



**City of Brundidge, Alabama**

**FINANCIAL STATEMENTS**

**September 30, 2023**



	Page
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report .....	1
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Position .....	4
Statement of Activities .....	6
Fund Financial Statements	
Balance Sheet – Governmental Funds .....	7
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	8
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	10
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund .....	11
Statement of Net Position – Proprietary Fund .....	12
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund ..	14
Statement of Cash Flows – Proprietary Fund .....	15
Notes to Financial Statements .....	17
<b>Required Supplementary Information</b>	
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios .....	52
Schedule of Employer Contributions .....	53
Notes to Required Pension Supplementary Information .....	54
<b>Other Supplementary Information</b>	
Combining Financial Statements	
Balance Sheet – Nonmajor Governmental Funds .....	55
Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds .....	56
<b>REPORT ON INTERNAL CONTROL AND COMPLIANCE MATTERS</b>	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	57



**Carr, Riggs & Ingram, LLC**  
1117 Boll Weevil Circle  
Enterprise, AL 36330

Mailing Address:  
PO Box 311070  
Enterprise, AL 36331

334.347.0088  
334.347.7650 (fax)  
CRIcpa.com

## **INDEPENDENT AUDITORS' REPORT**

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

### ***Report on the Audit of the Financial Statements***

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brundidge, Alabama (the "City"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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 fund information of the City as of September 30, 2023, and the respective changes in financial position, and where applicable, cash flows thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosure in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America also require that the schedule of changes in net pension liability (asset) and related ratios 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 11, 2024

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

<i>September 30, 2023</i>	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,248,278	\$ 2,642,526	\$ 3,890,804
Certificates of deposit	414,076	1,061,965	1,476,041
Receivables, net	299,422	915,487	1,214,909
Lease receivable	35,324	-	35,324
Settlement receivable	5,644	-	5,644
Prepaid items	67,964	27,194	95,158
Internal balances	18,090	(18,090)	-
Inventories	7,011	538,297	545,308
Restricted assets			
Cash and cash equivalents	94,537	-	94,537
Investments	-	396,023	396,023
Other assets	35,254	25,468	60,722
Capital assets			
Non-depreciable	2,693,982	73,150	2,767,132
Depreciable, net	3,049,615	9,218,369	12,267,984
Total assets	7,969,197	14,880,389	22,849,586
<b>Deferred Outflows of Resources</b>			
Deferred outflows on refunding	-	148,196	148,196
Deferred outflows related to pensions	1,047,455	871,106	1,918,561
Total deferred outflows of resources	1,047,455	1,019,302	2,066,757

(Continued)

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

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

<i>September 30, 2023</i>	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Liabilities</b>			
Accounts payable	148,473	575,216	723,689
Accrued liabilities	46,725	24,546	71,271
Customer deposits	-	156,706	156,706
Liabilities related to restricted assets			
Accrued interest	-	35,582	35,582
Non-current liabilities			
Due within one year			
Compensated absences	88,245	87,222	175,467
Bonds and revenue warrants	16,510	530,000	546,510
Due in more than one year			
Net pension liability	821,753	756,569	1,578,322
Bonds and revenue warrants	319,296	5,492,642	5,811,938
<b>Total liabilities</b>	<b>1,441,002</b>	<b>7,658,483</b>	<b>9,099,485</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to leases	33,725	-	33,725
Deferred inflows related to pensions	322,515	125,898	448,413
<b>Total deferred inflows of resources</b>	<b>356,240</b>	<b>125,898</b>	<b>482,138</b>
<b>Net Position</b>			
Net investment in capital assets	5,407,791	3,417,073	8,824,864
Restricted for			
Debt service	-	360,441	360,441
Capital improvements	93,908	-	93,908
Court	629	-	629
Fire department	64,713	-	64,713
Highways and streets	650,640	-	650,640
Library	18,043	-	18,043
Unrestricted	983,686	4,337,796	5,321,482
<b>Total net position</b>	<b>\$ 7,219,410</b>	<b>\$ 8,115,310</b>	<b>\$ 15,334,720</b>

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

## City of Brundidge Statement of Activities

For the year ended September 30, 2023

Functions/Programs	Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental Activities:				
General government	\$ 893,132	\$ 122,019	\$ 146,632	\$ 12,182
Public safety	1,066,365	19,650	11,500	-
Sanitation and recycling	165,721	179,291	-	-
Health and welfare	80,818	-	26,200	-
Culture and recreation	371,717	4,364	9,242	-
Highways and streets	1,099,226	-	271,494	-
Interest	12,535	-	-	-
<b>Total governmental activities</b>	<b>3,689,514</b>	<b>325,324</b>	<b>465,068</b>	<b>12,182</b>
Business-type Activities:				
Electric	5,121,843	6,662,588	-	-
Sewer	1,068,473	1,856,313	-	-
Water	586,902	743,004	-	-
Miscellaneous	-	12,951	-	-
Amortization	4,938	-	-	-
Interest	178,216	83,627	-	-
<b>Total business-type activities</b>	<b>6,960,372</b>	<b>9,358,483</b>	<b>-</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 10,649,886</b>	<b>\$ 9,683,807</b>	<b>\$ 465,068</b>	<b>\$ 12,182</b>

### General revenues and transfers

#### Taxes

  Property taxes

  Sales taxes

  Gas taxes

  Other taxes

Rental income

Interest income

Other revenues

Transfers, net

---

Total general revenues and transfers

---

Change in net position

---

Net position, beginning of year

---

Net position, end of year

---

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



Net (Expense) Revenue and Changes in Net Position  
Primary Government

Governmental Activities	Business-type Activities	Total
\$ (612,299)	\$ -	\$ (612,299)
(1,035,215)	-	(1,035,215)
13,570	-	13,570
(54,618)	-	(54,618)
(358,111)	-	(358,111)
(827,732)	-	(827,732)
(12,535)	-	(12,535)
(2,886,940)	-	(2,886,940)
-	1,540,745	1,540,745
-	787,840	787,840
-	156,102	156,102
-	12,951	12,951
-	(4,938)	(4,938)
-	(94,589)	(94,589)
-	2,398,111	2,398,111
(2,886,940)	2,398,111	(488,829)
262,000	-	262,000
803,942	-	803,942
137,364	-	137,364
486,973	-	486,973
41,813	-	41,813
17,252	-	17,252
55,000	-	55,000
1,074,856	(1,074,856)	-
2,879,200	(1,074,856)	1,804,344
(7,740)	1,323,255	1,315,515
7,227,150	6,792,055	14,019,205
\$ 7,219,410	\$ 8,115,310	\$ 15,334,720

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

<i>September 30, 2023</i>	General	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 837,106	\$ 411,172	\$ 1,248,278
Certificates of deposit	105,112	308,964	414,076
Restricted cash and cash equivalents	94,537	-	94,537
Receivables, net	286,162	13,260	299,422
Lease receivable	35,324	-	35,324
Settlement receivable	5,644	-	5,644
Due from other funds	18,090	-	18,090
Inventory	7,011	-	7,011
Other assets	35,254	-	35,254
<b>Total assets</b>	<b>\$ 1,424,240</b>	<b>\$ 733,396</b>	<b>\$ 2,157,636</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 148,473	\$ -	\$ 148,473
Accrued liabilities	46,725	-	46,725
<b>Total liabilities</b>	<b>195,198</b>	<b>-</b>	<b>195,198</b>
<b>Deferred inflow of resources</b>			
Leases	33,725	-	33,725
Opioid settlement	5,644	-	5,644
<b>Total deferred inflow of resources</b>	<b>39,369</b>	<b>-</b>	<b>39,369</b>
<b>Fund Balances</b>			
Nonspendable	7,011	18,043	25,054
Restricted	94,537	715,353	809,890
Committed	4,730	-	4,730
Unassigned	1,083,395	-	1,083,395
<b>Total fund balances</b>	<b>1,189,673</b>	<b>733,396</b>	<b>1,923,069</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,424,240</b>	<b>\$ 733,396</b>	<b>\$ 2,157,636</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, 2023*

---

Total fund balances - governmental funds		\$ 1,923,069
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.		67,964
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	10,698,236	
Less accumulated depreciation	(4,954,639)	5,743,597
The Opioid Settlement will not be collected within 60 days of the City's fiscal year end and is not recognized as revenue in governmental funds. In the statement of net position, which is on the accrual basis, the revenue is fully recognized in the statement of activities.		5,644
Pension related deferred outflow and inflow of resources and net pension asset are not recognized in governmental funds; however, they are recorded in the statement of net position under full accrual accounting.		
Deferred outflows	1,047,455	
Deferred inflows	(322,515)	
Net pension liability	(821,753)	(96,813)
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	(88,245)	
Revenue warrants	(335,806)	(424,051)
Net position of governmental activities		\$ 7,219,410

*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, 2023</i>	General	Nonmajor Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ 1,369,156	\$ 153,796	\$ 1,522,952
Fees and fines	19,650	-	19,650
Licenses and permits	289,346	-	289,346
Intergovernmental	477,250	-	477,250
Charges for services	183,655	-	183,655
Investment earnings	10,775	6,477	17,252
Rental income	41,813	-	41,813
Miscellaneous	49,356	-	49,356
<b>Total revenues</b>	<b>2,441,001</b>	<b>160,273</b>	<b>2,601,274</b>
<b>Expenditures</b>			
Current			
General government	812,648	-	812,648
Public safety	885,994	-	885,994
Highways and streets	992,303	-	992,303
Sanitation and recycling	159,710	-	159,710
Health and welfare	62,419	-	62,419
Culture and recreation	318,860	-	318,860
Debt service			
Principal	15,993	-	15,993
Interest	12,535	-	12,535
Capital outlay	375,456	-	375,456
<b>Total expenditures</b>	<b>3,635,918</b>	<b>-</b>	<b>3,635,918</b>
Excess (deficiency) of revenues over expenditures	(1,194,917)	160,273	(1,034,644)
<b>Other Financing Sources (Uses)</b>			
Transfers in (out)	1,198,150	(123,294)	1,074,856
Net change in fund balances	3,233	36,979	40,212
Fund balances, beginning of year	1,186,440	696,417	1,882,857
<b>Fund balances, end of year</b>	<b>\$ 1,189,673</b>	<b>\$ 733,396</b>	<b>\$ 1,923,069</b>

*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, 2023*

Net change in fund balances - total governmental funds	\$	40,212
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.		16,445
Governmental funds report outlays for capital assets as expenditures at the acquisition date. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital assets acquired in current year		375,456
Depreciation expense on capital assets		(311,750)
Settlement revenue does not require current financial resources and is not reported in the governmental funds.		5,644
Repayment of debt principal is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net position.		15,993
Net pension liability reported in the statement of activities does not require the use of current financial resources; therefore, is not reported as an expenditure in governmental funds.		(148,209)
Compensated absences are reported in the statement of activities when earned. They do not require the use of current financial resources and are not reported as expenditures on governmental funds until they mature. This is the amount of compensated absences reported in the statement of activities in the prior year that matured in the current year.		(1,531)
Change in net position of governmental activities	\$	(7,740)

*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, 2023</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 1,152,200	\$ 1,243,200	\$ 1,369,156	\$ 125,956
Fees and fines	15,000	15,000	19,650	4,650
Licenses and permits	219,050	241,248	289,346	48,098
Intergovernmental	690,970	463,513	477,250	13,737
Charges for services	184,000	184,000	183,655	(345)
Interest	500	8,143	10,775	2,632
Rental income	45,800	42,005	41,813	(192)
Miscellaneous	26,500	40,594	49,356	8,762
<b>Total revenues</b>	<b>2,334,020</b>	<b>2,237,703</b>	<b>2,441,001</b>	<b>203,298</b>
<b>Expenditures</b>				
Current				
General government	826,426	821,877	812,648	9,229
Public safety	988,552	991,552	885,994	105,558
Highways and streets	1,192,500	993,050	992,303	747
Sanitation and recycling	196,750	170,982	159,710	11,272
Health and welfare	74,566	70,566	62,419	8,147
Culture and recreation	362,419	334,653	318,860	15,793
Debt service				
Principal	15,952	15,952	15,993	(41)
Interest	12,576	12,576	12,535	41
Capital outlay	434,726	367,348	375,456	(8,108)
<b>Total expenditures</b>	<b>4,104,467</b>	<b>3,778,556</b>	<b>3,635,918</b>	<b>142,638</b>
Excess (deficiency) of revenues over expenditures	(1,770,447)	(1,540,853)	(1,194,917)	345,936
<b>Other Financing Sources</b>				
Transfers in	1,807,747	1,635,964	1,198,150	(437,814)
<b>Net change in fund balances</b>	<b>37,300</b>	<b>95,111</b>	<b>3,233</b>	<b>(91,878)</b>
Fund balances, beginning of year	1,186,440	1,186,440	1,186,440	-
<b>Fund balances, end of year</b>	<b>\$ 1,223,740</b>	<b>\$ 1,281,551</b>	<b>\$ 1,189,673</b>	<b>\$ (91,878)</b>

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

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

<i>September 30, 2023</i>	Utilities Department
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 2,642,526
Certificates of deposit	1,061,965
Receivables, net	915,487
Inventory	538,297
Prepaid items	27,194
<hr/>	
Total current assets	5,185,469
Noncurrent assets	
Restricted assets	
Investments	396,023
Other assets	25,468
Capital assets, net of depreciation	9,291,519
<hr/>	
Total noncurrent assets	9,713,010
<hr/>	
Total assets	14,898,479
<hr/>	
<b>Deferred Outflows of Resources</b>	
Deferred outflows on refunding	148,196
Deferred outflows related to pensions	871,106
<hr/>	
Total deferred outflows of resources	1,019,302
<hr/>	
<b>Liabilities</b>	
Current liabilities	
Accounts payable	575,216
Due to other funds	18,090
Accrued liabilities	24,546
Customer deposits	156,706
Compensated absences	87,222
Current portion of utility revenue warrants	530,000
<hr/>	
Total current liabilities	1,391,780

(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, 2023</i>	Utilities Department
<hr/>	
Liabilities payable from restricted assets	
Accrued interest	35,582
<hr/>	
Noncurrent liabilities	
Net pension liability	756,569
Utility revenue warrants due after one year	5,492,642
<hr/>	
Total noncurrent liabilities	6,249,211
Total liabilities	7,676,573
<hr/>	
<b>Deferred Inflows of Resources</b>	
Deferred inflows related to pensions	125,898
<hr/>	
<b>Net Position</b>	
Net investment in capital assets	3,417,073
Restricted for debt service	360,441
Unrestricted	4,337,796
<hr/>	
Total net position	\$ 8,115,310
<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, 2023</i>	Utilities Department
<b>Operating Revenues</b>	
Electric	\$ 6,662,588
Sewer	1,856,313
Water	743,004
<hr/>	
Total operating revenues	9,261,905
<b>Operating Expenses</b>	
Cost of sales and service	4,110,652
Administration	1,773,839
Repairs and maintenance	369,799
Depreciation	522,928
<hr/>	
Total operating expenses	6,777,218
<hr/>	
Operating Income	2,484,687
<b>Nonoperating Revenues (Expenses)</b>	
Interest income	83,627
Miscellaneous	12,951
Interest expense	(178,216)
Amortization	(4,938)
<hr/>	
Total nonoperating revenue (expenses)	(86,576)
<hr/>	
<b>Income Before Transfers</b>	2,398,111
Transfers out	(1,074,856)
<hr/>	
Change in net position	1,323,255
<hr/>	
Net position, beginning of year	6,792,055
<hr/>	
Net position, end of year	\$ 8,115,310
<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, 2023</i>	Utilities Department
<b>Operating Activities</b>	
Cash received from customers and users	\$ 9,130,519
Cash payments to suppliers	(5,223,033)
Cash payments to employees	(802,954)
<hr/>	
Net cash provided by operating activities	3,104,532
<b>Noncapital Financing Activities</b>	
Other receipts	12,842
Cash transfers to other funds	(1,074,856)
<hr/>	
Net cash used in noncapital financing activities	(1,062,014)
<b>Capital and Related Financing Activities</b>	
Principal paid on revenue warrants	(565,000)
Interest paid on debt	(163,195)
Acquisition of capital assets	(128,837)
<hr/>	
Net cash used in capital and related financing activities	(857,032)
<b>Investing Activities</b>	
Proceeds from sales/maturity of investments	558,000
Purchases of investments	(590,003)
Interest income	83,627
<hr/>	
Net cash provided by investing activities	51,624
<hr/>	
Net increase in cash and cash equivalents	1,237,110
Cash and cash equivalents, beginning of year	1,405,416
<hr/>	
Cash and cash equivalents, end of year	\$ 2,642,526
<hr/> <hr/>	

(Continued)

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

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

<i>For the year ended September 30, 2023</i>	Utilities Department
<b>Reconciliation of Operating Income to Net Cash</b>	
<b>Provided by Operating Activities</b>	
Operating income	\$ 2,484,687
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	522,928
Changes in assets, deferred outflows, liabilities and deferred inflows	
(Increase) decrease in assets and deferred outflows	
Receivables	(131,235)
Inventory	(47,913)
Prepaid items	(6,005)
Deferred outflows related to pensions	(743,198)
Increase (decrease) in liabilities and deferred inflows	
Accounts payable	154,339
Accrued liabilities	4,951
Deferred inflows related to pensions	(346,091)
Customer deposits	(151)
Compensated absences	458
Net pension liability	1,211,762
Total adjustments	619,845
Net cash provided by operating activities	\$ 3,104,532

*The accompanying notes are an integral part of these 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 or discretely presented component units.

***Related Organizations***

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. The City had guaranteed a portion of the Board’s debt. This debt was paid off in the fiscal year ending September 30, 2023. The City has no significant influence over the management, budget, or policies of the Board. The Board is excluded from the financial reporting entity because the City’s accountability does not extend beyond making appointments. Refer to Note 6 for details of the Guaranty Agreement.

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.

**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 and enterprise funds are reported as separate columns in the fund financial statements.

***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, considered to be sixty days for property taxes and ninety days for all other revenue. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

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 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.

The City reports the following major enterprise fund:

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

Additionally, the City reports the following fund types:

*Special revenue funds* are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The City reports the following special revenue funds.

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.

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

***Fund Financial Statements (continued)***

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.

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

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

***Budgetary Information (continued)***

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.

***Receivables and payables***

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

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

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

Settlement receivable – Settlement receivable represents the amount of opioid settlement expected from the McKesson settlement. The receivable is included in miscellaneous revenue in the government wide statements and deferred inflow in the fund level statements.

***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



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

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

*Interfund Activities and Transactions (continued)*

fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or business-type funds are netted as part of the reconciliation to the government-wide presentation.

*Inventories and Prepaid Items*

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

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

*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:

**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)***

*Capital Assets (continued)*

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

*Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has three (3) items that qualify for reporting in this category, the *deferred inflows related to pensions*, *deferred inflows related to leases* and *deferred inflows related to Opioid settlement*. The *deferred inflows related to pensions* are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities-Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting periods. The deferred inflows related to leases is calculated in accordance with GASB 87, *Leases* and is based on payment provisions of the contract. The deferred inflows related to Opioid settlement are based on McKesson payment schedules related to the Opioid litigation settlement.

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

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

*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.

*Long-Term Obligations*

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

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

*Pensions*

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

*Categories and Classification of Net Position and Fund Balance*

*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.

*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.

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

***Revenues and Expenditures/Expenses***

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

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

2023 property tax calendar:

Lien date	-October 1, 2022
Levy date	-February 1, 2023
Tax bills mailed	-October 1, 2023
Due date	-October 1, 2023
Delinquent date	-January 1, 2024

*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.

***Use of Estimates***

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

***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 11, 2024 and determined there were no events that occurred that required disclosure.

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

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This

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

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

Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. There were no significant impacts of implementing this Statement.

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

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



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

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

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

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

The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to the determination of the PPP term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the SBITA term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the LIBOR is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement No. 53 to refer to resource flows statements.

The requirements of this Statement are effective as follows:

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

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

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

GASB Statement No. 100, *Accounting Changes and Error Corrections*. This Statement established accounting and financial reporting for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. The Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statement of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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

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, 2023, the City's deposits were entirely covered by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in Section 41-14A of the Code of Alabama 1975, as amended. Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

*Custodial credit risk* – Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificate of deposits are defined as public deposits. The financial institutions in which the City places its



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

***Deposits and Investments (continued)***

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.

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.

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

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

***Deposits and Investments (continued)***

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, 2023, 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)	\$ 396,023	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, 2023.

*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, 2023 (unbilled receivable), is estimated and accrued at year end. Accounts receivable in excess of 90 days are subject to being considered as uncollectible in Utilities Department. Accounts receivables for court costs and fines are shown net of an allowance for uncollectible accounts outstanding in excess of one year and amounts due to others. For all other receivables, provisions for credit losses are charged to income in amounts sufficient to maintain the allowance at a level considered adequate to cover current losses. Accounts receivable are written off on an individual basis in the year the City deems them uncollectible.

The accounts receivable, allowance for uncollectible accounts and due to others on court at September 30, 2023 were as follows:

	Accounts Receivable	Grant Receivable	Unbilled Receivable	Allowance for Uncollectible	Amount due to others on court	Net
General Fund	\$ 376,803	\$ 1,218	\$ 2,970	\$ (52,315)	\$ (42,514)	\$ 286,162
Other Governmental Funds	13,260	-	-	-	-	13,260
Enterprise Funds						
Utilities Department	847,474	-	71,158	(3,145)	-	915,487
<b>Total</b>	<b>\$ 1,237,537</b>	<b>\$ 1,218</b>	<b>\$ 74,128</b>	<b>\$ (55,460)</b>	<b>\$ (42,514)</b>	<b>\$ 1,214,909</b>

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

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

**Other Assets**

Other assets at September 30, 2023 consist of the following:

	General Fund	Proprietary Fund
Deposits	\$ 35,254	\$ 2,500
Unamortized bond insurance	-	22,968
	\$ 35,254	\$ 25,468

**Capital Assets**

The following is a summary of changes in capital asset during the year ended September 30, 2023:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,342,497	\$ 214,602	-	\$ 2,557,099
Construction in progress	115,883	21,000	-	136,883
Capital assets, not being depreciated	2,458,380	235,602	-	2,693,982
Capital assets, being depreciated:				
Equipment	2,726,897	112,331	-	2,839,228
Buildings	2,755,773	27,523	-	2,783,296
Public improvements	2,381,730	-	-	2,381,730
Total capital assets, being depreciated	7,864,400	139,854	-	8,004,254
Less accumulated depreciation for:				
Equipment	(2,146,227)	(199,306)	-	(2,345,533)
Buildings	(1,823,543)	(74,660)	-	(1,898,203)
Public improvements	(673,119)	(37,784)	-	(710,903)
Total accumulated depreciation	(4,642,889)	(311,750)	-	(4,954,639)
Total capital assets, being depreciated, net	3,221,511	(171,896)	-	3,049,615
Governmental activities capital assets, net	\$ 5,679,891	\$ 63,706	-	\$ 5,743,597

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

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

**Capital Assets (continued)**

	Beginning Balance 10/1/2022	Increases	Decreases	Ending Balance 9/30/2023
<b>Business-type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 60,801	\$ -	\$ -	\$ 60,801
Construction in progress	-	12,349	-	12,349
Capital assets, not being depreciated	\$ 60,801	\$ 12,349	\$ -	\$ 73,150
Capital assets being depreciated:				
Equipment	1,331,076	109,148	-	1,440,224
Buildings	132,530	7,340	-	139,870
Public improvements	18,957,812	-	-	18,957,812
Total capital assets, being depreciated	20,421,418	116,488	-	20,537,906
Less accumulated depreciation for:				
Equipment	(1,122,415)	(90,597)	-	(1,213,012)
Buildings	(114,246)	(4,889)	-	(119,135)
Public improvements	(9,559,948)	(427,442)	-	(9,987,390)
Total accumulated depreciation	(10,796,609)	(522,928)	-	(11,319,537)
Total capital assets, being depreciated, net	9,624,809	(406,440)	-	9,218,369
Business-type activities capital assets, net	\$ 9,685,610	\$ (406,440)	\$ -	\$ 9,291,519

Depreciation expense was charged to functions as follows:

<i>For the year ended September 30,</i>	2023
<b>Governmental Activities</b>	
General government	\$ 33,303
Public safety	125,327
Highways and streets	81,285
Sanitation and recycling	6,011
Culture and recreation	48,663
Health and welfare	17,161
Total depreciation expense – governmental activities	\$ 311,750
<b>Business-type activities</b>	
Electric	\$ 174,133
Sewer	219,148
Water	129,647
Total depreciation expense – business-type activities	\$ 522,928

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

***Leases of Capital Assets***

The City entered in a lease with Troy Hospital Healthcare Authority (Lessee) on July 2, 2020 wherein the City agreed to lease certain real property for 3 years. The lease calls for monthly payments of \$1,150 and will end on May 31, 2026. The expected schedule of future minimum lease payments is as follows:

<i>Year ending</i>	Principal	Interest	Total
<i>September 30</i>			
2024	\$ 12,917	\$ 883	\$ 13,800
2025	13,310	490	13,800
2026	9,097	103	9,200
	\$ 35,324	\$ 1,476	\$ 36,800

The City entered into a lease with Wal-Mart Stores East, L.P. (Lessee) on April 17, 2002 wherein the City agreed to lease certain capital assets acquired with capital grants. The lease calls for annual lease payments of \$1 and will expire on April 16, 2101. The lessee has the unrestricted option to terminate the lease at any time upon written notice to the City and purchase the property for a price of \$939,856. The lessee shall also have the right of first refusal to purchase the property in the event the City obtains an offer, at a price equal to the offer, not to exceed \$939,856.

***Long-Term Debt and Liabilities***

***General Obligation Bonds***

During June of 2017, the City authorized the issuance and sale of up to \$400,000 General Obligation Warrants Series 2017. Proceeds of the warrants were used to purchase property and renovate and equip the property for use by the City as City Hall. The construction/draw period was for 18 months at 2.48% interest. At the end of the construction/draw period, the debt converted to a 20 year term at 3.65% interest. On March 1, 2019, this warrant became a term warrant in a principal amount equal to the aggregate outstanding principal balance of all advances during draw period plus unpaid interest. Payments of principal and interest will be made in equal monthly installments beginning March 31, 2019 and continuing through February 28, 2039. This warrant is a general obligation of the City on which the full faith and credit of the City has been irrevocably pledged. As of September 30, 2023, the remaining principal outstanding was \$335,806.

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

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

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

The following is a summary of governmental activities general obligations for the year ended September 30, 2023:

<i>Year ending</i> <i>September 30,</i>	Principal	Interest
2024	\$ 16,510	\$ 12,018
2025	17,156	11,372
2026	17,794	10,735
2027	18,454	10,072
2028	19,113	9,413
2029-2033	106,869	35,772
2034-2038	128,239	14,400
2039	11,671	112
Total	335,806	103,894
Current portion	(16,510)	(12,018)
Payable after one year	\$ 319,296	\$ 91,876

*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, 2023, the remaining principal outstanding was \$535,000.

On February 1, 2016, the City issued Utility Revenue Warrants Series 2016-CWSRF-DL in the amount of \$2,285,000 through the State Revolving Fund administered by Alabama Water Pollution Control Authority and ADEM. Proceeds of the warrants were used to make capital improvements to the BR City's sewer system. Principal is payable annually and interest is payable semi-annually at 2.2%. As of September 30, 2023, the remaining principal outstanding was \$1,595,000.

**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, 2023 was \$18,146 and was reported as a part of interest expense. The balance of deferred refunding cost for this warrant at September 30, 2023, was \$148,196. As of September 30, 2023, the remaining principal outstanding was \$3,910,000.

The following is a summary of business-type activities revenue warrants for the year ended September 30, 2023:

<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
2024	\$ -	\$ 7,356	\$ 105,000	\$ 33,935	\$ 425,000	\$ 102,070
2025	45,000	14,093	110,000	31,570	435,000	92,284
2026	50,000	12,788	110,000	29,150	445,000	81,610
2027	50,000	11,412	115,000	26,675	455,000	127,429
2028	50,000	10,037	115,000	24,145	470,000	73,497
2029-2033	280,000	27,774	630,000	80,300	1,680,000	17,428
2034-2036	60,000	828	410,000	13,640	-	-
<b>Total</b>	<b>535,000</b>	<b>84,288</b>	<b>1,595,000</b>	<b>239,415</b>	<b>3,910,000</b>	<b>494,318</b>
<b>Current portion</b>	<b>-</b>	<b>(7,356)</b>	<b>(105,000)</b>	<b>(33,935)</b>	<b>(425,000)</b>	<b>(102,070)</b>
<b>Payable after</b> <b>one year</b>	<b>\$ 535,000</b>	<b>\$ 76,932</b>	<b>\$ 1,490,000</b>	<b>\$ 205,480</b>	<b>\$ 3,485,000</b>	<b>\$ 392,248</b>

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

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

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended September 30, 2023 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	\$ 351,799	\$ -	\$ 15,993	\$ 335,806	\$ 16,510
Compensated absences	86,714	53,954	52,423	88,245	88,245
<b>Total governmental activity long-term liabilities</b>	<b>438,513</b>	<b>53,954</b>	<b>68,416</b>	<b>424,051</b>	<b>104,755</b>
<b>Business-type activities</b>					
Utility revenue warrants	6,605,000	-	565,000	6,040,000	530,000
Bond discounts	(19,483)	-	(2,125)	(17,358)	-
Compensated absences	86,764	47,277	46,819	87,222	87,222
<b>Total business-type activity long-term liabilities</b>	<b>6,672,281</b>	<b>47,277</b>	<b>609,694</b>	<b>6,109,864</b>	<b>617,222</b>
<b>Total</b>	<b>\$ 7,110,794</b>	<b>\$ 101,231</b>	<b>\$ 678,110</b>	<b>\$ 6,533,915</b>	<b>\$ 721,977</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, 2023 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	\$ 619,288	\$ 3,007,615	\$ 60,950	2.03%
Purpose: Improvements to water system					
Pledged revenue: Water revenues net of specified operating expenses					
Revenue Warrant, Series 2016					
Maturity: 2036					
Interest rate: 2.2%	\$ 2,285,000	\$ 1,834,415	\$ 3,007,615	\$ 141,245	4.70%
Purpose: Improvements to sewer system					
Pledged revenue: Sewer revenues net of specified operating expenses					
Revenue Warrant, Series 2015					
Maturity: 2032					
Interest rate: 1.65 to 3.2%	\$ 6,670,000	\$ 4,404,318	\$ 3,007,615	\$ 525,999	17.49%
Purpose: Refunding of 2005 warrants					
Pledged revenue: Utilities revenues net of specified operating expenses					

***Interest Costs***

The amount of interest cost, including deferred refunding cost of \$18,146, incurred for the Utilities Department was \$178,216 for the year ended September 30, 2023, all of which was expensed. The Utilities Department's cash paid for interest for the year ended September 30, 2023 was \$163,195.

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

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

***Segment Information***

The City provides electric, water and sewer services to the citizens of Brundidge, Alabama. Segment information for operating income by department for the year ending September 30, 2023 is as follows:

	Electric	Sewer	Water	Total
<b>Operating Revenues</b>				
Charges for services	\$ 6,662,588	\$ 1,856,313	\$ 743,004	\$ 9,261,905
<b>Operating Expenses</b>				
Cost of sales and service	4,110,652	-	-	4,110,652
Administration	701,071	687,185	385,583	1,773,839
Repairs and maintenance	135,987	162,140	71,672	369,799
Depreciation	174,133	219,148	129,647	522,928
Total operating expenses	5,121,843	1,068,473	586,902	6,777,218
Operating income	\$ 1,540,745	\$ 787,840	\$ 156,102	\$ 2,484,687

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

***Interfund Receivables, Payables, and Transfers***

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

Interfund Receivables and Payables	Due		Net
	To	From	
General fund	\$ -	\$ 18,090	\$ 18,090
Utilities Department	(18,090)	-	(18,090)
Total	\$ (18,090)	\$ 18,090	\$ -

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

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

***Interfund Receivables, Payables, and Transfers (continued)***

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

Transfers	Transfers		Net
	In	Out	
General fund	\$ 1,198,150	\$ -	\$ 1,198,150
Other governmental funds	-	(123,294)	(123,294)
Utilities Department	-	(1,074,856)	(1,074,856)
<b>Total</b>	<b>\$ 1,198,150</b>	<b>\$ (1,198,150)</b>	<b>\$ -</b>

***Net Investment In Capital Assets***

The elements of this calculation are as follows:

	Governmental Activities	Business-type Activities	Total
Capital assets (net)	\$ 5,743,597	\$ 9,291,519	\$ 15,035,116
Bond discount related to outstanding debt	-	17,358	17,358
Deferred refunding related to outstanding debt	-	148,196	148,196
Outstanding debt related to capital assets	(335,806)	(6,040,000)	(6,375,806)
<b>Net investment in capital assets</b>	<b>\$ 5,407,791</b>	<b>\$ 3,417,073</b>	<b>\$ 8,824,864</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 15 trustees. Act 390 of the Legislature of 2021 created two additional representative to the ERS Board of Control Effective October 1, 2021. The Plan is administered by the Retirement Systems of Alabama ("RSA"). The *Code of Alabama, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://www.rsa-al.gov).

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

***Description of Plan (continued)***

The ERS Board of Control consists of 15 trustees as follows:

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

***Summary of Significant Accounting Policies***

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

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

***Funding Requirements (continued)***

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

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the preretirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2023, the City's active employee contribution rate was 5.39% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 3.18% of pensionable payroll for Tier 1 employees and .3% for Tier 2 employees.

The City's contractually required contribution rate for the year ended September 30, 2023 was 3.55% of pensionable pay for Tier 1 employees, and .67% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2020, 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 \$49,051 for the year ended September 30, 2023.

***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

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

***Plan Membership and Benefits (continued)***

minimum or a formula method. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their average final compensation. State Police are allowed 2.375% for each year of State Police service in computing the formula method.

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

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to Code of Alabama 1975, Section 36-27-6 to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 608 employers adopted Act 2019-132. Act 316 of the Legislature of 2019 allows employees at the time of retirement to receive a partial lump sum (PLOP) distribution as a single payment not to exceed the sum of 24 months of the maximum monthly retirement allowance the member could receive. This option may be selected in addition to the election of another retirement allowance option at a reduced amount based upon the amount of partial lump sum distribution selected.

The ERS serves approximately 886 local participating employers. The ERS membership includes approximately 108,890 participants. As of September 30, 2022, membership consisted of:

Retirees and beneficiaries currently receiving benefits	30,598
Terminated employees entitled to but not yet receiving benefits	2,286
Terminated employees not entitled to a benefit	18,689
Active members	57,278
Post-DROP participants who are still in active service	39
<hr/>	
<b>Total</b>	<b>108,890</b>

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

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

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

The City's net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021 rolled forward to September 30, 2022 using standard roll-forward techniques as shown in the following table:

	Expected	Actual Before Plan Changes	Actual After Plan Changes
(a) TPL as of September 30, 2021	\$ 7,355,456	\$ 8,349,973	\$ 8,359,702
(b) Discount Rate	7.45%	7.45%	7.45%
(c) Entry Age Normal Cost for the period October 1, 2021 - September 30, 2022	175,327	175,327	176,246
(d) Transfers Among Employers	-	(41,864)	(41,864)
(e) Actual Benefit Payments and Refunds for the period October 1, 2021 - September 30, 2022	(859,229)	(859,229)	(859,229)
(f) TPL as of September 30, 2022 =[(a) x (1 + (b))] + (c) + (d) + [(e) x (1+0.5*(b))]	\$ 7,187,529	\$ 8,214,274	\$ 8,225,646
(g) Difference between Expected and Actual		\$ 1,026,745	
(h) Less Liability Transferred for Immediate Recognition		(41,864)	
(i) Experience (Gain)/Loss = (g) - (h)		1,068,609	
(j) Difference between Expected and Actual Experience (Gain)/Loss			
(k) Difference between Actual TPL Before and After Plan Changes-Benefit Change (Gain)/Loss			\$ 11,372

The total pension liability as of September 30, 2022 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2021. The key actuarial assumptions are summarized below:

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

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

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

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

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

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

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



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

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

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

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

*\*includes assumed rate of inflations of 2.00%*

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

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

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

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2021	\$ 7,355,456	\$ 8,384,502	\$ (1,029,046)
Changes for the year			
Service cost	175,327	-	175,327
Interest	515,975	-	515,975
Change in benefit terms	11,372	-	11,372
Differences between expected and actual experience	1,068,609	-	1,068,609
Contributions - employer	-	80,330	(80,330)
Contributions - employee	-	110,453	(110,453)
Net investment income	-	(1,026,868)	1,026,868
Benefit payments, including refunds of employee contributions	(859,229)	(859,229)	-
Transfers among employers	(41,864)	(41,864)	-
<b>Net changes</b>	<b>870,190</b>	<b>(1,737,178)</b>	<b>2,607,368</b>
Balances at September 30, 2022	\$ 8,225,646	\$ 6,647,324	\$ 1,578,322

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

	1% Decrease (6.45%)	Current Rate (7.45%)	1% Increase (8.45%)
City's net pension liability (asset)	\$ 2,492,751	\$ 1,578,322	\$ 810,188

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2022. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2022. The auditor's report on the Schedule of Changes in Fiduciary Net Position by Employer by Employer and accompanying notes is also available. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

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

**Note 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, 2023, the City recognized pension expense of \$326,405. At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 880,163	\$ 448,413
Changes of assumptions	172,646	-
Net difference between projected and actual earnings on pension plan investments	816,701	-
Employer contributions subsequent to the measurement date	49,051	-
<b>Total</b>	<b>\$ 1,918,561</b>	<b>\$ 448,413</b>

\$49,051 of employer contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

***Year Ended September 30:***

2024	\$ 351,972
2025	276,775
2026	258,000
2027	495,799
2028	38,551
Thereafter	-
<b>Total</b>	<b>\$ 1,421,097</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.

**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 \$28,868 using a 3.54% discount rate and RP-2014 mortality table. Management deems this immaterial and no amount has been reported in the financial statements for this unfunded liability.

**Note 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**

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

***Solid Waste Landfill***

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

***Grants***

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

***Contracts***

The City signed a three year contract with Mark Dunning Industries, Inc. on April 8, 2022 for solid waste collection services. The agreement will automatically renew for successive additional terms of three years without limitation, unless cancelled by either party at the end of any term upon 180 days prior written notice by certified mail from one party to the other. The City paid \$116,250 for these services during the year ended September 30, 2023.

The City signed contracts related to Ramage Park Trail Improvements, Recreational Trails Program (RTP) Project 22-RT-53-01, administered by Alabama Department of Economic and Community Affairs and has remaining balances of \$239,350. The total project is estimated to be \$260,350 with a grant of \$109,347. The City also signed contracts totaling \$502,700 related to aeration and mixing improvements at the wastewater treatment plant. This project is expected to be paid out of city funds. This project was included in the Preliminary Engineering Report noted in the Settlement Agreement section below.

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

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

The Board received a loan from South Alabama Electric Cooperative in the amount of \$325,000 with a term of ten years and an interest rate of zero percent, for the purpose of financing a portion of the costs of constructing and equipping a rail spur and related improvements at a facility owned by the IDB of the City of Brundidge and leased to Southern Classic Food Group, LLC. On February 28, 2013, the City signed a guaranty agreement in accordance with the provisions of Section 94.01 of the Constitution of Alabama (also known as Amendment 772 to the Alabama Constitution of 1901) with South Alabama Electric Cooperative to guarantee the loan. Should the Board default, the agreement did not stipulate any recourse for the City against the Board. As of September 30, 2023, debt outstanding was \$0.

***Business Income Insurance***

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

***Wholesale Power Contract***

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

1. Extend and continue in effect until December 31, 2055; and
2. Thereafter automatically extend and renew for additional five (5) year periods (each such five-year renewal is a “renewal period”) on the five (5) year anniversary date following the Effective Date of this Amendment and on such anniversary date each fifth (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.

***Settlement Agreement***

On March 9, 2023, the City entered into a settlement agreement with the State of Alabama, the Attorney General and the Alabama Department of Environmental Management (“ADEM”) for violation of its National Pollutant Discharge Elimination System Permit Number AL 0044105 and Alabama Water Pollution Control Act set forth in Alabama Code Section 22-22-1. The City paid civil penalties totaling \$15,000 during the year ending September 30, 2023. The City submitted an Engineering Report in July 2023 as required by the settlement agreement. The Engineering Report

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

***Settlement Agreement (continued)***

recommendations must be implemented no later than January 1, 2025. The cost of recommended improvements, excluding engineering and administration, in the Preliminary Engineering Report is \$2,622,640. The project is still in the early stages but the City expects to fund with grants, loan and city funds.

***Project Agreement***

On April 18, 2023, the City Council adopted Resolution 2023-11 which approved the application and authorization to incorporate a solid waste disposal authority to be called Coffee County-City of Brundidge Solid Waste Disposal Authority. The City Council appointed the Mayor for a four year term and the City Manager for a six year term to serve as two of the five initial members of the Board of Directors of the Authority. On May 16, 2023, the council approved a project agreement between Coffee County-City of Brundidge Solid Waste Disposal Authority, the City, Coffee County and the Solid Waste Disposal Authority of Coffee County. This agreement is expected to be signed in fiscal year ending September 30, 2024 and will authorize the City to approve any and all materials going into the landfill which will only be Municipal Solid Waste (household garbage). Coffee County owns the landfill.

**Note 7: CONCENTRATIONS**

During the year ended September 30, 2023, approximately 27% of total accounts receivable in the proprietary fund and 37% 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, 2023 are as follows: \$ 2,858,375

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: 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, 2023, 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 Nine Fiscal Years

<i>As of and for the year ended September 30,</i>	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>									
Service cost	\$ 175,327	\$ 139,232	\$ 132,318	\$ 132,619	\$ 133,878	\$ 132,940	\$ 130,453	\$ 128,917	\$ 134,487
Interest	515,975	530,489	504,456	496,344	475,146	448,361	415,352	389,942	358,681
Change of benefit terms	11,372	-	-	-	-	-	-	-	-
Change of assumptions	-	222,753	-	-	30,560	-	137,198	-	-
Differences between expected and actual experience	1,068,609	(378,036)	35,332	(333,210)	(97,837)	(55,003)	(6,765)	(87,882)	-
Benefit payments, including refunds of employee contributions	(859,229)	(493,920)	(170,708)	(146,148)	(189,520)	(175,135)	(107,977)	(118,746)	(86,041)
Transfers among employers	(41,864)	198,513	(1,707)	(31,971)	(58,798)	1,640	58,722	-	-
<b>Net change in total pension liability</b>	<b>870,190</b>	<b>219,031</b>	<b>499,691</b>	<b>117,634</b>	<b>293,429</b>	<b>352,803</b>	<b>626,983</b>	<b>312,231</b>	<b>407,127</b>
<b>Total pension liability - beginning</b>	<b>7,355,456</b>	<b>7,136,425</b>	<b>6,636,734</b>	<b>6,519,100</b>	<b>6,225,671</b>	<b>5,872,868</b>	<b>5,245,885</b>	<b>4,933,654</b>	<b>4,526,527</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 8,225,646</b>	<b>\$ 7,355,456</b>	<b>\$ 7,136,425</b>	<b>\$ 6,636,734</b>	<b>\$ 6,519,100</b>	<b>\$ 6,225,671</b>	<b>\$ 5,872,868</b>	<b>\$ 5,245,885</b>	<b>\$ 4,933,654</b>
<b>Plan Fiduciary Net Position</b>									
Contributions - employer	\$ 80,330	\$ 80,922	\$ 98,316	\$ 111,945	\$ 114,423	\$ 123,119	\$ 129,885	\$ 130,306	\$ 126,264
Contributions - member	110,453	106,572	98,767	98,027	93,284	93,667	90,715	85,784	84,441
Net investment income	(1,026,868)	1,533,380	375,498	163,804	540,734	663,046	468,712	52,386	461,874
Benefit payments, including refunds of employee contributions	(859,229)	(493,920)	(170,708)	(146,148)	(189,520)	(175,135)	(107,977)	(118,746)	(86,041)
Transfers among employers	(41,864)	198,513	(1,707)	(31,971)	(58,798)	1,640	58,722	-	(13,232)
<b>Net change in plan fiduciary net position</b>	<b>(1,737,178)</b>	<b>1,425,467</b>	<b>400,166</b>	<b>195,657</b>	<b>500,123</b>	<b>706,337</b>	<b>640,057</b>	<b>149,730</b>	<b>573,306</b>
<b>Plan net position - beginning</b>	<b>8,384,502</b>	<b>6,959,035</b>	<b>6,558,869</b>	<b>6,363,212</b>	<b>5,863,089</b>	<b>5,156,752</b>	<b>4,516,695</b>	<b>4,366,965</b>	<b>3,793,659</b>
<b>Plan net position - ending (b)</b>	<b>\$ 6,647,324</b>	<b>\$ 8,384,502</b>	<b>\$ 6,959,035</b>	<b>\$ 6,558,869</b>	<b>\$ 6,363,212</b>	<b>\$ 5,863,089</b>	<b>\$ 5,156,752</b>	<b>\$ 4,516,695</b>	<b>\$ 4,366,965</b>
Net pension liability (asset) - ending (a) - (b)	\$ 1,578,322	\$ (1,029,046)	\$ 177,390	\$ 77,865	\$ 155,888	\$ 362,582	\$ 716,116	\$ 729,190	\$ 566,689
Plan fiduciary net position as a percentage of the total pension liability	80.81%	113.99%	97.51%	98.83%	97.61%	94.18%	87.81%	86.10%	88.51%
Covered payroll*	\$ 1,849,012	\$ 1,983,006	\$ 1,842,767	\$ 1,823,215	\$ 1,751,449	\$ 1,766,434	\$ 1,718,728	\$ 1,628,777	\$ 1,609,718
Net pension liability (asset) as a percentage of covered payroll	85.36%	-51.89%	9.63%	4.27%	8.90%	20.53%	41.67%	44.77%	35.20%

\*Employer's covered-payroll during the measurement period is the total covered payroll . For FY 2023, the measurement period is October 1, 2021 - September 2022. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll beginning with FY2017.

#### Note to Schedule

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

## City of Brundidge Required Pension Supplementary Information

### Schedule of Employer Contributions

#### Last Nine Fiscal Years

<i>For the years ended September 30,</i>	<b>2023</b>	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution*	\$ 49,051	\$ 72,414	\$ 80,922	\$ 98,315	\$ 111,942	\$ 114,425	\$ 119,089	\$ 129,705	\$ 133,666
Contributions in relation to the actuarially determined contribution*	<b>49,051</b>	72,414	80,922	98,315	111,942	114,425	119,089	129,705	133,666
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll**	<b>\$ 1,905,921</b>	\$ 1,849,012	\$ 1,983,006	\$ 1,842,767	\$ 1,823,215	\$ 1,751,449	\$ 1,766,434	\$ 1,718,728	\$ 1,628,777
Contributions as a percentage of covered payroll	<b>2.57%</b>	3.92%	4.08%	5.34%	6.14%	6.53%	6.74%	7.55%	8.21%

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

\*\*Employer's covered-payroll for FY 2023 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 2023 were based on the September 30, 2020 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 had been \$11,372 changes in benefits terms since the prior valuation.

**Note 2: CHANGES OF ASSUMPTIONS**

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

- The remaining amortization period decreased from 1.2 years to N/A years.

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

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

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

	Special Revenue Funds	
<i>September 30, 2023</i>	Four and Five Cent Gas Tax	Seven Cent Gas Tax
<b>Assets</b>		
Cash and cash equivalents	\$ 70,687	\$ 37,244
Receivables, net	876	1,137
Certificates of deposit	-	3,400
<hr/>		
Total assets	\$ 71,563	\$ 41,781
<hr/>		
<b>Fund Balances</b>		
Nonspendable	\$ -	\$ -
Restricted	71,563	41,781
<hr/>		
Total fund balances	\$ 71,563	\$ 41,781
<hr/>		

			Permanent Fund		
Two Cent Gas Tax	Tobacco Tax	Rebuild Alabama Act	Joseph Carroll Library Fund	Total Nonmajor Governmental Funds	
\$ 144,484	\$ 63,480	\$ 95,277	\$ -	\$ 411,172	
7,369	1,233	2,645	-	13,260	
287,521	-	-	18,043	308,964	
<hr/>					
\$ 439,374	\$ 64,713	\$ 97,922	\$ 18,043	\$ 733,396	
<hr/>					
\$ -	\$ -	\$ -	\$ 18,043	\$ 18,043	
439,374	64,713	97,922	-	715,353	
<hr/>					
\$ 439,374	\$ 64,713	\$ 97,922	\$ 18,043	\$ 733,396	
<hr/>					

**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, 2023</i>	Four and Five Cent Gas Tax	Seven Cent Gas Tax
<b>Revenues</b>		
Taxes	\$ 9,597	\$ 12,133
Investment earnings	-	70
Total revenues	9,597	12,203
<b>Other Financing Uses</b>		
Transfers out	-	(55,000)
Net change in fund balances	9,597	(42,797)
Fund balances, beginning of year	61,966	84,578
Fund balances, end of year	\$ 71,563	\$ 41,781

			Permanent Fund		Total Nonmajor Governmental Funds
Two Cent Gas Tax	Tobacco Tax	Rebuild Alabama Act	Joseph Carroll Library Fund		
\$ 85,955	\$ 16,432	\$ 29,679	\$ -	\$	153,796
5,819	218	-	370		6,477
91,774	16,650	29,679	370		160,273
(67,924)	-	-	(370)		(123,294)
23,850	16,650	29,679	-		36,979
415,524	48,063	68,243	18,043		696,417
\$ 439,374	\$ 64,713	\$ 97,922	\$ 18,043	\$	733,396

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

Honorable Mayor and Members of  
the City Council  
Brundidge, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Brundidge, Alabama (the City) as of and for the year ended September 30, 2023, 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 11, 2024.

**Report on Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider Item 2003-001 described as follows to be a material weakness.

### **Item 2003-001 Separation of Duties (Repeat)**

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

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

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

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

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

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

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Item 2018-001 described below to be a significant deficiency.

### **Item 2018-001 Municipal Court Administration (Repeat)**

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

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

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

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

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

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

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

**Management Response** – The City will consider all recommendations.

### **Report on Compliance and Other Matters**

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

### **City of Brundidge, Alabama's Response to Findings**

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

### **Purpose of this Report**

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

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

Enterprise, Alabama  
January 11, 2024