

City of Alexander City

AUDITED ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2019



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INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
City of Alexander City
Alexander City, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Alexander City, Alabama as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit

The financial statements do not include financial data for the City's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the City's primary government. The City has not issued such reporting entity financial statements. The amounts that would have been reported as assets, deferred outflows, liabilities, deferred inflows, net position, general revenues, and net expenses of the aggregate discretely presented component units are \$32,655,525, \$5,673,028, \$55,383,883, \$6,764,105, (\$23,819,436), \$8,610,118, \$6,987,309, respectively.

Adverse Opinion on the Aggregate Discretely Presented Component Unit

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component unit of the City of Alexander City, Alabama as of September 30, 2019, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 4 to the financial statements, management has not recorded certain general infrastructure assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. In addition, as described in Note 4 to the financial statements, detail capital asset records are not maintained to support recorded asset balances and to compute depreciation in accordance with accounting principles generally accepted in the United States of America. The amount by which these departures would affect the assets, net position, and expenses of the governmental activities has not been determined.

Adverse Opinion on Governmental Activities

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to previously do not present fairly the financial position of the governmental activities of the City of Alexander City, Alabama, as of September 30, 2019, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinions on Business-type Activities - Water Fund, Sewer Fund, Gas Fund, Electric Fund, and the Other Enterprise Fund

As described in Note 4 to the financial statements, all capital assets are not supported by detailed records, utility systems do not include all indirect and overhead costs of additions and costs of extensions donated by developers and individuals, and all retired assets have not been removed in accordance with accounting principles generally accepted in the United States of America. The amount by which this departure would affect the assets, net position, and expenses of the business-type activities, water fund, sewer fund, gas fund, electric fund, and the other enterprise fund is not reasonably determinable.

Qualified Opinions on Business-type Activities - Water Fund, Sewer Fund, Gas Fund, Electric Fund, and the Other Enterprise Fund

In our opinion, except for the effects of the matter discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, water fund, sewer fund, gas fund, electric fund, and the other enterprise fund of the City of Alexander City, Alabama as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the general fund, the debt service fund, and the other governmental funds of the City of Alexander City, Alabama, as of September 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Deficit Fund Balance

As described in Note 14, the City's General Fund has an unassigned deficit fund balance of \$6,022,897 as of September 30, 2019. Furthermore, the City's total General Fund balance has a deficit of \$5,446,865 as of September 30, 2019. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the schedule of changes in net pension liability, the schedule of employer pension contributions, the schedule of changes in total OPEB liability, the schedule of employer OPEB contributions and related notes to required supplementary information on pages 49-57 be presented to supplement the basic financial statements. Such information, although not required to be 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

City of Alexander City
Statement of Net Position

<i>September 30, 2019</i>	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 5,622,913	\$ 13,614,700	\$ 19,237,613
Receivables, net of allowance for uncollectible accounts	2,859,184	3,989,436	6,848,620
Inventory	384,967	949,789	1,334,756
Prepaid expenses	138,638	19,670	158,308
Restricted assets			
Cash and cash equivalents	121,495	-	121,495
Capital assets			
Land and construction in progress	4,397,546	284,689	4,682,235
Other assets, net of accumulated depreciation	16,168,414	34,208,775	50,377,189
Total assets	29,693,157	53,067,059	82,760,216
Deferred Outflows of Resources			
Employer pension contributions subsequent to measure date	846,590	250,029	1,096,619
Difference between expected and actual experience - pension	307,732	90,885	398,617
Difference due to change of assumptions - pension	892,306	263,531	1,155,837
Difference between expected and actual experience - OPEB	24,743	7,307	32,050
Difference due to change of assumptions - OPEB	80,828	23,871	104,699
Deferred loss on refundings	114,686	-	114,686
Total deferred outflows of resources	2,266,885	635,623	2,902,508
Liabilities			
Bank overdraft	4,575,199	343,114	4,918,313
Accounts payable	2,315,043	1,653,129	3,968,172
Accrued payroll and related liabilities	402,375	58,971	461,346
Accrued interest	66,955	-	66,955
Customer deposits	-	630,770	630,770
Noncurrent liabilities			
Net pension liability	6,539,264	1,931,285	8,470,549
Total OPEB liability	820,524	242,331	1,062,855
Due within 1 year	2,379,525	-	2,379,525
Due in more than 1 year	13,068,001	310,349	13,378,350
Total liabilities	30,166,886	5,169,949	35,336,835

(Continued)

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

City of Alexander City
Statement of Net Position (Continued)

<i>September 30, 2019</i>	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Deferred Inflows of Resources			
Property tax revenues	\$ 1,322,458	\$ -	\$ 1,322,458
Difference between projected and actual earnings - pension	1,013,417	299,299	1,312,716
Difference between expected and actual experience - pension	27,855	8,226	36,081
Total deferred inflows of resources	2,363,730	307,525	2,671,255
Net Position			
Net investment in capital assets	16,808,402	34,493,464	51,301,866
Restricted for			
Debt service	14,508	-	14,508
Capital projects	2,231,633	-	2,231,633
Municipal court	191,065	-	191,065
Infrastructure maintenance	150,657	-	150,657
Other purposes	-	-	-
Unrestricted (deficit)	(19,966,839)	13,731,744	(6,235,095)
Total net position (deficit)	\$ (570,574)	\$ 48,225,208	\$ 47,654,634

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

**City of Alexander City
Statement of Activities**

<i>For the year ended September 30, 2019</i>		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
Program Activities	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 5,501,765	\$ 2,768,259	\$ 313,222	\$ 711,646	\$ (1,708,638)	\$ -	\$ (1,708,638)
Public safety	9,483,990	1,646,171	272,000	46,723	(7,519,096)	-	(7,519,096)
Public works	3,615,873	12,488	-	-	(3,603,385)	-	(3,603,385)
Sanitation	1,329,120	1,160,082	-	-	(169,038)	-	(169,038)
Education and health	1,407,768	-	-	-	(1,407,768)	-	(1,407,768)
Culture, recreation and welfare	2,011,237	119,447	7,754	-	(1,884,036)	-	(1,884,036)
Unallocated depreciation, see Note 4	3,459,624	-	-	-	(3,459,624)	-	(3,459,624)
Interest on long-term debt	581,621	-	-	-	(581,621)	-	(581,621)
Total governmental activities	27,390,998	5,706,447	592,976	758,369	(20,333,206)	-	(20,333,206)
Business-type activities							
Water	4,059,467	6,887,934	-	54,693	-	2,883,160	2,883,160
Sewer	4,629,137	2,694,466	-	-	-	(1,934,671)	(1,934,671)
Gas	2,028,421	2,589,744	-	-	-	561,323	561,323
Electric	11,451,743	13,898,756	-	-	-	2,447,013	2,447,013
Golf	533,765	384,026	-	-	-	(149,739)	(149,739)
Total business-type activities	22,702,533	26,454,926	-	54,693	-	3,807,086	3,807,086
Total primary government	\$ 50,093,531	\$ 32,161,373	\$ 592,976	\$ 813,062	(20,333,206)	3,807,086	(16,526,120)

(Continued)

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

City of Alexander City
Statement of Activities (Continued)

	Position		
	Primary Government		
<i>For the year ended September 30, 2019</i>	Governmental Activities	Business-Type Activities	Total
General Revenues			
Taxes			
Sales	\$ 10,326,232	\$ -	\$ 10,326,232
Property	2,886,003	-	2,886,003
Other	1,323,079	-	1,323,079
Unrestricted investment earnings	11,140	16,807	27,947
Miscellaneous	888,576	15,327	903,903
Transfers	7,152,805	(7,152,805)	-
Total general revenues and transfers	22,587,835	(7,120,671)	15,467,164
Change in net position	2,254,629	(3,313,585)	(1,058,956)
Net position - beginning	(2,825,203)	51,538,793	48,713,590
Net position - ending	\$ (570,574)	\$ 48,225,208	\$ 47,654,634

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

City of Alexander City
Balance Sheet – Governmental Funds

<i>September 30, 2019</i>	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ -	\$ 3,391,280	\$ 2,231,633	\$ 5,622,913
Receivables, net of allowance for uncollectible accounts	2,815,231	14,508	29,445	2,859,184
Inventory	384,967	-	-	384,967
Restricted assets				
Cash and cash equivalents	-	-	121,495	121,495
Total assets	\$ 3,200,198	\$ 3,405,788	\$ 2,382,573	\$ 8,988,559
Liabilities				
Bank overdraft	\$ 4,575,199	\$ -	\$ -	\$ 4,575,199
Accounts payable and accrued expenses	2,314,760	-	283	2,315,043
Accrued payroll and related liabilities	402,375	-	-	402,375
Total liabilities	7,292,334	-	283	7,292,617
Deferred Inflows of Resources				
Unavailable revenues - property tax	1,322,458	-	-	1,322,458
Unavailable revenues - grants	32,271	-	-	32,271
Total deferred inflows of resources	1,354,729	-	-	1,354,729
Fund Balance				
Nonspendable				
Inventory	384,967	-	-	384,967
Restricted for				
Capital assets and improvements	-	-	2,231,633	2,231,633
Road improvements	-	-	150,657	150,657
Municipal court	191,065	-	-	191,065
Debt service	-	14,508	-	14,508
Other purposes	-	-	-	-
Committed for				
Debt service reserve	-	3,391,280	-	3,391,280
Economic development	-	-	-	-
Road improvements and repair	-	-	-	-
Unassigned (deficit)	(6,022,897)	-	-	(6,022,897)
Total fund balance	(5,446,865)	3,405,788	2,382,290	341,213
Total liabilities, deferred inflows of resources, and fund balance	\$ 3,200,198	\$ 3,405,788	\$ 2,382,573	\$ 8,988,559

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

City of Alexander City
Reconciliation of the Governmental Funds Balance
Sheet to the Statement of Net Position

September 30, 2019

Total Fund Balance - Governmental Funds	\$ 341,213
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation used in governmental activities that are not financial resources and are not reported in the funds.	20,565,960
Prepaid expenses were recorded as expenditures when paid in the funds.	138,638
Some of the City's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflow of resources in the funds.	32,271
Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in governmental funds:	
Deferred outflows related to pensions	2,046,628
Deferred outflow related to OPEB	105,571
Deferred outflow on debt refunding	114,686
Deferred inflows related to pensions	(1,041,272)
Long-term liabilities including net pension liability, total OPEB liability, warrants payable, compensated absences, accrued sick leave, and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(22,874,269)
Net position of governmental activities	\$ (570,574)

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

City of Alexander City
Statement of Revenues, Expenditures, and Changes
in Fund Balances – Governmental Funds

<i>For the year ended September 30, 2019</i>	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Sales and use taxes	\$ 10,326,232	\$ -	\$ -	\$ 10,326,232
Property taxes	1,450,600	1,435,403	-	2,886,003
Other taxes	1,118,567	-	204,512	1,323,079
Licenses and permits	1,997,871	-	-	1,997,871
Intergovernmental	1,863,196	-	-	1,863,196
Charges for services	3,151,131	-	-	3,151,131
Fines and forfeitures	515,382	-	-	515,382
Board of Education contributions	-	301,070	-	301,070
Interest	9,502	1,530	108	11,140
Other revenues	630,435	-	-	630,435
Total revenues	21,062,916	1,738,003	204,620	23,005,539
Expenditures				
General government	4,945,111	-	473,243	5,418,354
Public safety	9,519,046	-	-	9,519,046
Public works	3,601,678	-	21,571	3,623,249
Sanitation	1,334,828	-	-	1,334,828
Education	1,243,905	-	-	1,243,905
Health	163,863	-	-	163,863
Culture, recreation and welfare	2,018,614	-	-	2,018,614
Debt service				
Debt retirement	434,698	1,580,000	-	2,014,698
Interest and fiscal agent fees	80,010	157,366	-	237,376
Capital outlay	6,176,446	-	188,617	6,365,063
Total expenditures	29,518,199	1,737,366	683,431	31,938,996
Excess (deficiency) of revenue over (under) expenditures	(8,455,283)	637	(478,811)	(8,933,457)
Other Financing Sources (Uses)				
Transfers in	7,152,805	344,508	-	7,497,313
Transfers out	(344,508)	-	-	(344,508)
Proceeds from long term debt	-	-	2,719,500	2,719,500
Net other financing sources (uses)	6,808,297	344,508	2,719,500	9,872,305
Net change in fund balance	(1,646,986)	345,145	2,240,689	938,848
Fund balance, beginning of year	(3,799,879)	3,060,643	141,601	(597,635)
Fund balance, end of year	\$ (5,446,865)	\$ 3,405,788	\$ 2,382,290	\$ 341,213

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

City of Alexander City

**Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities**

September 30, 2019

Net Change in Fund Balance - Total Governmental Funds \$ 938,848

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

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.

Capital outlay	\$ 6,365,063	
Current year depreciation	<u>(3,459,624)</u>	2,905,439

Repayments of warrants and capital lease principal are expenditures in the governmental funds, but the repayments reduce long-term liabilities on the statement of net position.	2,014,698
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Issuance of new debt is an other financing source in the governmental funds, but increases long-term liabilities on the statement of net position.	(2,719,500)
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Some of the City's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflow of resources in the funds. However, amounts are recorded as current year revenues in the statement of activities.	(492,086)
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Other expenses reported in the statement of activities that do not require current financial resources:

Net amortization of bond discount/premium/deferred charge on debt refunding	\$ (362,304)	
Difference in pension expense related to deferred outflows, deferred inflows and net pension liability	73,765	
Difference in OPEB expense related to deferred outflows, and total OPEB liability	(72,392)	
Change in prepaid insurance	6,361	
Change in prepaid grant expenditures	(20,630)	
Change in accrued interest payable	18,058	
Change in accrued sick leave	(13,890)	
Change in compensated absences	<u>(21,738)</u>	(392,770)

Change in net position of governmental activities	\$ 2,254,629
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The accompanying notes are an integral part of these financial statements.

City of Alexander City
Statement of Net Position– Proprietary Funds (Continued)

<i>September 30, 2019</i>	Major Enterprise Funds				Other Enterprise Fund	Total
	Water Fund	Sewer Fund	Gas Fund	Electric Fund	Golf Fund	
Assets						
Current assets						
Cash and cash equivalents	\$ 4,002,109	\$ -	\$ 5,522,397	\$ 4,086,905	\$ 3,289	\$ 13,614,700
Receivables, net of allowance for uncollectible accounts	892,213	352,932	155,330	2,584,736	4,225	3,989,436
Inventory	220,252	85,291	41,373	563,351	39,522	949,789
Prepaid expenses	6,268	8,502	1,297	2,666	937	19,670
Total current assets	5,120,842	446,725	5,720,397	7,237,658	47,973	18,573,595
Noncurrent assets						
Land	206,374	10,000	3,545	-	64,770	284,689
Buildings, net	31,382	-	22,755	20,317	4,438	78,892
Improvements other than buildings, net	-	-	-	-	45,380	45,380
Utility system, net	14,097,248	11,958,484	2,386,075	3,653,491	-	32,095,298
Equipment, net	88,714	1,033,049	66,241	686,225	114,976	1,989,205
Total noncurrent assets	14,423,718	13,001,533	2,478,616	4,360,033	229,564	34,493,464
Total assets	19,544,560	13,448,258	8,199,013	11,597,691	277,537	53,067,059
Deferred Outflows of Resources						
Employer pension contributions subsequent to measurement date	66,236	92,226	22,261	54,063	15,243	250,029
Difference between expected and actual experience - pension plan	24,076	33,524	8,092	19,652	5,541	90,885
Difference due to change in assumptions - pension	69,813	97,206	23,463	56,983	16,066	263,531
Difference due to change in assumptions - OPEB	6,324	8,805	2,125	5,162	1,455	23,871
Difference between expected and actual experience - OPEB	1,936	2,695	651	1,580	445	7,307
Total deferred outflows of resources	168,385	234,456	56,592	137,440	38,750	635,623

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

City of Alexander City
Statement of Net Position– Proprietary Funds (Continued)

<i>September 30, 2019</i>	Major Enterprise Funds				Other Enterprise Fund	Total
	Water Fund	Sewer Fund	Gas Fund	Electric Fund	Golf Fund	
Liabilities						
Current liabilities						
Bank overdraft	\$ -	\$ 343,114	\$ -	\$ -	\$ -	\$ 343,114
Accounts payable	171,882	187,393	101,849	1,186,455	5,550	1,653,129
Accrued payroll and related liabilities	15,109	17,518	6,275	15,128	4,941	58,971
Customer deposits	231,105	-	115,658	284,007	-	630,770
Total current liabilities	418,096	548,025	223,782	1,485,590	10,491	2,685,984
Noncurrent liabilities						
Compensated absences	93,880	112,899	12,395	73,529	17,646	310,349
Net pension liability	511,621	712,373	171,952	417,598	117,741	1,931,285
Total OPEB liability	64,196	89,386	21,576	52,399	14,774	242,331
Total noncurrent liabilities	669,697	914,658	205,923	543,526	150,161	2,483,965
Total liabilities	1,087,793	1,462,683	429,705	2,029,116	160,652	5,169,949
Deferred Inflows of Resources						
Difference between projected and actual earnings on pension plan investments	79,288	110,399	26,648	64,717	18,247	299,299
Difference between expected and actual experience - pension plan	2,179	3,034	732	1,779	502	8,226
Total deferred inflows of resources	81,467	113,433	27,380	66,496	18,749	307,525
Net Position						
Net investment in capital assets	14,423,718	13,001,533	2,478,616	4,360,033	229,564	34,493,464
Unrestricted (deficit)	4,119,967	(894,935)	5,319,904	5,279,486	(92,678)	13,731,744
Total net position (deficit)	\$ 18,543,685	\$ 12,106,598	\$ 7,798,520	\$ 9,639,519	\$ 136,886	\$ 48,225,208

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

City of Alexander City
Statement of Revenues, Expenses, and Changes
in Net Position – Proprietary Funds

<i>September 30, 2019</i>	Major Enterprise Funds				Other Enterprise Fund	Total
	Water Fund	Sewer Fund	Gas Fund	Electric Fund	Golf Fund	
Operating Revenue						
Charges for services	\$ 6,887,934	\$ 2,694,466	\$ 2,589,744	\$ 13,898,756	\$ 384,026	\$ 26,454,926
Total operating revenue	6,887,934	2,694,466	2,589,744	13,898,756	384,026	26,454,926
Operating Expenses						
Purchases for resale	-	-	1,312,159	9,657,865	34,311	11,004,335
Personnel services	1,150,203	1,704,420	380,979	896,728	303,085	4,435,415
Repairs and maintenance	395,474	499,599	74,551	222,394	31,918	1,223,936
Utilities	682,850	633,760	6,513	5,711	15,220	1,344,054
Other	1,015,477	665,656	58,598	173,944	109,298	2,022,973
Depreciation and amortization	815,463	1,125,702	195,621	495,101	39,933	2,671,820
Total operating expenses	4,059,467	4,629,137	2,028,421	11,451,743	533,765	22,702,533
Operating income (loss)	2,828,467	(1,934,671)	561,323	2,447,013	(149,739)	3,752,393
Nonoperating Revenues (Expenses)						
Interest income	3,651	3,991	650	8,388	127	16,807
Miscellaneous	-	-	(336)	15,204	459	15,327
Total nonoperating revenues (expenses)	3,651	3,991	314	23,592	586	32,134
Income (loss) before transfers	2,832,118	(1,930,680)	561,637	2,470,605	(149,153)	3,784,527
Transfers to other funds	(902,403)	(489,830)	(498,445)	(8,411,447)	(40,680)	(10,342,805)
Transfers from other funds	-	2,970,000	-	-	220,000	3,190,000
Total transfers	(902,403)	2,480,170	(498,445)	(8,411,447)	179,320	(7,152,805)
Net income (loss) before capital contributions	1,929,715	549,490	63,192	(5,940,842)	30,167	(3,368,278)
Capital contributions	54,693	-	-	-	-	54,693
Changes in net position	1,984,408	549,490	63,192	(5,940,842)	30,167	(3,313,585)
Net position - beginning	16,559,277	11,557,108	7,735,328	15,580,361	106,719	51,538,793
Net position, end of year	\$ 18,543,685	\$ 12,106,598	\$ 7,798,520	\$ 9,639,519	\$ 136,886	\$ 48,225,208

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

City of Alexander City
Statement of Cash Flows – Proprietary Funds

<i>September 30, 2019</i>	Major Enterprise Funds				Other Enterprise Fund	Total
	Water Fund	Sewer Fund	Gas Fund	Electric Fund	Golf Fund	
Operating Activities						
Receipts from customers	\$ 6,740,526	\$ 2,684,593	\$ 2,649,266	\$ 12,373,750	\$ 383,439	\$ 24,831,574
Receipts for interfund services	59,974	11,363	32,218	1,404,632	-	1,508,187
Payments to suppliers and vendors	(1,620,683)	(1,267,601)	(1,460,936)	(6,616,344)	(233,126)	(11,198,690)
Payments for interfund services	(643,574)	(562,310)	(4,160)	(3,621)	(1,812)	(1,215,477)
Payments to employees	(1,150,205)	(1,704,422)	(380,979)	(896,728)	(303,085)	(4,435,419)
Net cash provided by (used in) operating activities	3,386,038	(838,377)	835,409	6,261,689	(154,584)	9,490,175
Noncapital Financing Activities						
Net operating transfers	(902,402)	2,480,170	(498,445)	(8,411,447)	(40,680)	(7,372,804)
Interfund loans for noncapital purposes	-	-	-	-	220,000	220,000
Net cash provided by (used in) noncapital financing activities	(902,402)	2,480,170	(498,445)	(8,411,447)	179,320	(7,152,804)
Capital and Related Financing Activities						
Acquisition and construction of capital assets	(814,211)	(2,022,233)	-	(221,836)	(41,491)	(3,099,771)
Capital contributions	54,693	-	-	-	-	54,693
Net cash provided by (used in) capital and related financing activities	(759,518)	(2,022,233)	-	(221,836)	(41,491)	(3,045,078)
Investing Activities						
Interest received	3,651	3,991	650	8,388	-	16,680
Miscellaneous revenues (expense)	-	-	(335)	15,204	586	15,455
Net cash provided by (used in) investing activities	3,651	3,991	315	23,592	586	32,135
Net increase (decrease) in cash and cash equivalents	1,727,769	(376,449)	337,279	(2,348,002)	(16,169)	(675,572)
Cash and cash equivalents, beginning of year	2,274,340	33,335	5,185,118	6,434,907	19,458	13,947,158
Cash and cash equivalents, end of year	\$ 4,002,109	\$ (343,114)	\$ 5,522,397	\$ 4,086,905	\$ 3,289	\$ 13,271,586

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

City of Alexander City
Statement of Cash Flows – Proprietary Funds (Continued)

<i>September 30, 2019</i>	Major Enterprise Funds				Other Enterprise Fund	Total
	Water Fund	Sewer Fund	Gas Fund	Electric Fund	Golf Fund	
Operating Income (Loss)	\$ 2,828,467	\$ (1,934,671)	\$ 561,323	\$ 2,447,013	\$ (149,739)	\$ 3,752,393
Adjustments to reconcile operating income to net cash provided by (used in) operating activities						
Depreciation and amortization	815,463	1,125,702	195,621	495,101	39,933	2,671,820
Change in assets, deferred outflows, liabilities and deferred inflows						
Accounts receivable	(87,435)	1,488	91,738	(120,374)	(587)	(115,170)
Prepaid expenses	6,835	5,693	1,838	7,139	628	22,133
Decrease (Increase) in due from other funds	-	-	-	3,600,000	-	3,600,000
Inventory	18,197	(7,125)	2,273	(5,976)	2,665	10,034
Employer pension contributions subsequent to measurement date	(5,635)	-	(2,940)	(4,960)	(352)	(13,887)
Difference between expected and actual experience - pension	1,224	(18,147)	(26)	847	675	(15,427)
Net difference between projected and actual earnings - pension	-	(2,598)	-	-	-	(2,598)
Difference due to change in assumptions - pension	6,121	(4,385)	746	4,543	2,593	9,618
Difference due to change in assumptions - opeb	(6,324)	(8,805)	(2,125)	(5,162)	(1,455)	(23,871)
Difference between expected and actual experience - OPEB	2,759	3,044	846	2,224	709	9,582
Accounts payable	(162,773)	(89,679)	(14,663)	(146,697)	(16,005)	(429,817)
Accrued payroll and related liabilities	2,662	1,025	3,857	2,293	523	10,360
Customer deposits	2,343	-	1,638	5,500	-	9,481
Compensated absences	690	23,034	(4,417)	5,898	(14,943)	10,262
Net pension liability	(47,511)	28,893	(6,309)	(35,447)	(19,651)	(80,025)
Net OPEB liability	8,281	21,037	3,749	7,094	1,034	41,195
Difference between projected and actual earnings on pension plan investments (deferred inflow)	5,203	20,209	2,334	4,702	9	32,457
Change of assumptions - OPEB (deferred inflow)	(2,529)	(3,092)	(74)	(2,049)	(621)	(8,365)
Net cash provided by (used in) operating activities	\$ 3,386,038	\$ (838,377)	\$ 835,409	\$ 6,261,689	\$ (154,584)	\$ 9,490,175

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Reporting Entity

The City is a municipal corporation incorporated in 1872 currently governed by a mayor-council form of government consisting of the Mayor elected at large and six council members elected from defined districts. Members of the City Council serve part-time and are responsible for adopting all legislative ordinances and setting policies of the City, including the appropriation of money. The Mayor is the full-time chief executive officer and is responsible for the day-to-day management of the City in conjunction with the managers of the departments. These financial statements present the activities of the primary government which is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Component units, although legally separate, for which the City is considered to be financially accountable are not included in these primary government financial statements. As a result, these primary government financial statements, because they do not include financial data of the component units of the City, do not purport to and do not present the financial statements of the reporting entity (primary government and component units) as defined by generally accepted accounting principles.

The decision to include a potential component unit in the City's reporting entity is based on the criteria stated in GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB 39, "Determining Whether Certain Organizations are Component Units" and GASB 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34," which includes the ability to appoint a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burden on the City, or the nature and significance of the relationship between the City and the organization is such that exclusion would cause the City's financial statements to be incomplete.

The City has one component unit, the Alexander City Board of Education (the Board), which has been excluded from the City's financial statements.

The Board is substantially reliant upon the City because the City Council appoints the members of the Board, levies taxes on behalf of the Board and issues debt on behalf of the Board. The legal liability for the general obligation debt issued for school purposes of \$10,629,357 at September 30, 2019 remains with the City. Advalorem tax revenues restricted for school purposes and collected by the City are used to make required debt service payments on the general obligation debt issued for school purposes. In addition, the Board makes contributions during the year toward debt service.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Reporting Entity (Continued)

During 2019, the City recorded \$1,435,403 of advalorem taxes for schools. For 2019, the appropriations to the Board were \$1,243,905. The Board issues separate financial statements which may be obtained from the administrative offices at 375 Lee Street, Alexander City, Alabama 35010.

Related Organizations:

The City's officials are also responsible for appointing the members of the Housing Authority of the City of Alexander City, but the City's accountability for this organization does not extend beyond making the appointments. In 2019, the City received \$67,820 in payments in lieu of property taxes from the Housing Authority of the City of Alexander City.

Government-wide and Fund Financial Statements

Financial information of the City is presented as follows:

Basic Financial Statements:

Government-wide financial statements consist of a statement of net position and a statement of activities.

These statements report the activities of the primary government excluding its component unit. Governmental activities are reported separately from business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues whereas business-type activities are normally supported by fees and charges for services and are usually intended by management to be financially self-sustaining.

In the statement of net position, the governmental and business-type activities columns are presented on a consolidated basis by column. The statement of net position reports on the full accrual, economic resource basis, which includes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts — net investment in capital assets, restricted, and unrestricted.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific program or function. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Revenues that are not classified as program revenues, including all taxes and other items, are presented as general revenues.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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.

Fund financial statements consist of a series of statements focusing on information about the City's major governmental and proprietary funds. Separate financial statements are presented for the governmental and proprietary funds.

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. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Property taxes (if levied), city-levied other taxes, licenses, fines and forfeitures, and interest associated with the current fiscal period are all considered to be susceptible to accrual and 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 Debt Service Fund is used to account for financial resources related to the City's debt activity and debt service.

Additionally, the government reports the following non-major governmental fund:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

The City reports the following major enterprise funds:

The Water Fund accounts for operations, maintenance and development of the water plant and distribution system. All costs are financed through charges to customers.

The Sewer Fund accounts for the operation of the City's sanitary sewer services provided to the residents of the City. All costs are financed through charges to customers.

The Gas Fund accounts for operations, maintenance and development of the natural gas distribution system. All costs are financed through charges to customers.

The Electric Fund accounts for operations, maintenance and development of the electric distribution system. All costs are financed through charges to customers.

Additionally, the government reports the following non-major enterprise fund type:

The Golf Fund accounts for operations and maintenance of the City owned golf course. Costs are financed through user fees to golfers and periodic transfers from the general fund.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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, including special assessments. 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 primary operating revenues of the enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, operations, maintenance, financing and related debt service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Deposits

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

In the Government-Wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, advalorem taxes, and other taxes.

In the fund financial statements, receivables in governmental funds include the receivables mentioned in the preceding paragraph and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

Property taxes are assessed on October 1 and levied on the subsequent October 1 for the fiscal year beginning on the levy date, at which time a lien is attached. These taxes are due and payable on October 1 (levy date) and delinquent after December 31 in each year (except with respect to motor vehicles, which have varying due dates), after which a penalty and interest are required to be charged. If real property taxes are not paid 30 days after the first class notification to the delinquent taxpayer following the due date, a tax lien sale is required to be held. Revenue is recognized in the year when the taxes are levied and collected. The taxes are collected by the Tallapoosa County, Alabama tax collector and remitted to the City net of a collection fee.

Inventories and Prepaid Items

Inventories are accounted for using the consumption method and are valued at the lower of cost (average or FIFO) or market. Inventories in governmental funds are offset by a reserve for inventories that indicates that portion of fund balance is not available for other subsequent expenditures. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as expenditures when made in the governmental funds. These payments are recorded as prepaid items in the proprietary funds and governmental activities.

Restricted Assets

The use of certain assets is restricted pursuant to debt covenants or other externally-imposed restrictions. The amount of these assets is reported as restricted net position in the basic financial statements. Restricted assets generally consist of the following: (1) resources set aside for the repayment of long-term debt pursuant to debt covenants and state law are "restricted for debt service," (2) the unexpended portion of debt proceeds that are restricted for use in construction are "restricted for capital projects," and (3) resources restricted for specific purposes pursuant to state and federal law are "restricted for other."

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, street lights, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets that are tangible in nature, with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated 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 or capacity of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of business-type activities is not reflected in the capitalized value of the asset constructed.

Depreciation on exhaustible assets is recorded as an unallocated expense in the statement of activities with accumulated depreciation reflected in the statement of net position. No depreciation is computed in the year of acquisition. Capital assets are depreciated using the straight line method over the following estimated useful lives:

Infrastructure	6-20 years
Buildings	20-30 years
Improvements other than buildings	20-25 years
Utility systems	20-50 years
Equipment	5-20 years

Unearned Revenues

Unearned revenues arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both the revenue recognition criteria are met and the City has a legal claim to the resources, the revenue is recognized.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. A liability representing 25% of the total unpaid accumulated sick leave adjusted for longevity factors has been accrued on the government-wide financial statements because employees have the option of either being paid 25% of unpaid sick leave adjusted for longevity factors upon their termination from service or having that balance converted to retirement service credits in the Employees' Retirement System of Alabama.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Continued)

The pension contribution rate includes a factor to provide for converting sick leave to additional time at retirement. Vacation pay that is expected to be liquidated with expendable available financial resources (matured) is reported as an expenditure and a fund liability of the governmental fund that will pay it. Current and long-term portions of vacation pay are accrued in the government-wide and proprietary funds statements when incurred.

Long-term Obligations

In the government-wide financial statements, and the 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 statements of net position. Warrant premiums and discounts are deferred and amortized over the life of the warrants. Warrants payable are reported net of the applicable warrant premium or discount. Warrant issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize warrant premiums and discounts, as well as warrant 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, except for prepaid insurance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Lease Obligations

In the government-wide financial statements, capital lease obligations are reported as liabilities in the governmental activities statement of net position. In the governmental fund financial statements, the face amount of the lease obligation is reported as other financing sources when the lease is executed. Any lease issuance costs are reported as debt service expenditures.

Pensions

The Employees' Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

Net pension liability, pension deferred inflows/outflows, and pension expense are allocated between governmental activities and proprietary activities based on total gross wages.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Postemployment Benefits

The net position of the City's Retiree Benefits Plan (the OPEB Plan) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflow of resources and deferred inflows of resources related to other postemployment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from the OPEB Plan's fiduciary net position. Benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Deferred Outflows and Inflows of Resources

The statement of net position will sometimes report separate sections for deferred outflows and inflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has multiple items that qualify for reporting in this category. The first is the deferred loss on refunding debt. A deferred loss results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the lesser of the life of the refunded or refunding debt. The second one is related to pensions resulting from City contributions subsequent to the measurement date that will be recognized as a reduction of net pension liability in 2020. The third one is the difference between expected and actual experience of the pension plan. The fourth one is the changes in assumptions on the net pension liability. The fifth one is the difference between expected and actual experience of the OPEB plan. The sixth one is the changes in assumption on the OPEB liability. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources (revenue) until that time. At this time, the City has three transactions that meet this definition which relate to deferred inflow of resources related to the pension plan and property tax.

Fund Balances - Governmental Funds

In the fund financial statements, governmental funds use the following classifications of fund balance:

Non-spendable fund balance - amounts that are not in a spendable form, or they are legally or contractually required to be maintained intact.

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances - Governmental Funds (Continued)

Committed fund balance - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (the City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City 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 City Council or by an official or body to which the City Council delegates the authority. The City does not currently have any fund balance classified as assigned.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 9). As discussed in Note 1, restricted funds are used first as appropriate. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council or the finance committee has provided otherwise in its commitment or assignment actions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2: DEPOSITS AND INVESTMENTS

The City does not have a formal written investment policy; however, state law limits the kinds of investments that Alabama municipalities can make to: (1) accounts and certificates of deposits with banks or savings associations that are qualified public depositories; (2) direct obligations of the U.S. Department of the Treasury and certain federal agencies; (3) certain qualified obligations of any state and their agencies; and (4) common trust funds, collective investment funds maintained by qualified institutions, or any registered mutual funds, all of which must hold a prescribed amount of obligations meeting the requirements of 1-3 above. At year-end, the City did not have any investment balances.

Custodial Credit Risk - Deposits

In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. At year end, the carrying amount of the City's deposits in financial institutions was \$19,359,108 and the bank balance was \$16,240,541. All bank balances at September 30, 2019 are considered insured because any balances not covered by FDIC insurance were covered by the Security for Alabama Funds Enhancement (SAFE) Program. The SAFE program is administered by the State Treasurer according to State of Alabama statute, and any bank or financial institution in the State of Alabama accepting deposits of public funds is required to insure those funds by pledging eligible collateral to the State Treasurer for the SAFE collateral pool. The entire pool stands behind each deposit. Eligible collateral are those securities currently designated as acceptable collateral for state deposits as defined by State law.

Note 3: RECEIVABLES

Receivable balances have been disaggregated by type and presented separately in the financial statements. The following details the description and amounts of accounts receivable for the City:

	General Fund	Debt Service Fund	Other Governmental Fund	Total
Governmental activities				
Taxes	\$ 2,558,399	\$ -	\$ -	\$ 2,558,399
Garbage receivables	230,665	-	-	230,665
Other receivables	288,572	14,508	29,445	332,525
Allowance for doubtful accounts	(262,405)	-	-	(262,405)
Total	\$ 2,815,231	\$ 14,508	\$ 29,445	\$ 2,859,184

City of Alexander City
Notes to Financial Statements

Note 3: RECEIVABLES (Continued)

	Water Fund	Sewer Fund	Gas Fund	Electric Fund	Golf Fund	Total
Business type activities						
Water receivables	\$ 1,248,631	\$ -	\$ -	\$ -	\$ -	\$ 1,248,631
Sewer receivables	-	689,859	-	-	-	689,859
Gas receivables	-	-	442,885	-	-	442,885
Electric receivables	-	-	-	3,574,811	-	3,574,811
Golf receivables	-	-	-	-	4,225	4,225
Allowance for doubtful accounts	(356,418)	(336,927)	(287,555)	(990,075)	-	(1,970,975)
Total	\$ 892,213	\$ 352,932	\$ 155,330	\$ 2,584,736	\$ 4,225	\$ 3,989,436

Note 4: CAPITAL ASSETS

Capital asset activity for the City for the year ended September 30, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 3,210,346	\$ 1,060,058	\$ -	\$ 4,270,404
Construction in progress	112,518	14,624	-	127,142
Total capital assets, not being depreciated	3,322,864	1,074,682	-	4,397,546
Capital assets, being depreciated				
Infrastructure	9,095,692	1,591,963	-	10,687,655
Buildings and improvements	41,236,790	2,321,102	-	43,557,892
Equipment	18,240,183	1,377,316	-	19,617,499
Total capital assets, being depreciated	68,572,665	5,290,381	-	73,863,046
Less accumulated depreciation for				
Infrastructure	3,704,543	766,881	-	4,471,424
Buildings and improvements	35,854,336	1,607,244	-	37,461,580
Equipment	14,676,129	1,085,499	-	15,761,628
Total accumulated depreciation	54,235,008	3,459,624	-	57,694,632
Total capital assets, being depreciated, net	14,337,657	1,830,757	-	16,168,414
Governmental activities capital assets, net	\$ 17,660,521	\$ 2,905,439	\$ -	\$ 20,565,960

City of Alexander City
Notes to Financial Statements

Note 4: CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 284,689	\$ -	\$ -	\$ 284,689
Total capital assets, not being depreciated	284,689	-	-	284,689
Capital assets, being depreciated				
Buildings	703,558	7,700	-	711,258
Improvements other than buildings	511,474	-	-	511,474
Utility system	110,886,293	2,503,165	-	113,389,458
Equipment	10,467,754	588,906	-	11,056,660
Total capital assets, being depreciated	122,569,079	3,099,771	-	125,668,850
Less accumulated depreciation for				
Buildings	609,947	22,419	-	632,366
Improvements other than buildings	457,766	8,328	-	466,094
Utility system	79,032,166	2,261,994	-	81,294,160
Equipment	8,688,376	379,079	-	9,067,455
Total accumulated depreciation	88,788,255	2,671,820	-	91,460,075
Total capital assets, being depreciated, net	33,780,824	427,951	-	34,208,775
Business type activities capital assets, net				
	\$ 34,065,513	\$ 427,951	\$ -	\$ 34,493,464

The City does not maintain detailed records of all land and capital assets in service. In addition, as discussed below, the government has not recorded certain general infrastructure assets required by accounting principles generally accepted in the United States of America.

For governmental activities, self-constructed assets do not include labor and overhead costs and some donated assets have not been recorded. Depreciation cannot be calculated by function because 1) detailed records of buildings, improvements other than buildings and most infrastructure are not maintained and 2) equipment records are not maintained by department or function. Depreciation is computed on buildings and improvements other than buildings using a 20 year average life for the groups. Depreciation is computed for recorded infrastructure using 6 - 20 year average lives. Depreciation is computed on equipment over various lives that are not consistent for similar items.

Note 4: CAPITAL ASSETS (Continued)

For business-type activities, the government maintains capital asset records by fund, asset type, and year acquired; however, detailed records are not maintained. Self-constructed system additions do not include labor and overhead costs and do not include all material costs. The cost of utility systems does not include all costs of donated assets from developers or individuals and no interest has been capitalized on construction projects. Depreciation is computed using an average life for each year's adding additions.

Finally, for governmental activities, business-type activities, and proprietary funds, assets have not been depreciated in the year of acquisition, asset lives are not reviewed, and no disposals have been recorded.

Generally accepted accounting principles require the government to retroactively report major general infrastructure assets acquired after September 30, 1980 and before October 1, 2002 in governmental activities for the year ended September 30, 2007. Infrastructure assets include roads, bridges, storm water drainage, and similar assets. These infrastructure assets are likely to be the largest asset class of the City. Neither their cost nor related depreciation has historically been reported in the financial statements. The government has not recorded these infrastructure assets and related accumulated depreciation in the governmental activities as required by U. S. generally accepted accounting principles.

Depreciation expense for all depreciable assets is charged to functions/programs of the primary government as follows:

<i>For the year ended September 30,</i>	<i>2019</i>
<hr/>	
Governmental activities	
Unallocated	\$ 3,459,624
<hr/>	
Total depreciation expense - governmental activities	\$ 3,459,624
<hr/>	
Business-type activities	
Sewer	\$ 1,125,702
Water	815,463
Electric	495,101
Gas	195,621
Golf	39,933
<hr/>	
Total depreciation expense - business-type activities	\$ 2,671,820
<hr/>	

Note 5: INTERFUND TRANSFERS

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

Transfer to	Transfer from						Other Enterprise (Golf)	Total
	General	Water	Sewer	Gas	Electric			
General	\$ -	\$ 902,403	\$ 489,830	\$ 498,445	\$ 5,221,447	\$ 40,680	\$ 7,152,805	
Debt service	344,508	-	-	-	-	-	344,508	
Sewer	-	-	-	-	2,970,000	-	2,970,000	
Golf	-	-	-	-	220,000	-	220,000	
Total	\$ 344,508	\$ 902,403	\$ 489,830	\$ 498,445	\$ 8,411,447	\$ 40,680	\$ 10,687,313	

Transfers are used to (1) use revenues collected in the other funds to the general fund to finance various programs or operations accounted for in the general fund, (2) move budgeted transfers from the enterprise funds to the general fund, (3) move revenues from the general fund to the debt service fund where debt service payments are made, and (4) move cash to the sewer fund to cover negative cash balances in the pooled cash account, (5) move cash to the golf fund to cover negative cash balances in the pooled cash account.

Note 6: LONG-TERM DEBT

General Obligation Warrants

The City issued general obligation warrants to provide funds for the purchase, construction, and improvements of major capital facilities for the City and city school system and to refund other general obligation warrants. General obligation warrants constitute general obligations of the government for the payment of which the full faith, credit and taxing power of the government are irrevocably pledged. There are a number of limitations and restrictions contained in the various bond indentures. The government is in compliance with all significant limitations and restrictions.

The City has outstanding capital appreciation warrants originally issued in 2007. These warrants have no regular interest payments but are instead issued at a deep discount from their face amount and appreciate to face value at maturity. Because the proceeds of such warrants are considerably less than face value at maturity, the government must accrete the interest cost from the date of issuance to maturity. The 2007 capital appreciation warrants were issued at \$6,456,972 and have an original face value of \$12,020,000. The appreciated warrant balance at September 30, 2019 is \$7,277,649 and the remaining discount to be accreted is \$1,502,351.

Note 6: LONG-TERM DEBT (Continued)

General Obligation Warrants (Continued)

In 2001, the City agreed to make the debt service payments on 58% of the debt issued by the Lake Martin Area Industrial Development Authority to purchase land for an industrial park to which the government would provide sewer and water services. The government issued a general obligation warrant to the Authority for \$870,000 of which \$139,227 is outstanding at September 30, 2019.

On June 13, 2011, the City issued \$11,165,000 General Obligation Refunding Warrants, Series 2011-A (2011-A) and \$6,905,000 General Obligation Refunding and Capital Improvement Warrants, Series 2011-B (2011-B). The 2011-A warrants were issued for the purpose of (1) refunding, on an advance basis, the outstanding General Obligation Warrants, Series 2003; and (2) paying the costs of issuing the 2011-A warrants. The 2011-B warrants were issued for the purpose of (1) refunding, on an advance basis, the outstanding General Obligation Warrants, Series 2001; (2) paying for certain capital improvements within the City; (3) pay the costs of an economic and industrial development incentive within the City; and (4) paying the costs of issuing the 2011-B warrants. The outstanding balances at September 30, 2019 are \$3,340,000 for the Series 2011-A and \$680,000 for the Series 2011-B.

In August 2017, the Alabama Municipal Electric Authority (AMEA) authorized a \$200,000, zero percent interest loan to the City due in full in August 2021. Additionally, the City drew on a \$200,000 standby letter of credit with a zero percent interest rate that originated in October 2014 and is due in full in August 2020. The City received the \$400,000 in total loan proceeds in October 2017 and used those proceeds to purchase seventeen acres of land at the former Russel Corporation campus for the purpose of future economic development. The outstanding balance at September 30, 2019 is \$400,000 for the AMEA loan.

On April 22, 2019, the City issued \$9,111,000 General Obligation Warrants, Series 2019. The Series 2019 warrants were issued for the purpose of purchasing a new City Hall facility and related improvements. At September 30, 2019, the City took advances in the amount of \$2,719,500, which is the outstanding balance for the Series 2019.

As a result of refunding debt issuances in prior years, the City has recorded deferred charges in the government-wide Statement of Net Position. These charges represent the difference between the reacquisition price and the net carrying amounts of the refunded warrants. These costs are being amortized over the average remaining life of the refunded warrants. The unamortized portion of these costs as of September 30, 2019 was \$114,686.

City of Alexander City
Notes to Financial Statements

Note 6: LONG-TERM DEBT (Continued)

General Obligation Warrants (Continued)

Annual debt service requirements to maturity for general obligation warrants currently outstanding are as follows:

	Governmental Activities		
	G.O. Warrants		
	Principal	Interest	Total
2020	\$ 2,141,222	\$ 239,118	\$ 2,380,340
2021	2,409,974	343,661	2,753,635
2022	2,058,044	275,910	2,333,954
2023	2,163,006	265,949	2,428,955
2024	3,306,481	123,478	3,429,959
2025-2026	3,580,000	-	3,580,000
Total	\$ 15,658,727	\$ 1,248,116	\$ 16,906,843

General obligation warrants currently outstanding are as follows:

Series	Purpose	Maturity Date	Interest Rates	Amount
Governmental activities:				
G.O. Warrants, Series 2011-A, dated 6/1/11	Refunding warrants for improvements to schools	5/1/2022	2.00%-5.00%	\$ 3,340,000
G.O. Warrants, Series 2011-B, dated 6/1/11	Refunding of 2001 sewer warrants, economic incentive payments and capital improvements	5/1/2021	2.00% - 5.00%	680,000
G.O. Warrants, Series 2007-Capital Appreciation	Refunding of warrant for improvements to the schools	5/1/2026	4.00% - 4.37%	8,780,000
G.O. Warrants, Series 2001, dated 2/12/01	Fund portion of land purchased for an industrial park	2/1/2021	6.50%	139,227
G.O. Warrants, Series 2019, dated 4/22/2019	Fund purchase and improvements on a new City Hall facility	5/1/2024	2.71%	2,719,500
Total G.O. Warrants				15,658,727
Deferred amount on refunding				(114,686)
Unamortized premiums				10,346
Unamortized discounts				(1,502,352)
Total				\$ 14,052,035

Note 6: LONG-TERM DEBT (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation warrants	\$ 14,916,973	\$ 2,719,500	\$ (1,977,746)	\$ 15,658,727	\$ 2,141,222
Deferred amounts on refunding	(161,134)	-	46,448	(114,686)	-
Unamortized premiums	12,265	-	(1,919)	10,346	-
Unamortized discounts	(1,820,127)	-	317,775	(1,502,352)	-
Total general obligation warrants	12,947,977	2,719,500	(1,615,442)	14,052,035	2,141,222
Capital lease obligation	115,028	-	(36,952)	78,076	38,303
AMEA loan	400,000	-	-	400,000	200,000
Accrued sick leave	214,701	13,890	-	228,591	-
Compensated absences	552,400	21,738	-	574,138	-
Governmental activities long-term liabilities	\$ 14,230,106	\$ 2,755,128	\$ (1,652,394)	\$ 15,332,840	\$ 2,379,525

The City's General Fund is generally responsible for liquidating the liability for compensated absences since most of the activities affecting that liability occur with General Fund departments.

The compensated absences balance at year end for proprietary funds is \$310,349, which includes sick accrual of \$103,971.

Note 7: LEASE OBLIGATIONS

Operating Leases

The City was not obligated on any significant operating leases as of September 30, 2019.

Capital Leases

The City has entered into a lease agreement as lessee for financing the acquisition of defibrillators. The lease agreement is treated as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date in the basic financial statements. Amortization of assets under capital leases is included in depreciation expense.

Note 7: LEASE OBLIGATIONS (Continued)

Capital Leases (Continued)

The assets acquired through capital leases are as follows:

	Cost Basis	Accumulated Depreciation	Total
Equipment	\$ 195,940	\$ 39,189	\$ 156,751
Total	\$ 195,940	\$ 39,189	\$ 156,751

<i>For the year ended September 30, 2019</i>	Governmental Activities
Total minimum lease payments	\$ 78,812
Less amount representing interest	(736)
Present value of minimum lease payments	\$ 78,076

Note 8: DEFINED BENEFIT PENSION PLAN

Plan Description

The City contributes to the Employees' Retirement System of Alabama (ERS), an agent multiple-employee retirement system, which acts as a common investment and administrative agent for the various state agencies and departments.

The Employees' Retirement System of Alabama, 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.

Note 8: DEFINED BENEFIT PENSION PLAN (Continued)

Plan Description (Continued)

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. 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 are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

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 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 are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service.

Note 8: DEFINED BENEFIT PENSION PLAN (Continued)

Benefits Provided (Continued)

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 equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

The ERS serves approximately 909 local participating employers. The ERS membership includes approximately 90,999 participants. As of September 30, 2018, membership consisted of:

Retirees and beneficiaries currently receiving benefits	24,818
Terminated employees entitled to, but not yet receiving benefits	1,426
Terminated employees not entitled to a benefit	7,854
Active members	56,760
Post-Drop participants who are still in active service	141
<hr/>	
Total	90,999

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. ERS local participating employers are not required by statute to increase contribution rates for their members.

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.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2019, the City's active employee contribution rate was 8.18% of covered payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 8.76% of pensionable payroll.

Note 8: DEFINED BENEFIT PENSION PLAN (Continued)

Contributions (Continued)

The City's contractually required contribution rate for the year ended September 30, 2019 was 9.68% of pensionable pay for Tier 1 employees, and 6.42% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2016, 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 City were \$1,096,619 for the year ended September 30, 2019.

Net Pension Liability

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

TPL Roll Forward			
	Expected Valuation Assumptions	Actual 2018 Valuation Assumptions Original	Actual 2018 Valuation Assumptions Final
(a) Total Pension Liability			
as of September 30, 2017	\$ 46,199,700	\$ 46,293,843	\$ 46,542,597
(b) Discount Rate	7.75%	7.75%	7.70%
(c) Entry Age Normal Cost for			
October 1, 2017 – September 30, 2018 (b)	1,002,112	1,002,112	1,011,249
(d) Transfers Among Employers	-	(22,831)	(22,831)
(e) Actual Benefit Payment and Refunds for			
October 1, 2017 – September 30, 2018 (c)	(2,294,948)	(2,294,948)	(2,294,948)
Total Pension Liability			
as of September 30, 2018			
$[(a) \times (1+(b))] + (c) + (d) + [(e) \times (1+.5 \times (b))]$	\$ 48,398,412	\$ 48,477,019	\$ 48,731,491

Difference

(g) Between Expected and Actual	\$ 78,607
(h) Less Liability Transferred for Immediate Recognition	(22,831)
(i) Experience (Gain)/Loss = (g) -(h)	\$ 101,438
(j) Difference between Actual at 7.70% and Actual at 7.75% [Assumption Change (Gain)/Loss]	\$ 254,472

Note 8: DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions

The total pension liability as of September 30, 2018 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2017. The key actuarial assumptions are summarized below:

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

*Net of pension plan investment expense.

Mortality rates for ERS were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females at ages on and after age 78. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the September 30, 2017 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

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 are as follows:

	Target Allocation	Long-Term Expected Rate of Return *
Fixed Income	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternative	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash	3.00%	1.50%
Total	100.00%	

* Includes assumed rate of inflation of 2.50%.

Note 8: DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current pan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at September 30, 2017	\$ 46,199,700	\$ 37,504,025	\$ 8,695,675
Changes for the year:			
Service cost	1,002,112	-	1,002,112
Interest	3,491,548	-	3,491,548
Changes in assumptions	254,472	-	254,472
Difference between expected and actual experience	101,438	-	101,438
Contributions – employer	-	942,477	(942,477)
Contributions – employee	-	692,903	(692,903)
Net investment income	-	3,439,316	(3,439,316)
Benefit payments, including refunds of employee contributions	(2,294,948)	(2,294,948)	-
Transfers among employers	(22,831)	(22,831)	-
Net changes	2,531,791	2,756,917	(225,126)
Balances at September 30, 2018	\$ 48,731,491	\$ 40,260,942	\$ 8,470,549

Note 8: DEFINED BENEFIT PENSION PLAN (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (6.70%)	Current Discount (7.70%)	1% Increase (8.70%)
Plan’s Net Pension Liability	\$ 14,098,240	\$ 8,470,549	\$ 3,707,673

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2018. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2018. The auditors’ report dated August 17, 2019 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2019, the City recognized pension expense of \$969,881. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 398,617	\$ 36,081
Changes of assumptions	1,155,837	-
Net difference between projected and actual earnings on plan investments	-	1,312,716
Employer contributions subsequent to the measurement date	1,096,619	-
Total	\$ 2,651,073	\$ 1,348,797

The City will recognize its deferred outflow of resources related to employer contributions made subsequent to the measurement date in pension expense during the fiscal year ended September 30, 2020.

Note 8: DEFINED BENEFIT PENSION PLAN (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The remaining amounts reported as deferred outflows and inflows of resources related to pensions of will be recognized in pension expense as follows:

For the years ending September 30,

2020	\$ 201,214
2021	(218,485)
2022	(96,735)
2023	199,320
2024	87,983
Thereafter	32,360
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Total	\$ 205,657

Note 9: OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City provides certain continuing health care benefits for its retired employees. The City's 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 Governmental Accounting Standards Board (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 made available to employees upon actual retirement. Medical plan benefits are provided through Local Government Health Insurance Programs (LGHIP), which is administered by the Alabama State Employee Insurance Board. 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. In addition to eligibility to retire under the Alabama State Retirement System (RSA), attainment of age 60 and 10 years of service with the City is required for retiree medical benefits. The employer pays for 25% of the retiree coverage only (not dependents) and is provided only until age 65.

Note 9: OTHER POST-EMPLOYMENT BENEFITS (Continued)

Employees Covered by Benefit Terms

At September 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	10
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	297
<hr/>	
Total employees covered by benefit terms	307

Total OPEB Liability

The City's total OPEB liability of \$1,062,855 was measured as of September 30, 2019 and was determined by an actuarial valuation as of October 1, 2018.

Actuarial Assumptions and other inputs – The total OPEB liability in the October 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% annually
Salary increases	4.00% annually
Discount rate	4.18% annually (Beginning of Year to Determine ADC) 2.66%, annually (As of End of Year Measurement Date)
Healthcare cost trend rates	Flat 5.5% annually (Old Plan Only)

The discount rate was based on the Bond Buyers' 20 Year General Obligation municipal bond index as of September 30, 2019, the end of the applicable measurement period.

Mortality rates were based on the RP-2000 Table without projection with 50%/50% unisex blend.

The actuarial assumptions used in the October 1, 2018 valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2009 to September 30, 2019.

Note 9: OTHER POST-EMPLOYMENT BENEFITS (Continued)

Changes in the Total OPEB Liability

	Increase (Decrease) Total OPEB Liability
Balances at September 30, 2018	\$ 858,482
Changes for the year:	
Service cost	38,965
Interest	35,270
Difference between expected and actual experience	37,391
Change in assumptions	122,150
Benefit payments and net transfers	(29,403)
Net changes	204,373
Balances at September 30, 2019	\$ 1,062,855

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.66%) or 1-percentage-point higher (3.66%) than the current discount rate:

	1% Decrease (1.66%)	Current Discount (2.66%)	1% Increase (3.66%)
Total OPEB Liability	\$ 1,194,755	\$ 1,062,855	\$ 948,811

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% Decrease (4.5%)	Current Discount (5.5%)	1% Increase (6.5%)
Total OPEB Liability	\$ 942,434	\$ 1,062,855	\$ 1,201,451

Note 9: OTHER POST-EMPLOYMENT BENEFITS (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2019, the City recognized OPEB expense of \$119,603. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 32,050	\$ -
Changes of assumptions	104,699	-
Total	\$ 136,749	\$ -

The above deferred inflows and outflows of resources are shared between the City and the Business-Type Activities. The City has allocated 22.8%, or \$31,178 of deferred outflows to the Business-Type Activities. The allocation is based on the relative share of employer OPEB contributions.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

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

For the years ending September 30,

2020		\$ 22,792
2021		22,792
2022		22,792
2023		22,792
2024		22,792
Thereafter		22,790
Total		\$ 136,750

Note 10: POWER SALES CONTRACT

The City is a member of the Alabama Municipal Electric Authority (Authority). Pursuant to a contract dated May 1, 1986 and amended July 1, 1996, the City has agreed to purchase all of its electric requirements for resale through December 31, 2035 from the Authority except for the City's allocation of electricity from the Southeastern Power Administration. The City has committed to maintain electric rates at amounts which will produce revenues sufficient to pay all amounts due under the contract and has pledged the electric revenues and any other revenues of the City which may be lawfully pledged to secure its obligation. Further, the government has entered into a "Guaranty and Indemnity Agreement" with Alabama Power Company which requires the City to pay its proportionate share of any shortfall by the Authority of funds to pay any obligations due under contracts with Alabama Power Company.

Note 11: COMMITMENTS AND CONTINGENCIES

Any amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. Management believes such disallowances, if any, will be immaterial.

Note 12: RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters for which the government carries commercial insurance. The government does not have coverage on assets involved in the distribution of water, sewer, gas and electricity (i.e., pipe underground and transmission lines). There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

Note 13: SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 20, 2021 in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

The City is a party to certain lawsuits in the normal course of business. In the opinion of management, these suits will be defended vigorously, have no merit or are covered by insurance. If the City does not prevail in these suits, it is managements' opinion that the City will incur no material loss related to the final adjudication.

As of May 26, 2020, the City took advances on the Series 2019 General Obligation Warrants in the amount of \$6,391,500, bringing the total obligation to \$9,111,000. This total subsequent obligation of \$9,111,000 has a balloon payment in the amount of \$7,697,739 due on May 1, 2024.

Note 13: SUBSEQUENT EVENTS (Continued)

Beginning around March 2020, the COVID-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. No adjustments have been made to these financial statements as a result of any uncertainties related to the global pandemic.

Note 14: DEFICIT FUND BALANCE/NET POSITION

A deficit unassigned fund balance of \$6,022,897 exists in the General Fund resulting from an insufficient administration fee allocation from the City's enterprise funds and operational overspending in the General Fund. Because of this unassigned deficit, the City's total General Fund balance has a deficit of \$5,446,865 as of September 30, 2019. For the year ending September 30, 2019, expenditures exceeded revenues by \$8,455,283, which was partially offset by transfers from enterprise funds of \$7,152,805. It is expected that an adjustment to the administration fee allocation for general fund services rendered to the enterprise funds will help mitigate the deficit going forward along with active operational budget monitoring by management. These actions commenced in the year ending September 30, 2020.

Note 15: NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued statements that will become effective in subsequent fiscal years. The statements address:

- Fiduciary activities;
- Leases;
- Certain disclosures related to debt, including direct borrowings and direct placements;
- Accounting for interest cost before the end of a construction period;
- Majority equity interests; and
- Conduit Debt Obligations.

The City is currently evaluating the effects that these statements will have on its financial statements for subsequent fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

City of Alexander City
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual-General Fund

<i>For the year ended September 30, 2019</i>	Original and Final Budget	Actual on the Budgetary Basis*	Variance with Final Budget Positive (Negative)
Revenues			
Sales and use taxes	\$ 9,962,000	\$ 10,326,232	\$ 364,232
Property taxes	1,420,100	1,450,600	30,500
Other taxes	1,178,900	1,118,567	(60,333)
Licenses and permits	2,022,700	1,997,871	(24,829)
Intergovernmental	368,500	1,863,196	1,494,696
Charges for services	3,435,700	3,151,131	(284,569)
Fines and forfeitures	622,800	515,382	(107,418)
Interest	1,000	9,502	8,502
Other revenues	102,900	630,435	527,535
Total revenues	19,114,600	21,062,916	1,948,316
Expenditures			
General government	4,730,146	4,945,111	(214,965)
Public safety	9,106,118	9,519,046	(412,928)
Public works	2,607,009	1,463,614	1,143,395
Sanitation	469,305	1,334,828	(865,523)
Education	1,054,200	1,243,905	(189,705)
Health	129,951	163,863	(33,912)
Culture, recreation and welfare	2,096,913	2,018,614	78,299
Debt service			
Debt retirement	325,000	434,698	(109,698)
Interest and fiscal agent fees	62,200	80,010	(17,810)
Capital outlay	3,633,361	8,314,510	(4,681,149)
Total expenditures	24,214,203	29,518,199	(5,303,996)
Excess of revenues over expenditures	(5,099,602)	(8,455,283)	(3,355,680)
Other Financing Sources (Uses)			
Transfers in	4,612,600	7,152,805	2,540,205
Transfers (out)	(1,870,000)	(344,508)	1,525,492
Total other financing sources (uses)	2,742,600	6,808,297	4,065,697
Net change in fund balance	(2,357,002)	(1,646,986)	710,016
Fund balance, beginning	(3,799,879)	(3,799,879)	-
Fund balance, ending	\$ (6,156,881)	\$ (5,446,865)	710,016

* For budgetary purposes, the City includes street paving expenditures along with capital outlay.

See notes to required supplementary information.

City of Alexander City
Schedule of Changes in Net Pension Liability
As of Measurement Date

<i>As of and for the year ended September 30,</i>	2018	2017	2016	2015
Total Pension Liability				
Service cost	\$ 1,002,112	\$ 1,016,187	\$ 1,021,864	\$ 992,440
Interest	3,491,548	3,304,229	3,125,534	2,951,516
Differences between expected and actual experience	101,438	326,006	(63,837)	212,870
Changes of assumptions	254,472	-	1,662,939	-
Benefit payments, including refunds of employee contributions	(2,294,948)	(2,230,935)	(2,073,469)	(1,889,734)
Transfer among employees	(22,831)	33,537	(28,261)	-
Net change in total pension liability	2,531,791	2,449,024	3,644,770	2,267,092
Total pension liability - beginning	46,199,700	43,750,676	40,105,906	37,838,814
Total pension liability - ending (a)	48,731,491	46,199,700	43,750,676	40,105,906
Plan Fiduciary Net Position				
Contributions - employer	942,477	964,886	1,044,934	1,012,224
Contributions - employee	692,903	670,189	683,431	672,566
Net investment income	3,439,316	4,288,889	3,139,245	365,387
Benefit payments, including refunds of employee contributions	(2,294,948)	(2,230,935)	(2,073,469)	(1,889,734)
Transfers among employers	(22,831)	33,537	(28,261)	(99,813)
Net change in plan fiduciary net position	2,756,917	3,726,566	2,765,880	60,630
Plan net position - beginning	37,504,025	33,777,459	31,011,579	30,950,949
Plan net position - ending (b)	40,260,942	37,504,025	33,777,459	31,011,579
Net pension liability (asset) - ending (a) - (b)	\$ 8,470,549	\$ 8,695,675	\$ 9,973,217	\$ 9,094,327
Plan fiduciary net position as a percentage of total pension liability	82.62%	81.18%	77.20%	77.32%
Covered payroll *	\$ 12,740,562	\$ 12,412,025	\$ 12,360,091	\$ 11,943,039
Net pension liability as a percentage of covered payroll	66.48%	70.06%	80.69%	76.15%

* Employer's covered payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For FY 2019, the measurement period is October 1, 2017 – September 30, 2018.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is available, the City will present information for those years which are available.

See notes to required supplementary information.

City of Alexander City
Schedule of Employer Pension Contributions
As of Fiscal Year End

September 30,	2019	2018	2017	2016
Actuarially determined contribution	\$ 1,073,521	\$ 1,012,341	\$ 970,591	\$ 1,029,820
Contributions in relation to actuarially determined contribution	1,073,521	1,012,341	970,591	1,029,820
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll *	\$ 13,124,812	\$ 12,740,562	\$ 12,412,025	\$ 12,360,091
Contributions as a percentage of covered payroll	8.18%	7.95%	7.82%	8.33%

* Employer's covered payroll for FY 2019 is the total payroll for the 12-month period underlying the financial statement.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is available, the City will present information for those years which are available.

See notes to required supplementary information.

City of Alexander City
Schedule of Changes in Total OPEB Liability
As of Measurement Date

As of and for year ended September 30,	2019	2018
Total OPEB Liability		
Service cost	\$ 38,965	\$ 39,774
Interest	35,270	29,469
Difference between expected and actual experience	37,391	72,336
Change in assumptions	122,150	(44,951)
Benefit payments and net transfers	(29,403)	(122,627)
Net changes in total OPEB Liability	204,373	(25,999)
Total OPEB liability - beginning	858,482	884,481
Total OPEB liability - ending	\$ 1,062,855	\$ 858,482
Covered employee payroll	12,480,282	12,000,272
Total OPEB liability as a percentage of covered employee payroll	8.52%	7.15%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is available, the City will present information for those years which are available.

See notes to required supplementary information.

City of Alexander City
Schedule of Employer OPEB Contributions
As of Fiscal Year End

September 30,	2019	2018
Actuarially determined contribution	\$ 89,702	\$ 88,348
Contributions in relation to actuarially determined contribution	29,403	122,628
Contribution deficiency (excess)	\$ 60,299	\$ (34,280)
Covered payroll *	\$ 12,480,282	\$ 12,000,272
Contributions as a percentage of covered payroll	0.24%	1.02%

* Employer's covered payroll during FY 2019 is the total covered payroll for the twelve-month period of the underlying financial statements.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is available, the City will present information for those years which are available.

See notes to required supplementary information.

Note 1: BUDGETARY INFORMATION

Budgets and Budgetary Accounting

The City adopts annual budgets for the general, special revenue and capital projects funds (when used) and such budgets are prepared on a basis consistent with generally accepted accounting principles. Any revisions that alter the total expenditures must be approved by the City Council. The budget of the general fund is presented in the statement of revenues, expenditures and changes in fund balance - budget and actual.

Budget information presented in the financial statements is based on the budget as adopted by the City Council on October 1, 2018.

Note 2: SCHEDULE OF CHANGES IN NET PENSION LIABILITY

The total pension liabilities presented in these schedules were provided by the Retirement Systems of Alabama's actuarial consultants, Cavanaugh MacDonald Consulting, LLC. The net pension liability is measured as the total pension liability less the components of the plan net position reserved to fund the total pension liability. Those components are annuity savings and pension accumulation. The related ratios show plan net position as a percentage of the total pension liability and the net pension liability as a percentage of covered payroll.

Note 3: SCHEDULE OF EMPLOYER PENSION PLAN CONTRIBUTIONS

Contributions were made in accordance with actuarially determined contribution requirements. The employer contribution rate expressed as a percent of payroll is determined annually by reviewing a variety of factors including benefits promised, member contributions, investment earnings, mortality, and withdrawal experience. The City's employer contribution rates for fiscal year ended September 30, 2019 were 9.68% for Tier 1 employees (hired before January 1, 2013) and 6.42% for Tier 2 employees (hired after January 1, 2013).

Note 4: SCHEDULE OF CHANGES IN NET OPEB LIABILITY

The net OPEB liability presented in these schedules were provided by the City's actuarial consultants, Fontenot Benefits and Actuarial Consulting. The net OPEB liability is measured as the total OPEB liability less the components of the plan net position reserved to fund the total OPEB liability. The related ratios show plan net position as a percentage of the total OPEB liability and the net OPEB liability as a percentage of employee covered payroll.

Note 5: SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS

There were no contributions to the plan outside of employer-paid retiree premiums for the year ended September 30, 2019.

Note 6: ACTUARIAL ASSUMPTIONS – PENSION PLAN

The actuarially determined contribution rates in the schedules of employer contributions are calculated as of September 30; three years prior to the end of the fiscal year in which contributions are reported. Contributions for the fiscal year 2019 were based on the September 30, 2016 actuarial valuation.

The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in the schedules for Governmental and Business-Type Activities:

Actuarial Cost Method	Entry age
Asset Valuation Method	5-year smoothed market
Amortization Method	Level percent closed
Remaining Amortization Period	20.2 years
Actuarial Assumptions:	
Inflation	2.875%
Investment Rate of Return	7.785%, net of pension plan investments, including inflation
Projected Salary Increases	3.375%-5.125%, including inflation

City of Alexander City
Notes to Required Supplementary Information

Note 7: ACTUARIAL ASSUMPTIONS – OPEB

Notes to Schedule

Valuation Date	10/1/2018 Actuarially determined contributions are calculated as of the last day of the fiscal year in which contributions are reported
Actuarial cost method	Individual Entry Age Normal
Amortization method	Level dollar, open
Amortization period	30 years
Asset valuation method	Market value
Inflation	2.5% annually
Healthcare trend	Flat 5.5% annually
Salary increases	4% annually
Discount rate	4.18% annually (Beginning of Year to Determine ADC) 2.66% annually (As of End of Year Measurement Date)
Retirement age	Attainment of age 60 and 10 years of service; 10 years of service with Alexander City; employees hired on and after January 1, 2013 are not eligible to retire until age 62.
Mortality	RP-2000 combined mortality without projection
Turnover	Age specific table with an average of 9% when applied to the active census

SUPPLEMENTARY INFORMATION

City of Alexander City
Combining Balance Sheets –
Nonmajor Governmental Funds
September 30, 2019

<i>September 30, 2019</i>	Special Revenue Street Maintenance Gasoline Tax Fund	Capital Projects Fund	Total
Assets			
Cash and cash equivalents	\$ -	\$ 2,231,633	\$ 2,231,633
Restricted cash	121,495	-	121,495
Receivables	29,445	-	29,445
Total assets	\$ 150,940	\$ 2,231,633	\$ 2,382,573
Liabilities			
Accounts payable and accrued expenses	\$ 283	\$ -	\$ 283
Total liabilities	283	-	283
Fund Balance			
Restricted for			
Capital assets	-	2,231,633	2,231,633
Road improvements	150,657	-	150,657
Total fund balance	150,657	2,231,633	2,382,290
Total liabilities and fund balance	\$ 150,940	\$ 2,231,633	\$ 2,382,573

City of Alexander City
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances – Nonmajor Governmental Funds
September 30, 2019

<i>September 30, 2019</i>	Special Revenue Street Maintenance Gasoline Tax Fund	Capital Projects Fund	Total
Revenues			
Other taxes	\$ 204,512	\$ -	\$ 204,512
Interest	108	-	108
Total revenues	204,620	-	204,620
Expenditures			
General government	-	473,243	473,243
Public works	21,571	-	21,571
Capital outlay	173,993	14,624	188,617
Total expenditures	195,564	487,867	683,431
Excess (deficiency) of revenues over (under) expenditures	9,056	(487,867)	(478,811)
Other Financing Sources (Uses)			
Proceeds from long term debt	-	2,719,500	2,719,500
Total other financing sources (uses)	-	2,719,500	2,719,500
Net change in fund balance	9,056	2,231,633	2,240,689
Fund balance, beginning	141,601	-	141,601
Fund balance, ending	\$ 150,657	\$ 2,231,633	\$ 2,382,290

Supplementary Information

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

The combining nonmajor governmental fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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, based on our audit, the procedures performed as described above and the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

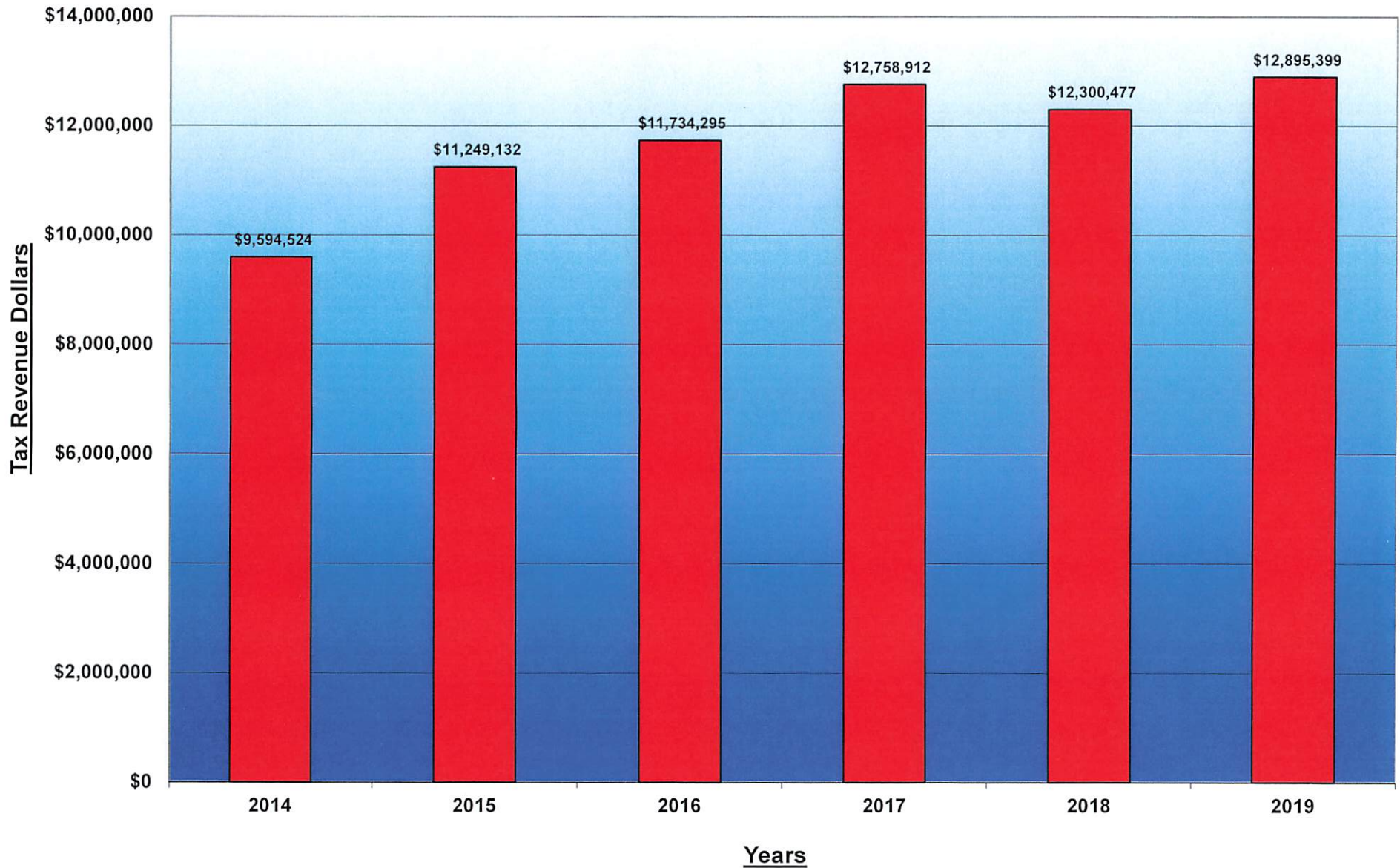
In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2021 on our consideration of the City of Alexander City, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely 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 the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Carr, Riggs & Ingram, L.L.C.

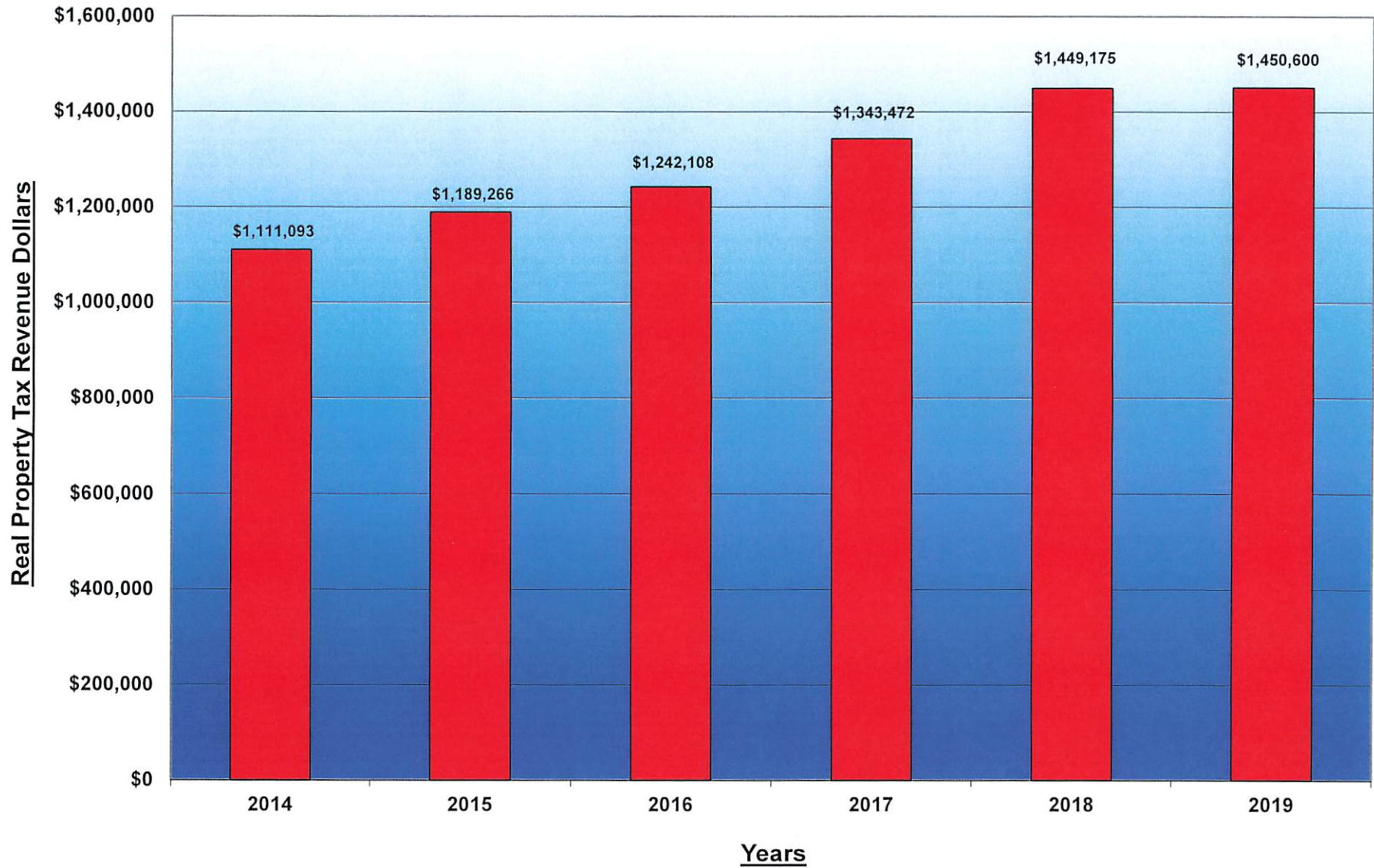
CARR, RIGGS, & INGRAM, LLC

Birmingham, Alabama
December 20, 2021

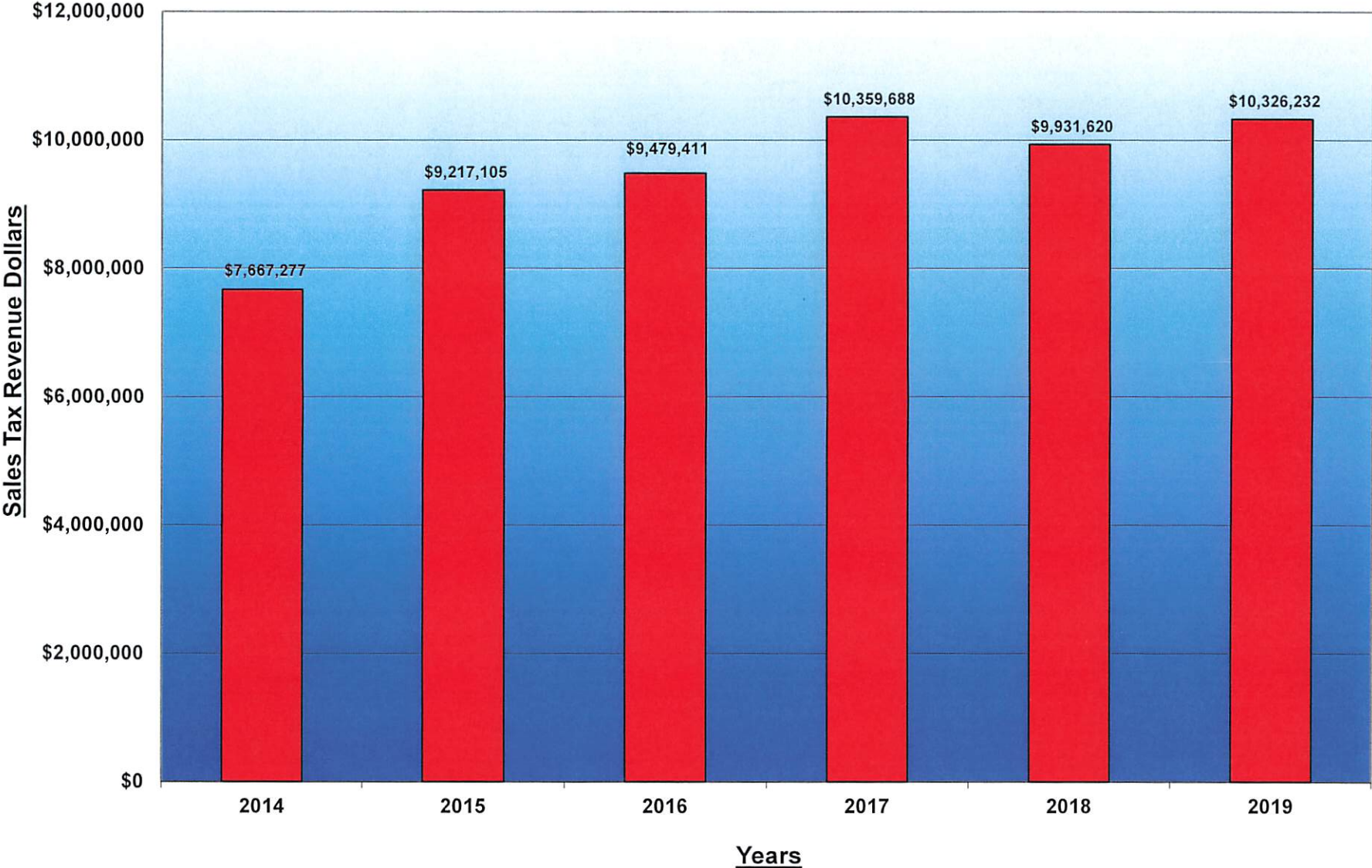
City of Alexander City General Fund Tax Revenues



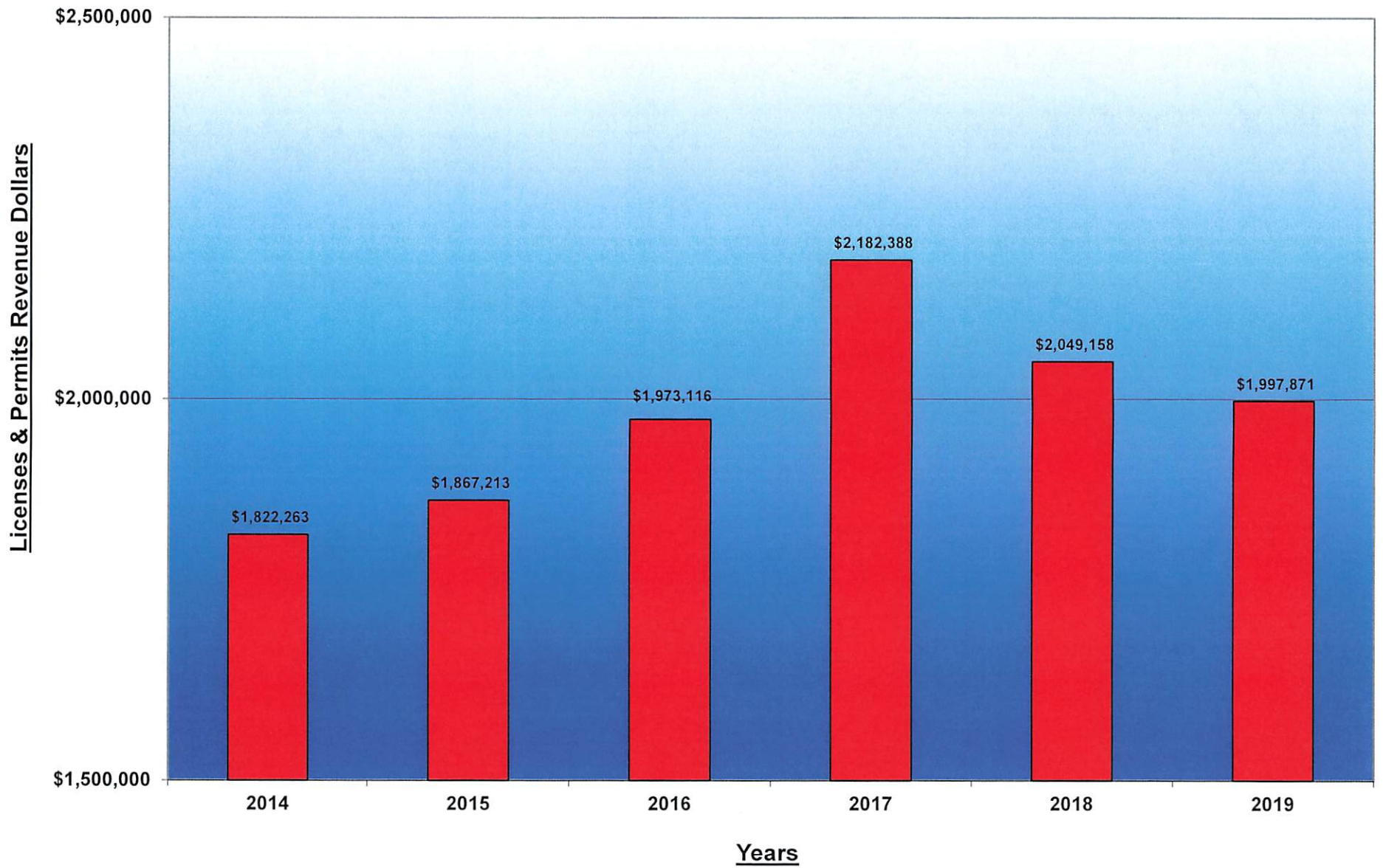
General Fund Property Tax Revenues



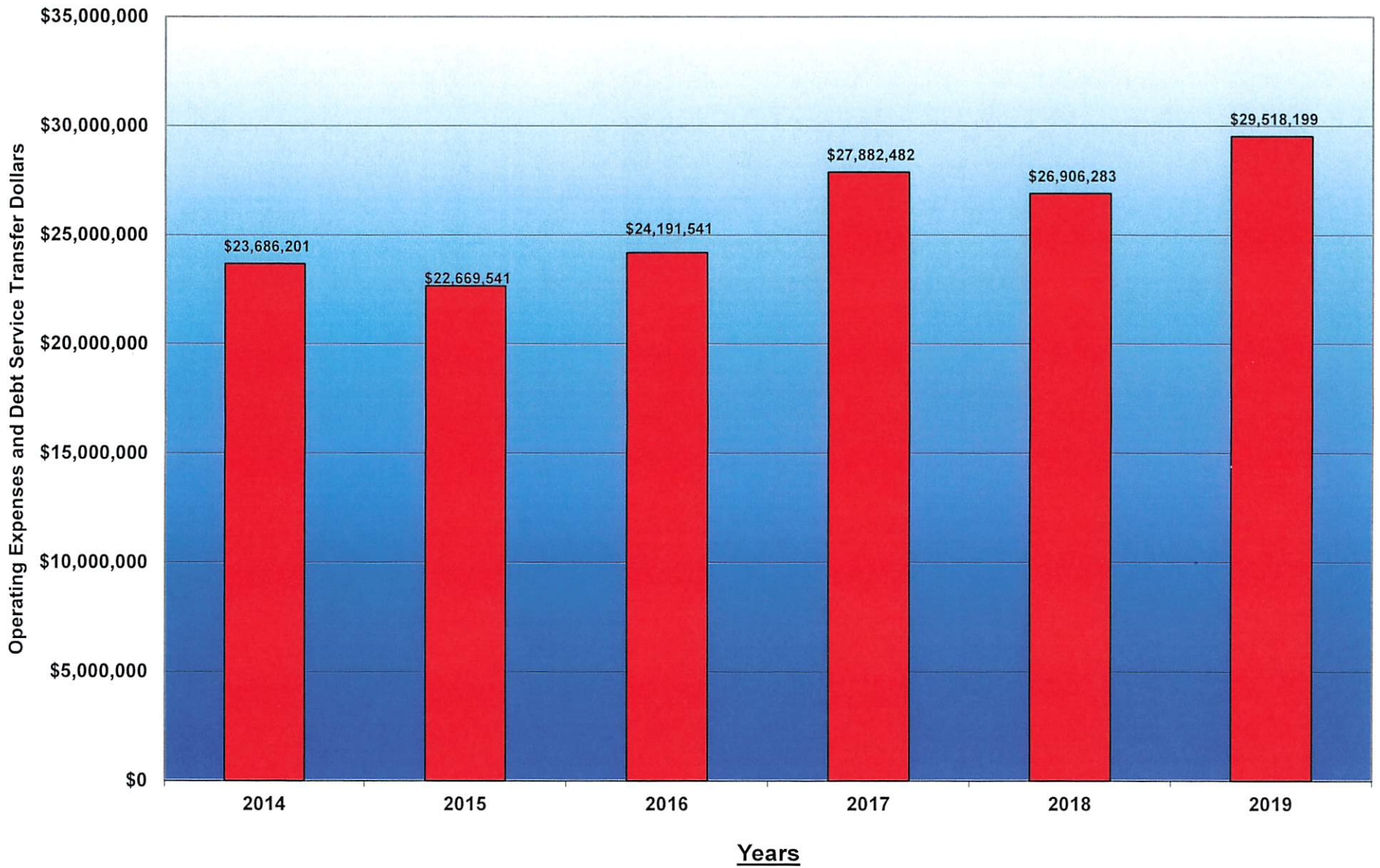
General Fund Sales Tax Revenues



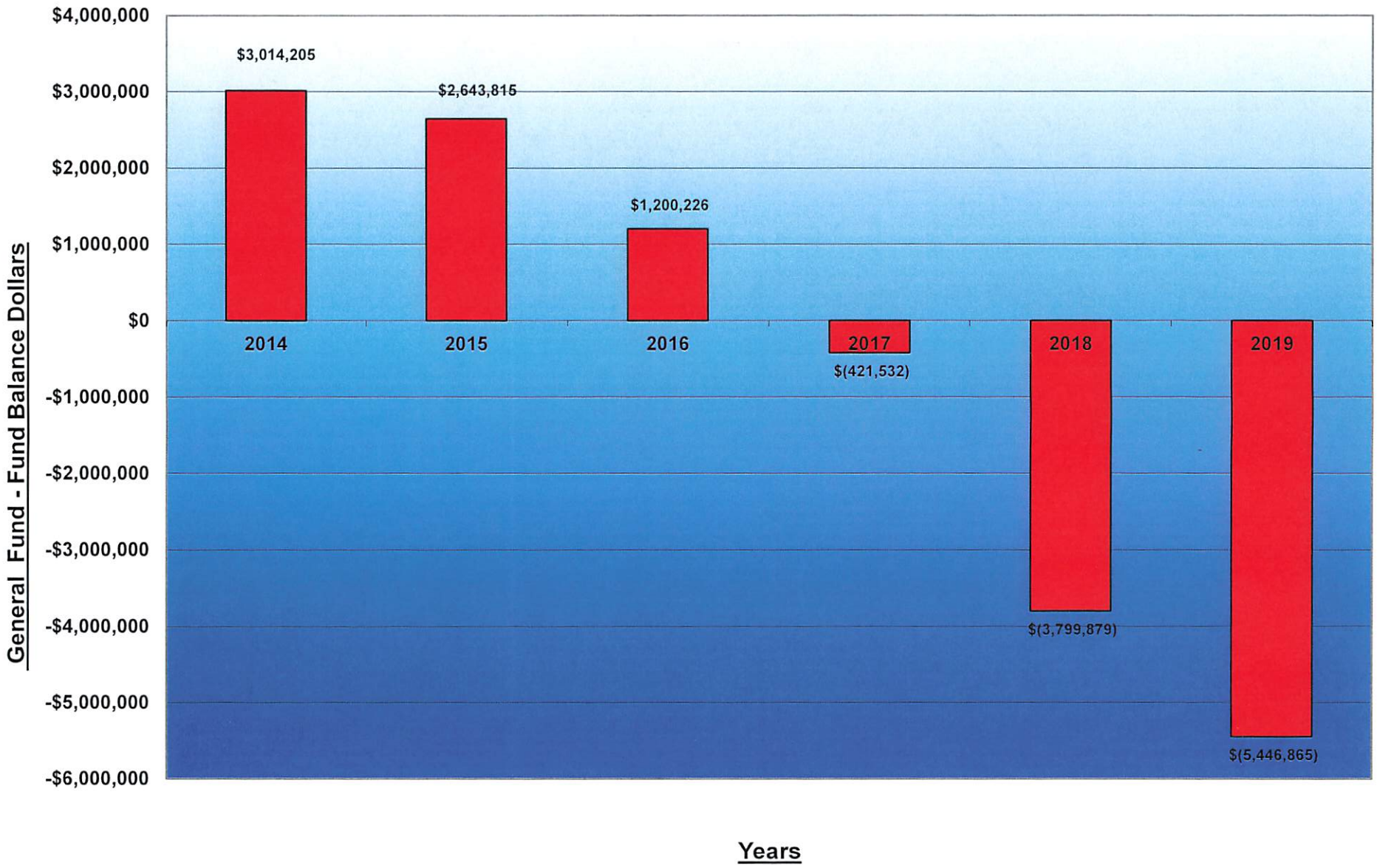
General Fund Licenses & Permits Revenues



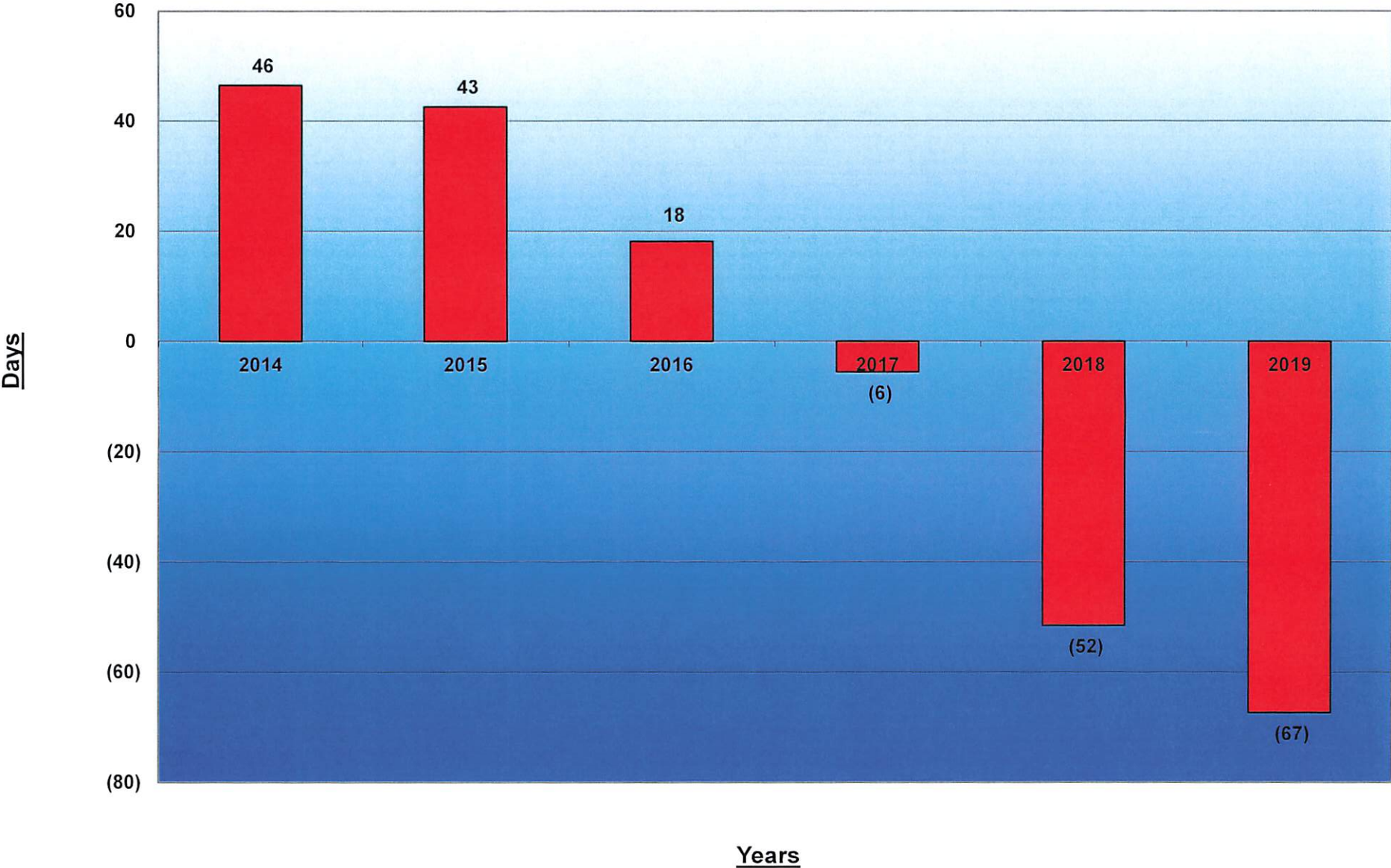
General Fund Expenses



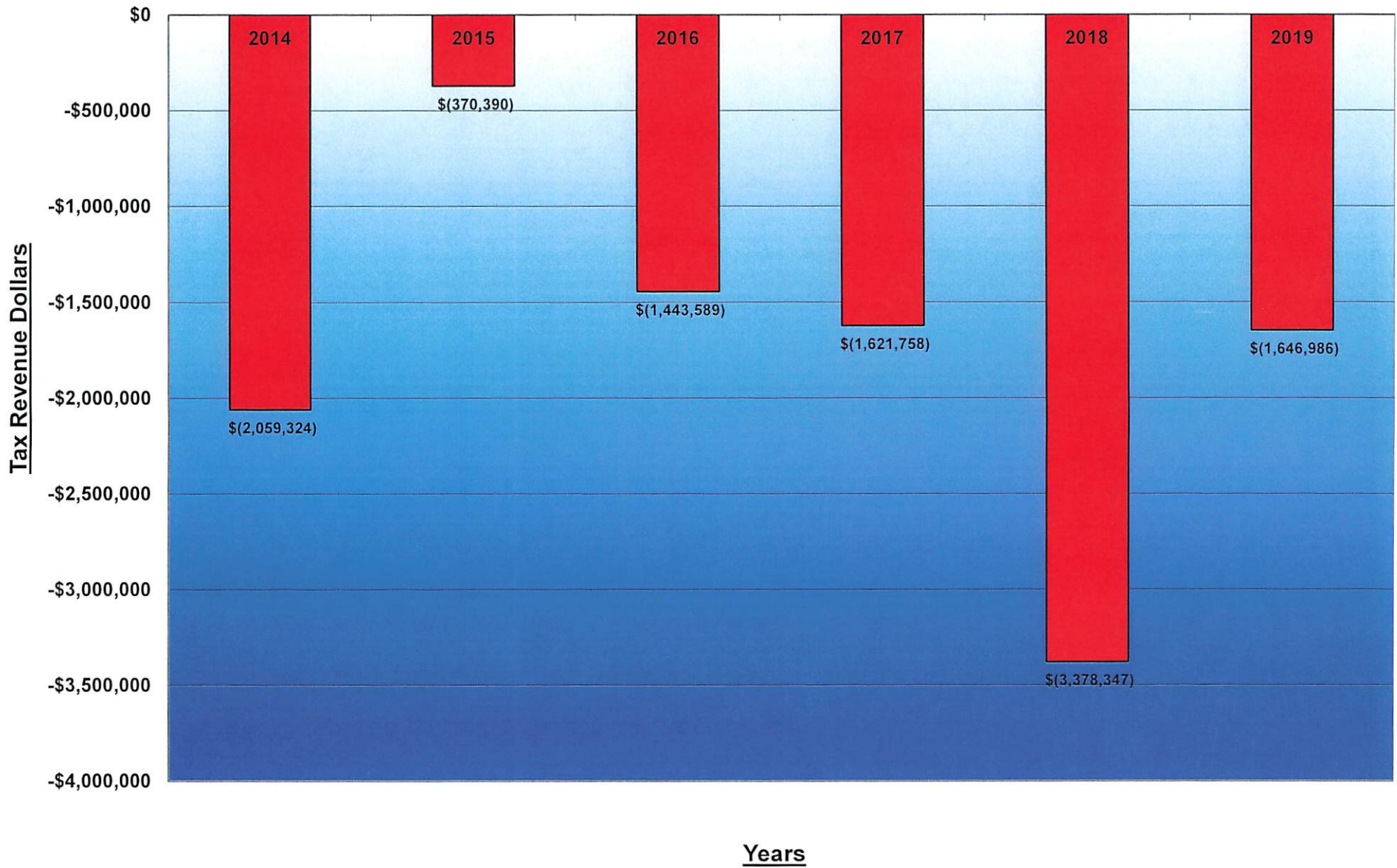
General Fund - Fund Balance



General Fund - Operating Expense
in Days



Change in Fund Balance





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INDEPENDENT AUDITORS' 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 Mayor and City Council
City of Alexander City

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alexander City (the "City"), as of and for the year-ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 20, 2021. Our report included an adverse opinion on the Aggregate Discretely Presented Component Units due to the exclusion of this financial information from the City's financial statements. Our report included an adverse opinion over Governmental Activities due to management not recording certain general infrastructure assets and related depreciation expense and due to the lack of detailed capital asset records to support asset balances and to compute depreciation in accordance with accounting principles generally accepted in the United States. Our report included a qualified opinion over Business-type Activities because all capital assets are not supported by detailed records, utility systems do not include all indirect and overhead costs of additions and costs of extensions donated by developers and individuals, and all retired assets have not been removed in accordance with accounting principles generally accepted in the United States of America. Our report included unmodified opinions over the general fund, debt service fund, and other governmental funds.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2019-001, 2019-002, 2019-005, 2019-006, 2019-007, and 2019-008.

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. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies: 2019-003, 2019-004, 2019-009 and 2019-010.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 test disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2019-008.

Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Birmingham, Alabama

December 20, 2021

2019-001: Lack of Internal Controls over Financial Reporting Process -

Criteria: The City should have detailed, internal controls over financial reporting processes.

Condition: The City does not have effective internal controls.

Cause: The City has not defined and implemented effective internal controls.

Effect: The City does not have effective internal controls which can lead to fraud or misstatement on the financial statements.

Recommendation

The following is our recommended summary of the required financial closing and reporting procedures for all funds:

- a. Internal reviews of reconciliations, journal entries, supporting schedules, subsidiary journals, utility billing rate changes and any other documentation necessary to keep accurate books and records should be performed by appropriate levels of management to ensure the accounting function is operating effectively and appropriately. Generally, reviews should be performed by personnel one level above a preparer of a document.
- b. Improvements to the accounting and financial statement reporting procedures should include training for personnel, current and relevant reference materials, and consultation with professionals.

Management's Response:

Implementation of improvements to address all issues is ongoing.

2019-002: Lack of Segregation of Duties (Prior Year Finding Still Applicable)

Criteria: To properly segregate duties, no one person should be involved in multiple functions for financial transactions, such as authorization, execution, recording, reconciling, and reporting.

Condition: The City's employees perform incompatible functions in multiple areas that result in a lack of segregation of duties.

Cause: The City has inadequately designed controls and policies in place resulting in a lack of segregation of duties.

Effect: Lack of segregation of duties may result in the misstatement of financial information as well as loss of City resources through error or theft.

Recommendation

Segregation of accounting duties is an essential element of effective internal controls, involving the separation of custody of assets from related recording of transactions. Due to the limited number of people working in the Finance department, certain critical duties are combined and assigned to the available employees. To the extent possible, duties should be segregated to serve as a check and balance on employees' daily activities and to maintain the best control system possible. We suggest that the segregation of duties be reviewed and adjusted where possible to strengthen the system of internal control.

Management's Response:

Management is aware of finding and is in the process of correcting the issue.

2019-003: Limit Access to Sensitive Information Technology (IT) Systems

Criteria: The City should establish security criteria for each employee who has access to financial IT systems.

Condition: The City does not have specific security limitation or formal procedures in place to prevent unauthorized access to financially sensitive IT systems.

Cause: The City does not have specific security limitation or formal procedures in place to prevent unauthorized access to financially sensitive IT systems.

Effect: Financially sensitive IT systems are not secure from unauthorized access and at risk of fraudulent activity.

Recommendation:

The City should develop formal procedures to restrict unauthorized access to financially sensitive IT systems. This could prevent unauthorized employees from gaining access to financially sensitive information. We recommend that the City create an access approval hierarchy and adopt a method of limiting IT access to prevent unauthorized IT access. For instance, authorized users could be put on notice that they are not to allow unauthorized persons to have access to sensitive reports, and the reports could be marked with the names of those authorized to receive them or marked "Confidential" or with similar wording indicating their confidential nature and that they are restricted to authorized personnel. Also, distribution by secure email to the authorized recipients might lessen the chance of the reports becoming available to others.

Management's Response:

Management is aware of the issue and a complete overhaul of users and user access will be completed in FY22.

2019-004: Develop and Use an Accounting and Finance Procedures Manual (Prior Year Finding Still Applicable)

Criteria: The City should have a detailed, comprehensive accounting and financial reporting procedures manual in order to have consistency across accounting transactions.

Condition: The City does not have an accounting and financial reporting procedures manual in place.

Cause: The City has not devoted resources to the development of a comprehensive manual.

Effect: The City does not have effective written documentation for these functions of the finance department and other municipal staff, which could lead to error or omissions in the City's financial statements.

Recommendation

We recommend that management establish a detailed comprehensive and instructional accounting and financial reporting procedures manual, outlining policies and procedures to be followed. Established standard procedures can effectively assist with the following:

- a. Establishing consistent City accounting practices.
- b. Assigning accounting and bookkeeping responsibilities.
- c. Reducing the likelihood of coding errors.
- d. Preparing timely and accurate monthly financial statements.
- e. Management review.
- f. Providing the City with a source of standardized reference information for continuity and training new employees in the event of untimely turnover.

The manual should include, along with a chart of accounts, detailed explanations of account content, appropriate descriptions of all accounting procedures and routines, and definitions of job authority and responsibility. Management should periodically review each department's compliance with standard procedures. Management should also make certain all applicable employees are aware of the accounting procedures manual and adhere to its contents.

The goal of any accounting and financial procedures manual should be to outline the policies and procedures that the accounting staff should follow in order to produce accurate and reliable financial reports that will aid the organization's leadership team in its decision-making. In addition, the manual should document how the City will ensure compliance with regulatory standards.

Management's Response

Management is aware of finding. As of December 2021, the creation of a formal accounting and finance policy is underway and will be complete by 2022 year end.

2019-005: No Detailed Fixed Asset Records are Maintained - (Prior Year Finding Still Applicable)

Criteria: Accurate records of municipal fixed assets are necessary to properly safeguard such assets and to properly report them in the City's financial statements.

Condition: The City does not maintain adequate detailed records of all capital assets in service. For the governmental activities, there is a detailed list of equipment but it is not sorted by department and has not been verified by a physical inventory. There is no supporting documentation for the costs of buildings, improvements other than buildings, and infrastructure. Purchased assets have been capitalized but some costs of self-constructed assets have not. The value of most donated assets has not been recorded. For equipment, depreciation by asset has been computed over various lives that are not consistent for similar items. For all other asset types, depreciation is computed in one amount on the total of buildings, improvements other than buildings, and infrastructure using an average life for the group. Depreciation cannot be determined by department or function as is required by US GAAP. For the business-type activities, there are records of additions by fund, asset type and year but not by individual asset. Depreciation is computed using an average life for each year's additions. While system additions that are constructed by outside contractors are capitalized, self-constructed system additions do not include the cost of labor and overhead. Further, the cost of utility systems does not include all costs of extensions donated by developers or individuals and no interest has been capitalized on construction projects. Finally, for both governmental and business-type activities, assets are not depreciated in the year of acquisition and no disposals are recorded.

Cause: The City has inadequately designed controls and procedures in place related to fixed asset records.

Effect: Lack of detailed fixed asset records may result in the misstatement of financial information.

Recommendation

We recommend that procedures be established to develop a capital asset accounting system. The initial costs and acquisition date of all assets should be determined. A fixed asset file for each asset containing invoices, construction costs summaries, asset useful life, date placed in service, and other relevant data should be prepared. Depreciation should be calculated using the appropriate estimated lives and the general ledger should be adjusted to the system balances. Monthly entries of changes to capital assets should then be made and reconciled to the general ledger. A work order system should be established to account for the costs of self-constructed assets. Procedures should be established to determine the value of donated assets and to obtain Council acceptance if required.

Management's Response

Management is aware of finding and is in the process of correcting the issue.

2019-006: Capitalization of Infrastructure Assets - (Prior Year Finding Still Applicable)

Criteria: Governmental accounting standards require that general infrastructure assets acquired after September 30, 1980 and prior to October 1, 2002 be capitalized and depreciated by the year-ended September 30, 2007. Infrastructure, which includes roads, bridges, sidewalks, storm drainage systems, etc. must be identified by the City, inventoried, and valued.

Condition: The City did not retroactively record its infrastructure as required by US GAAP.

Cause: The City has inadequately designed controls and policies in place related to capitalization of infrastructure assets.

Effect: Because neither the cost of infrastructure assets nor the related depreciation has been recorded, the financial statements are materially misstated. As a result, the opinion on the governmental activities is adverse.

Recommendation

We recommend that the City allocate the resources required to perform an inventory of infrastructure assets and to complete the retroactive recording of the City's infrastructure.

Management's Response

Management is aware of finding and is in the process of correcting the issue.

2019-007: Tracking of Federal Award Assets - (Prior Year Finding Still Applicable)

Criteria: Federal grants that provide funds for asset acquisition require that the grant recipients keep accurate records of all acquisitions and dispositions of equipment and property acquired with federal awards. There are usually restrictions on asset use, transfer, and disposition. In addition, periodic inventories of the assets are required.

Condition: While departments have grant files containing asset information, there is no control list of assets acquired with Federal awards and inventories have not been performed.

Cause: The City has inadequately designed controls and policies in place. The controls do not adequately ensure compliance with Federal award requirements for equipment and real property management.

Effect: Because the required records are not being maintained, this could have a material effect on the financial statements, future grants, and could result in penalties being imposed on the City.

Recommendation

We recommend that the City develop a control list of all assets acquired with Federal awards and determine the restrictions and requirements for each asset. According to the Uniform Guidance, these records should contain a description (including serial number or other identification number), source of funds, who holds title, acquisition date and cost, percentage of Federal participation in the cost, location, condition, and disposition date. In addition, a periodic inventory of these assets should be made.

Management's Response

Management is aware of finding and is in the process of correcting the issue.

2019-008: Budget Process - (Prior Year Finding Still Applicable)

- Criteria:** Monitoring processes should be developed to assist in tracking budgeted versus expended amounts.
- Condition:** Departments should not be allowed to overspend their budgets without Council approval.
- Cause:** The City has inadequately designed controls and policies in place related to budget adherence.
- Effect:** Overspending of budgets could result have an adverse effect on the City's cash flows.

Recommendation

We recommend that management consider developing reports to compare budgeted amounts to actual expenditures for the month and year-to-date. These reports should also include the remaining budget available. Exception reports could also be developed to identify those departments and line items that are projected to exceed the budgeted amounts. Management would then have information to take appropriate action to solve a potential problem or recommend amendments to the budget.

Management's Response

Management is aware of finding and beginning in January 2019, Budget reports were created in Springbrook for all departments to monitor financial activity to avoid spending in excess of budgeted amounts. Starting in October 2021, the purchasing and AP process changed. Requisitions are submitted to the Finance Director for approval and compared to the relevant budget availability before approval.

2019-009: Timely Filing with Electronic Municipal Market Access (Prior Year Finding Still Applicable)

Criteria: As part of the City's compliance with municipal bond requirements, the City must file financial disclosure documents and other information with the Electronic Municipal Market Access (EMMA) repository.

Condition: The City is delinquent with its Electronic Municipal Market Access (EMMA) filings.

Cause: The City has inadequately designed controls and policies in place related to compliance with municipal bond requirements.

Effect: The City will not be in compliance with the Electronic Municipal Market Access (EMMA) filings.

Recommendation

We recommend implementing procedures to maintain compliance with filing requirements with EMMA.

Management's Response

Management is aware of finding and is in the process of correcting the issue.

2019-010: Records Retention Policy (Prior Year Finding Still Applicable)

- Criteria:** The City should have a record retention policy that delineates procedures for retaining, filing, and securing records.
- Condition:** The City does not have a formal record retention policy in place.
- Cause:** The City does not have a comprehensive record retention plan.
- Effect:** The City has not been able to produce certain documents, at least in part, to support its financial statements due to the City lacking a record retention policy.

Recommendation

We believe that the City should develop and adhere to a formal record retention policy. The City's legal counsel and City Council should be involved in the development process of this policy.

Some important provisions of a document retention policy include the following:

- a. Identity of the types of documents, including email, covered under the policy.
- b. Specification of a retention period for each type of document.
- c. Procedures for storing documents and disposing of them after the specified retention period.
- d. Designation of an individual responsible for enforcement and monitoring new developments that might affect the policy.
- e. Specification of how the policy will be communicated to employees, such as in the employee handbook, by employees' initial and annual or periodic signed acknowledgment of the policy, etc.

In addition, the City should establish a central repository and registry for retained documents.

The goal of any records retention policy is to identify documents that must be retained permanently or temporarily and to provide guidance for the routine and timely disposal of documents which need not be retained for legal or administrative reasons and have no historical value.

Management's Response

Management is aware of finding and the City Clerk has developed a document retention policy approved in October 2021.

City of Alexander City, Alabama

REQUIRED COMMUNICATIONS

September 30, 2019



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December 20, 2021

To the City Council
City of Alexander City, Alabama

Dear City of Alexander City Council Members:

We are pleased to present the results of our audit of the September 30, 2019 financial statements of the City of Alexander City (the "City").

This report to the City summarizes our audit, the reports issued and various analyses and observations related to the City's accounting and reporting. The document also contains the communications required by our professional standards.

The audit was designed, primarily, to express an opinion on the City's September 30, 2019 financial statements. We considered the City's current and emerging business needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you, the City Council, expect. We received the full support and assistance of the City's personnel.

At Carr, Riggs & Ingram, LLC (CRI), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This report is intended solely for the information and use of the City, management and others within the City and should not be used by anyone other than these specified parties.

We appreciate this opportunity to meet with you.

Very truly yours,

Carr, Riggs & Ingram, L.L.C.

Birmingham, Alabama

Required Communications

As discussed with management during our planning process, our audit plan represented an approach responsive to the assessment of risk for the City. Specifically, we planned and performed our audit to:

- Perform audit services 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, in order to express an opinion on the City's financial statements for the year ending September 30, 2019 and to 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*;
- Communicate directly with the City Council and management regarding the results of our procedures;
- Address with the City Council and management any accounting and financial reporting issues;
- Anticipate and respond to concerns of the City Council and management; and
- Other audit-related projects as they arise and upon request.

Required Communications

We have audited the financial statements of the City for the year ended September 30, 2019, and have issued our report thereon dated December 20, 2021. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Auditors' responsibility under Generally Accepted Auditing Standards	<p>As stated in our engagement letter dated March 24, 2020, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>As part of our audit, we considered the internal control of the City over financial reporting. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p>
Planned scope and timing of the audit	Our initial audit plan was not significantly altered during our fieldwork.
Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditors' judgment about the quality of accounting principles	<p>The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted during the fiscal year and the application of existing policies was not changed during 2019.</p> <p>We noted no transactions entered into by the City during the fiscal year for which there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.</p> <p>The financial statement disclosures are neutral, consistent, and clear.</p>
Management judgments and accounting estimates	Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality".
Corrected and Uncorrected Misstatements	Please see the following section titled "Summary of Audit Adjustments".

Required Communications

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Potential effect on the financial statements of any significant risks and exposures	No significant risks or exposures disclosed.
Material uncertainties related to events and conditions, specifically going concern issues	Uncertainty related to impact of COVID 19 was disclosed in financial statements.
Other information in documents containing audited financial statements	<p>Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether:</p> <ul style="list-style-type: none"> • Such information is materially inconsistent with the financial statements; and • We believe such information represents a material misstatement of fact. <p>We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.</p>
Disagreements with management	None.
Management consultation with other independent accountants	None of which we are aware.
Major issues discussed with management prior to retention	The City is continuing to make progress in bringing prior year audits up to date. The City has hired another CPA firm to help advance the close-out process of prior years to expedite the completion of prior year financial statement audits.
Difficulties encountered in performing the audit	None.
Deficiencies in internal control	See Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>
Fraud and illegal acts	We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.
Other material written communications	We have requested certain representations from management which are included in the management representation letter dated December 20, 2021.

Required Communications

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p>Required Supplementary Information</p>	<p>We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.</p>
<p>Supplementary Information in relation to the financial statements as a whole.</p>	<p>We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.</p>



Accounting Policies, Judgements and Sensitive Estimates & CRI Comments on Quality

Accounting estimates are an integral part of the financial statements and are based on your knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

We are required to communicate our judgments about the quality, not just the acceptability, of the City's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. The City may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

Accounting Policies, Judgements and Sensitive Estimates & CRI Comments on Quality

AREA	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Estimate of Allowance for Doubtful Accounts	Management's estimate of the allowance for doubtful accounts is based on historical revenues, historical loss levels, and an analysis of the collectability of individual customer accounts.	We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.
Deferred Loss of Debt Refundings	Management's estimate of the deferred loss on debt refundings is based on amortization periods, interest rates and maturity assumptions used to compute these deferrals.	We evaluated the key factors and assumptions used to develop the deferred loss in determining that it is reasonable in relation to the financial statements taken as a whole.
Defined Benefit Pension Plan	The City participates in the Employee Retirement System (ERS), a multiple-employer agent plan administered by RSA. RSA utilizes an independent actuary to estimate for each participating employer their total pension liability, fiduciary net position, related deferred outflows/inflows and actuarially required contributions in accordance with the provisions of GASB 68. Key assumptions utilized by the actuary in making the estimates required under GASB 68 included a discount rate, funding projections, estimated rate of return on plan investments and discounting techniques unique to the actuarial computation process.	We evaluated the assumptions used by the actuary in estimating the City's total pension liability/(asset), the fiduciary net position, and the related deferred outflows/inflows and found them to be in accordance with the provisions of GASB 68 and reasonable in relation to the financial statements taken as a whole.
Other Postemployment Benefits	The City provides certain health care benefits for its retired employees. Benefits are provided through a single-employer plan which is administered by the City. The City utilizes an independent actuary to estimate their total OPEB liability, fiduciary net position (of which there is none), related deferred outflows/inflows and actuarially required contributions in accordance with the provisions of GASB 75. Key assumptions utilized by the actuary in making the estimates required under GASB 75 included a discount rate, health care cost trends, funding projections, morality rates and discounting techniques unique to the actuarial computation process.	We evaluated the assumptions used by the actuary in estimating the City's total OPEB liability and the related deferred outflows/inflows and found them to be in accordance with the provisions of GASB 75 and reasonable in relation to the financial statements taken as a whole.

Accounting Policies, Judgements and Sensitive Estimates & CRI Comments on Quality

AREA	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Depreciation of property and equipment	The City depreciates property and equipment over their estimated useful lives, which are based on the experience with similar assets and guidance provided by Section 1400: <i>Reporting Capital Assets</i> , of the GASB Codification.	For property and equipment being depreciated, the City's estimated useful lives appear appropriate.

During the course of our audit, we accumulate differences between amounts recorded by the City and amounts that we believe are required to be recorded under GAAP reporting guidelines. Those adjustments are either recorded (corrected) by the City or passed (uncorrected). For a listing of corrected adjustments see Adjusting Journal Entry Report. For a listing of passed adjustments, see Passed Adjusting Journal Entry Report. Management has determined that effect of the passed adjustments is immaterial to the financial statements as a whole.

QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in earnings or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of the City's operating environment that has been identified as playing a significant role in the City's operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference has the effect of increasing management's compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation.
- Whether the difference involves concealment of an unlawful transaction.

Passed Adjusting Journal Entries

PAJE #	Account	Description	Debit	Credit
To correct GL bank balance to bank reconciliation.				
1	001-51111-44900	Miscellaneous	33,297.25	
1	001-00000-10101	General Fund-Operating CashVNB		33,297.25
To write off old outstanding items older than 9/30/2016.				
2	001-00000-10101	General Fund-Operating CashVNB	23,708.68	
2	001-00000-39915	Miscellaneous		23,708.68
Total Proposed Journal Entries			<u><u>57,005.93</u></u>	<u><u>57,005.93</u></u>

Adjusting Journal Entry Report

AJE #	Account	Description	Debit	Credit
To adjust beginning fund balance to PY statements				
1	401-00000-39915	Miscellaneous	674.00	
1	404-00000-39915	Miscellaneous	1.00	
1	405-00000-39915	Miscellaneous	336.00	
1	409-00000-39915	Miscellaneous	817.00	
1	401-00000-27100	Fund Balance		674.00
1	404-00000-27100	Fund Balance		1.00
1	405-00000-27100	Fund Balance		336.00
1	409-00000-27100	Fund Balance		817.00
To adjust Sales and Other Taxes AR to Actual				
2	001-00000-31301	General Sales Tax	52,817.98	
2	001-00000-13503	Sales Tax Receivable		52,817.98
To adjust grants receivable (PBC)				
3	001-00000-22202	Deferred Revenue-grants	19,572.76	
3	001-00000-38230	ATRIP State Grant	43,131.29	
3	001-00000-12301	Grants Receivable		62,704.05
To adjust Vacation payable as of 9/30/2019 (PBC)				
4	401-00000-20307	Vacation Payable	27,122.00	
4	404-00000-20307	Vacation Payable	16,615.00	
4	405-00000-20307	Vacation Payable	5,223.00	
4	409-00000-20307	Vacation Payable	23,598.00	
4	455-00000-20307	Vacation Payable	21,151.00	
4	401-56114-41100	Salaries & Wages		27,122.00
4	404-56211-41100	Salaries & Wages		16,615.00
4	405-56511-41100	Salaries & Wages		5,223.00
4	409-56715-41100	Salaries & Wages		23,598.00
4	455-53311-41100	Salaries & Wages		21,151.00
To make an allowance for uncollectable AR from Coosa County				
5	001-00000-39915	Miscellaneous	36,147.83	
5	001-00000-11601	Est. Uncollectable A/R		36,147.83
To adjust pension NPL and Deferred items				
6	401-00000-20309	Net Pension Liability	40,658.63	
6	401-00000-20310	Deferred Inflow	6,301.00	
6	401-00000-20311	Deferred Inflow-Diff in Exp/Act	173.00	
6	401-56112-41300	Personnel Benefits	1,914.00	
6	401-56112-41300	Personnel Benefits	5,548.00	
6	401-56112-41300	Personnel Benefits	3,012.00	
6	404-00000-20309	Net Pension Liability	52,517.40	
6	404-00000-20310	Deferred Inflow - Pension	8,139.00	

Adjusting Journal Entry Report

6	404-00000-20311	Deferred Inflow-Diff in Exp/Act	224.00	
6	404-56211-41300	Personnel Benefits	2,471.00	
6	404-56211-41300	Personnel Benefits	7,166.00	
6	404-56211-41300	Personnel Benefits	3,681.00	
6	405-00000-16900	Def Outflow - Pension Contrib	63.00	
6	405-00000-20309	Net Pension Liability	5,082.33	
6	405-00000-20310	Deferred Inflow	788.00	
6	405-00000-20311	Deferred Inflow-Diff in Exp/Act	22.00	
6	405-56511-41300	Personnel Benefits	239.00	
6	405-56511-41300	Personnel Benefits	694.00	
6	409-00000-20309	Net Pension Liability	14,399.93	
6	409-00000-20310	Deferred Inflow - Pension	2,232.00	
6	409-00000-20311	Deferred Inflow-Diff in Exp/Act	61.00	
6	409-56715-41300	Personnel Benefits	677.00	
6	409-56715-41300	Personnel Benefits	1,965.00	
6	409-56715-41300	Personnel Benefits	104.00	
6	455-00000-20309	Net Pension Liability	5,929.39	
6	455-00000-20310	Deferred Inflow	919.00	
6	455-00000-20311	Deferred Inflow-Diff in Exp/Act	25.00	
6	455-53311-41300	Personnel Benefits	279.00	
6	455-53311-41300	Personnel Benefits	809.00	
6	455-53311-41300	Personnel Benefits	264.00	
6	401-00000-16900	Def Outflow - Pension Contrib		3,012.00
6	401-00000-16901	Def. Outflow.Diff Exp and Act		1,914.00
6	401-00000-16903	Def.Outf.Change in Assumptions		5,548.00
6	401-56112-41300	Personnel Benefits		40,658.63
6	401-56112-41300	Personnel Benefits		173.00
6	401-56112-41300	Personnel Benefits		6,301.00
6	404-00000-16900	Def Outflow - Pension Contrib		3,681.00
6	404-00000-16901	Def. Outflow.Diff Exp and Act		2,471.00
6	404-00000-16903	Def.Outf.Change in Assumptions		7,166.00
6	404-56211-41300	Personnel Benefits		8,139.00
6	404-56211-41300	Personnel Benefits		52,517.40
6	404-56211-41300	Personnel Benefits		224.00
6	405-00000-16901	Def. Outflow.Diff Exp and Act		239.00
6	405-00000-16903	Def.Outf.Change in Assumptions		694.00
6	405-56511-41300	Personnel Benefits		5,082.33
6	405-56511-41300	Personnel Benefits		22.00
6	405-56511-41300	Personnel Benefits		788.00
6	405-56511-41300	Personnel Benefits		63.00
6	409-00000-16900	Def Outflow - Pension Contrib		104.00
6	409-00000-16901	Def. Outflow.Diff Exp and Act		677.00
6	409-00000-16903	Def.Outf.Change in Assumptions		1,965.00
6	409-56715-41300	Personnel Benefits		14,399.93
6	409-56715-41300	Personnel Benefits		61.00
6	409-56715-41300	Personnel Benefits		2,232.00
6	455-00000-16900	Def Outflow - Pension Contrib		264.00

Adjusting Journal Entry Report

6	455-00000-16901	Def. Outflow.Diff Exp and Act		279.00
6	455-00000-16903	Def.Outf.Change in Assumptions		809.00
6	455-53311-41300	Personnel Benefits		5,929.39
6	455-53311-41300	Personnel Benefits		25.00
6	455-53311-41300	Personnel Benefits		919.00

To adjust OPEB amounts

7	401-00000-20312	Net OPEB Liability	5,101.71	
7	401-00000-20315	OPEB Deferred Inflow - Assumpt	2,217.26	
7	404-00000-20312	Net OPEB Liability	6,589.70	
7	404-00000-20315	OPEB Deferred Inflow - Assumpt	3,070.83	
7	405-00000-20312	Net OPEB Liability	637.71	
7	405-00000-20315	OPEB Deferred Inflow - Assumpt	710.75	
7	409-00000-20312	Net OPEB Liability	1,806.86	
7	409-00000-20315	OPEB Deferred Inflow - Assumpt	1,734.36	
7	455-00000-20312	Net OPEB Liability	744.00	
7	455-00000-20315	OPEB Deferred Inflow - Assumpt	496.50	
7	401-00000-20313	OPEB Deferred Outflow - Exper		656.39
7	401-56110-41300	Personnel Benefits		6,662.58
7	404-00000-20313	OPEB Deferred Outflow - Exper		847.84
7	404-56210-41300	Personnel Benefits		8,812.69
7	405-00000-20313	OPEB Deferred Outflow - Exper		82.05
7	405-56510-41300	Personnel Benefits		1,266.41
7	409-00000-20313	OPEB Deferred Outflow - Exper		232.47
7	409-56710-41300	Personnel Benefits		3,308.75
7	455-00000-20313	OPEB Deferred Outflow - Exper		95.73
7	455-53311-41300	Personnel Benefits		1,144.77

To record accrued sick leave.

8	401-56114-41100	Salaries & Wages	27,812.00	
8	404-56211-41100	Salaries & Wages	39,649.00	
8	405-56511-41100	Salaries & Wages	806.00	
8	409-56715-41100	Salaries & Wages	29,496.00	
8	455-53311-41100	Salaries & Wages	6,208.00	
8	401-00000-20307	Vacation Payable		27,812.00
8	404-00000-20307	Vacation Payable		39,649.00
8	405-00000-20307	Vacation Payable		806.00
8	409-00000-20307	Vacation Payable		29,496.00
8	455-00000-20307	Vacation Payable		6,208.00

Total Adjusting Journal Entries

540,645.22

540,645.22

December 20, 2021

Carr, Riggs & Ingram, LLC
3700 Colonnade Parkway, Suite 300
Birmingham, Alabama 35243

This representation letter is provided in connection with your audit of the financial statements of the City of Alexander City, which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of December 20, 2021, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated March 24, 2020, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) Except for the exclusion of the financial data for the City's legally separate component unit, the matters described in Note 4 to the financial statements and items 32 and 42 of this letter, the financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter. In addition, you have proposed adjusting journal entries that have been posted to the City's accounts. We are in agreement with those adjustments.

- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 11) We have provided you with:
 - a) Access to all information except as discussed in Note 4 to the financial statements, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) Except as made known to you as described in Note 4 to the financial statements, all material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the City and involves—
 - o Management,
 - o Employees who have significant roles in internal control, or
 - o Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 18) We have disclosed to you the identity of the City's related parties and all the related party relationships and transactions of which we are aware.

Government—specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have a process to track the status of audit findings and recommendations.
- 21) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 22) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 23) The City has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 24) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

Management Representation Letter

- 25) We have identified and disclosed to you any instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 26) We have identified and disclosed to you any instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 27) We have identified and disclosed to you any instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 28) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 29) As part of your audit, you assisted with preparation of the financial statements (including the related government wide conversion) and related notes and updating depreciation schedules. We acknowledge our responsibility as it relates to those non-audit services, including that we assume all management responsibilities; oversee the services by designating an individual, Romy Stamps, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements (including the related government wide conversion entries) and related notes and updates to depreciation schedules.
- 30) The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 31) The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 32) The financial statements include all component units (except for the excluded Alexander City Board of Education resulting in the modifications of your opinion on the City's primary government) as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 33) The financial statements properly classify all funds and activities in accordance with [GASB Statement No. 34](#).
- 34) All funds that meet the quantitative criteria in [GASBS Nos. 34](#) and [37](#) for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 35) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (non-spendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 36) Investments, derivative instruments, and land and other real estate are properly valued.
- 37) Provisions for uncollectible receivables have been properly identified and recorded.
- 38) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 39) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, and contributions.
- 40) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported. Interfund receivables will be repaid between funds in a timely manner.

Management Representation Letter

- 41) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 42) Capital assets do not include certain general infrastructure assets and a detailed capital asset records are not maintained in order to support recorded asset balances and to compute depreciation. As a result, your opinion on the governmental activities and business type activities has been modified.
- 43) We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.
- 44) Any tax abatement agreements have been properly disclosed in the notes to the financial statements, including the names of all governments involved, the gross amount and specific taxes abated, and additional commitments.
- 45) We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 46) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 47) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 48) With respect to the combining non major governmental fund financial statements:
 - a) We acknowledge our responsibility for presenting the combining non-major governmental fund financial statements in accordance with accounting principles generally accepted in the United States of America, and we believe the combining non major governmental fund financial statements, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the combining non major governmental fund financial statements have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b) If the combining non major governmental fund financial statements is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

Signature: _____

Signature: _____

Title: _____ Mayor

Title: _____ Finance Director