

CITY OF PHENIX CITY, ALABAMA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2024

CITY OF PHENIX CITY, ALABAMA
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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

Opinions

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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2024, 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 accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 10 and other required supplementary information on pages 65 – 67 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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 (pages 65-67) and the Schedule of Expenditures of Federal Awards (page 73), as required by Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 basic financial statements or to the basic 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 and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2026 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Robinson, Grimes & Company, P.C.

Certified Public Accountants

March 20, 2026

CITY OF PHENIX CITY, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

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, 2024. 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 two 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

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.

CITY OF PHENIX CITY, ALABAMA

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

- 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.

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 blended component unit.

CITY OF PHENIX CITY, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

- 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.

Financial Analysis of the City (Primary Government)

Assets

Total assets of the City were \$294,498,384 for 2024 compared to \$283,688,285 for 2023. 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, 2024 was \$203,021,287, which is an increase of \$6,097,576 from September 30, 2023 of \$196,923,711. The City has recorded an accumulated \$112,777,801 in depreciation expense against these capital assets leaving a net asset book value of \$90,243,486. Debt outstanding related to capital assets was \$46,148,413 leaving an investment in capital assets of \$44,095,073 compared to \$41,138,562 for 2023. 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, 2024 of \$150,259,574, which represents an increase of \$5,213,917 from September 2023 of \$145,045,657. Net of \$71,339,131 in accumulated depreciation expense, the City's Business-type Activities had \$78,920,443 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 \$44,762,007 leaving an investment in capital assets of \$34,158,436 for 2024 compared to \$30,634,351 for 2023.

Revenues

The City's total revenue from Governmental Funds was \$69,639,317, an increase of 6% from the previous year \$65,656,430. This increase was primarily related to an increase in interest income, sales tax, and property tax revenue. The largest revenue source for the City is the sales and use tax totaling \$39,908,320, which represents 57% of total revenues. Licenses and permits totaled \$6,533,483, charges for service totaled \$3,656,579, property taxes totaled \$8,212,671, other business taxes totaled \$2,097,021, and interest totaled \$2,712,929. 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, \$2,938,715 is dedicated to debt service and \$3,035,651 for education.

CITY OF PHENIX CITY, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
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Expenditures

Departmental operating expenditures totaled \$46,355,418 or 89.3% of total non-capital expenditures of \$51,930,987. The City transferred \$3,051,006 to the Phenix City Board of Education and debt service on general obligation debt totaled \$5,575,569. Capital outlays during the fiscal year were \$2,175,542.

Public safety (police, code enforcement, and fire departments) is the largest category of departmental operating expenses totaling \$16,020,588 or 34.6%. 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 second largest category of departmental operating expenses totaling \$15,853,068 or 34.2%. Culture and recreation at \$5,835,776 or 12.6% and public works at \$5,594,980 or 12.1% represent the remaining balance of departmental operating expenditures.

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 \$16,083,219 were up \$461,238 in 2024 compared to \$15,621,981 in 2023. Operating expenses of \$9,946,036, not including depreciation and amortization expenses, were up \$195,408 compared to \$9,750,628 in 2023. Operating income, not including depreciation and amortization, increased \$265,830. Depreciation and amortization expenses of \$3,244,804 increased \$128,279 from \$3,116,525 in 2023, interest expense was \$1,329,312 in 2024 compared to \$1,009,486 in 2023, and interest income was \$470,086 in 2024 compared to \$282,149 in 2023. Capital contributions of \$898,029 were received from American Rescue Plan Act (ARPA) funds for water and sewer system improvements, and \$126,540 in capital contributions were received from developers for additions to the water and sewer system. The change in net fund position was \$3,586,244 for 2024, which was a decrease of \$1,573,635 from 2023 due to a net decrease in non-operating revenues and expenses.

Fund Balances/Net Assets

The General Fund's Fund Balance increased \$14,253,927 to \$73,552,480 in 2024 compared to \$59,298,553 in 2023. The fund balance for the City's Other Governmental Funds increased \$1,284,406 to \$11,226,566 in 2024 compared to \$9,942,160 in 2023.

Net fund position in Public Utilities increased \$3,586,244 to \$43,095,095 in 2024 compared to \$39,508,851 in 2023.

CITY OF PHENIX CITY, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

Budgetary Highlights

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

Total operating revenues were \$7,226,885 more than budgetary projections in the General Fund, due primarily to an increase in revenue from sales and use taxes and interest income. Departmental expenditures were \$9,576,803 less than budgeted due to conservative spending practices.

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 34-35.

The City retired \$3,665,000 in general obligation debt in fiscal year 2024. The City had \$50,445,000 outstanding in long-term general obligation debt at the 2024 fiscal year-end compared to \$54,110,000 in 2023. General obligation debt of \$34,510,000 or 68% of the total outstanding debt in 2024 will be retired by the end of 2033.

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 \$2,370,000 of revenue debt in 2024. The City had \$45,650,000 in revenue debt outstanding at the end of the 2024 fiscal year-end compared to \$48,020,000 in 2023. Of the \$45,650,000 in Revenue Warrants payable from the Utility Fund revenues outstanding at the 2024 fiscal year-end, \$23,620,000, or 52% will be retired by 2033 year-end. Details of the City's debt activity can be found in Note 7 on pages 36-48.

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.

CITY OF PHENIX CITY, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

Economic Factors and Expectations

General Government

The local economy has demonstrated steady and sustained growth across key sectors, including employment, retail development, and public revenues. The City's sales tax base has grown consistently each year, with particularly strong gains occurring since 2021. This growth reflects increased economic activity, continued investment, and the City's strengthening position as a regional retail destination. Over the past decade, the City has maintained a stable and expanding property tax base. General Fund revenues have also increased steadily, supported by both gradual growth and sound fiscal management. In July 2022, the City implemented a modest sales tax increase from 9.5% to 9.75% to strengthen reserves and support capital improvements and operational needs.

The local labor market continues to show resilience. While the City's unemployment rate is slightly above the state average, it remains below the broader regional average. This is supported by sustained job growth throughout the City, with several anticipated projects expected to further expand employment opportunities in the near future.

Residential development has experienced a slowdown in recent years. However, with several large-scale retail developments on the horizon, housing activity is expected to rebound as new investment drives additional demand.

Looking ahead, continued economic momentum, strategic development opportunities, and planned retail growth position the City for ongoing increases in revenue. This trajectory is expected to support the City's ability to maintain and enhance service delivery over the next three to five years.

Utility Services

The City hired a consultant who completed a cost of service study (COSS) of the Utilities Department in 2021 and implemented recommendations for revisions to the Utilities Department's water and sewer rates and fees beginning in 2022 as follows:

- 2022
 - The amount of water and sanitary sewer service provided at no cost was reduced from 3,000 to 1,500 gallons
 - Minimum charge for fixed costs is formally listed as Customer Charge.
- 2023
 - Customer Charges for sanitary sewer are designated as Standard and Commercial & Industrial and are increased.
- 2024
 - Customer Charges for sanitary sewer are increased.

The City will hire a consultant to complete another cost of service study in 2025, and implement recommendations and rate increases in 2026 and 2027.

CITY OF PHENIX CITY, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

The Wastewater Treatment Plant currently operates at 70% capacity, and the Water Filtration Plant currently operates at 54% capacity.

The City has agreements 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. 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.

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, 2024**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Primary Government		Total
	Governmental Activities	Business-type Activities	
Cash and cash equivalents	\$ 61,229,508	\$ 10,088,307	\$ 71,317,815
Taxes receivable	5,246,631	-	5,246,631
Accounts receivable	1,731,458	1,481,848	3,213,306
Notes receivable	330,000	-	330,000
Internal balances	1,450,336	(1,450,336)	-
Due from other governments	32,993	1,958,555	1,991,548
Inventories	95,884	395,151	491,035
Prepaid expenses	342,596	108,620	451,216
Restricted assets:			
Cash and cash equivalents	14,150,642	4,263,083	18,413,725
Investments	10,926,940	-	10,926,940
Capital assets, non-depreciable	27,100,431	17,559,328	44,659,759
Capital assets, depreciable, net of accumulated depreciation	63,143,055	61,361,115	124,504,170
Total assets	185,780,474	95,765,671	281,546,145
Deferred outflows of resources:			
Deferred outflows related to pension plan	5,786,645	1,040,676	6,827,321
Deferred outflows related to OPEB plan	3,208,566	479,888	3,688,454
Deferred amounts - bond refundings	1,226,077	1,210,387	2,436,464
Total deferred outflows of resources	10,221,288	2,730,951	12,952,239
Total assets and deferred outflows of resources	\$ 196,001,762	\$ 98,496,622	\$ 294,498,384
LIABILITIES AND DEFERRED INFLOWS			
Accounts payable	\$ 1,923,637	\$ 803,040	\$ 2,726,677
Accrued liabilities	1,021,303	112,690	1,133,993
Due to component units	107,679	-	107,679
Unearned revenues	5,672,462	-	5,672,462
Customer deposits	-	73,318	73,318
Accrued interest	169,929	193,069	362,998
Notes payable due within one year	252,864	54,215	307,079
Notes payable due in more than one year	248,313	82,691	331,004
Bonds payable due within one year	3,770,000	2,470,000	6,240,000
Bonds payable due in more than one year	48,049,126	44,233,729	92,282,855
Compensated absences due within one year	642,391	78,774	721,165
Compensated absences due in more than one year	159,159	10,947	170,106
Net pension liability	26,716,482	4,941,803	31,658,285
Net other postemployment benefits liability	11,626,132	1,587,844	13,213,976
Total liabilities	100,359,477	54,642,120	155,001,597
Deferred inflows of resources:			
Deferred inflows related to pension plan	163,890	-	163,890
Deferred inflows related to OPEB plan	3,209,339	759,407	3,968,746
Total deferred inflows of resources	3,373,229	759,407	4,132,636
Total liabilities and deferred inflows of resources	103,732,706	55,401,527	159,134,233
NET POSITION			
Net investments in capital assets	44,095,073	34,158,436	78,253,509
Restricted for:			
Capital projects	3,221,068	-	3,221,068
Debt service	2,643,928	3,041,329	5,685,257
Municipal court	482,609	-	482,609
Unrestricted	41,826,378	5,895,330	47,721,708
Total net position	92,269,056	43,095,095	135,364,151
Total liabilities, deferred inflows and net position	\$ 196,001,762	\$ 98,496,622	\$ 294,498,384

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, 2024

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary government:							
Governmental activities:							
General government	\$ 13,431,541	\$ 8,352,746	\$ 1,129,751	\$ 5,680	\$ (3,943,364)	\$ -	\$ (3,943,364)
Public safety	17,309,320	1,193,717	-	68,789	(16,046,814)	-	(16,046,814)
Public works	9,929,748	4,018,200	-	687,529	(5,224,019)	-	(5,224,019)
Culture and recreation	6,768,724	1,251,952	-	-	(5,516,772)	-	(5,516,772)
Education	3,051,006	-	-	-	(3,051,006)	-	(3,051,006)
Interest on long-term debt	1,545,417	-	-	-	(1,545,417)	-	(1,545,417)
Total governmental activities	<u>52,035,756</u>	<u>14,816,615</u>	<u>1,129,751</u>	<u>761,998</u>	<u>(35,327,392)</u>	<u>-</u>	<u>(35,327,392)</u>
Business-type activities:							
Public Utilities	<u>14,520,152</u>	<u>16,083,219</u>	<u>-</u>	<u>1,553,827</u>	<u>-</u>	<u>3,116,894</u>	<u>3,116,894</u>
Total business-type activities	<u>14,520,152</u>	<u>16,083,219</u>	<u>-</u>	<u>1,553,827</u>	<u>-</u>	<u>3,116,894</u>	<u>3,116,894</u>
Total primary government	<u>\$ 66,555,908</u>	<u>\$ 30,899,834</u>	<u>\$ 1,129,751</u>	<u>\$ 2,315,825</u>	<u>\$ (35,327,392)</u>	<u>\$ 3,116,894</u>	<u>\$ (32,210,498)</u>
General revenues:							
Property taxes					\$ 8,240,503	\$ -	\$ 8,240,503
Sales and use taxes					39,908,320	-	39,908,320
Business taxes					2,097,021	-	2,097,021
Unrestricted investment earnings					2,712,941	470,086	3,183,027
Gain (loss) on disposal of assets					4,809	-	4,809
Transfers					736	(736)	-
Total general revenues and transfers					<u>52,964,330</u>	<u>469,350</u>	<u>53,433,680</u>
Change in net position					<u>17,636,938</u>	<u>3,586,244</u>	<u>21,223,182</u>
Net position, beginning of year					<u>74,632,118</u>	<u>39,508,851</u>	<u>114,140,969</u>
Net position, end of year					<u>\$ 92,269,056</u>	<u>\$ 43,095,095</u>	<u>\$ 135,364,151</u>

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

CITY OF PHENIX CITY, ALABAMA

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024**

ASSETS	General	Capital Improvement	7 Mill	Public Building Authority	Nonmajor Governmental Funds	Total
Cash and cash equivalents	\$ 59,313,439	\$ -	\$ -	\$ -	\$ 1,915,999	\$ 61,229,438
Taxes receivable	3,541,246	-	845,620	-	859,765	5,246,631
Accounts receivable	518,385	31,139	-	-	1,181,934	1,731,458
Notes receivable	-	-	-	-	330,000	330,000
Due from other funds	1,761,467	-	138,937	-	-	1,900,404
Due from other governments	36,885	-	-	-	-	36,885
Inventory	95,884	-	-	-	-	95,884
Prepaid items	342,596	-	-	-	-	342,596
Restricted cash	32,475	90,647	1,814,522	4,855,981	7,357,017	14,150,642
Restricted investments	10,900,000	-	-	26,940	-	10,926,940
Total assets	<u>\$ 76,542,377</u>	<u>\$ 121,786</u>	<u>\$ 2,799,079</u>	<u>\$ 4,882,921</u>	<u>\$ 11,644,715</u>	<u>\$ 95,990,878</u>
LIABILITIES DEFERRED INFLOWS AND FUND BALANCES						
LIABILITIES AND DEFERRED INFLOWS						
Accounts payable	\$ 1,576,360	\$ 39,567	\$ -	\$ -	\$ 419,248	\$ 2,035,175
Accrued expenses	1,021,266	-	-	-	-	1,021,266
Due to other funds	-	-	-	450,000	68	450,068
Unearned revenue	-	-	-	-	5,759,758	5,759,758
Total liabilities	<u>2,597,626</u>	<u>39,567</u>	<u>-</u>	<u>450,000</u>	<u>6,179,074</u>	<u>9,266,267</u>
Deferred inflows - unavailable revenue	392,271	-	733,941	-	819,353	1,945,565
FUND BALANCES (DEFICIT)						
Nonspendable:						
Inventories	95,884	-	-	-	-	95,884
Prepaid assets	342,596	-	-	-	-	342,596
Restricted for:						
Debt service	-	-	2,065,138	-	14,764	2,079,902
Capital projects	-	492,172	-	4,432,921	-	4,925,093
Street improvements	-	-	-	-	1,910,051	1,910,051
Revolving loans	-	-	-	-	1,860,677	1,860,677
Public safety	-	-	-	-	60,746	60,746
Municipal court	-	-	-	-	503,617	503,617
Committed for:						
Operating reserves	10,900,000	-	-	-	-	10,900,000
Book fund	32,163	-	-	-	-	32,163
Unassigned	62,181,837	(409,953)	-	-	296,433	62,068,317
Total fund balances	<u>73,552,480</u>	<u>82,219</u>	<u>2,065,138</u>	<u>4,432,921</u>	<u>4,646,288</u>	<u>84,779,046</u>
Total liabilities and fund balances	<u>\$ 76,542,377</u>	<u>\$ 121,786</u>	<u>\$ 2,799,079</u>	<u>\$ 4,882,921</u>	<u>\$ 11,644,715</u>	
Amounts reported for governmental activities in the statement of net position are different because:						
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.						90,243,486
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.						2,032,861
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						(50,593,049)
Accrued interest on long-term liabilities						(169,929)
Notes payable						(501,177)
Accrued compensated absences						(801,550)
Net pension liability net of deferred inflows and outflows related to pension						(21,093,727)
Net other postemployment benefits liability net of deferred inflows and outflows related to OPEB						(11,626,905)
Net position of governmental activities						<u>\$ 92,269,056</u>

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

CITY OF PHENIX CITY, ALABAMA

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

	General	Capital Improvement	7 Mill	Public Building Authority	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes	\$ 2,238,305	\$ -	\$ 2,938,715	\$ -	\$ 3,035,651	\$ 8,212,671
Sales and use taxes	39,288,456	-	-	-	619,864	39,908,320
Business taxes	1,017,946	-	1,079,075	-	-	2,097,021
Licenses and permits	6,533,483	-	-	-	-	6,533,483
Intergovernmental	441,779	208,234	-	-	1,241,736	1,891,749
Charges for services	3,385,502	-	-	-	271,077	3,656,579
Fines and forfeitures	1,024,074	-	-	-	50,457	1,074,531
Interest	2,078,350	1,697	72,112	220,320	340,450	2,712,929
Other revenues	1,074,774	-	-	1,238,585	1,846	2,315,205
Parks and recreation	1,236,829	-	-	-	-	1,236,829
Total revenues	58,319,498	209,931	4,089,902	1,458,905	5,561,081	69,639,317
Expenditures:						
Current:						
General government	15,815,881	-	12,012	2,500	22,675	15,853,068
Public safety	16,019,868	-	-	-	720	16,020,588
Public works	5,162,897	-	-	-	432,083	5,594,980
Culture and recreation	5,814,076	-	-	-	21,700	5,835,776
Education	-	-	-	-	3,051,006	3,051,006
Capital outlay	-	720,700	-	20,000	1,434,842	2,175,542
Debt service:						
Principal	277,410	-	2,760,000	905,000	-	3,942,410
Interest	7,261	-	1,292,338	333,560	-	1,633,159
Total expenditures	43,097,393	720,700	4,064,350	1,261,060	4,963,026	54,106,529
Excess (deficiency) of revenues over (under) expenditures	15,222,105	(510,769)	25,552	197,845	598,055	15,532,788
Other financing sources (uses):						
Proceeds from sale of property	4,809	-	-	-	-	4,809
Transfers in	31,718	1,002,941	-	2,500	-	1,037,159
Transfers out	(1,004,705)	-	-	-	(31,718)	(1,036,423)
Total other financing sources (uses)	(968,178)	1,002,941	-	2,500	(31,718)	5,545
Net change in fund balances	14,253,927	492,172	25,552	200,345	566,337	15,538,333
Fund balances, beginning of year	59,298,553	(409,953)	2,039,586	4,232,576	4,079,951	69,240,713
Fund balances, end of year	\$ 73,552,480	\$ 82,219	\$ 2,065,138	\$ 4,432,921	\$ 4,646,288	\$ 84,779,046

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, 2024**

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

Net change in fund balances - total governmental funds	\$ 15,538,333
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between depreciation expense and capital outlay in the current period.	(1,126,978)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	27,830
The issuance of long-term debt (i.e., bonds, notes) 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.	4,008,052
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.	(812,824)
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>2,525</u>
Change in net position of governmental activities	<u>\$ 17,636,938</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, 2024**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 2,080,022	\$ 2,080,022	\$ 2,238,305	\$ 158,283
Sales and use taxes	36,513,121	36,513,121	39,288,456	2,775,335
Business taxes	883,957	883,957	1,017,946	133,989
Licenses and permits	5,680,793	5,680,793	6,533,483	852,690
Intergovernmental	330,000	330,000	441,779	111,779
Charges for services	2,900,217	2,900,217	3,385,502	485,285
Fines and forfeitures	844,914	844,914	1,024,074	179,160
Interest income	44,185	44,185	2,078,350	2,034,165
Miscellaneous Income	667,504	667,504	1,074,774	407,270
Parks and recreation	1,147,900	1,147,900	1,236,829	88,929
Total revenues	<u>51,092,613</u>	<u>51,092,613</u>	<u>58,319,498</u>	<u>7,226,885</u>
Expenditures:				
Current:				
General government:				
City manager	573,566	589,664	511,684	77,980
Personnel	1,163,845	1,190,808	774,353	416,455
City clerk	613,178	613,310	452,632	160,678
Information Technology	738,406	814,015	624,417	189,598
Municipal court	492,072	505,382	458,263	47,119
Finance	985,348	1,008,496	619,862	388,634
Finance - revenue collection	159,107	220,262	175,520	44,742
Non-departmental	6,920,931	11,264,938	9,788,586	1,476,352
Appropriations and contributions	672,782	672,782	614,980	57,802
Economic development	515,883	623,526	593,370	30,156
Planning commission	184,700	184,700	0	184,700
Building maintenance	1,333,753	1,406,865	1,202,214	204,651
Total general government	<u>14,353,571</u>	<u>19,094,748</u>	<u>15,815,881</u>	<u>3,278,867</u>
Public safety:				
Code enforcement	1,057,224	1,058,213	818,753	239,460
Fire	6,266,444	6,289,221	5,794,862	494,359
Police	11,584,048	11,893,226	9,040,704	2,852,522
Animal control	235,765	249,210	185,911	63,299
Administration	234,113	234,113	179,638	54,475
Total public safety	<u>19,377,594</u>	<u>19,723,983</u>	<u>16,019,868</u>	<u>3,704,115</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, 2024**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures: (Continued)				
Current:				
Public works:				
Vehicle maintenance	\$ 376,437	\$ 418,716	\$ 386,025	\$ 32,691
Cemetery maintenance	437,804	438,266	397,140	41,126
Engineering	752,973	753,071	557,365	195,706
Administration	512,181	518,303	496,545	21,758
Limbs and debris	2,281,276	2,282,486	1,738,927	543,559
Refuse disposal	348,281	468,461	382,349	86,112
Streets and drainage	1,300,858	1,483,560	1,204,546	279,014
Total public works	<u>6,009,810</u>	<u>6,362,863</u>	<u>5,162,897</u>	<u>1,199,966</u>
Culture and recreation:				
Parks and recreation	4,189,206	4,415,881	3,931,410	484,471
Central activity center	88,550	111,790	96,172	15,618
Amphitheater	199,725	353,097	305,375	47,722
Golf course	1,329,400	1,330,592	1,146,891	183,701
Library	520,775	534,386	334,228	200,158
Total culture and recreation	<u>6,327,656</u>	<u>6,745,746</u>	<u>5,814,076</u>	<u>931,670</u>
Debt service:				
Principal	859,775	739,595	277,410	462,185
Interest	7,261	7,261	7,261	-
Total debt service	<u>867,036</u>	<u>746,856</u>	<u>284,671</u>	<u>462,185</u>
Total expenditures	<u>46,935,667</u>	<u>52,674,196</u>	<u>43,097,393</u>	<u>9,576,803</u>
Excess of revenues over expenditures	<u>4,156,946</u>	<u>(1,581,583)</u>	<u>15,222,105</u>	<u>16,803,688</u>
Other financing sources (uses):				
Proceeds from sale of property	-	-	4,809	4,809
Transfers in	50,000	50,000	36,705	(13,295)
Transfers out	(1,250,000)	(1,250,000)	(1,009,692)	240,308
Total other financing uses	<u>(1,200,000)</u>	<u>(1,200,000)</u>	<u>(968,178)</u>	<u>231,822</u>
Net change in fund balances	2,956,946	(2,781,583)	14,253,927	17,035,510
Fund balance, beginning of year	<u>59,298,553</u>	<u>59,298,553</u>	<u>59,298,553</u>	<u>-</u>
Fund balance, end of year	<u>\$ 62,255,499</u>	<u>\$ 56,516,970</u>	<u>\$ 73,552,480</u>	<u>\$ 17,035,510</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, 2024**

	Business-type Activities Enterprise Funds	
		Public Utilities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$	10,088,307
Accounts receivable, net of allowances		1,481,848
Due from other governments		1,958,555
Inventories		395,151
Prepaid expenses		108,620
Total current assets		<u>14,032,481</u>
RESTRICTED ASSETS		
Cash and cash equivalents		<u>4,263,083</u>
NONCURRENT ASSETS		
Capital assets:		
Nondepreciable		17,559,328
Depreciable, net of accumulated depreciation		61,361,115
Total noncurrent assets		<u>78,920,443</u>
Total assets		<u>97,216,007</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension plan		1,040,676
Deferred outflows related to other postemployment benefits plan		479,888
Deferred amounts - bond refundings		1,210,387
Total deferred outflows of resources		<u>2,730,951</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
CURRENT LIABILITIES		
Accounts payable		803,040
Accrued expenses		112,690
Due to other funds		1,450,336
Customer deposits		73,318
Accrued interest		193,069
Current portion - notes payable		54,215
Current portion - bonds payable		2,470,000
Current portion - compensated absences		78,774
Total current liabilities		<u>5,235,442</u>
LONG-TERM LIABILITIES		
Notes payable, net of current portion		82,691
Bonds payable, net of current portion		44,233,729
Compensated absences, net of current portion		10,947
Net pension liability		4,941,803
Net other postemployment benefits obligation		1,587,844
Total long-term liabilities		<u>50,857,014</u>
Total liabilities		<u>56,092,456</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to other postemployment benefits plan		759,407
Total deferred inflows of resources		<u>759,407</u>
NET POSITION		
Net investments in capital assets		34,158,436
Restricted for debt service		3,041,329
Unrestricted		5,895,330
Total net position	\$	<u>43,095,095</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, 2024

	Business-type Activities Enterprise Funds
	Public Utilities
OPERATING REVENUES	
Charges for services	\$ 16,097,382
Miscellaneous	(14,163)
Total operating revenues	16,083,219
OPERATING EXPENSES	
Administrative	3,137,922
Water plant	2,663,590
Water distribution	945,395
Wastewater distribution	1,537,821
Wastewater plant	1,661,308
Depreciation and amortization	3,244,804
Total operating expenses	13,190,840
Operating income	2,892,379
NONOPERATING REVENUES (EXPENSES)	
Interest income	470,086
Interest expense	(1,329,312)
System development fees	529,258
Total nonoperating income (loss)	(329,968)
Income (loss) before contributions and transfers	2,562,411
CAPITAL CONTRIBUTIONS	1,024,569
TRANSFERS	
Transfers out	(736)
Total transfers	(736)
Change in net position	3,586,244
NET POSITION, beginning of year	39,508,851
NET POSITION, end of year	\$ 43,095,095

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, 2024

	Business-type Activities
	Enterprise Funds
	Public Utilities
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 17,400,355
Payments to suppliers	(6,355,865)
Payments to employees	(3,528,984)
	7,515,506
Net cash provided by operating activities	7,515,506
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers out	(736)
System development fees	529,258
	528,522
Net cash provided by noncapital financing activities	528,522
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(4,189,348)
Principal paid on bonds	(2,370,000)
Principal paid on notes payable	(60,241)
Interest paid	(1,188,466)
	(7,808,055)
Net cash used in capital and related financing activities	(7,808,055)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	470,086
	470,086
Net cash provided by investing activities	470,086
Net increase (decrease) in cash and cash equivalents	706,059
Cash and cash equivalents:	
Beginning of year	13,645,331
End of year	\$ 14,351,390
Classified as:	
Cash	\$ 10,088,307
Restricted assets, cash	4,263,083
	\$ 14,351,390

(Continued)

CITY OF PHENIX CITY, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

	Business-type Activities	Enterprise Funds
	Public Utilities	
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$	2,892,379
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense		3,244,804
Increase in accounts receivable		106,826
Decrease in notes receivable		84,028
Increase in inventory		(157,241)
Increase in prepaid expenses		(23,619)
Increase in accounts payable		45,140
Decrease in accrued expenses		7,353
Increase in due to other funds		1,114,413
Increase in customer deposits		11,869
Decrease in compensated absences		(2,263)
Increase in pension liability		486,091
Decrease in other postretirement benefits obligation		(294,274)
Net cash provided by operating activities	\$	7,515,506
 NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Amortization of bond discounts, premiums and deferred amounts, net	\$	134,132

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

CITY OF PHENIX CITY, ALABAMA

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2024

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 blended component unit. The blended component unit is reported as a major governmental fund and is included in governmental activities in the government-wide financial statements.

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.

CITY OF PHENIX CITY, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

CITY OF PHENIX CITY, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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, 2024**

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, 2024**

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, 2024.

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, 2024**

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, 2024

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.

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	\$ (50,445,000)
Deferred outflow of resources - bond refundings	1,226,077
Unamortized original issue discount	423,859
Unamortized original issue premium	(1,797,985)
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ (50,593,049)</u>

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this difference are as follows:

Capital outlay	\$ 6,097,576
Depreciation expense	(7,224,554)
Net adjustment to increase net changes in fund balances - total <i>governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ (1,126,978)

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.”

The details of this difference are as follows:

Principal repayment - notes payable	\$ 277,411
Principal repayment - bonds	3,665,000
Amortization of discounts, premiums and defeasance on bonds	65,641
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>	\$ 4,008,052

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

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)

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	\$ 95,939
Change in net pension obligation	672,356
Change in deferred inflows and outflows of resources	<u>(1,581,119)</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>\$ (812,824)</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	\$ 14,840
Change in compensated absences	<u>(12,315)</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>\$ 2,525</u></u>

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

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, 2024, economic development and refuse disposal departments had actual expenditures in excess of budgetary appropriations. The expenditures were related to resolutions approved by city council however no budget amendments were made.

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, 2024, 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, 2024**

NOTE 5. RECEIVABLES

Receivables consisted of the following at September 30, 2024:

	General Fund	Capital Improvement	7 Mill Fund	Nonmajor Governmental Funds	Public Utilities Fund	Total
Receivables:						
Taxes	\$ 3,699,569	\$ -	\$ 845,620	\$ 859,765	\$ -	\$ 5,404,954
Accounts	518,385	31,139	-	1,181,934	4,906,960	6,638,418
Notes	-	-	-	330,000	-	330,000
Gross receivables	<u>4,217,954</u>	<u>31,139</u>	<u>845,620</u>	<u>2,371,699</u>	<u>4,906,960</u>	<u>12,373,372</u>
Less allowance for uncollectibles	<u>(158,323)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,425,112)</u>	<u>(3,583,435)</u>
Net total receivable	<u><u>\$ 4,059,631</u></u>	<u><u>\$ 31,139</u></u>	<u><u>\$ 845,620</u></u>	<u><u>\$ 2,371,699</u></u>	<u><u>\$ 1,481,848</u></u>	<u><u>\$ 8,789,937</u></u>

Property taxes are levied based on the property on record as of January 1, 2023. Property taxes were levied on October 1, 2023, and payable on or before December 31, 2023. Property taxes levied for 2023 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during the year ended September 30, 2024, and collected by November 30, 2024, are recognized as revenues in the year ended September 30, 2024. Net receivables estimated to be collected subsequent to November 30, 2024, 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, 2024**

NOTE 6. CAPITAL ASSETS

A. Primary Government

The City's capital asset activity for the year ended September 30, 2024 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land and improvements	\$ 19,426,675	\$ 8,033	\$ -	\$ -	\$ 19,434,708
Construction in progress	15,387,262	1,800,576	-	(9,522,115)	7,665,723
Total capital assets, not being depreciated	<u>34,813,937</u>	<u>1,808,609</u>	<u>-</u>	<u>(9,522,115)</u>	<u>27,100,431</u>
Capital assets, being depreciated:					
Buildings	43,000,594	855,281	-	9,370,152	53,226,027
Machinery and equipment	33,054,561	1,782,166	-	-	34,836,727
Infrastructure	86,054,619	1,651,520	-	151,963	87,858,102
Total capital assets, being depreciated	<u>162,109,774</u>	<u>4,288,967</u>	<u>-</u>	<u>9,522,115</u>	<u>175,920,856</u>
Less accumulated depreciation for:					
Buildings	(27,768,082)	(1,650,198)	-	-	(29,418,280)
Machinery and equipment	(26,316,953)	(2,767,333)	-	-	(29,084,286)
Infrastructure	(51,468,212)	(2,807,023)	-	-	(54,275,235)
Total accumulated depreciation	<u>(105,553,247)</u>	<u>(7,224,554)</u>	<u>-</u>	<u>-</u>	<u>(112,777,801)</u>
Total capital assets, being depreciated, net	<u>56,556,527</u>	<u>(2,935,587)</u>	<u>-</u>	<u>9,522,115</u>	<u>63,143,055</u>
Governmental activities capital assets, net	<u>\$ 91,370,464</u>	<u>\$ (1,126,978)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,243,486</u>
Business-type Activities:					
Capital assets, not being depreciated:					
Land	\$ 275,782	\$ -	\$ -	\$ -	\$ 275,782
Construction in progress	13,976,908	4,175,308	-	(868,670)	17,283,546
Total capital assets, not being depreciated	<u>14,252,690</u>	<u>4,175,308</u>	<u>-</u>	<u>(868,670)</u>	<u>17,559,328</u>
Capital assets, being depreciated:					
Building and improvements	1,108,343	-	-	-	1,108,343
Machinery and equipment	9,258,167	203,399	-	-	9,461,566
Plant facilities	120,426,457	835,210	-	868,670	122,130,337
Total capital assets, being depreciated	<u>130,792,967</u>	<u>1,038,609</u>	<u>-</u>	<u>868,670</u>	<u>132,700,246</u>
Less accumulated depreciation for:					
Building and improvements	(1,008,733)	(12,684)	-	-	(1,021,417)
Machinery and equipment	(8,042,150)	(336,276)	-	-	(8,378,426)
Plant facilities	(59,043,444)	(2,895,844)	-	-	(61,939,288)
Total accumulated depreciation	<u>(68,094,327)</u>	<u>(3,244,804)</u>	<u>-</u>	<u>-</u>	<u>(71,339,131)</u>
Total capital assets, being depreciated, net	<u>62,698,640</u>	<u>(2,206,195)</u>	<u>-</u>	<u>868,670</u>	<u>61,361,115</u>
Business-type activities capital assets, net	<u>\$ 76,951,330</u>	<u>\$ 1,969,113</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,920,443</u>

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

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	\$ 301,860
Public safety	2,131,708
Public works	3,820,690
Culture and recreation	<u>970,296</u>
Total depreciation expense - governmental activities	<u>\$ 7,224,554</u>

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 7. LONG-TERM DEBT

A. Primary Government

The following is a summary of long-term debt activity for the year ended September 30, 2024:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable	\$ 54,110,000	\$ -	\$ (3,665,000)	\$ 50,445,000	\$ 3,770,000
Less deferred amounts:					
Unamortized premium	2,124,891	-	(326,906)	1,797,985	-
Unamortized discount	(484,187)	-	60,328	(423,859)	-
Net bonds payable	<u>55,750,704</u>	<u>-</u>	<u>(3,931,578)</u>	<u>51,819,126</u>	<u>3,770,000</u>
Notes payable	778,588	-	(277,411)	501,177	252,864
Compensated absences	789,235	12,315	-	801,550	642,391
	<u>\$ 57,318,527</u>	<u>\$ 12,315</u>	<u>\$ (4,208,989)</u>	<u>\$ 53,121,853</u>	<u>\$ 4,665,255</u>
Business-type activities:					
Bonds payable	\$ 48,020,000	\$ -	\$ (2,370,000)	\$ 45,650,000	\$ 2,470,000
Less deferred amounts:					
Unamortized discount	(186,904)	-	25,974	(160,930)	-
Unamortized premium	1,408,396	-	(193,737)	1,214,659	-
Net bonds payable	<u>49,241,492</u>	<u>-</u>	<u>(2,537,763)</u>	<u>46,703,729</u>	<u>2,470,000</u>
Notes payable	197,147	-	(60,241)	136,906	54,215
Compensated absences	91,984	-	(2,263)	89,721	78,774
Business-type activities long-term liabilities	<u>\$ 49,530,623</u>	<u>\$ -</u>	<u>\$ (2,600,267)</u>	<u>\$ 46,930,356</u>	<u>\$ 2,602,989</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, 2024**

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, 2024, are as follows:

	Interest Rates	Balance September 30, 2024
2015-A Issue	2.00% - 4.00%	1,660,000
2017-A Issue	2.00% - 3.00%	990,000
2017-B Issue	2.00% - 4.00%	6,340,000
2017-C Issue	2.00% - 3.00%	2,395,000
2020-A Issue	3.00% - 4.00%	18,625,000
2020-A Issue - Public Building Authority	1.85% - 2.93%	12,630,000
2021-A Issue	2.00% - 4.00%	7,805,000
		<u>50,445,000</u>
Less: unamortized premium (discount), net		1,374,126
		<u><u>\$ 51,819,126</u></u>

A description of these bond issues is provided below.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 7. LONG-TERM DEBT (CONTINUED)

A. Primary Government (Continued)

Governmental Activities Debt (Continued)

General Obligation Bonds (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, 2024 in the amount of \$1,660,000. 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, 2024 in the amount of \$990,000. 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, 2024**

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, 2024 in the amount of \$6,340,000. The proceeds of the bonds are to be used for 1) financing various capital improvements of the City, and, 2) paying the costs of issuance of the bonds.

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

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

The City has tax exempt General Obligation Refunding Bonds, Series 2017-C (Series 2017-C Bonds) outstanding at September 30, 2024 in the amount of \$2,395,000. 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, 2024**

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, 2024 in the amount of \$18,625,000. 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, 2024 in the amount of \$7,805,000. 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, 2024**

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, 2024 in the amount of \$12,630,000 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, 2024**

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>
2025	\$ 3,770,000	\$ 1,524,676	\$ 5,294,676
2026	3,885,000	1,403,318	5,288,318
2027	4,015,000	1,278,214	5,293,214
2028	3,495,000	1,161,380	4,656,380
2029 - 2033	19,345,000	4,006,415	23,351,415
2034 - 2038	14,200,000	1,034,520	15,234,520
2039 - 2043	1,735,000	113,831	1,848,831
	<u>50,445,000</u>	<u>\$ 10,522,354</u>	<u>\$ 60,967,354</u>
Plus: unamortized premium, net	<u>1,374,126</u>		
	<u>\$ 51,819,126</u>		

Notes Payable

The City has entered into purchase agreements for financing the acquisition of equipment. The following is an analysis of the financed assets under these purchase agreements as of September 30, 2024:

	<u>Governmental Activities</u>
Equipment	\$ 1,241,284
Less: Accumulated depreciation	<u>(496,514)</u>
	<u>\$ 744,770</u>

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 7. LONG-TERM DEBT (CONTINUED)

A. Primary Government (Continued)

Governmental Activities Debt (Continued)

Notes Payable (Continued)

The following is a schedule of future payments as of September 30, 2024:

	Governmental Activities
Fiscal year ending September 30,	
2025	\$ 256,801
2026	249,104
Total payments	505,905
Less amount representing interest	(4,728)
Notes payable	\$ 501,177

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, 2024, are as follows:

	Interest Rates	Balance September 30, 2024
2011-A Water and Sewer Revenue Bonds	1.00% - 4.38%	\$ 2,365,000
2014-A Water and Sewer Revenue Bonds	2.00% - 4.00%	4,925,000
2016-A Water and Sewer Revenue Bonds	3.00% - 4.00%	10,970,000
2020-A Water and Sewer Revenue Bonds	3.00%	2,070,000
2020-B Water and Sewer Revenue Bonds	4.00%	15,090,000
2020-CWSRF-DL	2.00%	605,000
2021 CWSRF-DL	2.20%	8,735,000
2021 DWSRF-DL	2.20%	890,000
		45,650,000
Less: unamortized premium (discount), net		1,053,729
		\$ 46,703,729

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

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, 2024 in the amount of \$2,365,000. 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, 2024 in the amount of \$4,925,000. 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, 2024**

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, 2024 in the amount of \$10,970,000. 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, 2024 in the amount of \$2,070,000. 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, 2024**

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, 2024 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, 2024 in the amount of \$605,000. 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, 2024 in the amount of \$8,735,000. 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, 2024**

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, 2024 in the amount of \$890,000. 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
2025	\$ 2,470,000	\$ 1,539,989	\$ 4,009,989
2026	2,580,000	1,441,277	4,021,277
2027	2,675,000	1,337,964	4,012,964
2028	2,780,000	1,229,924	4,009,924
2029 - 2033	13,115,000	4,769,448	17,884,448
2034 - 2038	14,480,000	2,477,417	16,957,417
2039 - 2043	7,550,000	368,433	7,918,433
	<u>45,650,000</u>	<u>\$ 13,164,452</u>	<u>\$ 58,814,452</u>
Plus: unamortized premium, net	<u>1,053,729</u>		
	<u>\$ 46,703,729</u>		

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 7. LONG-TERM DEBT (CONTINUED)

A. Primary Government (Continued)

Business-type Activities Debt (Continued)

Notes Payable

The City has entered into purchase agreements for financing the acquisition of equipment. The following is an analysis of the financed assets under these purchase agreements as of September 30, 2024:

	<u>Business-type Activities</u>
Equipment	\$ 269,314
Less: Accumulated depreciation	(80,794)
	<u>\$ 188,520</u>

The following is a schedule of future payments as of September 30, 2024:

	<u>Activities</u>
Fiscal year ending September 30,	
2025	\$ 54,215
2026	55,867
2027	29,586
Total payments	<u>139,668</u>
Less amount representing interest	<u>(2,762)</u>
Notes payable	<u>\$ 136,906</u>

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2024, is as follows:

Due to/from other funds:

<u>Payable to:</u>	<u>Payable from:</u>			
	<u>General</u>	<u>Public Buildings Authority</u>	<u>Nonmajor</u>	<u>Public Utilities</u>
General	\$ -	450,000	\$ 68	1,450,376
7 Mill	138,937	-	-	-
	<u>\$ 138,937</u>	<u>\$ 450,000</u>	<u>\$ 68</u>	<u>\$ 1,450,376</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>Public Building Authority</u>	<u>Nonmajor Governmental</u>	<u>Public Utilities</u>	
General	\$ -	\$ -	\$ 31,718	\$ -	\$ 31,718
Capital Improvement Fund	1,002,941	-	-	-	1,002,941
Public Building Authority	1,764	-	-	736	2,500
Total	<u>\$ 1,004,705</u>	<u>\$ -</u>	<u>\$ 31,718</u>	<u>\$ 736</u>	<u>\$ 1,037,159</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, 2024**

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, 2024, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	85
Active employees	350
	<u>435</u>

Total OPEB Liability

The City's total OPEB liability of \$13,213,976 was measured as of September 30, 2024 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and other inputs – The total OPEB liability in the September 30, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.0%
Salary increases	3.0%, including inflation
Discount rate	4.09% annually (Beginning of Year to Determine ADC)
	3.81%, annually (As of End of Year Measurement Date)
Healthcare cost trend rates	Getzen model, with initial trend of 5.5%
Mortality	PubG.H-2010(B)

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

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, 2024, the end of the applicable measurement period.

The actuarial assumptions used in the September 30, 2024 valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2009 to September 30, 2024.

Changes in the Total OPEB Liability

Balance at September 30, 2023	\$ 13,465,812
Changes for the year:	
Service cost	166,538
Interest	545,821
Differences between expected and actual experience	252,673
Changes in assumptions	(636,868)
Benefit payments and net transfers	<u>(580,000)</u>
Net changes	<u>(251,836)</u>
 Balance at September 30, 2024	 <u>\$ 13,213,976</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 (2.81%) or 1-percentage-point higher (4.81%) than the current discount rate:

	1.0% Decrease (2.81%)	Current Rate (3.81%)	1.0% Increase (4.81%)
Total OPEB Liability	\$ 15,312,176	\$ 13,213,976	\$ 11,533,681

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 (3.14%) or 1-percentage-point higher (5.14%) than the current healthcare trend rates:

	1.0% Decrease (3.14%)	Current Rate (4.14%)	1.0% Increase (5.14%)
Total OPEB Liability	\$ 11,474,461	\$ 13,213,976	\$ 15,404,906

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

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, 2024, the City recognized OPEB expense (benefit) of (\$983,392). At September 30, 2024, 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	\$ 995,438	\$ (83,665)
Changes in assumptions	2,693,016	(3,885,081)
total	\$ 3,688,454	\$ (3,968,746)

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

2025	\$ (300,295)
2026	(300,295)
2027	(300,295)
2028	(300,293)
2029	327,297
Thereafter	593,589
	\$ (280,292)

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

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, 2024**

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 creditable service up to 80% of their average final compensation. 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 885 local participating employers. These participating employers include 304 cities, 66 counties, and 510 other public entities. As of September 30, 2023, the date of the most recent actuarial valuation, membership consisted of:

Retirees and beneficiaries	
currently receiving benefits	56,743
Terminated employees entitled to	
but not yet receiving benefits	28,224
Non-vested inactive members who have not	
contributed in more than 5 years	24,362
Active members	84,697
Total	<u>194,026</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, 2024**

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, 2024 (or other year-end if not September), the City's active employee contribution rate was 7.50% and 7.50%, respectively, of covered employee payroll for Tier 1 and 2 regular employees, and 8.50% and 8.50%, 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, 2024 was 10.73% of pensionable pay for Tier 1 employees, and 10.85% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2024, 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 \$1,384,501 for the year ended September 30, 2024.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability

The City's net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2022 rolled forward to September 30, 2023 using standard roll-forward techniques as shown in the following table:

Total Pension Liability as of September 30, 2022	\$ 76,318,271
Entry Age Normal Cost for October 1, 2022 - September 30, 2023	1,832,679
Interest	5,502,516
Changes in benefit terms	-
Difference between expected and actual experience	608,642
Actual Benefit Payments and Refunds for October 1, 2022 - September 30, 2023	(4,917,981)
Transfers among employers	<u>(203,631)</u>
Total Pension Liability as of September 30, 2023	<u>\$ 79,140,496</u>

Actuarial assumptions – The total pension liability in the September 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25% - 6.00%
Investment rate of return *	7.45%

* Net of pension plan investment expense, including inflation

Mortality rates for ERS were based on the Pub-2010 Below-Median Tables, generationally using the MP-2020 scale, which is adjusted by 66-2/3% beginning with year 2019.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

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, 2024 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 2.50%

Discount rate – The discount rate used to measure the total pension liability was the long term rate of return, 7.45%. 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, 2024**

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, 2022	\$ 76,318,271	\$ 43,836,770	\$ 32,481,501
Changes for the year:			
Service cost	1,832,679	-	1,832,679
Interest	5,502,516	-	5,502,516
Changes in benefit terms	-		-
Difference between expected and actual experience	608,642	-	608,642
Contributions - employer	-	1,816,167	(1,816,167)
Contributions - employee	-	1,384,501	(1,384,501)
Net investment income	-	5,566,385	(5,566,385)
Benefit payments, including refunds of employee contributions	(4,917,981)	(4,917,981)	-
Transfers among employers	(203,631)	(203,631)	-
Net changes	2,822,225	3,645,441	(823,216)
Balances at September 30, 2023	\$ 79,140,496	\$ 47,482,211	\$ 31,658,285

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 7.45%, 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 (6.45%) or 1-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Rate (7.45%)	1% Increase (8.45%)
Plan's Net Pension Liability	\$ 41,060,277	\$ 31,658,285	\$ 23,765,579

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, 2024. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2024.

The auditor's report dated February 19, 2025 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, 2024**

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, 2024, the City recognized pension expense of \$197,256. At September 30, 2024, 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	\$ 1,302,590	\$ 163,890
Changes of assumptions	1,604,424	-
Net difference between projected and actual earnings on pension plan investments	1,980,981	-
Employer contributions subsequent to the measurement date	1,939,326	-
Total	\$ 6,827,321	\$ 163,890

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:	
2025	\$ 1,274,076
2026	1,120,228
2027	2,367,691
2028	(112,637)
2029	74,747
Thereafter	-
	\$ 4,724,105

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

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, 2024**

NOTE 13. TAX ABATEMENTS

For the year ended September 30, 2024, the City's sales tax revenues were reduced by approximately \$497,000 and property tax revenues were reduced by approximately \$89,000 under various tax abatement agreements entered into with various entities between 2013 and 2024 under the economic development laws of the State of Alabama, specifically the Tax Incentive Reform Act of 1992, which qualify for disclosure under GASB Statement Number 77, Tax Abatement Disclosures. The purpose of the tax abatement program is to stimulate economic growth through new job creation and capital investment. Under the agreements, certain incentives were offered such as abatement of sales and use and property taxes as well as certain mortgage and recording taxes for between 5 and 10 years based on investments made by the entities and new or expanded job opportunities and achievement of certain investment targets. The amount of the tax abatement is based upon the actual amount incurred by the entity receiving the abatement and good faith projections made by the entity upon application to the granting authority, the City Council. Once the agreed upon abatement period terminates, all remaining and depreciated property taxes are recaptured annually.

NOTE 14. SUBSEQUENT EVENTS

In October 2024, the Economic Development Administration of the U.S. Department of Commerce approved an additional \$3,758,965 to the previous grant award of \$1,958,555 for a total grant award of \$5,717,520. The purpose of this grant is to aid necessary and mandated upgrades to the Utility System's Wastewater Treatment Plant.

In January 2025, the Alabama Supreme Court affirmed the Circuit Court's Judgment against Russell County in favor of the City of Phenix City in the pending Gasoline Tax lawsuit against Russell County to resume paying the gasoline tax, in addition to payment of the arrearage owed to Phenix City.

In March 2025, Alabama Legislature ACT #2025-194 repealed ACT #859 providing for the distribution of a portion of the county's share of the state gasoline tax to incorporated municipalities. Effective October 1, 2025, Russell County was no longer required to pay the City of Phenix City a portion of the County's gasoline tax.

CITY OF PHENIX CITY, ALABAMA

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

LAST 10 FISCAL YEARS ENDING SEPTEMBER 30

	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability:									
Service cost	\$ 1,832,679	\$ 1,807,188	\$ 1,555,878	\$ 1,404,911	\$ 1,433,837	\$ 1,434,309	\$ 1,497,466	\$ 1,465,902	\$ 1,424,261
Interest	5,502,516	5,295,882	5,112,876	4,872,796	4,763,743	4,642,339	4,488,512	4,288,329	4,112,059
Changes in benefit terms	-	41,430	3,040,743	1,008,512	-	-	-	-	-
Differences between expected and actual experience	608,642	944,605	(16,169)	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	(4,917,981)	(4,771,906)	(4,837,756)	(4,318,820)	(4,025,236)	(3,957,769)	(3,763,255)	(3,764,288)	(3,186,194)
Transfers among employers	(203,631)	(470,551)	(203,817)	(24,528)	(161,689)	(209,196)	(73,437)	3,154	-
Net change in total pension liability	2,822,225	2,846,648	4,651,755	3,377,399	1,563,054	1,999,388	2,082,116	4,311,652	2,492,429
Total pension liability, beginning	76,318,271	73,471,623	68,819,868	65,442,469	63,879,415	61,880,027	59,797,911	55,486,259	52,993,830
Total pension liability, ending (a)	\$ 79,140,496	\$ 76,318,271	\$ 73,471,623	\$ 68,819,868	\$ 65,442,469	\$ 63,879,415	\$ 61,880,027	\$ 59,797,911	\$ 55,486,259
Plan fiduciary net position:									
Contributions, employer	\$ 1,816,167	\$ 1,729,382	\$ 1,612,434	\$ 1,429,506	\$ 1,349,511	\$ 1,219,475	\$ 1,290,789	\$ 1,277,747	\$ 1,411,812
Contributions, member	1,384,501	1,431,150	1,366,606	1,228,246	1,215,294	1,253,389	1,239,396	1,256,883	1,275,641
Net investment income	5,566,385	(6,581,026)	9,727,290	2,469,064	1,123,144	3,845,521	4,886,740	3,644,637	430,168
Benefit payments, including refunds of employee contributions	(4,917,981)	(4,771,906)	(4,837,756)	(4,318,820)	(4,025,236)	(3,957,769)	(3,763,254)	(3,764,288)	(3,186,194)
Transfers among employers	(203,631)	(470,551)	(203,817)	(24,528)	(161,689)	(209,196)	(73,437)	3,154	(78,122)
Net change in plan fiduciary net position	(8,662,951)	(8,662,951)	7,664,757	783,468	(498,976)	2,151,420	3,580,234	2,418,133	(146,695)
Plan net position, beginning	43,836,770	52,499,721	44,834,964	44,051,496	44,550,472	42,399,052	38,818,818	36,400,685	36,547,380
Plan net position, ending (b)	\$ 35,173,819	\$ 43,836,770	\$ 52,499,721	\$ 44,834,964	\$ 44,051,496	\$ 44,550,472	\$ 42,399,052	\$ 38,818,818	\$ 36,400,685
Net pension liability, ending (a) - (b)	\$ 43,966,677	\$ 32,481,501	\$ 20,971,902	\$ 23,984,904	\$ 21,390,973	\$ 19,328,943	\$ 19,480,975	\$ 20,979,093	\$ 19,085,574
Plan fiduciary net position as a percentage of the total pension liability	57.44%	57.44%	71.46%	65.15%	67.31%	69.74%	68.52%	64.92%	65.60%
Covered-employee payroll*	\$ 17,019,963	\$ 16,663,632	\$ 16,219,777	\$ 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	258.32%	194.92%	129.30%	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 2023 the measurement period is October 1, 2021 - September 30, 2022.

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**

	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 1,723,185	\$ 1,816,167	\$ 1,729,382	\$ 1,612,434	\$ 1,429,506	\$ 1,939,326	\$ 1,219,477	\$ 1,290,789	\$ 1,277,747
Contributions in relation to the actuarially determined contribution*	1,723,185	1,816,167	1,729,382	1,612,434	1,429,506	1,939,326	1,219,477	1,290,789	1,277,747
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll**	\$ 16,663,632	\$ 16,219,777	\$ 16,413,763	\$ 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	10.34%	11.20%	10.54%	9.62%	8.83%	11.89%	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 2024, the fiscal year is the twelve month period beginning after 6/15/2023.

**Employer's covered payroll for FY2024 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	26.1 years
Asset valuation method	Five year smoothed market
Inflation	2.500%
Salary increases	3.25 - 6.00%, including inflation
Investment rate of return	7.45%, 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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Service cost	\$ 166,538	\$ 285,125	\$ 394,652	\$ 391,276	\$ 354,338	\$ 238,765
Interest	545,821	535,287	365,370	336,355	612,174	699,266
Differences between expected and actual experience	252,673	-	498,266	840,760	(9,180,111)	821,027
Changes in assumptions	(636,868)	(138,946)	(4,353,554)	244,176	846,653	5,001,318
Benefit payment and net transfers	(580,000)	(487,468)	(462,055)	(406,241)	(448,558)	(501,803)
Net change in total OPEB liability	(251,836)	193,998	(3,557,321)	1,406,326	(7,815,504)	6,258,573
Total OPEB liability at beginning of year	13,465,812	13,271,814	16,829,135	15,422,809	23,238,313	16,979,740
Total OPEB liability at end of year	\$ 13,213,976	\$ 13,465,812	\$ 13,271,814	\$ 16,829,135	\$ 15,422,809	\$ 23,238,313
Covered-employee payroll	16,635,894	15,564,584	15,111,246	14,971,657	14,395,824	14,717,383
Net OPEB liability as a percentage of covered-employee payroll	79.43%	86.52%	87.83%	112.41%	107.13%	157.90%

NOTES TO SCHEDULE

Benefit Changes: There were no changes of benefit terms for the year ended September 30, 2024.

Changes of Assumptions: The discount rate as of September 30, 2023 was 4.09% and it changed to 3.81% as of September 30, 2024.

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.

Ten Cent Gas Tax Fund is used to account for the resources received from the ten cent add-on tax and expenditures related to maintenance, improvement, replacement and construction of roads and bridges.

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.

American Rescue Plan Fund is used to account for the resources received and expenditures incurred related to improvements authorized by the American Rescue Plan Act.

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.

Library Fund is used to account for the resources received from funds contributed to the City and expenditures related to operation of the Phenix City-Russell County Library.

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, 2024

	Special Revenue Funds										Debt Service Funds					Total Nonmajor Governmental Funds	
	Two Cent Gas Tax	Four Cent Gas Tax	Five Cent Gas Tax	Six Cent Gas Tax	Seven Cent Gas Tax	Ten Cent Gas Tax	Corrections	Second Mortgage	Confiscated Property	American Rescue Plan	3 Mill	4 Mill	Municipal Court	Donated Funds	Library Fund		Employee Fund
ASSETS																	
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 632,266	\$ 5,501	\$ 414,759	\$ 63,939	\$ -	\$ -	\$ -	\$ 503,630	\$ 32,701	262,112	\$ 1,091	\$ 1,915,999
Taxes receivable	2,136	7,723	3,796	700	13,292	-	-	-	-	-	356,627	475,491	-	-	-	-	859,765
Accounts receivable	-	-	-	-	-	38,796	-	1,142,548	-	-	-	-	-	-	590	-	1,181,934
Notes receivable	-	-	-	-	-	-	-	330,000	-	-	-	-	-	-	-	-	330,000
Restricted cash	178,839	266,452	421,352	22,016	595,986	-	-	-	-	5,762,694	47,148	62,530	-	-	-	-	7,357,017
Total assets	\$ 180,975	\$ 274,175	\$ 425,148	\$ 22,716	\$ 609,278	\$ 671,062	\$ 5,501	\$ 1,887,307	\$ 63,939	\$ 5,762,694	\$ 403,775	\$ 538,021	\$ 503,630	\$ 32,701	262,702	\$ 1,091	\$ 11,644,715
LIABILITIES DEFERRED INFLOWS AND FUND BALANCES																	
LIABILITIES AND DEFERRED INFLOWS																	
Accounts payable	\$ -	\$ -	\$ 270,642	\$ -	\$ -	\$ 2,661	\$ 8,589	\$ 26,630	\$ 50	\$ 2,936	\$ 46,149	\$ 61,530	\$ -	\$ 61	-	\$ -	\$ 419,248
Due to other funds	-	-	-	-	-	-	55	-	-	-	-	-	13	-	-	-	68
Unearned revenue	-	-	-	-	-	-	-	-	-	5,759,758	-	-	-	-	-	-	5,759,758
Total liabilities	-	-	270,642	-	-	2,661	8,644	26,630	50	5,762,694	46,149	61,530	13	61	-	-	6,179,074
Deferred inflows	-	-	-	-	-	-	-	-	-	-	351,151	468,202	-	-	-	-	819,353
FUND BALANCES																	
Restricted for:																	
Debt service	-	-	-	-	-	-	-	-	-	-	6,475	8,289	-	-	-	-	14,764
Street improvements	180,975	274,175	154,506	22,716	609,278	668,401	-	-	-	-	-	-	-	-	-	-	1,910,051
Revolving loans	-	-	-	-	-	-	-	1,860,677	-	-	-	-	-	-	-	-	1,860,677
Public safety	-	-	-	-	-	-	(3,143)	-	63,889	-	-	-	-	-	-	-	60,746
Municipal court	-	-	-	-	-	-	-	-	-	-	-	-	503,617	-	-	-	503,617
Unassigned	-	-	-	-	-	-	-	-	-	-	-	-	-	32,640	262,702	1,091	296,433
Total fund balances	180,975	274,175	154,506	22,716	609,278	668,401	(3,143)	1,860,677	63,889	-	6,475	8,289	503,617	32,640	262,702	1,091	4,646,288
Total liabilities and fund balances	\$ 180,975	\$ 274,175	\$ 425,148	\$ 22,716	\$ 609,278	\$ 671,062	\$ 5,501	\$ 1,887,307	\$ 63,939	\$ 5,762,694	\$ 403,775	\$ 538,021	\$ 503,630	\$ 32,701	262,702	\$ 1,091	\$ 11,644,715

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, 2024

	Special Revenue Funds										Debt Service Funds					Total Nonmajor Governmental Funds	
	Two Cent Gas Tax	Four Cent Gas Tax	Five Cent Gas Tax	Six Cent Gas Tax	Seven Cent Gas Tax	Ten Cent Gas Tax	Corrections	Second Mortgage	Confiscated Property	American Rescue Plan	3 Mill	4 Mill	Municipal Court	Donated Funds	Library Fund		Employee Fund
Revenues:																	
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,300,993	\$ 1,734,658	\$ -	\$ -	\$ -	\$ -	\$ 3,035,651
Sales and use taxes	22,935	82,664	41,067	22,665	143,736	306,797	-	-	-	-	-	-	-	-	-	-	619,864
Intergovernmental	-	-	350,000	-	-	45,544	-	83,751	-	676,280	-	-	-	-	86,161	-	1,241,736
Charges for services	-	-	-	-	-	-	-	271,077	-	-	-	-	-	-	-	-	271,077
Fines and forfeitures	-	-	-	-	-	-	26,310	-	-	-	-	-	24,147	-	-	-	50,457
Interest income	5,637	8,174	5,942	51	17,691	15,935	165	17,523	2,151	221,749	7,076	8,667	17,107	1,117	11,439	26	340,450
Other revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	842	-	1,004	1,846
Total revenues	28,572	90,838	397,009	22,716	161,427	368,276	26,475	372,351	2,151	898,029	1,308,069	1,743,325	41,254	1,959	97,600	1,030	5,561,081
Expenditures:																	
Current																	
General government	-	-	-	-	-	-	-	-	-	-	-	-	20,246	1,701	-	728	22,675
Public safety	-	-	-	-	-	-	-	-	720	-	-	-	-	-	-	-	720
Public works	-	-	425,833	-	-	-	-	6,250	-	-	-	-	-	-	-	-	432,083
Education	-	-	-	-	-	-	-	-	-	-	1,307,902	1,743,104	-	-	-	-	3,051,006
Capital outlay	-	-	-	-	-	61,772	-	353,834	-	898,029	-	-	-	-	121,207	-	1,434,842
Total expenditures	-	-	425,833	-	-	61,772	-	360,084	720	898,029	1,307,902	1,743,104	20,246	1,701	142,907	728	4,963,026
Excess (deficiency) of revenues over (under) expenditures	28,572	90,838	(28,824)	22,716	161,427	306,504	26,475	12,267	1,431	-	167	221	21,008	258	(45,307)	302	598,055
Other financing sources (uses):																	
Transfers out	-	-	-	-	-	-	(31,718)	-	-	-	-	-	-	-	-	-	(31,718)
Total other financing sources (uses)	-	-	-	-	-	-	(31,718)	-	-	-	-	-	-	-	-	-	(31,718)
Net change in fund balances	28,572	90,838	(28,824)	22,716	161,427	306,504	(5,243)	12,267	1,431	-	167	221	21,008	258	(45,307)	302	566,337
Fund balances, beginning of year	152,403	183,337	183,330	0	447,851	361,897	2,100	1,848,410	62,458	-	6,308	8,068	482,609	32,382	308,009	789	4,079,951
Fund balances, end of year	\$ 180,975	\$ 274,175	\$ 154,506	\$ 22,716	\$ 609,278	\$ 668,401	\$ (3,143)	\$ 1,860,677	\$ 63,889	\$ -	\$ 6,475	\$ 8,289	\$ 503,617	\$ 32,640	\$ 262,702	\$ 1,091	\$ 4,646,288

COMPLIANCE SECTION

**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**

Independent Auditor's Report

**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, 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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 20, 2026.

Report on 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") as a basis for designing 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 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 2024-01 through 2024-03 described in the schedule of findings and questioned costs to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 financial statements. 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*.

The City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Grimes + Company, P.C.

Certified Public Accountants

March 20, 2026

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE
UNIFORM GUIDANCE**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Phenix City, Alabama's (the "City") compliance with the types of compliance requirements identified as subject to the audit in the OMB Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2024. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (*Uniform Guidance*). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with *GAAS, Government Auditing Standards*, and the *Uniform Guidance* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Robinson, Grimes + Company, P.C.

Certified Public Accountants

March 20, 2026

CITY OF PHENIX CITY, ALABAMA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Treasury			
American Rescue Plan Act	21.027		\$ 898,029
U.S. Department of Transportation			
Passed through the Alabama Department of Transportation			
		TAPPC-	
Highway Planning and Construction Cluster	20.205	TAPPA(23)(922)	131,319
Highway Planning and Construction Cluster	20.205	STPPC-5717(252)	220,412
Highway Planning and Construction Cluster	20.205	TASK-P.I 1000	19,000
Highway Planning and Construction Cluster	20.205	STPPC-5721(250)	61,772
Total U.S. Department of Transportation			<u>432,503</u>
Alabama Department of Economic and Community Affairs			
2023 STEP	20.600	18-SP-PT-002	5,680
Total CDBG Grant			<u>5,680</u>
U.S. Dept of Justice Bureau of Justice Assistance			
United States Marshall Service - Payroll	16.111	M-19-A34-P-001714	11,702
Bullet Proof Vest Partnership/Body Armour Safety Initiative	16.607	2023-BU-BX	2,916
Total U.S. Dept of Justice Bureau of Justice Assistance			<u>14,618</u>
Total Expenditures of Federal Awards			<u>\$ 1,350,830</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1: Summary of Significant Accounting Policies

Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards ("SEFA") includes the federal grant activity of City of Phenix City, Alabama (the "City") and has been prepared utilizing the accrual basis of accounting.

The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations for Federal Awards ("Uniform Guidance"). Because the SEFA presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in net position of the City.

NOTE 2: De Minimis Indirect Cost Rate

The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

CITY OF PHENIX CITY, ALABAMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

SUMMARY OF AUDITOR'S RESULTS

1. An unmodified opinion, dated March 20, 2026, was issued on the financial statements for the year ended September 30, 2024.
2. The "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" dated March 20, 2026, disclosed three material weaknesses for the year ended September 30, 2024.
3. The "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" dated March 20, 2026, disclosed no instances of noncompliance for the year ended September 30, 2024.
4. The "Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance" dated March 20, 2026 disclosed no significant deficiencies or material weaknesses in internal control over major programs for the year ended September 30, 2024.
5. An unmodified opinion, dated March 20, 2026, was issued on the City's compliance with its major federal program in the "Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance" for the year ended September 30, 2024.
6. No audit findings were disclosed as required under section 2 CFR 200.516(a) of the Uniform Guidance for the year ended September 30, 2024.
7. The City's major program for the year ended September 30, 2024 is the American Rescue Plan Act Grant, Federal Assistance Listings Number 21.027.
8. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000, as described in section 200.518 of the Uniform Guidance.
9. The City did not qualify as a low-risk auditee for the year ended September 30, 2024 as described in section 200.520 of the Uniform Guidance.

CITY OF PHENIX CITY, ALABAMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

FINANCIAL STATEMENT FINDINGS AND RESPONSES

MATERIAL WEAKNESSES

2024-1 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 disclosures, 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, 2024

FINANCIAL STATEMENT FINDINGS AND RESPONSES

2024-2 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 various City departments including accounting, human resources and payroll, there is not adequate segregation of duties as it relates to certain accounting and payroll processing 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.

2024-3 Bank Reconciliations and Other Accounting Reconciliations

Condition and Criteria: Bank reconciliations and other accounting 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 reconcile bank statements and accounting ledgers to the underlying accounting records in a timely manner 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 AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

2023-1 Repeated in 2024 as Finding 2024-1.

2023-2 Repeated in 2024 as Finding 2024-2.

2023-3 Repeated in 2024 as Finding 2024-3.