

City of Pelham, Alabama
Financial Statements
September 30, 2023

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

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

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 as of September 30, 2023 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, schedule of changes in the net pension liability, schedule of employer contributions and the schedule of changes in net OPEB liability information 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 evidence sufficient to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises statistical information but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2024, on our consideration of the City of Pelham's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Pelham's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Pelham's internal control over financial reporting and compliance.

Fruitt Fingle Paramore & Argent, LLC

Birmingham, Alabama

March 5, 2024

City of Pelham, Alabama
Management's Discussion and Analysis
September 30, 2023

The City of Pelham's Management's 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 combined assets and deferred outflows of resources exceeded its combined liabilities and deferred inflows of resources by \$74,963,431 which will allow the City to continue to meet ongoing obligations to citizens and creditors. The City's net position for governmental activities increased by \$9,515,510.
- The City had expenses of \$49,851,400 million for governmental activities and transfers of \$5,391,164 to business-type activities, which was \$9,515,510 less than the \$64,758,074 million generated in general and program revenues.
- The General Fund reported a fund balance of \$89,059,403, a decrease of \$668,690. The General Fund's Excess of Expenditures over Revenues was \$11,279,758.
- The Capital Projects and General Fund reported \$12,258,739 in capital outlay. The proprietary funds reported \$12,651,512 in capital expenditures during the year.
- The Proprietary Funds reported a combined net position of \$70,104,910 an increase of \$4,802,961. The Proprietary Fund's Operating Loss was (\$1,170,114).
- The total cost of all City's programs was \$73,603,542.
- The City's combined assets exceeded its combined liabilities by \$145,068,341, 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 14-16) 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 17. For governmental activities, these statements tell how 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.

City of Pelham, Alabama
Management's Discussion and Analysis
September 30, 2023

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 8. One of the most important questions asked about the City's finances is, "Is the City as a whole better off 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 used in most private sector companies. All the current year revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position and the Statement of Activities report the City's net position and changes in net position. 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, is one indicator 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 infrastructure, to assess the overall health of the City.

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

- **Governmental Activities** – Most of the City's basic services are reported here, including general administration, public safety, public works, culture and recreation. 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 cover costs of these services.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 11. 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 by bond covenants. However, the City Council established many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies. 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 these 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.

City of Pelham, Alabama
Management's Discussion and Analysis
September 30, 2023

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 after the fund financial statements.

- **Proprietary Funds** – When the City charges customers for the services it provides, these services are generally reported in the 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, 2023 was \$145,068,341. The governmental activities net position was \$74,963,431, and the business-type activities net position was \$70,104,910.

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business - type Activities		Totals	
	For the Year Ended		For the Year Ended		For the Year Ended	
	September 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 113,413,354	\$ 125,166,703	\$ 21,861,349	\$ 27,447,633	\$ 135,274,703	\$ 152,614,336
Capital Assets	82,464,096	72,017,695	74,530,477	64,744,707	156,994,573	136,762,402
Total assets	195,877,450	197,184,398	96,391,826	92,192,340	292,269,276	289,376,738
Deferred Outflows of resources	16,741,128	15,561,207	2,696,271	1,676,402	19,437,399	17,237,609
Other liabilities	17,352,965	24,129,819	4,838,834	2,418,173	22,191,799	26,547,992
Long-term liabilities	111,439,911	104,254,545	24,093,959	25,247,263	135,533,870	129,501,808
Total liabilities	128,792,876	128,384,364	28,932,793	27,665,436	157,725,669	156,049,800
Deferred inflows of resources	8,862,271	18,913,320	50,394	901,357	8,912,665	19,814,677
Net position						
Net investment in capital assets	79,751,593	63,492,304	64,859,051	62,560,116	144,610,644	126,052,420
Restricted	4,228,749	4,302,547	-	-	4,228,749	4,302,547
Unrestricted	(9,016,911)	(2,346,930)	5,245,859	2,741,833	(3,771,052)	394,903
Total net position	\$ 74,963,431	\$ 65,447,921	\$ 70,104,910	\$ 65,301,949	\$ 145,068,341	\$ 130,749,870

City of Pelham, Alabama
Management's Discussion and Analysis
September 30, 2023

For more detailed information, see the Statement of Net Position on pages 14-15.

The City's combined net position increased to \$145,068,341 from \$130,749,870 or 11%.

Changes in Net Position

The City's total revenues increased by approximately 10% to \$87,922,013. For governmental activities, sales and property taxes account for approximately 73% of revenues. The majority of the remaining governmental activities revenues come from fees and charges for services, other taxes, and capital grants and contributions.

The total cost of all programs and services increased by \$6,925,262, or approximately 10%. Expenses of business-type activities increased by \$2,545,669 and the cost of governmental activities increased by \$4,379,593.

The table on the following page reflects the condensed Statement of Activities.

City of Pelham, Alabama
Management's Discussion and Analysis
September 30, 2023

	<u>Governmental Activities</u>		<u>Business - type Activities</u>		<u>Totals</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>September 30,</u>		<u>September 30,</u>		<u>September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
REVENUES						
Program Revenues						
Fees, fines, and charges for services	\$ 8,147,986	\$ 7,536,717	\$ 22,226,334	\$ 19,744,932	\$ 30,374,320	\$ 27,281,649
Operating grants and contributions	1,353,140	1,366,925	-	-	1,353,140	1,366,925
Capital grants and contributions	4,214,806	3,804,891	926,862	1,234,931	5,141,668	5,039,822
General Revenues						
Sales taxes	39,027,046	37,612,841	-	-	39,027,046	37,612,841
Property taxes	8,278,523	7,429,081	-	-	8,278,523	7,429,081
Other taxes	474,830	444,105	-	-	474,830	444,105
Interest income	2,742,951	1,153,132	6,760	107	2,749,711	1,153,239
Other income	518,792	(307,091)	3,983	-	522,775	(307,091)
Total Revenues	64,758,074	59,040,601	23,163,939	20,979,970	87,922,013	80,020,571
EXPENSES						
General Administration	15,676,335	15,375,327	-	-	15,676,335	15,375,327
Public Safety	23,625,456	20,780,192	-	-	23,625,456	20,780,192
Public Works	4,751,281	4,202,678	-	-	4,751,281	4,202,678
Culture and recreation	4,498,689	3,723,500	-	-	4,498,689	3,723,500
Interest	1,299,639	1,390,110	-	-	1,299,639	1,390,110
Water and Sewer	-	-	11,043,869	10,527,443	11,043,869	10,527,443
Civic Complex	-	-	5,005,725	4,393,709	5,005,725	4,393,709
Ballantrae Golf Club	-	-	3,250,621	2,830,640	3,250,621	2,830,640
Other proprietary funds	-	-	4,451,927	3,454,681	4,451,927	3,454,681
Total Expenses	49,851,400	45,471,807	23,752,142	21,206,473	73,603,542	66,678,280
Excess (deficiency) before transfers & capital contributions & special item						
	14,906,674	13,568,794	(588,203)	(226,503)	14,318,471	13,342,291
Special item	-	(831,506)	-	831,506	-	-
Transfers	(5,391,164)	(3,862,799)	5,391,164	3,862,799	-	-
Change in net position	9,515,510	8,874,489	4,802,961	4,467,802	14,318,471	13,342,291
Beginning net position	65,447,921	57,343,441	65,301,949	60,834,147	130,749,870	118,177,588
Prior period adjustment	-	(770,009)	-	-	-	(770,009)
Ending net position	\$ 74,963,431	\$ 65,447,921	\$ 70,104,910	\$ 65,301,949	\$ 145,068,341	\$ 130,749,870

City of Pelham, Alabama
Management's Discussion and Analysis
September 30, 2023

THE CITY'S FUNDS

Governmental Funds

As of the year-end, the Governmental Funds reported a combined fund balance of \$92,348,244, which is (\$1,108,284) less than the beginning of the year. The General Fund experienced a net decrease of (\$668,690), resulting primarily from transfers to other funds. The Capital Projects Fund experienced a net decrease of (\$140,881), resulting primarily from capital outlay. These projects were funded by transfers from the General Fund of \$9,982,610.

Proprietary Funds

As of the year-end, the Proprietary Funds reported net position of \$70,104,910, which is approximately 7% more than the beginning of the year. The Water and Sewer Fund experienced a net increase of \$2,741,415 after interfund transfers from other funds of \$896,354 and capital contributions of \$926,862. The Civic Complex experienced a net increase of \$1,183,569 after interfund transfers from other funds of \$2,479,888. Ballantrae Golf experienced a net increase of \$826,706 after interfund transfers from other funds of \$1,024,662. The Other Proprietary funds experienced a net increase of \$51,271 after interfund transfers from other funds of \$990,260.

General Fund Budgetary Highlights

General Fund revenues exceeded budgeted revenues by \$9,197,257. Actual sales tax revenues exceeded budgeted sales tax revenues.

General Fund expenditures were less than budgeted amounts by \$2,143,075.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2023, the City had \$156,994,573 invested in a broad range of capital assets, including the Water and Sewer System, Civic Complex and Ice Arena, Racquet Club, Ballantrae Golf Club, land, roadways, fire and police equipment and vehicles, buildings, library, a senior citizen center, park facilities, streets and roads. This amount represents a net increase (including additions, disposals and depreciation) of \$20,232,171, or approximately 14.79% over last year. The increase can be attributed to capital asset additions offset by depreciation expense and the sale of surplus and other capital assets.

The table on the following page is a schedule of capital assets as of September 30:

City of Pelham, Alabama
Management's Discussion and Analysis
September 30, 2023

CAPITAL ASSETS

	Governmental Activities		Business - type Activities		Totals	
	For the Year Ended		For the Year Ended		For the Year Ended	
	September 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022
Land	\$ 15,188,604	\$ 15,188,604	\$ 8,801,321	\$ 8,801,321	\$ 23,989,925	\$ 23,989,925
Construction in progress	17,845,043	9,428,212	15,622,858	6,994,206	33,467,901	16,422,418
Infrastructure, net	23,353,930	21,720,090	-	-	23,353,930	21,720,090
Systems and facilities, net	-	-	32,880,835	46,885,088	32,880,835	46,885,088
Buildings and improvements, net	17,664,060	18,779,006	15,306,149	448,705	32,970,209	19,227,711
Equipment, net	8,412,459	6,901,783	1,493,053	985,575	9,905,512	7,887,358
Right of use assets, net	-	-	426,261	629,812	426,261	629,812
Total capital assets, net	<u>\$ 82,464,096</u>	<u>\$ 72,017,695</u>	<u>\$ 74,530,477</u>	<u>\$ 64,744,707</u>	<u>\$ 156,994,573</u>	<u>\$ 136,762,402</u>

Long-Term Debt

At September 30, 2023, the City had \$77,716,222 in warrants and leases payable outstanding versus \$83,243,911 at September 30, 2022, a decrease of 7%. This decrease results from principal payments.

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

DEBT

	Governmental Activities		Business - type Activities		Totals	
	For the Year Ended		For the Year Ended		For the Year Ended	
	September 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022
General obligation warrants	\$ 58,700,991	\$ 62,560,229	\$ 17,388,972	\$ 19,943,079	\$ 76,089,963	\$ 82,503,308
Capital lease payable	1,195,376	59,675	22,204	37,697	1,217,580	97,372
Right of use liability	-	-	408,679	643,231	408,679	643,231
Total LT liabilities	<u>\$ 59,896,367</u>	<u>\$ 62,619,904</u>	<u>\$ 17,819,855</u>	<u>\$ 20,624,007</u>	<u>\$ 77,716,222</u>	<u>\$ 83,243,911</u>

City of Pelham, Alabama
Management's Discussion and Analysis
September 30, 2023

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City Manager, after consulting with the Mayor, City Clerk/Treasurer, Finance Director, department heads and supervisors, considered many factors when setting the budget for the fiscal year ending September 30, 2023. The City Council took the City Manager's proposed budget under consideration and, after further review and evaluation, adopted the fiscal year 2023 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 2023, 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, 2023. Amounts available for expenditure in the General Fund budget totaled \$61.7 million for the fiscal year 2024. The City took into consideration the current year increase in revenue and its effect on the City when budgeting expenditures for the fiscal year 2024. If these estimates are realized, the City's budgetary fund balance is expected to increase by the close of fiscal year 2024.

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, AL 35124.

City of Pelham, Alabama
Statement of Net Position
September 30, 2023

	Primary Government		
	Governmental Activities	Business-type activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 22,936,840	\$ 11,789,734	\$ 34,726,574
Deposit and investments	3,750,000	-	3,750,000
Accounts receivable, net	11,696,734	2,062,496	13,759,230
Due from other funds	-	6,979,267	6,979,267
Inventory	-	461,534	461,534
Prepaid expenses	307,547	120,589	428,136
Restricted assets:			
Cash and cash equivalents	38,949,317	447,729	39,397,046
Notes receivable	35,772,916	-	35,772,916
Nondepreciable capital assets	33,033,647	24,424,179	57,457,826
Depreciable capital assets, net	49,430,449	50,106,298	99,536,747
	<u>195,877,450</u>	<u>96,391,826</u>	<u>292,269,276</u>
Deferred outflows of resources			
Pension	15,542,691	2,696,271	18,238,962
Other post employment benefits	689,743	-	689,743
Deferred charge on refunding	508,694	-	508,694
Total deferred outflows of resource	<u>16,741,128</u>	<u>2,696,271</u>	<u>19,437,399</u>
Liabilities			
Accounts payable	1,665,103	2,650,541	4,315,644
Unearned revenue	13,043	418,966	432,009
Accrued expenses	1,034,775	148,442	1,183,217
Accrued interest payable	249,685	92,368	342,053
Payable from restricted assets:			
Accounts payable	2,603,655	-	2,603,655
Deposits	61,246	447,729	508,975
Due to other funds	6,979,267	-	6,979,267
Noncurrent liabilities			
Due within one year	4,746,191	1,080,788	5,826,979
Due in more than one year	111,439,911	24,093,959	135,533,870
Total liabilities	<u>128,792,876</u>	<u>28,932,793</u>	<u>157,725,669</u>

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

City of Pelham, Alabama
Statement of Net Position - Continued
September 30, 2023

	Primary Government		
	Governmental Activities	Business-type activities	Total
Deferred inflows of resources			
Property taxes levied for subsequent years	\$ 8,708,021	\$ -	\$ 8,708,021
Pension	66,578	50,394	116,972
Other post employment benefits	87,672	-	87,672
	<u>8,862,271</u>	<u>50,394</u>	<u>8,912,665</u>
Net position (deficit)			
Net investment in capital assets	79,751,593	64,859,051	144,610,644
Restricted for:			
Capital projects	3,005,897	-	3,005,897
Street improvements	840,700	-	840,700
Municipal court	90,504	-	90,504
Police/municipal corrections	229,825	-	229,825
Library	61,823	-	61,823
Unrestricted	<u>(9,016,911)</u>	<u>5,245,859</u>	<u>(3,771,052)</u>
Total net position	<u>\$ 74,963,431</u>	<u>\$ 70,104,910</u>	<u>\$ 145,068,341</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, 2023

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants/Contributions	Capital Grants/Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government							
Governmental activities							
General administration	\$ 15,676,335	\$ 7,789,049	\$ 225,311	\$ 1,966,088	\$ (5,695,887)	\$ -	\$ (5,695,887)
Public safety	23,625,456	4,980	124,351	-	(23,496,125)	-	(23,496,125)
Public works	4,751,281	4,500	950,306	1,765,789	(2,030,686)	-	(2,030,686)
Culture and recreation	4,498,689	349,457	53,172	482,929	(3,613,131)	-	(3,613,131)
Interest and fees	1,299,639	-	-	-	(1,299,639)	-	(1,299,639)
Total primary government	49,851,400	8,147,986	1,353,140	4,214,806	(36,135,468)	-	(36,135,468)
Business-type Activities							
Water and Sewer	11,043,869	11,958,085	-	926,862	-	1,841,078	1,841,078
Civic Complex and Ice Arena	5,005,725	3,709,406	-	-	-	(1,296,319)	(1,296,319)
Ballantrae Golf	3,250,621	3,052,665	-	-	-	(197,956)	(197,956)
Other Proprietary Funds	4,451,927	3,506,178	-	-	-	(945,749)	(945,749)
Total Business-type Activities	23,752,142	22,226,334	-	926,862	-	(598,946)	(598,946)
Total Primary Government	\$ 73,603,542	\$ 30,374,320	\$ 1,353,140	\$ 5,141,668	\$ (36,135,468)	\$ (598,946)	\$ (36,734,414)
General revenues and other items							
Taxes:							
Sales					39,027,046	-	39,027,046
Property					8,278,523	-	8,278,523
Other					474,830	-	474,830
Interest earnings					2,742,951	6,760	2,749,711
Other income					-	-	-
Gain on disposal of capital assets					518,792	3,983	522,775
Transfers					(5,391,164)	5,391,164	-
Total general revenues and other items					45,650,978	5,401,907	51,052,885
Change in net position					9,515,510	4,802,961	14,318,471
Net position - beginning of year					65,447,921	65,301,949	130,749,870
Net position - end of year					\$ 74,963,431	\$ 70,104,910	\$ 145,068,341

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

City of Pelham, Alabama
Balance Sheet - Governmental Funds
September 30, 2023

	General	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 22,936,840	\$ -	\$ -	\$ 22,936,840
Deposits and investments	3,750,000	-	-	3,750,000
Accounts receivable	11,675,418	21,316	-	11,696,734
Due from other funds	1,434,286	1,840,583	44,642	3,319,511
Prepaid expenses	307,547	-	-	307,547
Notes receivable	35,772,916	-	-	35,772,916
Restricted assets:				
Cash	33,469,696	2,635,660	2,843,961	38,949,317
Total assets	\$ 109,346,703	\$ 4,497,559	\$ 2,888,603	\$ 116,732,865
Liabilities				
Accounts payable	\$ 1,665,103	\$ -	\$ -	\$ 1,665,103
Unearned revenue	13,043	-	-	13,043
Accrued expenses	1,034,775	-	-	1,034,775
Payable from restricted assets				-
Accounts payable	-	2,602,687	968	2,603,655
Due to other funds	8,866,358	35,739	1,396,681	10,298,778
Deposits	-	-	61,246	61,246
Total liabilities	11,579,279	2,638,426	1,458,895	15,676,600
Deferred inflows of resources				
Property taxes levied for subsequent year	8,708,021	-	-	8,708,021
Total deferred inflows of resources	8,708,021	-	-	8,708,021
Fund balance (deficit)				
Non-spendable				
Notes receivable	35,772,916	-	-	35,772,916
Prepaid expenses	307,547	-	-	307,547
Restricted for				
Street improvements	-	-	840,634	840,634
Municipal court	619,326	-	285,718	905,044
Police/municipal corrections	-	-	229,825	229,825
Library	-	-	61,889	61,889
Debt service	3,457,634	-	-	3,457,634
Capital projects	29,392,736	1,859,133	11,642	31,263,511
Unassigned	19,509,244	-	-	19,509,244
	89,059,403	1,859,133	1,429,708	92,348,244
Total liabilities, deferred inflows of resources and fund balance	\$ 109,346,703	\$ 4,497,559	\$ 2,888,603	\$ 116,732,865

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, 2023

Total fund balances - governmental funds		\$ 92,348,244
<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	120,738,370	
Less accumulated depreciation	<u>(38,274,274)</u>	82,464,096
<p>Deferred outflows and deferred inflows related to the net pension liability and other post employment benefit payable are not reported in the governmental funds</p>		
Deferred outflow of resources for pension	15,542,691	
Deferred outflow of resources for OPEB	689,743	
Deferred inflows of resources for pension	(66,578)	
Deferred inflows of resources for OPEB	<u>(87,672)</u>	16,078,184
<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	(55,614,953)	
Discounts (premiums)	(3,086,038)	
Deferred charges on refunding	508,694	
Capital lease payable	(1,195,376)	
Net pension liability	(39,515,310)	
Other post employment benefits payable	(15,037,268)	
Compensated absences	<u>(1,737,157)</u>	(115,677,408)
<p>Interest payable is not recognized as an expenditure in governmental funds, but rather is recognized when an expenditure is paid.</p>		
		<u>(249,685)</u>
Total net position - governmental activities		<u>\$ 74,963,431</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, 2023

	General	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes				
Sales	\$ 39,027,046	\$ -	\$ -	\$ 39,027,046
Property	8,278,523	-	-	8,278,523
Motor vehicle/gas	558,052	-	392,254	950,306
Other	474,830	-	-	474,830
Licenses and permits	5,638,697	-	-	5,638,697
Fines and forfeits	241,954	-	431,883	673,837
Charges for services	1,121,676	-	15,789	1,137,465
Interest	2,620,050	44,688	78,213	2,742,951
Other	3,064,387	127,997	373,243	3,565,627
	<u>61,025,215</u>	<u>172,685</u>	<u>1,291,382</u>	<u>62,489,282</u>
Expenditures				
General administration	15,237,525	-	106,477	15,344,002
Public safety	19,543,185	-	-	19,543,185
Public works	3,473,864	-	-	3,473,864
Culture and recreation	3,637,193	-	-	3,637,193
Capital outlay				
Capital	2,410,554	9,848,185	-	12,258,739
Non-capital	130,205	447,991	-	578,196
Debt service				
Principal retirement	3,669,037	-	-	3,669,037
Interest and fees	1,643,894	-	-	1,643,894
	<u>49,745,457</u>	<u>10,296,176</u>	<u>106,477</u>	<u>60,148,110</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11,279,758</u>	<u>(10,123,491)</u>	<u>1,184,905</u>	<u>2,341,172</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 - Continued
For the Year Ended September 30, 2023

	General	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other financing sources (uses)				
Proceeds from sale of capital assets	575,292	-	10,500	585,792
Proceeds from capital lease	1,355,916	-	-	1,355,916
Transfers (to)/from nonmajor govt funds	1,494,118	-	(1,494,118)	-
Transfers (to)/from general fund	(9,982,610)	9,982,610	-	-
Transfers (to)/from water and sewer fund	(896,354)	-	-	(896,354)
Transfers (to)/from civic complex fund	(2,479,888)	-	-	(2,479,888)
Transfers (to)/from Ballantrae golf fund	(1,024,662)	-	-	(1,024,662)
Transfers (to)/from other proprietary funds	(990,260)	-	-	(990,260)
	<u>(11,948,448)</u>	<u>9,982,610</u>	<u>(1,483,618)</u>	<u>(3,449,456)</u>
Net change in fund balance	<u>(668,690)</u>	<u>(140,881)</u>	<u>(298,713)</u>	<u>(1,108,284)</u>
Fund balance (deficit) - beginning of year	<u>89,728,093</u>	<u>2,000,014</u>	<u>1,728,421</u>	<u>93,456,528</u>
Fund balance (deficit) - end of year	<u>\$ 89,059,403</u>	<u>\$ 1,859,133</u>	<u>\$ 1,429,708</u>	<u>\$ 92,348,244</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, 2023

Net changes in fund balances - governmental funds		\$ (1,108,284)
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	12,258,739	
Less depreciation expense	<u>(3,498,337)</u>	8,760,402
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.		
		1,750,000
The proceeds from the sale of capital assets (\$585,792) are reported as other financing sources in the governmental funds. However, the net book value of the capital assets (\$64,000) is removed from the capital assets account in the Statement of Net Position and offsets against the sales proceeds resulting in a gain in the Statement of Activities of (\$518,792)		
		(64,000)
The proceeds from a capital lease are reported as revenue in the governmental funds. However, the lease is reported as a sale of a capital asset in the Statement of Net Position and unearned revenue related to the transaction is amortized over the life of the lease and reported as lease income in the Statement of Activities		
Proceeds from capital leases		(1,355,916)
The issuance of long-term debt (e.g., bonds, leases) 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 assets. Also, governmental funds report the effect of premiums, discounts, 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	3,669,037	
Deferred amount on refunding amortization	(82,212)	
Premium and discount amortization	<u>410,416</u>	3,997,241
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.		
Increase in accrued compensated absences	(90,673)	
Increase in pension expense	(3,237,356)	
Decrease in other post employment benefit payable	848,046	
Decrease in accrued interest	<u>16,050</u>	(2,463,933)
Change in net position - governmental activities		<u>\$ 9,515,510</u>

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

City of Pelham, Alabama
Statement of Proprietary Fund Net Position
September 30, 2023

	Water and Sewer	Civic Complex and Ice Arena	Ballantreae Golf	Nonmajor Proprietary Fund	Total Proprietary Funds
Assets					
Current assets					
Cash and cash equivalents	\$ 10,838,552	\$ 131,010	\$ 402,575	\$ 417,597	\$ 11,789,734
Accounts receivable, net	1,424,233	298,603	58,019	281,641	2,062,496
Due from other funds	7,922,142	227,769	90,886	-	8,240,797
Inventory	121,643	255,358	36,005	48,528	461,534
Prepaid expenses	41,897	61,446	4,826	12,420	120,589
Restricted cash	447,729	-	-	-	447,729
Total current assets	20,796,196	974,186	592,311	760,186	23,122,879
Noncurrent assets					
Nondepreciable assets	11,661,097	4,077,853	8,266,493	418,736	24,424,179
Depreciable capital assets, net	34,369,131	10,456,881	2,947,212	2,333,074	50,106,298
Total noncurrent assets	46,030,228	14,534,734	11,213,705	2,751,810	74,530,477
Total assets	66,826,424	15,508,920	11,806,016	3,511,996	97,653,356
Deferred outflows of resources					
Pension	1,408,555	-	770,962	516,754	2,696,271
Total deferred outflows of resources	1,408,555	-	770,962	516,754	2,696,271
Liabilities					
Current liabilities					
Accounts payable	610,987	1,690,416	79,536	269,602	2,650,541
Due to other funds	893,636	227,770	139,296	828	1,261,530
Unearned revenue	-	418,966	-	-	418,966
Accrued expenses	38,109	-	91,978	18,355	148,442
Accrued interest	86,268	3,660	2,440	-	92,368
Compensated absences, current portion	55,140	-	49,190	30,325	134,655
Current portion of warrants payable, net	767,953	32,826	21,883	-	822,662
Current portion of leases	-	-	123,471	-	123,471
Payable from restricted assets					
Customer deposits	447,729	-	-	-	447,729
Total current liabilities	2,899,822	2,373,638	507,794	319,110	6,100,364
Noncurrent liabilities					
Compensated absences, net of current portion	55,141	-	49,189	30,325	134,655
Net pension liability	3,872,364	-	1,970,756	1,242,462	7,085,582
Warrants payable, net of current portion	15,473,531	655,665	437,114	-	16,566,310
Leases, net of current portion	-	-	307,412	-	307,412
Total noncurrent liabilities	19,401,036	655,665	2,764,471	1,272,787	24,093,959
Total liabilities	22,300,858	3,029,303	3,272,265	1,591,897	30,194,323
Deferred inflows of resources					
Pension	50,880	-	4,770	(5,256)	50,394
Total deferred inflows of resources	50,880	-	4,770	(5,256)	50,394
Net position					
Net investment in capital assets	37,624,618	14,070,352	10,412,271	2,751,810	64,859,051
Unrestricted	8,258,623	(1,590,735)	(1,112,328)	(309,701)	5,245,859
Total net position	\$ 45,883,241	\$ 12,479,617	\$ 9,299,943	\$ 2,442,109	\$ 70,104,910

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

City of Pelham, Alabama
Statement of Revenues, Expenses, and Changes in Proprietary Fund Net Position
September 30, 2023

	Water and Sewer	Civic Complex and Ice Arena	Ballantrae Golf	Nonmajor Proprietary Fund	Total Proprietary Funds
Operating Revenues					
Charges for services	\$ 11,958,085	\$ 3,709,406	\$ 3,052,665	\$ 3,506,178	\$ 22,226,334
Total operating revenues	<u>11,958,085</u>	<u>3,709,406</u>	<u>3,052,665</u>	<u>3,506,178</u>	<u>22,226,334</u>
Operating Expenses					
Water purchases	2,417,536	-	-	-	2,417,536
Personnel services	2,314,565	2,326,233	1,877,867	881,558	7,400,223
Contract services - garbage pickup	-	-	-	2,759,617	2,759,617
Programs and events	-	-	-	102,894	102,894
Utilities and telephone	764,345	-	78,310	40,748	883,403
Supplies expense	579,177	1,672,117	748,815	86,099	3,086,208
Repairs and maintenance	653,409	-	106,246	131,008	890,663
Insurance	239,166	-	47,271	17,818	304,255
Depreciation	2,620,181	680,718	255,890	123,849	3,680,638
Other expenses	1,118,810	267,165	131,651	307,590	1,825,216
Non-capital capital outlay	-	45,795	-	-	45,795
Total operating expenses	<u>10,707,189</u>	<u>4,992,028</u>	<u>3,246,050</u>	<u>4,451,181</u>	<u>23,396,448</u>
Operating income (loss)	<u>1,250,896</u>	<u>(1,282,622)</u>	<u>(193,385)</u>	<u>(945,003)</u>	<u>(1,170,114)</u>
Non Operating Revenues (Expenses)					
Gain on sale of capital assets	3,983	-	-	-	3,983
Interest income	-	-	-	6,760	6,760
Interest and fiscal charges	(336,680)	(13,697)	(4,571)	(746)	(355,694)
Total non operating revenues (expenses)	<u>(332,697)</u>	<u>(13,697)</u>	<u>(4,571)</u>	<u>6,014</u>	<u>(344,951)</u>
Income (loss) before capital contributions and interfund operating transfers	918,199	(1,296,319)	(197,956)	(938,989)	(1,515,065)
Capital contributions	926,862	-	-	-	926,862
Interfund operating transfers	<u>896,354</u>	<u>2,479,888</u>	<u>1,024,662</u>	<u>990,260</u>	<u>5,391,164</u>
Change in net position	2,741,415	1,183,569	826,706	51,271	4,802,961
Net position - beginning of year	<u>43,141,826</u>	<u>11,296,048</u>	<u>8,473,237</u>	<u>2,390,838</u>	<u>65,301,949</u>
Net position - end of year	<u>\$ 45,883,241</u>	<u>\$ 12,479,617</u>	<u>\$ 9,299,943</u>	<u>\$ 2,442,109</u>	<u>\$ 70,104,910</u>

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

City of Pelham, Alabama
Statement of Proprietary Fund Cash Flows
September 30, 2023

	Water and Sewer	Civic Complex and Ice Arena	Ballantrae Golf	Nonmajor Proprietary Fund	Total Proprietary Funds
Cash Flows from Operating Activities					
Cash received from customers	\$ 11,758,680	\$ 3,505,899	\$ 3,046,652	\$ 3,442,627	\$ 21,753,858
Cash paid to employees	(2,039,260)	(2,326,233)	(1,704,726)	(778,218)	(6,848,437)
Cash paid to suppliers for goods and services	(5,528,845)	(801,373)	(1,067,175)	(3,456,973)	(10,854,366)
Net cash provided by (used in) operating activities	<u>4,190,575</u>	<u>378,293</u>	<u>274,751</u>	<u>(792,564)</u>	<u>4,051,055</u>
Cash Flows from Noncapital Financing Activities					
Transfers (to)/from other funds	<u>11,355,452</u>	<u>2,858,734</u>	<u>1,515,105</u>	<u>991,044</u>	<u>16,720,335</u>
Net cash provided by noncapital financing activities	<u>11,355,452</u>	<u>2,858,734</u>	<u>1,515,105</u>	<u>991,044</u>	<u>16,720,335</u>
Cash Flows from Capital and Related Financing Activities					
Acquisition and construction of property, plant and equipment	(8,501,039)	(3,118,600)	(812,458)	(189,415)	(12,621,512)
Proceeds from sale of capital assets	3,983	-	-	-	3,983
Principal payments on debt	(1,612,993)	(23,147)	(714,276)	(127,797)	(2,478,213)
Interest payments on debt	(555,002)	(23,198)	(23,191)	(973)	(602,364)
Net cash used in capital and related financing activities	<u>(10,665,051)</u>	<u>(3,164,945)</u>	<u>(1,549,925)</u>	<u>(318,185)</u>	<u>(15,698,106)</u>
Cash Flows from Investing Activities					
Interest on cash and investments	-	-	-	6,760	6,760
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,760</u>	<u>6,760</u>
Net (decrease) increase in cash and cash equivalents	4,880,976	72,082	239,931	(112,945)	5,080,044
Cash and cash equivalents - beginning of year	<u>6,405,305</u>	<u>58,928</u>	<u>162,644</u>	<u>530,542</u>	<u>7,157,419</u>
Cash and cash equivalents - end of year	<u>\$ 11,286,281</u>	<u>\$ 131,010</u>	<u>\$ 402,575</u>	<u>\$ 417,597</u>	<u>\$ 12,237,463</u>

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

City of Pelham, Alabama
Statement of Proprietary Fund Cash Flows (continued)
September 30, 2023

	Water and Sewer	Civic Complex and Ice Arena	Ballantrae Golf	Nonmajor Proprietary Fund	Total Proprietary Funds
Operating income (loss)	\$ 1,250,896	\$ (1,282,622)	\$ (193,385)	\$ (945,003)	\$ (1,170,114)
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	2,620,181	680,718	255,890	123,849	3,680,638
Special item					
(Increase) decrease in					
Accounts receivable	(217,450)	(264,229)	(6,013)	(63,551)	(551,243)
Inventory	23,799	(101,862)	5,179	(19,875)	(92,759)
Prepaid expenses	16,857	(37,243)	3,919	(2,374)	(18,841)
Deferred outflows	(514,729)	-	(307,143)	(207,015)	(1,028,887)
Increase (decrease) in					
Accounts payable	220,054	1,322,809	17,835	2,788	1,563,486
Unearned revenue	-	60,722	-	-	60,722
Customer deposits	18,045	-	-	-	18,045
Compensated absences	(346)	-	12,304	(11,352)	606
Accrued expenses	(17,112)	-	18,185	8,262	9,335
Deferred inflows	(425,666)	-	(252,037)	(173,260)	(850,963)
Net pension liability	1,216,046	-	720,017	494,967	2,431,030
Net cash provided by (used in) operating activities	<u>\$ 4,190,575</u>	<u>\$ 378,293</u>	<u>\$ 274,751</u>	<u>\$ (792,564)</u>	<u>\$ 4,051,055</u>

Noncash Investing, Capital, and Financing Activities

Pelham Water and Sewer had amortization of deferred amounts on refunding of \$6,594, amortization of warrant premiums of \$214,952 and system lines contributed by developers totaling \$926,862 during the year ended September 30, 2023.

Pelham Civic Center had amortization of warrant premiums of \$9,363 during the year ended September 30, 2023.

Ballantrae Golf Club has amortization of warrant premiums of \$6,242 during the year ended September 30, 2023.

Pelham Racquet Club had amortization of deferred amounts on refunding of \$568 during the year ended September 30, 2023.

Reconciliation of Cash and Cash Equivalents to Statement of Net Position

Cash and cash equivalents on the Statement of Cash Flows are composed of the following balances from the Statement of Proprietary Net Position:

	Water and Sewer	Civic Complex and Ice Arena	Ballantrae Golf	Nonmajor Proprietary Fund	Total Proprietary Funds
Cash	\$ 10,838,552	\$ 131,010	\$ 402,575	\$ 417,597	\$ 11,789,734
Restricted cash	447,729	-	-	-	447,729
Cash and cash equivalents	<u>\$ 11,286,281</u>	<u>\$ 131,010</u>	<u>\$ 402,575</u>	<u>\$ 417,597</u>	<u>\$ 12,237,463</u>

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

City of Pelham, Alabama
Notes to Financial Statements
September 30, 2023

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Pelham (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 accordance 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.

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 legal 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 these criteria, the City 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, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for services. 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, deferred outflows, 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, 2023

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, proprietary, or fiduciary. Currently, the City has governmental and proprietary funds in the basic financial statements. Major individual governmental funds are reported in separate columns in the basic financial statements. Nonmajor 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 and proprietary fund 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, 2023

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 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

Accounting principles generally accepted in the United States of America set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

Governmental funds are those through which general government functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds.

City of Pelham, Alabama
Notes to Financial Statements
September 30, 2023

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation - Fund-Level Financial Statements – Continued

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.

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.

Capital Projects Fund - To account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, specifically the acquisition or construction of capital facilities and other capital assets usually funded by general obligation warrant proceeds (other than those financed by proprietary funds). Transactions funded by general fund revenues are not accounted for in the Capital Projects Fund.

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 position, financial position, and cash flows. All assets and liabilities are included on the Statement of Net Position.

The City reports the following major proprietary funds:

Water and Sewer System - The Water and Sewer System is used to account for the provision of water and sewer services to the residents and businesses of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system, and 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 water and sewer debt.

Pelham Civic Complex and Ice Arena - The Pelham Civic Complex and Ice Arena is used to account for the provision of goods and services mainly as part of recreation to the residents and businesses of the City. The Complex can be used for skating, ice events, trade shows, banquets, and other events. Activities of the fund include administration, operations, and maintenance of the complex and ice arena, and 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 - The Ballantrae Golf Club is used to account for the provision of goods and services mainly as part of recreation to the residents and businesses of the City. Ballantrae Golf Club is a full service golf course. Activities of the fund include administration, operations, 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.

City of Pelham, Alabama
Notes to Financial Statements
September 30, 2023

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation - Fund-Level Financial Statements - Continued

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

Pelham Racquet Club - The Pelham Racquet Club is used to account for the provision of goods and services mainly as part of recreation to the residents and businesses of the City. The Racquet Club is a full service tennis facility. Activities of the fund include administration, operations, 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 - The Garbage Fund is used to account for the provision of garbage services primarily to the residents of the City. Activities of the fund include administration and 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, deferred outflows, liabilities, and deferred inflows, 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.

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 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.

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, 2023

1. Summary of Significant Accounting Policies (continued)

Allowance for Uncollectible Accounts

Proprietary fund accounts receivable are uncollateralized customer obligations due from normal customer transactions and are stated at the amount billed to customers for services rendered. Management reviews all accounts receivable balances and based on an assessment of current credit worthiness, estimates the portion, if any, of the balance that may not be collected. Management provides for probable uncollectible amounts through a charge to earnings and a credit to the allowance for doubtful accounts. Balances deemed uncollectible are written off. At September 30, 2023, management has recorded an allowance for doubtful accounts of \$22,068.

Inventory

Inventory consists of various pro shop merchandise, food and beverage supplies, and water and sewer supplies. Inventory is recorded at the lower of cost or market, determined by first in, first out method. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

Prepaid Expenses

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, 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: system and facilities, 30 to 40 years; building and improvements, 20 to 40 years; machinery and equipment, 5 to 25 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 operate over their estimated service lives on the straight-line basis.

City of Pelham, Alabama
Notes to Financial Statements
September 30, 2023

1. Summary of Significant Accounting Policies (continued)

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:

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, other deferred charges related to the pension and other post-employment benefit liability as well as deferred amounts arising from the refunding of warrants payable. The deferred refunding amounts are being amortized over the shorter of the life of the refunded or refunding warrants as part of interest expense.

Unearned revenue

Governmental and 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, 2023

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 applicable governmental and business-type activities columns of the statement of net position. Warrant premiums and discounts are deferred and amortized over the life of the warrants using the warrants outstanding method. Warrants payable are reported net of the applicable warrant premium or discount. Issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize warrant 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. Issuance costs are reported as debt service expenditures.

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 leave and compensatory time are recorded as noncurrent liabilities, net of current portion in proprietary funds. The accrued amounts of vacation leave 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.

City of Pelham, Alabama
Notes to Financial Statements
September 30, 2023

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 Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Annual Comprehensive Financial Report. The last year for which actuarial information is available is for the fiscal year ended September 30, 2022, and, therefore, this actuarial information is reported in the 2023 financial statements.

Other Postemployment Benefit Obligations

In accordance with GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), the City is required to report the City's actuarially determined net OPEB obligation as a long-term liability in the government-wide financial statements.

Deferred Inflows of Resources

The City's statement of net position and its governmental fund balance sheet reports 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, difference between projected and actual earnings on the other post-employment benefit plan 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: net 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 warrants, 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 use are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions.

City of Pelham, Alabama
Notes to Financial Statements
September 30, 2023

1. Summary of Significant Accounting Policies (continued)

Net Position (continued)

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

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.

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.

The City is required to designate the responsible party to make assignments of fund balance, and the City designated the City Council as the responsible party based on the size of City government.

The City's spending policy states in what order fund balance categories are spent. The City Council approved the following fund balance order of spending: (1) restricted fund balance, (2) committed fund balance, (3) assigned fund balance, and lastly (4) unassigned fund balance.

Interfund Operating 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 those amounts outstanding between the general fund and business type activities.

City of Pelham, Alabama
Notes to Financial Statements
September 30, 2023

1. Summary of Significant Accounting Policies (continued)

Interfund Operating Transfers, Receivables, and Payables (continued)

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 operating transfers in/(out)” in the accompanying financial statements.

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.

Subsequent Events

Management has evaluated subsequent events through the date of the independent auditors’ report, which is the date the financial statements were available to be issued. There are no subsequent events requiring disclosure.

2. Deposits and Investments

Deposits

All of the City’s demand deposits and time deposits are insured and collateralized in accordance with the Security for Alabama Funds Enhancement (SAFE) Program, which is encompassed in Title 41, Chapter 14A, Code of Alabama 1975, as amended, which is a multiple financial institutions collateral pool. The statute provides for assessments against the members of the pool on a pro rata basis in the event that the collateral pool is insufficient to cover the losses of a member financial institution that fails. As such, all deposits covered by this collateral pool are considered to be fully insured.

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.

As of September 30, 2023, the City had the following investments, which were reported at fair value in governmental activities:

Type of Investment	Investment Maturities (in years)			
	Fair Value	1-5	6-10	More than 10
Government National Mortgage Association	\$ 3,750,000	\$ -	\$ -	\$ 3,750,000

City of Pelham, Alabama
Notes to Financial Statements
September 30, 2023

2. Deposits and Investments (continued)

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 type 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 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, 2023 were insured.

3. Receivables and Payables

Receivables consisted of the following at September 30, 2023:

	Governmental Activities	Business-type activities	Total
Taxes			
Sales	\$ 3,125,229	\$ -	\$ 3,125,229
Property	8,315,750	-	8,315,750
Motor vehicle/gas	184,371	-	184,371
Customers	-	2,084,564	2,084,564
Other	71,384	-	71,384
Gross receivables	11,696,734	2,084,564	13,781,298
Less: allowance for uncollectible accounts	-	(22,068)	(22,068)
Net receivables	<u>\$ 11,696,734</u>	<u>\$ 2,062,496</u>	<u>\$ 13,759,230</u>

City of Pelham, Alabama
Notes to Financial Statements
September 30, 2023

3. Receivables and Payables (continued)

Payables consisted of the following at September 30, 2023:

	Governmental	Business-type	Total
	Activities	Activities	
Trade	\$ 1,945,623	\$ 2,650,541	\$ 4,596,164
Capital assets	2,323,135	-	2,323,135
	\$ 4,268,758	\$ 2,650,541	\$ 6,919,299

4. Notes 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, 2023, the balance on the note receivable totaled \$0 and has been repaid in full.

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, 2023, the balance on the note receivable totaled \$13,513,333. Principal and interest are due monthly on the unpaid balance at a variable rate of 2% to 5% 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, 2023, the balance on the note receivable totaled \$680,000. Principal payments of \$10,000 are due monthly on the unpaid balance at a rate of 0% 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 of capital items within the City. The City agreed to advance the Board \$22,445,000. As of September 30, 2023, the balance on the note receivable totaled \$21,579,583. Principal and interest are due monthly on the unpaid balance at a variable rate of 2% to 5% per year. The note is secured by 1% sales tax revenues earned by the City.

City of Pelham, Alabama
Notes to Financial Statements
September 30, 2023

4. Notes Receivable (continued)

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

2024	\$ 2,681,251
2025	2,883,750
2026	2,726,666
2027	2,269,998
2028	2,660,417
2029-2040	<u>22,550,834</u>
	<u><u>\$ 35,772,916</u></u>

5. Interfund Receivables, Payables, and Transfers

Interfund receivables and payables consisted of the following at September 30, 2023:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ 7,432,072
Special Revenue Funds	-	1,352,039
Capital Projects	1,804,844	-
Water and Sewer	7,028,506	-
Ballantrae Golf Club	-	48,410
Racquet Club	-	829
	<u>\$ 8,833,350</u>	<u>\$ 8,833,350</u>

Interfund receivables and payables resulted from general obligation warrant borrowings cash housed in separate funds than where the debt is recognized, capital project invoices and operating expenses liquidated from the general fund's cash accounts and subsequently reimbursed from business-type cash accounts.

City of Pelham, Alabama
Notes to Financial Statements
September 30, 2023

5. Interfund Receivables, Payables, and Transfers

Transfers between funds consisted of the following during the year ended September 30, 2023:

Transfers Out	Transfers In						Total
	General Fund	Capital Projects Fund	Water and Sewer	Civic Complex and Ice Arena	Ballantrae Golf	Other Proprietary Funds	
General Fund	\$ -	\$ 9,982,610	\$ 896,354	\$ 2,479,888	\$ 1,024,662	\$ 990,260	\$ 15,373,774
Special Revenue Funds	(1,494,118)	-	-	-	-	-	(1,494,118)
Total	\$ (1,494,118)	\$ 9,982,610	\$ 896,354	\$ 2,479,888	\$ 1,024,662	\$ 990,260	\$ 13,879,656

6. Capital Assets

Capital asset activity for consisted of the following for the year ended September 30, 2023:

Governmental Activities	October 1, 2022	Additions	Disposals	September 30, 2023
Depreciable assets				
Infrastructure	\$ 36,073,485	\$ 2,536,968	\$ -	\$ 38,610,453
Buildings and improvements	28,614,537	853,593	(314,876)	29,153,254
Machinery and equipment	18,204,633	2,201,346	(464,965)	19,941,014
	82,892,655	5,591,907	(779,841)	87,704,721
Less accumulated depreciation				
Infrastructure	14,353,395	903,128	-	15,256,523
Buildings and improvements	10,941,604	799,841	(252,251)	11,489,194
Machinery and equipment	10,196,777	1,795,368	(463,589)	11,528,556
	35,491,776	3,498,337	(715,840)	38,274,273
	47,400,879	2,093,570	(64,001)	49,430,448
Non-depreciable assets				
Land and improvements	15,188,604	-	-	15,188,604
Construction in progress	9,428,212	9,344,293	(927,461)	17,845,044
	24,616,816	9,344,293	(927,461)	33,033,648
	\$ 72,017,695	\$ 11,437,863	\$ (991,462)	\$ 82,464,096

City of Pelham, Alabama
Notes to Financial Statements
September 30, 2023

6. Capital Assets (continued)

Business-type activities	October 1, 2022	Additions	Disposals	September 30, 2023
Depreciable assets				
Systems and facilities	\$ 124,264,084	\$ 4,180,667	\$ -	\$ 128,444,751
Water and Sewer				
Buildings and improvements	1,143,112	43,314	-	1,186,426
Machinery and equipment	3,604,015	695,738	(43,396)	4,256,357
Right of use assets	927,220	547,849	(927,220)	547,849
	<u>129,938,431</u>	<u>5,467,568</u>	<u>(970,616)</u>	<u>134,435,383</u>
Less accumulated depreciation				
Systems and facilities	77,378,997	3,327,944	-	80,706,941
Water and Sewer				
Buildings and improvements	694,409	42,847	-	737,256
Machinery and equipment	2,618,437	188,259	(43,396)	2,763,300
Right of use assets	297,408	121,588	(297,408)	121,588
	<u>80,989,251</u>	<u>3,680,638</u>	<u>(340,804)</u>	<u>84,329,085</u>
	<u>48,949,180</u>	<u>1,786,930</u>	<u>(629,812)</u>	<u>50,106,298</u>
Non-depreciable assets				
Land and improvements	8,801,321	-	-	8,801,321
Construction in progress	6,994,206	11,882,459	(3,253,807)	15,622,858
	<u>15,795,527</u>	<u>11,882,459</u>	<u>(3,253,807)</u>	<u>24,424,179</u>
	<u>\$ 64,744,707</u>	<u>\$ 13,669,389</u>	<u>\$ (3,883,619)</u>	<u>\$ 74,530,477</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

	Governmental Activities	Business-type Activities
General administration	\$ 250,032	\$ -
Public safety	1,743,488	-
Public works	936,172	-
Culture and recreation	568,645	-
Water and Sewer	-	2,620,181
Civic Complex	-	680,718
Ballantrae Golf Club	-	255,890
Other proprietary funds	-	123,849
	<u>\$ 3,498,337</u>	<u>\$ 3,680,638</u>

City of Pelham, Alabama
Notes to Financial Statements
September 30, 2023

7. Long-term Debt

Primary government general obligation warrants payable consisted of the following at September 30, 2023:

Primary Government	Governmental Activities	Business-type Activities
Series 2013-C General Obligation Warrants, dated August 2013, due in semi-annual installments through August 2029, bearing an interest rate of 2.47%	\$ 3,527,082	\$ -
Series 2014 General Obligation Warrants, dated August 2014, due in semi-annual installments through February 2035, bearing interest rates of 3.00% to 5.00%	8,790,000	-
Series 2015 General Obligation Warrants, dated December 2015, due in semi-annual installments through February 2040, bearing interest rates of 2.00% to 5.00%	5,890,000	-
Series 2021-A General Obligation Warrants, dated February 2021, due in semi-annual installments through February 2041, bearing interest rates of 3.00% to 4.00%	15,632,871	15,077,130
Series 2021-B General Obligation Warrants, dated February 2021, due in semi-annual installments through February 2038, bearing interest rates of 0.26% to 2.39%	21,775,000	-
	<u>55,614,953</u>	<u>15,077,130</u>
Plus (less) deferred amounts for:		
Unamortized premiums (2014)	457,149	-
Unamortized premiums (2015)	225,728	-
Unamortized discounts (2021-A)	2,403,161	2,311,842
	<u>\$ 58,700,991</u>	<u>\$ 17,388,972</u>

City of Pelham, Alabama
Notes to Financial Statements
September 30, 2023

7. Long-term Debt (continued)

Future principal and interest requirements of the general obligation warrants and notes payable consist of the following at September 30:

	Governmental Activities		Business-type Activities	
	General Obligation Warrants		General Obligation Warrants	
	Principal	Interest	Principal	Interest
2024	\$ 3,229,780	\$ 1,556,632	\$ 601,416	\$ 567,773
2025	4,038,586	1,441,000	618,599	549,473
2026	4,163,492	1,321,404	638,237	530,621
2027	3,581,306	1,217,142	660,330	507,841
2028	3,674,583	1,124,051	687,332	480,887
2029-2033	17,142,176	4,326,033	3,866,245	1,979,738
2034-2038	13,606,592	2,063,763	4,698,408	1,146,176
2039-2041	6,178,438	306,497	3,306,563	201,928
	<u>\$ 55,614,953</u>	<u>\$ 13,356,522</u>	<u>\$ 15,077,130</u>	<u>\$ 5,964,437</u>

Changes in long-term liabilities for governmental activities consisted of the following at September 30, 2023:

Governmental Activities	October 1, 2022	Additions	Retirements	September 30, 2023	Due within one year
Warrants and leases:					
General Obligation Warrants	\$ 59,063,775	\$ -	\$ 3,448,822	\$ 55,614,953	\$ 3,229,780
Unamortized premiums/ (discounts)	3,496,454	-	410,416	3,086,038	380,400
	<u>62,560,229</u>	<u>-</u>	<u>3,859,238</u>	<u>58,700,991</u>	<u>3,610,180</u>
Capital leases	59,675	1,355,916	220,215	1,195,376	267,432
Total warrants and capital leases	<u>62,619,904</u>	<u>1,355,916</u>	<u>4,079,453</u>	<u>59,896,367</u>	<u>3,877,612</u>
Other liabilities:					
Pension	25,526,296	13,989,014	-	39,515,310	-
Other post employment benefits	14,461,861	575,407	-	15,037,268	-
Compensated absences	1,646,484	90,673	-	1,737,157	868,579
	<u>\$ 104,254,545</u>	<u>\$ 16,011,010</u>	<u>\$ 4,079,453</u>	<u>\$ 116,186,102</u>	<u>\$ 4,746,191</u>

For governmental activities, general obligation warrants, capital leases payable, net pension liability, other post-employment benefits payable and compensated absences are liquidated by the general fund.

City of Pelham, Alabama
Notes to Financial Statements
September 30, 2023

7. Long-term Debt (continued)

Changes in long-term liabilities for business-type activities consisted of the following at September 30, 2023:

Business-type Activities	October 1, 2022	Additions	Retirements	September 30, 2023	Due within one year
Warrants and leases:					
General Obligation Warrants	\$ 17,400,681	\$ -	\$ 2,323,550	\$ 15,077,131	\$ 601,416
Unamortized premiums/ (discounts)	2,542,398	-	230,557	2,311,841	221,246
Total warrants payable	19,943,079	-	2,554,107	17,388,972	822,662
Capital leases	37,697	-	15,493	22,204	16,222
Right of use leases	643,231	547,849	782,401	408,679	107,249
Total warrants and leases	20,624,007	547,849	3,352,001	17,819,855	946,133
Other liabilities:					
Pension	4,654,552	2,431,030	-	7,085,582	-
Compensated absences	268,704	606	-	269,310	134,655
	<u>\$ 25,547,263</u>	<u>\$ 2,979,485</u>	<u>\$ 3,352,001</u>	<u>\$ 25,174,747</u>	<u>\$ 1,080,788</u>

8. Leases

Capital Leases

The City has entered into capital lease agreements to finance the purchase of facilities maintenance equipment. As of September 30, 2023, the future minimum lease payments under the capital lease agreements consist of the following:

	Primary Government	Governmental Activities	Business-type Activities
2024		\$ 335,095	\$ 16,897
2025		253,383	6,048
2026		249,263	-
2027		249,263	-
2028		74,724	-
Thereafter		298,896	-
Future minimum lease payments		1,460,624	22,945
Less: amount representing interest		265,248	741
Present value of minimum lease payments		1,195,376	22,204
Less: current portion		267,432	16,222
Long-term capital lease obligation		<u>927,944</u>	<u>5,982</u>

As of September 30, 2023, the governmental activities leases had capitalized costs totaling \$1,439,993 and accumulated depreciation of \$276,478 with a net book value of \$1,163,515. Interest expense paid under the capital leases totaled \$2,392 during the year ended September 30, 2023.

City of Pelham, Alabama
Notes to Financial Statements
September 30, 2023

8. Leases (continued)

As of September 30, 2023, the business-type activities lease had capitalized costs totaling \$58,782 and accumulated depreciation of \$35,269 with a net book value of \$23,513. Interest expense paid under the capital leases totaled \$1,406 during the year ended September 30, 2023.

Operating Leases

The City's Golf Fund (business-type activity) has obtained golf equipment through long-term operating leases. The terms and conditions for these leases varies. These operating leases have fixed, periodic payments over the lease term, which ranges between 1 and 4 years.

At September 30, 2023, operating leases consisted of the following:

Business-type Activities	October 1,			September 30,	
	2022	Additions	Retirements	2023	
Right of use leases - equipment	\$ 643,231	\$ 547,849	\$ 782,401	\$	408,679

Principal and interest requirements for the right of use lease liabilities at September 30, 2023 are as follows:

	Business-type Activities	
	Principal	Interest
2024	\$ 107,249	\$ 31,922
2025	114,599	24,571
2026	90,417	15,861
2027	96,414	9,865
	<u>\$ 408,679</u>	<u>\$ 82,219</u>

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 the ERS is vested in its Board of Control which consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 197, 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, 2023

9. Pension Plan - Continued

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

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

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.

City of Pelham, Alabama
Notes to Financial Statements
September 30, 2023

9. Pension Plan (continued)

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

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

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to Code of Alabama 1975, Section 36-27-6 to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 608 employers adopted Act 2019-132 as of September 30, 2022.

Act 316 of the Legislature of 2019 allows employees at the time of retirement to receive a partial lump sum (PLOP) distribution as a single payment not to exceed the sum of 24 months of the maximum monthly retirement allowance the member could receive. This option may be selected in addition to the election of another retirement allowance option at a reduced amount based upon the amount of partial lump sum distribution selected.

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

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

City of Pelham, Alabama
Notes to Financial Statements
September 30, 2023

9. Pension Plan - Continued

The City's membership as of the measurement date of September 30, 2021 consisted of:

Retirees and beneficiaries currently receiving benefits	168
Vested inactive members	22
Non-vested inactive members	47
Active members	291
	528
	528

Contributions

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. 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, 2023, the City's active employee contribution rate was 6.58% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 15.54% of pensionable payroll.

City of Pelham, Alabama
Notes to Financial Statements
September 30, 2023

9. Pension Plan - Continued

City's contractually required contribution rate for the year ended September 30, 2023, was 16.64% of pensionable pay for Tier 1 employees, and 14.88% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2020, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City were \$3,209,940 for the year ended September 30, 2023.

Net Pension Liability

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

	<u>Expected</u>	<u>Actual Before Plan Changes</u>	<u>Actual After Plan Changes</u>
(a) Total Pension Liability as of September 30, 2021	\$ 108,316,002	\$ 109,244,214	\$ 109,291,253
(b) Discount Rate	7.45%	7.45%	7.45%
(c) Entry Age Normal Cost for the period October 1, 2021 - September 30, 2022	1,974,771	1,974,771	1,976,249
(d) Transfers Among Employers	-	190,625	190,625
(e) Actual Benefit Payments and Refunds for the period October 1, 2021 - September 30, 2022	(6,400,334)	(6,400,334)	(6,400,334)
(f) Total Pension Liability as of September 30, 2022 [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5*(b))]	<u>\$ 111,721,569</u>	<u>\$ 112,909,558</u>	<u>\$ 112,961,579</u>
(g) Difference between Expected and Actual		\$ 1,187,989	
(h) Less Liability Transferred for Immediate Recognition		<u>190,625</u>	
(i) Difference between Expected and Actual - Experience (Gain)/Loss		<u>\$ 997,364</u>	
(j) Difference between Actual TPL Before and After Plan Changes - Benefit Change (Gain)/ Loss			<u>\$ 52,021</u>

City of Pelham, Alabama
Notes to Financial Statements
September 30, 2023

9. Pension Plan - Continued

Actuarial Assumptions

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

Inflation	2.50%
Projected Salary Increases	3.25% - 6.00%
Investment Rate of Return *	7.45%, including inflation

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

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

The actuarial assumptions used in the actuarial valuation as of September 30, 2021, were based on the results of an actuarial experience study for the period of October 1, 2015 – September 30, 2020.

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

City of Pelham, Alabama
Notes to Financial Statements
September 30, 2023

9. Pension Plan - Continued

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	15.00%	2.80%
U.S. large stocks	32.00%	8.00%
U.S. mid stocks	9.00%	10.00%
U.S. small stocks	4.00%	11.00%
International developed market stocks	12.00%	9.50%
International emerging market stocks	3.00%	11.00%
Alternatives	10.00%	9.00%
Real estate	10.00%	6.50%
Cash	5.00%	1.50%
	<u>100.00%</u>	

**Includes assumed rate of inflation of 2.00%.*

Discount Rate

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

City of Pelham, Alabama
Notes to Financial Statements
September 30, 2023

9. Pension Plan - Continued

Changes in the City's net pension liability consisted of the following at September 30, 2022:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at September 30, 2021	\$ 108,316,002	\$ 78,135,153	\$ 30,180,849
Changes for the year:			
Service cost	1,974,771	-	1,974,771
Interest	7,831,130	-	7,831,130
Changes of benefit terms	52,021	-	52,021
Differences between expected and actual experience	997,364	-	997,364
Contributions - employer	-	2,922,474	(2,922,474)
Contributions - employee	-	1,383,698	(1,383,698)
Net investment income	-	(9,870,929)	9,870,929
Benefits of payments, including refunds of employee contributions	(6,400,334)	(6,400,334)	-
Transfers among employers	190,625	190,625	-
Net changes:	4,645,577	(11,774,466)	16,420,043
Balances at September 30, 2022	<u>\$ 112,961,579</u>	<u>\$ 66,360,687</u>	<u>\$ 46,600,892</u>

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Plan's Net Pension Liability (Asset)	<u>\$ 60,349,248</u>	<u>\$ 46,600,895</u>	<u>\$ 35,089,980</u>

City of Pelham, Alabama
Notes to Financial Statements
September 30, 2023

9. Pension Plan - Continued

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, 2022. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2022. The auditor’s report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes detail by employer and in aggregate additional information needed to comply with GASB 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

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

For the year ended September 30, 2023, the City recognized pension expense of \$7,031,839. At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,647,510	\$ 116,138
Changes of assumptions	3,375,944	-
Net difference between projected and actual earnings on pension plan investments	8,005,570	-
Employer contributions subsequent to the measurement date	3,209,938	-
	\$ 18,238,962	\$ 116,138

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

	Deferred Outflows (Inflows) of Resources
2024	\$ 4,098,740
2025	3,300,054
2026	2,745,801
2027	4,209,531
2028	542,408
Thereafter	16,352

City of Pelham, Alabama
Notes to Financial Statements
September 30, 2023

10. Other Post-Employment Benefits

General Information about the OPEB Plan

Plan description – The City of Pelham (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).

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: 25 years of service at any age; or, age 60 and 10 years of service (called "Tier I members). Employees hired on and after January 1, 2013 (called "Tier II" members) are eligible to retire only after attainment of age 62 or later completion of 10 years of service.

Employees covered by benefit terms – As of the measurement date September 30, 2023, the following employees were covered by the benefit terms:

Active participants	265
Inactive employees entitled to but not yet receiving benefit payments	-
Inactive employees or beneficiaries currently receiving benefit payments	117
	382

Total OPEB Liability

The City’s total OPEB liability of \$15,037,268 was measured as of September 30, 2023, the end of the fiscal year.

Actuarial Assumptions and other inputs – The total OPEB liability in the September 30, 2023 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	4.0%, including inflation
Discount rate	4.02% annually (Beginning of Year to Determine ADC)
	4.09% annually (As of End of Year Measurement Date)
Healthcare cost trend rates	Zero Trend
Mortality	SOA RP-2000 Table

The discount rate was based on the Bond Buyers’ 20-year general obligation municipal bond index as of September 30, 2023, the end of the applicable measurement period.

City of Pelham, Alabama
Notes to Financial Statements
September 30, 2023

10. Other Post-Employment Benefits (continued)

The actuarial assumptions used in the September 30, 2023 valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2009 to September 30, 2023.

Changes in the Total OPEB Liability

Balance at September 30, 2022	\$ 14,461,861
Changes for the year:	
Service cost	271,835
Interest	561,064
Changes of benefit terms	-
Differences between expected and actual experience	862,179
Changes in assumptions	(109,590)
Benefit payments and net transfers	<u>(1,010,081)</u>
Net changes	<u>575,407</u>
Balance at September 30, 2023	<u><u>\$ 15,037,268</u></u>

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 (3.09%) or 1-percentage-point higher (5.09%) than the current discount rate:

	1% Decrease	Current	1% Increase
	(3.09%)	Discount	(5.09%)
	Rate	Rate (4.09%)	Rate
Net OPEB Liability (Asset)	<u>\$ 18,242,261</u>	<u>\$ 15,037,268</u>	<u>\$ 12,558,081</u>

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, 2023

10. Other Post-Employment Benefits (continued)

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$750,757. At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,722,697	\$ (2,484,671)
Changes of assumptions	2,337,553	(2,562,230)
	\$ 5,060,250	\$ (5,046,901)

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
2024	\$ (82,142)
2025	(82,142)
2026	(1,127,788)
2027	343,004
2028	192,486
Thereafter	769,944

11. Contingencies

The City is involved in various claims and lawsuits, both for and against the City, arising in the normal course of business. While the City's management currently believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not have a material adverse effect on the City's financial statements, litigation is subject to inherent uncertainties. Were an unfavorable ruling to occur, there exists the possibility of a material adverse impact on the change in net position 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; natural disasters for which the City carries commercial insurance.

City of Pelham, Alabama
Notes to Financial Statements
September 30, 2023

11. Contingencies (continued)

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.

12. 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, 2023.

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

The preceding method 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, 2023:

	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	\$ 3,750,000	\$ 3,750,000	\$ -	\$ -

City of Pelham, Alabama
Notes to Financial Statements
September 30, 2023

13. Tax Abatements

The City enters into property tax abatement agreements with local businesses under the Tax Incentive Reform Act of 1992. Under the Act, cities, counties and public industrial authorities have the ability to abate sales and use taxes and property taxes for various time periods depending on the type of business, all for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the City. For the fiscal year ended September 30, 2023, the City abated taxes totaling \$23,589 under this Act, as summarized below:

Purpose	Type of Taxes Abated (Non-education)	Percentage of Taxes Abated during the Fiscal Year	Amount of Taxes Abated during the Fiscal Year
Addition to an existing facility	Sales and Property	53% up to cap	\$ 1,539
To build a new facility	Sales and Property	45% up to cap	3,177
To build a new facility	Sales and Property	100% up to cap	8,868
Redevelopment of vacant property	Sales and Property	24% up to cap	8,400
Addition to an existing facility	Sales and Property	2% up to cap	297
Addition to an existing facility	Sales and Property	3% up to cap	1,308
			<u>\$ 23,589</u>

REQUIRED SUPPLEMENTARY INFORMATION

City of Pelham, Alabama
Budgetary Comparison Schedule - General Fund
September 30, 2023

	General Fund			
	Budgeted - Original	Budgeted Final	Actual	Variance w/ Final Budgeted Basis
Revenues				
Taxes				
Sales	\$ 34,138,366	\$ 35,391,447	\$ 39,027,046	\$ 3,635,599
Property	8,236,281	8,150,338	8,278,523	128,185
Motor vehicle/gas	523,806	539,520	558,052	18,532
Other	149,084	161,753	474,830	313,077
Licenses and permits	5,372,068	5,670,532	5,638,697	(31,835)
Fines and forfeits	315,195	268,000	241,954	(26,046)
Charges for services	315,145	309,060	1,121,676	812,616
Interest	219,000	588,765	2,620,050	2,031,285
Other	653,704	748,543	3,064,387	2,315,844
	<u>49,922,649</u>	<u>51,827,958</u>	<u>61,025,215</u>	<u>9,197,257</u>
Expenditures				
General administration	11,439,377	12,180,140	15,237,525	3,057,385
Public safety	20,458,603	21,004,494	19,543,185	(1,461,309)
Public works	4,073,739	4,121,926	3,473,864	(648,062)
Culture and recreation	3,765,051	3,842,399	3,637,193	(205,206)
Capital outlay				
Capital	636,757	1,095,214	2,410,554	1,315,340
Non-capital	-	61,543	130,205	68,662
Debt service				
Principal	3,658,716	3,658,716	3,669,037	10,321
Interest and fees	1,637,950	1,637,950	1,643,894	5,944
Total expenditures	<u>45,670,193</u>	<u>47,602,382</u>	<u>49,745,457</u>	<u>2,143,075</u>
Excess revenue over expenditures	<u>4,252,456</u>	<u>4,225,576</u>	<u>11,279,758</u>	<u>7,054,182</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	1,897,159	854,525	575,292	(279,233)
Proceeds from capital lease	-	-	1,355,916	
Transfers from nonmajor govt funds	2,603,935	-	1,494,118	1,494,118
Transfers (to) capital project fund	(34,693,706)	(32,289,362)	(9,982,610)	22,306,752
Transfers (to)/from water and sewer fund	-	-	(896,354)	(896,354)
Transfers (to)/from civic complex fund	-	-	(2,479,888)	
Transfers (to)/from Ballantrae golf fund	-	-	(1,024,662)	
Transfers (to)/from other proprietary funds	-	-	(990,260)	(990,260)
	<u>(30,192,612)</u>	<u>(31,434,837)</u>	<u>(11,948,448)</u>	<u>21,635,023</u>
Net change in fund balance	<u>\$ (25,940,156)</u>	<u>\$ (27,209,261)</u>	<u>\$ (668,690)</u>	<u>\$ 28,689,205</u>

See notes to required supplementary information.

City of Pelham, Alabama
Schedule of Changes in the Net Pension Liability and Related Ratios
For the Last Nine Years Ended September 30,

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	\$ 1,974,771	\$ 1,726,063	\$ 1,635,820	\$ 1,640,736	\$ 1,608,609	\$ 1,584,388	\$ 1,544,506	\$ 1,527,047	\$ 1,470,956
Interest	7,831,130	7,491,447	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	52,021	-	821,568	-	-	-	-	-	-
Differences between expected and actual experience	997,364	526,871	2,624,035	1,299,117	1,640,817	(696,818)	741,123	1,455,825	-
Changes of assumptions	-	4,398,871	-	-	491,887	-	3,515,573	-	-
Benefit payments, including refunds of employee contributions	(6,400,334)	(5,605,035)	(5,148,171)	(4,779,811)	(4,206,950)	(4,063,665)	(4,247,332)	(3,475,609)	(2,450,190)
Transfers among employers	190,625	(316,252)	34,448	(289,983)	231,352	(91,916)	(95,878)	-	-
Net change in total pension liability	4,645,577	8,221,965	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	108,316,002	100,094,037	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)	\$112,961,579	\$108,316,002	\$100,094,037	\$ 93,151,849	\$ 88,640,495	\$ 82,633,688	\$ 79,869,296	\$ 72,760,368	\$ 67,955,675
Plan fiduciary net position									
Contributions - employer	\$ 2,922,474	\$ 2,641,606	\$ 2,368,519	\$ 2,320,335	\$ 2,148,149	\$ 2,077,833	\$ 1,985,261	\$ 1,885,223	\$ 1,875,205
Contributions - member	1,383,698	1,243,377	1,168,071	1,175,997	1,095,707	1,046,834	1,053,668	996,630	969,654
Net investment income	(9,870,929)	14,383,206	3,598,744	1,616,108	5,428,909	6,758,473	4,945,320	543,034	5,281,062
Benefit payments, including refunds of employee contributions	(6,400,334)	(5,605,035)	(5,148,171)	(4,779,811)	(4,206,950)	(4,063,665)	(4,247,332)	(3,475,609)	(2,450,190)
Transfers among employers	190,625	(316,252)	34,448	(289,983)	231,352	(91,916)	(95,878)	231,807	50,891
Net change in plan fiduciary net position	(11,774,466)	12,346,902	2,021,611	42,646	4,697,167	5,727,559	3,641,039	181,085	5,726,622
Plan net position - beginning	78,135,153	65,788,251	63,766,640	63,723,994	59,026,827	53,299,268	49,658,229	49,477,144	43,791,168
Plan net position - ending (b)	\$ 66,360,687	\$ 78,135,153	\$ 65,788,251	\$ 63,766,640	\$ 63,723,994	\$ 59,026,827	\$ 53,299,268	\$ 49,658,229	\$ 49,517,790
Net pension liability (a) - (b)	\$ 46,600,892	\$ 30,180,849	\$ 34,305,786	\$ 29,385,209	\$ 24,916,501	\$ 23,606,861	\$ 26,570,028	\$ 23,102,139	\$ 18,437,885
Plan fiduciary net position as a percentage of the total pension liability	58.75%	72.14%	65.73%	68.45%	71.89%	71.43%	66.73%	68.25%	72.87%
Covered-employee payroll	\$ 19,156,881	\$ 19,124,530	\$ 20,596,640	\$ 18,626,224	\$ 18,308,059	\$ 18,412,041	\$ 17,595,089	\$ 17,534,690	\$ 17,329,276
Net pension liability as a percentage of covered-employee payroll	243.26%	157.81%	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 which information is available.

See notes to required supplementary information.

City of Pelham, Alabama
Schedule of Employer Contributions - Pension
For the Last Nine Years Ended September 30,

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 3,135,296	\$ 2,818,232	\$ 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	3,135,296	2,818,232	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-employee payroll	\$ 20,173,228	\$ 19,156,881	\$ 19,156,881	\$ 20,596,640	\$ 18,626,224	\$ 18,308,059	\$ 18,412,041	\$ 17,595,089	\$ 17,534,690

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 which information is available.

See notes to required supplementary information.

City of Pelham, Alabama
Schedule of Changes in Net OPEB Liability and Related Ratios
For the Last Six Years Ended September 30,

Total OPEB Liability	2023	2022	2021	2020	2019	2018
Service cost	\$ 271,835	\$ 346,705	\$ 363,357	\$ 162,087	\$ 156,525	\$ 166,076
Interest	561,064	462,501	439,248	420,081	527,724	481,191
Differences between expected and actual experience	862,179	(4,141,119)	1,393,917	3,117,208	354,745	347,114
Changes in assumptions	(109,590)	(3,212,841)	301,765	1,121,850	2,866,732	(911,419)
Benefit payments	(1,010,081)	(1,010,081)	(714,151)	(762,395)	(713,933)	(713,933)
Net change in total OPEB liability	575,407	(7,554,835)	1,784,136	4,058,831	3,191,793	(630,971)
Total OPEB liability - beginning of year	14,461,861	22,016,696	20,232,560	16,173,729	12,981,936	13,612,907
Total OPEB liability - end of year	<u>\$ 15,037,268</u>	<u>\$ 14,461,861</u>	<u>\$ 22,016,696</u>	<u>\$ 20,232,560</u>	<u>\$ 16,173,729</u>	<u>\$ 12,981,936</u>
Covered-employee payroll	<u>\$ 18,523,244</u>	<u>\$ 17,551,196</u>	<u>\$ 18,452,726</u>	<u>\$ 17,743,006</u>	<u>\$ 17,755,828</u>	<u>\$ 17,072,911</u>
Net OPEB liability as a percentage of covered payroll	<u>81.18%</u>	<u>82.40%</u>	<u>119.31%</u>	<u>114.03%</u>	<u>91.09%</u>	<u>76.04%</u>

Notes to Schedule:

Benefit changes	None	None	None	None	None	None
Changes of assumptions	None	None	None	None	None	None
Discount rate	4.09%	4.02%	2.15%	2.21%	2.66%	4.18%
Mortality	RP-2000	RP-2000	RP-2000	RP-2000	RP-2000	RP-2000
Trend	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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 which information is available.

See notes to required supplementary information.

City of Pelham, Alabama
Notes to Required Supplementary Information
September 30, 2023

1. 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.

Budgets are prepared and adopted in conformity with accounting principles generally accepted in the United States of America. Reported budget amounts are as originally adopted or as amended by the Council by resolution. Actual amounts are reported in accordance with accounting principles generally accepted in the United States of America.

Revenues are budgeted by source. Expenditures are budgeted by department and class as listed in the Budgetary Comparison Schedule – General Fund. This constitutes the legal level of control. Expenditures may exceed budgetary appropriations only with prior Council approval.

Excess of Expenditures Over Appropriations in Individual Funds

The budget to actual comparison for the General Fund on page 60 reflects most departments are spending within budgeted limits. The City amends its budget each month as necessary.

2. 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 2023 were based on the September 30, 2020 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2022 to September 30, 2023:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	21.5 years
Asset valuation method	Five-year smoothed market
Inflation	2.75%
Salary increases	3.25 - 5.00%, including inflation
Investment rate of return	7.70% of net pension plan investment expense, including inflation

City of Pelham, Alabama
Notes to Required Supplementary Information
September 30, 2023

3. Summary of Significant OPEB Plan Practices

Methods and assumptions used to determine contribution rates for the period October 1, 2022 to September 30, 2023 consisted of the following:

Valuation Date	10/1/2022
Actuarial cost method	Actuarially determined contributions are calculated as of the last day of the fiscal year in which contributions are reported
Amortization method	Individual Entry Age Normal
Amortization period	Level dollar, open
Asset valuation method	30 years
Inflation	Market value
Healthcare trend	2.50% annually
Salary increases	Zero trend; flat cap of \$1,100 monthly single and \$1,850 family applies
Discount rate	4.00% annually
Retirement Age	4.02% annually (Beginning of Year to Determine ADC)
	4.09% annually (As of End of Year Measurement Date)
	Attainment of age 55 and 25 years of service; attainment of age 60 and 10 years of service; at least 10 years of continuous employment with the City of Pelham required
Mortality	SOA RP-2000 Table

FEDERAL AWARD PROGRAMS



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of The City of Pelham, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise The City of Pelham's basic financial statements, and have issued our report thereon dated March 5, 2024.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The City of Pelham's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material

effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Fruitt Tingle Paramore & Argent, LLC

Birmingham, Alabama

March 5, 2024



**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH THE REQUIREMENTS FOR AN
ALTERNATIVE COMPLIANCE EXAMINATION FOR RECIPIENTS OF CORONAVIRUS STATE AND LOCAL
FISCAL RECOVERY FUNDS AND INTERNAL CONTROL OVER THE SPECIFIED REQUIREMENTS IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have examined the City of Pelham, Alabama's (hereinafter "City") compliance with the compliance requirements "activities allowed or unallowed" and "allowable cost/cost principles" (the specified requirements) as described in Part IV "Requirements for an Alternative Compliance Examination Engagement for Recipients That Would Otherwise be Required to Undergo a Single Audit or Program-Specific Audit as a Result of Receiving Coronavirus State and Local Fiscal Recovery Funds" of the CSLFRF section of the 2022 OMB Compliance Supplement, including Addendum 1 and Addendum 2 (referred to herein as "Requirements for an Alternative CSLFRF Compliance Examination Engagement") during the year ended September 30, 2023. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA; the standards applicable to attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the "Requirements for an Alternative CSLFRF Compliance Examination Engagement." Those standards and requirements require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the City's compliance with the specified requirements.

In our opinion, the City complied, in all material respects, with the specified requirements referenced above during the year ended September 30, 2023.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud, and noncompliance with provisions of laws, regulations, contracts or grant agreements that have a material effect on the City's compliance with the specified requirements and any other instances that warrant the attention of those charged with governance. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on the City's compliance with the specified requirements and not for the purpose of expressing an opinion on the internal control over the specified requirements or on compliance and other matters; accordingly, we express no such opinions. The results of our tests disclosed no matters that are required to be reported under Government Auditing Standards.

Intended Purpose

The purpose of this examination report is solely to express an opinion on whether the City complied, in all material respects with the specified requirements referenced above during the year ended September 30, 2023. Accordingly, this report is not suitable for any other purpose.

Fruitt Fingle Paramore & Argent, LLC

Birmingham, Alabama

March 5, 2024

City of Pelham, Alabama
Schedule of Audit Results and Findings and Questioned Costs
September 30, 2023

Summary of Auditors' Examination Results

1. The auditors' report expresses an unmodified opinion on whether the financial statements of the City of Pelham, Alabama were prepared in accordance with GAAP.
2. There were no material weaknesses in internal control over financial reporting identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the City of Pelham, Alabama which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No material weaknesses in internal control over specified requirements.
5. The program tested as a major program is the Coronavirus State and Local Fiscal Recovery Funds (CFDA number 21.027).

Financial Statement Findings

There were no financial statement findings required to be reported in accordance with *Government Auditing Standards*.

Findings and Questioned Costs – Uniform Guidance

The requirements of the Uniform Guidance are not applicable.

Findings and Questioned Costs – Alternative Compliance Examination

There were no financial statement findings required to be reported in accordance with the alternative compliance examination.

Corrective Action Plan

There are no findings requiring a corrective action plan.

SUPPLEMENTARY INFORMATION

City of Pelham, Alabama
 Assessed Value of Taxable Property (Unaudited)
 For the year ended September 30, 2023

	Property Assessed Value (after exemptions)	Motor Vehicles	Total
2023	\$ 591,220,660	\$ 83,904,279	\$ 675,124,939
2022	\$ 534,734,360	\$ 70,950,779	\$ 605,685,139
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

See independent auditors' report

City of Pelham, Alabama
 Gross Receipts and Use Tax Receipts (Unaudited)
 For the Year Ended September 30, 2023

	Gross Receipts				
	Tax	Use Tax			
2023	\$ 34,747,824	\$ 2,625,478	\$	\$	37,373,302
2022	\$ 33,424,124	\$ 2,432,790	\$	\$	35,856,914
2021	\$ 30,044,648	\$ 2,028,892	\$	\$	32,073,540

See independent auditors' report

City of Pelham, Alabama
Business License Receipts (Unaudited)
September 30, 2023

	Business License Receipts
2023	\$ 5,116,488
2022	\$ 4,816,233
2021	\$ 4,488,011

See independent auditors' report

City of Pelham, Alabama
Fourteen Mill Ad Valorem Tax Receipts (Unaudited)
For the Year Ended September 30, 2023

	Fourteen Mill Ad Valorem Tax Receipts
2023	\$ 7,211,623
2022	\$ 6,584,794
2021	\$ 6,300,673

See independent auditors' report