

CITY OF PHENIX CITY, ALABAMA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2022

CITY OF PHENIX CITY, ALABAMA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

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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, 2022, 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, 2022, 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").

We did not audit the financial statements of the Phenix City Board of Education, the sole component unit of the City, for the year ended September 30, 2022. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for this component unit, is based solely on the report of the other auditors.

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, 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 68-70) and the Schedule of Expenditures of Federal Awards (page 76), 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 29, 2024 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 29, 2024

CITY OF PHENIX CITY, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

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, 2022. This report should be read in conjunction with the City's financial statements, which follow.

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

Government-Wide Statements

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

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

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

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

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

CITY OF PHENIX CITY, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

Fund Financial Statements

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

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

The City's Funds are separated into two types:

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

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

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

CITY OF PHENIX CITY, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

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

Component Units:

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

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

Financial Analysis of the City (Primary Government)

Assets

Total assets of the City were \$262,610,078 for 2022 compared to \$243,176,332 for 2021. 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, 2022 was \$186,148,704, which is an increase of \$8,014,134 from September 30, 2021 of \$178,134,570. The City has recorded an accumulated \$99,308,191 in depreciation expense against these capital assets leaving a net asset book value of \$86,840,513. Debt outstanding related to capital assets was \$51,293,851 leaving an investment in capital assets of \$35,546,662 compared to \$33,570,927 for 2021. 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, 2022 of \$134,338,536, which represents an increase of \$1,671,196 from September 2021 of \$132,667,340. Net of \$64,977,802 in accumulated depreciation expense, the City's Business-type Activities had \$69,360,734 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 \$38,989,348 leaving an investment in capital assets of \$30,371,386 for 2022 compared to \$29,503,161 for 2021.

CITY OF PHENIX CITY, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

Revenues

The City's total revenue from Governmental Funds was \$60,831,584, an increase of 8.0% from the previous year \$56,143,133. This increase was primarily related to an increase in sales tax revenue. The largest revenue source for the City is the sales and use tax totaling \$35,520,481, which represents 58% of total revenues. Licenses and permits totaled \$6,036,596, charges for service totaled \$3,007,977, property taxes totaled \$6,983,896, other business taxes totaled \$2,028,287, and interest totaled \$87,245. 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, \$2,428,315 is dedicated to debt service and \$2,591,228 for education.

Expenditures

Departmental operating expenditures totaled \$40,995,655 or 87.9% of total non-capital expenditures of \$46,658,457. The City transferred \$2,570,782 to the Phenix City Board of Education and debt service on general obligation debt totaled \$5,662,802. Capital outlays during the fiscal year were \$5,308,349.

Public safety (police, code enforcement, and fire departments) is the largest category of departmental operating expenses totaling \$14,520,511 or 35.4%. 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 \$14,177,617 or 34.6%. Culture and recreation at \$4,898,948 or 11.9% and Public works at \$4,827,797 or 11.8% represent most of 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 \$14,409,937 were up \$1,788,968 in 2022 compared to \$12,620,969 in 2021. Operating expenses of \$7,808,748, not including depreciation and amortization expenses, were down (\$355,287) compared to \$8,164,035 in 2021. Operating income, not including depreciation and amortization, increased \$2,144,255. Depreciation and amortization expenses of \$3,081,058 decreased \$31,227 from \$3,112,285 in 2021, interest expense was \$1,235,927 in 2022 compared to \$1,168,776 in 2021, and interest income was \$20,013 in 2022 compared to \$29,634 in 2021. Capital contributions of \$865,016 were received from American Rescue Plan Act (ARPA) funds for water and sewer system improvements. The change in net fund position was \$3,338,939 for 2022, which was an increase of \$2,727,946 from 2021 due to an increase in operating revenues and a decrease in operating expenses.

CITY OF PHENIX CITY, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
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Fund Balances/Net Assets

The General Fund's Fund Balance increased \$12,046,538 to \$44,877,687 in 2022 compared to \$32,831,149 in 2021 due to increases in revenue to offset the increase in general fund expenditures. The fund balance for the City's Other Governmental Funds decreased \$2,685,548 to \$14,455,185 in 2022 compared to \$17,140,733 in 2021 primarily due to a decrease in bond proceeds to complete several planned capital projects.

Net fund position in Public Utilities increased \$3,338,939 to \$34,829,536 in 2022 compared to \$31,490,597 in 2021.

Budgetary Highlights

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

Total operating revenues were \$6,669,707 more than budgetary projections in the General Fund, due primarily to an increase in revenue from sales and use taxes. Departmental expenditures were \$8,251,473 less than budgeted due to tightened budgetary controls.

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

The City completed a Cost of Services Study evaluating the City's utility rates. As a result, utility rates were increased in 2022, which resulted in an increase of \$1,788,968 in water and sewer revenue. Utility rates are scheduled to increase again in 2023. The City is nearing completion of planned capital spending of 15 to 19 million dollars primarily in improvements to the wastewater plant and the collection system due to the State of Alabama EPA mandated improvements and replacement of old water lines to accommodate expected growth, and to meet new water safety testing requirements from the state which took effect in January 2012.

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

CITY OF PHENIX CITY, ALABAMA
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FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

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 \$3,450,000 in general obligation debt in fiscal year 2022. The City had \$57,660,000 outstanding in long-term general obligation debt at the 2022 fiscal year-end compared to \$61,110,000 in 2021. General obligation debt of \$37,620,000 or 65% of the total outstanding debt in 2022 will be retired by the end of 2032.

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

The City's Utility Fund retired \$1,875,000 of revenue debt in 2022. The City had \$49,950,000 in revenue debt outstanding at the end of the 2022 fiscal year-end compared to \$51,825,000 in 2021. Of the \$49,950,000 in Revenue Warrants payable from the Utility Fund revenues outstanding at the 2022 fiscal year-end, \$25,235,000, or 51% will be retired by 2032 year-end. Details of the City's debt activity can be found in Note 7 on pages 36-51.

Bond Ratings

The City received its most recent bond rating, an AA- rating with a stable outlook, from Standard & Poor's on its general obligation and a BBB+ rating on its revenue warrants in 2022.

Economic Factors and Expectations

The local economy has grown in terms of housing, jobs, and retail development, but the development of large retail developments in 2008 and 2009 in near-by cities reduced the amount of retail traffic from west Georgia and Lee County in east Alabama. Retail sales have since rebounded and the City has shown steady growth in its retail sales since mid-2011. The City has maintained a steadily growing property tax base for the last 10 years. General Fund revenues have rebounded from the extended economic downturn, and have begun to grow steadily and we expect growth to continue over the next 3 to 5 years. The City raised its sales tax rate by .25% from 9.5% to 9.75% effective October 1, 2022 to increase reserves to fund capital projects and operating expenses

The unemployment rate is slightly lower than the state average due to increased commercial and retail growth in the local economy. New housing starts are gradually increasing and are expected to

CITY OF PHENIX CITY, ALABAMA
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FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

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

The City completed a rate plan study of water and sewer rates in 2021 to repair and replace worn infrastructure and to fund water and sewer capital projects throughout the City. In 2022, the amount of water and sanitary sewer service provided at no cost was reduced from 3,000 to 1,500 gallons. Planned rate increases have been approved for 2023 and 2024. The City will complete another cost of service study in 2024. The Wastewater Treatment Plant currently operates at 75% capacity, and the Water Filtration Plant currently operates at 42% capacity. Once the upgrades are completed at the Wastewater Treatment Plant, the plant will be operating at 58% capacity. The City has entered into an agreement to provide water to Fort Mitchell, Alabama in Russell County, sewer service to the City of Smiths, Alabama in Lee County, and both water and sewer service to the Russell County Utility System, which has resulted in steady revenue growth from these sources at little cost to the City. The Russell County Utility System is now the City's largest water customer and Smith's Water and Sewer Authority is the City's largest sewer customer. Both Lee and Russell Counties are among the fastest growing counties in Alabama with much of that growth centered in and around Phenix City.

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

Contacting the City's Financial Management

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

CITY OF PHENIX CITY, ALABAMA

**STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Phenix City Board of Education
Cash and cash equivalents	\$ 36,544,559	\$ 5,639,641	\$ 42,184,200	\$ 21,612,529
Taxes receivable	5,165,614	-	5,165,614	-
Accounts receivable	1,583,267	1,312,529	2,895,796	4,845,444
Notes receivable	330,000	85,028	415,028	-
Internal balances	205,364	(205,364)	-	-
Due from other governments	111,153	-	111,153	-
Inventories	82,634	203,344	285,978	224,476
Prepaid expenses	246,205	83,225	329,430	317,972
Restricted assets:				
Cash and cash equivalents	18,367,148	14,122,168	32,489,316	8,417,799
Investments	8,626,940	-	8,626,940	-
Capital assets, non-depreciable	28,634,671	4,301,183	32,935,854	5,247,972
Capital assets, depreciable, net of accumulated depreciation	58,205,842	65,059,551	123,265,393	85,012,442
Total assets	158,103,397	90,601,305	248,704,702	125,678,634
Deferred outflows of resources:				
Deferred outflows related to pension plan	4,254,162	822,318	5,076,480	16,007,922
Deferred outflows related to OPEB plan	4,613,696	735,890	5,349,586	14,928,861
Deferred amounts - bond refundings	1,639,380	1,839,930	3,479,310	1,747,977
Total deferred outflows of resources	10,507,238	3,398,138	13,905,376	32,684,760
Total assets and deferred outflows of resources	\$ 168,610,635	\$ 93,999,443	\$ 262,610,078	\$ 158,363,394
LIABILITIES AND DEFERRED INFLOWS				
Accounts payable	\$ 1,801,614	\$ 710,912	\$ 2,512,526	\$ 1,428,707
Accrued liabilities	941,003	121,731	1,062,734	6,240,609
Unearned revenues	6,959,794	-	6,959,794	41,970
Customer deposits	-	51,538	51,538	-
Accrued interest	475,063	182,895	657,958	359,743
Notes payable due within one year	361,500	122,985	484,485	-
Notes payable due in more than one year	778,588	170,490	949,078	-
Bonds payable due within one year	3,550,000	1,930,000	5,480,000	1,639,540
Bonds payable due in more than one year	56,036,686	49,429,139	105,465,825	66,088,478
Compensated absences due within one year	606,247	85,579	691,826	-
Compensated absences due in more than one year	153,275	13,437	166,712	-
Net pension liability	18,383,192	2,588,710	20,971,902	51,332,000
Net other postemployment benefits liability	11,557,532	1,714,282	13,271,814	31,038,857
Total liabilities	101,673,819	57,121,698	158,795,517	158,169,904
Deferred inflows of resources:				
Deferred inflows related to pension plan	3,541,169	640,261	4,181,430	15,849,000
Deferred inflows related to OPEB plan	7,013,453	1,407,948	8,421,401	27,681,447
Total deferred inflows of resources	10,554,622	2,048,209	12,602,831	43,530,447
Total liabilities and deferred inflows of resources	112,228,441	59,169,907	171,398,348	201,700,351
NET POSITION				
Net investments in capital assets	35,546,662	30,371,386	65,918,048	24,280,373
Restricted for:				
Capital projects	3,513,696	-	3,513,696	2,389,708
Debt service	2,791,696	2,954,578	5,746,274	5,828,426
Municipal court	471,561	-	471,561	-
Unrestricted	14,058,579	1,503,572	15,562,151	(75,835,464)
Total net position	56,382,194	34,829,536	91,211,730	(43,336,957)
Total liabilities, deferred inflows and net position	\$ 168,610,635	\$ 93,999,443	\$ 262,610,078	\$ 158,363,394

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, 2022

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units Phenix City Board of Education
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental activities:								
General government	\$ 11,005,306	\$ 8,076,799	\$ 2,196,263	\$ 43,297	\$ (688,947)	\$ -	\$ (688,947)	\$ -
Public safety	14,600,008	946,657	-	22,434	(13,630,917)	-	(13,630,917)	-
Public works	7,903,949	3,261,417	-	603,883	(4,038,649)	-	(4,038,649)	-
Culture and recreation	5,731,523	1,060,924	-	-	(4,670,599)	-	(4,670,599)	-
Education	2,570,782	-	-	-	(2,570,782)	-	(2,570,782)	-
Interest on long-term debt	1,702,160	-	-	-	(1,702,160)	-	(1,702,160)	-
Total governmental activities	<u>43,513,728</u>	<u>13,345,797</u>	<u>2,196,263</u>	<u>669,614</u>	<u>(27,302,054)</u>	<u>-</u>	<u>(27,302,054)</u>	<u>-</u>
Business-type activities:								
Public Utilities	12,125,733	14,409,937	-	1,036,636	-	3,320,840	3,320,840	-
Total business-type activities	<u>12,125,733</u>	<u>14,409,937</u>	<u>-</u>	<u>1,036,636</u>	<u>-</u>	<u>3,320,840</u>	<u>3,320,840</u>	<u>-</u>
Total primary government	<u>\$ 55,639,461</u>	<u>\$ 27,755,734</u>	<u>\$ 2,196,263</u>	<u>\$ 1,706,250</u>	<u>\$ (27,302,054)</u>	<u>\$ 3,320,840</u>	<u>\$ (23,981,214)</u>	<u>\$ -</u>
Component unit:								
Phenix City Board of Education	\$ 89,142,848	\$ 9,098,820	\$ 69,761,944	\$ 7,841,464	\$ -	\$ -	\$ -	\$ (2,440,620)
Total component units	<u>\$ 89,142,848</u>	<u>\$ 9,098,820</u>	<u>\$ 69,761,944</u>	<u>\$ 7,841,464</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,440,620)</u>
General revenues:								
Property taxes					\$ 6,915,256	\$ -	\$ 6,915,256	\$ 10,614,229
Sales and use taxes					35,520,481	-	35,520,481	4,995,443
Business taxes					2,028,287	-	2,028,287	58,494
Grants and contributions not restricted for specific programs								331,883
Unrestricted investment earnings					87,245	20,013	107,258	190,304
Gain (loss) on disposal of assets					13,400	-	13,400	30,830
Miscellaneous								835,242
Transfers					1,914	(1,914)	-	-
Total general revenues and transfers					<u>44,566,583</u>	<u>18,099</u>	<u>44,584,682</u>	<u>17,056,425</u>
Change in net position					<u>17,264,529</u>	<u>3,338,939</u>	<u>20,603,468</u>	<u>14,615,805</u>
Net position, beginning of year (*)					<u>39,117,665</u>	<u>31,490,597</u>	<u>70,608,262</u>	<u>(57,952,762)</u>
Net position, end of year					<u>\$ 56,382,194</u>	<u>\$ 34,829,536</u>	<u>\$ 91,211,730</u>	<u>\$ (43,336,957)</u>

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

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

CITY OF PHENIX CITY, ALABAMA

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022**

ASSETS	General	Capital Improvement	7 Mill	Public Building Authority	Nonmajor Governmental Funds	Total
Cash and cash equivalents	\$ 34,065,313	\$ -	\$ -	\$ -	\$ 2,479,249	\$ 36,544,562
Taxes receivable	3,282,857	-	975,321	-	907,436	5,165,614
Accounts receivable	482,965	62,482	-	-	1,037,820	1,583,267
Notes receivable	-	-	-	-	330,000	330,000
Due from other funds	443,387	-	23,238	-	-	466,625
Due from other governments	111,153	-	-	-	-	111,153
Inventory	82,634	-	-	-	-	82,634
Prepaid items	246,283	-	-	-	-	246,283
Restricted cash	32,643	2,272,452	1,941,915	5,840,389	8,279,749	18,367,148
Restricted investments	8,600,000	-	-	26,940	-	8,626,940
Total assets	\$ 47,347,235	\$ 2,334,934	\$ 2,940,474	\$ 5,867,329	\$ 13,034,254	\$ 71,524,226
LIABILITIES DEFERRED INFLOWS AND FUND BALANCES						
LIABILITIES AND DEFERRED INFLOWS						
Accounts payable	\$ 1,034,562	\$ 91,399	\$ -	\$ 96,154	\$ 579,500	\$ 1,801,615
Accrued expenses	941,083	-	-	-	-	941,083
Due to other funds	23,238	-	-	50,000	188,023	261,261
Due to component units	-	-	-	-	69,325	69,325
Unearned revenue	-	-	-	-	6,935,134	6,935,134
Total liabilities	1,998,883	91,399	-	146,154	7,771,982	10,008,418
Deferred inflows - unavailable revenue	470,665	-	846,059	-	866,212	2,182,936
FUND BALANCES (DEFICIT)						
Nonspendable:						
Inventories	82,634	-	-	-	-	82,634
Prepaid assets	246,283	-	-	-	-	246,283
Restricted for:						
Debt service	-	-	2,094,415	313,540	12,732	2,420,687
Capital projects	-	2,243,535	-	5,407,635	-	7,651,170
Street improvements	-	-	-	-	1,456,687	1,456,687
Revolving loans	-	-	-	-	2,136,443	2,136,443
Public safety	-	-	-	-	62,939	62,939
Municipal court	-	-	-	-	471,561	471,561
Committed for:						
Operating reserves	8,600,000	-	-	-	-	8,600,000
Book fund	32,290	-	-	-	-	32,290
Unassigned	35,916,480	-	-	-	255,698	36,172,178
Total fund balances	44,877,687	2,243,535	2,094,415	5,721,175	4,396,060	59,332,872
Total liabilities and fund balances	\$ 47,347,235	\$ 2,334,934	\$ 2,940,474	\$ 5,867,329	\$ 13,034,254	
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.						86,840,513
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.						2,158,276
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						(57,947,306)
Accrued interest on long-term liabilities						(475,063)
Notes payable						(1,140,088)
Accrued compensated absences						(759,522)
Net pension liability net of deferred inflows and outflows related to pension						(17,670,199)
Net other postemployment benefits liability net of deferred inflows and outflows related to OPEB						(13,957,289)
Net position of governmental activities						\$ 56,382,194

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, 2022**

	<u>General</u>	<u>Capital Improvement</u>	<u>7 Mill</u>	<u>Public Building Authority</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Property taxes	\$ 1,964,353	\$ -	\$ 2,428,315	\$ -	\$ 2,591,228	\$ 6,983,896
Sales and use taxes	34,952,974	-	-	-	567,507	35,520,481
Business taxes	911,617	-	1,116,670	-	-	2,028,287
Licenses and permits	6,036,596	-	-	-	-	6,036,596
Intergovernmental	421,564	186,295	-	-	2,258,018	2,865,877
Charges for services	2,759,817	-	-	-	248,160	3,007,977
Fines and forfeitures	760,294	-	-	-	139,961	900,255
Interest	54,041	1,149	2,107	13,221	16,727	87,245
Other revenues	1,123,767	-	-	1,232,864	2,452	2,359,083
Parks and recreation	1,041,887	-	-	-	-	1,041,887
Total revenues	<u>50,026,910</u>	<u>187,444</u>	<u>3,547,092</u>	<u>1,246,085</u>	<u>5,824,053</u>	<u>60,831,584</u>
Expenditures:						
Current:						
General government	13,972,753	-	10,000	2,500	192,364	14,177,617
Public safety	14,080,716	-	-	-	439,795	14,520,511
Public works	3,851,533	-	-	-	976,264	4,827,797
Culture and recreation	4,721,351	-	-	-	177,597	4,898,948
Education	-	-	-	-	2,570,782	2,570,782
Capital outlay	-	2,249,135	-	2,098,477	960,737	5,308,349
Debt service:						
Principal	373,726	-	2,585,000	865,000	-	3,823,726
Interest	20,143	-	1,451,069	367,864	-	1,839,076
Total expenditures	<u>37,020,222</u>	<u>2,249,135</u>	<u>4,046,069</u>	<u>3,333,841</u>	<u>5,317,539</u>	<u>51,966,806</u>
Excess (deficiency) of revenues over (under) expenditures	13,006,688	(2,061,691)	(498,977)	(2,087,756)	506,514	8,864,778
Other financing sources (uses):						
Proceeds from sale of property	494,298	-	-	-	-	494,298
Transfers in	47,316	-	1,500,000	3,678	-	1,550,994
Transfers out	(1,501,764)	-	-	-	(47,316)	(1,549,080)
Total other financing sources (uses)	<u>(960,150)</u>	<u>-</u>	<u>1,500,000</u>	<u>3,678</u>	<u>(47,316)</u>	<u>496,212</u>
Net change in fund balances	12,046,538	(2,061,691)	1,001,023	(2,084,078)	459,198	9,360,990
Fund balances, beginning of year (*)	<u>32,831,149</u>	<u>4,305,226</u>	<u>1,093,392</u>	<u>7,805,253</u>	<u>3,936,862</u>	<u>49,971,882</u>
Fund balances, end of year	<u>\$ 44,877,687</u>	<u>\$ 2,243,535</u>	<u>\$ 2,094,415</u>	<u>\$ 5,721,175</u>	<u>\$ 4,396,060</u>	<u>\$ 59,332,872</u>

(*) Restated - See Note 14

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, 2022**

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

Net change in fund balances - total governmental funds	\$ 9,360,990
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between depreciation expense and capital outlay in the current period.	2,501,927
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(65,530)
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.	3,901,408
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.	730,146
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>835,588</u>
Change in net position of governmental activities	<u>\$ 17,264,529</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, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 1,675,500	\$ 1,675,500	\$ 1,964,353	\$ 288,853
Sales and use taxes	30,074,565	30,074,565	34,952,974	4,878,409
Business taxes	705,380	705,380	911,617	206,237
Licenses and permits	5,425,458	5,425,458	6,036,596	611,138
Intergovernmental	282,450	282,450	421,564	139,114
Charges for services	2,642,699	2,642,699	2,759,817	117,118
Fines and forfeitures	711,820	711,820	760,294	48,474
Interest income	9,702	9,702	54,041	44,339
Miscellaneous Income	751,633	751,633	1,123,767	372,134
Parks and recreation	1,077,996	1,077,996	1,041,887	(36,109)
Total revenues	<u>43,357,203</u>	<u>43,357,203</u>	<u>50,026,910</u>	<u>6,669,707</u>
Expenditures:				
Current:				
General government:				
City manager	448,971	449,712	301,122	148,590
Personnel	1,102,075	1,113,963	785,330	328,633
City clerk	582,445	582,490	457,141	125,349
Information Technology	465,081	505,585	365,356	140,229
Municipal court	435,681	436,681	402,006	34,675
Finance	875,318	896,254	530,472	365,782
Finance - revenue collection	129,513	131,767	86,113	45,654
Non-departmental	6,400,525	9,289,042	9,106,049	182,993
Appropriations and contributions	662,128	662,128	521,136	140,992
Economic development	469,233	478,034	442,557	35,477
Building maintenance	1,061,226	1,074,406	975,471	98,935
Total general government	<u>12,632,196</u>	<u>15,620,062</u>	<u>13,972,753</u>	<u>1,647,309</u>
Public safety:				
Code enforcement	795,478	795,024	608,050	186,974
Fire	6,002,959	6,103,726	5,183,316	920,410
Police	9,635,142	9,709,886	7,967,938	1,741,948
Animal control	232,182	232,670	161,456	71,214
Administration	203,951	203,951	159,956	43,995
Total public safety	<u>16,869,712</u>	<u>17,045,257</u>	<u>14,080,716</u>	<u>2,964,541</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, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures: (Continued)				
Current:				
Public works:				
Vehicle maintenance	\$ 291,624	\$ 293,926	\$ 200,306	\$ 93,620
Cemetery maintenance	327,744	407,000	316,880	90,120
Engineering	713,792	713,810	532,627	181,183
Administration	484,256	487,198	439,175	48,023
Limbs and debris	1,888,658	1,839,280	1,145,413	693,867
Refuse disposal	338,799	341,599	229,427	112,172
Streets and drainage	1,179,442	1,194,341	987,705	206,636
Total public works	<u>5,224,315</u>	<u>5,277,154</u>	<u>3,851,533</u>	<u>1,425,621</u>
Culture and recreation:				
Parks and recreation	3,837,924	3,824,021	3,175,971	648,050
Central activity center	93,050	96,602	71,341	25,261
Amphitheater	199,725	261,052	188,394	72,658
Golf course	1,171,242	1,834,681	946,073	888,608
Library	413,304	432,020	339,572	92,448
Total culture and recreation	<u>5,715,245</u>	<u>6,448,376</u>	<u>4,721,351</u>	<u>1,727,025</u>
Debt service:				
Principal	730,555	860,703	373,726	486,977
Interest	20,143	20,143	20,143	-
Total debt service	<u>750,698</u>	<u>880,846</u>	<u>393,869</u>	<u>486,977</u>
Total expenditures	<u>41,192,166</u>	<u>45,271,695</u>	<u>37,020,222</u>	<u>8,251,473</u>
Excess of revenues over expenditures	<u>2,165,037</u>	<u>(1,914,492)</u>	<u>13,006,688</u>	<u>14,921,180</u>
Other financing sources (uses):				
Proceeds from sale of property	-	-	494,298	494,298
Transfers in	44,550	44,550	47,316	2,766
Transfers out	(1,250,000)	(1,250,000)	(1,501,764)	(251,764)
Total other financing uses	<u>(1,205,450)</u>	<u>(1,205,450)</u>	<u>(960,150)</u>	<u>245,300</u>
Net change in fund balances	959,587	(3,119,942)	12,046,538	15,166,480
Fund balance, beginning of year	<u>32,831,149</u>	<u>32,831,149</u>	<u>32,831,149</u>	<u>-</u>
Fund balance, end of year	<u>\$ 33,790,736</u>	<u>\$ 29,711,207</u>	<u>\$ 44,877,687</u>	<u>\$ 15,166,480</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, 2022**

	Business-type Activities	
	Enterprise Funds	
		Public Utilities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$	5,639,641
Accounts receivable, net of allowances		1,312,529
Notes receivable		85,028
Inventories		203,344
Prepaid expenses		83,225
Total current assets		<u>7,323,767</u>
RESTRICTED ASSETS		
Cash and cash equivalents		<u>14,122,168</u>
NONCURRENT ASSETS		
Capital assets:		
Nondepreciable		4,301,183
Depreciable, net of accumulated depreciation		65,059,551
Total noncurrent assets		<u>69,360,734</u>
Total assets		<u>90,806,669</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension plan		822,318
Deferred outflows related to other postemployment benefits plan		735,890
Deferred amounts - bond refundings		1,839,930
Total deferred outflows of resources		<u>3,398,138</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
CURRENT LIABILITIES		
Accounts payable		710,912
Accrued expenses		121,731
Due to other funds		205,364
Customer deposits		51,538
Accrued interest		182,895
Current portion - notes payable		122,985
Current portion - bonds payable		1,930,000
Current portion - compensated absences		85,579
Total current liabilities		<u>3,411,004</u>
LONG-TERM LIABILITIES		
Notes payable, net of current portion		170,490
Bonds payable, net of current portion		49,429,139
Compensated absences, net of current portion		13,437
Net pension liability		2,588,710
Net other postemployment benefits obligation		1,714,282
Total long-term liabilities		<u>53,916,058</u>
Total liabilities		<u>57,327,062</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension plan		640,261
Deferred inflows related to other postemployment benefits plan		1,407,948
Total deferred inflows of resources		<u>2,048,209</u>
NET POSITION		
Net investments in capital assets		30,371,386
Restricted for debt service		2,954,578
Unrestricted		1,503,572
Total net position	\$	<u>34,829,536</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, 2022

	Business-type Activities Enterprise Funds
	Public Utilities
OPERATING REVENUES	
Charges for services	\$ 14,372,272
Miscellaneous	37,665
Total operating revenues	14,409,937
OPERATING EXPENSES	
Administrative	2,471,849
Water plant	1,978,080
Water distribution	693,292
Wastewater distribution	928,103
Wastewater plant	1,737,424
Depreciation and amortization	3,081,058
Total operating expenses	10,889,806
Operating income	3,520,131
NONOPERATING REVENUES (EXPENSES)	
Interest income	20,013
Interest expense	(1,235,927)
System development fees	171,620
Total nonoperating income (loss)	(1,044,294)
Income (loss) before contributions and transfers	2,475,837
CAPITAL CONTRIBUTIONS	865,016
TRANSFERS	
Transfers out	(1,914)
Total transfers	(1,914)
Change in net position	3,338,939
NET POSITION, beginning of year	31,490,597
NET POSITION, end of year	\$ 34,829,536

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, 2022

	Business-type Activities
	Enterprise Funds
	Public Utilities
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 13,967,849
Payments to suppliers	(5,551,251)
Payments to employees	(2,550,980)
	5,865,618
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers out	(1,914)
System development fees	171,620
Net cash provided by noncapital financing activities	169,706
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(806,180)
Principal paid on bonds	(1,875,000)
Principal paid on notes payable	(118,919)
Interest paid	(1,096,790)
Net cash used in capital and related financing activities	(3,896,889)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	20,013
Net cash provided by investing activities	20,013
Net increase (decrease) in cash and cash equivalents	2,158,448
Cash and cash equivalents:	
Beginning of year	17,603,361
End of year	\$ 19,761,809
Classified as:	
Cash	\$ 5,639,641
Restricted assets, cash	14,122,168
	\$ 19,761,809

(Continued)

CITY OF PHENIX CITY, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

	Business-type Activities Enterprise Funds
	Public Utilities
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 3,520,131
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	3,081,059
Increase in accounts receivable	(294,670)
Decrease in notes receivable	1,373
Increase in inventory	(7,028)
Decrease in prepaid expenses	6,706
Increase in accounts payable	398,618
Increase in accrued expenses	11,347
Increase in due to other funds	(151,551)
Increase in customer deposits	2,760
Decrease in compensated absences	(7,236)
Decrease in pension liability	(32,385)
Decrease in other postretirement benefits obligation	(663,506)
Net cash provided by operating activities	\$ 5,865,618
 NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Amortization of bond discounts, premiums and deferred amounts, net	\$ 146,345

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

CITY OF PHENIX CITY, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Financial Reporting Entity

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

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

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

Discretely Presented Component Unit

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

CITY OF PHENIX CITY, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Financial Reporting Entity (Continued)

Blended Component Unit

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

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

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF PHENIX CITY, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales and use taxes, business taxes, licenses, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

CITY OF PHENIX CITY, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

D. Cash and Cash Equivalents

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

CITY OF PHENIX CITY, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

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, 2022**

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, 2022.

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, 2022**

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, 2022

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.

O. New Accounting Pronouncements

In fiscal year 2022, the City adopted Governmental Accounting Standards Board Statement No. 87 *Leases*. The primary objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of the government’s financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The adoption of this statement did not have a material impact on the City’s financial statements.

CITY OF PHENIX CITY, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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	\$ (57,660,000)
Deferred outflow of resources - bond refundings	1,639,380
Unamortized original issue discount	547,084
Unamortized original issue premium	<u>(2,473,770)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ (57,947,306)</u>

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

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

Capital outlay	\$ 8,014,134
Depreciation expense	<u>(5,512,207)</u>
Net adjustment to increase net changes in fund balances - total <i>governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 2,501,927</u>

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

CITY OF PHENIX CITY, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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

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

The details of this difference are as follows:

Principal repayment - notes payable	\$ 373,726
Principal repayment - bonds	3,450,000
Amortization of discounts, premiums and defeasance on bonds	<u>77,682</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 3,901,408</u>

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

Change in net other postemployment benefits obligation	\$ 2,765,814
Change in net pension obligation	2,159,773
Change in deferred inflows and outflows of resources	<u>(4,195,441)</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>\$ 730,146</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	\$ 39,091
Change in compensated absences	<u>796,497</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>\$ 835,588</u>

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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, 2022, no departments had actual expenditures in excess of budgetary appropriations.

NOTE 4. CASH AND INVESTMENTS

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

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

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits with Alabama financial institutions that are in excess of the FDIC insurance are secured under the Security for Alabama Funds Enhancement Act (SAFE Program). Through the SAFE program, all public funds are protected through a collateral pool administered by the Alabama State Treasury. As of September 30, 2022, 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, 2022**

NOTE 5. RECEIVABLES

Receivables consisted of the following at September 30, 2022:

	<u>General Fund</u>	<u>Capital Improvement</u>	<u>7 Mill Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Public Utilities Fund</u>	<u>Total</u>
Receivables:						
Taxes	\$ 3,441,180	\$ -	\$ 975,321	\$ 907,436	\$ -	\$ 5,323,937
Accounts	482,965	62,482	-	1,037,820	3,778,542	5,361,809
Notes	<u>-</u>	<u>-</u>	<u>-</u>	<u>330,000</u>	<u>85,028</u>	<u>415,028</u>
Gross receivables	3,924,145	62,482	975,321	2,275,256	3,863,570	11,100,774
Less allowance for uncollectibles	<u>(158,323)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,466,013)</u>	<u>(2,624,336)</u>
Net total receivable	<u>\$ 3,765,822</u>	<u>\$ 62,482</u>	<u>\$ 975,321</u>	<u>\$ 2,275,256</u>	<u>\$ 1,397,557</u>	<u>\$ 8,476,438</u>

Property taxes are levied based on the property on record as of January 1, 2021. Property taxes were levied on October 1, 2021, and payable on or before December 31, 2021. Property taxes levied for 2021 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during the year ended September 30, 2022, and collected by November 30, 2022, are recognized as revenues in the year ended September 30, 2022. Net receivables estimated to be collected subsequent to November 30, 2022, 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, 2022**

NOTE 6. CAPITAL ASSETS

A. Primary Government

The City's capital asset activity for the year ended September 30, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital assets, not being depreciated:					
Land and improvements	\$ 19,549,321	\$ 31,290	\$ (480,898)	\$ -	\$ 19,099,713
Construction in progress	6,532,100	4,731,249	-	(1,728,391)	9,534,958
Total capital assets, not being depreciated	<u>26,081,421</u>	<u>4,762,539</u>	<u>(480,898)</u>	<u>(1,728,391)</u>	<u>28,634,671</u>
Capital assets, being depreciated:					
Buildings	42,143,573	672,401	-	-	42,815,974
Machinery and equipment	28,589,718	1,344,500	-	-	29,934,218
Infrastructure	81,319,858	1,715,592	-	1,728,391	84,763,841
Total capital assets, being depreciated	<u>152,053,149</u>	<u>3,732,493</u>	<u>-</u>	<u>1,728,391</u>	<u>157,514,033</u>
Less accumulated depreciation for:					
Buildings	(25,435,536)	(1,204,759)	-	-	(26,640,295)
Machinery and equipment	(21,820,255)	(1,907,901)	-	-	(23,728,156)
Infrastructure	(46,540,193)	(2,399,547)	-	-	(48,939,740)
Total accumulated depreciation	<u>(93,795,984)</u>	<u>(5,512,207)</u>	<u>-</u>	<u>-</u>	<u>(99,308,191)</u>
Total capital assets, being depreciated, net	<u>58,257,165</u>	<u>(1,779,714)</u>	<u>-</u>	<u>1,728,391</u>	<u>58,205,842</u>
Governmental activities capital assets, net	<u>\$ 84,338,586</u>	<u>\$ 2,982,825</u>	<u>\$ (480,898)</u>	<u>\$ -</u>	<u>\$ 86,840,513</u>
Business-type Activities:					
Capital assets, not being depreciated:					
Land	\$ 275,782	\$ -	\$ -	\$ -	\$ 275,782
Construction in progress	3,087,907	937,494	-	-	4,025,401
Total capital assets, not being depreciated	<u>3,363,689</u>	<u>937,494</u>	<u>-</u>	<u>-</u>	<u>4,301,183</u>
Capital assets, being depreciated:					
Building and improvements	1,053,610	54,733	-	-	1,108,343
Machinery and equipment	8,842,162	78,824	-	-	8,920,986
Plant facilities	119,407,879	600,145	-	-	120,008,024
Total capital assets, being depreciated	<u>129,303,651</u>	<u>733,702</u>	<u>-</u>	<u>-</u>	<u>130,037,353</u>
Less accumulated depreciation for:					
Building and improvements	(929,956)	(48,265)	-	-	(978,221)
Machinery and equipment	(7,335,097)	(360,344)	-	-	(7,695,441)
Plant facilities	(53,631,690)	(2,672,450)	-	-	(56,304,140)
Total accumulated depreciation	<u>(61,896,743)</u>	<u>(3,081,059)</u>	<u>-</u>	<u>-</u>	<u>(64,977,802)</u>
Total capital assets, being depreciated, net	<u>67,406,908</u>	<u>(2,347,357)</u>	<u>-</u>	<u>-</u>	<u>65,059,551</u>
Business-type activities capital assets, net	<u>\$ 70,770,597</u>	<u>\$ (1,409,863)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,360,734</u>

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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	\$ 161,348
Public safety	1,411,065
Public works	2,892,856
Culture and recreation	<u>1,046,938</u>
Total depreciation expense - governmental activities	<u><u>\$ 5,512,207</u></u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 890,904	\$ -	\$ -	\$ 890,904
Land improvements	435,860	-	-	435,860
Construction in progress	11,396,052	3,921,208	(11,396,052)	3,921,208
Total capital assets, not being depreciated	<u>12,722,816</u>	<u>3,921,208</u>	<u>(11,396,052)</u>	<u>5,247,972</u>
Capital assets, being depreciated:				
Building and improvements	99,451,135	14,936,320	-	114,387,455
Machinery and equipment	14,399,014	2,471,535	(425,324)	16,445,225
Total	<u>113,850,149</u>	<u>17,407,855</u>	<u>(425,324)</u>	<u>130,832,680</u>
Less accumulated depreciation:				
Building and improvements*	(35,149,677)	(2,197,099)	-	(37,346,776)
Machinery and equipment	(7,706,612)	(1,187,921)	421,071	(8,473,462)
Total	<u>(42,856,289)</u>	<u>(3,385,020)</u>	<u>421,071</u>	<u>(45,820,238)</u>
Total capital assets, being depreciated, net	<u>70,993,860</u>	<u>14,022,835</u>	<u>(4,253)</u>	<u>85,012,442</u>
Discretely presented component unit capital assets, net	<u><u>\$ 83,716,676</u></u>	<u><u>\$ 17,944,043</u></u>	<u><u>\$ (11,400,305)</u></u>	<u><u>\$ 90,260,414</u></u>

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 7. LONG-TERM DEBT

A. Primary Government

The following is a summary of long-term debt activity for the year ended September 30, 2022:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable	\$ 61,110,000	\$ -	\$ (3,450,000)	\$ 57,660,000	\$ 3,550,000
Less deferred amounts:					
Unamortized premium	2,841,372	-	(367,602)	2,473,770	-
Unamortized discount	<u>(612,493)</u>	-	65,409	<u>(547,084)</u>	-
Net bonds payable	63,338,879	-	<u>(3,752,193)</u>	59,586,686	3,550,000
Notes payable	1,513,814	-	(373,726)	1,140,088	361,500
Compensated absences	<u>1,556,019</u>	-	<u>(796,497)</u>	759,522	153,275
Governmental activities long-term liabilities	<u>\$ 66,408,712</u>	<u>\$ -</u>	<u>\$ (4,922,416)</u>	<u>\$ 61,486,296</u>	<u>\$ 4,064,775</u>
Business-type activities:					
Bonds payable	\$ 51,825,000	\$ -	\$ (1,875,000)	\$ 49,950,000	\$ 1,930,000
Less deferred amounts:					
Unamortized discount	(214,470)	-	13,998	(200,472)	-
Unamortized premium	<u>1,824,874</u>	-	<u>(215,263)</u>	1,609,611	-
Net bonds payable	53,435,404	-	<u>(2,076,265)</u>	51,359,139	1,930,000
Notes payable	412,394	-	(118,919)	293,475	122,985
Compensated absences	<u>106,252</u>	-	<u>(7,236)</u>	99,016	85,579
Business-type activities long-term liabilities	<u>\$ 53,954,050</u>	<u>\$ -</u>	<u>\$ (2,202,420)</u>	<u>\$ 51,751,630</u>	<u>\$ 2,138,564</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, 2022**

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, 2022, are as follows:

	Interest Rates	Balance September 30, 2022
2015-A Issue	2.00% - 4.00%	2,645,000
2017-A Issue	2.00% - 3.00%	1,610,000
2017-B Issue	2.00% - 4.00%	6,860,000
2017-C Issue	2.00% - 3.00%	2,855,000
2020-A Issue	3.00% - 4.00%	20,780,000
2020-A Issue - Public Building Authority	1.85% - 2.93%	14,420,000
2021-A Issue	2.00% - 4.00%	8,490,000
		<u>57,660,000</u>
Less: unamortized premium (discount), net		1,926,686
		<u><u>\$ 59,586,686</u></u>

A description of these bond issues is provided below.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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, 2022 in the amount of \$2,645,000. 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, 2022 in the amount of \$1,610,000. 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, 2022**

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, 2022 in the amount of \$6,860,000. 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, 2022 in the amount of \$2,855,000. 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, 2022**

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, 2022 in the amount of \$20,780,000. 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, 2022 in the amount of \$8,490,000. 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, 2022**

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, 2022 in the amount of \$14,420,000 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, 2022**

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>
2023	\$ 3,550,000	\$ 1,742,466	\$ 5,292,466
2024	3,665,000	1,638,733	5,303,733
2025	3,770,000	1,524,676	5,294,676
2026	3,885,000	1,403,318	5,288,318
2027	4,015,000	1,278,214	5,293,214
2028 - 2032	18,735,000	4,598,806	23,333,806
2033 - 2037	17,905,000	1,542,275	19,447,275
2038 - 2042	2,135,000	175,095	2,310,095
	<u>57,660,000</u>	<u>\$ 13,903,583</u>	<u>\$ 71,563,583</u>
Plus: unamortized premium, net	1,926,686		
	<u>\$ 59,586,686</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, 2022:

	<u>Governmental Activities</u>
Equipment	\$ 1,874,011
Less: Accumulated depreciation	(564,620)
	<u>\$ 1,309,391</u>

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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, 2022:

	Governmental Activities
Fiscal year ending September 30,	
2023	\$ 374,680
2024	284,672
2025	256,801
2026	249,104
Total payments	1,165,257
Less amount representing interest	(25,169)
Notes payable	\$ 1,140,088

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, 2022, are as follows:

	Interest Rates	Balance September 30, 2022
2011-A Water and Sewer Revenue Bonds	1.00% - 4.38%	\$ 2,660,000
2014-A Water and Sewer Revenue Bonds	2.00% - 4.00%	5,420,000
2016-A Water and Sewer Revenue Bonds	3.00% - 4.00%	13,510,000
2020-A Water and Sewer Revenue Bonds	3.00%	2,575,000
2020-B Water and Sewer Revenue Bonds	4.00%	15,090,000
2020-CWSRF-DL	2.00%	665,000
2021 CWSRF-DL	2.20%	9,105,000
2021 DWSRF-DL	2.20%	925,000
		49,950,000
Less: unamortized premium (discount), net		1,409,139
		\$ 51,359,139

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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, 2022 in the amount of \$2,660,000. The proceeds from the bonds are to be used for 1) improvements to the water and sewer system; 2) funding a reserve fund and, 3) to pay the costs of issuance of the bonds. These bonds are limited obligations of the City and are payable solely from the net revenues of the Water and Sewer System.

The Series 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, 2022 in the amount of \$5,420,000. 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, 2022**

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, 2022 in the amount of \$13,510,000. 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, 2022 in the amount of \$2,575,000. 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, 2022**

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, 2022 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, 2022 in the amount of \$665,000. 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, 2022 in the amount of \$9,105,000. The proceeds from the bonds are to be used for 1) improvements to the water and sewer system, and 2) to pay the costs of issuance of the bonds. These bonds are limited obligations of the City and are payable solely from the net revenues of the Water and Sewer System.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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, 2022 in the amount of \$925,000. The proceeds from the bonds are to be used for 1) improvements to the water and sewer system, and 2) to pay the costs of issuance of the bonds. These bonds are limited obligations of the City and are payable solely from the net revenues of the Water and Sewer System.

The Series 2021-DWSRF-DL Bonds maturing on February 15, 2032 or thereafter are subject to redemption prior to maturity, at the option of the City, on or after February 15, 2031 in whole or in part (in any order of maturity and by lot within a maturity) at any time, at a price of par plus accrued interest to the redemption date.

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

Fiscal Year Ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,930,000	\$ 1,465,706	\$ 3,395,706
2024	2,370,000	1,625,541	3,995,541
2025	2,470,000	1,539,989	4,009,989
2026	2,580,000	1,441,277	4,021,277
2027	2,675,000	1,337,964	4,012,964
2028 - 2032	13,210,000	5,214,689	18,424,689
2033 - 2037	14,205,000	2,975,617	17,180,617
2038 - 2042	9,900,000	648,206	10,548,206
2043	<u>610,000</u>	<u>6,710</u>	<u>616,710</u>
	49,950,000	<u>\$ 16,255,699</u>	<u>\$ 66,205,699</u>
Plus: unamortized premium, net	<u>1,409,139</u>		
	<u>\$ 51,359,139</u>		

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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, 2022:

	Business-type Activities
Equipment	\$ 790,649
Less: Accumulated depreciation	(523,199)
	\$ 267,450

The following is a schedule of future payments as of September 30, 2022:

	Business-type Activities
Fiscal year ending September 30,	
2023	\$ 128,201
2024	62,667
2025	55,867
2026	55,867
Total payments	302,602
Less amount representing interest	(9,127)
Notes payable	\$ 293,475

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 7. LONG-TERM DEBT (CONTINUED)

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

The following is a summary of changes in long-term debt for the year ended September 30, 2022:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Loans payable	\$ 2,280,078	\$ -	\$ (239,606)	\$ 2,040,472	\$ 277,615
Bonds and warrants payable					
QSCB bonds payable	8,105,000	-	-	8,105,000	-
School tax warrants	55,312,723	-	(1,146,650)	54,166,073	1,167,108
Plus: premiums, net	<u>3,611,290</u>	<u>-</u>	<u>(194,817)</u>	<u>3,416,473</u>	<u>194,817</u>
 Total loans, bonds, and warrants payable	 <u>\$ 69,309,091</u>	 <u>\$ -</u>	 <u>\$ (1,581,073)</u>	 <u>\$ 67,728,018</u>	 <u>\$ 1,639,540</u>
 Total	 <u>\$ 69,309,091</u>	 <u>\$ -</u>	 <u>\$ (1,581,073)</u>	 <u>\$ 67,728,018</u>	 <u>\$ 1,639,540</u>

The Board issues general obligation warrants to provide funds for the acquisition and construction of major capital facilities. General obligation warrants have been issued for governmental activities. General obligation warrants have been issued for governmental activities. General obligation warrants are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 5 to 20 years.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 7. LONG-TERM DEBT (CONTINUED)

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

The general obligation warrants payable for the Board consisted of the following at September 30, 2022:

	<u>Phenix City Board of Education</u>
Qualified School Construction Bonds, Series 2009-D, due in 2026, bearing interest rate of .865%	\$ 8,105,000
Series 2016-A General Obligation Warrants, due annually through 2032, bearing interest rates of 2.00% to 4.00%	8,225,000
Series 2018 General Obligation Warrants, due annually through 2032, bearing interest rate of 3.32%	3,051,073
Series 2019 General Obligation Warrants, due annually through 2044, bearing interest rates of 3.00% to 4.00%	27,650,000
Series 2020-A General Obligation Warrants, due annually through 2032, bearing interest rate of 2.35%	4,765,000
Series 2020-B General Obligation Warrants, due annually through 2043, bearing interest rate of 3.73%	<u>10,475,000</u>
Total bonds and warrants payable	62,271,073
Deferred amounts for unamortized premiums	<u>3,416,473</u>
	<u><u>\$ 65,687,546</u></u>

Loans payable for governmental activities consisted of the following at September 30, 2022:

2017 bus installment loan, due annually through 2025, bearing interest rate of 2.67%	\$ 278,484
2018 bus installment loan, due annually through 2028, bearing interest rate of 2.617%	367,922
2018 bus installment loan, due monthly through October 2023, bearing interest rate of 5.95%	5,610
2021 bus installment loan, due annually through 2031, bearing interest rate of 1.4%	<u>1,388,456</u>
Total loans payable	<u><u>\$ 2,040,472</u></u>

Interest expense charged to the Board's governmental activities for the year ended September 30, 2022 totaled \$2,231,768.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 7. LONG-TERM DEBT (CONTINUED)

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

Pursuant to Act No. 98-373 enacted by the 1998 Regular Session of the Alabama Legislature and Act No. 2009-813 enacted by the 2009 Special Session of the Legislature, the Alabama Public School and College Authority (PSCA) is authorized to issue bonds to finance loans to local boards of education. Such bonds are secured by certain taxes deposited in the Education Trust Fund, as specified in Act No. 98-373. Loans to be made to local school boards are payable solely out of and secured by the local funds available to participating school boards from the Public School Fund pursuant to the *Code of Alabama 1975, Section 16-13-234*. The QSCB Series 2009-D amounts payable are the result of the Board’s participation in the pooled bonds. Principal is due each December 15. Rather than reducing principal annually, the Board makes annual payments to a Board-held bond sinking fund.

The Board’s School Tax warrants were issued for various construction projects and for the purpose of refunding warrants. The Board principal and interest of the warrants is to be repaid using certain ad valorem and sales taxes specified for use by the Board.

Debt issuance costs, except prepaid insurance costs, are recognized as an expense in the period incurred. Premiums and discounts on debt issuance and deferred amounts on refunding are amortized using straight-line method over the life of the related debt in the government-line statements.

The annual requirements to amortize all debt outstanding at September 30, 2022 are as follows:

Fiscal Year Ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Sinking Fund Payment</u>	<u>Total</u>
2023	\$ 1,444,723	\$ 976,027	\$ 421,794	\$ 2,842,544
2024	1,563,406	956,171	421,794	2,941,371
2025	1,607,999	935,585	421,794	2,965,378
2026	9,867,700	914,187	421,794	11,203,681
2027	2,208,699	740,680	-	2,949,379
2028 - 2032	11,727,263	3,403,286	-	15,130,549
2033 - 2037	13,116,755	2,886,952	-	16,003,707
2038 - 2042	15,675,000	2,256,405	-	17,931,405
2043 - 2047	7,100,000	385,060	-	7,485,060
	<u>\$ 64,311,545</u>	<u>\$ 13,454,353</u>	<u>\$ 1,687,176</u>	<u>\$ 79,453,074</u>

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2022, is as follows:

Due to/from other funds:

<u>Payable to:</u>	<u>Payable from:</u>			
	<u>General</u>	<u>Public</u>		<u>Public Utilities</u>
		<u>Buildings Authority</u>	<u>Nonmajor</u>	
General	\$ -	50,000	\$ 188,023	205,364
7 Mill	<u>23,238</u>	-	-	-
	<u>\$ 23,238</u>	<u>\$ 50,000</u>	<u>\$ 188,023</u>	<u>\$ 205,364</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>General</u>	<u>Nonmajor Governmental</u>	<u>Public Utilities</u>	<u>Total</u>
General	\$ -	\$ 47,316	\$ -	\$ 47,316
7 Mill Fund	1,500,000	-	-	1,500,000
Public Building Authority	<u>1,764</u>	-	<u>1,914</u>	<u>3,678</u>
Total	<u>\$ 1,501,764</u>	<u>\$ 47,316</u>	<u>\$ 1,914</u>	<u>\$ 1,550,994</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, 2022

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, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	79
Active employees	<u>342</u>
	<u>421</u>

Total OPEB Liability

The City's total OPEB liability of \$13,271,814 was measured as of September 30, 2022 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and other inputs – The total OPEB liability in the September 30, 2022 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	2.15% annually (Beginning of Year to Determine ADC 4.02%, annually (As of End of Year Measurement Dat
Healthcare cost trend rates	5.5% annually for 5 years, 5.39%-4.14% thereafter
Mortality	PubG.H-2010(B)

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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, 2022, the end of the applicable measurement period.

The actuarial assumptions used in the September 30, 2022 valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2021 to September 30, 2022.

Changes in the Total OPEB Liability

Balance at September 30, 2021	<u>\$ 16,829,135</u>
Changes for the year:	
Service cost	394,652
Interest	365,370
Differences between expected and actual experience	498,266
Changes in assumptions	(4,353,554)
Benefit payments and net transfers	<u>(462,055)</u>
Net changes	<u>(3,557,321)</u>
 Balance at September 30, 2022	 <u>\$ 13,271,814</u>

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.02%) or 1-percentage-point higher (5.02%) than the current discount rate:

	1.0% Decrease (3.02%)	Current Rate (4.02%)	1.0% Increase (5.02%)
Total OPEB Liability	\$ 15,475,459	\$ 13,271,814	\$ 11,508,505

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

	1.0% Decrease (4.5%)	Current Rate 1.0 (5.5%)	% Increase (6.5%)
Total OPEB Liability	\$ 11,367,594	\$ 13,271,814	\$ 15,709,281

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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, 2022, the City recognized OPEB expense (benefit) of (\$839,042). At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual	\$ 1,426,385	\$ (4,408,759)
Changes in assumptions	3,923,201	(4,012,642)
total	\$ 5,349,586	\$ (8,421,401)

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

2023	\$ (1,599,064)
2024	(1,599,062)
2025	(203,606)
2026	(203,606)
2027	(203,606)
Thereafter	737,129
	\$ (3,071,815)

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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, 2022**

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Plan Description (Continued)

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

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

The ERS serves approximately 880 local participating employers. These participating employers include 304 cities, 65 counties, and 511 other public entities. As of September 30, 2021, the date of the most recent actuarial valuation, membership consisted of:

Retirees and beneficiaries currently receiving benefits	54,367
Terminated employees entitled to but not yet receiving benefits	21,758
Non-vested inactive members who have not contributed in more than 5 years	20,091
Active members	<u>85,485</u>
Total	<u>181,701</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, 2022**

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, 2022 (or other year-end if not September), the City's active employee contribution rate was 7.50% and 6.00%, respectively, of covered employee payroll for Tier 1 and 2 regular employees, and 8.50% and 7.00%, respectively, of covered employee payroll for Tier 1 and 2 firefighters, law enforcement, and correctional officers. City's contractually required contribution rate for the year ended September 30, 2022 was 10.26% of pensionable pay for Tier 1 employees, and 10.33% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2021, 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 \$1,612,434 for the year ended September 30, 2022.

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability

The City's net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020 rolled forward to September 30, 2021 using standard roll-forward techniques as shown in the following table:

Total Pension Liability as of September 30, 2020	\$ 68,819,868
Entry Age Normal Cost for October 1, 2020 - September 30, 2021	1,555,878
Interest	5,112,876
Changes in benefit terms	3,040,743
Difference between expected and actual experience	(16,169)
Actual Benefit Payments and Refunds for October 1, 2020 - September 30, 2021	(4,837,756)
Transfers among employers	<u>(203,817)</u>
Total Pension Liability as of September 30, 2021	<u>\$ 73,471,623</u>

Actuarial assumptions – The total pension liability in the September 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25% - 5.00%
Investment rate of return *	7.70%

* Net of pension plan investment expense, including inflation

Mortality rates for ERS were based on the Pub-2010 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, 2022**

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, 2022 are as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Fixed Income	15.00%	2.80%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	9.00%
Real Estate	10.00%	6.50%
Cash	5.00%	1.50%
Total	100.00%	

* Includes assumed rate of inflation of 2.00%

Discount rate – The discount rate used to measure the total pension liability was the long term rate of return, 7.45%. 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, 2022**

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in Net Pension Liability

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at September 30, 2020	\$ 68,819,868	\$ 44,834,964	\$ 23,984,904
Changes for the year:			
Service cost	1,555,878	-	1,555,878
Interest	5,112,876	-	5,112,876
Changes in benefit terms	3,040,743		3,040,743
Difference between expected and actual experience	(16,169)	-	(16,169)
Contributions - employer	-	1,612,434	(1,612,434)
Contributions - employee	-	1,366,606	(1,366,606)
Net investment income	-	9,727,290	(9,727,290)
Benefit payments, including refunds of employee contributions	(4,837,756)	(4,837,756)	-
Transfers among employers	(203,817)	(203,817)	-
Net changes	4,651,755	7,664,757	(3,013,002)
Balances at September 30, 2021	\$ 73,471,623	\$ 52,499,721	\$ 20,971,902

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:

	<u>1% Decrease (6.45%)</u>	<u>Current Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
Plan's Net Pension Liability	\$ 29,827,615	\$ 20,971,902	\$ 13,540,376

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, 2022. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2022.

The auditor’s report dated January 20, 2023 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, 2022**

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, 2022, the City recognized pension expense of \$1,154,208. At September 30, 2022, 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	\$ 292,060	\$ 385,578
Changes of assumptions	3,055,038	-
Net difference between projected and actual earnings on pension plan investments	-	3,795,852
Employer contributions subsequent to the measurement date	1,729,382	-
Total	\$ 5,076,480	\$ 4,181,430

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:	
2023	\$ 46,090
2024	(121,786)
2025	(598,658)
2026	(752,506)
2027	494,958
Thereafter	97,570
	\$ (834,332)

CITY OF PHENIX CITY, ALABAMA

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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, 2022**

NOTE 13. TAX ABATEMENTS

For the year ended September 30, 2022, the City's sales tax revenues were reduced by approximately \$316,000 and property tax revenues were reduced by approximately \$97,000 under various tax abatement agreements entered into with various entities between 2011 and 2022 under the economic development laws of the State of Alabama, specifically the Tax Incentive Reform Act of 1992, which qualify for disclosure under GASB Statement Number 77, Tax Abatement Disclosures. The purpose of the tax abatement program is to stimulate economic growth through new job creation and capital investment. Under the agreements, certain incentives were offered such as abatement of sales and use and property taxes as well as certain mortgage and recording taxes for between 5 and 10 years based on investments made by the entities and new or expanded job opportunities and achievement of certain investment targets. The amount of the tax abatement is based upon the actual amount incurred by the entity receiving the abatement and good faith projections made by the entity upon application to the granting authority, the City Council. Once the agreed upon abatement period terminates, all remaining and depreciated property taxes are recaptured annually.

NOTE 14. RESTATEMENT

Net position is restated due to a corrections to the accounting for bond issuance costs, deferred amounts on refunding and unamortized warrant premiums of the Board of Education.

	<u>Board of Education</u>
Net position, previously reported	<u>\$ (57,642,541)</u>
Effect of restatement - debt reduction	<u>(310,221)</u>
Restated net position, beginning balances	<u>\$ (57,952,762)</u>

In addition, the Library Fund, which had previously been reported within the General Fund, was reclassified to a separate nonmajor governmental fund resulting in a reduction of General Fund beginning fund balance and an increase of beginning non-major governmental funds fund balance of \$152,260.

CITY OF PHENIX CITY, ALABAMA

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

LAST 10 FISCAL YEARS ENDING SEPTEMBER 30

	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability:								
Service cost	\$ 1,555,878	\$ 1,404,911	\$ 1,433,837	\$ 1,434,309	\$ 1,497,466	\$ 1,465,902	\$ 1,424,261	\$ 1,402,948
Interest	5,112,876	4,872,796	4,763,743	4,642,339	4,488,512	4,288,329	4,112,059	3,933,478
Changes in benefit terms	3,040,743	1,008,512	-	-	-	-	-	-
Differences between expected and actual experience	(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	(4,837,756)	(4,318,820)	(4,025,236)	(3,957,769)	(3,763,255)	(3,764,288)	(3,186,194)	(3,022,147)
Transfers among employers	(203,817)	(24,528)	(161,689)	(209,196)	(73,437)	3,154	-	-
Net change in total pension liability	4,651,755	3,377,399	1,563,054	1,999,388	2,082,116	4,311,652	2,492,429	2,314,279
Total pension liability, beginning	68,819,868	65,442,469	63,879,415	61,880,027	59,797,911	55,486,259	52,993,830	50,679,551
Total pension liability, ending (a)	<u>\$ 73,471,623</u>	<u>\$ 68,819,868</u>	<u>\$ 65,442,469</u>	<u>\$ 63,879,415</u>	<u>\$ 61,880,027</u>	<u>\$ 59,797,911</u>	<u>\$ 55,486,259</u>	<u>\$ 52,993,830</u>
Plan fiduciary net position:								
Contributions, employer	\$ 1,612,434	\$ 1,429,506	\$ 1,349,511	\$ 1,219,475	\$ 1,290,789	\$ 1,277,747	\$ 1,411,812	\$ 1,336,262
Contributions, member	1,366,606	1,228,246	1,215,294	1,253,389	1,239,396	1,256,883	1,275,641	1,183,559
Net investment income	9,727,290	2,469,064	1,123,144	3,845,521	4,886,740	3,644,637	430,168	3,948,281
Benefit payments, including refunds of employee contributions	(4,837,756)	(4,318,820)	(4,025,236)	(3,957,769)	(3,763,254)	(3,764,288)	(3,186,194)	(3,022,147)
Transfers among employers	(203,817)	(24,528)	(161,689)	(209,196)	(73,437)	3,154	(78,122)	(111,916)
Net change in plan fiduciary net position	7,664,757	783,468	(498,976)	2,151,420	3,580,234	2,418,133	(146,695)	3,334,039
Plan net position, beginning	44,834,964	44,051,496	44,550,472	42,399,052	38,818,818	36,400,685	36,547,380	33,213,341
Plan net position, ending (b)	<u>\$ 52,499,721</u>	<u>\$ 44,834,964</u>	<u>\$ 44,051,496</u>	<u>\$ 44,550,472</u>	<u>\$ 42,399,052</u>	<u>\$ 38,818,818</u>	<u>\$ 36,400,685</u>	<u>\$ 36,547,380</u>
Net pension liability, ending (a) - (b)	<u>\$ 20,971,902</u>	<u>\$ 23,984,904</u>	<u>\$ 21,390,973</u>	<u>\$ 19,328,943</u>	<u>\$ 19,480,975</u>	<u>\$ 20,979,093</u>	<u>\$ 19,085,574</u>	<u>\$ 16,446,450</u>
Plan fiduciary net position as a percentage of the total pension liability	71.46%	65.15%	67.31%	69.74%	68.52%	64.92%	65.60%	68.97%
Covered-employee payroll*	\$ 16,761,859	\$ 16,190,543	\$ 16,310,222	\$ 16,278,175	\$ 16,716,394	\$ 16,308,684	\$ 15,576,766	\$ 15,229,962
Net pension liability (asset) as a percentage of covered-employee payroll	125.12%	148.14%	131.15%	118.74%	116.54%	128.64%	122.53%	107.99%

*Employer's covered-payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For FY 2022 the measurement period is October 1, 2020 - September 30, 2021.

NOTES TO SCHEDULE

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

CITY OF PHENIX CITY, ALABAMA

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 1,729,382	\$ 1,612,434	\$ 1,429,506	\$ 1,729,382	\$ 1,219,477	\$ 1,290,789	\$ 1,277,747	\$ 1,385,670
Contributions in relation to the actuarially determined contribution*	<u>1,729,382</u>	<u>1,612,434</u>	<u>1,429,506</u>	<u>1,729,382</u>	<u>1,219,477</u>	<u>1,290,789</u>	<u>1,277,747</u>	<u>1,385,670</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll**	\$ 16,413,763	\$ 16,761,859	\$ 16,190,543	\$ 16,310,222	\$ 16,278,175	\$ 16,716,394	\$ 16,308,684	\$ 15,576,766
Contributions as a percentage of covered-covered payroll	10.54%	9.62%	8.83%	10.60%	7.49%	7.72%	7.83%	8.90%

*Amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. For FY 2022, the fiscal year is the twelve month period beginning after 6/15/2021.

**Employer's covered payroll for FY2022 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	27.3 years
Asset valuation method	Five year smoothed market
Inflation	2.750%
Salary increases	3.25 - 5.00%, including inflation
Investment rate of return	7.70%, net of pension plan investment expense, including inflation

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

CITY OF PHENIX CITY, ALABAMA

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

Total OPEB Liability	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 394,652	\$ 391,276	\$ 354,338	\$ 238,765	\$ 311,557
Interest	365,370	336,355	612,174	699,266	645,234
Differences between expected and actual experience	498,266	840,760	(9,180,111)	821,027	(32,222)
Changes in assumptions	(4,353,554)	244,176	846,653	5,001,318	(1,478,618)
Benefit payment and net transfers	(462,055)	(406,241)	(448,558)	(501,803)	(482,471)
Net change in total OPEB liability	(3,557,321)	1,406,326	(7,815,504)	6,258,573	(1,036,520)
Total OPEB liability at beginning of year	16,829,135	15,422,809	23,238,313	16,979,740	18,016,260
Total OPEB liability at end of year	\$ 13,271,814	\$ 16,829,135	\$ 15,422,809	\$ 23,238,313	\$ 16,979,740
Covered-employee payroll	15,111,246	14,971,657	14,395,824	14,717,383	14,151,330
Net OPEB liability as a percentage of covered-employee payr	87.83%	112.41%	107.13%	157.90%	119.99%

NOTES TO SCHEDULE

Benefit Changes: There were no changes of benefit terms for the year ended September 30, 2022.

Changes of Assumptions: The discount rate as of September 30, 2021 was 2.15% and it changed to 4.02% as of September 30, 2022.

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

CITY OF PHENIX CITY, ALABAMA
NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

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

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

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

Debt Service Funds

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

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

Other Funds

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

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

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, 2022**

	Special Revenue Funds									Debt Service Funds					Total Nonmajor Governmental Funds	
	Two Cent Gas Tax	Four Cent Gas Tax	Five Cent Gas Tax	Seven Cent Gas Tax	Ten Cent Gas Tax	Corrections	Second Mortgage	Confiscated Property	American Rescue Plan	3 Mill	4 Mill	Municipal Court	Donated Funds	Library Fund (*)		Employee Fund
ASSETS																
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 594,595	\$ 8,954	\$ 1,084,991	\$ 62,045	\$ -	\$ -	\$ -	\$ 472,615	\$ 31,557	223,616	\$ 876	\$ 2,479,249
Taxes receivable	1,982	7,949	3,574	16,986	-	-	-	-	-	375,838	501,107	-	-	-	-	907,436
Accounts receivable	-	-	-	-	44,630	-	992,600	-	-	-	-	-	-	590	-	1,037,820
Notes receivable	-	-	-	-	-	-	330,000	-	-	-	-	-	-	-	-	330,000
Restricted cash	123,948	95,554	300,147	281,474	-	-	-	-	7,407,302	30,709	40,615	-	-	-	-	8,279,749
Total assets	\$ 125,930	\$ 103,503	\$ 303,721	\$ 298,460	\$ 639,225	\$ 8,954	\$ 2,407,591	\$ 62,045	\$ 7,407,302	\$ 406,547	\$ 541,722	\$ 472,615	\$ 31,557	224,206	\$ 876	\$ 13,034,254
LIABILITIES DEFERRED INFLOWS AND FUND BALANCES																
LIABILITIES AND DEFERRED INFLOWS																
Accounts payable	\$ -	\$ -	\$ 4,682	\$ -	\$ 9,470	\$ 7,955	\$ 271,148	\$ 50	\$ 284,213	\$ -	\$ -	\$ 1,041	\$ 941	\$ -	\$ -	\$ 579,500
Due to other funds	-	-	-	-	-	55	-	-	187,955	-	-	13	-	-	-	188,023
Due to component units	-	-	-	-	-	-	-	-	-	29,710	39,615	-	-	-	-	69,325
Unearned revenue	-	-	-	-	-	-	-	-	6,935,134	-	-	-	-	-	-	6,935,134
Total liabilities	-	-	4,682	-	9,470	8,010	271,148	50	7,407,302	29,710	39,615	1,054	941	-	-	7,771,982
Deferred inflows	-	-	-	-	-	-	-	-	-	371,234	494,978	-	-	-	-	866,212
FUND BALANCES																
Restricted for:																
Debt service	-	-	-	-	-	-	-	-	-	5,603	7,129	-	-	-	-	12,732
Street improvements	125,930	103,503	299,039	298,460	629,755	-	-	-	-	-	-	-	-	-	-	1,456,687
Revolving loans	-	-	-	-	-	-	2,136,443	-	-	-	-	-	-	-	-	2,136,443
Public safety	-	-	-	-	-	944	-	61,995	-	-	-	-	-	-	-	62,939
Municipal court	-	-	-	-	-	-	-	-	-	-	-	471,561	-	-	-	471,561
Unassigned	-	-	-	-	-	-	-	-	-	-	-	-	30,616	224,206	876	255,698
Total fund balances	125,930	103,503	299,039	298,460	629,755	944	2,136,443	61,995	-	5,603	7,129	471,561	30,616	224,206	876	4,396,060
Total liabilities and fund balances	\$ 125,930	\$ 103,503	\$ 303,721	\$ 298,460	\$ 639,225	\$ 8,954	\$ 2,407,591	\$ 62,045	\$ 7,407,302	\$ 406,547	\$ 541,722	\$ 472,615	\$ 31,557	224,206	\$ 876	\$ 13,034,254

(*) Restated - See Note 14

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, 2022

	Special Revenue Funds									Debt Service Funds					Total Nonmajor Governmental Funds
	Two Cent Gas Tax	Four Cent Gas Tax	Five Cent Gas Tax	Seven Cent Gas Tax	Ten Cent Gas Tax	Corrections	Second Mortgage	Confiscated Property	American Rescue Plan	3 Mill	4 Mill	Municipal Court	Donated Funds	Library Fund (*)	
Revenues:															
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,110,526	\$ 1,480,702	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	22,736	89,860	40,640	146,713	267,558	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	250,000	-	29,164	-	138,424	-	1,734,863	-	-	-	-	105,567	-
Charges for services	-	-	-	-	-	-	248,160	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	48,284	-	59,227	-	-	-	32,450	-	-	-
Interest income	144	82	427	290	701	30	7,058	62	6,815	111	146	567	39	254	1
Other revenues	-	-	-	-	-	-	-	-	-	-	-	-	940	-	1,512
Total revenues	22,880	89,942	291,067	147,003	297,423	48,314	393,642	59,289	1,741,678	1,110,637	1,480,848	33,017	979	105,821	1,513
Expenditures:															
Current															
General government	-	-	-	-	-	-	-	-	185,948	-	-	1,930	2,647	-	1,844
Public safety	-	-	-	-	-	-	-	9,535	430,255	-	-	-	-	-	-
Public works	-	-	488,791	-	-	-	370,736	-	116,737	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	143,722	-	-	-	-	33,875	-
Education	-	-	-	-	-	-	-	-	-	1,101,763	1,469,019	-	-	-	-
Capital outlay	-	-	-	-	35,131	-	60,590	-	865,016	-	-	-	-	-	-
Total expenditures	-	-	488,791	-	35,131	-	431,326	9,535	1,741,678	1,101,763	1,469,019	1,930	2,647	33,875	1,844
Excess (deficiency) of revenues over (under) expenditures	22,880	89,942	(197,724)	147,003	262,292	48,314	(37,684)	49,754	-	8,874	11,829	31,087	(1,668)	71,946	(331)
Other financing sources (uses):															
Transfers out	-	-	-	-	-	(47,316)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	(47,316)	-	-	-	-	-	-	-	-	-
Net change in fund balances	22,880	89,942	(197,724)	147,003	262,292	998	(37,684)	49,754	-	8,874	11,829	31,087	(1,668)	71,946	(331)
Fund balances, beginning of year	103,050	13,561	496,763	151,457	367,463	(54)	2,174,127	12,241	-	(3,271)	(4,700)	440,474	32,284	152,260	1,207
Fund balances, end of year	\$ 125,930	\$ 103,503	\$ 299,039	\$ 298,460	\$ 629,755	\$ 944	\$ 2,136,443	\$ 61,995	\$ -	\$ 5,603	\$ 7,129	\$ 471,561	\$ 30,616	\$ 224,206	\$ 876

(*) Restated - See Note 14

COMPLIANCE SECTION

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Phenix City, Alabama (the "City") as of and for the year ended September 30, 2022, 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 29, 2024. Our report includes a reference to other auditors. Other auditors audited the financial statements of the Phenix City Board of Education, as described in our report on the City's financial statements. The report does not include our consideration of the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore material weakness or significant deficiencies may exist that have not been identified. We consider deficiencies 2022-01 through 2022-03 described in the schedule of findings and responses 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 29, 2024

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

**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, 2022. 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, 2022.

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

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 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. 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.

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 29, 2024

CITY OF PHENIX CITY, ALABAMA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
U.S. Department of Treasury			
American Rescue Plan Act	21.027		\$ <u>1,741,678</u>
U.S. Dept of Justice Bureau of Justice Assistance			
Direct Awards			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2021-DJ-BX	18,045
United States Marshall Service - Payroll	16.111	M-19-A34-P-001714	3,946
Bullet Proof Vest Partnership/Body Armour Safety Initiative	16.607	2022-BU-BX	9,305
BJA FY 20 Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-0849	<u>8,783</u>
Total U.S. Dept of Justice Bureau of Justice Assistance			<u>40,079</u>
Total Expenditures of Federal Awards			\$ <u>1,781,757</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, 2022

SUMMARY OF AUDITOR'S RESULTS

1. An unmodified opinion, dated March 29, 2024, was issued on the financial statements for the year ended September 30, 2022.
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 29, 2024, disclosed three material weaknesses for the year ended September 30, 2022.
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 29, 2024, disclosed no instances of noncompliance for the year ended September 30, 2022.
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 8, 2024 disclosed no significant deficiencies or material weaknesses in internal control over major programs for the year ended September 30, 2022.
5. An unmodified opinion, dated March 29, 2024, 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, 2022.
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, 2022.
7. The City's major program for the year ended September 30, 2022 is the American Rescue Plan Act, 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, 2022 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, 2022

FINANCIAL STATEMENT FINDINGS AND RESPONSES

MATERIAL WEAKNESSES

2022-1 Financial Reporting Process

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

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

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

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

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

CITY OF PHENIX CITY, ALABAMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

FINANCIAL STATEMENT FINDINGS AND RESPONSES

2022-2 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.

2022-3 Bank Reconciliations

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

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

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

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

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

CITY OF PHENIX CITY, ALABAMA

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

2021-1 Repeated in 2022 as Finding 2022-1.

2021-2 Repeated in 2022 as Finding 2022-2.

2021-3 Management of Capital Asset Accounts - Resolved

Condition and Criteria: Generally accepted accounting principles require the reporting of all capital assets at their historical cost, which is written off periodically, or depreciated, in a systematic and rational manner. Assets donated by outside parties should also be reported, but at the estimated fair value on the date of the donation. In addition, for proprietary funds, interest expense incurred on tax exempt debt restricted for specified capital projects should be capitalized until the completion of the capital projects and then amortized over the life of the completed capital asset. The City did not properly reconcile capital asset rollforward during the fiscal year ended September 30, 2022.

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

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

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

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

2021-4 Repeated in 2022 as Finding 2022-3.