222	\$ 16,278,175	\$ 16,716,394	\$ 16,308,684	\$ 15,576,766
Contributions as a percentage of covered-covered payroll	8.83%	8.76%	7.49%	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 2020, the fiscal year is the twelve month period beginning after 6/15/2019.

\*\*Employer's covered payroll for FY2020 is the total covered payroll for the 12 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	28.9 years
Asset valuation method	Five year smoothed market
Inflation	2.750%
Salary increases	3.25 - 5.00%, including inflation
Investment rate of return	7.75%, 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**

<b>Total OPEB Liability</b>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 354,338	\$ 238,765	\$ 311,557
Interest	612,174	699,266	645,234
Differences between expected and actual experience	(9,180,111)	821,027	(32,222)
Changes in assumptions	846,653	5,001,318	(1,478,618)
Benefit payment and net transfers	<u>(448,558)</u>	<u>(501,803)</u>	<u>(482,471)</u>
Net change in total OPEB liability	(7,815,504)	6,258,573	(1,036,520)
Total OPEB liability at beginning of year	23,238,313	16,979,740	18,016,260
<b>Total OPEB liability at end of year</b>	<b><u>\$ 15,422,809</u></b>	<b><u>\$ 23,238,313</u></b>	<b><u>\$ 16,979,740</u></b>
Covered-employee payroll	14,395,824	14,717,383	14,151,330

**NOTES TO SCHEDULE**

*Benefit Changes:* There were no changes of benefit terms for the year ended September 30, 2020.

*Changes of Assumptions:* The discount rate as of September 30, 2019 was 2.66% and it changed to 2.21% as of September 30, 2020.

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

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### 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, 2020**

	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	Ten Cent Gas Tax	Corrections	Second Mortgage	Confiscated Property	3 Mill	4 Mill	Municipal Court	Donated Funds	Employee Fund	
<b>ASSETS</b>														
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 140,198	\$ 2,835	\$ 527,571	\$ 21,412	\$ -	\$ -	\$ 409,583	\$ 32,054	\$ 1,589	\$ 1,135,242
Taxes receivable	1,825	7,362	3,340	11,695	0	-	-	-	393,915	525,213	-	-	-	943,350
Accounts receivable	-	-	-	-	13,657	-	1,311,539	-	-	-	-	-	-	1,325,196
Notes receivable	-	-	-	-	-	-	333,700	-	-	-	-	-	-	333,700
Due from other funds	-	-	-	-	-	-	18,746	-	-	-	-	-	-	18,746
Restricted cash	79,693	291,157	169,594	5,005	0	-	-	-	22,776	30,035	-	-	-	598,260
<b>Total assets</b>	<b>\$ 81,518</b>	<b>\$ 298,519</b>	<b>\$ 172,934</b>	<b>\$ 16,700</b>	<b>\$ 153,855</b>	<b>\$ 2,835</b>	<b>\$ 2,191,556</b>	<b>\$ 21,412</b>	<b>\$ 416,691</b>	<b>\$ 555,248</b>	<b>\$ 409,583</b>	<b>\$ 32,054</b>	<b>\$ 1,589</b>	<b>\$ 4,354,494</b>
<b>LIABILITIES DEFERRED INFLOWS AND FUND BALANCES</b>														
<b>LIABILITIES AND DEFERRED INFLOWS</b>														
Accounts payable	\$ -	\$ -	\$ 2,441	\$ -	\$ -	\$ 1,845	\$ 19,893	\$ 50	\$ -	\$ -	\$ 16	\$ 300	\$ -	\$ 24,545
Due to other funds	-	-	-	-	-	54	-	-	-	-	-	-	-	54
Due to component units	-	-	-	-	-	-	-	-	21,776	29,035	-	-	-	50,811
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>2,441</b>	<b>-</b>	<b>-</b>	<b>1,899</b>	<b>19,893</b>	<b>50</b>	<b>21,776</b>	<b>29,035</b>	<b>16</b>	<b>300</b>	<b>-</b>	<b>75,410</b>
Deferred inflows	-	-	-	-	-	-	-	-	387,027	516,036	-	-	-	903,063
<b>FUND BALANCES</b>														
Restricted for:														
Debt service	-	-	-	-	-	-	-	-	7,888	10,177	-	-	-	18,065
Street improvements	81,518	298,519	170,493	16,700	153,855	-	-	-	-	-	-	-	-	721,085
Revolving loans	-	-	-	-	-	-	2,171,663	-	-	-	-	-	-	2,171,663
Public safety	-	-	-	-	-	936	-	21,362	-	-	-	-	-	22,298
Municipal court	-	-	-	-	-	-	-	-	-	-	409,567	-	-	409,567
Unassigned	-	-	-	-	-	-	-	-	-	-	-	31,754	1,589	33,343
<b>Total fund balances</b>	<b>81,518</b>	<b>298,519</b>	<b>170,493</b>	<b>16,700</b>	<b>153,855</b>	<b>936</b>	<b>2,171,663</b>	<b>21,362</b>	<b>7,888</b>	<b>10,177</b>	<b>409,567</b>	<b>31,754</b>	<b>1,589</b>	<b>3,376,021</b>
<b>Total liabilities and fund balances</b>	<b>\$ 81,518</b>	<b>\$ 298,519</b>	<b>\$ 172,934</b>	<b>\$ 16,700</b>	<b>\$ 153,855</b>	<b>\$ 2,835</b>	<b>\$ 2,191,556</b>	<b>\$ 21,412</b>	<b>\$ 416,691</b>	<b>\$ 555,248</b>	<b>\$ 409,583</b>	<b>\$ 32,054</b>	<b>\$ 1,589</b>	<b>\$ 4,354,494</b>

**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, 2020**

	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	Ten Cent Gas Tax	Corrections	Second Mortgage	Confiscated Property	3 Mill	4 Mill	Municipal Court	Donated Funds		Employee Fund
<b>Revenues:</b>														
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,002,402	\$ 1,336,536	\$ -	\$ -	\$ -	\$ 2,338,938
Sales and use taxes	20,778	81,343	37,030	129,606	153,744	-	-	-	-	-	-	-	-	422,501
Intergovernmental	-	-	0	-	-	-	-	352,416	-	-	-	-	-	352,416
Charges for services	-	-	-	-	-	-	-	232,332	-	-	-	-	-	232,332
Fines and forfeitures	-	-	-	-	-	33,338	-	10,000	-	-	25,261	-	-	68,599
Interest income	27	92	15	90	11	2	8,635	6	75	99	154	13	-	9,219
Other revenues	-	-	-	-	-	-	-	-	-	-	-	1,535	1,564	3,099
<b>Total revenues</b>	<b>20,805</b>	<b>81,435</b>	<b>37,045</b>	<b>129,696</b>	<b>153,755</b>	<b>33,340</b>	<b>593,383</b>	<b>10,006</b>	<b>1,002,477</b>	<b>1,336,635</b>	<b>25,415</b>	<b>1,548</b>	<b>1,564</b>	<b>3,427,104</b>
<b>Expenditures:</b>														
Current														
General government	-	-	-	-	-	-	-	-	-	-	119	1,588	2,123	3,830
Public safety	-	-	-	-	-	5	-	5,490	-	-	-	-	-	5,495
Public works	-	-	216,334	-	-	-	9,113	-	-	-	-	-	-	225,447
Education	-	-	-	-	-	-	-	-	998,721	1,331,627	-	-	-	2,330,348
Capital outlay	-	-	-	-	-	-	565,690	-	-	-	-	-	-	565,690
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>216,334</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>574,803</b>	<b>5,490</b>	<b>998,721</b>	<b>1,331,627</b>	<b>119</b>	<b>1,588</b>	<b>2,123</b>	<b>3,130,810</b>
Excess (deficiency) of revenues over (under) expenditures	20,805	81,435	(179,289)	129,696	153,755	33,335	18,580	4,516	3,756	5,008	25,296	(40)	(559)	296,294
<b>Other financing sources (uses):</b>														
Transfers in	-	-	315,476	-	100	7,611	-	-	-	-	-	-	-	323,187
Transfers out	-	-	-	(315,476)	-	(40,955)	-	-	-	-	-	-	-	(356,431)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>315,476</b>	<b>(315,476)</b>	<b>100</b>	<b>(33,344)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(33,244)</b>
Net change in fund balances	20,805	81,435	136,187	(185,780)	153,855	(9)	18,580	4,516	3,756	5,008	25,296	(40)	(559)	263,050
<b>Fund balances, beginning of year</b>	<b>60,713</b>	<b>217,084</b>	<b>34,306</b>	<b>202,480</b>	<b>0</b>	<b>945</b>	<b>2,153,083</b>	<b>16,846</b>	<b>4,132</b>	<b>5,169</b>	<b>384,271</b>	<b>31,794</b>	<b>2,148</b>	<b>3,112,971</b>
<b>Fund balances, end of year</b>	<b>\$ 81,518</b>	<b>\$ 298,519</b>	<b>\$ 170,493</b>	<b>\$ 16,700</b>	<b>\$ 153,855</b>	<b>\$ 936</b>	<b>\$ 2,171,663</b>	<b>\$ 21,362</b>	<b>\$ 7,888</b>	<b>\$ 10,177</b>	<b>\$ 409,567</b>	<b>\$ 31,754</b>	<b>\$ 1,589</b>	<b>\$ 3,376,021</b>

## **COMPLIANCE SECTION**

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**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**

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**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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 1, 2022. 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.

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## **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

March 1, 2022



**CITY OF PHENIX CITY, ALABAMA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

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**FINANCIAL STATEMENT FINDINGS AND RESPONSES**

**No findings**

**CITY OF PHENIX CITY, ALABAMA**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

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**No findings**