



City of Brundidge, Alabama

FINANCIAL STATEMENTS

September 30, 2022





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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members
of the City Council
City of Brundidge, Alabama

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

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 the City of Brundidge, Alabama (the "City"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Qualified Opinion on the Discretely Presented Component Unit

In our opinion, except for the effects of the matter discussed in the Basis for Qualified and Unmodified Opinion on the Discretely Presented Component Unit section of our report, the financial statements referred to above present fairly in all material respects, the financial position of the discretely presented component units of the City as of September 30, 2022, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Governmental Activities, Business-type Activities, Each Major Fund and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining information of the City of Brundidge, Alabama as of September 30, 2022, 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.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's

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

Matter Giving Rise to Qualified Opinion on the Discretely Presented Component Unit

The financial statements of the Brundidge Industrial Development Board have not been audited, and we were not engaged to audit the Brundidge Industrial Development Board's financial statements as part of our audit of the City's basic financial statements. The Brundidge Industrial Development Board's financial activities are included in the City's basic financial statements as a discretely presented component unit.

Responsibilities of Management 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosure in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing

an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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.

Accounting principles generally accepted in the United States of America also require that the schedule of changes in net pension liability and related ratios on page 57 and schedule of employer contributions on page 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

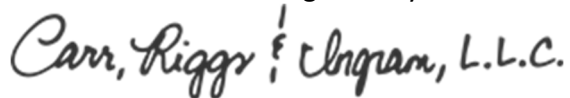
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and

other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements is 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 January 6, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Carr, Riggs & Ingram, L.L.C." with a stylized flourish at the end.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama
January 6, 2023

City of Brundidge
Statement of Net Position

<i>September 30, 2022</i>	Primary Government			Industrial Development Board (Unaudited)
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 1,379,605	\$ 1,405,416	\$ 2,785,021	\$ 17,063
Certificates of deposit	406,130	1,040,524	1,446,654	20,675
Receivables, net	335,921	784,252	1,120,173	-
Lease receivable	47,860	-	47,860	-
Prepaid items	51,519	21,189	72,708	-
Internal balances	18,199	(18,199)	-	-
Inventories	5,034	490,384	495,418	-
Restricted assets				
Cash and cash equivalents	71,637	-	71,637	-
Investments	-	385,461	385,461	-
Other assets	22,545	28,281	50,826	-
Net pension asset	573,853	455,193	1,029,046	
Capital assets				
Non-depreciable	2,458,380	60,801	2,519,181	169,544
Depreciable, net	3,221,511	9,624,809	12,846,320	4,948,211
Total assets	8,592,194	14,278,111	22,870,305	5,155,493
Deferred Outflows of Resources				
Deferred outflows on refunding	-	166,342	166,342	-
Deferred outflows related to pensions	198,656	127,908	326,564	-
Total deferred outflows of resources	198,656	294,250	492,906	-

(Continued)

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

City of Brundidge
Statement of Net Position (Continued)

<i>September 30, 2022</i>	Primary Government			Industrial Development Board (Unaudited)
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Accounts payable	176,599	420,877	597,476	-
Accrued liabilities	34,472	17,356	51,828	-
Customer deposits	-	156,857	156,857	-
Unearned revenue	146,632	-	146,632	-
Liabilities related to restricted assets				
Accrued interest	-	40,946	40,946	-
Non-current liabilities				
Due within one year				
Compensated absences	86,714	86,764	173,478	-
Notes payable	-	-	-	3,135,296
Bonds and revenue warrants	15,952	520,000	535,952	-
Due in more than one year				
Bonds and revenue warrants	335,847	6,065,517	6,401,364	-
Total liabilities	796,216	7,308,317	8,104,533	3,135,296
Deferred Inflows of Resources				
Deferred inflows related to leases	46,371	-	46,371	-
Deferred inflows related to pensions	721,113	471,989	1,193,102	-
Total deferred inflows of resources	767,484	471,989	1,239,473	-
Net Position				
Net investment in capital assets	5,328,092	3,266,435	8,594,527	-
Restricted for				
Debt service	-	385,461	385,461	-
Capital improvements	71,251	-	71,251	-
Court	386	-	386	-
Fire department	48,063	-	48,063	-
Highways and streets	630,311	-	630,311	-
Library	18,043	-	18,043	-
Unrestricted	1,131,004	3,140,159	4,271,163	2,020,197
Total net position	\$ 7,227,150	\$ 6,792,055	\$ 14,019,205	\$ 2,020,197

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

City of Brundidge Statement of Activities

For the year ended September 30, 2022

Program Revenues

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$ 744,516	\$ 102,908	\$ 299,026	\$ -
Public safety	865,521	16,797	12,279	-
Sanitation and recycling	162,608	153,244	-	-
Health and welfare	73,614	-	29,200	-
Culture and recreation	361,147	5,559	38,154	-
Highways and streets	652,849	-	30,466	-
Interest	13,350	-	-	-
Total governmental activities	2,873,605	278,508	409,125	-
Business-type Activities:				
Electric	4,647,336	6,130,709	-	-
Sewer	912,597	1,326,899	-	25,564
Water	523,196	650,146	-	18,730
Miscellaneous	-	21,382	-	-
Amortization	4,938	-	-	-
Interest	190,118	8,829	-	-
Total business-type activities	6,278,185	8,137,965	-	44,294
Total primary government	\$ 9,151,790	\$ 8,416,473	\$ 409,125	\$ 44,294
Component Unit				
Industrial Development Board	\$ 365,832	\$ -	\$ -	\$ 563,873
General revenues and transfers				
Taxes				
Property taxes				
Sales taxes				
Gas taxes				
Other taxes				
Rental income				
Interest income				
Other revenues				
Transfers, net				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year (as originally reported)				
Prior period adjustment				
Net position, beginning of year				
Net position, end of year				

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Industrial Development Board (Unaudited)
Governmental Activities	Business-type Activities	Total	
\$ (342,582)	\$ -	\$ (342,582)	\$ -
(836,445)	-	(836,445)	-
(9,364)	-	(9,364)	-
(44,414)	-	(44,414)	-
(317,434)	-	(317,434)	-
(622,383)	-	(622,383)	-
(13,350)	-	(13,350)	-
(2,185,972)	-	(2,185,972)	-
-	1,483,373	1,483,373	-
-	439,866	439,866	-
-	145,680	145,680	-
-	21,382	21,382	-
-	(4,938)	(4,938)	-
-	(181,289)	(181,289)	-
-	1,904,074	1,904,074	-
(2,185,972)	1,904,074	(281,898)	-
-	-	-	198,041
241,205	-	241,205	-
759,383	-	759,383	-
131,805	-	131,805	-
458,312	-	458,312	-
40,704	-	40,704	-
4,573	-	4,573	39
161,312	-	161,312	27,544
928,185	(928,185)	-	-
2,725,479	(928,185)	1,797,294	27,583
539,507	975,889	1,515,396	225,624
6,686,635	5,816,166	12,502,801	1,794,573
1,008	-	1,008	-
6,687,643	5,816,166	12,503,809	1,794,573
\$ 7,227,150	\$ 6,792,055	\$ 14,019,205	\$ 2,020,197

City of Brundidge
Balance Sheet – Governmental Funds

<i>September 30, 2022</i>	General	Nonmajor Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 999,211	\$ 380,394	\$ 1,379,605
Certificates of deposit	102,985	303,145	406,130
Restricted cash and cash equivalents	71,637	-	71,637
Receivables, net	323,043	12,878	335,921
Due from other funds	18,199	-	18,199
Inventory	5,034	-	5,034
Other assets	22,545	-	22,545
Total assets	\$ 1,542,654	\$ 696,417	\$ 2,239,071
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 176,599	\$ -	\$ 176,599
Accrued liabilities	34,472	-	34,472
Unearned revenue	146,632	-	146,632
Total liabilities	357,703	-	357,703
Fund Balances			
Nonspendable	5,034	18,043	23,077
Restricted	71,637	678,374	750,011
Committed	4,530	-	4,530
Unassigned	1,103,750	-	1,103,750
Total fund balances	1,184,951	696,417	1,881,368
Total liabilities and fund balances	\$ 1,542,654	\$ 696,417	\$ 2,239,071

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

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

September 30, 2022

Total fund balances - governmental funds		\$ 1,881,368
Amounts reported for governmental activities in the statement of net position are different because:		
Prepaid expenses are recorded as expenditures in governmental funds when paid rather than assets until consumed, as reported on the statement of net position.		51,519
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	10,322,780	
Less accumulated depreciation	(4,642,889)	5,679,891
Lease related receivables and deferred inflow of resources are not recognized in governmental funds; however, they are recorded in the statement of net position under full accrual accounting.		
Lease receivable	47,860	
Deferred inflows	(46,371)	1,489
Pension related deferred outflow and inflow of resources and net pension asset are not recognized in governmental funds; however, they are recorded in the statement of net position under full accrual accounting.		
Deferred outflows	198,656	
Deferred inflows	(721,113)	
Net pension asset	573,853	51,396
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	(86,714)	
Revenue warrants	(351,799)	(438,513)
Net position of governmental activities		\$ 7,227,150

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

City of Brundidge

**Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds**

<i>For the year ended September 30, 2022</i>	General	Nonmajor Funds	Total Governmental Funds
Revenues			
Taxes	\$ 1,293,910	\$ 148,061	\$ 1,441,971
Fees and fines	16,797	-	16,797
Licenses and permits	251,642	-	251,642
Intergovernmental	409,125	-	409,125
Charges for services	158,803	-	158,803
Investment earnings	1,672	1,267	2,939
Rental income	41,857	-	41,857
Miscellaneous	160,814	498	161,312
Total revenues	2,334,620	149,826	2,484,446
Expenditures			
Current			
General government	746,623	-	746,623
Public safety	835,081	-	835,081
Highways and streets	619,423	-	619,423
Sanitation and recycling	156,597	-	156,597
Health and welfare	57,920	-	57,920
Culture and recreation	330,811	-	330,811
Debt service			
Principal	27,564	-	27,564
Interest	13,350	-	13,350
Capital outlay	315,987	-	315,987
Total expenditures	3,103,356	-	3,103,356
Excess (deficiency) of revenues over expenditures	(768,736)	149,826	(618,910)
Other Financing Sources (Uses)			
Transfers in (out)	944,759	(16,574)	928,185
Net change in fund balances	176,023	133,252	309,275
Fund balances, beginning of year	1,008,928	563,165	1,572,093
Fund balances, end of year	\$ 1,184,951	\$ 696,417	\$ 1,881,368

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

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

For the year ended September 30, 2022

Net change in fund balances - total governmental funds	\$	309,275
Amounts reported for governmental activities in the Statement of Activities are different because:		
Prepaid expenses reported as expenditures in governmental funds are allocable to future accounting periods and therefore are not reported as expenses in the statement of activities.		1,346
Governmental funds report outlays for capital assets as expenditures at the acquisition date. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital assets aquired in current year		315,987
Depreciation expense on capital assets		(278,963)
Change in lease receivable and deferred inflows related to leases does not require current financial resources and is not reported in the governmental funds.		481
Repayment of debt principal is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net position.		27,564
Change in deferred outflows and inflows related to pension asset does not require current financial resources and is not reported in the governmental funds.		171,856
Compensated absences are reported in the statement of activities when earned. They do not require the use of current financial resources and are not reported as expenditures on governmental funds until they mature. This is the amount of compensated absences reported in the statement of activities in the prior year that matured in the current year.		(8,039)
Change in net position of governmental activities	\$	539,507

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

City of Brundidge

**Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund**

<i>For the year ended September 30, 2022</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 1,032,000	\$ 1,210,702	\$ 1,293,910	\$ 83,208
Fees and fines	19,000	15,000	16,797	1,797
Licenses and permits	215,850	215,850	251,642	35,792
Intergovernmental	469,686	611,316	409,125	(202,191)
Charges for services	128,250	144,097	158,803	14,706
Interest	500	500	1,672	1,172
Rental income	31,800	38,000	41,857	3,857
Miscellaneous	20,600	119,048	160,814	41,766
Total revenues	1,917,686	2,354,513	2,334,620	(19,893)
Expenditures				
Current				
General government	790,180	798,049	746,623	51,426
Public safety	931,627	939,627	835,081	104,546
Highways and streets	600,618	651,350	619,423	31,927
Sanitation and recycling	124,750	150,950	156,597	(5,647)
Health and welfare	77,297	71,797	57,920	13,877
Culture and recreation	349,516	358,664	330,811	27,853
Debt service				
Principal	27,547	27,547	27,564	(17)
Interest	13,174	13,174	13,350	(176)
Capital outlay	648,095	673,135	315,987	357,148
Total expenditures	3,562,804	3,684,293	3,103,356	580,937
Excess (deficiency) of revenues over expenditures	(1,645,118)	(1,329,780)	(768,736)	561,044
Other Financing Sources				
Transfers in	1,715,206	1,415,206	944,759	(470,447)
Net change in fund balances	70,088	85,426	176,023	90,597
Fund balances, beginning of year	1,008,928	1,008,928	1,008,928	-
Fund balances, end of year	\$ 1,079,016	\$ 1,094,354	\$ 1,184,951	\$ 90,597

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

City of Brundidge
Statement of Net Position – Proprietary Fund

<i>September 30, 2022</i>	Utilities Department
Assets	
Current assets	
Cash and cash equivalents	\$ 1,405,416
Certificates of deposit	1,040,524
Receivables, net	784,252
Inventory	490,384
Prepaid items	21,189
Total current assets	3,741,765
Noncurrent assets	
Restricted assets	
Investments	385,461
Other assets	28,281
Net pension asset	455,193
Capital assets, net of depreciation	9,685,610
Total noncurrent assets	10,554,545
Total assets	14,296,310
Deferred Outflows of Resources	
Deferred outflows on refunding	166,342
Deferred outflows related to pensions	127,908
Total deferred outflows of resources	294,250
Liabilities	
Current liabilities	
Accounts payable	420,877
Due to other funds	18,199
Accrued liabilities	17,356
Customer deposits	156,857
Compensated absences	86,764
Current portion of utility revenue warrants	520,000
Total current liabilities	1,220,053
	(Continued)

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

City of Brundidge
Statement of Net Position – Proprietary Fund (Continued)

<i>September 30, 2022</i>	Utilities Department
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Liabilities payable from restricted assets	
Accrued interest	40,946
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Noncurrent liabilities	
Utility revenue warrants due after one year	6,065,517
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Total liabilities	7,326,516
<hr/>	
Deferred Inflows of Resources	
Deferred inflows related to pensions	471,989
<hr/>	
Net Position	
Net investment in capital assets	3,266,435
Restricted for debt service	385,461
Unrestricted	3,140,159
<hr/>	
Total net position	\$ 6,792,055
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The accompanying notes are an integral part of these financial statements.

City of Brundidge
Statement of Revenues, Expenses and Changes in Net Position -
Proprietary Fund

<i>For the year ended September 30, 2022</i>	Utilities Department
Operating Revenues	
Electric	\$ 6,130,709
Sewer	1,326,899
Water	650,146
<hr/>	
Total operating revenues	8,107,754
Operating Expenses	
Cost of sales and service	3,807,280
Administration	1,413,910
Repairs and maintenance	321,213
Depreciation	520,008
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Total operating expenses	6,062,411
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Operating Income	2,045,343
Nonoperating Revenues (Expenses)	
Interest income	8,829
Miscellaneous	21,382
Loss on disposal of assets	(20,718)
Grants	44,294
Interest expense	(190,118)
Amortization	(4,938)
<hr/>	
Total nonoperating revenue (expenses)	(141,269)
<hr/>	
Income Before Transfers	1,904,074
Transfers out	(928,185)
<hr/>	
Change in net position	975,889
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Net position, beginning of year	5,816,166
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Net position, end of year	\$ 6,792,055
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The accompanying notes are an integral part of these financial statements.

City of Brundidge
Statement of Cash Flows – Proprietary Fund

<i>For the year ended September 30, 2022</i>	<i>Utilities Department</i>
Operating Activities	
Cash received from customers and users	\$ 8,064,603
Cash payments to suppliers	(4,869,781)
Cash payments to employees	(825,783)
<hr/>	
Net cash provided by operating activities	2,369,039
Noncapital Financing Activities	
Other receipts	26,730
Grants	41,538
Cash transfers to other funds	(928,185)
<hr/>	
Net cash used in noncapital financing activities	(859,917)
Capital and Related Financing Activities	
Principal paid on revenue warrants	(560,000)
Interest paid on debt	(174,789)
Acquisition of capital assets	(96,615)
<hr/>	
Net cash used in capital and related financing activities	(831,404)
Investing Activities	
Proceeds from sales/maturity of investments	536,116
Purchases of investments	(543,185)
Interest income	8,829
<hr/>	
Net cash provided by investing activities	1,760
<hr/>	
Net increase in cash and cash equivalents	679,478
Cash and cash equivalents, beginning of year	725,938
<hr/>	
Cash and cash equivalents, end of year	\$ 1,405,416
<hr/> <hr/>	

(Continued)

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

City of Brundidge
Statement of Cash Flows – Proprietary Fund (Continued)

<i>For the year ended September 30, 2022</i>	Utilities Department
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 2,045,343
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	520,008
Changes in assets, deferred outflows, liabilities and deferred inflows	
(Increase) decrease in assets and deferred outflows	
Receivables	(50,115)
Inventory	(86,284)
Prepaid items	(2,430)
Deferred outflows related to pensions	26,382
Net pension asset	(505,252)
Increase (decrease) in liabilities and deferred inflows	
Accounts payable	75,768
Accrued liabilities	(27,809)
Deferred inflows related to pensions	354,662
Customer deposits	6,964
Compensated absences	11,802
Total adjustments	323,696
Net cash provided by operating activities	\$ 2,369,039

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

City of Brundidge Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Brundidge, Alabama (the “City”), was incorporated in 1890 under the provisions of the State of Alabama. The City has the following services: public safety, public utilities, highways and streets, sanitation, senior activities, library services and general administrative services.

Reporting Entity

The City is a municipal corporation governed by an elected mayor and five-member governing council (the “Council”). The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the primary government’s operations even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applied to governmental units. The more significant accounting policies used by the City are described below.

In evaluating the City as a reporting entity, management has considered all potential component units in accordance with Section 2100: *Defining the Financial Reporting Entity* of the Governmental Accounting Standards Board (GASB) Codification. The City reported no blended component units.

Discretely Presented Component Unit

The Brundidge Industrial Development Board (the “Board”) strives to bring economic development to the City. The citizens who serve on the Governing Board are appointed by the City Council and the City has guaranteed a portion of the Board’s debt. Refer to Note 7 for details of the Guaranty Agreement.

Related Organizations

The Brundidge Solid Waste Authority (the “Authority”) was established to provide for the collection and disposal of solid waste and to encourage the planning of solid waste collection, disposal and resource recovery activities. The citizens who serve on the Board of the Authority are appointed by the City Council. During the fiscal year ended September 30, 2017, the Authority became inactive and all assets and liabilities were transferred to the City.

The Brundidge Housing Authority administers federal funding and/or other financing for improvement of housing conditions in the City. The citizens who serve on the Governing Board are appointed by the Mayor. The City has no significant influence over the management, budget, or policies of Brundidge Housing Authority. The Brundidge Housing Authority reports independently. Audited financial statements are available from the Brundidge Housing Authority. The Housing Authority is excluded from the financial reporting entity because the City’s accountability does not extend beyond making appointments.

City of Brundidge Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 there is an enforceable legal claim. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, considered to be sixty days for property taxes and ninety days for all other revenue. 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. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

City of Brundidge Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

Proprietary funds are reported using the *economic resources measurement* focus and the *accrual basis of accounting*.

Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds.

As discussed earlier, the City has one discretely presented component unit, the Industrial Development Board, which is shown in a separate column in the government-wide financial statements.

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 where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's utilities and sanitation services functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for governmental fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental fund:

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.

City of Brundidge Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (continued)

The City reports the following major enterprise fund:

The *Utilities Department* accounts for the operations of the Utilities Department (electric, sewer, and water).

Additionally, the City reports the following fund types:

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

Four and Five Cent State Gasoline Tax Fund, Seven Cent State Gasoline Tax Fund and Rebuild Alabama Act Fund accounts for state gasoline taxes. The use of this funding is restricted to expenditures related to construction, improvement and maintenance of highways, bridges, and streets.

Two Cent Gas Tax Fund accounts for proceeds from a local gasoline tax. The use of this funding is for highway and street expenditures.

Tobacco Tax Fund accounts for proceeds for the Pike County Firefighter Association. The use of this funding is restricted to expenditures for the fire department.

The *Permanent Fund* is used to account for resources from other parties, including individuals, private organizations and other governments, whereby use of the resources are restricted to the extent only earnings and not principal, may be used for a specified program(s), for the benefit of the government and its citizenry. The City reported only one permanent fund, the Joseph Carroll Library Fund, which accounts for money that was donated to the City from the Joseph Carroll Memorial Fund. Interest on these funds is restricted for the purchase of new library books.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

City of Brundidge Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (continued)

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Budgetary Information

Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, special revenue funds, permanent fund and Utilities Department.

The appropriated budget is prepared by fund, function, and department. The City's management may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity

Cash and Cash Equivalents

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.

Investments

Investments for the City are reported at fair value, except for the certificates of deposit, which are carried at amortized cost. Investments are limited to funds that invest in U.S. Government backed securities and certificates of deposits at federally insured banks.

City of Brundidge Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)

Receivables and payables

Unbilled receivables – An amount for unbilled revenue is recorded in the Utilities Department and General Fund for services rendered, but not yet billed as of the end of the fiscal year. The receivable is derived from the cycle billings generated subsequent to fiscal year end and prorated for usage in September.

Allowance for doubtful accounts – Accounts receivable have been reported net of the allowance for doubtful accounts. Accounts receivable in excess of 90 days are subject to being considered as uncollectible in Utilities Department. Accounts receivables for court costs and fines are shown net of an allowance for uncollectible accounts outstanding in excess of one year.

Lease receivable – Lease receivable represents the present value of the remaining lease payments expected to be received during the lease term.

Interfund Activities and Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” within the fund financial statements. Long-term borrowings between funds are classified as “advances to other funds” or “advances from other funds” in the fund financial statements. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any residual balance outstanding between the governmental and business-type activities at the end of the fiscal year, which are reported in the government-wide financial statements as internal balances.

Interfund transactions are reflected as services provided, reimbursements, or transfers. Services provided, deemed to be at or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefitting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or business-type funds are netted as part of the reconciliation to the government-wide presentation.

Inventories and Prepaid Items

Inventories are valued at cost using the average cost method and consists of expendable supplies and repair parts. Purchases of inventories for governmental funds are reported as expenditures in the period purchased. Inventories of proprietary fund types are reported as an expense when consumed in the operations of the fund.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements. At the fund level, expenditures are recognized when the available finance resource is expended.

City of Brundidge
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)

Restricted Assets

Certain assets of the City are classified as restricted assets on the statement of net position because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors or laws or regulations of other governments. Special restricted asset accounts have been established to account for the sources and uses of these limited use assets as follows:

Bond debt service accounts – Includes certain resources set aside for the repayment of bonds.

Capital improvement accounts – Includes certain resources set aside for capital improvements.

Court accounts – Includes certain resources set aside for court operations.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. The City did not report infrastructure acquired prior to October 1, 2003. As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Land and construction in progress are not depreciated. The other property, plant, equipment and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

Capital asset classes	Lives
Electrical system	10 – 50 years
Water system	10 – 50 years
Buildings	25 – 50 years
Sewer system	10 – 50 years
Machinery and equipment	5 - 10 years
Infrastructure	10 – 50 years

City of Brundidge Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The City has two (2) items that qualify for reporting in this category, the *deferred outflows on refunding* and the *deferred outflows related to pensions* reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities-Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liability in future reporting periods.

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 a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has two (2) items that qualify for reporting in this category, the *deferred inflows related to pensions* and *deferred inflows related to leases*. The *deferred inflows related to pensions* are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities-Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting periods. The deferred inflows related to leases is calculated in accordance with GASB 87, *Leases* and is based on payment provisions of the contract.

Unearned Revenue

Unearned revenue represents the unexpended portion of \$452,158 advance payments from the American Rescue Plan Act (“ARPA”). In fiscal year 2022 and 2021, the City expended \$299,026 and \$6,500, respectively, of the ARPA funding for an unearned revenue balance of \$146,632 at September 30, 2022.

Compensated Absences

The City allows employees to accumulate vacation and sick leave up to certain limits for use in subsequent periods. Upon retirement or termination of employment, an employee is compensated for accumulated vacation hours at current wage rates. The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)

Compensated Absences (continued)

annual leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Codification Section 130: *Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net positions, and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Categories and Classification of Fund Equity

Net position flow assumption – Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to

City of Brundidge Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)

Categories and Classification of Fund Equity (continued)

consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions – Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, specifies the following classifications:

Nonspendable fund balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the finance director to assign fund

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)

Categories and Classification of Fund Equity (continued)

balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. The City has not assigned fund balances.

Unassigned fund balance – Unassigned fund balance is the residual classification for the General Fund.

Revenues and Expenditures/Expenses

Program revenues – Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes – Millage rates for property taxes are levied at the first regular meeting of the County Commission in February of each year. Property is assessed for taxation as of October 1 of the preceding year based on the millage rates established by the County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31.

2022 property tax calendar:

Lien date	-October 1, 2021
Levy date	-February 1, 2022
Tax bills mailed	-October 1, 2022
Due date	-October 1, 2022
Delinquent date	-January 1, 2023

Proprietary funds operating and nonoperating revenues and expenses – Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utilities Department are charges to customers for sales and services and the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition

City of Brundidge Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenditures/Expenses (continued)

are reported as nonoperating revenues and expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates. Actual results could vary from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to unbilled revenues, allowance for doubtful accounts, amounts due to others on court, compensated absences, and pension liability.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 6, 2023. See Note 9 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases* (GASB 87). The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. All leases with a term greater than 12 months are recognized as a lease liability and an intangible right-of-use lease asset by the lessee. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. The City adopted Statement No. 87 for the year ended September 30, 2022. For more information on the effects of the adoption of Statement No. 87, see Notes 2 and 3.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB 89). The objectives of GASB 89 are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of GASB 89 are effective for reporting periods beginning after December 15, 2020. The City adopted GASB 89 for the year ended September 30, 2022, and GASB 89 did not have a significant impact on the financial statements.

City of Brundidge Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020* (GASB 92). The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports,
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan,
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits,
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements,
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition,
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers,
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature, and
- Terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements No. 73 and No. 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement No. 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

The City adopted GASB 92 for the year ended September 30, 2022, and GASB 92 did not have a significant impact on the financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

In May 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* (GASB 93). The objectives of GASB 93 are to address financial reporting issues that result from the replacement of an Interbank Offered Rate (IBOR) by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment and clarification of the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; replacing London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate for the evaluation of the effectiveness of an interest rate swap with a Secured Overnight Financing Rate or the Effective Federal Funds Rate; and providing exceptions to the lease modifications guidance in Statement No. 87 for lease contracts that are amended solely to replace an IBOR used to determine variable payments.

The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The City adopted GASB 93 for the year ended September 30, 2022, and GASB 93 did not have a significant impact on the financial statements.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* (GASB 97). The primary objectives of GASB 97 are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of GASB 97 that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. The City adopted GASB 97 for the year ended September 30, 2022, and GASB 97 did not have a significant impact on the financial statements.

City of Brundidge Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report* (GASB 98). GASB 98 establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in GAAP for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The requirements of GASB 98 are effective for fiscal years ending after December 15, 2021, with early application permitted. The City adopted GASB 98 for the year ended September 30, 2022, and GASB 98 did not have a significant impact on the financial statements.

The GASB has issued statements that will become effective in future years. These statements are as follows:

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB 91). The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022* (GASB 99). This Statement seeks to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to the determination of the PPP term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the SBITA term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.

City of Brundidge Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

- Extension of the period during which the LIBOR is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement No. 53 to refer to resource flows statements.

The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, as amended, and terminology updates related to Statement No. 53 and Statement No. 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

In June 2022, GASB issued Statement No. 100, Accounting Changes and Error Corrections (GASB 100). GASB 100 prescribes accounting and financial reporting for (1) each category of accounting change and (2) error corrections. GASB 100 also addresses how accounting changes and error corrections should be displayed in financial statements, disclosed in notes, and presented in required supplementary information and supplementary information. The requirements of GASB 100 are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

In June 2022, GASB issued Statement No. 101, *Compensated Absences* (GASB 101). The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

The City is evaluating the requirements of the above statements and the impact on reporting.

Note 2: CHANGE IN ACCOUNTING PRINCIPLE

In fiscal year 2022, the City implemented GASB Statement No. 87, *Leases*. In accordance with generally accepted accounting principles, the implementation of this statement requires the restatement of the September 30, 2021 net position in the statement of activities in the amount of \$1,008 to record the cumulative effect of recording the lease receivable of \$60,025 and deferred inflow of leases of \$59,017 as of September 30, 2021.

Note 3: DETAILED NOTES ON ALL FUNDS

Deposits and Investments

As of September 30, 2022, the City's deposits were entirely covered by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in Section 41-14A of the Code of Alabama 1975, as amended. Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

Custodial credit risk – Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificate of deposits are defined as public deposits. The financial institutions in which the City places its deposits are covered by the SAFE Program. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Interest rate risk – Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment. The City's investment policy limits interest rate risk by requiring that investments have maturities of no longer than three years.

Credit risk – Section 150: *Investments* of the GASB Codification requires that governments provide information about credit risk associated with their investments by disclosing the credit rating of investments in debt securities as described by nationally recognized statistical rating organizations. The City's investment policy, limit investments to U.S. Government Backed securities and certificates of deposits at federally insured banks.

City of Brundidge
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (continued)

Concentration risk – Section 150: *Investments* of the GASB Codification requires disclosures of investments in any one issuer that represents five percent or more of total investments, excluding investments issued or explicitly guaranteed by the U.S government, investments in mutual funds, external investments pools and other pooled investments. The City’s investment policy does not address concentration risk.

Fair value – GASB Codification Section 3100: *Fair Value Measurements* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under the codification are described as follows:

Level 1 (L1): Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2 (L2): Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 (L3): Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Treasury Portfolio securities noted below are held by the City’s counterparties in the trust department of Regions Bank, not in the City’s name. At September 30, 2022, the City held the following investments:

Investment Type	Fair Value	Maturities	Level
Debt securities – US government obligations			
Morgan Stanley Institutional Liquidity			
Fund–Treasury Portfolio (rated AAAM)	\$ 385,461	Current	L1

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2022.

City of Brundidge
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (continued)

Debt securities – Debt securities classified in Level 1 of the fair value hierarchy are valued using quoted market prices for those securities.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Accounts Receivable

For the Utilities Department, operating revenues are generally recognized on the basis of cycle billings rendered monthly. The amount of services delivered for the period from the last billing date to September 30, 2022 (unbilled receivable), is estimated and accrued at year end. Accounts receivable in excess of 90 days are subject to being considered as uncollectible in Utilities Department. Accounts receivables for court costs and fines are shown net of an allowance for uncollectible accounts outstanding in excess of one year and amounts due to others. For all other receivables, provisions for credit losses are charged to income in amounts sufficient to maintain the allowance at a level considered adequate to cover current losses. Accounts receivable are written off on an individual basis in the year the City deems them uncollectible.

The accounts receivable, allowance for uncollectible accounts and due to others on court at September 30, 2022 were as follows:

	Accounts Receivable	Grant Receivable	Unbilled Receivable	Allowance for Uncollectible	Amount due to others on court	Net
General Fund	\$ 399,303	\$ 13,000	\$ 3,133	\$ (51,057)	\$ (41,336)	\$ 323,043
Other Governmental Funds	12,878	-	-	-	-	12,878
Enterprise Funds Utilities Department	734,836	-	51,729	(2,313)	-	784,252
Total	\$ 1,147,017	\$ 13,000	\$ 54,862	\$ (53,370)	\$ (41,336)	\$ 1,120,173

Other Assets

Other assets at September 30, 2022 consist of the following:

	General Fund	Proprietary Fund
Deposits	\$ 22,545	\$ 2,500
Unamortized bond insurance	-	25,781
	\$ 22,545	\$ 28,281

City of Brundidge
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

The following is a summary of changes in capital asset during the year ended September 30, 2022:

	Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 2,342,497	\$ -	\$ -	\$ -	\$ 2,342,497
Construction in progress	41,281	-	122,586	(47,984)	115,883
Capital assets, not being depreciated	2,383,778	-	122,586	(47,984)	2,458,380
Capital assets, being depreciated:					
Equipment	2,720,750	13,500	178,901	(186,254)	2,726,897
Buildings	2,693,289	-	62,484	-	2,755,773
Public improvements	2,381,730	-	-	-	2,381,730
Total capital assets, being depreciated	7,795,769	13,500	241,385	(186,254)	7,864,400
Less accumulated depreciation for:					
Equipment	(2,154,627)	(13,500)	(164,354)	186,254	(2,146,227)
Buildings	(1,747,386)	-	(76,157)	-	(1,823,543)
Public improvements	(634,667)	-	(38,452)	-	(673,119)
Total accumulated depreciation	(4,536,680)	(13,500)	(278,963)	186,254	(4,642,889)
Total capital assets, being depreciated, net	3,259,089	-	(37,578)	-	3,221,511
Governmental activities capital assets, net	\$ 5,642,867	\$ -	\$ 85,008	\$ (47,984)	\$ 5,679,891
Business-type Activities:					
Capital assets, not being depreciated					
	\$ 60,801	\$ -	\$ -	\$ -	\$ 60,801
Capital assets being depreciated:					
Equipment	1,284,593	(13,500)	96,615	(36,632)	1,331,076
Buildings	132,530	-	-	-	132,530
Public improvements	18,957,812	-	-	-	18,957,812
Total capital assets, being depreciated	20,374,935	(13,500)	96,615	(36,632)	20,421,418
Less accumulated depreciation for:					
Equipment	(1,063,985)	13,500	(87,498)	15,568	(1,122,415)
Buildings	(109,202)	-	(5,044)	-	(114,246)
Public improvements	(9,132,482)	-	(427,466)	-	(9,559,948)
Total accumulated depreciation	(10,305,669)	13,500	(520,008)	15,568	(10,796,609)
Total capital assets, being depreciated, net	10,069,266	-	(423,393)	(21,064)	9,624,809
Business-type activities capital assets, net	\$ 10,130,067	\$ -	\$ (423,393)	\$ (21,064)	\$ 9,685,610

City of Brundidge
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (continued)

Depreciation expense was charged to functions as follows:

<i>For the year ended September 30,</i>	<i>2022</i>
<hr/>	
Governmental Activities	
General government	\$ 34,857
Public safety	103,586
Highways and streets	75,623
Sanitation and recycling	6,011
Culture and recreation	41,572
Health and welfare	17,314
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Total depreciation expense – governmental activities	\$ 278,963
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Business-type activities	
Electric	\$ 174,125
Sewer	218,765
Water	127,118
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Total depreciation expense – business-type activities	\$ 520,008
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Leases of Capital Assets

The City entered in a lease with Troy Hospital Healthcare Authority (Lessee) on July 2, 2020 wherein the City agreed to lease certain real property for 3 years. The lease calls for monthly payments of \$1,150 and will end on May 31, 2023 with an option to renew lease for successive renewal term of 3 years. The expected schedule of future minimum lease payments is as follows:

<i>Year ending</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
<i>September 30</i>			
2023	\$ 12,536	\$ 1,264	\$ 13,800
2024	12,917	883	13,800
2025	13,310	490	13,800
2026	9,097	103	9,200
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	\$ 47,860	\$ 2,740	\$ 50,600
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The City entered into a lease with Wal-Mart Stores East, L.P. (Lessee) on April 17, 2002 wherein the City agreed to lease certain capital assets acquired with capital grants. The lease calls for annual lease payments of \$1 and will expire on April 16, 2101. The lessee has the unrestricted option to terminate the lease at any time upon written notice to the City and purchase the property for a price of \$939,856. The lessee shall also have the right of first refusal to purchase the property in the event the City obtains an offer, at a price equal to the offer, not to exceed \$939,856.

City of Brundidge
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities

General Obligation Bonds

During June of 2017, the City authorized the issuance and sale of up to \$400,000 General Obligation Warrants Series 2017. Proceeds of the warrants were used to purchase property and renovate and equip the property for use by the City as City Hall. The construction/draw period was for 18 months at 2.48% interest. At the end of the construction/draw period, the debt converted to a 20 year term at 3.65% interest. On March 1, 2019, this warrant became a term warrant in a principal amount equal to the aggregate outstanding principal balance of all advances during draw period plus unpaid interest. Payments of principal and interest will be made in equal monthly installments beginning March 31, 2019 and continuing through February 28, 2039. This warrant is a general obligation of the City on which the full faith and credit of the City has been irrevocably pledged. As of September 30, 2022, the remaining principal outstanding was \$351,799.

The following is a summary of governmental activities general obligations for the year ended September 30, 2022:

<i>Year ending</i> <i>September 30,</i>	Principal	Interest
2023	\$ 15,952	\$ 12,577
2024	16,510	12,018
2025	17,156	11,372
2026	17,794	10,735
2027	18,454	10,072
2028-2032	103,018	39,622
2033-2037	123,650	18,991
2038-2039	39,265	1,084
Total	351,799	116,471
Current portion	(15,952)	(12,577)
Payable after one year	\$ 335,847	\$ 103,894

Utility Revenue Warrants

On December 1, 2012, the City issued Utility Revenue Warrants Series 2012-DWSRF-DL in the amount of \$940,000 through the State Revolving Fund administered by Alabama Drinking Water Finance Authority and ADEM. Proceeds of the warrants were used to make improvements to the City's utility system. Principal is payable annually and interest is payable semi-annually at 2.75%. As of September 30, 2022, the remaining principal outstanding was \$580,000.

On February 1, 2016, the City issued Utility Revenue Warrants Series 2016-CWSRF-DL in the amount of \$2,285,000 through the State Revolving Fund administered by Alabama Water Pollution Control Authority and ADEM. Proceeds of the warrants were used to make capital improvements to the BR

City of Brundidge
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (continued)

City's sewer system. Principal is payable annually and interest is payable semi-annually at 2.2%. As of September 30, 2022, the remaining principal outstanding was \$1,700,000.

On November 1, 2015, the City issued warrants totaling \$6,670,000 to refund Series 2005 warrants outstanding in the principal amount of \$6,605,000 and related costs in connection with issuance of warrants. The refunding decreased the total debt service payments of the City over sixteen years by approximately \$1,521,573 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) for the City of approximately \$1,010,860. The difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt is carried as deferred refunding cost and will be amortized over the remaining life of the old bond on the straight line basis. The amount deferred on the reacquisition was \$290,341, which includes \$143,383 of previous unamortized refunding costs; the total amount amortized for the year ended September 30, 2022 was \$18,146 and was reported as a part of interest expense. The balance of deferred refunding cost for this warrant at September 30, 2022, was \$166,342. As of September 30, 2022, the remaining principal outstanding was \$4,325,000.

The following is a summary of business-type activities revenue warrants for the year ended September 30, 2022:

Year ending September 30,	Business-Type Activities					
	Revenue Warrant 2012		Revenue Warrant 2016		Revenue Warrant 2015	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ -	\$ 7,975	\$ 105,000	\$ 36,245	\$ 415,000	\$ 110,999
2024	45,000	15,331	105,000	33,935	425,000	102,070
2025	45,000	14,093	110,000	31,570	435,000	92,284
2026	50,000	12,788	110,000	29,150	445,000	81,610
2027	50,000	11,412	115,000	26,675	455,000	127,429
2028-2032	270,000	35,337	615,000	93,995	2,150,000	90,925
2033-2036	120,000	3,303	540,000	24,090	-	-
Total	580,000	100,239	1,700,000	275,660	4,325,000	605,317
Current portion	-	(7,975)	(105,000)	(36,245)	(415,000)	(110,999)
Payable after one year	\$ 580,000	\$ 92,264	\$ 1,595,000	\$ 239,415	\$ 3,910,000	\$ 494,318

City of Brundidge
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2022 was as follows for governmental and business-type activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation warrants	\$ 379,363	\$ -	\$ 27,564	\$ 351,799	\$ 15,952
Compensated absences	78,675	86,867	78,828	86,714	86,714
Total governmental activity long-term liabilities	458,038	86,867	106,392	438,513	102,666
Business-type activities					
Utility revenue warrants	7,165,000	-	560,000	6,605,000	520,000
Bond discounts	(21,608)	-	(2,125)	(19,483)	-
Compensated absences	74,962	65,050	53,248	86,764	86,764
Total business-type activity long-term liabilities	7,218,354	65,050	611,123	6,672,281	606,764
Total	\$ 7,676,392	\$ 151,917	\$ 717,515	\$ 7,110,794	\$ 709,430

Compensated absences will be liquidated in future periods by the City's general fund for governmental activities and Utilities Department for business-type activities, respectively.

City of Brundidge
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Pledged Revenues

The City has revenue warrants outstanding at September 30, 2022 for which revenues of the City have been pledged for repayment. Revenues pledged to repay these obligations are as follows:

	Amount Issued	Future Principal and Interest	Current Pledged Revenue	Current Year Principal and Interest	Current Percentage of Revenue
Business-Type Activities					
Revenue Warrants					
Utilities Department					
Revenue Warrant, Series 2012					
Maturity: 2034					
Interest rate: 2.75%	\$ 940,000	\$ 680,239	\$ 2,565,351	\$ 62,188	2.42%
Purpose: Improvements to water system					
Pledged revenue: Water revenues net of specified operating expenses					
Revenue Warrant, Series 2016					
Maturity: 2036					
Interest rate: 2.2%	\$ 2,285,000	\$ 1,975,660	\$ 2,565,351	\$ 143,555	5.60%
Purpose: Improvements to sewer system					
Pledged revenue: Sewer revenues net of specified operating expenses					
Revenue Warrant, Series 2015					
Maturity: 2032					
Interest rate: 1.65 to 3.2%	\$ 6,670,000	\$ 4,930,317	\$ 2,565,351	\$ 529,045	20.62%
Purpose: Refunding of 2005 warrants					
Pledged revenue: Utilities revenues net of specified operating expenses					

Interest Costs

The amount of interest cost, including deferred refunding cost of \$18,146, incurred for the Utilities Department was \$190,118 for the year ended September 30, 2022, all of which was expensed. The Utilities Department's cash paid for interest for the year ended September 30, 2022 was \$174,789.

City of Brundidge
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Segment Information

The City provides electric, water and sewer services to the citizens of Brundidge, Alabama. Segment information for operating income by department for the year ending September 30, 2022 is as follows:

	Electric	Sewer	Water	Total
Operating Revenues				
Charges for services	\$ 6,130,709	\$ 1,326,899	\$ 650,146	\$ 8,107,754
Operating Expenses				
Cost of sales and service	3,807,280	-	-	3,807,280
Administration	528,996	550,452	334,462	1,413,910
Repairs and maintenance	136,935	122,662	61,616	321,213
Depreciation	174,125	218,765	127,118	520,008
Total operating expenses	4,647,336	891,879	523,196	6,062,411
Operating income	\$ 1,483,373	\$ 435,020	\$ 126,950	\$ 2,045,343

The City does not maintain a statement of net position for each department. Accordingly, a condensed statement of net position by departments is not presented.

Interfund Receivables, Payables, and Transfers

Interfund receivables and payables are monthly transfers of garbage revenues and are generally repaid during the next fiscal year.

Interfund Receivables and Payables	Due		Net
	To	From	
General fund	\$ -	\$ 18,199	\$ 18,199
Utilities Department	(18,199)	-	(18,199)
Total	\$ (18,199)	\$ 18,199	\$ -

City of Brundidge
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Interfund Receivables, Payables, and Transfers (continued)

Operating transfers are generally used to meet cash demands necessary to pay operating expenses.

Operating Transfers	Transfers		Net
	In	Out	
General fund	\$ 944,759	\$ -	\$ 944,759
Other governmental funds	-	(16,574)	(16,574)
Utilities Department	-	(928,185)	(928,185)
Total	\$ 944,759	\$ (944,759)	\$ -

Net Investment In Capital Assets

The elements of this calculation are as follows:

	Governmental Activities	Business-type Activities	Total
Capital assets (net)	\$ 5,679,891	\$ 9,685,610	\$ 15,365,501
Bond discount related to outstanding debt	-	19,483	19,483
Deferred refunding related to outstanding debt	-	166,342	166,342
Outstanding debt related to capital assets	(351,799)	(6,605,000)	(6,956,799)
Net investment in capital assets	\$ 5,328,092	\$ 3,266,435	\$ 8,594,527

Note 4: RETIREMENT PLAN

Description of Plan

The Employees' Retirement System of Alabama ("ERS"), an agent multiple-employer 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 operating of ERS is vested in its Board of Control which consists of 15 trustees. Act 390 of the Legislature of 2021 created two additional representative to the ERS Board of Control Effective October 1, 2021. The Plan is administered by the Retirement Systems of Alabama ("RSA"). The *Code of Alabama, 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 4: RETIREMENT PLAN (Continued)

Description of Plan (continued)

The ERS Board of Control consists of 15 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) Eight 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. One full time employee of a participating municipality or city in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - d. One full time employee of a participating county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - e. One full time employee or retiree of a participating employer in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - f. One full time employee of a participating employer other than a municipality, city or county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

Summary of Significant Accounting Policies

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 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.

Funding Requirements

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

Note 4: RETIREMENT PLAN (Continued)

Funding Requirements (continued)

contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation.

Employers participating in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* were not required by statute to increase covered member contribution rates but were provided the opportunity to do so through Act 2011-676. By adopting Act 2011-676 Tier I regular members contribution rates increase from 5% to 7.25% of earnable compensation and Tier I certified law enforcement, correctional officers', and firefighters' member contribution rates increased from 6% to 8.5% of earnable compensation.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the preretirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2022, the City's active employee contribution rate was 5.39% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 4.41% of pensionable payroll for Tier 1 employees and 1.96% for Tier 2 employees.

The City's contractually required contribution rate for the year ended September 30, 2022 was 4.78% of pensionable pay for Tier 1 employees, and 2.33% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2019, 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 \$72,414 for the year ended September 30, 2022.

Note 4: RETIREMENT PLAN (Continued)

Plan Membership and Benefits

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

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their average final compensation. State Police are allowed 2.375% for each year of State Police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits 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.

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to Code of Alabama 1975, Section 36-27-6 to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 590 employers adopted Act 2019-132. Act 316 of the Legislature of 2019 allows employees at the time of retirement to receive a partial lump sum (PLOP) distribution as a single payment not to exceed the sum of 24 months of the maximum monthly retirement allowance the member could receive. This option may be selected in addition to the election of another retirement allowance option at a reduced amount based upon the amount of partial lump sum distribution selected.

The ERS serves approximately 879 local participating employers. The ERS membership includes approximately 104,510 participants. As of September 30, 2021, membership consisted of:

City of Brundidge
Notes to Financial Statements

Note 4: RETIREMENT PLAN (Continued)

Plan Membership and Benefits (continued)

Retirees and beneficiaries currently receiving benefits	29,727
Terminated employees entitled to but not yet receiving benefits	2,130
Terminated employees not entitled to a benefit	16,415
Active members	56,184
Post-DROP participants who are still in active service	54
<hr/>	
Total	104,510

Net Pension Liability, Significant Assumptions, and Discount Rate

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

	Expected	Actual Before Act 2019-132	Actual After Act 2019-132	Actual After 2020 Experience Study
(a) TPL as of September 30, 2020	\$ 7,136,425	\$ 6,785,417	\$ 6,785,417	\$ 6,996,316
(b) Discount Rate	7.70%	7.70%	7.70%	7.45%
(c) Entry Age Normal Cost for the period October 1, 2020 - September 30, 2021	139,232	139,232	139,232	139,232
(d) Transfers Among Employers	-	198,513	198,513	198,513
(e) Actual Benefit Payments and Refunds for the period October 1, 2020 - September 30, 2021	(493,920)	(493,920)	(493,920)	(493,920)
<hr/>				
(f) TPL as of September 30, 2021 = [(a) x (1 + (b))] + (c) + (d) + [(e) x (1+0.5*(b))]	\$ 7,312,226	\$ 7,132,703	\$ 7,132,703	\$ 7,355,456
<hr/>				
(g) Difference between Expected and Actual		\$ (179,523)		
(h) Less Liability Transferred for Immediate Recognition		198,513		
<hr/>				
(i) Experience (Gain)/Loss = (g) - (h)		(378,036)		
(j) Difference between Actual TPL Before and After Act 2019-132-Benefit Change (Gain)/Loss			-	
(k) Difference between Actual TPL Before and After 2020 Experience Study-Assumption Change (Gain)/Loss				\$ 222,753

The total pension liability as of September 30, 2021 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2020. The key actuarial assumptions are summarized below:

City of Brundidge
Notes to Financial Statements

Note 4: RETIREMENT PLAN (Continued)

Net Pension Liability, Significant Assumptions, and Discount Rate (continued)

Inflation	2.50%
Projected salary increases	3.25% - 6.00% for state and local employees and 4.00% - 7.75% for state police, including inflation
Investment rate of return*	7.45%, including inflation

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

<u>Group</u>	<u>Membership Table</u>	<u>Set Forward (+)/Setback (-)</u>	<u>Adjustment to Rates</u>
Non-FLC Service Retirees	General Healthy Below Median	Male: +2, Female: +2	Male: 90% ages <65, 96% ages ≥65 Female: 96% all ages
FLC/State Police Service Retirees	Public Safety Healthy Below Median	Male: +1, Female: none	None
Beneficiaries	Contingent Survivor Below Median	Male: +2, Female: +2	None
Non-FLC Disabled Retirees	General Disability	Male: +7, Female: +3	None
FLC/State Police Disabled Retirees	Public Safety Disability	Male: +7, Female: none	None

The actuarial assumptions used in the September 30, 2019 valuation were based on the results of an actuarial experience study for the period October 1, 2015 – September 30, 2020.

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:

City of Brundidge
Notes to Financial Statements

Note 4: RETIREMENT PLAN (Continued)

Net Pension Liability, Significant Assumptions, and Discount Rate (continued)

	Target Allocation	Long-Term Expected Rate of Return*
Fixed income	15.00%	2.80%
U.S. large stocks	32.00%	8.00%
U.S. mid stocks	9.00%	10.00%
U.S. small stocks	4.00%	11.00%
International developed market stocks	12.00%	9.50%
International emerging market stocks	3.00%	11.00%
Alternatives	10.00%	9.00%
Real estate	10.00%	6.50%
Cash equivalents	5.00%	1.50%
Total	100.00%	

**includes assumed rate of inflations of 2.00%*

The discount rate used to measure the total pension liability was the long-term rate of return, 7.45%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Brundidge
Notes to Financial Statements

Note 4: RETIREMENT PLAN (Continued)

Changes in Net Pension Liability and Sensitivity to Changes in Discount Rate

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2020	\$ 7,136,425	\$ 6,959,035	\$ 177,390
Changes for the year			
Service cost	139,232	-	139,232
Interest	530,489	-	530,489
Change in assumptions	222,753	-	222,753
Differences between expected and actual experience	(378,036)	-	(378,036)
Contributions - employer	-	80,922	(80,922)
Contributions - employee	-	106,572	(106,572)
Net investment income	-	1,533,380	(1,533,380)
Benefit payments, including refunds of employee contributions	(493,920)	(493,920)	-
Transfers among employers	198,513	198,513	-
Net changes	219,031	1,425,467	(1,206,436)
Balances at September 30, 2021	\$ 7,355,456	\$ 8,384,502	\$ (1,029,046)

The following table presents the City's net pension liability calculated using the discount rate of 7.45%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.45%) or 1-percentage point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Rate (7.45%)	1% Increase (8.45%)
City's net pension liability (asset)	\$ (296,363)	\$ (1,029,046)	\$ (1,651,114)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2021. The auditor's report on the Schedule of Changes in Fiduciary Net Position by Employer by Employer and accompanying notes is also available. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

City of Brundidge
Notes to Financial Statements

Note 4: RETIREMENT PLAN (Continued)

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

For the year ended September 30, 2022, the City recognized pension expense of \$(208,688). At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 23,148	\$ 583,416
Changes of assumptions	231,002	-
Net difference between projected and actual earnings on pension plan investments	-	609,686
Employer contributions subsequent to the measurement date	72,414	-
Total	\$ 326,564	\$ 1,193,102

\$72,414 of employer contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30:

2023	\$ (196,900)
2024	(178,541)
2025	(253,738)
2026	(272,513)
2027	(34,713)
Thereafter	(2,547)
Total	\$ (938,952)

Deferred Compensation Plan

In addition to the State retirement plan discussed above, the City offers its employees a Section 457 retirement plan. The plan administered by ERS is RSA-1, which is available to all City employees. In addition to RSA-1, the City has two employees that participate with Nationwide; however, this pool is closed and no other employees are allowed to join. Both plans permit employees to defer a portion of their salary until future years. All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the individuals who participate in the deferred compensation plan and are not subject to the claims of the City's general creditors.

Note 5: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

The City has one retiree receiving life insurance benefits. Presently the group is closed and no future employees are eligible for the coverage. The retiree pays 100% of the premium at the same rate as the active premium rate. The estimated unfunded actuarial accrued liability would be \$28,868 using a 3.54% discount rate and RP-2014 mortality table. Management deems this immaterial and no amount has been reported in the financial statements for this unfunded liability.

Note 6: RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has obtained coverage from insurance companies, effectively transferring any risk of loss.

Note 7: COMMITMENTS AND CONTINGENCIES

During the ordinary course of its operation, the City is party to various claims, legal actions and complaints. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of counsel for the City, the liabilities which may arise from such actions would not result in losses which would exceed the liability insurance limits in effect at the time the claim arose or otherwise materially affect the financial condition of the City or results of activities.

Solid Waste Landfill

The City landfill, operated by the Pike County Commission on land leased by the City, was closed in 1994. Under EPA regulations, the landfill will be monitored for up to 30 years. The City may have to share the monitoring cost, but the permit from ADEM was issued to the Pike County Commission. No liability is reported for potential monitoring cost.

Grants

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. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

Contracts

The City signed a three year contract with Mark Dunning Industries, Inc. on April 8, 2022 for solid waste collection services. The agreement will automatically renew for successive additional terms of three years without limitation, unless cancelled by either party at the end of any term upon 180 days prior written notice by certified mail from one party to the other. The City paid \$94,001 for these services during the year ended September 30, 2022.

Note 7: COMMITMENTS AND CONTINGENCIES (Continued)

Guaranty Agreement – Industrial Development Board (the “Board”)

The Board (a component unit of the City) received a loan from South Alabama Electric Cooperative in the amount of \$325,000 with a term of ten years and an interest rate of zero percent, for the purpose of financing a portion of the costs of constructing and equipping a rail spur and related improvements at a facility owned by the IDB of the City of Brundidge and leased to Southern Classic Food Group, LLC. On February 28, 2013, the City signed a guaranty agreement in accordance with the provisions of Section 94.01 of the Constitution of Alabama (also known as Amendment 772 to the Alabama Constitution of 1901) with South Alabama Electric Cooperative to guarantee the loan. Should the Board default, the agreement did not stipulate any recourse for the City against the Board. As of September 30, 2022, debt outstanding was \$9,028.

Business Income Insurance

Annually, the City obtains business income insurance on dependent property (Walmart Distribution Center) in the amount of \$2,000,000. This policy will pay for the actual loss of business income (utilities revenue) due to suspension of operations at the dependent property during the period of restoration, which must begin within 72 hours after the time of direct physical loss or damage.

Wholesale Power Contract

On March 1, 1975, the City signed a wholesale power contract for the purchase and sale of electric power and energy. This supply and purchase shall continue until termination of the agreement. The City agrees to pay rates according to terms of the agreement, which includes a billing demand which shall be the maximum kilovolt ampere (kva) load used the consumer for any period of 15 consecutive minutes during the month for which the bill is rendered as indicated or recorded by demand meter, but not less than either 75% of the highest demand established during the preceding 11 months nor less than the contract demand at any delivery point. The minimum monthly charge for service shall not be less than the charge for billing demand. As of September 30, 2015, the 11 month high was August 2015 with 10,302 kva. On December 31, 2015, the City and PowerSouth Energy Cooperative agreed to amend the contract and to provide for the automatic extensions of the agreement as follows:

1. Extend and continue in effect until December 31, 2055; and
2. Thereafter automatically extend and renew for additional five (5) year periods (each such five-year renewal is a “renewal period”) on the five (5) year anniversary date following the Effective Date of this Amendment and on such anniversary date each fifth (5th) year thereafter, unless PowerSouth Energy Cooperative or the City gives written notice of intent to the other party hereto not to extend and renew prior to any such fifth (5th) year anniversary date. In the event such a notice is given, which such notice may not be changed without the written consent of the other party, the Contract for Wholesale Power Service shall terminate on January 1st following the expiration of the last renewal period then in effect.

City of Brundidge
Notes to Financial Statements

Note 8: CONCENTRATIONS

During the year ended September 30, 2022, approximately 31% of total accounts receivable in the proprietary fund and 36% of total electric revenues were from Walmart Distribution Center. The Utilities Department purchases all of the electricity sold to its customers from PowerSouth Energy Cooperative. See Note 7 regarding insurance obtained and agreement amended with PowerSouth Energy Cooperative.

The City has accumulated patronage capital credits on the books of the PowerSouth Energy Cooperative of Andalusia, Alabama.

Total credits as of September 30, 2022 are as follows: \$ 2,787,249

This amount has not been included in the financial statements of the City of Brundidge, as the City does not anticipate receiving these credits. The City has accumulated these patronage capital credits by purchasing electricity.

Note 9: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after September 30, 2022 through January 6, 2023, the date the current year's financial statements were available to be issued. Subsequent to September 30, 2022, the City signed a contract with an engineering firm in the amount of \$29,982 related to Ramage Park Trail Improvements, Recreational Trails Program (RTP) Project 22-RT-53-01, administered by Alabama Department of Economic and Community Affairs. The total project is estimated to be \$329,804 with a grant of \$200,000. The City also signed a Notice of Award with a company in the amount of \$334,437 for the Veterans Boulevard resurfacing project related to Rebuild Alabama Act Annual Grant Program. The total project is estimated to be \$608,404 with a grant of \$250,000.

Note 10: TAX ABATEMENTS

The City enters into property tax abatement agreements with new or expanding businesses under the state Tax Incentive Reform Act of 1992 Section 40-9B-1 et seq., Code of Alabama 1975. Under the Act, cities may grant tax abatements to qualifying businesses for construction related transaction taxes, state and local non-educational portion of property taxes on real and personal property for up to a maximum of 20 years (data processing centers can be abated to up to 30 years), and mortgage and recording taxes. For the fiscal year ending September 30, 2022, the City abated property taxes to two businesses totaling \$20,847.

City of Brundidge Required Pension Supplementary Information

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios

Last Eight Fiscal Years

<i>As of and for the year ended September 30,</i>	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	\$ 139,232	\$ 132,318	\$ 132,619	\$ 133,878	\$ 132,940	\$ 130,453	\$ 128,917	\$ 134,487
Interest	530,489	504,456	496,344	475,146	448,361	415,352	389,942	358,681
Change of assumptions	222,753	-	-	30,560	-	137,198	-	-
Differences between expected and actual experience	(378,036)	35,332	(333,210)	(97,837)	(55,003)	(6,765)	(87,882)	-
Benefit payments, including refunds of employee contributions	(493,920)	(170,708)	(146,148)	(189,520)	(175,135)	(107,977)	(118,746)	(86,041)
Transfers among employers	198,513	(1,707)	(31,971)	(58,798)	1,640	58,722	-	-
Net change in total pension liability	219,031	499,691	117,634	293,429	352,803	626,983	312,231	407,127
Total pension liability - beginning	7,136,425	6,636,734	6,519,100	6,225,671	5,872,868	5,245,885	4,933,654	4,526,527
Total pension liability - ending (a)	\$ 7,355,456	\$ 7,136,425	\$ 6,636,734	\$ 6,519,100	\$ 6,225,671	\$ 5,872,868	\$ 5,245,885	\$ 4,933,654
Plan Fiduciary Net Position								
Contributions - employer	\$ 80,922	\$ 98,316	\$ 111,945	\$ 114,423	\$ 123,119	\$ 129,885	\$ 130,306	\$ 126,264
Contributions - member	106,572	98,767	98,027	93,284	93,667	90,715	85,784	84,441
Net investment income	1,533,380	375,498	163,804	540,734	663,046	468,712	52,386	461,874
Benefit payments, including refunds of employee contributions	(493,920)	(170,708)	(146,148)	(189,520)	(175,135)	(107,977)	(118,746)	(86,041)
Transfers among employers	198,513	(1,707)	(31,971)	(58,798)	1,640	58,722	-	(13,232)
Net change in plan fiduciary net position	1,425,467	400,166	195,657	500,123	706,337	640,057	149,730	573,306
Plan net position - beginning	6,959,035	6,558,869	6,363,212	5,863,089	5,156,752	4,516,695	4,366,965	3,793,659
Plan net position - ending (b)	\$ 8,384,502	\$ 6,959,035	\$ 6,558,869	\$ 6,363,212	\$ 5,863,089	\$ 5,156,752	\$ 4,516,695	\$ 4,366,965
Net pension liability (asset) - ending (a) - (b)	\$ (1,029,046)	\$ 177,390	\$ 77,865	\$ 155,888	\$ 362,582	\$ 716,116	\$ 729,190	\$ 566,689
Plan fiduciary net position as a percentage of the total pension liability	113.99%	97.51%	98.83%	97.61%	94.18%	87.81%	86.10%	88.51%
Covered payroll*	\$ 1,983,006	\$ 1,842,767	\$ 1,823,215	\$ 1,751,449	\$ 1,766,434	\$ 1,718,728	\$ 1,628,777	\$ 1,609,718
Net pension liability (asset) as a percentage of covered payroll	(51.89%)	9.63%	4.27%	8.90%	20.53%	41.67%	44.77%	35.20%

*Employer's covered-payroll during the measurement period is the total covered payroll. For FY 2022, the measurement period is October 1, 2020 - September 2021. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll beginning with FY2017.

Note to Schedule

Note 1: GASB Codification P20 requires information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for only the years for which information is available.

City of Brundidge Required Pension Supplementary Information

Schedule of Employer Contributions

Last Eight Fiscal Years

<i>For the years ended September 30,</i>	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution*	\$ 72,414	\$ 80,922	\$ 98,315	\$ 111,942	\$ 114,425	\$ 119,089	\$ 129,705	\$ 133,666
Contributions in relation to the actuarially determined contribution*	72,414	80,922	98,315	111,942	114,425	119,089	129,705	133,666
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll**	\$ 1,849,012	\$ 1,983,006	\$ 1,842,767	\$ 1,823,215	\$ 1,751,449	\$ 1,766,434	\$ 1,718,728	\$ 1,628,777
Contributions as a percentage of covered payroll	3.92%	4.08%	5.34%	6.14%	6.53%	6.74%	7.55%	8.21%

*Amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer Contribution is based on the 12 month period of the underlying financial statement.

**Employer's covered-payroll for FY 2022 is the total covered payroll for the twelve month period of the underlying financial statement.

Note to Schedule

Note 1: Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2022 were based on the September 30, 2019 actuarial valuation.

Note 2: GASB Codification P20 requires information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for only the years for which information is available.

City of Brundidge
Notes to Required Pension Supplementary Information

Note 1: PLAN CHANGES IN BENEFIT TERMS

There have been no changes in benefits since the prior valuation.

Note 2: CHANGES OF ASSUMPTIONS

The following assumptions used to determine contribution rates changed since the prior valuation of the ERS:

- The remaining amortization period decreased from 2.5 years to 1.2 years.

Note 3: METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	1.2 years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25 - 5.00 %, including inflation
Investment rate of return	7.70%, net of pension plan investment expense, including inflation

**City of Brundidge
Combining Balance Sheet -
Nonmajor Governmental Funds**

	Special Revenue Funds	
<i>September 30, 2022</i>	Four and Five Cent Gas Tax	Seven Cent Gas Tax
Assets		
Cash and cash equivalents	\$ 61,123	\$ 80,111
Receivables, net	843	1,067
Certificates of deposit	-	3,400
<hr/>		
Total assets	\$ 61,966	\$ 84,578
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Fund Balances		
Nonspendable	\$ -	\$ -
Restricted	61,966	84,578
<hr/>		
Total fund balances	\$ 61,966	\$ 84,578
<hr/>		

			Permanent Fund		
Two Cent Gas Tax	Tobacco Tax	Rebuild Alabama Act	Joseph Carroll Library Fund	Total Nonmajor Governmental Funds	
\$ 126,742	\$ 46,755	\$ 65,663	\$ -	\$ 380,394	
7,080	1,308	2,580	-	12,878	
281,702	-	-	18,043	303,145	
<hr/>					
\$ 415,524	\$ 48,063	\$ 68,243	\$ 18,043	\$ 696,417	
<hr/>					
\$ -	\$ -	\$ -	\$ 18,043	\$ 18,043	
415,524	48,063	68,243	-	678,374	
<hr/>					
\$ 415,524	\$ 48,063	\$ 68,243	\$ 18,043	\$ 696,417	
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City of Brundidge

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

	Special Revenue Funds	
<i>For the year ended September 30, 2022</i>	Four and Five Cent Gas Tax	Seven Cent Gas Tax
Revenues		
Taxes	\$ 9,549	\$ 12,071
Investment earnings	-	14
Miscellaneous	-	-
Total revenues	9,549	12,085
Other Financing Uses		
Transfers out	-	-
Net change in fund balances	9,549	12,085
Fund balances, beginning of year	52,417	72,493
Fund balances, end of year	\$ 61,966	\$ 84,578

Two Cent Gas Tax		Tobacco Tax	Rebuild Alabama Act	Permanent Fund Joseph Carroll Library Fund	Total Nonmajor Governmental Funds
\$ 81,144	\$ 16,256	\$ 29,041	\$ -	\$ 148,061	
1,114	65	-	74	1,267	
-	498	-	-	498	
82,258	16,819	29,041	74	149,826	
(16,500)	-	-	(74)	(16,574)	
65,758	16,819	29,041	-	133,252	
349,766	31,244	39,202	18,043	563,165	
\$ 415,524	\$ 48,063	\$ 68,243	\$ 18,043	\$ 696,417	

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

Honorable Mayor and Members of
the City Council
Brundidge, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Brundidge, Alabama (the City) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated January 6, 2023. Our report qualified an opinion on said financial statements because the financial statements of the Industrial Development Board were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Industrial Development Board.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding 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 were not identified. However, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider Item 2003-001 described as follows to be a material weakness.

Item 2003-001 Separation of Duties (Repeat)

Condition – The City’s general operations lack adequate segregation of duties for the receiving of funds. There are instances when one individual may bill, collect, receipt, and deposit revenues. This usually occurs when employees tasked with those responsibilities are out of the office during lunch, vacation or sick leave. In addition, in the municipal court, the same individual may bill, collect, receipt, deposit and record revenues.

Criteria – Management is responsible for the safeguarding and proper stewardship of assets, as well as establishing and maintaining effective internal control.

Cause – Lack of sufficient personnel required to appropriately separate all accounting functions.

Effect – The finding could result in material misstatements to the financial statements and the misappropriation of assets.

Recommendation – We recommend the City continue to improve their policies to obtain greater segregation of duties.

Management Response – Due to our lack of resources, we are unable to properly separate duties. However, the City maintains records that agree receipts and deposit slips. The City Council will continue to monitor transactions to provide financial oversight.

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 Item 2018-001 described below to be a significant deficiency.

Item 2018-001 Municipal Court Administration (Repeat)

Condition – The current computer system allows employees to change fees, fines and alter case charges.

Criteria – System capabilities should provide effective controls over access and authorization, as well as adequate audit evidence to support transactions.

Cause – The City is susceptible to increased risks of data loss, fraud, and improper accounting as a result of a deficient Municipal Court control environment.

Effect – Opportunities exist for mistakes or fraudulent activities to occur and go undetected.

Recommendation – The City should formally document the policies and procedures of the Municipal Court. The basis of such policies and procedures should be Rule 43 of the Alabama Rules of Judicial Administration. One of the cornerstones of a solid accounting and reporting control environment is documented policies and procedures. Though not all inclusive, specific procedures noted that should be addressed when developing policies included:

- a. Lack of Information Technology controls as noted in the auditors' Management Letter.
- b. Documentation procedures authorizing any changes to payments, fines and altered case charges, as well as a system to monitor and track due dates. Currently, the computer system allows employees to change fees, fines and alter case charges.
- c. Documentation procedures applying the allocation of payments to court costs and fines.
- d. Documentation procedures approving the write-off of fines.
- e. Documentation procedures approving voided transactions.

We recommend that a risk assessment be performed of all activities relating to the Municipal Court Administration. Once the assessment is completed, policies and procedures should be drafted and documented to mitigate identified risks with emphasis placed on both preventive and detection controls.

Management Response – The City will consider all recommendations.

Report on Compliance and Other Matters

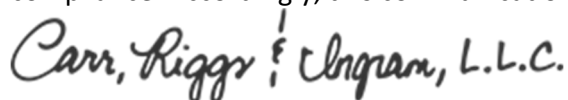
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Brundidge, Alabama's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described above as "Management Response". The City's responses were not subjected to other audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama
January 6, 2023