

# City of Brundidge, Alabama

## FINANCIAL STATEMENTS

September 30, 2020



**CRI** CARR  
RIGGS &  
INGRAM

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**City of Brundidge**  
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**September 30, 2020**

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**REPORT ON INTERNAL CONTROL AND COMPLIANCE MATTERS**

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## **INDEPENDENT AUDITORS' REPORT**

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brundidge, Alabama (the "City"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Brundidge Industrial Development Board were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Basis for 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.

***Qualified Opinion***

In our opinion, except for the effects of the matter discussed in the "Basis for Qualified Opinion on the Discretely Presented Component Unit" paragraph, 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, 2020, 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***

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, 2020, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***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 on page 52 and schedule of employer contributions on page 53 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.

#### *Other 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. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2021 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.

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

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

Enterprise, Alabama  
January 18, 2021

**City of Brundidge**  
**Statement of Net Position**

<i>September 30, 2020</i>	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Industrial Development Board (Unaudited)
<b>Assets</b>				
Cash and cash equivalents	\$ 808,160	\$ 195,541	\$ 1,003,701	\$ 5,964
Certificates of deposit	400,226	1,024,483	1,424,709	20,615
Receivables, net	586,506	935,972	1,522,478	-
Prepaid items	50,732	18,409	69,141	-
Internal balances	13,967	(13,967)	-	-
Inventories	2,888	397,659	400,547	-
Restricted assets				
Cash and cash equivalents	26,445	-	26,445	-
Investments	-	376,811	376,811	-
Other assets	22,545	33,907	56,452	-
Capital assets				
Non-depreciable	2,871,320	60,801	2,932,121	184,000
Depreciable, net	2,922,065	10,210,488	13,132,553	5,601,956
<b>Total assets</b>	<b>7,704,854</b>	<b>13,240,104</b>	<b>20,944,958</b>	<b>5,812,535</b>
<b>Deferred Outflows of Resources</b>				
Deferred outflows on refunding	-	202,634	202,634	-
Deferred outflows related to pensions	169,028	102,102	271,130	-
<b>Total deferred outflows of resources</b>	<b>169,028</b>	<b>304,736</b>	<b>473,764</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable	171,261	325,348	496,609	-
Accrued liabilities	76,709	62,437	139,146	-
Customer deposits	-	147,588	147,588	-
Non-current liabilities				
Due within one year				
Compensated absences	96,856	65,638	162,494	-
Notes payable	-	-	-	4,271,619
Revenue warrants	131,581	500,000	631,581	-
Due in more than one year				
Net pension liability	69,218	8,647	77,865	-
Revenue warrants	386,822	7,186,267	7,573,089	-
<b>Total liabilities</b>	<b>932,447</b>	<b>8,295,925</b>	<b>9,228,372</b>	<b>4,271,619</b>

-Continued-

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

**City of Brundidge**  
**Statement of Net Position (Continued)**

<i>September 30, 2020</i>	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Industrial Development Board (Unaudited)
<b>Deferred Inflows of Resources</b>				
Deferred inflows of property tax revenues	231,745	-	231,745	-
Deferred inflows related to pensions	274,983	150,154	425,137	-
<b>Total deferred inflows of resources</b>	<b>506,728</b>	<b>150,154</b>	<b>656,882</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	5,359,598	2,787,656	8,147,254	-
Restricted for:				
Capital improvements	26,148	-	26,148	-
Court	297	-	297	-
Fire department	66,673	-	66,673	-
Highways and streets	419,796	-	419,796	-
Library	18,043	-	18,043	-
Unrestricted	544,152	2,311,105	2,855,257	1,540,916
<b>Total net position</b>	<b>\$ 6,434,707</b>	<b>\$ 5,098,761</b>	<b>\$ 11,533,468</b>	<b>\$ 1,540,916</b>

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



**City of Brundidge**  
**Statement of Activities**

*For the year ended September 30, 2020*

Program

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government</b>			
Governmental Activities:			
General government	\$ 843,846	\$ 95,471	\$ 3,938
Public safety	911,506	19,265	118,986
Sanitation and recycling	114,839	128,844	-
Health and welfare	82,919	-	21,700
Culture and recreation	323,366	533	25,371
Highways and streets	601,030	-	117,234
Interest	18,515	-	-
<b>Total governmental activities</b>	<b>2,896,021</b>	<b>244,113</b>	<b>287,229</b>
Business-type Activities:			
Electric	4,448,504	5,879,506	-
Sewer	829,778	981,853	-
Water	496,651	684,399	-
Miscellaneous	-	140,455	-
Amortization	4,938	-	-
Interest	210,864	18,097	-
<b>Total business-type activities</b>	<b>5,990,735</b>	<b>7,704,310</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 8,886,756</b>	<b>\$ 7,948,423</b>	<b>\$ 287,229</b>
<b>Component Unit</b>			
Industrial Development Board	\$ 383,465	\$ -	\$ -
<b>General revenues and transfers</b>			
Taxes			
Property taxes			
Sales taxes			
Gas taxes			
Other taxes			
Rental income			
Interest income			
Other revenues			
Transfers, net			
<b>Total general revenues and transfers</b>			
Change in net position			
Net position, beginning of year			
<b>Net position, end of year</b>			

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

Revenues	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Unit
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Industrial Development Board (Unaudited)
\$ 100,000	\$ (644,437)	\$ -	\$ (644,437)	\$ -
-	(773,255)	-	(773,255)	-
-	14,005	-	14,005	-
-	(61,219)	-	(61,219)	-
-	(297,462)	-	(297,462)	-
270,655	(213,141)	-	(213,141)	-
-	(18,515)	-	(18,515)	-
370,655	(1,994,024)	-	(1,994,024)	-
-	-	1,431,002	1,431,002	-
238,497	-	390,572	390,572	-
-	-	187,748	187,748	-
-	-	140,455	140,455	-
-	-	(4,938)	(4,938)	-
-	-	(192,767)	(192,767)	-
238,497	-	1,952,072	1,952,072	-
\$ 609,152	(1,994,024)	1,952,072	(41,952)	-
\$ 518,501	-	-	-	135,036
	231,335	-	231,335	-
	586,654	-	586,654	-
	123,052	-	123,052	-
	371,988	-	371,988	-
	24,301	-	24,301	-
	6,494	-	6,494	59
	124,996	-	124,996	-
	1,288,987	(1,288,987)	-	-
	2,757,807	(1,288,987)	1,468,820	59
	763,783	663,085	1,426,868	135,095
	5,670,924	4,435,676	10,106,600	1,405,821
\$	6,434,707	\$ 5,098,761	\$ 11,533,468	\$ 1,540,916

**City of Brundidge**  
**Balance Sheet – Governmental Funds**

<i>September 30, 2020</i>	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 597,832	\$ 210,328	\$ 808,160
Certificates of deposit	101,400	298,826	400,226
Restricted cash and cash equivalents	26,445	-	26,445
Receivables, net	574,734	11,772	586,506
Due from other funds	13,967	-	13,967
Inventory	2,888	-	2,888
Other assets	22,545	-	22,545
<b>Total assets</b>	<b>\$ 1,339,811</b>	<b>\$ 520,926</b>	<b>\$ 1,860,737</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 171,261	\$ -	\$ 171,261
Accrued liabilities	75,731	-	75,731
<b>Total liabilities</b>	<b>246,992</b>	<b>-</b>	<b>246,992</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows of property taxes revenues	231,745	-	231,745
<b>Fund Balances</b>			
Nonspendable	2,888	18,043	20,931
Restricted	26,445	502,883	529,328
Committed	3,930	-	3,930
Unassigned	827,811	-	827,811
<b>Total fund balances</b>	<b>861,074</b>	<b>520,926</b>	<b>1,382,000</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,339,811</b>	<b>\$ 520,926</b>	<b>\$ 1,860,737</b>

*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, 2020*

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Total fund balances - governmental funds \$ 1,382,000

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. 50,732

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.

Governmental capital assets	10,137,458	
Less: accumulated depreciation	<u>(4,344,073)</u>	5,793,385

Pension related deferred outflow and inflow of resources and net pension liability are not recognized in governmental funds; however, they are recorded in the statement of net position under full accrual accounting.

Deferred outflows	169,028	
Deferred inflows	(274,983)	
Net pension liability	(69,218)	(175,173)

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	(96,856)	
Accrued interest	(978)	
Revenue warrants	(518,403)	(616,237)

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Net position of governmental activities \$ 6,434,707

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*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, 2020</i>	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ 1,049,917	\$ 138,885	\$ 1,188,802
Fees and fines	19,265	-	19,265
Licenses and permits	219,698	-	219,698
Intergovernmental	657,884	-	657,884
Charges for services	129,377	-	129,377
Investment earnings	2,199	4,295	6,494
Rental income	24,301	-	24,301
Miscellaneous	124,996	-	124,996
<b>Total revenues</b>	<b>2,227,637</b>	<b>143,180</b>	<b>2,370,817</b>
<b>Expenditures</b>			
Current			
General government	829,820	-	829,820
Public safety	814,868	-	814,868
Highways and streets	546,376	-	546,376
Sanitation and recycling	108,537	-	108,537
Health and welfare	63,798	-	63,798
Culture and recreation	293,307	-	293,307
Debt service			
Principal	162,602	-	162,602
Interest	20,984	-	20,984
Capital outlay	705,253	-	705,253
<b>Total expenditures</b>	<b>3,545,545</b>	<b>-</b>	<b>3,545,545</b>
Excess (deficiency) of revenues over expenditures	(1,317,908)	143,180	(1,174,728)
<b>Other Financing Sources (Uses)</b>			
Transfers in (out)	1,444,559	(155,572)	1,288,987
Net change in fund balances	126,651	(12,392)	114,259
Fund Balances, beginning of year	734,423	533,318	1,267,741
Fund Balances, end of year	\$ 861,074	\$ 520,926	\$ 1,382,000

*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, 2020*

Net change in fund balances - total governmental funds	\$	114,259
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.		12
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.		705,253
Governmental funds report debt proceeds as current financial resources. In contrast, the Statement of Activities treats issuance of debt as a liability. When debt is repaid, its reported as an expenditure at the fund level and a reduction of long-term liabilities on the Statement of Net Position.		162,602
Depreciation expense on governmental capital assets is included in the governmental activities in the Statement of Activities.		(265,957)
Change in deferred outflows and inflows as related to pension liability does not require current financial resources and is not reported in the governmental funds.		47,270
Change in accrued interest is expensed in the Statement of Activities; however, this is not included in the governmental funds.		2,469
Compensated absences are reported in the statement of activities when earned. As they do not require the use of current financial resources, they are not reported as expenditures on governmental funds until they have matured. This is the amount of compensated absences reported in the statement of activities in the prior year that has matured in the current year.		(2,125)
Change in net position of governmental activities	\$	763,783

*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, 2020</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Taxes	\$ 914,000	\$ 1,006,841	\$ 1,049,917	\$ 43,076
Fees and fines	20,000	20,000	19,265	(735)
Licenses and permits	175,850	175,850	219,698	43,848
Intergovernmental	528,743	608,116	657,884	49,768
Charges for services	127,500	127,500	129,377	1,877
Interest	450	450	2,199	1,749
Rental income	39,495	24,034	24,301	267
Miscellaneous	65,400	26,662	124,996	98,334
<b>Total revenues</b>	<b>1,871,438</b>	<b>1,989,453</b>	<b>2,227,637</b>	<b>238,184</b>
<b>Expenditures</b>				
Current				
General government	772,734	747,439	829,820	(82,381)
Public safety	1,016,606	990,306	814,868	175,438
Highways and streets	657,888	612,716	546,376	66,340
Sanitation and recycling	112,250	112,250	108,537	3,713
Health and welfare	68,776	72,276	63,798	8,478
Culture and recreation	370,646	342,436	293,307	49,129
Debt service				
Principal	128,378	156,310	162,602	(6,292)
Interest	22,605	22,605	20,984	1,621
Capital outlay	766,704	702,220	705,253	(3,033)
<b>Total expenditures</b>	<b>3,916,587</b>	<b>3,758,558</b>	<b>3,545,545</b>	<b>213,013</b>
Excess (deficiency) of revenues over expenditures	(2,045,149)	(1,769,105)	(1,317,908)	451,197
<b>Other Financing Sources</b>				
Sale of capital assets	2,000	2,000	-	(2,000)
Transfers in	2,091,440	1,946,040	1,444,559	(501,481)
<b>Total other financing sources</b>	<b>2,093,440</b>	<b>1,948,040</b>	<b>1,444,559</b>	<b>(503,481)</b>
Net change in fund balances	48,291	178,935	126,651	(52,284)
Fund Balances, beginning of year	734,423	734,423	734,423	-
<b>Fund Balances, end of year</b>	<b>\$ 782,714</b>	<b>\$ 913,358</b>	<b>\$ 861,074</b>	<b>\$ (52,284)</b>

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

**City of Brundidge**  
**Statement of Net Position – Proprietary Fund**

<i>September 30, 2020</i>	Utilities Department
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 195,541
Certificates of deposit	1,024,483
Receivables, net	935,972
Inventory	397,659
Prepaid items	18,409
Total current assets	2,572,064
Noncurrent assets	
Restricted assets	
Investments	376,811
Other assets	33,907
Capital assets, net of depreciation	10,271,289
Total noncurrent assets	10,682,007
Total assets	13,254,071
<b>Deferred Outflows of Resources</b>	
Deferred outflows on refunding	202,634
Deferred outflows related to pensions	102,102
Total deferred outflows of resources	304,736
<b>Liabilities</b>	
Current liabilities	
Accounts payable	325,348
Due to other funds	13,967
Accrued liabilities	62,437
Customer deposits	147,588
Compensated absences	65,638
Current portion of utility revenue warrants	500,000
Total current liabilities	1,114,978

-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, 2020</i>	Utilities Department
<hr/>	
Noncurrent liabilities	
Net pension liability	8,647
Utility revenue warrants due after one year	7,186,267
<hr/>	
Total noncurrent liabilities	7,194,914
<hr/>	
Total liabilities	8,309,892
<hr/>	
<b>Deferred Inflows of Resources</b>	
Deferred inflows related to pensions	150,154
<hr/>	
<b>Net Position</b>	
Unrestricted	2,311,105
<hr/>	
Total net position	\$ 5,098,761
<hr/> <hr/>	

*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, 2020</i>	Utilities Department
<hr/>	
<b>Operating Revenues</b>	
Electric	\$ 5,879,506
Sewer	981,853
Water	684,399
<hr/>	
Total operating revenues	7,545,758
<hr/>	
<b>Operating Expenses</b>	
Cost of sales and service	3,493,676
Administration	1,272,066
Repairs and maintenance	515,442
Depreciation	493,749
<hr/>	
Total operating expenses	5,774,933
<hr/>	
Operating Income	1,770,825
<hr/>	
<b>Non-Operating Revenues (Expenses)</b>	
Interest revenue	18,097
Miscellaneous	140,455
Grants	238,497
Interest expense	(210,864)
Amortization	(4,938)
<hr/>	
Total non-operating revenue (expenses)	181,247
<hr/>	
<b>Income Before Transfers</b>	1,952,072
Transfers out	(1,288,987)
<hr/>	
Change in net position	663,085
<hr/>	
<b>Net Position, beginning of year</b>	4,435,676
<hr/>	
<b>Net Position, end of year</b>	<b>\$ 5,098,761</b>
<hr/> <hr/>	

*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, 2020</i>	Utilities Department
<b>Operating Activities</b>	
Cash received from customers and users	\$ 7,355,192
Cash payments to suppliers	(4,622,357)
Cash payments to employees	(755,269)
<hr/>	
Net cash provided by operating activities	1,977,566
<hr/>	
<b>Noncapital Financing Activities</b>	
Other receipts	145,235
Grants	238,497
Cash transfers to other funds	(1,288,987)
<hr/>	
Net cash used in noncapital financing activities	(905,255)
<hr/>	
<b>Capital and Related Financing Activities</b>	
Principal paid on revenue warrants	(575,000)
Interest paid on debt	(205,346)
Acquisition of capital assets	(165,909)
<hr/>	
Net cash used in capital and related financing activities	(946,255)
<hr/>	
<b>Investing Activities</b>	
Proceeds from sales of investments	527,499
Purchases of investments	(542,905)
Interest revenue	18,097
<hr/>	
Net cash provided by investing activities	2,691
<hr/>	
Net increase in cash and cash equivalents	128,747
Cash and cash equivalents, beginning of year	66,794
<hr/>	
Cash and cash equivalents, end of year	\$ 195,541
<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, 2020</i>	Utilities Department
<b>Reconciliation of Operating Income to Net Cash</b>	
<b>Provided by Operating Activities</b>	
Operating income	\$ 1,770,825
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	493,749
Changes in assets, deferred outflows, liabilities and deferred inflows	
(Increase) decrease in assets and deferred outflows	
Receivables	(193,936)
Inventory	(35,545)
Prepaid items	(1,316)
Deferred outflows related to pensions	(20,650)
Increase (decrease) in liabilities and deferred inflows	
Accounts payable	(35,694)
Accrued liabilities	1,326
Net pension liability	(30,328)
Deferred inflows related to pensions	18,237
Customer deposits	3,370
Compensated absences	7,528
Total adjustments	206,741
Net cash provided by operating activities	\$ 1,977,566

*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 6 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 they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, 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).

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.



**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.

Unearned revenue – Unearned revenue recorded on the governmental fund balance sheet represents amounts received before eligibility requirements are met.

##### *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 on 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 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. A deferred outflows related to pensions results from contributions related to normal and accrued liability components of employer rate (net of any refunds or error service payments) subsequent to the measurement date.

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 of property tax revenues* and the *deferred inflows related to pension*. The *deferred inflows of property tax revenues* result from property taxes that are levied by the County Commission in February of each year based on property on record as of the preceding October 1. The enforceable legal claim exists as of October 1 preceding the February meeting of the County Commission. The *deferred inflows related to pensions* results from the net difference between projected and actual earnings on plan investments, and is amortized over five years beginning with the year in which the difference occurred.

##### *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 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.

## 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)*

##### *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/inflows of resources related to pensions and pension expense 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 consider restricted – net position to have been depleted before unrestricted – net position is applied.

**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)*

*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.

## 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)*

*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 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* – Property taxes attach as an enforceable lien on real property. In Alabama, city property taxes are levied by the County Commission at its first regular meeting in February of each year based on the property on record as of the preceding October 1. The taxes are due the following October 1 and delinquent after December 31. Taxes levied in fiscal year 2020 for the 2020 budget year have been recorded as receivables and deferred inflows. These balances are deemed collectible and no allowance for uncollectibles is reported.

*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 are reported as nonoperating revenues and expenses.

## City of Brundidge Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***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, 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 18, 2021. See Note 8 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

#### ***Recently Issued and Implemented Accounting Pronouncements***

In May 2020, the GASB issued Statement No. 95 (GASB 95), *Postponement of the Effective Date of Certain Authoritative Guidance*. GASB 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. GASB 95 had no impact on the City's financial statements.

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

In January 2017, the GASB issued Statement No. 84 (GASB 84), *Fiduciary Activities*. GASB 84 establishes specific criteria for identifying fiduciary activities and the requirements for financial statement reporting. The focus of the criteria is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. GASB 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. In addition, recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred which compels the government to disburse fiduciary resources should also be reported. GASB 84 will be effective for the fiscal years beginning after December 15, 2019.

In June 2017, the GASB issued Statement No. 87 (GASB 87), *Leases*. The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB 87 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



## City of Brundidge Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Recently Issued and Implemented Accounting Pronouncements (Continued)*

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 GASB 87, a lessee 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. The requirements of GASB 87 are effective for reporting periods beginning after June 15, 2021.

In June 2018, the GASB issued Statement No. 89 (GASB 89), *Accounting for Interest Cost Incurred before the End of a Construction Period*. 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.

In August 2018, the GASB issued Statement No. 90 (GASB 90), *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of GASB 90 are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of GASB 90 are effective for reporting periods beginning after December 15, 2019. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

In May 2019, the GASB issued Statement No. 91 (GASB 91), *Conduit Debt Obligations*. The primary objectives of GASB 91 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. GASB 91 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 GASB 91 are effective for reporting periods beginning after December 15, 2021.

## 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 (GASB 92), *Omnibus 2020*. The objectives of GASB 92 are to enhance the 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. The requirements of GASB 92 are effective for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued Statement No. 93 (GASB 93), *Replacement of Interbank Offered Rates*. The purpose of GASB 93 is to address accounting and financial reporting implications that result from the replacement of interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR). GASB 93 achieves this objective by (1) 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, (2) clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate, (3) clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable, (4) removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap, (5) identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of the interest rate swap, and (6) clarifying the definition of reference rate, as it is used in Statement 53, as amended. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021.

In March 2020, the GASB issued Statement No. 94 (GASB 94), *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of GASB 94 is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in GASB 94, 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 GASB 94 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. GASB 94 also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in GASB 94, 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 time in an exchange or exchange-like transaction. GASB 94 is effective for fiscal years beginning after June 15, 2022.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Recently Issued and Implemented Accounting Pronouncements (Continued)***

In May 2020, the GASB issued Statement No. 96 (GASB 96), *Subscription-Based Information Technology Arrangements*. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). GASB 96 (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. GASB 96 is effective for fiscal years beginning after June 15, 2022.

In June 2020, the GASB issued Statement No. 97 (GASB 97), *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. 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 other postemployment benefit (OPEB) plans, and employee benefit plans other than pension or OPEB 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 that meet the definition of a pension plan and for benefits provided through those plans. The requirements for GASB 97 are effective for reporting periods beginning after June 15, 2021.

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

**Note 2: DETAILED NOTES ON ALL FUNDS**

***Deposits and Investments***

As of September 30, 2020, 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.

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Deposits and Investments (Continued)***

*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.

*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.

**City of Brundidge**  
**Notes to Financial Statements**

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Deposits and Investments (Continued)***

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, 2020, 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)	\$ 376,811	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, 2020.

*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, 2020 (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.

**City of Brundidge**  
**Notes to Financial Statements**

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

The accounts receivable and allowance for uncollectible accounts at September 30, 2020 were as follows:

	Accounts Receivable	Unbilled Receivable	Grants Receivable	Allowance for Uncollectible	Amount due to others on court	Net
General Fund	\$ 560,285	\$ 2,517	\$ 103,811	\$ (50,383)	\$ (41,496)	\$ 574,734
Other Governmental Funds	11,772	-	-	-	-	11,772
Enterprise Funds						
Utilities Department	647,350	68,182	221,666	(1,226)	-	935,972
<b>Total</b>	<b>\$ 1,219,407</b>	<b>\$ 70,699</b>	<b>\$ 325,477</b>	<b>\$ (51,609)</b>	<b>\$ (41,496)</b>	<b>\$ 1,522,478</b>

**Other Assets**

Other assets at September 30, 2020 consist of the following:

	General Fund	Proprietary Fund
Deposits	\$ 22,545	\$ 2,500
Unamortized bond insurance	-	31,407
	<b>\$ 22,545</b>	<b>\$ 33,907</b>

**Capital Assets**

The following is a summary of changes in capital asset during the year ended September 30, 2020:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,342,497	\$ -	\$ -	\$ 2,342,497
Construction in progress	31,050	497,773	-	528,823
Capital assets, not being depreciated	2,373,547	497,773	-	2,871,320

**City of Brundidge**  
**Notes to Financial Statements**

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

**Capital Assets (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Equipment	2,518,353	207,480	-	2,725,833
Buildings	2,689,139	-	-	2,689,139
Public improvements	1,851,166	-	-	1,851,166
<b>Total capital assets, being depreciated</b>	<b>7,058,658</b>	<b>207,480</b>	<b>-</b>	<b>7,266,138</b>
Less accumulated depreciation for:				
Equipment	(1,925,432)	(158,401)	-	(2,083,833)
Buildings	(1,596,543)	(69,917)	-	(1,666,460)
Public improvements	(556,141)	(37,639)	-	(593,780)
<b>Total accumulated depreciation</b>	<b>(4,078,116)</b>	<b>(265,957)</b>	<b>-</b>	<b>(4,344,073)</b>
<b>Total capital assets, being depreciated, net</b>	<b>2,980,542</b>	<b>(58,477)</b>	<b>-</b>	<b>2,922,065</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 5,354,089</b>	<b>\$ 439,296</b>	<b>\$ -</b>	<b>\$ 5,793,385</b>
<b>Business-type Activities:</b>				
Capital assets, not being depreciated	\$ 60,801	\$ -	\$ -	\$ 60,801
Capital assets being depreciated:				
Equipment	1,188,211	165,909	(95,387)	1,258,733
Buildings	132,530	-	-	132,530
Public improvements	18,641,129	-	-	18,641,129
<b>Total capital assets, being depreciated</b>	<b>19,961,870</b>	<b>165,909</b>	<b>(95,387)</b>	<b>20,032,392</b>
Less accumulated depreciation for:				
Equipment	(1,036,449)	(66,664)	91,604	(1,011,509)
Buildings	(99,384)	(4,447)	-	(103,831)
Public improvements	(8,283,926)	(422,638)	-	(8,706,564)
<b>Total accumulated depreciation</b>	<b>(9,419,759)</b>	<b>(493,749)</b>	<b>91,604</b>	<b>(9,821,904)</b>
<b>Total capital assets, being depreciated, net</b>	<b>10,542,111</b>	<b>(327,840)</b>	<b>(3,783)</b>	<b>10,210,488</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 10,602,912</b>	<b>\$ (327,840)</b>	<b>\$ (3,783)</b>	<b>\$ 10,271,289</b>

**City of Brundidge**  
**Notes to Financial Statements**

**Note 2: 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>	2020
<hr/>	
Governmental Activities	
General government	\$ 31,629
Public safety	113,246
Highways and streets	64,282
Sanitation and recycling	6,302
Culture and recreation	33,353
Health and welfare	17,145
<hr/>	
Total depreciation expense – governmental activities	\$ 265,957
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Business-type activities	
Electric	\$ 170,436
Sewer	205,285
Water	118,028
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Total depreciation expense – business-type activities	\$ 493,749
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***Long-Term Debt and Liabilities***

*General Obligation Bonds*

On May 14, 2015, the City issued General Obligation Warrants Series 2015A in the amount of \$1,120,192. Proceeds of the warrants were used to purchase real property. Principal and interest is payable annually. The interest rate on the bonds is 2.75%. This warrant is a general obligation of the City on which the full faith and credit of the City has been irrevocably pledged. On November 2, 2016, a loan modification agreement was signed due to unscheduled principal reduction. The debt service requirements are based on the loan modification agreement. As of September 30, 2020, the remaining principal outstanding was \$51,934.

On August 24, 2016, the City issued General Obligation Warrants Series 2016 in the amount of \$350,000. Proceeds of the warrants were used to resurface roads. Principal and interest is payable monthly. The interest rate on the bonds is 1.75%. 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, 2020, the remaining principal outstanding was \$84,616.



**City of Brundidge**  
**Notes to Financial Statements**

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

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, 2020, the remaining principal outstanding was \$381,853.

The following is a summary of governmental activities general obligations for the year ended September 30, 2020:

<i>Year ending</i> <i>September 30,</i>	Governmental Activities					
	General Obligation 2015A		General Obligation 2016		General Obligation 2017	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 44,491	\$ 1,428	\$ 72,259	\$ 898	\$ 14,831	\$ 13,697
2022	7,443	205	12,357	27	15,381	13,146
2023	-	-	-	-	15,952	12,577
2024	-	-	-	-	16,510	12,018
2025	-	-	-	-	17,156	11,372
2026-2030	-	-	-	-	95,794	46,847
2031-2035	-	-	-	-	114,950	27,692
2036-2039	-	-	-	-	91,279	5,966
<b>Total</b>	<b>51,934</b>	<b>1,633</b>	<b>84,616</b>	<b>925</b>	<b>381,853</b>	<b>143,315</b>
<b>Current portion</b>	<b>(44,491)</b>	<b>(1,428)</b>	<b>(72,259)</b>	<b>(898)</b>	<b>(14,831)</b>	<b>(13,697)</b>
<b>Payable after</b> <b>one year</b>	<b>\$ 7,443</b>	<b>\$ 205</b>	<b>\$ 12,357</b>	<b>\$ 27</b>	<b>\$ 367,022</b>	<b>\$ 129,618</b>

*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, 2020, the remaining principal outstanding was \$670,000.

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 City's sewer system. Principal is payable annually and interest is payable semi-annually at 2.2%. As of September 30, 2020, the remaining principal outstanding was \$1,905,000.

**City of Brundidge**  
**Notes to Financial Statements**

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Long-Term Debt and Liabilities (Continued)***

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, 2020 was \$18,146 and was reported as a part of interest expense. The balance of deferred refunding cost for this warrant at September 30, 2020, was \$202,634. As of September 30, 2020, the remaining principal outstanding was \$5,135,000.

The following is a summary of business-type activities revenue warrants for the year ended September 30, 2020:

<i>Year ending</i> <i>September 30,</i>	Business-Type Activities					
	Revenue Warrant 2012		Revenue Warrant 2016		Revenue Warrant 2015	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ -	\$ 9,213	\$ 100,000	\$ 40,810	\$ 400,000	\$ 126,138
2022	45,000	17,806	105,000	38,555	410,000	119,045
2023	45,000	16,569	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
2026-2030	260,000	49,913	585,000	120,395	2,345,000	282,536
2031-2035	230,000	12,927	655,000	51,975	705,000	17,428
2036	-	-	140,000	1,540	-	-
<b>Total</b>	<b>670,000</b>	<b>135,852</b>	<b>1,905,000</b>	<b>355,025</b>	<b>5,135,000</b>	<b>850,500</b>
<b>Current portion</b>	<b>-</b>	<b>(9,213)</b>	<b>(100,000)</b>	<b>(40,810)</b>	<b>(400,000)</b>	<b>(126,138)</b>
<b>Payable after</b> <b>one year</b>	<b>\$ 670,000</b>	<b>\$ 126,639</b>	<b>\$ 1,805,000</b>	<b>\$ 314,215</b>	<b>\$ 4,735,000</b>	<b>\$ 724,362</b>

**City of Brundidge**  
**Notes to Financial Statements**

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Long-Term Debt and Liabilities (Continued)***

Long-term liability activity for the year ended September 30, 2020 was as follows for governmental and business-type activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
General obligation warrants	\$ 681,005	\$ -	\$ 162,602	\$ 518,403	\$ 131,581
Compensated absences	94,731	67,071	64,946	96,856	96,856
<b>Total governmental activity long-term liabilities</b>	<b>775,736</b>	<b>67,071</b>	<b>227,548</b>	<b>615,259</b>	<b>228,437</b>
<b>Business-type activities</b>					
Utility revenue warrants	8,285,000	-	575,000	7,710,000	500,000
Bond discounts	(25,858)	-	(2,125)	(23,733)	-
Compensated absences	58,110	56,531	49,003	65,638	65,638
<b>Total business-type activity long-term liabilities</b>	<b>8,317,252</b>	<b>56,531</b>	<b>621,878</b>	<b>7,751,905</b>	<b>565,638</b>
<b>Total</b>	<b>\$ 9,092,988</b>	<b>\$ 123,602</b>	<b>\$ 849,426</b>	<b>\$ 8,367,164</b>	<b>\$ 794,075</b>

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 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Pledged Revenues***

The City has revenue warrants outstanding at September 30, 2020 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
<b>Business-Type Activities</b>					
<b>Revenue Warrants</b>					
Utilities Department					
Revenue Warrant, Series 2012					
Maturity: 2034					
Interest rate: 2.75%	\$ 940,000	\$ 805,852	\$ 2,264,574	\$ 109,836	4.85%
Purpose: Improvements to utility system					
Pledged revenue: Utilities revenues net of specified operating expenses					
Revenue Warrant, Series 2016					
Maturity: 2036					
Interest rate: 2.2%	\$ 2,285,000	\$ 2,260,025	\$ 2,264,574	\$ 143,010	6.32%
Purpose: Improvements to utility system					
Pledged revenue: Utilities revenues net of specified operating expenses					
Revenue Warrant, Series 2015					
Maturity: 2032					
Interest rate: 1.65 to 3.2%	\$ 6,670,000	\$ 5,985,500	\$ 2,264,574	\$ 527,499	23.29%
Purpose: Refunding of 2005 warrants					
Pledged revenue: Utilities revenues net of specified operating expenses					

***Operating Leases***

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 property 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.

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.

**City of Brundidge**  
**Notes to Financial Statements**

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Operating Leases (Continued)***

The City (Lessee) entered into leases with Xerox Corporation during fiscal year ending September 30, 2017 to lease two copiers. Lease expense under this noncancelable lease for September 30, 2020 was \$2,202. At September 30, 2020, future minimum rentals under noncancelable operating leases with a remaining lease term in excess of one year are summarized as follows:

<u>2020</u>	<u>\$ 1,470</u>
-------------	-----------------

***Interest Costs***

The amount of interest cost, including deferred refunding cost of \$18,146, incurred for the Utilities Department was \$210,864 for the year ended September 30, 2020, all of which was charged to operations. The Utilities Department's cash paid for interest for the year ended September 30, 2020 was \$205,346.

***Land Transfer***

During the fiscal year ending September 30, 2020, the IDB transferred land to the City with an estimated acquisition value of \$96,600 which was reported as miscellaneous revenues. The City transferred this land to the Pike County Board of Education which was reported in the amount of \$96,600 in general government expenditures.

***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	\$ -	\$ 13,967	\$ 13,967
Utilities Department	(13,967)	-	(13,967)
Total	\$ (13,967)	\$ 13,967	\$ -

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

Operating Transfers	Transfers		Net
	In	Out	
General fund	\$ 1,444,559	\$ -	\$ 1,444,559
Other governmental funds	-	(155,572)	(155,572)
Utilities Department	-	(1,288,987)	(1,288,987)
Total	\$ 1,444,559	\$ (1,444,559)	\$ -

**City of Brundidge**  
**Notes to Financial Statements**

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Net Investment In Capital Assets***

The elements of this calculation are as follows:

	Governmental Activities	Business-type Activities	Total
Capital assets (net)	\$ 5,793,385	\$ 10,271,289	\$ 16,064,674
Bond discount related to outstanding debt	-	23,733	23,733
Deferred refunding related to outstanding debt	-	202,634	202,634
Outstanding debt related to capital assets	(433,787)	(7,710,000)	(8,143,787)
<b>Net investment in capital assets</b>	<b>\$ 5,359,598</b>	<b>\$ 2,787,656</b>	<b>\$ 8,147,254</b>

**Note 3: 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 13 trustees. 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 on Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://www.rsa-al.gov).

The ERS Board of Control consists of 13 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
  - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county or a public agency each of whom is an active beneficiary of ERS.
  - b. Two vested active state employees.
  - c. Two vested active employees of an employer participating in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

**Note 3: RETIREMENT PLAN (Continued)**

***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 contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2020, the City's active employee contribution rate was 5% of covered employee payroll for normal Tier 1 employees and 6% of covered employee payroll for normal Tier 2 employees, and the City's average contribution rate to fund the normal and accrued liability costs was 5.63% of pensionable payroll for Tier 1 employees and 3.92% for Tier 2 employees.

**Note 3: RETIREMENT PLAN (Continued)**

***Funding Requirements (Continued)***

The City's contractually required contribution rate for the year ended September 30, 2020 was 6% of pensionable pay for Tier 1 employees, and 4.29% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2017, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City were \$98,315 for the year ended September 30, 2020.

***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, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of State Police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

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



**City of Brundidge**  
**Notes to Financial Statements**

**Note 3: RETIREMENT PLAN (Continued)**

***Plan Membership and Benefits (Continued)***

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

***Net Pension Liability, Significant Assumptions, and Discount Rate***

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

	<b>Expected</b>	<b>Actual</b>
(a) TPL as of September 30, 2018	\$ 6,519,100	\$ 6,209,713
(b) Discount Rate	7.70%	7.70%
(c) Entry Age Normal Cost for the period October 1, 2018 - September 30, 2019	132,619	132,619
(d) Transfers Among Employers	-	(31,971)
(e) Actual Benefit Payments and Refunds for the period October 1, 2018 - September 30, 2019	(146,148)	(146,148)
(f) TPL as of September 30, 2019 =[(a) x (1 + (b))] + (c) + (d) + [(e) x (1+0.5*(b))]	<u>\$ 7,001,915</u>	<u>\$ 6,636,734</u>
(g) Difference between Expected and Actual		\$ (365,181)
(h) Less Liability Transferred for Immediate Recognition		(31,971)
(i) Experience (Gain)/Loss = (g) - (h)		<u>\$ (333,210)</u>

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

Inflation	2.75%
Salary increases	3.25% - 5.00%
Investment rate of return*	7.70%
* Net of pension plan investment expense	

**City of Brundidge**  
**Notes to Financial Statements**

**Note 3: RETIREMENT PLAN (Continued)**

***Net Pension Liability, Significant Assumptions, and Discount Rate (Continued)***

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

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

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	<b>Target Allocation</b>	<b>Long-Term Expected Rate of Return*</b>
Fixed income	17.00%	4.40%
U.S. large stocks	32.00%	8.00%
U.S. mid stocks	9.00%	10.00%
U.S. small stocks	4.00%	11.00%
International developed market stocks	12.00%	9.50%
International emerging market stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real estate	10.00%	7.50%
Cash equivalents	3.00%	1.50%
<b>Total</b>	<b>100.00%</b>	

*\*includes assumed rate of inflations of 2.50%*

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

**City of Brundidge**  
**Notes to Financial Statements**

**Note 3: RETIREMENT PLAN (Continued)**

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2018	\$ 6,519,100	\$ 6,363,212	\$ 155,888
Changes for the year			
Service cost	132,619	-	132,619
Interest	496,344	-	496,344
Change in assumptions	-	-	-
Differences between expected and actual experience	(333,210)	-	(333,210)
Contributions - employer	-	111,945	(111,945)
Contributions - employee	-	98,027	(98,027)
Net investment income	-	163,804	(163,804)
Benefit payments, including refunds of employee contributions	(146,148)	(146,148)	-
Transfers among employers	(31,971)	(31,971)	-
<b>Net changes</b>	<b>117,634</b>	<b>195,657</b>	<b>(78,023)</b>
<b>Balances at September 30, 2019</b>	<b>\$ 6,636,734</b>	<b>\$ 6,558,869</b>	<b>\$ 77,865</b>

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

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
City's net pension liability	\$ 725,639	\$ 77,865	\$ (472,424)

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2019. The auditors' report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes detail by employer and in aggregate additional information needed to comply with GASB 68. 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 3: RETIREMENT PLAN (Continued)**

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

For the year ended September 30, 2020, the City recognized pension expense of \$25,849. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 425,137
Changes of assumptions	88,444	-
Net difference between projected and actual earnings on pension plan investments	84,371	-
Employer contributions subsequent to the measurement date	98,315	-
<b>Total</b>	<b>\$ 271,130</b>	<b>\$ 425,137</b>

\$98,315 of employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<i>Year Ended September 30:</i>	
2021	\$ 16,709
2022	(61,503)
2023	(3,295)
2024	15,064
2025	(60,133)
Thereafter	(60,849)
<b>Total</b>	<b>\$ 154,007</b>

***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.

## City of Brundidge Notes to Financial Statements

### **Note 4: 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 \$36,659 using a 2.21% 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 5: 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 6: COMMITMENTS AND CONTINGENCIES**

The City is involved in litigation and claims arising in the ordinary course of operations. In the opinion of legal counsel, the range of potential liabilities, if any, is not reasonable determinable. No accrual for loss contingency has been made in the financial statements.

#### ***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 and Contracts***

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. The City is committed under contracts for construction, engineering and grant administrator services related to the Community Development Block Grant SM CM PF 19 017 and estimates the cost to complete these contracts to be approximately \$263,364 at September 30, 2020.

#### ***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

**Note 6: COMMITMENTS AND CONTINGENCIES (Continued)**

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

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, 2020, debt outstanding was \$81,250.

***Business Income Insurance***

On November 4, 2015, the City obtained 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 (5<sup>th</sup>) 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 (5<sup>th</sup>) 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 1<sup>st</sup> following the expiration of the last renewal period then in effect.

**City of Brundidge**  
**Notes to Financial Statements**

**Note 7: CONCENTRATIONS**

During the year ended September 30, 2020, approximately 28% of total accounts receivable in the proprietary fund and 38% 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 6 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, 2020 are as follows: \$ 2,638,153

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 8: UNCERTAINTIES**

In March 2020, the World Health Organization made the assessment that the outbreak of the novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the ongoing operating activities and the future results of the City. The occurrence and extent of such an impact will depend on future developments, including (i) the and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain as of September 30, 2020.

**Note 9: SUBSEQUENT EVENTS**

Management evaluated all events or transactions that occurred after September 30, 2020 through January 18, 2021, the date the current year's financial statements were available to be issued. The following events occurred:

Subsequent to September 30, 2020, the City awarded a bid to cut timber for \$153,998. The City expects to receive these proceeds during fiscal year ending September 30, 2021.

**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, 2020, 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 Six Fiscal Years**

<i>As of and for the year ended September 30,</i>	<b>2019</b>	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>						
Service cost	\$ 132,619	\$ 133,878	\$ 132,940	\$ 130,453	\$ 128,917	\$ 134,487
Interest	496,344	475,146	448,361	415,352	389,942	358,681
Change of assumptions	-	30,560	-	137,198	-	-
Differences between expected and actual experience	(333,210)	(97,837)	(55,003)	(6,765)	(87,882)	-
Benefit payments, including refunds of employee contributions	(146,148)	(189,520)	(175,135)	(107,977)	(118,746)	(86,041)
Transfers among employers	(31,971)	(58,798)	1,640	58,722	-	-
Net change in total pension liability	117,634	293,429	352,803	626,983	312,231	407,127
Total pension liability - beginning	6,519,100	6,225,671	5,872,868	5,245,885	4,933,654	4,526,527
Total pension liability - ending (a)	\$ 6,636,734	\$ 6,519,100	\$ 6,225,671	\$ 5,872,868	\$ 5,245,885	\$ 4,933,654
<b>Plan Fiduciary Net Position</b>						
Contributions - employer	\$ 111,945	\$ 114,423	\$ 123,119	\$ 129,885	\$ 130,306	\$ 126,264
Contributions - member	98,027	93,284	93,667	90,715	85,784	84,441
Net investment income	163,804	540,734	663,046	468,712	52,386	461,874
Benefit payments, including refunds of employee contributions	(146,148)	(189,520)	(175,135)	(107,977)	(118,746)	(86,041)
Transfers among employers	(31,971)	(58,798)	1,640	58,722	-	(13,232)
Net change in plan fiduciary net position	195,657	500,123	706,337	640,057	149,730	573,306
Plan net position - beginning	6,363,212	5,863,089	5,156,752	4,516,695	4,366,965	3,793,659
Plan net position - ending (b)	\$ 6,558,869	\$ 6,363,212	\$ 5,863,089	\$ 5,156,752	\$ 4,516,965	\$ 4,366,965
Net pension liability (asset) - ending (a) - (b)	\$ 77,865	\$ 155,888	\$ 362,582	\$ 716,116	\$ 729,190	\$ 566,689
Plan fiduciary net position as a percentage of the total pension liability	98.83%	97.61%	94.18%	87.81%	86.10%	88.51%
Covered payroll*	\$ 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	4.27%	8.90%	20.53%	41.67%	44.77%	35.20%

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

**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 Employers Contributions

#### Last Six Fiscal Years

<i>For the years ended September 30,</i>	<b>2020</b>	2019	2018	2017	2016	2015
Actuarially determined contribution*	\$ <b>98,315</b>	\$ 111,942	\$ 114,425	\$ 119,089	\$ 129,705	\$ 133,666
Contributions in relation to the actuarially determined contribution*	<b>98,315</b>	111,942	114,425	119,089	129,705	133,666
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll**	\$ <b>1,842,767</b>	\$ 1,823,215	\$ 1,751,449	\$ 1,766,434	\$ 1,718,728	\$ 1,628,777
Contributions as a percentage of covered payroll	<b>5.34%</b>	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 2020 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 2020 were based on the September 30, 2017 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**

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

**Note 3: METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES**

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	13.4 years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25 - 5.00 %, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

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

	Special Revenue Funds	
<i>September 30, 2020</i>	\$.04 and \$.05 Gas Tax	\$.07 Gas Tax
<b>Assets</b>		
Cash and cash equivalents	\$ 41,966	\$ 55,823
Receivables, net	835	1,054
Investments	-	3,400
Total assets	\$ 42,801	\$ 60,277
<b>Fund Balances</b>		
Nonspendable	\$ -	\$ -
Restricted	42,801	60,277
Total liabilities and fund balances	\$ 42,801	\$ 60,277

				Permanent Fund	
			Rebuild Alabama Act	Joseph Carroll Library Fund	Total Nonmajor Governmental Funds
	\$.02 Gas Tax	Tobacco Tax			
\$	33,116	\$ 64,467	\$ 14,956	\$ -	\$ 210,328
	6,219	2,206	1,458	-	11,772
	277,383	-	-	18,043	298,826
\$	316,718	\$ 66,673	\$ 16,414	\$ 18,043	\$ 520,926
\$	-	\$ -	\$ -	\$ 18,043	\$ 18,043
	316,718	66,673	16,414	-	502,883
\$	316,718	\$ 66,673	\$ 16,414	\$ 18,043	\$ 520,926

**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, 2020</i>	\$.04 and \$.05 Gas Tax	\$.07 Gas Tax
<b>Revenues</b>		
Taxes	\$ 9,235	\$ 11,732
Investment earnings	-	55
Total revenues	9,235	11,787
<b>Other Financing Sources (Uses)</b>		
Transfers out	-	-
Net change in fund balances	9,235	11,787
Fund balances, beginning of year	33,566	48,490
Fund balances, end of year	\$ 42,801	\$ 60,277

			Permanent Fund		Total Nonmajor Governmental Funds
\$.02 Gas Tax	Tobacco Tax	Rebuild Alabama Act	Joseph Carroll Library Fund		
\$ 85,671	\$ 15,833	\$ 16,414	\$ -	\$	\$ 138,885
3,860	100	-	280		4,295
89,531	15,933	16,414	280		143,180
(143,671)	(11,621)	-	(280)		(155,572)
(54,140)	4,312	16,414	-		(12,392)
370,858	62,361	-	18,043		533,318
\$ 316,718	\$ 66,673	\$ 16,414	\$ 18,043	\$	\$ 520,926

**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 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, 2020, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated January 18, 2021. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

**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** – 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 establishing and maintaining effective internal control over financial reporting.

**Cause** – The City lacks sufficient personnel 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 on 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 City does not have formally documented policies and procedures for Court Administration.

**Criteria** – Policies and procedures 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 without policies and procedures that mitigate areas of known risks.

**Effect** – Opportunities exist for 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 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.

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.

### **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**

The City's responses to the findings identified in our audit are identified as "Management Response". The City's responses were not subjected to audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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.*

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

Enterprise, Alabama  
January 18, 2021