

RESOLUTION


To Accept the Fiscal Year 2020 Audit

WHEREAS, at its regularly scheduled meeting held on April 3, 2023, Jason Harpe, of Carr, Riggs and Ingram, presented the FY 2020 audit; and

WHEREAS, after careful consideration and discussion, the City Council wishes to acknowledge receipt and acceptance of said audit.

NOW, THEREFORE, BE IT RESOLVED that the City Council of Alexander City hereby acknowledges receipt and acceptance of the FY 2020 audit as presented and prepared by the independent audit firm of Carr, Riggs and Ingram, LLC.

ADOPTED THIS 17TH DAY OF APRIL, 2023.



By: Audrey "Buffy" Colvin, President
Alexander City Council

AUTHENTICATED THIS 17TH DAY OF APRIL, 2023.



By: Stephanie J. Southerland
City Clerk

APPROVED:



By: Curtis "Woody" Baird
Mayor

Yeas: **TAPLEY, COLVIN, HARDY, E. BROWN, C. BROWN, KEEL**

Nays: **None**



City of Alexander City

FINANCIAL STATEMENTS

September 30, 2020



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REPORT



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, 2020, 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 \$91,557,443, \$6,198,967, \$107,498,015, \$16,843,918, (\$26,585,523), \$9,769,344, and (\$12,535,431), 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, 2020, 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, 2020, 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, 2020, 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, 2020, 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 \$9,819,134 as of September 30, 2020. Furthermore, the City's total General Fund balance has a deficit of \$5,183,066 as of September 30, 2020. 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 48-57 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.

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 March 30, 2023 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
March 30, 2023



FINANCIAL STATEMENTS



City of Alexander City Statement of Net Position

<i>September 30, 2020</i>	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,319,422	\$ 16,235,734	\$ 18,555,156
Receivables, net of allowance for uncollectible accounts	3,348,751	3,551,530	6,900,281
Inventory	369,813	934,233	1,304,046
Prepaid expenses	153,864	18,115	171,979
Restricted assets			
Cash and cash equivalents	211,011	-	211,011
Land and construction in progress	13,124,327	284,689	13,409,016
Capital assets, net of accumulated depreciation	21,984,389	33,880,327	55,864,716
Total assets	41,511,577	54,904,628	96,416,205
Deferred Outflows of Resources			
Employer pension contributions subsequent to measurement date	1,104,251	354,022	1,458,273
Difference between expected and actual experience - pension	205,407	96,930	302,337
Difference between projected and actual earnings - pension	331,728	156,539	488,267
Difference due to change of assumptions - pension	595,341	280,934	876,275
Difference between expected and actual experience - OPEB	18,145	8,562	26,707
Difference due to change of assumptions - OPEB	93,118	43,942	137,060
Deferred loss on refundings	346	-	346
Total deferred outflows of resources	2,348,336	940,929	3,289,265
Liabilities			
Bank overdraft	6,531,074	2,243,558	8,774,632
Accounts payable	978,518	1,947,927	2,926,445
Accrued payroll and related liabilities	230,851	69,980	300,831
Accrued interest	5,529	-	5,529
Customer deposits	-	635,412	635,412
Noncurrent liabilities			
Net pension liability	6,646,588	3,136,437	9,783,025
Total OPEB liability	806,461	380,559	1,187,020
Due within 1 year	999,810	-	999,810
Due in more than 1 year	9,429,855	202,678	9,632,533
Total liabilities	25,628,686	8,616,551	34,245,237

(Continued)

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

City of Alexander City
Statement of Net Position (Continued)

<i>September 30, 2020</i>	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Deferred Inflows of Resources			
Property tax revenues	\$ 1,337,933	\$ -	\$ 1,337,933
Difference between expected and actual experience - pension	348,597	164,497	513,094
Difference due to change of assumptions - OPEB	19,016	11,335	30,351
Difference in expected and actual experience - OPEB	5,004	-	5,004
Total deferred inflows of resources	1,710,550	175,832	1,886,382
Net Position			
Net investment in capital assets	25,633,078	34,165,016	59,798,094
Restricted for			
Debt service	14,508	-	14,508
Capital projects	1,084,469	-	1,084,469
Municipal court	191,065	-	191,065
Infrastructure maintenance	298,041	-	298,041
Other purposes	7,049	-	7,049
Unrestricted (deficit)	(10,707,533)	12,888,158	2,180,625
Total net position (deficit)	\$ 16,520,677	\$ 47,053,174	\$ 63,573,851

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, 2020</i>					Net (Expense) Revenue and Changes in Net Position		
Program Activities	Expenses	Program Revenues			Primary Government		
		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	\$ 5,075,162	\$ 2,985,950	\$ 7,543,153	\$ 467,073	\$ 5,921,014	\$ -	\$ 5,921,014
Public safety	9,176,071	1,582,709	45,714	47,642	(7,500,006)	-	(7,500,006)
Public works	2,448,057	13,609	-	-	(2,434,448)	-	(2,434,448)
Sanitation	1,293,443	1,178,574	-	-	(114,869)	-	(114,869)
Education and health	1,622,180	-	-	-	(1,622,180)	-	(1,622,180)
Culture, recreation and welfare	1,907,454	69,070	8,094	-	(1,830,290)	-	(1,830,290)
Unallocated depreciation, see Note 4	3,764,328	-	-	-	(3,764,328)	-	(3,764,328)
Interest on long-term debt	901,998	-	-	-	(901,998)	-	(901,998)
Total governmental activities	26,188,693	5,829,912	7,596,961	514,715	(12,247,105)	-	(12,247,105)
Business-type activities							
Water	4,324,390	6,251,228	-	52,282	-	1,979,120	1,979,120
Sewer	4,929,300	2,679,262	-	-	-	(2,250,038)	(2,250,038)
Gas	1,768,137	2,308,653	-	-	-	540,516	540,516
Electric	11,309,260	13,637,613	-	-	-	2,328,353	2,328,353
Golf	602,890	470,551	-	-	-	(132,339)	(132,339)
Total business-type activities	22,933,977	25,347,307	-	52,282	-	2,465,612	2,465,612
Total primary government	\$ 49,122,670	\$ 31,177,219	\$ 7,596,961	\$ 566,997	(12,247,105)	2,465,612	(9,781,493)

(Continued)

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

City of Alexander City
Statement of Activities (Continued)

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<i>For the year ended September 30, 2020</i>			
General Revenues			
Taxes			
Sales	\$ 11,693,425	\$ -	\$ 11,693,425
Property	2,966,951	-	2,966,951
Other	1,592,695	-	1,592,695
Unrestricted investment earnings	8,907	17,616	26,523
Miscellaneous	1,348,751	22,365	1,371,116
Property contributions	7,700,000	-	7,700,000
Donations	350,000	-	350,000
Net transfers	3,677,627	(3,677,627)	-
Total general revenues and transfers	29,338,356	(3,637,646)	25,700,710
Change in net position	17,091,251	(1,172,034)	15,919,217
Net position (deficit) - beginning	(570,574)	48,225,208	47,654,634
Net position - ending	\$ 16,520,677	\$ 47,053,174	\$ 63,573,851

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

City of Alexander City
Balance Sheet—Governmental Funds

<i>September 30, 2020</i>	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ -	\$ 1,509,608	\$ 748,619	\$ 61,195	\$ 2,319,422
Receivables, net of allowance for uncollectible accounts	3,154,798	14,508	-	29,445	3,198,751
Inventory	369,813	-	-	-	369,813
Restricted assets					
Cash and cash equivalents	-	-	-	211,011	211,011
Total assets	\$ 3,524,611	\$ 1,524,116	\$ 748,619	\$ 301,651	\$ 6,098,997
Liabilities					
Bank overdraft	\$ 6,055,594	\$ -	\$ 475,480	\$ -	\$ 6,531,074
Accounts payable and accrued expenses	890,390	84,518	-	3,610	978,518
Accrued payroll and related liabilities	230,851	-	-	-	230,851
Total liabilities	7,176,835	84,518	475,480	3,610	7,740,443
Deferred Inflows of Resources					
Unavailable revenues - property tax	1,337,933	-	-	-	1,337,933
Unavailable revenues - grants	192,909	-	-	-	192,909
Total deferred inflows of resources	1,530,842	-	-	-	1,530,842
Fund Balances					
Nonspendable					
Inventory	369,813	-	-	-	369,813
Restricted for:					
Capital assets and improvements	811,330	-	273,139	-	1,084,469
Road improvements	-	-	-	298,041	298,041
Municipal court	191,065	-	-	-	191,065
Debt service	-	14,508	-	-	14,508
Other purposes	7,049	-	-	-	7,049
Committed for:					
Debt service reserve	-	1,425,090	-	-	1,425,090
Tourism	27,959	-	-	-	27,959
Economic development	135,366	-	-	-	135,366
Road improvements and repair	3,093,486	-	-	-	3,093,486
Unassigned (deficit)	(9,819,134)	-	-	-	(9,819,134)
Total fund balance	(5,183,066)	1,439,598	273,139	298,041	(3,172,288)
Total liabilities, deferred inflows of resources, and fund balance	\$ 3,524,611	\$ 1,524,116	\$ 748,619	\$ 301,651	\$ 6,098,997

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, 2020

Total Fund Balance - Governmental Funds \$ (3,172,288)

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. 35,108,716

Prepaid expenses were recorded as expenditures when paid in the funds. 153,864

Accounts receivable - Lake Martin Area Economic Alliance 150,000

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. 192,909

Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in governmental funds:

Deferred outflows related to pensions	2,236,727
Deferred outflow related to OPEB	111,263
Deferred outflow on debt refunding	346
Deferred inflows related to pensions	(348,597)
Deferred inflow related to OPEB	(24,020)

Long-term liabilities including net pension liability, total OPEB liability, warrants payable, capital leases, 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. (17,888,243)

Net position of governmental activities **\$ 16,520,677**

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, 2020</i>	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Sales and use taxes	\$ 11,693,425	\$ -	\$ -	\$ -	\$ 11,693,425
Property taxes	1,480,843	1,486,108	-	-	2,966,951
Other taxes	1,341,529	-	-	251,166	1,592,695
Licenses and permits	2,264,761	-	-	-	2,264,761
Intergovernmental	705,311	-	-	-	705,311
Charges for services	3,147,925	-	-	-	3,147,925
Fines and forfeitures	401,709	-	-	-	401,709
Interest	7,317	1,279	-	311	8,907
Other revenues	1,089,323	-	-	-	1,089,323
Total revenues	22,132,143	1,487,387	-	251,477	23,871,007
Expenditures					
General government	5,023,298	-	223,582	-	5,246,880
Public safety	9,321,211	-	-	-	9,321,211
Public works	2,694,663	-	-	104,093	2,798,756
Sanitation	1,295,636	-	-	-	1,295,636
Education	1,033,612	410,507	-	-	1,444,119
Health	178,061	-	-	-	178,061
Culture, recreation and welfare	2,013,222	-	-	-	2,013,222
Debt service					
Debt retirement	600,954	-	-	-	600,954
Interest and fiscal agent fees	180,160	-	-	-	180,160
Capital outlay	2,720,656	-	8,126,412	-	10,847,068
Total expenditures	25,061,473	410,507	8,349,994	104,093	33,926,067
Excess (deficiency) of revenue over (under) expenditures	(2,929,330)	1,076,880	(8,349,994)	147,384	(10,055,060)
Other Financing Sources (Uses)					
Transfers in	3,677,627	724,482	-	-	4,402,109
Transfers out	(724,482)	-	-	-	(724,482)
Sale of fixed assets	239,984	-	-	-	239,984
Debt contributions from Board of Education	-	7,533,430	-	-	7,533,430
Payment to refunded bond escrow agent	-	(11,300,982)	-	-	(11,300,982)
Proceeds from long-term debt	-	-	6,391,500	-	6,391,500
Net other financing sources (uses)	3,193,129	(3,043,070)	6,391,500	-	6,541,559
Net change in fund balances	263,799	(1,966,190)	(1,958,494)	147,384	(3,513,501)
Fund balances at beginning of year	(5,446,865)	3,405,788	2,231,633	150,657	341,213
Fund balances at end of year	\$ (5,183,066)	\$ 1,439,598	\$ 273,139	\$ 298,041	\$ (3,172,288)

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, 2020

Net Change in Fund Balance - Total Governmental Funds		\$ (3,513,501)
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	\$ 10,847,068	
Current year depreciation	<u>(3,764,328)</u>	7,082,740
Property contributions		7,700,000
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.		
		12,924,644
Issuance of new debt is an other financing source in the governmental funds, but increases long-term liabilities on the statement of net position.		
		(6,391,500)
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.		
		1,337,933
Donation - Industrial Building		
		350,000
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	(1,605,973)	
Difference in pension expense related to deferred outflows, deferred inflows and net pension liability	(779,080)	
Difference in OPEB expense related to deferred outflows, deferred inflows and total OPEB liability	4,265	
Change in prepaid insurance	12,757	
Change in accrued interest payable	(61,426)	
Change in accrued sick leave	27,021	
Change in compensated absences	3,371	(2,399,065)
<hr/>		
Change in net position of governmental activities		\$ 17,091,251

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

City of Alexander City
Statement of Net Position—Proprietary Funds

<i>September 30, 2020</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	\$ 4,859,793	\$ -	\$ 5,760,977	\$ 5,614,964	\$ -	\$ 16,235,734
Receivables, net of allowance for uncollectible accounts	794,106	351,221	140,313	2,265,890	-	3,551,530
Inventory	237,144	72,365	51,478	550,281	22,965	934,233
Prepaid expenses	5,772	7,830	1,197	2,456	860	18,115
Total current assets	5,896,815	431,416	5,953,965	8,433,591	23,825	20,739,612
Noncurrent assets						
Land	206,374	10,000	3,545	-	64,770	284,689
Buildings, net	24,531	-	20,343	15,385	40,800	101,059
Improvements other than buildings, net	-	-	-	-	44,846	44,846
Utility system, net	14,688,638	11,643,941	2,240,934	3,352,979	-	31,926,492
Equipment, net	72,019	939,990	100,467	562,670	132,784	1,807,930
Total noncurrent assets	14,991,562	12,593,931	2,365,289	3,931,034	283,200	34,165,016
Total assets	20,888,377	13,025,347	8,319,254	12,364,625	307,025	54,904,628
Deferred Outflows of Resources						
Employer pension contributions subsequent to measurement date	93,972	130,191	33,569	78,291	17,999	354,022
Difference between expected and actual experience - pension	25,729	35,646	9,191	21,436	4,928	96,930
Difference between projected and actual earnings on plan investments - pension	41,552	57,567	14,843	34,618	7,959	156,539
Difference due to change in assumptions - pension	74,571	103,313	26,639	62,128	14,283	280,934
Difference due to change in assumptions - OPEB	11,663	16,161	4,168	9,718	2,232	43,942
Difference between expected and actual experience - OPEB	2,272	3,148	812	1,893	437	8,562
Total deferred outflows of resources	249,759	346,026	89,221	208,084	47,838	940,929

(Continued)

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, 2020</i>	Major Enterprise Funds				Other Enterprise Fund	Total
	Water Fund	Sewer Fund	Gas Fund	Electric Fund	Golf Fund	
Liabilities						
Current liabilities						
Bank overdraft	\$ -	\$ 2,071,598	\$ -	\$ -	\$ 171,960	\$ 2,243,558
Accounts payable	257,777	505,287	83,104	1,081,647	20,112	1,947,927
Accrued payroll and related liabilities	22,613	21,427	9,082	13,678	3,180	69,980
Customer deposits	236,028	-	113,717	285,667	-	635,412
Total current liabilities	516,418	2,598,312	205,903	1,380,992	195,252	4,896,877
Noncurrent liabilities						
Compensated absences	65,979	68,303	13,002	44,937	10,457	202,678
Net pension liability	832,535	1,153,419	297,404	693,616	159,463	3,136,437
Total OPEB liability	101,015	139,950	36,085	84,160	19,349	380,559
Total noncurrent liabilities	999,529	1,361,672	346,491	822,713	189,269	3,719,674
Total liabilities	1,515,947	3,959,984	552,394	2,203,705	384,521	8,616,551
Deferred Inflows of Resources						
Difference between expected and actual experience - pension	43,664	60,494	15,598	36,378	8,363	164,497
Differences due to change in assumptions - OPEB	3,009	4,168	1,075	2,507	576	11,335
Total deferred inflows of resources	46,673	64,662	16,673	38,885	8,939	175,832
Net Position						
Net investment in capital assets	14,991,562	12,593,931	2,365,289	3,931,034	283,200	34,165,016
Unrestricted (deficit)	4,583,954	(3,247,204)	5,474,119	6,399,085	(321,797)	12,888,158
Total net position (deficit)	\$ 19,575,516	\$ 9,346,727	\$ 7,839,408	\$ 10,330,119	\$ (38,597)	\$ 47,053,174

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, 2020</i>	Major Enterprise Funds				Other Enterprise Fund	Total
	Water Fund	Sewer Fund	Gas Fund	Electric Fund	Golf Fund	
Operating Revenue						
Charges for services	\$ 6,251,228	\$ 2,679,262	\$ 2,308,653	\$ 13,637,613	\$ 470,551	\$ 25,347,307
Total operating revenue	6,251,228	2,679,262	2,308,653	13,637,613	470,551	25,347,307
Operating Expenses						
Purchases for resale	-	-	847,452	8,827,896	38,966	9,714,314
Personnel services	1,434,682	1,933,336	533,211	1,174,819	331,089	5,407,137
Repairs and maintenance	505,684	487,211	73,517	384,314	54,384	1,505,110
Utilities	743,832	606,683	6,037	67,297	14,648	1,438,497
Other	796,097	701,109	115,160	425,935	117,876	2,156,177
Depreciation and amortization	844,095	1,200,961	192,760	428,999	45,927	2,712,742
Total operating expenses	4,324,390	4,929,300	1,768,137	11,309,260	602,890	22,933,977
Operating income (loss)	1,926,838	(2,250,038)	540,516	2,328,353	(132,339)	2,413,330
Nonoperating Revenues (Expenses)						
Interest income	4,072	3,836	1,334	7,888	486	17,616
Miscellaneous	312	6,497	349	15,157	50	22,365
Total nonoperating revenues (expenses)	4,384	10,333	1,683	23,045	536	39,981
Income (loss) before transfers	1,931,222	(2,239,705)	542,199	2,351,398	(131,803)	2,453,311
Transfers to other funds	(951,672)	(520,166)	(501,311)	(1,660,798)	(43,680)	(3,677,627)
Total transfers	(951,672)	(520,166)	(501,311)	(1,660,798)	(43,680)	(3,677,627)
Net income (loss) before capital contributions	979,550	(2,759,871)	40,888	690,600	(175,483)	(1,224,316)
Capital contributions	52,282	-	-	-	-	52,282
Changes in net position	1,031,832	(2,759,871)	40,888	690,600	(175,483)	(1,172,034)
Net position at beginning of year	18,543,685	12,106,598	7,798,520	9,639,519	136,886	48,225,208
Net position at end of year	\$ 19,575,517	\$ 9,346,727	\$ 7,839,408	\$ 10,330,119	\$ (38,597)	\$ 47,053,174

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

City of Alexander City
Statement of Cash Flows—Proprietary Funds

	Major Enterprise Funds				Other Enterprise Fund	Total
	Water Fund	Sewer Fund	Gas Fund	Electric Fund	Golf Fund	
<i>September 30, 2020</i>						
Operating Activities	\$ 6,300,667	\$ 2,669,643	\$ 2,299,644	\$ 12,650,729	\$ 474,776	\$ 24,395,459
Receipts from customers	48,666	11,332	24,029	1,305,730	-	1,389,757
Receipts for interfund services	(1,049,558)	(637,504)	(968,933)	(9,612,703)	(174,417)	(12,443,115)
Payments to suppliers and vendors	(700,461)	(535,425)	(3,888)	(3,125)	(1,812)	(1,244,711)
Payments for interfund services	(1,434,686)	(1,933,338)	(533,211)	(1,174,819)	(331,089)	(5,407,143)
Payments to employees					(32,542)	6,690,247
Net cash provided by (used in) operating activities	3,164,628	(425,292)	817,641	3,165,812	(43,680)	(3,677,627)
Noncapital Financing Activities						
Net operating transfers	(951,672)	(520,166)	(501,311)	(1,660,798)	(43,680)	(3,677,627)
Net cash provided by (used in) noncapital financing activities	(951,672)	(520,166)	(501,311)	(1,660,798)	(43,680)	(3,677,627)
Capital and Related Financing Activities						
Acquisition and construction of capital assets	(1,411,939)	(793,359)	(79,433)	-	(99,563)	(2,384,294)
Capital contributions	52,282	-	-	-	-	52,282
Net cash provided by (used in) capital and related financing activities	(1,359,657)	(793,359)	(79,433)	-	(99,563)	(2,332,012)
Investing Activities						
Interest received	4,073	3,836	1,334	7,888	486	17,617
Miscellaneous revenues (expense)	312	6,497	349	15,157	50	22,365
Net cash provided by (used in) investing activities	4,385	10,333	1,683	23,045	536	39,982
Net change in cash and cash equivalents	857,684	(1,728,484)	238,580	1,528,059	(175,249)	720,590
Cash and cash equivalents at beginning of year (bank overdraft)	4,002,109	(343,114)	5,522,397	4,086,905	3,289	13,271,586
Cash and cash equivalents at end of year (bank overdraft)	\$ 4,859,793	\$ (2,071,598)	\$ 5,760,977	\$ 5,614,964	\$ (171,960)	\$ 13,992,176

(Continued)

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

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

	Major Enterprise Funds				Other Enterprise Fund	Total
	Water Fund	Sewer Fund	Gas Fund	Electric Fund	Golf Fund	
<i>September 30, 2020</i>						
Operating Income (Loss)	\$ 1,926,838	\$ (2,250,038)	\$ 540,516	\$ 2,328,353	\$ (132,339)	\$ 2,413,330
Adjustments to reconcile operating income to net cash provided by (used in) operating activities						
Depreciation and amortization	844,095	1,200,961	192,760	428,999	45,927	2,712,742
Change in assets, deferred outflows, liabilities and deferred inflows						
Accounts receivable	98,105	1,711	15,020	318,846	4,225	437,907
Prepaid expenses	496	672	100	210	77	1,555
Inventory	(16,892)	12,926	(10,105)	13,070	16,557	15,556
Employer pension contributions subsequent to measurement date (deferred outflow)	(27,736)	(37,965)	(11,308)	(24,228)	(2,756)	(103,993)
Difference between expected and actual experience - pension (deferred outflow)	(1,653)	(2,122)	(1,099)	(1,784)	613	(6,045)
Net difference between projected and actual earnings on plan investments - pension (deferred outflow)	(41,552)	(57,567)	(14,843)	(34,618)	(7,959)	(156,539)
Difference due to change in assumptions - pension (deferred outflow)	(4,758)	(6,107)	(3,176)	(5,145)	1,783	(17,403)
Difference due to change in assumptions - opeb (deferred outflow)	(5,339)	(7,356)	(2,043)	(4,556)	(777)	(20,071)
Difference between expected and actual experience - OPEB (deferred outflow)	(336)	(453)	(160)	(313)	8	(1,254)
Accounts payable	85,895	317,894	(18,745)	(104,808)	14,562	294,798
Accrued payroll and related liabilities	7,504	3,909	2,807	(1,450)	(1,760)	11,010
Customer deposits	4,923	-	(1,941)	1,660	-	4,642
Compensated absences	(27,901)	(44,596)	607	(28,592)	(7,189)	(107,671)
Net pension liability	320,914	441,046	125,452	276,018	41,722	1,205,152
Total OPEB liability	36,819	50,564	14,509	31,761	4,574	138,227
Difference between expected and actual experience - pension (deferred inflow)	(37,803)	(49,905)	(11,050)	(28,339)	(9,884)	(136,981)
Change of assumptions - OPEB (deferred inflow)	3,009	1,134	340	728	74	5,285
Net cash provided by (used in) operating activities	\$ 3,164,628	\$ (425,292)	\$ 817,641	\$ 3,165,812	\$ (32,542)	\$ 6,690,247

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

City of Alexander City Notes to 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 can issue debt on behalf of the Board. Advalorem tax revenues restricted for school purposes and collected by the City can be used to make required debt service payments on any general obligation debt issued for school purposes. In addition, the Board makes contributions during the year toward debt service.

City of Alexander City Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Reporting Entity (Continued)

During 2020, the City recorded \$1,486,108 of advalorem taxes for schools. For 2020, the appropriations to the Board were \$1,033,612. 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 2020, the City received \$66,382 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.

City of Alexander City Notes to Financial Statements

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.

The Capital Projects Fund is used to account for financial resources that are received and used for the acquisition, construction, or improvement of capital assets.

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.

City of Alexander City Notes to Financial Statements

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.

City of Alexander City Notes to Financial Statements

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 valued at cost, which approximates market, using the average or first in/first out method. 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

In addition to assets, the Statement of Net Position will sometimes report separate section for deferred outflows 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 2021. 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. The seventh one is the difference between projected and actual earnings of the pension plan.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has multiple items that qualify for reporting in this category. The first one is the difference between expected and actual experience for the pension plan. The second is the changes in assumptions on the OPEB liability. The third one is the difference between expected and actual experience of the OPEB liability. The fourth related to deferred property tax revenues that will be recognized in a future period.

City of Alexander City Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. 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.

City of Alexander City
Notes to Financial Statements

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 \$9,991,535 and the bank balance was \$12,441,260. All bank balances at September 30, 2020 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	\$ 2,679,876	\$ 14,508	\$ 29,445	\$ 2,723,829
Garbage receivables	228,654	-	-	228,654
Grants receivable	192,909	-	-	192,909
Other receivables	322,437	-	-	322,437
Allowance for doubtful accounts	(269,078)	-	-	(269,078)
Total	\$ 3,154,798	\$ 14,508	\$ 29,445	\$ 3,198,751

City of Alexander City
Notes to Financial Statements

Note 3: RECEIVABLES (Continued)

	Water Fund	Sewer Fund	Gas Fund	Electric Fund	Total
Business -type Activities					
Water receivables	\$1,164,099	\$ -	\$ -	\$ -	\$1,164,099
Sewer receivables	-	697,430	-	-	697,430
Gas receivables	-	-	436,988	-	436,988
Electric receivables	-	-	-	3,287,862	3,287,862
Golf receivables	-	-	-	-	-
Allowance for doubtful accounts	(369,993)	(346,209)	(296,675)	(1,021,972)	(2,034,849)
Total	\$ 794,106	\$ 351,221	\$ 140,313	\$ 2,265,890	\$ 3,551,530

Note 4: CAPITAL ASSETS

Capital asset activity for the City for the year ended September 30, 2020, was as follows:

	Balance 9/30/2019	Increases	Decreases	Balance 9/30/2020
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 4,270,404	\$ 600,369	\$ -	\$ 4,870,773
Construction in progress	127,142	8,126,412	-	8,253,554
Total capital assets, not being depreciated	4,397,546	8,726,781	-	13,124,327
Capital assets, being depreciated				
Infrastructure	10,687,655	376,559	-	11,064,214
Buildings and improvements	43,557,892	8,580,934	(155,600)	51,983,226
Equipment	19,617,499	862,794	(84,384)	20,395,909
Total capital assets, being depreciated	73,863,046	9,820,287	(239,984)	83,443,349
Less accumulated depreciation for:				
Infrastructure	4,471,424	719,174	-	5,190,598
Buildings and improvements	37,461,580	1,923,379	-	39,384,959
Equipment	15,761,628	1,121,775	-	16,883,403
Total accumulated depreciation	57,694,632	3,764,328	-	61,458,960
Total capital assets, being depreciated, net	16,168,414	6,055,959	(239,984)	21,984,389
Governmental activities capital assets, net	\$ 20,565,960	\$ 14,782,740	\$ (239,984)	\$ 35,108,716

City of Alexander City
Notes to Financial Statements

Note 4: CAPITAL ASSETS (Continued)

	Balance 9/30/2019	Increases	Decreases	Balance 9/30/2020
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	711,258	37,683	-	748,941
Improvements other than buildings	511,474	6,550	-	518,024
Utility system	113,389,458	2,112,136	-	115,501,594
Equipment	11,056,660	227,925	-	11,284,585
Total capital assets, being depreciated	125,668,850	2,384,294	-	128,053,144
Less accumulated depreciation for:				
Buildings	632,366	15,516	-	647,882
Improvements other than buildings	466,094	7,084	-	473,178
Utility system	81,294,160	2,280,942	-	83,575,102
Equipment	9,067,455	409,200	-	9,476,655
Total accumulated depreciation	91,460,075	2,712,742	-	94,172,817
Total capital assets, being depreciated, net	34,208,775	(328,448)	-	33,880,327
Business type activities capital assets, net	\$ 34,493,464	\$ (328,448)	\$ -	\$ 34,165,016

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.

City of Alexander City
Notes to Financial Statements

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:

Governmental Activities	
Unallocated	\$ 3,764,328
<hr/>	
Total depreciation expense - governmental activities	<u>\$ 3,764,328</u>
Business-type Activities	
Sewer	\$ 1,200,961
Water	844,095
Electric	428,999
Gas	192,760
Golf	45,927
<hr/>	
Total depreciation expense - business-type activities	<u>\$ 2,712,742</u>

City of Alexander City
Notes to Financial Statements

Note 5: INTERFUND TRANSFERS

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

Transfer to	Transfer from						Other Enterprise (Golf)	Total
	General	Water	Sewer	Gas	Electric			
General	\$ -	\$ 951,672	\$ 520,166	\$ 501,311	\$ 1,660,798	\$ 43,680	\$ 3,677,627	
Debt service	724,482	-	-	-	-	-	724,482	
Total	\$ 724,482	\$ 951,672	\$ 520,166	\$ 501,311	\$ 1,660,798	\$ 43,680	\$ 4,402,109	

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 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, 2020 is \$0 and the remaining discount to be accreted is \$0.

City of Alexander City Notes to Financial Statements

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 \$57,936 is outstanding at September 30, 2020.

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, 2020 are \$0 for the Series 2011-A and \$345,000 for the Series 2011-B.

In 2007 and 2011, the City issued certain G.O. Warrants on behalf of the Alexander City Board of Education (BOE) and through a funding arrangement with the BOE, the City was responsible for servicing the debt on these warrants. During the year ended September 30, 2020, the BOE separately issued Series 2020 School Tax Warrants and a portion of the proceeds from that issuance along with internal funds were used to defease the City's Series 2007-Capital Appreciation and Series 2011-A G.O. Warrants. Due to this defeasance, the City removed the Series 2007-Capital Appreciation and Series 2011-A G.O. Warrants from its financial statements.

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, 2020 is \$200,000 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, 2020, the City took advances in the amount of \$6,391,500. The outstanding balance at September 30, 2020 is \$8,961,685.

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, 2020 was \$346.

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
2021	\$ 760,772	\$ 252,263	\$ 1,013,035
2022	363,864	228,890	592,754
2023	373,848	218,906	592,754
2024	7,866,137	122,976	7,989,113
2025	-	-	-
Thereafter	-	-	-
Total	\$ 9,364,621	\$ 823,035	\$ 10,187,656

General obligation warrants currently outstanding are as follows:

Series	Purpose	Maturity Date	Interest Rates	Amount
Governmental Activities				
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%	\$ 345,000
G.O. Warrants, Series 2001, dated 2/12/01	Fund portion of land purchased for an industrial park	2/1/2021	6.50%	57,936
G.O. Warrants, Series 2019, dated 4/22/2019	Fund purchase and improvements on a new City Hall facility	5/1/2024	2.71%	8,961,685
Total G.O. Warrants				9,364,621
Deferred amount on refunding				(346)
Unamortized premiums				(373)
Total				\$ 9,363,902

**City of Alexander City
Notes to Financial Statements**

Note 6: LONG-TERM DEBT (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation warrants	\$ 15,658,727	\$ 6,391,500	\$ (12,685,606)	\$ 9,364,621	\$ 760,772
Deferred amounts on refunding	(114,686)	-	114,340	(346)	-
Unamortized premiums	10,346	-	(10,719)	(373)	-
Unamortized discounts	(1,502,352)	-	1,502,352	-	-
Total general obligation warrants	14,052,035	6,391,500	(11,079,633)	9,363,902	760,772
Capital lease obligation	78,076	-	(39,038)	39,038	39,038
AMEA loan	400,000	-	(200,000)	200,000	200,000
Accrued sick leave	228,591	27,021	-	255,612	-
Compensated absences	574,138	-	(3,371)	570,767	-
Governmental activities long-term liabilities	\$ 15,332,840	\$ 6,418,521	\$ (11,322,042)	\$ 10,429,319	\$ 999,810

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 \$202,678, which includes sick accrual of \$97,698.

Note 7: LEASE OBLIGATIONS

Operating Leases

The City was not obligated on any significant operating leases as of September 30, 2020.

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.

City of Alexander City
Notes to Financial Statements

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	\$ 52,252	\$ 143,688
Total	\$ 195,940	\$ 52,252	\$ 143,688

<i>For the year ended September 30, 2020</i>	Governmental Activities
Total minimum lease payments	\$ 42,844
Less amount representing interest	(3,806)
Present value of minimum lease payments	\$ 39,038

Note 8: DEFINED BENEFIT PENSION PLAN

Plan Description

The Employees' Retirement System of Alabama (ERS, an agency multiple-employer public employee retirement plan, was established October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide 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). The *Code of Alabama 1975, Title 36, Chapter 27* 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 *Code of Alabama 1975, Section 36-27-6*.

Benefits Provided

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

**City of Alexander City
Notes to Financial Statements**

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 907 local participating employers. The ERS membership includes approximately 93,986 participants. As of September 30, 2019, membership consisted of:

Retirees and beneficiaries currently receiving benefits	25,871
Terminated employees entitled to, but not yet receiving benefits	1,794
Terminated employees not entitled to a benefit	11,001
Active members	55,222
Post-Drop participants who are still in active service	98
<hr/>	
Total	93,986

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, 2020, the City's active employee contribution rate was 8.14% of covered payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 8.94% of pensionable payroll.

City of Alexander City
Notes to Financial Statements

Note 8: DEFINED BENEFIT PENSION PLAN (Continued)

Contributions (Continued)

The City's contractually required contribution rate for the year ended September 30, 2020 was 9.86% of pensionable pay for Tier 1 employees, and 6.65% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2017, 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 \$1,104,251 for the year ended September 30, 2020.

Net Pension Liability

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

	TPL Roll Forward	
	Expected	Actual
(a) Total Pension Liability as of September 30, 2018	\$48,731,491	\$48,200,781
(b) Discount Rate	7.70%	7.70%
(c) Entry Age Normal Cost for October 1, 2018 – September 30, 2019 (b)	1,061,429	1,061,429
(d) Transfers Among Employers	-	(124,109)
(e) Actual Benefit Payment and Refunds for October 1, 2018 – September 30, 2019 (c)	(2,533,074)	(2,533,074)
Total Pension Liability as of September 30, 2019 [(a) x (1+(b))] + (c) + (d) + [(e)*(1+.5*(b))]	\$50,914,647	\$50,218,963
Difference		
(g) Between Expected and Actual		\$ (695,684)
(h) Less Liability Transferred for Immediate Recognition		(124,109)
(i) Experience (Gain)/Loss = (g) -(h)		<u>\$ (571,575)</u>

City of Alexander City
Notes to Financial Statements

Note 8: DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions

The total pension liability as of September 30, 2019 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2018. The key actuarial assumptions are summarized below:

Inflation	2.75%
Projected 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 Equivalents	3.00%	1.50%
Total	100.00%	

* Includes assumed rate of inflation of 2.50%.

City of Alexander City
Notes to Financial Statements

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

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at September 30, 2018	\$ 48,731,491	\$ 40,260,942	\$ 8,470,549
Changes for the year			
Service cost	1,061,429	-	1,061,429
Interest	3,654,801	-	3,654,801
Changes in assumptions	-	-	-
Difference between expected and actual experience	(571,575)	-	(571,575)
Contributions – employer	-	1,062,091	(1,062,091)
Contributions – employee	-	747,150	(747,150)
Net investment income	-	1,022,938	(1,022,938)
Benefit payments, including refunds of employee contributions	(2,533,074)	(2,533,074)	-
Transfers among employers	(124,109)	(124,109)	-
Net changes	1,487,472	174,996	1,312,476
Balances at September 30, 2019	\$ 50,218,963	\$ 40,435,938	\$ 9,783,025

City of Alexander City
Notes to Financial Statements

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	\$ 15,540,200	\$ 9,783,025	\$ 4,903,969

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2019. The 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, 2020, the City recognized pension expense of \$1,437,689. At September 30, 2020, 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	\$ 302,337	\$ 513,094
Changes of assumptions	876,275	-
Net difference between projected and actual earnings on plan investments	488,267	-
Employer contributions subsequent to the measurement date	1,458,273	-
Total	\$ 3,125,152	\$ 513,094

**City of Alexander City
Notes to Financial Statements**

Note 8: DEFINED BENEFIT PENSION PLAN (Continued)

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

\$1,458,273 reported as deferred outflows of resources related to pensions resulting from System contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the years ending September 30,

2021	\$ 105,107
2022	226,857
2023	522,912
2024	411,574
2025	(52,950)
Thereafter	(59,715)
Total	\$ 1,153,785

Note 9: OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City provides certain continuing health care and life insurance 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).

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, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	6
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	297
<hr/>	
Total employees covered by benefit terms	303

Total OPEB Liability

The City's total OPEB liability of \$1,187,020 was measured as of September 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and other inputs – The total OPEB liability in the September 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% annually
Salary increases	4.00% annually
Discount rate	2.66% annually (Beginning of Year to Determine ADC) 2.21%, annually (As of End of Year Measurement Date)
Healthcare cost trend rates	Flat 5.5% annually
Mortality	SOA RP-2000 Table

The discount rate was based on the Bond Buyers' 20 Year General Obligation municipal bond index as of September 30, 2020, the end of the applicable measurement period.

The actuarial assumptions used in the October 1, 2020 valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2009 to September 30, 2020.

City of Alexander City
Notes to Financial Statements

Note 9: OTHER POST-EMPLOYMENT BENEFITS (Continued)

Changes in the Total OPEB Liability

Balances at September 30, 2019	\$ 1,062,855
Changes for the year:	
Service cost	57,997
Interest	28,027
Difference between expected and actual experience	(1,573)
Change in assumptions	58,110
Benefit payments and net transfers	(18,396)
Net changes	124,165
Balances at September 30, 2020	\$ 1,187,020

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21%) or 1-percentage-point higher (3.21%) than the current discount rate:

	1% Decrease (1.21%)	Current Discount (2.21%)	1% Increase (3.21%)
Total OPEB Liability	\$ 1,396,671	\$ 1,187,020	\$ 1,012,039

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	\$ 1,007,923	\$ 1,187,020	\$ 1,400,523

City of Alexander City
Notes to Financial Statements

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, 2020, the City recognized OPEB expense of \$110,090. At September 30, 2020, 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	\$ 26,707	\$ 5,004
Changes of assumptions	137,060	30,351
Total	\$ 163,767	\$ 35,355

The above deferred inflows and outflows of resources are shared between the City and the Business-Type Activities. The City has allocated 32.06%, or \$52,504 of deferred outflows to the Business-Type Activities. The City allocated 32.06% or \$11,335 of deferred inflows 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,

2021		\$ 24,066
2022		24,066
2023		24,066
2024		24,066
2025		24,066
Thereafter		8,082
Total		\$ 128,412

City of Alexander City Notes to Financial Statements

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.

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.

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 March 30, 2023 in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.



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, 2020</i>	Original and Final Budget	Actual on the Budgetary Basis*	Variance with Final Budget Positive (Negative)
Revenues			
Sales and use taxes	\$ 10,304,451	\$ 11,693,425	\$ 1,388,974
Property taxes	1,489,500	1,480,843	(8,657)
Other taxes	1,212,600	1,341,529	128,929
Licenses and permits	2,003,300	2,264,761	261,461
Intergovernmental	289,700	705,311	415,611
Charges for services	3,154,200	3,147,925	(6,275)
Fines and forfeitures	532,000	401,709	(130,291)
Interest	10,700	7,317	(3,383)
Other revenues	103,500	1,089,323	985,823
Total revenues	19,099,951	22,132,143	3,032,192
Expenditures			
General government	5,240,430	5,023,298	217,132
Public safety	8,967,560	9,321,211	(353,651)
Public works	3,992,116	2,694,663	1,297,453
Sanitation	1,283,686	1,295,636	(11,950)
Education	892,000	1,033,612	(141,612)
Health	168,400	178,061	(9,661)
Culture, recreation and welfare	2,042,870	2,013,222	29,648
Debt service:			
Debt retirement	422,000	600,954	(178,954)
Interest and fiscal agent fees	157,450	180,160	(22,710)
Capital outlay	1,879,591	2,720,656	(841,065)
Total expenditures	25,046,103	25,061,473	(15,370)
Excess of revenues over expenditures	(5,946,151)	(2,929,330)	3,016,822
Other Financing Sources (Uses)			
Transfers in	6,121,100	3,677,627	(2,443,473)
Transfers (out)	(3,483,800)	(724,482)	2,759,318
Sale of fixed assets	-	239,984	239,984
Total other financing sources (uses)	2,637,300	3,193,129	555,829
Net change in fund balance	(3,308,851)	263,799	3,572,650
Fund balance at beginning of year	(5,446,865)	(5,446,865)	-
Fund balance at end of year	\$ (8,755,716)	\$ (5,183,066)	3,572,650

* 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>	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 1,061,429	\$ 1,002,112	\$ 1,016,187	\$ 1,021,864	\$ 992,440	\$ 986,615
Interest	3,654,801	3,491,548	3,304,229	3,125,534	2,951,516	2,796,079
Differences between expected and actual experience	(571,575)	101,438	326,006	(63,837)	212,870	-
Changes of assumptions	-	254,472	-	1,662,939	-	-
Benefit payments, including refunds of employee contributions	(2,533,074)	(2,294,948)	(2,230,935)	(2,073,469)	(1,889,734)	(1,789,726)
Transfer among employees	(124,109)	(22,831)	33,537	(28,261)	-	-
Net change in total pension liability	1,487,472	2,531,791	2,449,024	3,644,770	2,267,092	1,992,968
Total pension liability - beginning	48,731,491	46,199,700	43,750,676	40,105,906	37,838,814	35,845,846
Total pension liability - ending (a)	50,218,963	48,731,491	46,199,700	43,750,676	40,105,906	37,838,814
Plan Fiduciary Net Position						
Contributions - employer	1,062,091	942,477	964,886	1,044,934	1,012,224	989,450
Contributions - employee	747,150	692,903	670,189	683,431	672,566	605,498
Net investment income	1,022,938	3,439,316	4,288,889	3,139,245	365,387	3,328,303
Benefit payments, including refunds of employee contributions	(2,533,074)	(2,294,948)	(2,230,935)	(2,073,469)	(1,889,734)	(1,789,726)
Transfers among employers	(124,109)	(22,831)	33,537	(28,261)	(99,813)	(38,130)
Net change in plan fiduciary net position	174,996	2,756,917	3,726,566	2,765,880	60,630	3,095,395
Plan net position at beginning of year	40,260,942	37,504,025	33,777,459	31,011,579	30,950,949	27,855,553
Plan net position at end of year (b)	40,435,938	40,260,942	37,504,025	33,777,459	31,011,579	30,950,948
Net pension liability (asset) at end of year (a) - (b)	\$ 9,783,025	\$ 8,470,549	\$ 8,695,675	\$ 9,973,217	\$ 9,094,327	\$ 6,887,866
Plan fiduciary net position as a percentage of total pension liability	80.52%	82.62%	81.18%	77.20%	77.32%	81.80%
Covered payroll *	\$ 13,124,812	\$ 12,740,562	\$ 12,412,025	\$ 12,360,091	\$ 11,943,039	\$ 11,060,696
Net pension liability as a percentage of covered payroll	74.54%	66.48%	70.06%	80.69%	76.15%	62.27%

*Employer's covered payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For FY 2020, the measurement period is October 1, 2018 – September 30, 2019.

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,	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,104,251	\$ 1,073,521	\$ 1,012,341	\$ 970,591	\$ 1,029,820	\$ 1,049,571
Contributions in relation to actuarially determined contribution	1,104,251	1,073,521	1,012,341	970,591	1,029,820	1,049,571
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll *	\$ 13,571,714	\$ 13,124,812	\$ 12,740,562	\$ 12,412,025	\$ 12,360,091	\$ 11,943,039
Contributions as a percentage of covered payroll	8.14%	8.18%	7.95%	7.82%	8.33%	8.79%

*Employer's covered payroll for FY 2020 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,	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 57,997	\$ 38,965	\$ 39,774
Interest	28,027	35,270	29,469
Difference between expected and actual experience	(1,573)	37,391	72,336
Change in assumptions	58,110	122,150	(44,951)
Benefit payments and net transfers	(18,396)	(29,403)	(122,627)
Net changes in total OPEB Liability	124,165	204,373	(25,999)
Total OPEB liability at beginning of year	1,062,855	858,482	884,481
Total OPEB liability at end of year	\$ 1,187,020	\$ 1,062,855	\$ 858,482
Covered employee payroll	12,979,494	12,480,282	12,000,272
Total OPEB liability as a percentage of covered employee payroll	9.15%	8.52%	7.15%

*Employer's covered payroll during the measurement period is the total payroll paid to covered employees. For FY 2020, the measurement period is October 1, 2018 – September 30, 2019.

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,	2020	2019	2018
Actuarially determined contribution	\$ 109,867	\$ 89,702	\$ 88,348
Contributions in relation to actuarially determined contribution	18,396	29,403	122,627
Contribution deficiency (excess)	\$ 91,471	\$ 60,299	\$ (34,279)
Covered payroll *	\$ 12,979,494	\$ 12,480,282	\$ 12,000,272
Contributions as a percentage of covered payroll	0.14%	0.24%	1.02%

* Employer's covered payroll during FY 2020 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.

City of Alexander City
Notes to Required Supplementary Information

Note 1: 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, 2019.

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, 2020 were 9.86% for Tier 1 employees (hired before January 1, 2013) and 6.65% 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.

City of Alexander City
Notes to Required Supplementary Information

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, 2020.

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 2020 were based on the September 30, 2017 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	19.8 years
Actuarial Assumptions:	
Inflation	2.75%
Investment Rate of Return	7.70%, net of pension plan investments, including inflation
Projected Salary Increases	3.25%-5.00%, including inflation

City of Alexander City
Notes to Required Supplementary Information

Note 7: ACTUARIAL ASSUMPTIONS – OPEB

Measurement date	9/30/2020 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	4.0% annually
Discount rate	2.66% annually (Beginning of Year to Determine ADC) 2.21% 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; the retirement eligibility for Tier I members are not extended to Tier II members.
Mortality	RP-2000 combined mortality without projection
Turnover	Age specific table with an average of 9% when applied to the active census

Benefit Changes

There were no benefit changes.

Changes in Actuarial Assumptions

	2020	2019	2018
Discount rate:	2.21%	2.66%	4.18%
Mortality:	RP-2000	RP-2000	RP-2000
Trend:	5.5%	5.5%	5.5%



SUPPLEMENTARY INFORMATION



City of Alexander City
Combining Balance Sheets—
Nonmajor Governmental Funds
September 30, 2020

<i>September 30, 2020</i>	Special Revenue Street Maintenance Gasoline Tax Fund	Total
Assets		
Cash and cash equivalents	\$ 61,195	\$ 61,195
Restricted cash and cash equivalents	211,011	211,011
Receivables	29,445	29,445
Total assets	\$ 301,651	\$ 301,651
Liabilities		
Accounts payable and accrued expenses	\$ 3,610	\$ 3,610
Total liabilities	3,610	3,610
Fund Balance		
Restricted for Road improvements	298,041	298,041
Total fund balance	298,041	298,041
Total liabilities and fund balance	\$ 301,651	\$ 301,651

City of Alexander City
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances—Nonmajor Governmental Funds
September 30, 2020

<i>September 30, 2020</i>	Special Revenue Street Maintenance Gasoline Tax Fund	Total
Revenues		
Other taxes	\$ 251,166	\$ 251,166
Interest	311	311
Total revenues	251,477	251,477
Expenditures		
Public works	104,093	104,093
Total expenditures	104,093	104,093
Excess (deficiency) of revenues over (under) expenditures	147,384	147,384
Net change in fund balance	147,384	147,384
Fund balance at beginning of year	150,657	150,657
Fund balance at end of year	\$ 298,041	\$ 298,041

**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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 30, 2023. 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: 2020-001, 2020-002, 2020-005, 2020-006, 2020-007, and 2020-008.

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: 2020-003, 2020-004 and 2020-010.

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 2020-009.

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
March 30, 2023

2020-001: Lack of Internal Controls over Financial Reporting Process (Prior Year Finding Still Applicable)

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. Timely 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.

2020-002: 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.

2020-003: Limit Access to Sensitive Information Technology (IT) Systems (Prior Year Finding Still Applicable)

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 FY23.

2020-004: 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 2023 year end.

2020-005: 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 orders 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.

2020-006: 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.

2020-007: 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.

2020-008: 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 this finding Budget reports have been 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.

2020-009: 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.

2020-010: 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.