

CITY OF PHENIX CITY, ALABAMA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2021

CITY OF PHENIX CITY, ALABAMA
ANNUAL FINANCIAL REPORT
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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Phenix City, Alabama (the "City") as of and for the year ended September 30, 2021, 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, 2021. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for this component unit, is solely based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion and based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Phenix City, Alabama as of September 30, 2021, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with GAAP.

Other Matters

Required Supplementary Information

GAAP requires that the Management's Discussion and Analysis (on pages 4 - 10) and the Required Supplementary Information (on pages 67 - 69) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2023, 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

June 20, 2023

CITY OF PHENIX CITY, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

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, 2021. This report should be read in conjunction with the City's financial statements, which follow.

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

Government-Wide Statements

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

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

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

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

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

CITY OF PHENIX CITY, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

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, 2021

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. 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 \$243,176,332 for 2021 compared to \$221,479,731 for 2020. 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, 2021 was \$178,134,570, which is an increase of \$7,425,809 from September 30, 2020 of \$170,708,761. The City has recorded an accumulated \$93,795,984 in depreciation expense against these capital assets leaving a net asset book value of \$84,338,586. Debt outstanding related to capital assets was \$50,766,199 leaving an investment in capital assets of \$33,570,927 compared to \$29,884,909 for 2020. 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, 2021 of \$132,667,340, which represents an increase of \$1,489,397 from September 2020 of \$131,177,943. Net of \$61,896,743 in accumulated depreciation expense, the City's Business-type Activities had \$70,770,597 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 \$41,299,289 leaving an investment in capital assets of \$29,471,308 for 2021 compared to \$29,930,300 for 2020.

CITY OF PHENIX CITY, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

Revenues

The City's total revenue from Governmental Funds was \$56,143,133, an increase of 9.0% from the previous year \$51,487,887. 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 \$33,719,070, which represents 60% of total revenues. Licenses and permits totaled \$5,292,916, charges for service totaled \$2,973,225, property taxes totaled \$6,674,501, other business taxes totaled \$1,924,528, and interest totaled \$53,727. 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, \$2,324,316 is dedicated to debt service and \$2,479,186 for education.

Expenditures

Departmental operating expenditures totaled \$40,903,992 or 88.9% of total non-capital expenditures of \$46,029,672. The City transferred \$2,479,186 to the Phenix City Board of Education and debt service on general obligation debt totaled \$5,125,680. Capital outlays during the fiscal year were \$3,033,532.

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 \$14,773,972 or 32%. Public safety (police, code enforcement, and fire departments) is the second largest category of departmental operating expenses totaling \$14,080,811 or 30%. Culture and recreation at \$4,645,664 or 10% and Public works at \$4,924,359 or 11% 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 \$12,620,969 were up \$85,410 in 2021 compared to \$12,535,559 in 2020. Operating expenses of \$8,164,035, not including depreciation and amortization expenses, were down (\$673,689) compared to \$8,837,724 in 2020. Operating income, not including depreciation and amortization, increased \$759,099. Depreciation and amortization expenses of \$3,112,285 increased \$27,840 from \$3,084,445 in 2020, interest expense was \$1,168,776 in 2021 compared to \$1,552,459 in 2020, and interest income was \$29,634 in 2021 compared to \$88,251 in 2020. There were no contributed assets in 2021 or 2020. 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 fund position was \$610,993 for 2021, which was an increase of \$1,271,675 from 2020 due to a decrease in operating expenses.

CITY OF PHENIX CITY, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

Fund Balances/Net Assets

The General Fund's Fund Balance increased \$9,395,761 to \$32,983,409 in 2021 compared to \$23,587,648 in 2020 due to increases in revenue to offset the increase in general governmental expenditures. The fund balance for the City's Other Governmental Funds decreased \$1,071,915 to \$16,988,473 in 2021 compared to \$18,060,388 in 2020 primarily due to a decrease in bond proceeds to complete several planned capital projects.

Net fund position in Public Utilities increased \$579,140 to \$31,458,744 in 2021 compared to \$30,879,604 in 2020.

Budgetary Highlights

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

Total operating revenues were \$4,334,652 more than budgetary projections in the General Fund, due primarily to an increase in revenue from sales and use taxes. Departmental expenditures were \$6,761,112 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 \$85,410 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, 2021

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 \$3,785,000 in general obligation debt in fiscal year 2021. The City issued general obligation debt in 2021 to refund outstanding general obligation warrants issued in 2011. The City had \$61,110,000 outstanding in long-term general obligation debt at the 2021 fiscal year-end compared to \$64,895,000 in 2020. General obligation debt of \$37,075,000 or 61% of the total outstanding debt in 2021 will be retired by the end of 2031.

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 \$1,820,000 of revenue debt in 2021 and issued \$10,755,000 of new revenue debt in 2021. The City had \$51,825,000 in revenue debt outstanding at the end of the 2021 fiscal year-end compared to \$42,890,000 in 2020. Of the \$42,890,000 in Revenue Warrants payable from the Utility Fund revenues outstanding at the 2021 fiscal year-end, \$24,510,000, or 47% will be retired by 2031 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 a BBB+ rating on its revenue warrants in 2022.

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. The city has plans to raise sales tax by .25% in 2022.

CITY OF PHENIX CITY, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

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 completed a rate plan 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. In 2022, the amount of water and sanitary sewer service provided at no cost was reduced from 3,000 to 1,500 gallons. Planned rate increases have been approved for 2023 and 2024. The City will complete another cost of service study in 2024. The Wastewater Treatment Plant currently operates at 75% capacity, and the Water Filtration Plant currently operates at 42% capacity. Once the upgrades are completed at the Wastewater Treatment Plant, the plant will be operating at 58% capacity. The City has entered into an agreement to provide water to Fort Mitchell, Alabama in Russell County, sewer service to the City of Smiths, Alabama in Lee County, and both water and sewer service to the Russell County Utility System, which has resulted in steady revenue growth from these sources at little cost to the City. The Russell County Utility System is now the City's largest water customer and Smith's Water and Sewer Authority is the City's largest sewer customer. Both Lee and Russell Counties are among the fastest growing counties in Alabama with much of that growth centered in and around Phenix City.

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

Contacting the City's Financial Management

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

CITY OF PHENIX CITY, ALABAMA

**STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

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	\$ 27,873,146	\$ 3,495,218	\$ 31,368,364	\$ 19,606,418
Taxes receivable	4,946,297	-	4,946,297	-
Accounts receivable	1,599,884	1,017,859	2,617,743	6,185,610
Notes receivable	330,100	86,401	416,501	-
Internal balances	356,915	(356,915)	-	-
Due from other governments	110,075	-	110,075	-
Inventories	85,893	196,316	282,209	160,561
Prepaid expenses	300,267	89,931	390,198	498,559
Restricted assets:				
Cash and cash equivalents	14,269,982	14,108,143	28,378,125	5,124,704
Investments	5,426,940	-	5,426,940	-
Bond discounts	-	-	-	1,744,229
Capital assets, non-depreciable	26,081,421	3,363,689	29,445,110	12,722,815
Capital assets, depreciable, net of accumulated depreciation	58,257,165	67,406,908	125,664,073	70,993,861
Total assets	139,638,085	89,407,550	229,045,635	117,036,757
Deferred outflows of resources:				
Deferred outflows related to pension plan	3,668,032	610,810	4,278,842	15,770,562
Deferred outflows related to OPEB plan	4,936,533	863,891	5,800,424	17,405,713
Deferred amounts - bond refundings	1,863,891	2,187,540	4,051,431	-
Total deferred outflows of resources	10,468,456	3,662,241	14,130,697	33,176,275
Total assets and deferred outflows of resources	\$ 150,106,541	\$ 93,069,791	\$ 243,176,332	\$ 150,213,032
LIABILITIES AND DEFERRED INFLOWS				
Accounts payable	\$ 2,258,463	\$ 312,294	\$ 2,570,757	\$ 728,944
Accrued liabilities	769,224	110,384	879,608	5,927,938
Unearned revenues	76,124	-	76,124	-
Customer deposits	-	48,778	48,778	-
Accrued interest	514,154	190,103	704,257	351,762
Capital leases due within one year	373,725	145,225	518,950	-
Capital leases due in more than one year	1,140,089	267,169	1,407,258	-
Bonds payable due within one year	3,435,000	1,875,000	5,310,000	1,524,932
Bonds payable due in more than one year	59,903,879	51,560,404	111,464,283	67,390,127
Compensated absences due within one year	1,291,234	88,105	1,379,339	-
Compensated absences due in more than one year	264,785	18,147	282,932	-
Net pension liability	20,542,965	3,441,939	23,984,904	65,156,000
Net other postemployment benefits liability	14,323,346	2,505,789	16,829,135	38,539,259
Total liabilities	104,892,988	60,563,337	165,456,325	179,618,962
Deferred inflows of resources:				
Deferred inflows related to pension plan	435,163	60,567	495,730	2,238,000
Deferred inflows related to OPEB plan	5,660,725	955,290	6,616,015	25,998,611
Total deferred inflows of resources	6,095,888	1,015,857	7,111,745	28,236,611
Total liabilities and deferred inflows of resources	110,988,876	61,579,194	172,568,070	207,855,573
NET POSITION				
Net investments in capital assets	33,570,927	29,503,161	63,074,088	14,454,316
Restricted for:				
Capital projects	2,895,794	-	2,895,794	3,505,230
Debt service	1,764,728	3,396,991	5,161,719	5,134,858
Municipal court	440,474	-	440,474	-
Unrestricted	445,742	(1,409,555)	(963,813)	(80,736,945)
Total net position	39,117,665	31,490,597	70,608,262	(57,642,541)
Total liabilities, deferred inflows and net position	\$ 150,106,541	\$ 93,069,791	\$ 243,176,332	\$ 150,213,032

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, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units Phenix City Board of Education
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental activities:								
General government	\$ 11,603,017	\$ 7,782,539	\$ 407,633	\$ 28,125	\$ (3,384,720)	\$ -	\$ (3,384,720)	\$ -
Public safety	15,612,109	1,094,214	-	5,652	(14,512,243)	-	(14,512,243)	-
Public works	7,427,105	3,171,923	-	357,243	(3,897,939)	-	(3,897,939)	-
Culture and recreation	5,680,163	913,979	-	-	(4,766,184)	-	(4,766,184)	-
Education	2,479,186	-	-	-	(2,479,186)	-	(2,479,186)	-
Interest on long-term debt	808,887	-	-	-	(808,887)	-	(808,887)	-
Total governmental activities	<u>43,610,467</u>	<u>12,962,655</u>	<u>407,633</u>	<u>391,020</u>	<u>(29,849,159)</u>	<u>-</u>	<u>(29,849,159)</u>	<u>-</u>
Business-type activities:								
Public Utilities	12,445,096	12,620,969	-	408,119	-	583,992	583,992	-
Total business-type activities	<u>12,445,096</u>	<u>12,620,969</u>	<u>-</u>	<u>408,119</u>	<u>-</u>	<u>583,992</u>	<u>583,992</u>	<u>-</u>
Total primary government	<u>\$ 56,055,563</u>	<u>\$ 25,583,624</u>	<u>\$ 407,633</u>	<u>\$ 799,139</u>	<u>\$ (29,849,159)</u>	<u>\$ 583,992</u>	<u>\$ (29,265,167)</u>	<u>\$ -</u>
Component unit:								
Phenix City Board of Education	\$ 84,172,636	\$ 1,907,679	\$ 75,377,491	\$ -	\$ -	\$ -	\$ -	\$ (6,887,466)
Total component units	<u>\$ 84,172,636</u>	<u>\$ 1,907,679</u>	<u>\$ 75,377,491</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,887,466)</u>
General revenues:								
Property taxes					\$ 6,662,103	\$ -	\$ 6,662,103	\$ 10,156,378
Sales and use taxes					33,719,070	-	33,719,070	4,894,761
Business taxes					1,924,528	-	1,924,528	-
Unrestricted investment earnings					53,726	29,634	83,360	209,716
Transfers					2,633	(2,633)	-	-
Total general revenues and transfers					<u>42,362,060</u>	<u>27,001</u>	<u>42,389,061</u>	<u>15,260,855</u>
Change in net position					12,512,901	610,993	13,123,894	8,373,389
Net position, beginning of year (*)					26,604,764	30,879,604	57,484,368	(66,015,930)
Net position, end of year					<u>\$ 39,117,665</u>	<u>\$ 31,490,597</u>	<u>\$ 70,608,262</u>	<u>\$ (57,642,541)</u>

(*) Phenix City Board of Education restatement, Note 14.

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

CITY OF PHENIX CITY, ALABAMA

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021**

ASSETS	General	Capital Improvement	7 Mill	Public Building Authority	Nonmajor Governmental Funds	Total
Cash and cash equivalents	\$ 26,158,532	\$ -	\$ -	\$ -	\$ 1,714,614	\$ 27,873,146
Taxes receivable	3,046,811	-	960,453	-	939,033	4,946,297
Accounts receivable	556,160	47,600	-	-	996,124	1,599,884
Notes receivable	-	-	-	-	330,100	330,100
Due from other funds	470,171	-	149,271	-	-	619,442
Due from other governments	94,462	15,613	-	-	-	110,075
Inventory	85,893	-	-	-	-	85,893
Prepaid items	300,332	-	-	-	-	300,332
Restricted cash	31,588	4,249,757	866,873	8,314,748	807,016	14,269,982
Restricted investments	5,400,000	-	-	26,940	-	5,426,940
Total assets	\$ 36,143,949	\$ 4,312,970	\$ 1,976,597	\$ 8,341,688	\$ 4,786,887	\$ 55,562,091
LIABILITIES DEFERRED INFLOWS AND FUND BALANCES						
LIABILITIES AND DEFERRED INFLOWS						
Accounts payable	\$ 1,746,207	\$ 7,744	\$ 2,000	\$ 486,435	\$ 16,063	\$ 2,258,449
Accrued expenses	769,303	-	-	-	-	769,303
Due to other funds	149,271	-	-	50,000	63,256	262,527
Total liabilities	2,664,781	7,744	2,000	536,435	79,319	3,290,279
Deferred inflows - unavailable revenue	495,759	-	881,205	-	922,966	2,299,930
FUND BALANCES (DEFICIT)						
Nonspendable:						
Inventories	85,893	-	-	-	-	85,893
Prepaid assets	300,332	-	-	-	-	300,332
Restricted for:						
Debt service	-	-	1,093,392	312,243	(7,971)	1,397,664
Capital projects	-	4,305,226	-	7,493,010	-	11,798,236
Street improvements	-	-	-	-	1,132,294	1,132,294
Revolving loans	-	-	-	-	2,174,127	2,174,127
Public safety	-	-	-	-	12,187	12,187
Municipal court	-	-	-	-	440,474	440,474
Committed for:						
Operating reserves	5,400,000	-	-	-	-	5,400,000
Book fund	31,275	-	-	-	-	31,275
Unassigned	27,165,909	-	-	-	33,491	27,199,400
Total fund balances	32,983,409	4,305,226	1,093,392	7,805,253	3,784,602	49,971,882
Total liabilities and fund balances	\$ 36,143,949	\$ 4,312,970	\$ 1,976,597	\$ 8,341,688	\$ 4,786,887	
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.						84,338,586
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.						2,223,806
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						(61,474,988)
Accrued interest on long-term liabilities						(514,154)
Capital leases						(1,513,814)
Accrued compensated absences						(1,556,019)
Net pension liability net of deferred inflows and outflows related to pension						(17,310,096)
Net other postemployment benefits liability net of deferred inflows and outflows related to OPEB						(15,047,538)
Net position of governmental activities						\$ 39,117,665

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, 2021

	<u>General</u>	<u>Capital Improvement</u>	<u>7 Mill</u>	<u>Public Building Authority</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Property taxes	\$ 1,897,096	\$ -	\$ 2,324,316	\$ -	\$ 2,453,089	\$ 6,674,501
Sales and use taxes	33,226,273	-	-	-	492,797	33,719,070
Business taxes	1,001,704	-	922,824	-	-	1,924,528
Licenses and permits	5,292,916	-	-	-	-	5,292,916
Intergovernmental	441,410	335,454	-	-	21,789	798,653
Charges for services	2,756,385	-	-	-	216,840	2,973,225
Fines and forfeitures	974,504	-	-	-	74,369	1,048,873
Interest	37,686	2,591	695	6,027	6,728	53,727
Other revenues	1,520,640	-	7,750	1,233,927	2,784	2,765,101
Parks and recreation	892,539	-	-	-	-	892,539
Total revenues	<u>48,041,153</u>	<u>338,045</u>	<u>3,255,585</u>	<u>1,239,954</u>	<u>3,268,396</u>	<u>56,143,133</u>
Expenditures:						
Current:						
General government	14,753,453	-	10,000	7,000	3,519	14,773,972
Public safety	14,071,573	-	-	-	9,238	14,080,811
Public works	4,819,501	-	-	-	104,858	4,924,359
Culture and recreation	4,645,664	-	-	-	-	4,645,664
Education	-	-	-	-	2,479,186	2,479,186
Capital outlay	-	1,030,159	-	1,784,193	219,180	3,033,532
Debt service:						
Principal	126,123	-	2,615,000	850,000	-	3,591,123
Interest	11,373	-	1,451,407	71,777	-	1,534,557
Total expenditures	<u>38,427,687</u>	<u>1,030,159</u>	<u>4,076,407</u>	<u>2,712,970</u>	<u>2,815,981</u>	<u>49,063,204</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,613,466</u>	<u>(692,114)</u>	<u>(820,822)</u>	<u>(1,473,016)</u>	<u>452,415</u>	<u>7,079,929</u>
Other financing sources (uses):						
Capital leases	1,241,284	-	-	-	-	1,241,284
Transfers in	43,834	-	1,500,000	5,456	-	1,549,290
Transfers out	(1,502,823)	-	-	-	(43,834)	(1,546,657)
Total other financing sources (uses)	<u>(217,705)</u>	<u>-</u>	<u>1,500,000</u>	<u>5,456</u>	<u>(43,834)</u>	<u>1,243,917</u>
Net change in fund balances	9,395,761	(692,114)	679,178	(1,467,560)	408,581	8,323,846
Fund balances, beginning of year	<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>
Fund balances, end of year	<u>\$ 32,983,409</u>	<u>\$ 4,305,226</u>	<u>\$ 1,093,392</u>	<u>\$ 7,805,253</u>	<u>\$ 3,784,602</u>	<u>\$ 49,971,882</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, 2021**

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

Net change in fund balances - total governmental funds	\$ 8,323,846
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.	2,469,116
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(12,398)
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.	3,179,174
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.	(557,595)
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>(889,242)</u>
Change in net position of governmental activities	<u>\$ 12,512,901</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, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 1,678,043	\$ 1,678,043	\$ 1,897,096	\$ 219,053
Sales and use taxes	29,581,773	29,581,773	33,226,273	3,644,500
Business taxes	681,638	681,638	1,001,704	320,066
Licenses and permits	5,587,331	5,587,331	5,292,916	(294,415)
Intergovernmental	280,000	280,000	441,410	161,410
Charges for services	2,698,200	2,698,200	2,756,385	58,185
Fines and forfeitures	820,000	820,000	974,504	154,504
Interest income	170,000	170,000	37,686	(132,314)
Miscellaneous Income	828,106	828,106	1,520,640	692,534
Parks and recreation	1,381,410	1,381,410	892,539	(488,871)
Total revenues	<u>43,706,501</u>	<u>43,706,501</u>	<u>48,041,153</u>	<u>4,334,652</u>
Expenditures:				
Current:				
General government:				
City manager	472,134	472,303	316,049	156,254
Personnel	1,240,337	1,261,608	932,786	328,822
City clerk	530,646	530,818	406,640	124,178
Information Technology	463,941	542,931	423,329	119,602
Municipal court	429,054	429,798	384,452	45,346
Finance	755,496	770,817	491,551	279,266
Finance - revenue collection	191,652	192,370	109,764	82,606
Non-departmental	7,726,746	11,068,232	9,752,488	1,315,744
Appropriations and contributions	660,862	660,862	686,022	(25,160)
Economic development	459,237	459,237	254,357	204,880
Building maintenance	1,054,084	1,070,612	996,015	74,597
Total general government	<u>13,984,189</u>	<u>17,459,588</u>	<u>14,753,453</u>	<u>2,706,135</u>
Public safety:				
Code enforcement	753,552	769,802	647,730	122,072
Fire	6,026,178	6,028,533	5,167,501	861,032
Police	8,517,854	8,598,108	8,106,391	491,717
Animal control	221,239	221,310	149,951	71,359
Total public safety	<u>15,518,823</u>	<u>15,617,753</u>	<u>14,071,573</u>	<u>1,546,180</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, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures: (Continued)				
Current:				
Public works:				
Vehicle maintenance	\$ 317,202	\$ 317,217	\$ 264,742	\$ 52,475
Cemetery maintenance	363,735	375,314	240,183	135,131
Engineering	703,007	703,179	601,172	102,007
Administration	483,002	483,033	464,849	18,184
Limbs and debris	1,850,571	1,850,993	1,526,802	324,191
Refuse disposal	289,235	442,940	430,406	12,534
Streets and drainage	1,130,772	1,305,160	1,291,347	13,813
Total public works	<u>5,137,524</u>	<u>5,477,836</u>	<u>4,819,501</u>	<u>658,335</u>
Culture and recreation:				
Parks and recreation	3,777,272	3,852,244	3,170,992	681,252
Central activity center	93,050	93,750	60,785	32,965
Amphitheater	199,725	209,917	98,921	110,996
Golf course	1,169,423	1,204,100	965,135	238,965
Library	441,630	443,618	349,831	93,787
Total culture and recreation	<u>5,681,100</u>	<u>5,803,629</u>	<u>4,645,664</u>	<u>1,157,965</u>
Debt service:				
Principal	662,041	818,620	126,123	692,497
Interest	11,373	11,373	11,373	-
Total debt service	<u>673,414</u>	<u>829,993</u>	<u>137,496</u>	<u>692,497</u>
Total expenditures	<u>40,995,050</u>	<u>45,188,799</u>	<u>38,427,687</u>	<u>6,761,112</u>
Excess of revenues over expenditures	<u>2,711,451</u>	<u>(1,482,298)</u>	<u>9,613,466</u>	<u>11,095,764</u>
Other financing sources (uses):				
Transfers in	75,000	75,000	52,279	(22,721)
Transfers out	(1,600,000)	(1,610,562)	(1,511,268)	99,294
Total other financing uses	<u>(1,525,000)</u>	<u>(1,535,562)</u>	<u>(217,705)</u>	<u>1,317,857</u>
Net change in fund balances	1,186,451	(3,017,860)	9,395,761	12,413,621
Fund balance, beginning of year	<u>23,587,648</u>	<u>23,587,648</u>	<u>23,587,648</u>	<u>-</u>
Fund balance, end of year	<u>\$ 24,774,099</u>	<u>\$ 20,569,788</u>	<u>\$ 32,983,409</u>	<u>\$ 12,413,621</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, 2021**

	Business-type Activities Enterprise Funds
	Public Utilities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CURRENT ASSETS	
Cash and cash equivalents	\$ 3,495,218
Accounts receivable, net of allowances	1,017,859
Notes receivable	86,401
Inventories	196,316
Prepaid expenses	89,931
Total current assets	<u>4,885,725</u>
RESTRICTED ASSETS	
Cash and cash equivalents	<u>14,108,143</u>
NONCURRENT ASSETS	
Capital assets:	
Nondepreciable	3,363,689
Depreciable, net of accumulated depreciation	67,406,908
Total noncurrent assets	<u>70,770,597</u>
Total assets	<u>89,764,465</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension plan	610,810
Deferred outflows related to other postemployment benefits plan	863,891
Deferred amounts - bond refundings	2,187,540
Total deferred outflows of resources	<u>3,662,241</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
CURRENT LIABILITIES	
Accounts payable	312,294
Accrued expenses	110,384
Due to other funds	356,915
Customer deposits	48,778
Accrued interest	190,103
Current portion - capital lease	145,225
Current portion - bonds payable	1,875,000
Current portion - compensated absences	88,105
Total current liabilities	<u>3,126,804</u>
LONG-TERM LIABILITIES	
Capital lease, net of current portion	267,169
Bonds payable, net of current portion	51,560,404
Compensated absences, net of current portion	18,147
Net pension liability	3,441,939
Net other postemployment benefits obligation	2,505,789
Total long-term liabilities	<u>57,793,448</u>
Total liabilities	<u>60,920,252</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension plan	60,567
Deferred inflows related to other postemployment benefits plan	955,290
Total deferred inflows of resources	<u>1,015,857</u>
NET POSITION	
Net investments in capital assets	29,503,161
Restricted for debt service	3,396,991
Unrestricted	(1,409,555)
Total net position	<u>\$ 31,490,597</u>

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, 2021

	Business-type Activities Enterprise Funds
	Public Utilities
OPERATING REVENUES	
Charges for services	\$ 12,518,329
Miscellaneous	102,640
Total operating revenues	12,620,969
OPERATING EXPENSES	
Administrative	2,753,060
Water plant	1,893,481
Water distribution	1,004,478
Wastewater distribution	1,001,329
Wastewater plant	1,511,687
Depreciation and amortization	3,112,285
Total operating expenses	11,276,320
Operating income	1,344,649
NONOPERATING REVENUES (EXPENSES)	
Interest income	29,634
Interest expense	(1,168,776)
System development fees	408,119
Total nonoperating income (loss)	(731,023)
Income (loss) before contributions and transfers	613,626
TRANSFERS	
Transfers out	(2,633)
Total transfers	(2,633)
Change in net position	610,993
NET POSITION, beginning of year	30,879,604
NET POSITION, end of year	\$ 31,490,597

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, 2021

	Business-type Activities
	Enterprise Funds
	Public Utilities
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 13,175,270
Payments to suppliers	(4,503,724)
Payments to employees	(3,606,675)
	5,064,871
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers out	(2,633)
System development fees	408,119
Net cash provided by noncapital financing activities	405,486
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(1,220,083)
Proceeds from issuance of bonds	10,685,803
Principal paid on bonds	(1,820,000)
Principal paid on capital lease	(90,149)
Interest paid	(1,020,501)
Net cash used in capital and related financing activities	6,535,070
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	29,634
Net cash provided by investing activities	29,634
Net increase (decrease) in cash and cash equivalents	12,035,061
Cash and cash equivalents:	
Beginning of year	5,568,300
End of year	\$ 17,603,361
Classified as:	
Cash	\$ 3,495,218
Restricted assets, cash	14,108,143
	\$ 17,603,361

(Continued)

CITY OF PHENIX CITY, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

	Business-type Activities	Enterprise Funds
	Public Utilities	
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$	1,344,649
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense		3,112,211
Increase in accounts receivable		330,263
Decrease in notes receivable		12,049
Decrease in inventory		21,637
Decrease in prepaid expenses		17,327
Decrease in accounts payable		(115,451)
Increase in accrued expenses		4,333
Increase in due to other funds		135,095
Increase in customer deposits		6,335
Decrease in compensated absences		(16,356)
Decrease in pension liability		(42,808)
Increase in other postretirement benefits obligation		185,028
Net cash provided by (used in) operating activities	\$	5,064,871
 NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Amortization of bond discounts, premiums and deferred amounts, net	\$	152,179

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

CITY OF PHENIX CITY, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Financial Reporting Entity

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

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

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

Discretely Presented Component Unit

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

CITY OF PHENIX CITY, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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, 2021

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, 2021

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, 2021**

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, 2021**

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, 2021.

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, 2021**

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, 2021

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, 2021**

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	\$ (61,110,000)
Deferred outflow of resources - bond refundings	1,863,891
Unamortized original issue discount	612,493
Unamortized original issue premium	<u>(2,841,372)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (61,474,988)</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	\$ 7,425,809
Depreciation expense	<u>(4,956,693)</u>
Net adjustment to increase net changes in fund balances - total <i>governmental funds</i> to arrive at <i>changes in net position of</i> <i>governmental activities</i>	<u><u>\$ 2,469,116</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, 2021**

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	\$ (8,825,000)
Premium on bond issuance, net	676,492
Principal repayment - capital lease	126,123
Principal repayment - bonds	12,610,000
Amortization of discounts, premiums and defeasance on bonds	<u>(167,157)</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>\$ 3,179,174</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	\$ (1,211,640)
Change in net pension obligation	(2,199,202)
Change in deferred inflows and outflows of resources	<u>2,853,247</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>\$ (557,595)</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	\$ (115,038)
Change in compensated absences	<u>(774,204)</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>\$ (889,242)</u></u>

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 3. LEGAL COMPLIANCE – BUDGETS

A. Budgets and Budgetary Accounting

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

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

B. Encumbrances

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

C. Excess Expenditures Over Appropriations

For the year ended September 30, 2021, no departments had actual expenditures in excess of budgetary appropriations.

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, 2021, 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, 2021**

NOTE 5. RECEIVABLES

Receivables consisted of the following at September 30, 2021:

	General Fund	Capital Improvement	7 Mill Fund	Nonmajor Governmental Funds	Public Utilities Fund	Total
Receivables:						
Taxes	\$ 3,205,134	\$ -	\$ 960,453	\$ 939,033	\$ -	\$ 5,104,620
Accounts	556,160	47,600	-	996,124	3,438,679	5,038,563
Notes	-	-	-	330,100	86,401	416,501
Gross receivables	<u>3,761,294</u>	<u>47,600</u>	<u>960,453</u>	<u>2,265,257</u>	<u>3,525,080</u>	<u>10,559,684</u>
Less allowance for uncollectibles	<u>(158,323)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,420,820)</u>	<u>(2,579,143)</u>
Net total receivable	<u><u>\$ 3,602,971</u></u>	<u><u>\$ 47,600</u></u>	<u><u>\$ 960,453</u></u>	<u><u>\$ 2,265,257</u></u>	<u><u>\$ 1,104,260</u></u>	<u><u>\$ 7,980,541</u></u>

Property taxes are levied based on the property on record as of January 1, 2020. Property taxes were levied on October 1, 2020, and payable on or before December 31, 2020. Property taxes levied for 2020 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during the year ended September 30, 2021, and collected by November 30, 2021, are recognized as revenues in the year ended September 30, 2021. Net receivables estimated to be collected subsequent to November 30, 2021, 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, 2021**

NOTE 6. CAPITAL ASSETS

A. Primary Government

The City's capital asset activity for the year ended September 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital assets, not being depreciated:					
Land and improvements	\$ 18,699,321	\$ 850,000	\$ -	\$ -	\$ 19,549,321
Construction in progress	4,340,587	2,552,251	-	(360,738)	6,532,100
Total capital assets, not being depreciated	<u>23,039,908</u>	<u>3,402,251</u>	<u>-</u>	<u>(360,738)</u>	<u>26,081,421</u>
Capital assets, being depreciated:					
Buildings	42,030,613	112,960	-	-	42,143,573
Machinery and equipment	25,815,138	2,774,580	-	-	28,589,718
Infrastructure	79,823,102	1,136,018	-	360,738	81,319,858
Total capital assets, being depreciated	<u>147,668,853</u>	<u>4,023,558</u>	<u>-</u>	<u>360,738</u>	<u>152,053,149</u>
Less accumulated depreciation for:					
Buildings	(24,224,038)	(1,211,498)	-	-	(25,435,536)
Machinery and equipment	(20,005,197)	(1,815,058)	-	-	(21,820,255)
Infrastructure	(44,610,056)	(1,930,137)	-	-	(46,540,193)
Total accumulated depreciation	<u>(88,839,291)</u>	<u>(4,956,693)</u>	<u>-</u>	<u>-</u>	<u>(93,795,984)</u>
Total capital assets, being depreciated, net	<u>58,829,562</u>	<u>(933,135)</u>	<u>-</u>	<u>360,738</u>	<u>58,257,165</u>
Governmental activities capital assets, net	<u>\$ 81,869,470</u>	<u>\$ 2,469,116</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,338,586</u>
Business-type Activities:					
Capital assets, not being depreciated:					
Land	\$ 275,782	\$ -	\$ -	\$ -	\$ 275,782
Construction in progress	3,600,726	409,103	-	(921,922)	3,087,907
Total capital assets, not being depreciated	<u>3,876,508</u>	<u>409,103</u>	<u>-</u>	<u>(921,922)</u>	<u>3,363,689</u>
Capital assets, being depreciated:					
Building and improvements	1,053,610	-	-	-	1,053,610
Machinery and equipment	8,272,217	569,945	-	-	8,842,162
Plant facilities	117,975,608	510,349	-	921,922	119,407,879
Total capital assets, being depreciated	<u>127,301,435</u>	<u>1,080,294</u>	<u>-</u>	<u>921,922</u>	<u>129,303,651</u>
Less accumulated depreciation for:					
Building and improvements	(887,165)	(42,791)	-	-	(929,956)
Machinery and equipment	(6,970,680)	(364,417)	-	-	(7,335,097)
Plant facilities	(50,926,687)	(2,705,003)	-	-	(53,631,690)
Total accumulated depreciation	<u>(58,784,532)</u>	<u>(3,112,211)</u>	<u>-</u>	<u>-</u>	<u>(61,896,743)</u>
Total capital assets, being depreciated, net	<u>68,516,903</u>	<u>(2,031,917)</u>	<u>-</u>	<u>921,922</u>	<u>67,406,908</u>
Business-type activities capital assets, net	<u>\$ 72,393,411</u>	<u>\$ (1,622,814)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,770,597</u>

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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	\$	122,547
Public safety		1,262,713
Public works		2,478,019
Culture and recreation		<u>1,093,414</u>
Total depreciation expense - governmental activities	\$	<u><u>4,956,693</u></u>

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 890,904	\$ -	\$ -	\$ 890,904
Land improvements	435,859	-	-	435,859
Construction in progress	<u>847,550</u>	<u>10,548,502</u>	<u>-</u>	<u>11,396,052</u>
Total capital assets, not being depreciated	<u>2,174,313</u>	<u>10,548,502</u>	<u>-</u>	<u>12,722,815</u>
Capital assets, being depreciated:				
Building and improvements	98,967,595	539,249	(55,710)	99,451,134
Machinery and equipment	<u>12,162,586</u>	<u>2,373,205</u>	<u>(136,775)</u>	<u>14,399,016</u>
Total	<u>111,130,181</u>	<u>2,912,454</u>	<u>(192,485)</u>	<u>113,850,150</u>
Less accumulated depreciation:				
Building and improvements*	(33,158,942)	(2,020,447)	29,712	(35,149,677)
Machinery and equipment	<u>(6,833,704)</u>	<u>(1,014,897)</u>	<u>141,989</u>	<u>(7,706,612)</u>
Total	<u>(39,992,646)</u>	<u>(3,035,344)</u>	<u>171,701</u>	<u>(42,856,289)</u>
Total capital assets, being depreciated, net	<u>71,137,535</u>	<u>(122,890)</u>	<u>(20,784)</u>	<u>70,993,861</u>
Discretely presented component unit capital assets, net	<u>\$ 73,311,848</u>	<u>\$ 10,425,612</u>	<u>\$ (20,784)</u>	<u>\$ 83,716,676</u>

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 7. LONG-TERM DEBT

A. Primary Government

The following is a summary of long-term debt activity for the year ended September 30, 2021:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable	\$ 64,895,000	\$ 8,825,000	\$ (12,610,000)	\$ 61,110,000	\$ 3,435,000
Less deferred amounts:					
Unamortized premium	3,218,777	-	(377,405)	2,841,372	-
Unamortized discount	(121,554)	(676,492)	185,553	(612,493)	-
Net bonds payable	<u>67,992,223</u>	<u>8,148,508</u>	<u>(12,801,852)</u>	<u>63,338,879</u>	<u>3,435,000</u>
Capital leases payable	398,653	1,241,284	(126,123)	1,513,814	373,725
Compensated absences	781,815	774,204	-	1,556,019	1,291,234
Governmental activities long-term liabilities	<u>\$ 69,172,691</u>	<u>\$ 10,163,996</u>	<u>\$ (12,927,975)</u>	<u>\$ 66,408,712</u>	<u>\$ 5,099,959</u>
Business-type activities:					
Bonds payable	\$ 42,890,000	\$ 10,755,000	\$ (1,820,000)	\$ 51,825,000	\$ 1,875,000
Less deferred amounts:					
Unamortized discount	(159,662)	(69,197)	14,389	(214,470)	-
Unamortized premium	2,053,523	-	(228,649)	1,824,874	-
Net bonds payable	<u>44,783,861</u>	<u>10,685,803</u>	<u>(2,034,260)</u>	<u>53,435,404</u>	<u>1,875,000</u>
Capital leases payable	233,229	269,314	(90,149)	412,394	145,225
Compensated absences	122,608	-	(16,356)	106,252	88,105
Business-type activities long-term liabilities	<u>\$ 45,139,698</u>	<u>\$ 10,955,117</u>	<u>\$ (2,140,765)</u>	<u>\$ 53,954,050</u>	<u>\$ 2,108,330</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, 2021

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, 2021, are as follows:

	Interest Rates	Balance September 30, 2021
2015-A Issue	2.00% - 4.00%	3,105,000
2017-A Issue	2.00% - 3.00%	1,905,000
2017-B Issue	2.00% - 4.00%	7,105,000
2017-C Issue	2.00% - 3.00%	3,075,000
2020-A Issue	3.00% - 4.00%	21,810,000
2020-A Issue - Public Building Authority	1.85% - 2.93%	15,285,000
2021-A Issue	2.00% - 4.00%	8,825,000
		<u>61,110,000</u>
Less: unamortized premium (discount), net		<u>2,228,879</u>
		<u><u>\$ 63,338,879</u></u>

A description of these bond issues is provided below.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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 had tax-exempt General Obligation Refunding Bonds, Series 2010-B (Series 2010-B Bonds) that were repaid as of September 30, 2021. 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. The remaining bonds were paid in full in 2021.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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 had tax exempt General Obligation Refunding Bonds, Series 2011-A (Series 2011-A Bonds) that were refunded during 2021 with the issuance of the Series 2021-A bonds. 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, 2021**

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, 2021 in the amount of \$3,105,000. 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, 2021 in the amount of \$1,905,000. 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, 2021**

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, 2021 in the amount of \$7,105,000. 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, 2021 in the amount of \$3,075,000. 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, 2021**

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, 2021 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 date.

General Obligation Refunding Bonds, Series 2021-A, \$8,825,000 Principal

The City has tax exempt General Obligation Refunding Bonds, Series 2021-A (Series 2021-A Bonds) outstanding at September 30, 2021 in the amount of \$8,825,000. 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 2011 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 \$125,128. 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 Series 2021-A Bonds maturing on April 1, 2031 or thereafter may be redeemed at the option of the City on October 1, 2030 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, 2021**

NOTE 7. LONG-TERM DEBT (CONTINUED)

A. Primary Government (Continued)

Governmental Activities Debt (Continued)

Revenue Bonds – Blended Component Unit

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, 2021 in the amount of \$15,285,000 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, 2021**

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>
2022	\$ 3,450,000	\$ 1,867,125	\$ 5,317,125
2023	3,550,000	1,742,466	5,292,466
2024	3,665,000	1,638,733	5,303,733
2025	3,770,000	1,524,676	5,294,676
2026	3,885,000	1,403,318	5,288,318
2027 - 2031	18,755,000	5,195,913	23,950,913
2032 - 2036	21,510,000	2,150,298	23,660,298
2037 - 2041	2,070,000	240,785	2,310,785
2042 - 2046	455,000	7,394	462,394
	<u>61,110,000</u>	<u>\$ 15,770,708</u>	<u>\$ 76,880,708</u>
Plus: unamortized premium, net	2,228,879		
	<u>\$ 63,338,879</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 inceptions. The following is an analysis of leased assets under capital leases as of September 30, 2021:

	<u>Governmental Activities</u>
Equipment	\$ 1,851,750
Less: Accumulated depreciation	(540,644)
	<u>\$ 1,311,106</u>

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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, 2021:

	Governmental Activities
Fiscal year ending September 30,	
2022	\$ 393,869
2023	374,680
2024	284,672
2025	256,801
2026	256,800
Total minimum lease payments	1,566,822
Less amount representing interest	(53,008)
	\$ 1,513,814

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, 2021, are as follows:

	Interest Rates	Balance September 30, 2021
2011-A Water and Sewer Revenue Bonds	1.00% - 4.38%	\$ 2,800,000
2014-A Water and Sewer Revenue Bonds	2.00% - 4.00%	5,660,000
2016-A Water and Sewer Revenue Bonds	3.00% - 4.00%	13,565,000
2020-A Water and Sewer Revenue Bonds	3.00%	3,985,000
2020-B Water and Sewer Revenue Bonds	4.00%	15,090,000
2020-CWSRF-DL	2.00%	695,000
2021 CWSRF-DL	2.20%	9,105,000
2021 DWSRF-DL	2.20%	925,000
		51,825,000
Less: unamortized premium (discount), net		1,610,404
		\$ 53,435,404

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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, 2021**

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, 2021 in the amount of \$2,800,000. 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, 2021 in the amount of \$5,660,000. 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, 2021**

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, 2021 in the amount of \$13,565,000. 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, 2021 in the amount of \$3,985,000. 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, 2021**

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, 2021 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.

Subordinated Water and Sewer Bonds, Series 2020-CWSRF-DL, \$725,000 Principal

The City has tax-exempt Water and Sewer Revenue Bonds, Series 2020-CWSRF-DL (Series 2020-CWSRF-DL Bonds) outstanding at September 30, 2021 in the amount of \$695,000. The proceeds from the bonds are to be used for 1) improvements to the water and sewer system, and 2) 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 2020-CWSRF-DL Bonds maturing on August 15, 2031 or thereafter are subject to redemption prior to maturity, at the option of the City, on or after August 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.

Subordinated Water and Sewer Bonds, Series 2021-CWSRF-DL, \$9,105,000 Principal

The City has tax-exempt Water and Sewer Revenue Bonds, Series 2021-CWSRF-DL (Series 2021-CWSRF-DL Bonds) outstanding at September 30, 2021 in the amount of \$9,105,000. The proceeds from the bonds are to be used for 1) improvements to the water and sewer system, and 2) 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.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 7. LONG-TERM DEBT (CONTINUED)

A. Primary Government (Continued)

Business-type Activities Debt (Continued)

The Series 2021-CWSRF-DL Bonds maturing on February 15, 2032 or thereafter are subject to redemption prior to maturity, at the option of the City, on or after February 15, 2031 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.

Subordinated Water and Sewer Bonds, Series 2021-DWSRF-DL, \$925,000 Principal

The City has tax-exempt Water and Sewer Revenue Bonds, Series 2021-DWSRF-DL (Series 2021-DWSRF-DL Bonds) outstanding at September 30, 2021 in the amount of \$925,000. The proceeds from the bonds are to be used for 1) improvements to the water and sewer system, and 2) 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 2021-DWSRF-DL Bonds maturing on February 15, 2032 or thereafter are subject to redemption prior to maturity, at the option of the City, on or after February 15, 2031 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,	Principal	Interest	Total
2022	\$ 1,875,000	\$ 1,516,822	\$ 3,391,822
2023	1,930,000	1,465,706	3,395,706
2024	2,370,000	1,625,541	3,995,541
2025	2,470,000	1,539,989	4,009,989
2026	2,580,000	1,441,277	4,021,277
2027 - 2031	13,285,000	5,683,651	18,968,651
2032 - 2036	13,950,000	3,455,229	17,405,229
2037 - 2041	12,155,000	1,017,576	13,172,576
2042	1,210,000	26,730	1,236,730
	<u>51,825,000</u>	<u>\$ 17,772,521</u>	<u>\$ 69,597,521</u>
Plus: unamortized premium, net	1,610,404		
	<u>\$ 53,435,404</u>		

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 7. LONG-TERM DEBT (CONTINUED)

A. Primary Government (Continued)

Business-type Activities Debt (Continued)

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, 2021:

	Business-type Activities
Equipment	\$ 790,649
Less: Accumulated depreciation	(392,001)
	\$ 398,648

The following is a schedule of future minimum lease payments together with the present value of net minimum lease payments as of September 30, 2021:

	Business-type Activities
Fiscal year ending September 30,	
2022	\$ 151,873
2023	100,268
2024	62,667
2025	55,867
2026	55,867
Total minimum lease payments	426,542
Less amount representing interest	(14,148)
	\$ 412,394

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2009-D Series Bonds	\$ 8,105,000	\$ -	\$ -	\$ 8,105,000	\$ -
2016-A Series Warrants	9,030,000	-	(95,000)	8,935,000	710,000
2018 Series Warrants	3,349,104	-	(146,381)	3,202,723	151,649
2019 Series Warrant	27,910,000	-	(195,000)	27,715,000	65,000
2020-A Series Warrant	5,300,000	-	(315,000)	4,985,000	220,000
2020-B Series Warrant	10,710,000	-	(235,000)	10,475,000	-
2021 Bus Warrants		1,388,455	-	1,388,455	138,846
Installment Purchase Agreements	1,122,652	-	(231,029)	891,623	239,437
Total	\$ 65,526,756	\$ 1,388,455	\$ (1,217,410)	\$ 65,697,801	\$ 1,524,932

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 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.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 7. LONG-TERM DEBT (CONTINUED)

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

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.

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%.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 7. LONG-TERM DEBT (CONTINUED)

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

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%.

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.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 7. LONG-TERM DEBT (CONTINUED)

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

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.

City of Phenix City Board of Education Bus Warrants 2021: In September 2021, the Board issued \$1,388,455 in warrants to finance the purchase of school buses. The term is for ten years with interest payments and annual payments of principal and interest due April 1, and October 1, respectively. The effective rate of interest is 1.40%.

The annual requirements to amortize all debt outstanding at September 30, 2021 are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Sinking Fund Payment	Total
2022	\$ 1,524,932	\$ 2,232,260	\$ 421,794	\$ 4,178,986
2023	1,444,923	2,204,769	421,794	4,071,486
2024	1,563,206	2,172,317	421,794	4,157,317
2025	1,607,998	2,127,705	421,794	4,157,497
2026	9,867,799	1,968,596	-	11,836,395
2027 - 2031	11,437,036	8,644,117	-	20,081,153
2032 - 2036	12,664,255	6,530,826	-	19,195,081
2037 - 2041	15,122,652	3,887,506	-	19,010,158
2042 - 2046	10,465,000	839,222	-	11,304,222
	<u>\$ 65,697,801</u>	<u>\$ 30,607,318</u>	<u>\$ 1,687,176</u>	<u>\$ 97,992,295</u>

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2021, is as follows:

Due to/from other funds:

<u>Payable to:</u>	<u>Payable from:</u>			
	<u>Public</u>			
	<u>General</u>	<u>Buildings Authority</u>	<u>Nonmajor</u>	<u>Public Utilities</u>
General	\$ -	\$ 50,000	\$ 63,256	\$ 356,915
7 Mill	149,271	-	-	-
	<u>\$ 149,271</u>	<u>\$ 50,000</u>	<u>\$ 63,256</u>	<u>\$ 356,915</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	\$ -	\$ 43,834	-	\$ 43,834
7 Mill Fund	1,500,000	-	-	1,500,000
Public Building Authority	2,823	-	2,633	5,456
Total	<u>\$ 1,502,823</u>	<u>\$ 43,834</u>	<u>2,633</u>	<u>\$ 1,549,290</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, 2021

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, 2021, 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 \$14,323,346 was measured as of September 30, 2021 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and other inputs – The total OPEB liability in the September 30, 2021 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	2.21% annually (Beginning of Year to Determine ADC) 2.15%, annually (As of End of Year Measurement Date)
Healthcare cost trend rates	Flat 5.5% annually for 10 years, 4.5% thereafter
Mortality	SOA RP-2000 Table

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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, 2021, 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, 2021 valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2020 to September 30, 2021.

Changes in the Total OPEB Liability

Balance at September 30, 2020	<u>\$ 15,422,809</u>
Changes for the year:	
Service cost	391,276
Interest	336,355
Differences between expected and actual experience	840,760
Changes in assumptions	244,176
Benefit payments and net transfers	<u>(406,241)</u>
Net changes	<u>1,406,326</u>
 Balance at September 30, 2021	 <u><u>\$ 16,829,135</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 (1.15%) or 1-percentage-point higher (3.15%) than the current discount rate:

	<u>1.0% Decrease (1.15%)</u>	<u>Current Rate (2.15%)</u>	<u>1.0% Increase (3.15%)</u>
Total OPEB Liability	\$ 20,338,907	\$ 16,829,135	\$ 14,120,043

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	\$ 14,460,820	\$ 16,829,135	\$ 19,925,283

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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, 2021, the City recognized OPEB expense (benefit) of (\$320,678). At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual	\$ 1,262,132	\$ (5,531,697)
Changes in assumptions	4,538,292	(1,084,318)
total	<u>\$ 5,800,424</u>	<u>\$ (6,616,015)</u>

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

2021	\$ (1,048,287)
2022	(1,048,287)
2023	(1,048,287)
2024	347,149
2025	347,149
Thereafter	1,634,972
	<u>\$ (815,591)</u>

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 10. DEFINED BENEFIT PENSION PLAN

Plan Description

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

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

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

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

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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 880 local participating employers. These participating employers include 304 cities, 65 counties, and 511 other public entities. As of September 30, 2020, the date of the most recent actuarial valuation, membership consisted of:

Retirees and beneficiaries	
currently receiving benefits	54,367
Terminated employees entitled to	
but not yet receiving benefits	21,758
Non-vested inactive members who have not	
contributed in more than 5 years	20,091
Active members	<u>85,485</u>
Total	<u><u>181,701</u></u>

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

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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, 2021 (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, 2021 was 9.37% of pensionable pay for Tier 1 employees, and 8.33% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2020, 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 \$1,429,506 for the year ended September 30, 2021.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability

The City's net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019 rolled forward to September 30, 2020 using standard roll-forward techniques as shown in the following table:

Total Pension Liability as of September 30, 2019	\$ 65,442,469
Entry Age Normal Cost for October 1, 2019 - September 30, 2020	1,404,911
Interest	4,872,796
Changes in benefit terms	1,008,512
Difference between expected and actual experience	434,528
Actual Benefit Payments and Refunds for October 1, 2019 - September 30, 2020	(4,318,820)
Transfers among employers	<u>(24,528)</u>
Total Pension Liability as of September 30, 2020	<u><u>\$ 68,819,868</u></u>

Actuarial assumptions – The total pension liability in the September 30, 2020 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 *	7.70%

* Net of pension plan investment expense, including inflation

Mortality rates for ERS were based on the Pub-2010 Public Mortality Plans Mortality Tables projected using a generational approach based on the mortality improvement scale, MP-2020, with an adjustment of 66-2/3% to the table beginning in year 2019.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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, 2021 are as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Fixed Income	15.00%	2.80%
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%	9.00%
Real Estate	10.00%	6.50%
Cash	5.00%	1.50%
Total	100.00%	

* Includes assumed rate of inflation of 2.00%

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, 2021**

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2019	\$ 65,442,469	\$ 44,051,496	\$ 21,390,973
Changes for the year:			
Service cost	1,404,911	-	1,404,911
Interest	4,872,796	-	4,872,796
Changes in benefit terms	1,008,512		1,008,512
Difference between expected and actual experience	434,528	-	434,528
Contributions - employer	-	1,429,506	(1,429,506)
Contributions - employee	-	1,228,246	(1,228,246)
Net investment income	-	2,469,064	(2,469,064)
Benefit payments, including refunds of employee contributions	(4,318,820)	(4,318,820)	-
Transfers among employers	(24,528)	(24,528)	-
Net changes	3,377,399	783,468	2,593,931
Balances at September 30, 2020	\$ 68,819,868	\$ 44,834,964	\$ 23,984,904

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:

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
Plan's Net Pension Liability	\$ 31,911,898	\$ 23,984,904	\$ 17,306,765

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, 2020. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2020.

The auditor’s report dated January 31, 2022 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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, 2021, the City recognized pension expense of \$1,494,936. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 378,163	\$ 495,730
Changes of assumptions	890,843	-
Net difference between projected and actual earnings on pension plan investments	1,397,402	-
Employer contributions subsequent to the measurement date	1,612,434	-
Total	\$ 4,278,842	\$ 495,730

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:	
2022	\$ 458,226
2023	829,137
2024	661,261
2025	184,389
2026	30,541
Thereafter	7,124
	\$ 2,170,678

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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, 2021**

NOTE 13. TAX ABATEMENTS

For the year ended September 30, 2021, the City's sales tax revenues were reduced by approximately \$31,000 and property tax revenues were reduced by approximately \$481,000 under various tax abatement agreements entered into with various entities between 2011 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. RESTATEMENT

Net position is restated due to a mistake in the calculation of bond cost and bond Premium during the prior year.

	<u>Board of Education</u>
Net position, previously reported	\$ (67,233,089)
Effect of restatement - debt reduction	<u>1,217,159</u>
Restated net position, beginning balances	<u>\$ (66,015,930)</u>

NOTE 15. SUBSEQUENT EVENTS

Subsequent to year end, the City increased the municipal portion only of the General Retail Sales and Use Tax Rate from 4.5% to 4.75%, effective October 1, 2022.

CITY OF PHENIX CITY, ALABAMA

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

LAST 10 FISCAL YEARS ENDING SEPTEMBER 30

	2021	2020	2019	2018	2017	2016
Total pension liability:						
Service cost	\$ 1,404,911	\$ 1,433,837	\$ 1,434,309	\$ 1,497,466	\$ 1,465,902	\$ 1,424,261
Interest	4,872,796	4,763,743	4,642,339	4,488,512	4,288,329	4,112,059
Changes in benefit terms	1,008,512	-	-	-	-	-
Differences between expected and actual experience	434,528	(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	 (4,318,820)	 (4,025,236)	 (3,957,769)	 (3,763,255)	 (3,764,288)	 (3,186,194)
Transfers among employers	(24,528)	(161,689)	(209,196)	(73,437)	3,154	-
Net change in total pension liability	3,377,399	1,563,054	1,999,388	2,082,116	4,311,652	2,492,429
Total pension liability, beginning	65,442,469	63,879,415	61,880,027	59,797,911	55,486,259	52,993,830
Total pension liability, ending (a)	<u>\$ 68,819,868</u>	<u>\$ 65,442,469</u>	<u>\$ 63,879,415</u>	<u>\$ 61,880,027</u>	<u>\$ 59,797,911</u>	<u>\$ 55,486,259</u>
 Plan fiduciary net position:						
Contributions, employer	\$ 1,429,506	\$ 1,349,511	\$ 1,219,475	\$ 1,290,789	\$ 1,277,747	\$ 1,411,812
Contributions, member	1,228,246	1,215,294	1,253,389	1,239,396	1,256,883	1,275,641
Net investment income	2,469,064	1,123,144	3,845,521	4,886,740	3,644,637	430,168
Benefit payments, including refunds of employee contributions	(4,318,820)	(4,025,236)	(3,957,769)	(3,763,254)	(3,764,288)	(3,186,194)
Transfers among employers	(24,528)	(161,689)	(209,196)	(73,437)	3,154	(78,122)
Net change in plan fiduciary net position	783,468	(498,976)	2,151,420	3,580,234	2,418,133	(146,695)
Plan net position, beginning	44,051,496	44,550,472	42,399,052	38,818,818	36,400,685	36,547,380
Plan net position, ending (b)	<u>\$ 44,834,964</u>	<u>\$ 44,051,496</u>	<u>\$ 44,550,472</u>	<u>\$ 42,399,052</u>	<u>\$ 38,818,818</u>	<u>\$ 36,400,685</u>
 Net pension liability, ending (a) - (b)	<u>\$ 23,984,904</u>	<u>\$ 21,390,973</u>	<u>\$ 19,328,943</u>	<u>\$ 19,480,975</u>	<u>\$ 20,979,093</u>	<u>\$ 19,085,574</u>
 Plan fiduciary net position as a percentage of the total pension liability	65.15%	67.31%	69.74%	68.52%	64.92%	65.60%
 Covered-employee payroll*	\$ 16,190,543	\$ 16,310,222	\$ 16,278,175	\$ 16,716,394	\$ 16,308,684	\$ 15,576,766
 Net pension liability (asset) as a percentage of covered-employee payroll	148.14%	131.15%	118.74%	116.54%	128.64%	122.53%

*Employer's covered-payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For FY 2021 the measurement period is October 1, 2019 - September 30, 2020.

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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 1,612,434	\$ 1,429,506	\$ 1,612,434	\$ 1,219,477	\$ 1,290,789	\$ 1,277,747
Contributions in relation to the actuarially determined contribution*	<u>1,612,434</u>	<u>1,429,506</u>	<u>1,612,434</u>	<u>1,219,477</u>	<u>1,290,789</u>	<u>1,277,747</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll**	\$ 16,761,859	\$ 16,190,543	\$ 16,310,222	\$ 16,278,175	\$ 16,716,394	\$ 16,308,684
Contributions as a percentage of covered-covered payroll	9.62%	8.83%	9.89%	7.49%	7.72%	7.83%

*Amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. For FY 2021, the fiscal year is the twelve month period beginning after 6/15/2020.

**Employer's covered payroll for FY2021 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	28.3 years
Asset valuation method	Five year smoothed market
Inflation	2.750%
Salary increases	3.25 - 5.00%, including inflation
Investment rate of return	7.70%, net of pension plan investment expense, including inflation

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

CITY OF PHENIX CITY, ALABAMA

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

Total OPEB Liability	<u>2021</u>	<u>2020</u>	<u>2019</u>
Service cost	\$ 391,276	\$ 354,338	\$ 238,765
Interest	336,355	612,174	699,266
Differences between expected and actual experience	840,760	(9,180,111)	821,027
Changes in assumptions	244,176	846,653	5,001,318
Benefit payment and net transfers	<u>(406,241)</u>	<u>(448,558)</u>	<u>(501,803)</u>
Net change in total OPEB liability	1,406,326	(7,815,504)	6,258,573
Total OPEB liability at beginning of year	<u>15,422,809</u>	<u>23,238,313</u>	<u>16,979,740</u>
Total OPEB liability at end of year	<u>\$ 16,829,135</u>	<u>\$ 15,422,809</u>	<u>\$ 23,238,313</u>
Covered-employee payroll	14,971,657	14,395,824	14,717,383

NOTES TO SCHEDULE

Benefit Changes: There were no changes of benefit terms for the year ended September 30, 2021.

Changes of Assumptions: The discount rate as of September 30, 2020 was 2.21% and it changed to 2.15% as of September 30, 2021.

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

CITY OF PHENIX CITY, ALABAMA

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

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

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

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

Debt Service Funds

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

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

Other Funds

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

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

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

CITY OF PHENIX CITY, ALABAMA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021**

	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
ASSETS														
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 347,742	\$ 12,862	\$ 867,625	\$ 12,291	\$ -	\$ -	\$ 440,504	\$ 32,383	\$ 1,207	\$ 1,714,614
Taxes receivable	1,901	7,789	3,525	12,343	0	-	-	-	391,493	521,982	-	-	-	939,033
Accounts receivable	-	-	-	-	19,721	-	976,403	-	-	-	-	-	-	996,124
Notes receivable	-	-	-	-	-	-	330,100	-	-	-	-	-	-	330,100
Restricted cash	101,149	5,772	496,273	139,114	0	-	-	-	27,732	36,976	-	-	-	807,016
Total assets	\$ 103,050	\$ 13,561	\$ 499,798	\$ 151,457	\$ 367,463	\$ 12,862	\$ 2,174,128	\$ 12,291	\$ 419,225	\$ 558,958	\$ 440,504	\$ 32,383	\$ 1,207	\$ 4,786,887
LIABILITIES DEFERRED INFLOWS AND FUND BALANCES														
LIABILITIES AND DEFERRED INFLOWS														
Accounts payable	\$ -	\$ -	\$ 3,035	\$ -	\$ -	\$ 12,861	\$ 1	\$ 50	\$ -	\$ -	\$ 17	\$ 99	\$ -	\$ 16,063
Due to other funds	-	-	-	-	-	55	-	-	26,939	36,249	13	-	-	63,256
Total liabilities	-	-	3,035	-	-	12,916	1	50	26,939	36,249	30	99	-	79,319
Deferred inflows	-	-	-	-	-	-	-	-	395,557	527,409	-	-	-	922,966
FUND BALANCES														
Restricted for:														
Debt service	-	-	-	-	-	-	-	-	(3,271)	(4,700)	-	-	-	(7,971)
Street improvements	103,050	13,561	496,763	151,457	367,463	-	-	-	-	-	-	-	-	1,132,294
Revolving loans	-	-	-	-	-	-	2,174,127	-	-	-	-	-	-	2,174,127
Public safety	-	-	-	-	-	(54)	-	12,241	-	-	-	-	-	12,187
Municipal court	-	-	-	-	-	-	-	-	-	-	440,474	-	-	440,474
Unassigned	-	-	-	-	-	-	-	-	-	-	-	32,284	1,207	33,491
Total fund balances	103,050	13,561	496,763	151,457	367,463	(54)	2,174,127	12,241	(3,271)	(4,700)	440,474	32,284	1,207	3,784,602
Total liabilities and fund balances	\$ 103,050	\$ 13,561	\$ 499,798	\$ 151,457	\$ 367,463	\$ 12,862	\$ 2,174,128	\$ 12,291	\$ 419,225	\$ 558,958	\$ 440,504	\$ 32,383	\$ 1,207	\$ 4,786,887

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, 2021

	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
Revenues:														
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,051,324	\$ 1,401,765	\$ -	\$ -	\$ -	\$ 2,453,089
Sales and use taxes	21,462	84,797	38,464	134,625	213,449	-	-	-	-	-	-	-	-	492,797
Intergovernmental	-	-	0	-	-	-	21,789	-	-	-	-	-	-	21,789
Charges for services	-	-	-	-	-	-	216,840	-	-	-	-	-	-	216,840
Fines and forfeitures	-	-	-	-	-	42,837	-	100	-	-	31,432	-	-	74,369
Interest income	70	245	178	132	159	7	5,501	12	26	35	337	25	1	6,728
Other revenues	-	-	-	-	-	-	-	-	-	-	-	2,100	684	2,784
Total revenues	21,532	85,042	38,642	134,757	213,608	42,844	244,130	112	1,051,350	1,401,800	31,769	2,125	685	3,268,396
Expenditures:														
Current														
General government	-	-	-	-	-	-	-	-	-	-	862	1,595	1,067	3,524
Public safety	-	-	-	-	-	-	-	9,233	-	-	-	-	-	9,233
Public works	-	-	82,372	-	-	-	22,486	-	-	-	-	-	-	104,858
Education	-	-	-	-	-	-	-	-	1,062,509	1,416,677	-	-	-	2,479,186
Capital outlay	-	-	-	-	-	-	219,180	-	-	-	-	-	-	219,180
Total expenditures	-	-	82,372	-	-	-	241,666	9,233	1,062,509	1,416,677	862	1,595	1,067	2,815,981
Excess (deficiency) of revenues over (under) expenditures	21,532	85,042	(43,730)	134,757	213,608	42,844	2,464	(9,121)	(11,159)	(14,877)	30,907	530	(382)	452,415
Other financing sources (uses):														
Transfers in	-	-	370,000	-	-	-	-	-	-	-	-	-	-	370,000
Transfers out	-	(370,000)	-	-	-	(43,834)	-	-	-	-	-	-	-	(413,834)
Total other financing sources (uses)	-	(370,000)	370,000	-	-	(43,834)	-	-	-	-	-	-	-	(43,834)
Net change in fund balances	21,532	(284,958)	326,270	134,757	213,608	(990)	2,464	(9,121)	(11,159)	(14,877)	30,907	530	(382)	408,581
Fund balances, beginning of year	81,518	298,519	170,493	16,700	153,855	936	2,171,663	21,362	7,888	10,177	409,567	31,754	1,589	3,376,021
Fund balances, end of year	\$ 103,050	\$ 13,561	\$ 496,763	\$ 151,457	\$ 367,463	\$ (54)	\$ 2,174,127	\$ 12,241	\$ (3,271)	\$ (4,700)	\$ 440,474	\$ 32,284	\$ 1,207	\$ 3,784,602

COMPLIANCE SECTION

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Phenix City, Alabama (the "City") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 20, 2023. 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, and therefore material weakness or significant deficiencies may exist that have not been identified. We consider deficiencies 2021-01 through 2021-04 described in the schedule of findings and responses to be material weaknesses.

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

June 20, 2023

CITY OF PHENIX CITY, ALABAMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

FINANCIAL STATEMENT FINDINGS AND RESPONSES

MATERIAL WEAKNESSES

2021-1 Financial Reporting Process

Condition and Criteria: In order to properly monitor the financial reporting process, ideally, the City should be able to prepare financial statements in a timely manner, including necessary disclosures, in accordance with accounting principles generally accepted in the United States of America. Since the City's personnel do not have the necessary familiarity with all disclosure requirements of such principles, management has requested that the auditor prepare the year-end financial statements including the footnotes. Although the auditor has done so, the financial statements and related disclosures remain the responsibility of management. Since the auditor's work cannot be considered as part of the City's internal control process, a material weakness exists in regards to the financial reporting process.

Cause: Although the City personnel are familiar with most accounting principles generally accepted in the United States of America, they do not maintain knowledge of all disclosure requirements.

Effect: Due to the limited knowledge of the required financial statement disclosure, the City relies on the external auditor to propose adjusting entries and prepare the financial statements and related disclosures.

Recommendation: The City's personnel should consider continued investment in the accounting department in order to maintain the necessary familiarity required with the appropriate accounting and disclosure requirements of GAAP.

Responsible Official's Response: The City will allocate adequate resources for the maintenance of accounting department staffing and operational needs and will continue to request that the auditors prepare the annual financial statements.

CITY OF PHENIX CITY, ALABAMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

FINANCIAL STATEMENT FINDINGS AND RESPONSES

2021-2 Limited Segregation of Duties

Condition and Criteria: Limited segregation of duties in certain City offices is presently in place.

Cause: Due to the limited number of employees in the accounting department, there is not adequate segregation of duties as it relates to certain accounting procedures, the financial reporting process and the information technology environments.

Effect: The resulting effect is increased risk of errors and irregularities that could lead to misstatement of the financial statements.

Recommendation: The Members of the City Council and management should be conscious of this limited segregation of duties and provide for adequate review of all financial information and provide oversight where practical. In addition, steps should be taken to ensure adequate controls are in place over computer hardware and software components to protect and safeguard financial and personnel data.

Responsible Official's Response: The City concurs with the auditor's recommendation and will provide appropriate oversight.

2021-3 Management of Capital Asset Accounts

Condition and Criteria: Generally accepted accounting principles require the reporting of all capital assets at their historical cost, which is written off periodically, or depreciated, in a systematic and rational manner. Assets donated by outside parties should also be reported, but at the estimated fair value on the date of the donation. In addition, for proprietary funds, interest expense incurred on tax exempt debt restricted for specified capital projects should be capitalized until the completion of the capital projects and then amortized over the life of the completed capital asset. The City did not properly reconcile capital asset rollforward during the fiscal year ended September 30, 2021.

Cause: The City did not review all capital asset activity to determine proper reporting.

Effect: Adjustments were required to reconcile capital assets in the general government and record government-wide entries.

Recommendation: We recommend the City review all capital asset activity and record assets in accordance with generally accepted accounting principles.

Responsible Official's Response: We concur with the finding. We will record capital asset activity appropriately as it occurs during the year.

CITY OF PHENIX CITY, ALABAMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

FINANCIAL STATEMENT FINDINGS AND RESPONSES

2021-4 Bank Reconciliations

Condition and Criteria: Bank reconciliations were not performed in a timely manner throughout the year for various funds of the City.

Cause: Due to the limited number of employees in the accounting department, inadequate resources were allocated to accounting functions and processes over cash management to properly reconcile bank statements to the underlying accounting records throughout the year.

Effect: The resulting effect is increased risk of errors and irregularities that could lead to incomplete accounting records, misstatement of the financial statements and unmonitored cash activity.

Recommendation: The Members of the City Council and management should be conscious of this ongoing limitation to adequate oversight and provide adequate resources to procure staffing to facilitate timely accounting recordation and reconciliation.

Responsible Official's Response: The City concurs with the auditor's recommendation and will provide adequate resources.

CITY OF PHENIX CITY, ALABAMA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

No findings