

CITY OF PELHAM, ALABAMA

PELHAM, ALABAMA

Financial Statements

September 30, 2021

**CITY OF PELHAM, ALABAMA
PELHAM, ALABAMA**

MAYOR

Gary Waters

CITY COUNCIL

Maurice Mercer
David Coram
Larry Palmer
Rick Wash
Mildred Lanier

CITY MANAGER

Gretchen DiFante

CITY CLERK & TREASURER

Tom Seale

CITY ATTORNEYS

Ellis, Head, Owens & Justice

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Pelham, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pelham, Alabama (the City), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pelham, Alabama as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in the net pension liability and related ratios, the schedule of employer contributions - pension, the schedule of changes in total OPEB liability and related ratios and budgetary comparison information on pages 6-12 and 62-68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pelham, Alabama's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

BMSS, LLC

Birmingham, Alabama
July 6, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF PELHAM, ALABAMA

The City of Pelham's (the City) Management Discussion and Analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position, identify any material deviations from the financial plan, and identify individual fund issues or concerns.

Since the Management's Discussion and Analysis is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the City's financial statements.

HIGHLIGHTS

Financial Highlights

- The City's net position for governmental activities increased by \$7.8 million.
- The total cost of the City's programs was \$62.0 million.
- During the year, the City had expenses of \$43.2 million for governmental activities and transfers of \$1.5 million to business-type activities, which was \$7.4 million less than the \$52.6 million generated in general and program revenues.
- The City's combined assets exceeded its combined liabilities by \$118.1 million, which will allow the City to continue to meet ongoing obligations to citizens and creditors.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements. The Government-wide financial statements are designed to provide readers with a broad overview of the City's finances. The Statement of Net Position and the Statement of Activities (on pages 13 and 15) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements begin on page 16. For governmental activities, these statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail by providing information about the City's most significant funds.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 7. One of the most important questions asked about the City's finances is, "Is the City, as a whole, better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used in most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both statements report the City's *net position* and changes in them. You can think of the City's net position – the difference between assets and liabilities – as one way to measure the City's financial health or *financial position*. Over time, *increases* or *decreases* in the City's net position are indicators of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental Activities - Most of the City's basic services are reported here, including general administration, police, fire, municipal court, public works, parks and recreation, and library. Property taxes, sales taxes, program revenues, and grants finance most of these activities.
- Business-type Activities - The City's Water and Sewer System, Civic Complex and Ice Arena, Ballantrae Golf Club, Racquet Club, and Garbage Fund are reported here. The City charges a fee to customers to help cover costs of these services.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 16. The fund financial statements provide detailed information about the most significant funds and not the City as a whole. Some funds are required to be established by State law and bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is in compliance with legal responsibilities for using certain taxes, grants and other money. The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

- Governmental Funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations following the fund financial statements.
- Proprietary Funds - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

THE CITY AS A WHOLE

Financial Analysis of the City as a Whole

Net Position

The City's combined net position as of September 30, 2021 was \$118.2 million. The governmental activities net position was \$57.3 million, and the business-type activities net position was \$60.8 million.

GOVERNMENT-WIDE STATEMENTS

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business-type Activities		Totals	
	For the year ended September 30,		For the year ended September 30,		For the year ended September 30,	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets	\$125,724,047	\$77,682,003	\$28,519,923	\$ 8,269,993	\$154,243,970	\$ 85,951,996
Capital assets	64,307,726	62,275,541	61,830,106	63,313,624	126,137,832	125,589,165
Total assets	<u>190,031,773</u>	<u>139,957,544</u>	<u>90,350,029</u>	<u>71,583,617</u>	<u>280,381,802</u>	<u>211,541,161</u>
Deferred outflows of resources						
Deferred outflows related to pensions	8,802,991	6,748,751	1,939,717	1,505,446	10,742,708	8,254,197
Deferred outflows related to OPEB	6,968,293	6,571,504	-	-	6,968,293	6,571,504
Deferred charge on refunding	1,663,750	234,550	18,037	51,926	1,681,787	286,476
Total deferred outflows of resources	<u>17,435,034</u>	<u>13,554,805</u>	<u>1,957,754</u>	<u>1,557,372</u>	<u>19,392,788</u>	<u>15,112,177</u>
Liabilities						
Long-term liabilities	118,326,958	93,501,257	29,822,583	12,144,281	148,149,541	105,645,538
Other liabilities	23,230,643	2,687,205	1,544,470	1,531,078	24,775,113	4,218,283
Total liabilities	<u>141,557,601</u>	<u>96,188,462</u>	<u>31,367,053</u>	<u>13,675,359</u>	<u>172,924,654</u>	<u>109,863,821</u>
Deferred inflows of resources						
Pension deferrals	203,116	283,125	106,583	123,353	309,699	406,478
Deferred inflows related to OPEB	668,375	729,136	-	-	668,375	729,136
Property taxes levied for subsequent year	7,694,274	6,804,047	-	-	7,694,274	6,804,047
Total deferred inflows of resources	<u>8,565,765</u>	<u>7,816,308</u>	<u>106,583</u>	<u>123,353</u>	<u>8,672,348</u>	<u>7,939,661</u>
Net position						
Net investment in capital assets	16,549,633	55,545,124	38,756,782	57,107,640	55,306,415	112,652,764
Restricted	1,687,857	2,593,104	-	-	1,687,857	2,593,104
Unrestricted	39,105,951	(8,630,649)	22,077,365	2,234,637	61,183,316	(6,396,012)
Total net position	<u>\$ 57,343,441</u>	<u>\$49,507,579</u>	<u>\$60,834,147</u>	<u>\$59,342,277</u>	<u>\$118,177,588</u>	<u>\$108,849,856</u>

For more detailed information, see the Statement of Net Position on page 13.

The City's unrestricted net position for governmental activities that can be used to finance day-to-day operations was \$39.1 million.

Changes in Net Position

The City's Change in Net Position of the governmental activities was \$7.8 million and the change in net position of business-type activities was \$1.5 million.

The following table reflects the revenues and expenses of the total primary government:

	Governmental Activities		Business-type Activities		Totals	
	For the year ended September 30,		For the year ended September 30,		For the year ended September 30,	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues						
Fees, fines and charges for service	\$ 7,406,485	\$ 6,992,164	\$18,071,301	\$18,647,343	\$ 25,477,786	\$ 25,639,507
Operating grants and contributions	1,308,068	2,366,696	-	-	1,308,068	2,366,696
Capital grants and contributions	801,465	1,014,775	684,021	547,468	1,485,486	1,562,243
General revenues						
Sales taxes	33,613,464	28,957,497	-	-	33,613,464	28,957,497
Property taxes	6,478,327	6,768,231	-	-	6,478,327	6,768,231
Other taxes	476,658	335,033	-	-	476,658	335,033
Interest earnings	2,778,625	1,846,302	10,824	10,941	2,789,449	1,857,243
(Loss) gain on disposal of capital assets	(283,515)	-	338	2,610	(283,177)	2,610
Total revenues	<u>52,579,577</u>	<u>48,280,698</u>	<u>18,766,484</u>	<u>19,208,362</u>	<u>71,346,061</u>	<u>67,489,060</u>
Expenses						
General administration	13,766,939	15,268,806	-	-	13,766,939	15,268,806
Police	9,973,486	9,456,409	-	-	9,973,486	9,456,409
Fire	10,308,715	9,503,729	-	-	10,308,715	9,503,729
Public works	3,795,867	3,617,593	-	-	3,795,867	3,617,593
Parks and recreation	2,259,166	1,911,506	-	-	2,259,166	1,911,506
Library	1,431,602	1,329,659	-	-	1,431,602	1,329,659
Interest on long-term debt	1,672,210	1,599,235	-	-	1,672,210	1,599,235
Water and Sewer	-	-	10,030,611	9,772,265	10,030,611	9,772,265
Civic Complex	-	-	3,431,183	4,023,632	3,431,183	4,023,632
Ballantrae Golf Club	-	-	2,705,301	2,425,397	2,705,301	2,425,397
Racquet Club	-	-	1,327,427	1,176,642	1,327,427	1,176,642
Garbage Fund	-	-	1,315,822	1,413,003	1,315,822	1,413,003
Total expenses	<u>43,207,985</u>	<u>42,686,937</u>	<u>18,810,344</u>	<u>18,810,939</u>	<u>62,018,329</u>	<u>61,497,876</u>
Excess (deficiency) before transfers	9,371,592	5,593,761	(43,860)	397,423	9,327,732	5,991,184
Transfers	(1,535,730)	(2,855,137)	1,535,730	2,855,137	-	-
Change in net position	<u>7,835,862</u>	<u>2,738,624</u>	<u>1,491,870</u>	<u>3,252,560</u>	<u>9,327,732</u>	<u>5,991,184</u>
Beginning net position	<u>49,507,579</u>	<u>46,768,955</u>	<u>59,342,277</u>	<u>56,089,717</u>	<u>108,849,856</u>	<u>102,858,672</u>
Total net position	<u>\$57,343,441</u>	<u>\$49,507,579</u>	<u>\$60,834,147</u>	<u>\$59,342,277</u>	<u>\$ 118,177,588</u>	<u>\$ 108,849,856</u>

For more detailed information, see the Statement of Activities on page 15.

The governmental activities total revenues increased by 8.9% to \$52.6 million due primarily to increased sales tax revenue. Sales and property taxes accounted for 76.25% of all governmental activities revenues. The remaining revenues are comprised of charges for services and various other sources. The business-type activities total revenue decreased by 2.30%.

The total cost of all programs and services increased by \$520,453. The cost of governmental activities increased by \$521,048, and the cost of business-type activities decreased by \$595.

Governmental Activities

The change in net position of governmental activities was \$7.8 million, resulting primarily from an increase in sales tax revenues.

Business-type Activities

The change in net position of business-type activities was \$1.5 million, resulting primarily from increased Water and Sewer revenues and transfers from the General Fund.

THE CITY'S FUNDS

Governmental Funds

As of September 30, 2021, the governmental funds reported a combined fund balance of \$95.1 million, which is 38.7% more than the beginning of the year. The General Fund experienced a net increase of \$27.5 million resulting primarily from increased sales tax revenues and proceeds from the issuance of debt.

Business-type Funds

As of September 30, 2021, business-type funds reported a combined net position of \$60.8 million. The business-type funds Change in Net Position totaled \$1.5 million, resulting primarily from increased Water and Sewer revenues and transfers from the General Fund.

General Fund Budgetary Highlights

General Fund revenues exceeded budget by \$5.4 million, largely due to greater than anticipated sales taxes received. The revenue budget is based on prior year budgeted revenues and does not factor in any growth. General Fund revenues do not include proceeds from debt.

General Fund budgeted amounts exceeded actual expenditures by \$22.3 million, largely due to less capital outlay than anticipated.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, the City had \$126.2 million, net of accumulated depreciation, invested in a broad range of capital assets, including the Water and Sewer System, Civic Complex and Ice Arena, Racquet Club, Ballantrae Golf Club, fire and police equipment, vehicles, buildings, a library, a senior citizen center, park facilities, streets, and roads. This amount represents a net increase (including additions, disposals and depreciation) of \$614,117 or 0.49% more than last year. The increase can be attributed to capital asset additions offset by depreciation expense and the sale of surplus capital assets.

The following is a schedule of capital assets as of September 30:

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$12,203,504	\$12,424,260	\$ 8,801,321	\$ 8,801,321	\$ 21,004,825	\$ 21,225,581
Construction in progress	4,352,654	2,788,945	3,279,485	3,724,204	7,632,139	6,513,149
Infrastructure, net	21,338,257	20,297,762	-	-	21,338,257	20,297,762
System and facilities, net	-	-	48,166,488	49,142,289	48,166,488	49,142,289
Buildings and improvements, net	18,339,384	19,066,666	472,137	495,271	18,811,521	19,561,937
Equipment, net	8,073,927	7,697,908	1,110,675	1,150,539	9,184,602	8,848,447
Total capital assets, net	<u>\$64,307,726</u>	<u>\$62,275,541</u>	<u>\$61,830,106</u>	<u>\$63,313,624</u>	<u>\$ 126,137,832</u>	<u>\$ 125,589,165</u>

Long-Term Debt

At September 30, 2021, the City had \$89.8 million in warrants and capital leases payable outstanding versus \$54 million at September 30, 2020, an increase of 66.3%. This increase resulted from the refunding and issuance of debt.

The following is a schedule of long-term debt as of September 30:

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
General Obligation						
Warrants	\$ 66,361,954	\$ 47,130,598	\$ 23,091,361	\$ 6,257,910	\$ 89,453,315	\$ 53,388,508
Capital lease payable	308,087	606,853	36,334	789	344,421	607,642
Totals	<u>\$ 66,670,041</u>	<u>\$ 47,737,451</u>	<u>\$ 23,127,695</u>	<u>\$ 6,258,699</u>	<u>\$ 89,797,736</u>	<u>\$ 53,996,150</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City Manager, after consulting with the Mayor, City Clerk/Treasurer, Accounting Manager, department heads and supervisors, considered many factors when submitting the proposed budget for the fiscal year ending September 30, 2021. The City Council took the City Manager's proposed budget under consideration and, after further review and evaluation, adopted the fiscal year 2021 budget. Tax rates, anticipated sales tax collections, anticipated expenditures/expenses, prior year actual revenues/expenditures and the overall economy were some of these factors.

Pelham's local economy consists of commercial, retail, and light industrial business. Some of Pelham's largest businesses are the Walmart Supercenter, Publix, Home Depot, Holiday Inn, Hampton Inn, and numerous restaurants and auto dealerships. While the COVID-19 pandemic did affect the area, due to government stimulus, low unemployment in the area, and shifts in consumer spending, the City was able to see economic growth despite the negative effects of the pandemic. The City will always have the potential of the economic impact from the COVID-19 virus. The extent of the impact of COVID-19 on the City's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on its taxpayers, employees, and vendors, all of which are uncertain and cannot be predicted.

The City continued to see an increase in commercial development in the area in 2021, and the population continues to grow. The City of Pelham's population increased from 21,352 in the 2010 census to 24,318 in the 2020 census. The City continues its emphasis on retail, lodging, industrial and residential sectors of the economy.

These indicators were taken into account when adopting the General Fund budget for the fiscal year ended September 30, 2022. Amounts available for expenditure in the General Fund budget total \$58.9 million for the fiscal year 2022. The City took into consideration the current year increase in revenue and its effect on the City when budgeting expenditures for the fiscal year 2022. If these estimates are realized, the City's budgetary fund balance is expected to increase by the close of fiscal year 2022.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives.

If you have questions about this report or need additional information, contact the City Clerk/Treasurer at The City of Pelham, P.O. Box 1419, Pelham, Alabama 35124.

CITY OF PELHAM, ALABAMA
Statement of Net Position
September 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 67,835,119	\$ 7,204,719	\$ 75,039,838
Deposit and investments	3,693,812	-	3,693,812
Accounts receivable	9,954,445	20,429,985	30,384,430
Inventory	-	346,419	346,419
Prepaid expenses	533,437	136,014	669,451
Current maturity of long-term notes receivable	2,190,000	-	2,190,000
Restricted cash and cash equivalents	3,267,651	-	3,267,651
Total current assets	<u>87,474,464</u>	<u>28,117,137</u>	<u>115,591,601</u>
Noncurrent assets			
Restricted cash	-	402,786	402,786
Notes receivable	38,249,583	-	38,249,583
Nondepreciable capital assets	16,556,158	12,080,806	28,636,964
Depreciable capital assets, net	47,751,568	49,749,300	97,500,868
Total noncurrent assets	<u>102,557,309</u>	<u>62,232,892</u>	<u>164,790,201</u>
Total assets	<u>190,031,773</u>	<u>90,350,029</u>	<u>280,381,802</u>
Deferred outflows of resources			
Deferred outflows related to pensions	8,802,991	1,939,717	10,742,708
Deferred outflows related to OPEB	6,968,293	-	6,968,293
Deferred charge on refunding	1,663,750	18,037	1,681,787
Total deferred outflows of resources	<u>17,435,034</u>	<u>1,957,754</u>	<u>19,392,788</u>
Liabilities			
Current liabilities			
Accounts payable	590,165	442,850	1,033,015
Unearned revenue	2,839,218	216,000	3,055,218
Accrued liabilities	533,316	119,720	653,036
Accrued interest payable	294,071	122,466	416,537
Payable from restricted assets - due to other funds	18,690,454	240,648	18,931,102
Payable from restricted assets - customer deposits	283,419	402,786	686,205
Current maturities of long-term liabilities			
Warrants payable, net	2,643,804	3,057,499	5,701,303
Capital lease payable	308,087	7,717	315,804
Compensated absences	892,829	121,834	1,014,663
Total current liabilities	<u>27,075,363</u>	<u>4,731,520</u>	<u>31,806,883</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PELHAM, ALABAMA
Statement of Net Position
September 30, 2021
(Continued)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Noncurrent liabilities			
Warrants payable, net	\$ 63,718,150	\$ 20,033,862	\$ 83,752,012
Capital lease payable	-	28,617	28,617
Compensated absences	892,830	121,831	1,014,661
Total OPEB liability	22,016,696	-	22,016,696
Net pension liability	27,854,562	6,451,223	34,305,785
Total noncurrent liabilities	<u>114,482,238</u>	<u>26,635,533</u>	<u>141,117,771</u>
Total liabilities	<u>141,557,601</u>	<u>31,367,053</u>	<u>172,924,654</u>
Deferred inflows of resources			
Deferred inflows related to pension	203,116	106,583	309,699
Deferred inflows related to OPEB	668,375	-	668,375
Property taxes levied for subsequent year	7,694,274	-	7,694,274
Total deferred inflows of resources	<u>8,565,765</u>	<u>106,583</u>	<u>8,672,348</u>
Net position			
Net investment in capital assets	16,549,633	38,756,782	55,306,415
Restricted for			
Street improvements	367,431	-	367,431
Court	856,453	-	856,453
Police/municipal corrections	234,511	-	234,511
Library	66,173	-	66,173
Capital projects	163,289	-	163,289
Unrestricted	<u>39,105,951</u>	<u>22,077,365</u>	<u>61,183,316</u>
Total net position	<u>\$ 57,343,441</u>	<u>\$ 60,834,147</u>	<u>\$ 118,177,588</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PELHAM, ALABAMA
Statement of Activities
For the Year Ended September 30, 2021

Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Governmental activities							
General administration	\$ 13,766,939	\$ 7,018,471	\$ 223,422	\$ 5,830	\$ (6,519,216)	\$ -	\$ (6,519,216)
Police	9,973,486	98,217	140,655	-	(9,734,614)	-	(9,734,614)
Fire	10,308,715	-	800	100	(10,307,815)	-	(10,307,815)
Public works	3,795,867	4,500	901,657	750,054	(2,139,656)	-	(2,139,656)
Parks and recreation	2,259,166	277,532	-	45,481	(1,936,153)	-	(1,936,153)
Library	1,431,602	7,765	41,534	-	(1,382,303)	-	(1,382,303)
Interest on long-term debt	1,672,210	-	-	-	(1,672,210)	-	(1,672,210)
Total governmental activities	43,207,985	7,406,485	1,308,068	801,465	(33,691,967)	-	(33,691,967)
Business-type activities							
Water and Sewer	10,030,611	11,262,144	-	684,021	-	1,915,554	1,915,554
Civic Complex and Ice Arena	3,431,183	2,328,369	-	-	-	(1,102,814)	(1,102,814)
Ballantrae Golf	2,705,301	2,401,841	-	-	-	(303,460)	(303,460)
Racquet Club	1,327,427	629,709	-	-	-	(697,718)	(697,718)
Garbage Fund	1,315,822	1,449,238	-	-	-	133,416	133,416
Total business-type activities	18,810,344	18,071,301	-	684,021	-	(55,022)	(55,022)
Total primary government	\$ 62,018,329	\$ 25,477,786	\$ 1,308,068	\$ 1,485,486	(33,691,967)	(55,022)	(33,746,989)
General revenues and other items							
Taxes							
Sales							
					33,613,464	-	33,613,464
Property							
					6,478,327	-	6,478,327
Other							
					476,658	-	476,658
Interest earnings							
					2,778,625	10,824	2,789,449
(Loss) gain on disposal of capital assets							
					(283,515)	338	(283,177)
Transfers (out) in							
					(1,535,730)	1,535,730	-
Total general revenues and other items							
					41,527,829	1,546,892	43,074,721
Change in net position							
					7,835,862	1,491,870	9,327,732
Net position - beginning of year							
					49,507,579	59,342,277	108,849,856
Net position - end of year							
					\$ 57,343,441	\$ 60,834,147	\$ 118,177,588

The notes to the financial statements are an integral part of this statement.

CITY OF PELHAM, ALABAMA

Balance Sheet

Governmental Funds

September 30, 2021

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 67,835,119	\$ -	\$ 67,835,119
Deposit and investments	3,693,812	-	3,693,812
Accounts receivable	9,954,445	-	9,954,445
Prepaid expenditures	533,437	-	533,437
Current maturity of long-term notes receivable	2,190,000	-	2,190,000
Restricted cash and cash equivalents	542,916	2,724,735	3,267,651
	<u>84,749,729</u>	<u>2,724,735</u>	<u>87,474,464</u>
Noncurrent assets			
Note receivable	38,249,583	-	38,249,583
	<u>38,249,583</u>	<u>-</u>	<u>38,249,583</u>
Total assets	<u>\$ 122,999,312</u>	<u>\$ 2,724,735</u>	<u>\$ 125,724,047</u>
Liabilities			
Accounts payable	\$ 589,390	\$ 775	\$ 590,165
Unearned revenue	2,839,218	-	2,839,218
Accrued liabilities	533,316	-	533,316
Payable from restricted assets - due to other funds	17,172,681	1,517,773	18,690,454
Payable from restricted assets - deposits	222,173	61,246	283,419
Total liabilities	<u>21,356,778</u>	<u>1,579,794</u>	<u>22,936,572</u>
Deferred inflow of resources			
Property taxes levied for subsequent year	7,694,274	-	7,694,274
Total deferred inflows of resources	<u>7,694,274</u>	<u>-</u>	<u>7,694,274</u>
Fund balance			
Non-spendable			
Notes receivable	40,439,583	-	40,439,583
Prepaid expenditures	533,437	-	533,437
Restricted for			
Street improvements	-	367,431	367,431
Court	542,916	313,537	856,453
Police/municipal corrections	-	234,511	234,511
Library	-	66,173	66,173
Capital projects	-	163,289	163,289
Unassigned	52,432,324	-	52,432,324
Total fund balances	<u>93,948,260</u>	<u>1,144,941</u>	<u>95,093,201</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ 122,999,312</u>	<u>\$ 2,724,735</u>	<u>\$ 125,724,047</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PELHAM, ALABAMA
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
September 30, 2021

Total fund balances - governmental funds		\$ 95,093,201
<p>Amounts reported for governmental activities in the Statement of Net Position are different due to the following:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		
Governmental capital assets	97,036,802	
Less accumulated depreciation	<u>(32,729,076)</u>	64,307,726
<p>Interest payable is not recognized as an expenditure in governmental funds, but rather is recognized when an expenditure is paid.</p>		
		(294,071)
<p>Long-term liabilities, including warrants payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
Warrants payable	(62,543,780)	
Warrant discounts and premiums	(3,818,174)	
Deferred outflow of resources for deferred charges	1,663,750	
Deferred outflows of resources for pension	8,802,991	
Deferred outflows of resources for OPEB	6,968,293	
Capital lease payable	(308,087)	
Total OPEB liability	(22,016,696)	
Deferred inflows of resources for pension	(203,116)	
Deferred inflows of resources for OPEB	(668,375)	
Net pension liability	(27,854,562)	
Compensated absences	<u>(1,785,659)</u>	<u>(101,763,415)</u>
Total net position - governmental activities		<u>\$ 57,343,441</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PELHAM, ALABAMA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2021

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes			
Sales	\$ 33,613,464	\$ -	\$ 33,613,464
Property	6,478,327	-	6,478,327
Motor vehicle/gas	551,825	349,832	901,657
Other	476,658	-	476,658
Licenses and permits	4,904,917	-	4,904,917
Fines and forfeitures	303,995	609,870	913,865
Charges for services	844,698	7,765	852,463
Interest	2,774,939	3,686	2,778,625
Other	1,024,796	378,320	1,403,116
Total revenues	<u>50,973,619</u>	<u>1,349,473</u>	<u>52,323,092</u>
Expenditures			
General administration	11,316,495	497,631	11,814,126
Police	8,584,842	126,189	8,711,031
Fire	8,877,367	-	8,877,367
Public works	2,569,519	120,941	2,690,460
Parks and recreation	1,770,875	-	1,770,875
Library	1,168,469	36,875	1,205,344
Capital outlay	5,869,591	-	5,869,591
Debt service			
Principal retirement	2,385,137	-	2,385,137
Interest	1,767,044	-	1,767,044
Issuance costs	281,843	-	281,843
Total expenditures	<u>44,591,182</u>	<u>781,636</u>	<u>45,372,818</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,382,437</u>	<u>567,837</u>	<u>6,950,274</u>
Other financing sources (uses)			
Proceeds from sale of capital assets	1,210,475	-	1,210,475
Proceeds from issuance of debt	39,271,588	-	39,271,588
Premiums from issuance of debt	2,927,913	-	2,927,913
Payments to escrow	(22,280,319)	-	(22,280,319)
Interfund transfers out	(14,568)	(1,521,162)	(1,535,730)
Total other financing sources (uses)	<u>21,115,089</u>	<u>(1,521,162)</u>	<u>19,593,927</u>
Net changes in fund balance	27,497,526	(953,325)	26,544,201
Fund balance - beginning of year	<u>66,450,734</u>	<u>2,098,266</u>	<u>68,549,000</u>
Fund balance - end of year	<u>\$ 93,948,260</u>	<u>\$ 1,144,941</u>	<u>\$ 95,093,201</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PELHAM, ALABAMA
 Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances to the Statement of Activities
 For the Year Ended September 30, 2021

Net changes in fund balances - governmental funds \$ 26,544,201

Amounts reported for governmental activities in the Statement of
 Activities are different due to the following:

Governmental funds report capital outlays as expenditures. However,
 in the Statement of Activities, the cost of those assets is allocated
 over their estimated useful lives and reported as depreciation expense.
 This is the amount by which capital outlays exceeded depreciation
 in the current period.

Capital outlay	5,869,591	
Less depreciation expense	<u>(2,883,417)</u>	2,986,174

The proceeds from the sale of capital assets (\$1,210,475) are reported as
 other financing sources in the governmental funds. However, the
 the net book value of the capital assets (\$1,493,990) is removed from
 the capital assets account in the Statement of Net Position and offset
 against the sales proceeds resulting in a loss in the Statement of
 Activities of (\$283,518). (1,493,990)

Donations of capital assets do not provide current financial
 resources and are not recorded in governmental funds. However,
 donations of capital assets increase net position. 540,000

The issuance of long-term debt (e.g., warrants, notes payable, etc.)
 provides current financial resources to governmental funds, while the
 repayment of the principal of long-term debt consumes the current
 financial resources of governmental funds. Neither transaction,
 however, has any effect on net position. Also, governmental funds
 report the effect of discounts, premiums, and similar items when debt
 is first issued, whereas these amounts are deferred and amortized in
 the Statement of Activities. This amount is the net effect of these
 differences in the treatment of long-term debt and related items.

Principal retirement	2,385,137	
Payment to refunded warrant and bond escrow agent	22,280,319	
Proceeds from issuance of warrants	(39,271,588)	
Bond discounts, premiums, and deferred amounts on refunding	(2,927,913)	
Bond discounts, premiums, and deferred amounts on refunding amortization expense	<u>30,655</u>	(17,503,390)

The notes to the financial statements are an integral part of this statement.

CITY OF PELHAM, ALABAMA
 Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances to the Statement of Activities
 For the Year Ended September 30, 2021
 (Continued)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Net increase in accrued compensated absences	\$ (41,047)	
Net increase in pension expense	(1,933,679)	
Net increase in total OPEB liability	(1,326,586)	
Net decrease in accrued interest	64,179	<u>(3,237,133)</u>
Change in net position - governmental activities		<u><u>\$ 7,835,862</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF PELHAM, ALABAMA
Statement of Net Position
Proprietary Funds
September 30, 2021

	Business-type Activities - Enterprise Funds				Totals
	Water and Sewer	Civic		Other Proprietary Funds	
		Complex and Ice Arena	Ballantreae Golf		
Assets					
Current assets					
Cash and cash equivalents	\$ 6,724,642	\$ 46,621	\$ 56,700	\$ 376,756	\$ 7,204,719
Accounts receivable	1,230,472	18,259	50,505	199,647	1,498,883
Due from other funds	17,681,029	750,042	500,031	-	18,931,102
Inventory	159,456	128,772	48,173	10,018	346,419
Prepaid expenses	87,113	20,176	15,765	12,960	136,014
Total current assets	<u>25,882,712</u>	<u>963,870</u>	<u>671,174</u>	<u>599,381</u>	<u>28,117,137</u>
Non-current assets					
Restricted cash	402,786	-	-	-	402,786
Non-depreciable assets	4,222,223	9,880	7,463,703	385,000	12,080,806
Depreciable capital assets, net	33,270,254	11,498,596	2,639,977	2,340,473	49,749,300
Total noncurrent assets	<u>37,895,263</u>	<u>11,508,476</u>	<u>10,103,680</u>	<u>2,725,473</u>	<u>62,232,892</u>
Total assets	<u>63,777,975</u>	<u>12,472,346</u>	<u>10,774,854</u>	<u>3,324,854</u>	<u>90,350,029</u>
Deferred outflows of resources					
Contributions to pension plans	849,594	377,174	430,395	282,554	1,939,717
Deferred charge on refunding	13,188	-	3,712	1,137	18,037
Total deferred outflows of resources	<u>862,782</u>	<u>377,174</u>	<u>434,107</u>	<u>283,691</u>	<u>1,957,754</u>
Liabilities					
Current liabilities					
Accounts payable	299,229	1,987	27,950	113,684	442,850
Unearned revenue	-	216,000	-	-	216,000
Accrued liabilities	42,496	6,406	61,022	9,796	119,720
Accrued interest payable	111,035	4,037	5,493	1,901	122,466
Payable from restricted assets - customer deposits	402,786	-	-	-	402,786
Due to other funds	201,648	-	-	39,000	240,648
Current maturities of long-term liabilities					
Warrants payable, net	2,190,454	32,208	663,473	171,364	3,057,499
Capital lease payable	-	-	7,717	-	7,717
Compensated absences	43,865	12,362	35,115	30,492	121,834
Total current liabilities	<u>3,291,513</u>	<u>273,000</u>	<u>800,770</u>	<u>366,237</u>	<u>4,731,520</u>
Noncurrent liabilities					
Warrants payable, net	18,102,256	722,634	1,081,175	127,797	20,033,862
Capital lease payable	-	-	28,617	-	28,617
Compensated absences	43,864	12,361	35,115	30,491	121,831
Net pension liability	2,954,777	1,199,841	1,424,067	872,538	6,451,223
Total noncurrent liabilities	<u>21,100,897</u>	<u>1,934,836</u>	<u>2,568,974</u>	<u>1,030,826</u>	<u>26,635,533</u>
Total liabilities	<u>24,392,410</u>	<u>2,207,836</u>	<u>3,369,744</u>	<u>1,397,063</u>	<u>31,367,053</u>
Deferred inflow of resources					
Deferred inflows related to pensions	74,680	8,839	23,427	(363)	106,583
Total deferred inflows of resources	<u>74,680</u>	<u>8,839</u>	<u>23,427</u>	<u>(363)</u>	<u>106,583</u>
Net position					
Net investment in capital assets	17,212,955	10,753,634	8,362,744	2,427,449	38,756,782
Unrestricted	22,960,712	(120,789)	(546,954)	(215,604)	22,077,365
Total net position	<u>\$ 40,173,667</u>	<u>\$ 10,632,845</u>	<u>\$ 7,815,790</u>	<u>\$ 2,211,845</u>	<u>\$ 60,834,147</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PELHAM, ALABAMA
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2021

	Business-type Activities - Enterprise Funds				Totals
	Water and Sewer	Civic		Other Proprietary Funds	
		Complex and Ice Arena	Ballantreae Golf		
Operating revenues					
Charges for services	\$ 11,262,144	\$ 2,328,369	\$ 2,401,841	\$ 2,078,947	\$ 18,071,301
Total operating revenues	<u>11,262,144</u>	<u>2,328,369</u>	<u>2,401,841</u>	<u>2,078,947</u>	<u>18,071,301</u>
Operating expenses					
Salaries	1,434,671	1,111,412	1,071,394	631,193	4,248,670
Employee benefits	580,464	279,148	315,582	208,974	1,384,168
Payroll taxes	105,099	60,913	79,181	42,022	287,215
Depreciation	3,016,286	683,716	134,517	120,487	3,955,006
Water purchases	2,081,081	-	-	-	2,081,081
Contract services - garbage pickup	-	-	-	1,315,822	1,315,822
Programs and events	-	293,681	-	75,224	368,905
Utilities and telephone	606,959	335,320	64,096	29,199	1,035,574
Supplies	255,511	308,289	697,076	76,662	1,337,538
Maintenance and repairs	248,954	181,803	136,304	93,945	661,006
Insurance	82,316	78,118	47,436	23,279	231,149
Other	1,141,457	81,335	112,651	19,387	1,354,830
Total operating expenses	<u>9,552,798</u>	<u>3,413,735</u>	<u>2,658,237</u>	<u>2,636,194</u>	<u>18,260,964</u>
Operating income (loss)	<u>1,709,346</u>	<u>(1,085,366)</u>	<u>(256,396)</u>	<u>(557,247)</u>	<u>(189,663)</u>
Nonoperating expenses					
Gain (loss) on disposal of capital assets	-	338	-	-	338
Interest income	10,555	65	45	159	10,824
Interest expense	(477,813)	(17,448)	(47,064)	(7,055)	(549,380)
Total nonoperating expenses	<u>(467,258)</u>	<u>(17,045)</u>	<u>(47,019)</u>	<u>(6,896)</u>	<u>(538,218)</u>
Income (loss) before capital contributions and transfers (out) in	1,242,088	(1,102,411)	(303,415)	(564,143)	(727,881)
Capital contributions	684,021	-	-	-	684,021
Transfers in	-	406,457	561,908	567,365	1,535,730
Change in net position	1,926,109	(695,954)	258,493	3,222	1,491,870
Net position, beginning of year	38,247,558	11,328,799	7,557,297	2,208,623	59,342,277
Net position, end of year	<u>\$ 40,173,667</u>	<u>\$ 10,632,845</u>	<u>\$ 7,815,790</u>	<u>\$ 2,211,845</u>	<u>\$ 60,834,147</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PELHAM, ALABAMA
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2021

	Business-type Activities - Enterprise Funds				Totals
	Water and Sewer	Civic Complex and Ice Arena	Ballantrae Golf	Other Proprietary Funds	
Cash flows from operating activities					
Cash received from customers	\$11,311,856	\$ 2,358,026	\$ 2,407,843	\$ 2,077,034	\$18,154,759
Cash paid to employees	(2,013,911)	(1,461,048)	(1,403,080)	(835,595)	(5,713,634)
Cash paid to suppliers for goods and services	(4,336,820)	(1,339,825)	(1,039,461)	(1,593,475)	(8,309,581)
Net cash provided (used) by operating activities	<u>4,961,125</u>	<u>(442,847)</u>	<u>(34,698)</u>	<u>(352,036)</u>	<u>4,131,544</u>
Cash flows from noncapital financing activities					
Transfers from other funds	-	406,457	561,908	567,365	1,535,730
Due (from) to City of Pelham	201,648	(750,042)	(500,031)	-	(1,048,425)
Net cash (used) provided by noncapital financing activities	<u>201,648</u>	<u>(343,585)</u>	<u>61,877</u>	<u>567,365</u>	<u>487,305</u>
Cash flows from capital and related financing activities					
Purchase of property, plant, and equipment	(1,837,995)	(20,998)	-	(16,984)	(1,875,977)
Proceeds from sale of capital assets	-	338	-	-	338
Principal payments on debt	(1,419,076)	-	(630,589)	(169,912)	(2,219,577)
Interest payments on debt	(364,612)	741,431	500,299	(5,803)	871,315
Net cash used by capital and related financing activities	<u>(3,621,683)</u>	<u>720,771</u>	<u>(130,290)</u>	<u>(192,699)</u>	<u>(3,223,901)</u>
Cash flows from investing activities					
Interest on cash and investments	10,555	65	45	159	10,824
Net cash provided by investing activities	<u>10,555</u>	<u>65</u>	<u>45</u>	<u>159</u>	<u>10,824</u>
Net increase (decrease) in cash and cash equivalents	1,551,645	(65,596)	(103,066)	22,789	1,405,772
Cash and cash equivalents at beginning of year	5,575,783	112,217	159,766	353,967	6,201,733
Cash and cash equivalents at end of year	<u>\$ 7,127,428</u>	<u>\$ 46,621</u>	<u>\$ 56,700</u>	<u>\$ 376,756</u>	<u>\$ 7,607,505</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PELHAM, ALABAMA
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2021
(Continued)

	Business-type Activities - Enterprise Funds				Totals
	Water and Sewer	Civic Complex and Ice Arena	Ballantrae Golf	Other Proprietary Funds	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 1,709,346	\$(1,085,366)	\$ (256,396)	\$ (557,247)	\$ (189,663)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	3,016,286	683,716	134,517	120,487	3,955,006
Bad debt	(18,143)	-	-	-	(18,143)
(Increase) decrease in					
Accounts receivable	49,332	63,782	(386)	(1,913)	110,815
Deferred outflows of resources for pensions	(184,078)	(84,534)	(101,004)	(64,655)	(434,271)
Prepaid expenses	(50,909)	5,704	(604)	(3,228)	(49,037)
Inventory	20,425	(3,307)	16,600	9,591	43,309
Increase (decrease) in					
Accounts payable	140,327	(61,683)	520	30,371	109,535
Accrued expenses	(60,975)	(47,155)	(29,148)	(18,895)	(156,173)
Customer deposits	380	-	-	-	380
Unearned revenue	-	(32,750)	-	-	(32,750)
Deferred inflows of resources for pension	(6,975)	(3,378)	(3,792)	(2,625)	(16,770)
Net pension liability	354,648	171,666	192,808	133,526	852,648
Compensated absences	(8,539)	(49,542)	12,187	2,552	(43,342)
Net cash provided (used) by operating activities	\$ 4,961,125	\$ (442,847)	\$ (34,698)	\$ (352,036)	\$ 4,131,544
Reconciliation of cash and cash equivalents					
Cash and cash equivalents in current assets	\$ 6,724,642	\$ 46,621	\$ 56,700	\$ 376,756	\$ 7,204,719
Restricted cash	402,786	-	-	-	402,786
Total cash and cash equivalents at end of year	\$ 7,127,428	\$ 46,621	\$ 56,700	\$ 376,756	\$ 7,607,505

Noncash Investing, Capital, and Financing Activities

Pelham Water and Sewer had amortization of deferred amounts on refunding of \$27,056 and had system lines contributed by developers totaling \$684,021 during the year ended September 30, 2021.

Pelham Racquet Club had amortization of deferred amounts on refunding of \$2,331 during the year ended September 30, 2021.

The notes to the financial statements are an integral part of this statement.

CITY OF PELHAM, ALABAMA

Notes to Financial Statements

September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Pelham, Alabama (the City), an Alabama Municipal Corporation, was incorporated in 1964. The governing body is an elected Mayor and a five-member, elected City Council.

The financial statements of the City are prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The City's reporting entity applies all relevant GASB pronouncements. In preparing the financial statements, management evaluated subsequent events through July 6, 2022, the date the financial statements were available to be issued. The more significant of these accounting policies are described below.

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity include whether:

- The organization is legally separate (can sue and be sued in its own name);
- The City holds the corporate powers of the organization;
- The City appoints a voting majority of the organization's board;
- The City is able to impose its will on the organization;
- The organization has the potential to impose a financial benefit/burden on the City; and
- There is fiscal dependency by the organization on the City.

Based on the aforementioned criteria, the City of Pelham has no component units.

Government-Wide and Fund Financial Statements

The basic financial statements are presented at both the government-wide (based on the City as a whole) and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

Government-Wide Financial Statements display information about the City as a whole. The effect of interfund activity has been removed from these statements. These aggregate statements consist of the *Statement of Net Position* and the *Statement of Activities*.

The *Statement of Net Position* measurement focus is full accrual basis of accounting and economic resource measurement and the statement presents information on all of the City's assets and liabilities (including long-term assets and receivables as well as long-term debt and obligations), with the difference being reported as net position.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2021
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-Wide and Fund Financial Statements - Continued

The *Statement of Activities* demonstrates the degree to which direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment. Taxes and other items (property, sales and use taxes, certain intergovernmental revenues, etc.) not attributable to a specific program are reported as general revenues. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. The City does not employ an indirect cost allocation system.

Fund Financial Statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental or proprietary. Major individual funds are reported in separate columns in the basic financial statements. Non-major funds (by category or fund type) are consolidated into a single column of the basic financial statements.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded. The government-wide financial statements are presented on a full accrual basis of accounting with an economic resource measurement focus. An economic resource focus concentrates on an entity or fund's net position.

All transactions and events that affect the total economic resources (net position) during the period are reported. Economic resources measurement focus is connected with the full accrual basis of accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2021
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus and Basis of Accounting - Continued

Governmental fund financial statements are presented on a modified accrual basis of accounting with a current financial resource measurement focus. The measurement focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Current resources measurement is connected with the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become *measurable* and *available*). *Measurable* means the amount of the transaction can be determined and revenues are considered *available* when they are collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Revenues considered susceptible to accrual are property taxes, state, county and local shared revenues, franchise taxes and intergovernmental revenues. Expenditures are recognized when the related liability is incurred, with the exception of principal and interest on general obligation long-term debt, compensated absences and other post-employment benefits payable, and claims and judgments, which are recognized as expenditures to the extent that they have matured.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund-based financial statements into the governmental activities column of the government-wide presentation.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of operating income and changes in net financial position and cash flows. All assets and liabilities are included on the Statement of Net Position. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Basis of Presentation - Fund Level Financial Statements

Generally accepted accounting principles set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section located in the supplementary information section of the financial statements. The City reports the following major governmental funds:

General Fund - To account for all revenues and expenditures applicable to the general operations of government that are not properly accounted for in another fund. All general operating revenues, which are not restricted or designated as to use by outside sources, are recorded in the General Fund.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2021
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation - Fund Level Financial Statements - Continued

Additionally, the City reports the following non-major governmental funds:

Special Revenue Funds - To account for the proceeds of specific revenue resources that are legally restricted or designated for expenditures with specified purposes.

The City reports the following major proprietary funds:

Water and Sewer System - To account for water and sewer services provided to the residents and businesses of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system, billing, and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term principal and interest for Water and Sewer debt.

Pelham Civic Complex and Ice Arena - To account for providing goods and services to the general public. The Civic Complex and Ice Arena can be used for skating, ice events, trade shows, banquets, and other events. Activities of the fund include administration, operation and maintenance of the complex and ice arena, billing, and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for Civic Complex and Ice Arena debt.

Ballantrae Golf Club - To account for providing goods and services to the general public. Ballantrae Golf Club is a full service golf course. Activities of the fund include administration, operation and maintenance of the golf course and facilities, billing, and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for Golf Club debt.

Additionally, the City reports the following non-major proprietary funds:

Pelham Racquet Club - To account for providing goods and services to the general public. The Racquet Club is a full service tennis facility. Activities of the fund include administration, operation and maintenance of the facilities, billing, and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for Racquet Club debt.

Garbage Fund - To account for garbage services provided primarily to the residents of the City. Activities of the fund include administration, billing, and collections of fees related to the garbage services provided.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2021
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

The City considers all instruments with an original maturity of three months or less to be cash and cash equivalents. Cash equivalents consist of money market securities stated at fair value which approximates cost. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. These amounts represent actual account balances held by financial institutions at the end of the period, and unlike the balances reported in the financial statements, the account balances do not reflect timing delays inherent in reconciling items such as outstanding checks and deposits in transit. The City has never experienced any losses related to these balances.

The City also participates in the Alabama State Treasury's Security for Alabama Funds Enhancement (SAFE) program. The bank holding the City's deposits is a certified participant in the SAFE program. Through the SAFE program, all public funds are protected through a collateral pool administered by the Alabama State Treasury.

Allowance for Uncollectible Accounts

The City reports accounts receivable at net realizable value. Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off through a charge against an existing allowance or through bad debt expense.

Inventory

Inventory consists of various pro shop merchandise, food and beverage supplies, and water and sewer supplies and is stated at the lower of cost, as determined by the first-in, first-out (FIFO) method, or net realizable value.

Prepaid Expenses

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year.

Restricted Assets

The use of restricted assets is limited by legal requirements or restrictions imposed externally by creditors or contributors. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted, as they are needed.

CITY OF PELHAM, ALABAMA

Notes to Financial Statements

September 30, 2021

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Interfund Transfers, Receivables and Payables

During the normal course of operations, the City has numerous transactions between funds to provide services, construct assets, and service debt. These receivables and payables are classified as “Due to/from other funds,” as they are all short-term in nature. These amounts have been eliminated on the government-wide financial statements, except for amounts outstanding between the General Fund and business-type activities.

Routine transfers of resources between City funds that are not intended to be repaid are classified separately from revenues and expenditures. Such interfund operating transfers are identified as “Interfund transfers in/(out)” in the accompanying financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (streets, roads, sidewalks and similar items) are reported in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Capital assets purchased or acquired are carried at historical cost or estimated historical cost.

Donated or contributed capital assets are recorded at their estimated fair value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ useful lives are charged to operations as incurred. Improvements that materially extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation of capital assets is computed using the straight-line method over the following estimated useful lives: building and improvements, 20 to 40 years; Water and Sewer System, 30 to 40 years; machinery and equipment, 5 to 25 years; improvements, 20 years; and infrastructure, 25 to 50 years.

Depreciation is provided in the proprietary funds in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis.

Fair Value

The established framework for measuring fair value provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is the price the City would expect to receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. 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 are described as follows:

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2021
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value - Continued

Level 1 - 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 - 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 which are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The 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 maximize the use of observable inputs and minimize the use of unobservable inputs.

Deferred Outflows of Resources

The City's Statements of Net Position report a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position that applies to future periods. Deferred outflows of resources reported in the financial statements are amounts of pension contributions through the end of the City's fiscal year to be recognized by the pension plan on the accrual basis of accounting in the next measurement period and are deferred amounts arising from the refunding of warrants payable. The deferred refunding amounts are being amortized over the remaining life of the refunding warrants as part of interest expense.

Unearned Revenue

Proprietary funds report unearned revenue in connection with resources that have been received but are not yet recognizable.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2021
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column of the Statement of Net Position. Warrant premiums and discounts are deferred and amortized over the life of the warrants using the warrant outstanding method. Warrants payable are reported net of the applicable warrant premium or discount. Warrant issue costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize warrants premiums, discounts and issuance costs during the current period. The face amount of debt issued is reported as other financing sources, while premiums and discounts are reported as other financing sources and uses, respectively.

Compensated Absences

The City's employees earn vacation leave in accordance with their years of service. Vacation leave earned, but not used, during the calendar year may be accumulated up to a maximum of forty days. Vacation leave earned in excess of forty days not used by December 31 shall be forfeited. An employee who resigns or retires in good standing shall be paid for earned vacation leave up to a maximum of forty days.

The City's employees are permitted to accrue compensatory time in lieu of monetary overtime compensation for hours worked in excess of a normal week. It is granted at a rate of one and one half hours of compensatory time for each hour of overtime worked.

Employees may accrue up to 80 hours of compensatory time. All compensatory time earned is immediately 100% vested.

Upon completion of twelve months of service, an employee may use sick leave. Sick leave is earned at a rate of one work day for each month of service. Sick leave earned during the year but not used may be accumulated up to a maximum of 60 days. Employees are not paid for unused sick leave upon termination of employment. Accordingly, sick pay is charged to expense when taken. No provision has been made in the financial statements for unused sick leave.

The accrued amounts of vacation and compensatory time are recorded as noncurrent liabilities in proprietary funds, net of estimated current portion. The accrued amounts of vacation and compensatory time earned by employees whose salaries are charged to the General Fund are recorded as noncurrent liabilities in the government-wide financial statements, net of estimated current portion.

Other Post-employment Benefit Obligations (OPEB)

The City is required to report the City's actuarially determined total OPEB obligation as a long-term liability in the government-wide financial statements (See Note 12).

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2021
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Pensions

The Employees' Retirement System of Alabama (the Plan or ERS) 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 the 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.

Deferred Inflows of Resources

The City's Statement of Net Position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position or fund balance that applies to a future period. Deferred inflows of resources reported in the financial statements are for differences between projected and actual earnings on pension plan investments and property taxes levied for subsequent years.

Net Position

The City reports information regarding its financial position and activities according to three classes of net position in the government-wide financial statements: investment in capital assets, restricted net position, and unrestricted net position.

Net Investment in Capital Assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position is reported as restricted when constraints placed on net position are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions.

Unrestricted Net Position is the residual component of net position. It consists of net position that does not meet the definition of restricted or invested in capital assets, net of related debt.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2021
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Equity

The City is required, as applicable, to present fund balances in five categories. The fund balance categories are:

Non-spendable - Includes items that are not in a spendable form because they are either legally or contractually required to be maintained intact.

Restricted - Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.

Committed - Includes items committed by the City Council, by resolution of the Council. Commitments may be modified or rescinded by similar resolution.

Assigned - Includes items assigned by specific uses, authorized by the City Council or by an official body to which the Council delegates the authority.

Unassigned - This is the residual classification used for those balances not assigned to another category in the General Fund. Deficit fund balances are also presented as unassigned.

It is the City's policy to use restricted balances first, followed by committed resources, assigned resources, and finally unassigned resources, as needed.

Property Taxes

Property taxes are collected and remitted to the City by the Shelby County government. Taxes are levied annually on October 1 and are due October 1 of the following year. Major tax payments are received October through January and are recognized as revenue in the year received.

NOTE 2 - DEPOSITS AND INVESTMENTS

State statutes authorize the City to invest in obligations of the U.S. Treasury, certain U.S. agency obligations, State of Alabama obligations, county obligations, and other municipal obligations, as well as bank certificates of deposit and bank public investment accounts.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2021
(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS - Continued

As of September 30, 2021, the City had the following investments, which were reported at fair value in governmental activities:

Type of Investment	Fair Value	<u>Investment Maturities (in Years)</u>		
		1-5	6-10	More than 10
Government National Mortgage Association	\$ 3,693,812	\$ -	\$ 250,000	\$ 3,443,812

The City does not have a formal investment policy that limits its allowable deposits or investments, other than those imposed by statutes discussed above, or that addresses the specific types of risks that the government is exposed to through its deposits or investments.

Interest Rate Risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The City does not have a formal investment policy that limits its investment choices other than those imposed by statutes discussed above, but all of the investments carry a Standard & Poor's rating of AAA.

Concentration of Credit Risk - The City places no limit on the amount it may invest in any one issuer.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments. All of the City's investments at September 30, 2021 were insured.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2021
(Continued)

NOTE 3 - RECEIVABLES AND PAYABLES

Receivables consisted of the following at September 30, 2021:

	Governmental Activities	Business-type Activities	Total
Taxes			
Sales	\$ 2,861,363	\$ -	\$ 2,861,363
Property	6,857,904	-	6,857,904
Customers	-	20,542,369	20,542,369
Intergovernmental	235,178	-	235,178
Gross receivables	9,954,445	20,542,369	30,496,814
Less: Allowance for uncollectible accounts	-	(112,384)	(112,384)
Net receivables	<u>\$ 9,954,445</u>	<u>\$ 20,429,985</u>	<u>\$ 30,384,430</u>

Payables consisted of the following at September 30, 2021:

	Governmental Activities	Business-type Activities	Total
Trade	\$ 590,165	\$ 442,850	\$ 1,033,015

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2021
(Continued)

NOTE 4 - NOTE RECEIVABLE

On July 19, 2016, the City entered into a note receivable agreement with the City of Pelham Commercial Development Authority (the Authority) to provide the Authority with funding for the purchase and development of property within the City. The City agreed to advance the Authority up to \$1,000,000. As of September 30, 2021, the balance on the note receivable totaled \$75,000. Principal is due at maturity, and interest is due monthly on the unpaid balance at a rate of two percent (2.00%) per year. The note is secured by revenues and receipts derived from the leasing and sale of any projects.

On September 2, 2016, the City entered into a note receivable agreement with the City of Pelham Board of Education (the Board) to provide the Board with funding for the purchase and development of property within the City for new schools. The City agreed to advance the Board \$43,570,000. As of September 30, 2021, the balance on the note receivable totaled \$17,185,000. Principal and interest are due monthly on the unpaid balance at a variable rate of two to five percent (2.00% to 5.00%) per year. The note is secured by 1% sales tax revenues earned by the City.

On August 27, 2018, the City entered into a note receivable agreement with the City of Pelham Board of Education (the Board) for the purchase of the City of Pelham Library building in the amount of \$1,300,000. As of September 30, 2021, the balance on the note receivable totaled \$930,000. Principal payments of \$10,000 are due monthly on the unpaid balance at a rate of zero percent interest. The note is secured by the City of Pelham Library building.

On February 1, 2021, the City entered into a note receivable agreement with the City of Pelham Board of Education (the Board) to provide the Board with funding for the purchase capital items within the City. The City agreed to advance the Board \$22,445,000. As of September 30, 2021, the balance on the note receivable totaled \$22,249,583. Principal and interest are due monthly on the unpaid balance at a variable rate of two to five percent (2.00% to 5.00%) per year. The note is secured by 1% sales tax revenues earned by the City.

Future principal payments related to notes receivable consist of the following for the years ending September 30:

2022		\$ 2,162,083
2023		2,175,000
2024		2,570,000
2025		2,980,000
2026		2,715,000
2027-2040		27,837,500
		\$ 40,439,583

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2021
(Continued)

NOTE 5 - CAPITAL ASSETS

Capital assets activity for governmental activities consisted of the following for the year ended September 30, 2021:

	Governmental Activities			
	October 1, 2020	Additions	Disposals	September 30, 2021
Depreciable assets				
Infrastructure	\$ 33,018,798	\$ 1,840,860	\$ -	\$ 34,859,658
Buildings and improvements	28,431,400	64,858	-	28,496,258
Equipment	15,599,644	1,674,779	149,695	17,124,728
	<u>77,049,842</u>	<u>3,580,497</u>	<u>149,695</u>	<u>80,480,644</u>
Less accumulated depreciation				
Infrastructure	12,721,036	800,365	-	13,521,401
Buildings and improvements	9,364,734	792,140	-	10,156,874
Equipment	7,901,736	1,290,912	141,847	9,050,801
	<u>29,987,506</u>	<u>2,883,417</u>	<u>141,847</u>	<u>32,729,076</u>
	47,062,336	697,080	7,848	47,751,568
Non-depreciable assets				
Land	12,424,260	1,265,387	1,486,143	12,203,504
Construction in progress	2,788,945	2,412,980	849,271	4,352,654
	<u>15,213,205</u>	<u>3,678,367</u>	<u>2,335,414</u>	<u>16,556,158</u>
	<u>\$ 62,275,541</u>	<u>\$ 4,375,447</u>	<u>\$ 2,343,262</u>	<u>\$ 64,307,726</u>

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2021
(Continued)

NOTE 5 - CAPITAL ASSETS - Continued

Capital assets activity for business-type activities consisted of the following for the year ended September 30, 2021:

	Business-type Activities			September 30, 2021
	October 1, 2020	Additions	Disposals	
Depreciable assets				
System and facilities	\$ 118,965,826	\$ 2,753,193	\$ -	\$ 121,719,019
Water and Sewer				
Buildings and improvements	1,108,016	18,072	-	1,126,088
Equipment	3,406,463	144,945	-	3,551,408
	<u>123,480,305</u>	<u>2,916,210</u>	<u>-</u>	<u>126,396,515</u>
Less accumulated depreciation				
System and facilities	69,823,537	3,728,994	-	73,552,531
Water and Sewer				
Buildings and improvements	612,745	41,206	-	653,951
Equipment	2,255,924	184,809	-	2,440,733
	<u>72,692,206</u>	<u>3,955,009</u>	<u>-</u>	<u>76,647,215</u>
	<u>50,788,099</u>	<u>(1,038,799)</u>	<u>-</u>	<u>49,749,300</u>
Non-depreciable assets				
Land	8,801,321	-	-	8,801,321
Construction in progress	3,724,204	1,727,894	2,172,613	3,279,485
	<u>12,525,525</u>	<u>1,727,894</u>	<u>2,172,613</u>	<u>12,080,806</u>
	<u>\$ 63,313,624</u>	<u>\$ 689,095</u>	<u>\$ 2,172,613</u>	<u>\$ 61,830,106</u>

Depreciation expense was charged as direct expense to programs of the governmental activities as follows:

Governmental activities	
General administration	\$ 131,097
Police	597,597
Fire	664,417
Public works	930,466
Parks and recreation	411,419
Library	148,421
	<u>\$ 2,883,417</u>

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2021
(Continued)

NOTE 5 - CAPITAL ASSETS - Continued

Depreciation expense was charged as direct expense to programs of the business-type activities as follows:

Business-type activities

Water and Sewer	\$	3,016,286
Civic Complex		683,716
Ballantrae Golf Club		134,517
Racquet Club		120,490
		\$ 3,955,009

NOTE 6 - LONG-TERM DEBT

The general obligation warrants payable consisted of the following at September 30, 2021:

	Governmental Activities	Business-type Activities
Series 2013-B General Obligation Warrants, dated August 8, 2013, due in semi-annual payments through August 8, 2023, bearing an interest rate of 1.92%	\$ 311,220	\$ 1,241,418
Series 2013-C General Obligation Warrants, dated August 8, 2013, due in semi-annual payments through August 8, 2029, bearing an interest rate of 2.47%	4,668,677	-
Series 2014 General Obligation Warrants, dated August 13, 2014, due in semi-annual payments through February 1, 2035, bearing interest rates of 3.00% to 5.00%	11,120,000	-
Series 2015 General Obligation Warrants, dated December 30, 2015, due in annual payments through February 1, 2040, bearing interest rates of 2.00% to 5.00%	6,880,000	-

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2021
(Continued)

NOTE 6 - LONG-TERM DEBT - Continued

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Series 2016 General Obligation Warrants, dated August 19, 2016, due in semi-annual payments through November 1, 2022, bearing interest rates of 3.00% to 5.00%	\$ 292,295	\$ 2,797,704
Series 2021-A General Obligation Warrants, dated February 1, 2021, due in semi-annual payments through February 1, 2041, bearing interest rates of 3.00% to 4.00%	16,826,588	16,228,412
Series 2021-B Taxable General Obligation Warrants, dated February 1, 2021, due in semi-annual payments through February 1, 2038, bearing interest rates of 0.26% to 2.39%	<u>22,445,000</u>	<u>-</u>
Total warrants payable	62,543,780	20,267,534
Plus deferred amounts for Unamortized discounts and premiums	<u>3,818,174</u>	<u>2,823,827</u>
Total warrants payable, net	<u>\$ 66,361,954</u>	<u>\$ 23,091,361</u>

Future principal and interest requirements of the general obligation warrants for governmental activities and business-type activities consist of the following for the years ending September 30:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 3,421,976	\$ 2,351,460	\$ 2,811,617	\$ 651,474
2023	3,460,054	2,231,931	2,378,785	600,440
2024	3,276,579	2,119,255	601,416	567,774
2025	4,038,586	1,972,698	618,599	549,473
2026	4,163,491	1,827,425	638,238	530,620
2027-2030	14,201,273	7,504,359	2,810,700	3,769,602
2031-2035	17,439,366	4,389,305	4,170,637	-
2036-2041	12,542,455	1,457,189	6,237,542	-
	<u>\$ 62,543,780</u>	<u>\$ 23,853,622</u>	<u>\$ 20,267,534</u>	<u>\$ 6,669,383</u>

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2021
(Continued)

NOTE 6 - LONG-TERM DEBT - Continued

Changes in long-term liabilities for governmental activities consisted of the following at September 30, 2021:

Governmental Activities	October 1, 2020	Additions	Retirements	September 30, 2021	Due within one year
Warrants and notes payable					
Capital lease payable	\$ 606,853	\$ -	\$ 298,766	\$ 308,087	\$ 308,087
General Obligation Warrants	45,008,564	39,271,589	21,736,373	62,543,780	2,420,092
	<u>45,615,417</u>	<u>39,271,589</u>	<u>22,035,139</u>	<u>62,851,867</u>	<u>2,728,179</u>
Plus: bond discounts and premiums	2,122,034	2,927,913	1,231,773	3,818,174	223,712
Total warrants and notes payable	<u>47,737,451</u>	<u>42,199,502</u>	<u>23,266,912</u>	<u>66,670,041</u>	<u>2,951,891</u>
Other liabilities					
Compensated absences	1,744,612	1,116,382	1,075,335	1,785,659	892,829
	<u>\$ 49,482,063</u>	<u>\$ 43,315,884</u>	<u>\$ 24,342,247</u>	<u>\$ 68,455,700</u>	<u>\$ 3,844,720</u>

Changes in long-term liabilities for business-type activities consisted of the following at September 30, 2021:

Business-type Activities	October 1, 2020	Additions	Retirements	September 30, 2021	Due within one year
Warrants payable					
General Obligation Warrants	\$ 6,257,910	\$ 16,228,412	\$ 2,218,788	\$ 20,267,534	\$ 3,057,499
Capital lease payable	789	36,334	789	36,334	7,717
	<u>6,258,699</u>	<u>16,264,746</u>	<u>2,219,577</u>	<u>20,303,868</u>	<u>3,065,216</u>
Plus: bond discounts and premiums	-	2,823,827	-	2,823,827	-
Total warrants payable	<u>6,258,699</u>	<u>19,088,573</u>	<u>2,219,577</u>	<u>23,127,695</u>	<u>3,065,216</u>
Other liabilities					
Compensated absences	287,007	156,729	200,071	243,665	121,834
	<u>\$ 6,545,706</u>	<u>\$ 19,245,302</u>	<u>\$ 2,419,648</u>	<u>\$ 23,371,360</u>	<u>\$ 3,187,050</u>

For governmental activities, notes payable, general obligation warrants, other post-employment benefits payable, and compensated absences are liquidated by the General Fund.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2021
(Continued)

NOTE 7 - CAPITAL LEASE OBLIGATIONS

The City has entered into a capital lease agreements to finance the purchase of facilities maintenance equipment. As of September 30, 2021, the future minimum lease payments under the capital lease agreements consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
2022	\$ 308,087	\$ 7,717	\$ 315,804
2023	-	8,818	8,818
2024	-	9,255	9,255
2025	-	9,714	9,714
2026	-	830	830
Future minimum lease payments	<u>308,087</u>	<u>36,334</u>	<u>344,421</u>
Less: amount representing interest	-	-	-
Present value of minimum lease payments	<u>308,087</u>	<u>36,334</u>	<u>344,421</u>
Less: current portion	<u>(308,087)</u>	<u>(7,717)</u>	<u>(315,804)</u>
Long-term capital lease obligation	<u>\$ -</u>	<u>\$ 28,617</u>	<u>\$ 28,617</u>

As of September 30, 2021, the governmental activities lease had capitalized costs totaling \$1,944,326 and accumulated depreciation of \$837,641, and a net book value of \$1,106,684. Interest expense paid under the capital lease agreement totaled \$18,934 during the year ended September 30, 2021.

As of September 30, 2021, the business-type activities lease had capitalized costs totaling \$14,167 and accumulated depreciation of \$14,167, and a net book value of \$0. Interest expense paid under the capital lease agreement totaled \$6 during the year ended September 30, 2021.

NOTE 8 - COMMITMENTS

The City leases certain office and park equipment, golf carts and golf course maintenance equipment under noncancelable operating lease agreements. Rent expense paid under the lease agreements during the year ended September 30, 2021 totaled \$92,283 for governmental activities and \$241,002 for business-type activities, respectively.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2021
(Continued)

NOTE 8 - COMMITMENTS - Continued

Future minimum lease payments due under operating lease agreements consist of the following for the years ending September 30:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
2022	\$ 54,735	\$ 279,736	\$ 334,471
2023	23,493	160,939	184,432
2024	20,077	110,983	131,060
2025	4,120	96,909	101,029
2026	-	96,340	96,340
2027	-	8,028	8,028
	<u>\$ 102,425</u>	<u>\$ 752,935</u>	<u>\$ 855,360</u>

NOTE 9 - PENSION PLAN

General Information about the Pension Plan

Plan Description

The ERS, an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and, on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2021
(Continued)

NOTE 9 - PENSION PLAN - Continued

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

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

Benefits Provided

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

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

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2021
(Continued)

NOTE 9 - PENSION PLAN - Continued

Benefits Provided - Continued

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

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 590 employers adopted Act 2019-132.

The ERS serves approximately 853 local participating employers. The ERS membership includes approximately 101,245 participants. As of September 30, 2020, membership consisted of:

Retirees and beneficiaries currently receiving benefits	28,672
Terminated employees entitled to but not yet receiving benefits	1,974
Terminated employees not entitled to a benefit	14,133
Active members	56,369
Post-DROP retired members still in active service	97
	101,245

The City's membership as of the measurement date of September 30, 2020 consisted of:

Retired members or their beneficiaries currently receiving benefits	144
Vested inactive members	19
Non-vested inactive members	30
Active members	298
Post-DROP retired members still in active service	-
	491

Contributions

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2021
(Continued)

NOTE 9 - PENSION PLAN - Continued

Contributions - Continued

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

Employers participating in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* were not required by statute to increase covered member contribution rates but were provided the opportunity to do so through Act 2011-676. By adopting Act 2011-676 Tier 1 regular members contribution rates increased from 5% to 7.5% of earnable compensation and Tier 1 firefighters and law enforcement officers 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, 2021, the City's active employee contribution rate was 5.9% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 12.83% of pensionable payroll.

The City's contractually required contribution rate for the year ended September 30, 2021 was 14.59% of pensionable pay for Tier 1 employees, and 11.36% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2018, 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 totaled \$2,641,606 for the year ended September 30, 2021.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2021
(Continued)

NOTE 9 - PENSION PLAN - Continued

Net Pension Liability

The City's net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019, rolled forward to September 30, 2020, using standard roll-forward techniques as shown in the following table:

	Expected	Actual
(a) Total pension liability as of September 30, 2019	\$ 93,151,849	\$ 96,229,613
(b) Discount rate	7.70%	7.70%
(c) Entry age normal cost for the period October 1, 2019 - September 30, 2020	1,635,820	1,766,672
(d) Transfers among employers	-	34,448
(e) Actual benefit payments and refunds for the period October 1, 2019 - September 30, 2020	(5,148,171)	(5,148,171)
(f) Total pension liability as of September 30, 2020 [(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	\$ 96,613,986	\$ 100,094,037
(g) Difference between expected and actual		\$ 3,480,051
(h) Less liability transferred for immediate recognition		34,448
(i) Experience (gain)/loss = (g) - (h)		\$ 3,445,603

Actuarial Assumptions

The total pension liability, as of September 30, 2020, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2019. The key actuarial assumptions are summarized below:

1. An investment rate of return of 7.70% (net of pension plan investment expense), including inflation at 2.75%, per annum compounded annually on the investment of present and future assets.
2. Projected salary increases, based on age ranging from 3.25% to 5.00%.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2021
(Continued)

NOTE 9 - PENSION PLAN - Continued

Actuarial Assumptions - Continued

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

The actuarial assumptions used in the actuarial valuation as of September 30, 2018, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

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

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

*Includes assumed rate of inflation of 2.50%.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2021
(Continued)

NOTE 9 - PENSION PLAN - Continued

Discount Rate

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

Changes in the City's net pension liability consisted of the following at September 30, 2020:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at September 30, 2019	\$ 93,151,849	\$ 63,766,640	\$ 29,385,209
Changes for the year			
Service cost	1,635,820	-	1,635,820
Interest	6,974,488	-	6,974,488
Changes of benefit terms	821,568	-	821,568
Difference between expected and actual experience	2,624,035	-	2,624,035
Contributions - employer	-	2,368,519	(2,368,519)
Contributions - employee	-	1,168,071	(1,168,071)
Net investment income	-	3,598,744	(3,598,744)
Benefits of payments, including refunds of employee contributions	(5,148,171)	(5,148,171)	-
Transfers among employers	34,448	34,448	-
Net changes	<u>6,942,188</u>	<u>2,021,611</u>	<u>4,920,577</u>
Balances at September 30, 2020	<u>\$ 100,094,037</u>	<u>\$ 65,788,251</u>	<u>\$ 34,305,786</u>

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2021
(Continued)

NOTE 9 - PENSION PLAN - Continued

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

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

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Plan’s net pension liability	\$ 46,311,962	\$ 34,305,786	\$ 24,192,775

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2020. The auditors’ report dated April 30, 2021 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2021
(Continued)

NOTE 9 - PENSION PLAN - Continued

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

For the year ended September 30, 2021, the City recognized pension expense of \$2,707,144. At September 30, 2021, 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
Difference between expected and actual experience	\$ 4,557,202	\$ 309,699
Changes of assumptions	1,421,265	-
Net difference between projected and actual earnings on pension plan investments	2,051,873	-
Employer contributions subsequent to the measurement date	2,712,368	-
	\$ 10,742,708	\$ 309,699

Amounts reported as deferred outflows of resources to pensions will be recognized in pension expense as follows for the years ended September 30:

	Deferred Outflows/ (Inflows) of Resources
2021	\$ 1,769,647
2022	2,141,432
2023	1,932,395
2024	1,133,709
2025	579,454
Thereafter	164,005

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2021
(Continued)

NOTE 10 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund payables and receivables consisted of the following at September 30, 2021:

	Interfund Receivables (Payables)
General Fund	\$ 17,172,681
Special Revenue	1,517,773
	\$ 18,690,454

Interfund payables and receivables resulted from reimbursements made by the General Fund to the Special Revenue for various operating expenses.

Interfund transfers consisted of the following during the year ended September 30, 2021:

	Transfers In (Out)			Net Transfers Out (In)
	General Fund	Special Revenue		
Transfers out (in)				
Civic Complex and Ice Arena	\$ (406,457)	\$ -	-	\$ (406,457)
Ballantrae Golf	(561,908)	-	-	(561,908)
Racquet Club	(726,365)	-	-	(726,365)
Garbage Fund	159,000	-	-	159,000
Net transfers in (out)	\$ (1,535,730)	\$ -	-	\$ (1,535,730)

- Transfers from the General Fund to proprietary funds are in accordance with the normal course of the City's operations.
- Transfers between various proprietary funds are in accordance with the normal course of the City's operations.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2021
(Continued)

NOTE 11 - CONTINGENCIES

The City is involved in various claims and lawsuits, both for and against the City, arising in the normal course of business. Litigation is subject to inherent uncertainties and, were an unfavorable ruling to occur, there exists the possibility of a material adverse impact on the operations of the City for the period in which the ruling occurs.

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation; and natural disasters for which the City carries commercial insurance.

The City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed or not incurred in a timely manner under the terms of the grant. City management believes such disallowances, if any, would be immaterial.

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS

General Information about the OPEB Plan

Plan Description

The City provides certain continuing health care and life insurance benefits for its retired employees. The City of Pelham's OPEB Plan (the OPEB Plan) is a single-employer defined benefit OPEB plan administered by the City. The authority to establish and/or amend the obligation of the employer, employees and retirees rests with the City. No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB) Statement No. 75, paragraph 4, *Postemployment Benefits Other Than Pensions—Reporting For Benefits Not Provided Through Trusts That Meet Specified Criteria—Defined Benefit*.

Benefits Provided

Medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement. The earliest retirement eligibility provisions are as follows: completion of 25 years of service at any age; or, age 60 and 10 years of service. In addition, at least 10 years of continuous service with the City are required to receive retiree post-employment benefits.

Dental insurance coverage is provided to retirees. The employer pays a flat \$25.00 monthly fee for the cost of the dental insurance for the retirees. All of the assumptions used for the valuation of the medical benefits have been used for dental insurance including zero trend.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2021
(Continued)

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS - Continued

Employees Covered by Benefit Terms

At September 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	100
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	288
	388

Total OPEB Liability

The City’s total OPEB liability of \$22,016,696 was measured as of September 30, 2021 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the September 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	4.00% including inflation
Discount rate	2.21% annually (beginning of year)
	2.15% annually (as of end of year measurement date)
Healthcare cost trend rates	0.00% annually

The discount rate was based on the average of the Bond Buyers’ 20-Year General Obligation municipal bond index as of September 30, 2021, the end of the applicable measurement period.

The actuarial assumptions used in the September 30, 2021 valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2009 to September 30, 2021.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2021
(Continued)

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS - Continued

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at September 30, 2020	\$ 20,232,560
Changes for the year	
Service cost	363,357
Interest	439,248
Changes of assumptions	301,765
Difference between expected and actual experience	1,393,917
Benefit payments and net transfers	(714,151)
Net changes	1,784,136
Balance at September 30, 2021	\$ 22,016,696

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.15%) or 1-percentage-point higher (3.15%) than the current discount rate:

	1% Decrease (1.15%)	Current Discount Rate (2.15%)	1% Increase (3.15%)
Plan's total OPEB liability	\$ 26,608,350	\$ 22,016,696	\$ 18,472,530

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

Not applicable since zero trend.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2021
(Continued)

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS - Continued

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$2,040,737. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,726,550	\$ -
Changes of assumptions	3,241,743	668,375
	\$ 6,968,293	\$ 668,375

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

	Deferred Outflows/ (Inflows) of Resources
2022	\$ 1,238,132
2023	1,238,132
2024	1,238,132
2025	1,238,132
2026	192,486
Thereafter	1,154,916

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2021
(Continued)

NOTE 13 - FAIR VALUE

The following is a description of the valuation methodologies used for assets measured at fair value. There were no changes in the methodologies used during the year ended September 30, 2021.

- *U.S. Government Sponsored Enterprise:* Valued based on issuance price and secondary trade data provided by recognized broker dealers.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management 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.

The following table sets forth, by level within the fair value hierarchy, the investments at fair value as of September 30, 2021:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Government Sponsored Enterprise Government National Mortgage Association	\$ 3,693,812	\$ -	\$ 3,693,812	\$ -

NOTE 14 - ACCOUNTING CHANGES AND ACCOUNTING STANDARDS

The GASB issued Statement No. 87, *Leases*, to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2022. The City is currently evaluating the impact GASB 87 may have on its financial statements.

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) simplify accounting for interest cost incurred before the end of a construction period. The requirements of GASB 89 will take effect for financial statements starting with the fiscal year that ends December 31, 2021. The City is currently evaluating the impact GASB 89 may have on its financial statements.

CITY OF PELHAM, ALABAMA

Notes to Financial Statements

September 30, 2021

(Continued)

NOTE 14 - ACCOUNTING CHANGES AND ACCOUNTING STANDARDS - Continued

The GASB issued Statement No. 91, *Conduit Debt Obligations*, 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. The requirements of GASB 91 will take effect for financial statements starting with the fiscal year that ends December 31, 2022. The City is currently evaluating the impact GASB 91 may have on its financial statements.

The GASB issued Statement No. 92, *Omnibus 2020*, to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of GASB 92 will take effect for financial statements starting with the fiscal year that ends June 30, 2022. The City is currently evaluating the impact GASB 92 may have on its financial statements.

The GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The requirement in paragraph 11b will take effect for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 will take effect for financial statements starting with the fiscal year that ends June 30, 2022. The City is currently evaluating the impact GASB 93 may have on its financial statements.

The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of GASB 94 will take effect for financial statements starting with the fiscal year that ends June 30, 2023. The City is currently evaluating the impact GASB 94 may have on its financial statements.

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The requirements of GASB 96 will take effect for financial statements starting with the fiscal year that ends June 30, 2023. The City is currently evaluating the impact GASB 96 may have on its financial statements.

CITY OF PELHAM, ALABAMA

Notes to Financial Statements

September 30, 2021

(Continued)

NOTE 14 - ACCOUNTING CHANGES AND ACCOUNTING STANDARDS - Continued

The GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. There was no financial statement impact as a result of the implementation of paragraph 4 and 5 of the Statement. All other requirements of GASB 97 will take effect for financial statements starting with the fiscal year that ends June 30, 2022. The City is currently evaluating the impact those requirements of GASB 97 may have on its financial statements.

The GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*, to establish the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged. The City implemented GASB 98 for the fiscal year ending September 30, 2021.

The GASB issued Implementation Guide No. 2019-3, *Leases*, to provide guidance for reporting of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Implementation Guide will take effect for financial statements starting with the fiscal year that ends June 30, 2022. The City is currently evaluating the impact the implementation guide may have on its financial statements.

The GASB issued Implementation Guide No. 2020-1, *Implementation Guidance Update - 2020*, to provide guidance that clarifies, explains, or elaborates on GASB Statements. The requirements of this Implementation Guide will take effect as follows: a. Questions 4.1–4.5, 4.18, and 5.3 for financial statements starting with the fiscal year that ends June 30, 2022, b. Questions 4.6–4.17 for financial statements starting with the fiscal year that ends December 31, 2022, and all reporting periods thereafter, c. Questions 4.19–4.21 for financial statements starting with the fiscal year that ends December 31, 2022, d. Questions 5.1, 5.2, 5.4, and 5.5 for financial statements starting with the fiscal year that ends June 30, 2022 and e. The provisions of paragraph 6 are effective immediately. The City is currently evaluating the impact the implementation guide may have on its financial statements.

CITY OF PELHAM, ALABAMA
Notes to Financial Statements
September 30, 2021
(Continued)

NOTE 14 - ACCOUNTING CHANGES AND ACCOUNTING STANDARDS - Continued

The GASB issued Implementation Guide No. 2021-1, *Implementation Guidance Update - 2021*, to provide guidance that clarifies, explains, or elaborates on GASB Statements. The requirements of this Implementation Guide will take effect as follows: a. Questions 4.1–4.3, 4.23, and 5.2–5.4 and the supersession of Questions Z.51.4–Z.51.7 in Implementation Guide 2015-1 for financial statements starting with the fiscal year that ends June 30, 2023, b. Questions 4.4–4.21 for financial statements starting with the fiscal year that ends June 30, 2023, and all reporting periods thereafter, c. Question 4.22 for financial statements starting with the fiscal year that ends June 30, 2022, and d. Question 5.1 for financial statements starting with the fiscal year that ends June 30, 2024. The City is currently evaluating the impact the implementation guide may have on its financial statements.

For the original pronouncements and the implementation guides, please visit the GASB’s website, www.gasb.org.

NOTE 15 - UNCERTAINTIES

A novel strain of coronavirus, COVID-19, emerged in the United States in early 2020. The extent of the impact of COVID-19 on the City’s operational and financial performance will depend on certain developments, including the duration and spread of any additional outbreaks, impact on its taxpayers, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the City’s financial condition or results of operations in the near term is uncertain.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PELHAM, ALABAMA
Schedule of Changes in the Net Pension Liability and Related Ratios
Last Seven Years Ended September 30,

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	\$ 1,635,820	\$ 1,640,736	\$ 1,608,609	\$ 1,584,388	\$ 1,544,506	\$ 1,527,047	\$ 1,470,956
Interest	6,974,488	6,641,295	6,241,092	6,032,403	5,650,936	5,297,430	5,015,542
Changes of benefit terms	821,568	-	-	-	-	-	-
Changes of assumptions	-	-	491,887	-	3,515,573	-	-
Differences between expected and actual experience	2,624,035	1,299,117	1,640,817	(696,818)	741,123	1,455,825	-
Benefit payments, including refunds of employee contributions	(5,148,171)	(4,779,811)	(4,206,950)	(4,063,665)	(4,247,332)	(3,475,609)	(2,450,190)
Transfers among employers	34,448	(289,983)	231,352	(91,916)	(95,878)	-	-
Net change in total pension liability	6,942,188	4,511,354	6,006,807	2,764,392	7,108,928	4,804,693	4,036,308
Total pension liability - beginning	93,151,849	88,640,495	82,633,688	79,869,296	72,760,368	67,955,675	63,919,367
Total pension liability - ending (a)	<u>\$ 100,094,037</u>	<u>\$93,151,849</u>	<u>\$88,640,495</u>	<u>\$82,633,688</u>	<u>\$79,869,296</u>	<u>\$72,760,368</u>	<u>\$67,955,675</u>
Plan fiduciary net position							
Contributions - employer	\$ 2,368,519	\$ 2,320,335	\$ 2,148,149	\$ 2,077,833	\$ 1,985,261	\$ 1,885,223	\$ 1,875,205
Contributions - member	1,168,071	1,175,997	1,095,707	1,046,834	1,053,668	996,630	969,654
Net investment income	3,598,745	1,616,108	5,428,909	6,758,473	4,945,320	543,034	5,281,062
Benefit payments, including refunds of employee contributions	(5,148,171)	(4,779,811)	(4,206,950)	(4,063,665)	(4,247,332)	(3,475,609)	(2,450,190)
Transfers among employers	34,448	(289,983)	231,352	(91,916)	(95,878)	191,161	50,891
Net change in plan fiduciary net position	2,021,612	42,646	4,697,167	5,727,559	3,641,039	140,439	5,726,622
Plan net position - beginning	63,766,640	63,723,994	59,026,827	53,299,268	49,658,229	49,517,790	43,791,168
Plan net position - ending (b)	<u>\$ 65,788,252</u>	<u>\$63,766,640</u>	<u>\$63,723,994</u>	<u>\$59,026,827</u>	<u>\$53,299,268</u>	<u>\$49,658,229</u>	<u>\$49,517,790</u>
Net pension liability (a) - (b)	<u>\$ 34,305,785</u>	<u>\$29,385,209</u>	<u>\$24,916,501</u>	<u>\$23,606,861</u>	<u>\$26,570,028</u>	<u>\$23,102,139</u>	<u>\$18,437,885</u>
Plan fiduciary net position as a percentage of the total pension liability	65.73%	68.45%	71.89%	71.43%	66.73%	68.25%	72.87%
Covered payroll	<u>\$ 20,596,640</u>	<u>\$18,626,224</u>	<u>\$18,308,059</u>	<u>\$18,412,041</u>	<u>\$17,595,089</u>	<u>\$17,534,690</u>	<u>\$17,329,276</u>
Net pension liability as a percentage of covered payroll	166.56%	157.76%	136.10%	128.21%	151.01%	131.75%	106.40%

This schedule is presented to illustrate the requirement to show information for 10 years. Until a full 10-year trend is compiled, the City of Pelham will only present information for those years for which information is available.

See notes to required supplementary information.

CITY OF PELHAM, ALABAMA
Schedule of Employer Contributions - Pension
Last Seven Years Ended September 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 2,641,606	\$ 2,368,519	\$ 2,320,335	\$ 2,080,281	\$ 2,077,833	\$ 1,985,261	\$ 1,885,223
Contributions in relation to the actuarially determined contributions	2,641,606	2,368,519	2,320,335	2,080,281	2,077,833	1,985,261	1,885,223
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	<u>\$ 20,596,640</u>	<u>\$ 18,509,094</u>	<u>\$ 18,626,224</u>	<u>\$ 18,308,059</u>	<u>\$ 18,412,041</u>	<u>\$ 17,595,089</u>	<u>\$ 17,534,690</u>
Contributions as a percentage of covered payroll	<u>12.83%</u>	<u>12.80%</u>	<u>12.46%</u>	<u>11.36%</u>	<u>11.29%</u>	<u>11.28%</u>	<u>10.75%</u>

This schedule is presented to illustrate the requirement to show information for 10 years. Until a full 10-year trend is compiled, the City of Pelham will only present information for those years for which information is available.

See notes to required supplementary information.

CITY OF PELHAM, ALABAMA
Schedule of Changes in Total OPEB Liability and Related Ratios
For the Four Years Ended September 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability				
Service cost	\$ 363,357	\$ 162,087	\$ 156,525	\$ 166,076
Interest	439,248	420,081	527,724	481,191
Differences between expected and actual experience	1,393,917	3,117,208	354,745	347,114
Changes of assumptions	301,765	1,121,850	2,866,732	(911,419)
Benefit payments and net transfers	(714,151)	(762,395)	(713,933)	(713,933)
Net change in total OPEB liability	<u>1,784,136</u>	<u>4,058,831</u>	<u>3,191,793</u>	<u>(630,971)</u>
Total OPEB liability - beginning	<u>20,232,560</u>	<u>16,173,729</u>	<u>12,981,936</u>	<u>13,612,907</u>
 Total OPEB liability - ending	 <u>\$ 22,016,696</u>	 <u>\$ 20,232,560</u>	 <u>\$ 16,173,729</u>	 <u>\$ 12,981,936</u>
 Covered payroll	 <u>\$ 18,452,726</u>	 <u>\$ 17,743,006</u>	 <u>\$ 17,755,828</u>	 <u>\$ 17,072,911</u>
 Total OPEB liability as a percentage of covered payroll	 <u>119.31%</u>	 <u>114.03%</u>	 <u>91.09%</u>	 <u>76.04%</u>

This schedule is presented to illustrate the requirement to show information for 10 years. Until a full 10-year trend is compiled, the City of Pelham will only present information for those years for which information is available.

See notes to required supplementary information.

CITY OF PELHAM, ALABAMA
 Budgetary Comparison Schedule - General Fund
 For the Year Ended September 30, 2021

	Budgeted Amounts		Actual GAAP Basis	Adjustments to Budgetary Basis	Actual - Budgetary Basis
	Original	Final			
Revenues					
Taxes					
Sales	\$ 27,527,820	\$ 29,620,820	\$ 33,613,464	\$ (282,822)	\$ 33,330,642
Property	6,932,025	6,932,025	6,478,327	618,456	7,096,783
Motor vehicle/gas	450,000	450,000	551,825	(4,959)	546,866
Other	258,945	358,545	476,658	(2,320)	474,338
Licenses and permits	4,703,050	4,520,550	4,904,917	-	4,904,917
Fines and forfeitures	272,500	272,500	303,995	(27,909)	276,086
Charges for services	816,150	714,670	844,698	-	844,698
Interest	134,500	1,361,657	2,774,939	(1,341,493)	1,433,446
Other	543,450	1,296,938	1,024,796	325,043	1,349,839
Total revenues	<u>41,638,440</u>	<u>45,527,705</u>	<u>50,973,619</u>	<u>(716,004)</u>	<u>50,257,615</u>
Expenditures					
General administration	9,298,499	12,627,130	11,316,495	1,102,038	12,418,533
Police	9,746,492	9,783,292	8,584,842	(13,106)	8,571,736
Fire	8,932,394	9,161,394	8,877,367	54,069	8,931,436
Public works	2,664,695	2,820,045	2,569,519	91,197	2,660,716
Parks and recreation	1,803,539	1,813,489	1,770,875	(47,601)	1,723,274
Library	1,179,543	1,199,543	1,168,469	(25,693)	1,142,776
Capital outlay	13,411,232	25,011,232	5,869,591	391,427	6,261,018
Debt service					
Principal retirement	2,909,280	2,363,154	2,385,137	185,628	2,570,765
Interest	1,811,030	1,811,030	1,767,044	(172,275)	1,594,769
Issuance costs	-	-	281,843	-	281,843
Total expenditures	<u>51,756,704</u>	<u>66,590,309</u>	<u>44,591,182</u>	<u>1,565,684</u>	<u>46,156,866</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,118,264)</u>	<u>(21,062,604)</u>	<u>6,382,437</u>	<u>(2,281,688)</u>	<u>4,100,749</u>
Other financing sources (uses)					
Proceeds from sale of capital assets	20,000	1,086,515	1,210,475	(1,040)	1,209,435
Proceeds from issuance of debt	8,000,000	39,271,588	39,271,588	-	39,271,588
Premiums from issuance of debt	-	2,927,913	2,927,913	-	2,927,913
Payments to escrow	-	(22,280,319)	(22,280,319)	-	(22,280,319)
Interfund transfers out	-	-	(14,568)	534,762	520,194
Total other financing sources (uses)	<u>8,020,000</u>	<u>21,005,697</u>	<u>21,115,089</u>	<u>533,722</u>	<u>21,648,811</u>
Net changes in fund balance	<u>\$ (2,098,264)</u>	<u>\$ (56,907)</u>	<u>\$ 27,497,526</u>	<u>\$ (1,747,966)</u>	<u>\$ 25,749,560</u>

See notes to required supplementary information.

CITY OF PELHAM, ALABAMA
Notes to Required Supplementary Information
September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT PENSION PLAN PRACTICES

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2020 were based on the September 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2019 to September 30, 2021 consisted of the following:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	22.4 years
Asset valuation method	Five-year smoothed market
Inflation	3.00%
Salary increases	3.25 - 5.00%, including inflation
Investment rate of return	7.70%, net of pension plan investment expense, including inflation

NOTE 2 - SUMMARY OF SIGNIFICANT OPEB PLAN PRACTICES

Benefit Changes - There were no changes of benefit terms for the year ended September 30, 2021.

Changes in Assumptions - The discount rate as of September 30, 2020 was 2.66% and it changed to 2.15% as of September 30, 2021.

No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB) Statement No. 75, paragraph 4, *Postemployment Benefits Other Than Pensions - Reporting For Benefits Not Provided Through Trusts That Meet Specified Criteria - Defined Benefit* to pay related benefits.

CITY OF PELHAM, ALABAMA
Notes to Required Supplementary Information
September 30, 2021
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT OPEB PLAN PRACTICES - Continued

Methods and assumptions used to determine contribution rates for the period October 1, 2019 to September 30, 2021 consisted of the following:

Actuarial cost method	Individual entry age normal
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Market value
Inflation	2.50%
Healthcare trend	Zero trend
Salary increases	4.00%, including inflation
Discount rate	2.21% annually (beginning of year to determine ADC) 2.15% annually (as of end of year to measurement date)
Retirement age	Attainment of age 55 and 25 years of service; or attainment of age 60 and 10 years of service; at least 10 years of continuous employment
Mortality	RP-2000 without projection
Turnover	Age specific table with an average of 10% when applied to the active census

NOTE 3 - SUMMARY OF SIGNIFICANT BUDGETARY PRACTICES

The City Council adopts a budget for the General Fund at the beginning of each fiscal year in accordance with Alabama law. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenditures.

The City's budgets are not prepared or adopted in conformity with GAAP. Reported budget amounts are as originally adopted or as amended by the Council by resolution. Actual amounts are reported in accordance with GAAP. Adjustments to reconcile budget information to GAAP information can be found on the Budgetary Comparison Schedule - General Fund.

STATISTICAL INFORMATION

(UNAUDITED)

CITY OF PELHAM, ALABAMA
 Assessed Value of Taxable Property
 For the Year Ended September 30, 2021
 (Unaudited)

	Property Assessed Value (after exemptions)	Motor Vehicles	Total
2021	\$ 484,921,020	\$ 62,659,702	\$ 547,580,722
2020	465,559,020	57,971,600	523,530,620
2019	447,694,080	55,611,700	503,305,780
2018	422,274,640	56,273,540	478,548,180
2017	407,500,860	56,725,380	464,226,240
2016	394,291,020	59,426,580	453,717,600
2015	381,133,040	55,199,840	436,332,880
2014	365,149,760	54,011,360	419,161,120
2013	361,211,000	55,104,830	416,315,830
2012	343,448,440	52,680,940	396,129,380

CITY OF PELHAM, ALABAMA
Gross Receipts and Use Tax Receipts
For the Year Ended September 30, 2021
(Unaudited)

	<u>Gross Receipts Tax</u>		<u>Use Tax</u>		<u>Total</u>
2021	\$ 29,903,501		\$ 895,155		\$ 30,798,656

CITY OF PELHAM, ALABAMA
Business License Tax Receipts
For the Year Ended September 30, 2021
(Unaudited)

	<u>Business License Tax</u>
2021	\$ 4,417,906

CITY OF PELHAM, ALABAMA
Fourteen Mill Ad Valorem Tax Receipts
For the Year Ended September 30, 2021
(Unaudited)

	Fourteen Mill Ad Valorem Tax
	<hr/>
2021	\$ 6,300,673